

PI SIGMA ALPHA

R E V I E W

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Beta Mu Chapter*

Brigham Young University

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Telecommunications Privatization in Mexico

by Kevin R. Hanson

On December 20, 1990 the government of Mexico sold its majority holding in Telefonos de Mexico (Telmex), the nation's monopoly telephone company. A consortium of a Mexican coalition, Grupo Carso, and telecom giants Southwestern Bell and France Telecom paid a total of US\$1.76 billion for majority ownership and operating control, or 20.4 percent of preferred stock. The remaining 30.6 percent was sold in tranches to various groups, including employees, for another US\$4.4 billion. The total sale, to date, has amassed over US\$6 billion dollars for the Mexican treasury. This sale is widely regarded as "one of the greatest success stories of the privatization revolution" (Galal et al 1994, 417). As such, it merits closer examination. However, in order to understand what made this sale such a success, it is first necessary to examine the larger forces which brought it about.

The privatization revolution can be traced to the convergence of two global transitions which had significant impact on the developing world. The first transition is the larger economic and political transitions which have swept the globe since the early 1980s. Some of these transitions have received a great deal of attention: the fall of the Berlin Wall, the reunification of Germany, and the collapse of the Soviet Union, for example. Elements of this transition receiving less attention, but which are no less significant, include the adoption of democracy and more liberal economic policies in much of Southern Europe, Latin America, and Asia. Howard Wiarda calls these transitions the "quiet revolution" (1995, vii). Second, Petrazzini argues that "among the public services and state industries that are being restructured in most developing nations, one has emerged as the spearhead and show case of a broader reform program: the telecommunications sector" (1995, 1). The privatization of Telmex is the direct result of these larger transitions. First, Mexico's experience with liberal economic and democratic transition led to the privatization of nationalized industries. Furthermore, the telecommunications industry experienced a parallel transition toward competition and

modernization. The sale of Telmex represents the culmination of both of these transitions.

LIBERAL ECONOMIC TRANSITION

According to the theory of hegemonic stability, order is established by a single dominant power, or hegemon. This hegemon imposes its economic and political vision on the world (Keohane 1984, 31; see also Gilpin, 1981). After World War II, the United States was the world hegemon. Uncontested economically and politically, the U.S. set out to transform the world into a liberal/democratic reflection of itself. The rise of the Soviet Union limited U.S. dominance somewhat, but only in the sense of breadth; within its domain, the U.S. was still the hegemon.

Within the realm of political economy, Keohane argues hegemony is based on economic dominance. He states that "hegemonic powers must have control over raw materials, control over sources of capital, control over markets, and competitive advantages in the production of highly valued goods" (Keohane 1984, 32). Since the mid 1960s, the US has had less control over these four determinants of hegemonic power. As American dominance has lessened, so has its dominance of the world. While Keohane goes on to argue (indeed it is the central point of his book) that a hegemon is not necessary for global stability; however, a hegemon's decline is inherently felt throughout its sphere of influence.

Signs of declining hegemony can be seen as early as the mid-1960s. Comparative advantage was the first area of dominance to decline. The economic climate solidified after World War II was "an economic arrangement that depended on a productivity pact among the welfare state, the corporate sector, and labor unions in which production and productivity expanded to the benefit of all parties involved. . . . With a balance between expanding mass production and mass consumption, unemployment remained below 4 percent, and the gross national product (GNP) grew at a rate of 5 percent annually" (Otero 1996, 4). A crisis of productivity emerged as other

industrialized nations began to rival the levels of productivity once achieved only in the United States.

This challenge to American dominance in comparative advantage did not result in an initial change in U.S. commitment to liberal economic policies. However, when combined with the oil crisis of 1973, this commitment began to weaken. The oil crisis provides an excellent example of the decline of American dominance over raw materials. The well-documented OPEC embargo placed, for the first time, serious constraints on American access to essential production materials. Dependence on foreign oil forced U.S. firms to pay dramatically inflated rates, which in turn led to an increase in production costs. Because all other industrialized western nations were also affected, a period of intensified international competition ensued. The United States, "strongly supportive of expanded trade relations prior to 1970, now became increasingly protectionist, and the liberal trading environment of the pre-1970 period began to wane" (Teichman 1995, 5).

The oil crisis had the additional effect of lessening U.S. control over sources of capital. The dramatic increase in OPEC profits flooded the capital market with "petrodollars." Commercial banks aggressively sought borrowers. Less developed countries (LDCs) were prime targets because they seeking to expand their economies through import substitution industrialization models or to take advantage of inflated oil prices by increasing their own production (Teichman 1995, 6). Combined with increasing costs, additional debt became a burden too heavy for LDCs to bear when interest rates rose dramatically in 1981. The increase in balance of payments brought on the now infamous debt crisis of the 1980s (Haggard and Kaufman 1995, 285).

The decline of American hegemony during the 1960s and 1970s contributed to the transformation of the global economic environment in the 1980s. For Latin America, and most of the developing world, it also contributed to a dramatic debt crisis. It is this crisis that ultimately brought about the onset of their economic transformation. As LDC ability to repay commercial loans diminished and many approached default, international institutions such as the IMF and the World Bank became the last available

resource. This position of power allowed these creditors to exercise significant control over the terms of credit extension. Judith Teichman makes this point when discussing the IMF's impact in Latin America. She argues that "when [Latin America's] only resource was the IMF, the resultant reschedulings and new loans overseen by that organization entailed a variety of economic policy conditions. These conditions, which reflected current economic thinking, strongly encouraged, if they did not dictate, policies conducive to economic liberalization" (1995, 6). The goal of reducing state intervention and returning to a reliance on market forces brought pressure on indebted LDCs to privatize and deregulate national industries.

A widely held perception of inefficient nationalized industries fueled the privatization movement. Teichman claims that "the trade restricting import-substitution industrialization policies. . . were seen as responsible for the decline in economic activity in [Latin America] and, it was argued, should therefore be replaced by freer economic policies." (Teichman 1995, 7). As the magnitude of the crisis became apparent during the mid-1980s, both IMF and World Bank policies reflected this belief. Indeed, third world debtors were required to follow policies of state reduction and increased reliance on the private sector.

As these policies were implemented, both agencies seemed to be initially pleased with the privatization of peripheral organizations, while allowing core companies to remain in state hands. However, the Brady Plan, "announced by U.S. Treasury Secretary Nicolas Brady in March 1989, went considerably further, pledging to grant debt relief to countries that implemented market-oriented reform to promote growth. Striking a deal involved privatization of core sectors" (Teichman 1995, 8). Noted privatization expert Ramamurti attributes the aggressive drives toward privatization after 1989 in Argentina, Mexico, and Venezuela to the Brady Plan (1996, 82).

This dramatic change in economic emphasis can be attributed to diminished comparative advantage and the oil crisis of the 1970s and their impact on U.S. hegemony relative to Keohane's definition. While these are limited examples of an extremely large phenomenon, they demonstrate the

decline of American dominance and that the effects of the ensuing transformation were felt throughout the developing world, particularly in Latin America. Furthermore, these examples demonstrate that the Latin American economic crisis of the 1980s can be attributed to the decline in U.S. hegemony.

DEMOCRATIC TRANSITION

The Latin American economic crisis of the 1980s, in turn, led to an equally dramatic political upheaval. Wiarda points out that there has been a miraculous transformation in Latin America. In 1977, fourteen of twenty countries in this hemisphere had authoritarian governments. As of 1995, nineteen now have "more or less" democratic governments (Wiarda 1995, vii). Haggard and Kaufman argue that both political and economic causes must be examined simultaneously (1995, 4). In other words, a political economy of democratic transition must be established.

Haggard and Kaufman's argument of a political economy of democratic transition is based on three key premises: first, the socio-economic structure of a nation directly impacts political alignments; second, the economic performance of the political regime impacts satisfaction among key support groups; and third, political/economic interests are inseparable from socio-political institutions. This is crucial to understanding their argument that failure by the existing regime to react in a timely and adequate way to economic crises leads directly to the destabilization, and ultimately, the replacement of their government (Haggard and Kaufman 1995, 6-7). Therefore, given the tumultuous nature of the economic crisis facing the developing world, it is not surprising that many of the governments in power suffered a loss of support and were ultimately replaced.

In summary, through the larger theories of Keohane and Haggard and Kaufman, it can be seen that the political economy of Latin America has been dramatically altered since the late 1960s. The decline in U.S. hegemony contributed to the changed economic environment and to an unsustainable level of debt. The ensuing balance-of-payments crisis, in turn, led to a broader economic crisis when coupled with dramatic increases in interest rates in 1981. These difficult economic

times resulted in the destabilization of many authoritarian regimes in Latin America, that were ultimately replaced by more democratic governments.

LIBERAL/DEMOCRATIC TRANSITION IN MEXICO

The liberal/democratic transition in Mexico is an important example of such revolutions. Although Mexico shares many similarities with the overall liberal economic and political transition experienced throughout the developing world, and especially within Latin America, its distinct political apparatus requires closer examination. Unlike many nations in the region, Mexico was not under military, authoritarian, or communist rule prior to the debt crisis of 1981. Mexico has had democratic rule since its revolution in 1920; however, the dominance of the Institutional Revolutionary Party (PRI) can only be described as "democratic-authoritarianism." Democratic institutions exist (i.e. political parties and elections) but are severely limited by PRI dominance (Otero 1996, 10; see also Teichman, 1995).

Such dominant party systems, while equally affected by crises, respond differently. Haggard and Kaufman explain that "the most distinctive feature of dominant-party regimes . . . is their political resiliency in the face of both economic downturns and periods of growth. Because they possess greater political resources for the management of political conflict, they are more likely to persist through economic crisis" (1995, 13). Two reasons why they are able to maintain power are, first, such a system provides the necessary independence to initiate unpopular measures, and, second, it provides means for building organized support mechanisms (Haggard and Kaufman 1995, 284). Due to the PRI's ability to consolidate power and organize support, it was not replaced as were other Latin governments. However, significant economic and political change resulted from this crisis.

Ironically, it is the nature of Mexico's dominant-party system which exacerbated its economic crisis and resulted in lost political power. A crisis of legitimacy surfaced with the unusually brutal suppression of the Tlatelolco Square student rebellion in Mexico City in 1968. The reconciliatory attempts of successive presidents Echeverria and Lopez Portillo ulti-

mately led to a deepening of the impending economic crisis. These successive presidents initiated, among other reactions, rural land reform, a dramatic increase in government spending on health and education, nationalization of the banking industry (1982), and a substantial increase in public investment and in the size of the public enterprise sector (Haggard and Kaufman 1995, 284; see also Teichman, 1995).

In an attempt to lessen reliance on external debt to fund these programs, the PRI proposed tax reforms in the early 1970s. However, the powerful, rightist private sector successfully blocked the effort, forcing the government to rely on foreign borrowing and an inflation tax. Several scholars have pointed out that "this road led directly to high deficits, inflation, and a balance-of-payments crisis in 1975-76. . . . by the end of the decade, the economy was highly vulnerable to the external shocks that hit all of the developing world: the sharp rise in interest rates, the collapse of commercial lending, and for oil producers, the sharp fall of oil prices" (Haggard and Kaufman 1995, 285). External shocks did hit Mexico, and the PRI faced a significant economic and political crisis.

Three features of the dominant-party regime allowed the PRI to react effectively to this crisis. First, flexibility associated with the powerful presidency allowed for strong, and timely, reaction. Second, the core of technocrats within the Bank of Mexico and the Finance Ministry facilitated movement toward neo-liberal reform. Third, corporatist control over unions allowed control of wage restraint, plant closing, and privatization (Haggard and Kaufman 1995, 286-7). These factors allowed the external debt to be rescheduled and thereby reduced nearly in half between 1982 and 1985 (See Appendix 1). It also allowed President de la Madrid to normalize tense relations with the IMF in 1985-6 and enter GATT negotiations in 1987. The following year, trade liberalization continued to increase with the virtual elimination of quantitative restrictions and the dramatic reduction of the average tariff. As the de la Madrid presidency came to a close, the heavy inflation of the 1980s was brought into check, reduced from highs of 160 percent in 1987 to under 30 percent in 1988 (Otero 1996, 9). The crowning accomplishment of this recovery was the 1989 admission of Mexico into NAFTA negotiations with

the U.S. and Canada, a step widely seen as both confirming and consolidating the enacted measures.

In spite of the successful reaction to economic crisis, there was some political fallout. In conformity with Haggard and Kaufman's overriding theory of democratization, the PRI did suffer a considerable loss of political dominance. However, their dominant-party control did allow the government to remain in office where there might otherwise have been a transition similar to those seen throughout much of Latin America. Perhaps the most visible demonstration of this decrease in power was the growth of opposition parties, especially the National Action Party (PAN). For the first time since the revolution, a party other than the PRI won a governorship and was allowed to take office (Haggard and Kaufman 1995, 302). PAN won three governorships in rural states between 1988 and 1992. Furthermore, Cuauhtemoc Cardenas, the son of the popular president Lazaro Cardenas, waged a substantial challenge to the PRI candidate, Carlos Salinas de Gortari, in the 1988 presidential elections. Salinas won only 50.7 percent of the popular vote, the lowest total in PRI history (See Appendix 2), even with the benefit of gross electoral fraud (Haggard and Kaufman 1995, 302; Teichman 1995, 175).

This political crisis forced two reactions from the PRI and Salinas. First, the creation of PRONASOL (National Solidarity), an organization designed to link the government to the urban and rural poor. Local committees were created which joined with regional representatives appointed by the president to create and fund local development projects. The goal was to offset some of the political pressure caused by the unequal distribution of wealth and resources throughout the nation. PRONASOL had the added advantage of serving as a political counterweight to the old-guard politicians within the PRI who were not supportive of some of the reform measures (Haggard and Kaufman 1995, 300). Second, constitutional amendments were passed in 1990 and 1993 which created new opportunities for opposition parties to gain representatives in the legislature and at state and local levels. These amendments reduced the ability of the PRI to dominate and manipulate the electoral process, a mainstay of its political control. Perhaps the most signifi-

cant aspect of these amendments is that they were passed with support of PAN (Haggard and Kaufman 1995, 300).

Political changes clearly took place in Mexico as a result of the economic crisis in the developing world. The after shocks of the American decline were felt strongly from the mid 1970s until the late 1980s. However, the nature of the Mexico's dominant-party democracy provided a resiliency that mitigated the type of political transition seen in other Latin American nations.

PRIVATIZATION IN MEXICO

In spite of the resiliency of Mexico's dominant-party democracy in the face of economic and political crisis, there were significant changes in long-held policies. One of the most scrutinized policies was the prevalence of nationalized industries. As a debtor nation reliant on international credit institutions, Mexico came under increasing pressure to privatize their huge number of state-owned companies (Waterbury 1990, 313) (See Appendix 3).

Movement toward privatization began in 1982 under President de la Madrid. While there was considerable resistance from many sectors of both state enterprises and government, the pace of divestiture increased as government control was consolidated under the successive presidencies of de la Madrid and Salinas. Part of the necessary political consolidation was achieved by a prudent approach to divestiture. Due to the delicate nature of privatization, only non-core industries were initially sold, closed, or reorganized. President de la Madrid announced in early 1982 "that while state ownership was 'under review,' the state would withdraw only from 'small and medium enterprises [with] scarce influence' on the behavior of productive branches" (Teichman 1995, 131). In this first phase of privatization, the pace was slow and methodical. However in 1983 and 1984, the pace quickened. Over one hundred state companies were shed. The companies sold were rarely of a nature that would cause public discomfort. Paper companies and food processing firms, for example, were sold without widespread consternation. The most important sales during this phase were of the automotive companies Renault of Mexico and Vehiculos Automotores Mexicanos.

Building on the success of these larger sales, the government undertook a more ambitious second stage of privatization during 1985 and 1986. While the pace of divestiture was increased, the policy of affecting only non-core industries remained in place. Over eighty-two companies were either sold, liquidated, or transferred. These companies were in non-core areas of domestic products such as paper, cement, auto parts, secondary petrochemicals industries, electro-mechanical products, and mining metallurgy. By the end of the de la Madrid administration in 1986, 706 companies had been divested (Teichman 1995, 135). Furthermore, this stage of privatization demonstrated a serious, long-term commitment to liberal economic reform.

The third and fourth stages of privatization, however, marked an ambitious divergence from the previous two. Stages one and two were politically cautious, always careful to avoid an industry or company that might be sensitive to national pride, union dominance, or public services. Beginning in stage three, these more sensitive firms were longer avoided. The opening of this stage was marked by the 1986 closure of Fundidora Monterrey, the nation's largest steel mill. This era ended in late 1989 with the decision of the Salinas administration to privatize all state enterprises in areas not specifically mentioned in the constitution as 'strategic' (Teichman 1995, 132).

With the continued political consolidation of the Salinas administration, the fourth stage took on the most difficult battles. In late 1989, "the economic cabinet agreed to divest of all public enterprises in sectors not specifically named in the Constitution. . . . That is, the state would [only] retain PEMEX (petroleum), CFE (electrical energy), FER-RONALES (railways), and the Central Bank, along with agencies involved in mail delivery, radio telegraph, and communications via satellite" (Teichman 1989, 136). The first and largest victory in the fourth stage was the sale of the national telephone company, Telmex (Galal et al. 1994, 417).

The privatization of Telmex was the crowning accomplishment of the economic and political transitions that swept Mexico. It was not undertaken quickly or without precedent. Rather, this \$6.2 billion sale represents a serious commitment to liberal economic policies. The transition from a

closed- to an open-market economy did not come quickly or easily. The decline of the United States economic hegemony created a severe crisis that caused both political and economic realignment. It is this realignment that brought about the policy of privatization and that led to the sale of Telmex.

THEORY OF THE TELECOMMUNICATIONS PRIVATIZATION

Like the world of political economy, the world of telecommunications underwent a dramatic transformation. Just as the developing world was forced to reexamine its commitment to nationalized industries, so too was the telecom arrangement in most LDCs brought under scrutiny by the changed global climate. Therefore, in order to understand the importance of the Telmex privatization, some exposure to the theoretical premises of telecommunications privatization is necessary.

Peter Cowhey is perhaps the leading scholar on telecom in Latin America. He argues that there are six basic models of telecommunications organization: Scarcity, Cash Cow, Monopoly Modernization, Boutique, Full Competition, and Global Communications. Each is characterized by respectively declining levels of government involvement coupled with increasing market control and private ownership (Cowhey and Aronson 1989, 36). Cash Cow, Monopoly Modernization, and Boutique models will be examined as they are most applicable to this discussion.

Until 1990, Mexico operated under a Cash Cow Model (CCM). In a CCM, the government owns and operates the entire, or the vast majority, of the telecommunications system. Domestic and international services are often separated into distinct companies, each owned by the state. Services are usually limited. Beyond favoring elite industries, government, and the military, urban customers are given priority over rural or remote users. The rationale given is basic economics; extending lines to rural and remote locations requires large capital outlays with proportionally little return. Whereas, expanding urban services requires significantly less overhead with a comparably tremendous return via economies of scale. Therefore, "to the extent that it is politically feasible, most carriers try to reallocate their investments to more profitable [sectors]" (Cowhey and Aronson 1989, 8). One advantage to

users is that CCMs traditionally keep local usage prices low, mostly for political reasons; unfortunately, this is not the case with long-distance or international rates.

Politics is involved on another level in the Cash Cow Model. The CCM's "most striking characteristic is that service suppliers are not allowed to retain and reinvest the bulk of their profits. The national treasury views telecommunications as a cash cow that is milked for funds to invest elsewhere" (Cowhey and Aronson 1989, 8; see also Straubhaar, 1995). Ramamurti states that in Mexico, the government received up to 42 percent of annual profits during the 1980s (1996, 73). Many developing countries see this advantage and rely heavily on the Cash Cow Model. However, the pressures of this dynamic industry make a CCM difficult to maintain over time. These pressures push LDCs to consider Cowhey's next level of organization, the Monopoly Modernization Model (MMM).

As the name suggests, an MMM is not an attempt to privatize, or dramatically change, the existing system. Rather it is an attempt to modernize the state-dominated system in such a way as to promote additional services, provide uniform technologies, and encourage national development. A key ingredient is an emphasis on national development through telecommunications. Eventually, "governments and their leaders come to view telecommunications more as a means to promote development and modernization [more so] than as a captive cash cow. . . . Countries shifting toward MMM recognize that communications services are far too important to permit the old system to continue" (Cowhey and Aronson 1989, 11). Like the CCM, the MMM has a natural life span. Monopolies cannot keep pace in a competitive global marketplace over time.

Once again, pressure pushes the developing nation to the next level of organization: the Boutique Model (BM). The underlying premise of this model is that as telecom services become increasingly specialized, increasingly specialized providers are required. The main difference between Monopoly Modernization and the Boutique Model is the presumption of competition. In an MMM, the existence of competition is a bargained exception to the normal operation of the system. In

a BM environment, "the issue is not whether there should be competition, but how much and in which market segments" (Cowhey and Aronson 1989, 15). Furthermore, competition is viewed within the BM as a vehicle to promote innovation and modernization. The injection of competitors and market forces is intended to transform telecom companies into efficient competitors able to adapt to customer and industry demands. Competition is seen as a means of transforming suppliers into efficient entities. Unfortunately, "a government cannot guarantee success simply by instructing the monopoly telephone company to change its ways. Transforming the dominant telephone company [requires] greater competition" (Cowhey and Aronson 1989, 15).

Foreign corporations are generally the principle source of competition. Foreign expertise, experience, and money are integral parts of the Boutique Model. Indeed, often when desired services are not available through domestic providers, foreign firms are relied upon to fill the gap. (Cowhey and Aronson 1989, 36). Perhaps the greatest asset of a BM over the previous two models is a greater prevalence of investment funds. A BM encourages telecoms to reinvest profits in the expansion of the national and international network of services. Competition demands that all companies involved reinvest or suffer the consequences of becoming uncompetitive (Cowhey and Aronson 1989, 36; Straubhaar, 1995). A last important note on the boutique model is that there are several distinct levels of competition before reaching an environment of full competition. The extent to which the state is involved in local and long-distance telephone service can range from limited private ownership of the state-dominated provider to complete privatization. The entire range falls under this model. This model is as far as most LDCs will go in the foreseeable future, therefore the Full Competition and Global Competition models will not be discussed.

The ground work is now complete. Macro issues of global and Mexican liberal/democratic transition, privatization in Mexico, and the theory behind telecommunications privatization have all been discussed. These discussions provide the foundation necessary to more fully understand the privatization of telecommunications in Mexico.

TELECOMMUNICATIONS PRIVATIZATION IN MEXICO

As part of the fourth stage of privatization under Presidents de la Madrid and Salinas, it was announced in September of 1989 that Telmex would be sold. Telmex had been the monopoly supplier of all telecommunications in Mexico since its establishment in 1948. It was created from a merger of two existing companies, both foreign owned: Telefonos Ericsson, a subsidiary of L.M. Ericsson of Sweden, and Compania Telefonica Mexicana, a subsidiary of ITT of the United States. The Mexican government became the majority shareholder of Telmex in 1958, and gained control of 51 percent of corporate equity in 1972, thereby assuming control of the company and nationalizing it. The remaining 49 percent remained in private control and continued to trade on both the Mexican stock exchange and the NASDAQ network (Perez de Mendoza 1989, 91).

Given the preceding discussion, it may seem obvious why Telmex would be privatized. However, Ramamurti argues that it may not have been a natural target for the government auction block. By Latin American standards, Telmex was one of the most productive, well run telecoms. Because of private roots and continued partial private ownership, it had a tradition of business-like behavior and strong accountability to shareholders. During the period of state ownership, "Telmex was always profitable and always paid dividends. From 1985 to 1989, return on sales averaged 23.6 percent and return on equity 12.8 percent. The government's pricing policies were, in fact, designed to yield a 12 percent return on capital" (Ramamurti 1996, 75). Also, as mentioned above, it supplied substantial revenues to the national treasury. Therefore, it is not unreasonable to ask, why privatize?

The reasons for privatization are many. First, Telmex suffered from the inherent ills of the Cash Cow Model. Profits were not reinvested and expansion was weak. Although Mexico had comparable service to both Korea and Spain in 1965, these nations have experienced considerable expansion to roughly 30 lines per 100 people. Mexico, on the other hand, has floundered by comparison and remains at under 10 lines per 100 people. In 1989, eighteen of the thirty countries in the Western Hemisphere provided more telephone access to its cit-

izens than Mexico (see Appendix 4). Customers traditionally waited several years for telephone installation. In fact, by 1989 over one million people were on waiting lists for service (Szekely 1995, 41). Therefore, the government “argued that privatization would enable Telmex to expand faster while modernizing its network and services” (Ramamurti 1996, 78).

In an effort to show that they were serious about improving service and expanding the network, two days after announcing the privatization, the Secretariat of Communications and Transport announced that the future owners would be required to meet the following ambitious standards:

- the number of lines in service were to be expanded at a minimum rate of 12 percent per annum until 1994; by 2000, telephone density was to increase to ten lines per 100 population, compared to five lines per 100 population in 1989.
- all towns with a population of 500 or more were to have telephone service by the end of 1994.
- the number of public telephones was to be increased from 0.8 per 1,000 persons to 2 per 1,000 persons in 1994 and 5 per 1,000 in 1998.
- in towns with automatic exchanges, waiting time for a new connection was to be six months by 1995 and one month by 2000.
- the quality of service to be improved as stipulated (see Appendix 6) (Szekely 1995, 50; see also Ramamurti, 1996).

Meeting these standards was a requirement to maintaining monopoly status.

A second reason to privatize is that as a typical CCM, political pressures kept Telmex from reinvesting its profits. Throughout the 1970s and 1980s, reinvestment levels only allowed for an annual network expansion of six percent,

far lower than the standard of 12 percent set for the 1990s. By 1989, “more than half the telephone tax was diverted to the treasury for general expenses, so that telephone users were financing government programs in other sectors” (Ramamurti 1996, 75). It was hoped that the separation of direct government control coupled with the threat of forthcoming competition would provide necessary incentive to redirect profits to expansion and modernization.

Another strong reason to sell Telmex was the desire of the Salinas administration to reduce budget deficits, and maintain those levels once realized (see Appendix 1). Privatizing Telmex helped to achieve both goals. First, to maintain the stated goal of network expansion at a yearly pace of 12 percent would require an outlay of U.S.\$2-2.5 billion—annually. The government did not feel that it could finance this level of investment, neither did it feel that the company could raise those funds internally or through its own credit (Ramamurti 1996, 78). Conveniently, one of the principle goals of most privatization is to raise funds for the national treasury (Straubhaar 1995, 19). Mexico saw a significant opportunity to do just that, with the additional advantage of not increasing its debt. When Telmex was sold in December of 1990, it fetched U.S.\$1.76 billion for the treasury alone. The combined revenues from the previous 723 privatizations only raised U.S.\$471.2 million. In other words, in only the initial offering, Telmex alone raised nearly four times the revenue of all other privatization efforts (Ramamurti 1996, 72).

It would seem, then, that the decision to privatize was a sound one. As the privatization went forward, several ideas which conform with Haggard and Kaufman’s model of the political economy of democratic transition came into play. The first such idea is the consolidation of presidential power. As the privatization effort became entrenched during the 1980s, ideology came to play a significant role. With the appointment of pro-liberal-transition technocrats in strategic positions under the successive presidencies of de la Madrid and Salinas, the move in many ways became inevitable. Salinas was adamant that “Mexico had to transform itself from an inward-looking, state-dominated, protected economy to an outward-looking, privatized, open economy that would take

advantage of its location next to a large, rich neighbor" (Ramamurti 1996, 77).

Haggard and Kaufman were adamant that presidential power alone was insufficient to make the changes necessary to maintain power in times of crisis. It was essential that those who benefited from the existing system be appeased. One of the principle beneficiaries under the government's administration of Telmex was labor. Unions naturally fear privatization because of the possibility of dramatic losses of jobs, sharp decline in pay scales, and loss of influence. Telmex employees were among the best paid in the nation and their work force had consistently expanded by eight percent during the 1980s. The Telephone Worker's Union (STRM) was very involved in the internal workings of the company, and exerted a great deal of influence on decisions. Furthermore, they recognized that a change in ownership could destroy this relationship (Ramamurti, 1996). The key in winning STRM cooperation was presidential power. Salinas became personally involved, and secured support through a "carrot-and-stick offer." The agreement consisted of three main points: first, a promise that no jobs would be lost once ownership changed hands; second, employees would be allowed to buy a substantial amount of shares with the support of a government-backed loan; third, the privatization would happen even without their cooperation (Ramamurti 1996, 79-80). The first two concessions are not uncommon. The threat of overwhelming the union is a direct reflection of the type of presidential authority which makes a dominant-party system more resilient to political transition.

Another key constituency which had to be appeased was the legislature. While in Mexico's dominant-party system the legislature does not wield a great deal of power, it has enough to be disruptive. Therefore, the conditions of the sale were maintained within the parameters of the Constitution. Telephone service is not specifically reserved to the state under the Constitution as are petroleum, railroads, and banking. Two specific telecommunications functions are reserved to the state: satellites and telegraphs. Rather than get into a difficult constitutional struggle with the legislature, Salinas opted to retain these two services. Furthermore, "the rules

allowed up to 49 percent of a telephone service company to be owned by foreigners, and Salinas chose not to change that. All that was necessary was to amend the stipulation in Telmex's articles of association that at least 51 percent of the company's stock had to be owned by the state" (Ramamurti 1996, 81). The necessary changes were made at a meeting of shareholders and constitutional wrangling was avoided.

With political obstacles overcome through the strength of the presidency, Telmex was sold in December of 1990 to Grupo Carso, a Mexican business consortium operating in conjunction with Southwestern Bell and France Telecom. Galal argues that the sophistication with which this sale was made makes it the model for other developing countries (1994, 417). Therefore, a pertinent public policy question is, why was this sale so successful?

Perhaps the deciding factor in the sale's success was the care which the Mexican government took to assure that quality investors would be attracted. Telmex "was reasonably attractive to begin with. It was fairly well run and profitable. Its future promised real growth of 12 percent per year for at least five more years. It had one million people on the waiting list for new connections. Demand for long-distance service was booming as the Mexican economy began to open up and trade with the United States expanded" (Ramamurti 1996, 83). This alone would seem to make Telmex an attractive prospect; nonetheless, the government took several actions which would assure a quality transaction.

One of the most important actions taken prior to the sale was to rebalance local and international tariffs. Remember that Cowhey and Aronson argue that a common feature of a CCM is unrealistically low prices for local services (1989, 8). This is done by offsetting the expense through inflated international prices and is motivated by political concerns. Until 1987, Mexico had been a fairly typical example of a CCM, and it was reflected in pricing schemes. In 1988 local service tariffs were raised "sharply." Telmex profits increased from U.S.\$206 million in 1987 to U.S.\$628 million and U.S.\$450 million in 1988 and 1989 respectively. The second part of the rebalancing was to reduce international rates, also done in 1988.

By raising rates for the part of the business that was a natural monopoly (that is, local service), the government enhanced Telmex's ability to respond to competition. . . . in long distance service. The price of Telmex shares rose more steeply in the Mexican stock exchange in response to the tariff revision than it did either when privatization was announced by Salinas or after control of the firm actually turned over to the new owners (Ramamurti 1996, 84).

This was crucial in creating a viable environment for both Telmex and its future owners, as demonstrated by the reaction of the business world. But it was also politically crucial because it removed a daunting task that would have been left to the incoming private firm. While this resulted in substantial short- and long-term profits for Telmex (arguably the largest gain in the entire process), it was perhaps more important in that it effectively removed the government from direct control of company earnings. This further reduced the Cash Cow Model environment and facilitated a movement toward a Monopoly Modernization Model.

This movement was written into the privatization agreement as another effort to make the company more attractive to investors; however, it was granted as a temporary period to allow for the consolidation of Telmex. Continued monopoly power was granted until 1997. In January of that year, Mexico was scheduled to move into the Boutique Model by opening long-distance and international calls to complete competition. An important difference between Mexico's transition to a BM compared to other developing countries is that Telmex was not broken into competing entities. In Argentina local service was separated into two national companies, divided geographically between the north and south. In Chile local and long-distance services were broken into distinct companies. Telmex was allowed to remain intact in an effort to attract investors (Ramamurti 1996, 85).

Transition into the Boutique Model has important considerations beyond the immediate infusion of competition. There was some doubt about the government's commitment to allow competition. Many feared that political pressure

would delay, or even eliminate, the opening of the long-distance market, especially considering the tremendous success already experienced (Dolan 1995, 121). However, the announcement in 1994 that competition would indeed be allowed as planned solidified the transition to a BM. Since the 1994 announcement, eight companies have registered to enter the long-distance market, collectively pledging to invest U.S.\$5 billion by 2002 (Peterson 1996, C1).

Telmex has taken the threat of competition very seriously. Since the new ownership took control in 1990, they have spent "over [U.S.\$] 10 billion on plants and equipment, adding over 3 million new lines, digitizing 2.4 million analog lines, laying 8,400 miles of fiber-optic cable, and co-leading construction of a trans-Atlantic fiber-optic cable" (Dolan 1995, 121). In fact, most of the standards set by the privatization agreement have been either met or exceeded (see Appendices 5 and 6). In short, the goals of the privatization have been met to date, and there is little reason to disagree with the authors who have labeled the Telmex sale the standard for all other nations to chase (Galal et al. 1994, 417).

CONCLUSION

The privatization of Telmex is a direct result of larger liberal economic and democratic transitions as experienced in Mexico. Furthermore, when combined with the transition within the telecommunications industry toward private ownership and modernization, it is evident that this sale is the result of converging transitions. The decline of U.S. hegemony and the ensuing debt crisis in Latin America forced the Mexican government to reevaluate its commitment to a closed market and nationalized industries. Economic crisis also caused a political realignment. While the government was not replaced, as was the case in much of Latin America, presidential power was consolidated and rival political parties were given more accommodation. These transitions led to a dramatic sell-off of nationalized industries. The crowning accomplishment of this process was the US\$6 billion sale of the national telephone company.

This huge sale also represents the parallel transition within the telecom industry. Beyond the pressures of global

economics and national politics, the telecom industry has taken on increased importance in a nation's economic development. Mexico could no longer afford itself the luxury of siphoning Telmex profits to fund more politically expedient projects. The pressures of the information era demand reinvestment of profits and expansion of communication networks. Wisely, the Mexican government recognized the ability of the Telmex sale to satisfy the pressures of both converging transitions.

The convergence of these transitions is important within the realm of political economy; however, there are also

deeper considerations. For example, with the exponentially expanding information revolution, the privatization of Telmex will impact the average Mexican citizen in ways that we cannot yet imagine. Perhaps the introduction of a privately owned, internationally competitive telecommunications company into a more democratic and market oriented Mexico will prove to be the key to long-term, substantial social and economic development. Given the information era we now live in, stranger things have happened.

—APPENDIX 1—

SELECTED ECONOMIC INDICATORS MEXICO 1982-1992											
Indicators	'82	'83	'84	'85	'86	'87	'88	'89	'90	'91	'92
% Change in real GDP	-0.6	-4.2	3.6	2.6	-3.8	1.7	1.2	3.3	4.4	3.6	2.8
Inflation	58.9	101.8	65.5	57.7	86.2	131.8	114.2	20	26.7	22.7	15.5
Change in real min. wage	-12.6	-20.1	-1.6	-5.9	-2.9	-3.8	-15.7	6.1	-8.9	-4.7	-4.6
Investment growth	-16.8	-26.6	4.3	7.9	-11.8	-0.1	5.8	6.4	13.1	8.1	10.8
Trade balance (\$US Bil)	7	14.1	13.2	8.4	5	8.8	2.6	0.4	-0.9	-7.2	-15.9
Federal deficits/GDP	16.9	8.6	8.5	9.6	14.9	15	10.9	5	2.8	0.3	-1.6
FDI (\$US Bil)	1.7	0.5	0.4	0.5	1.5	3.2	2.6	3	2.6	4.8	4.3
External debt/GDP	49.1	61	54.2	52.6	76.6	73.6	59.1	48.6	39.8	36.4	33.4

Source: Teichman. 1995. Privatization and political change in Mexico, 70.
Haggard and Kaufman. 1995. The political economy of democratic transitions, 289.

—APPENDIX 2—

PRI ELECTION RESULTS, 1970-1994		
Year	Candidate	Vote Share
1970	Luis Echeverria Alvarez	86
1976	Jose Lopez Portillo	100
1982	Miguel de la Madrid Hurtado	74.3
1988	Carlos Salinas de Gortari	50.7
1994	Ernesto Zedillo Ponce de Leon	50.2

Source: Haggard and Kaufman. 1995. The political economy of democratic transitions, 302

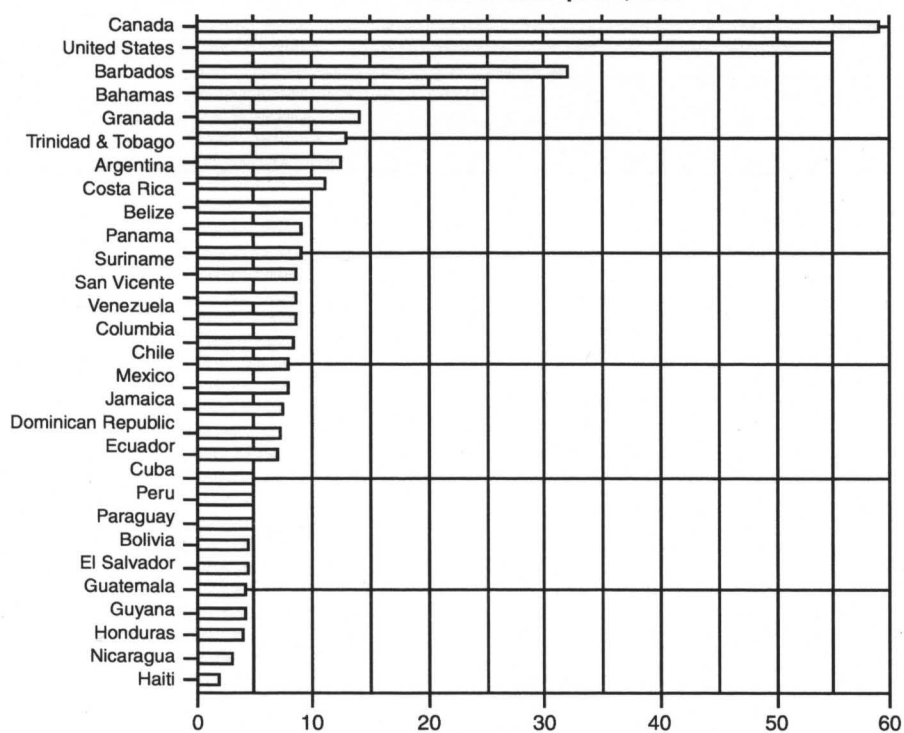
—APPENDIX 3—

CREATION AND DIVESTITURE OF PUBLIC ENTERPRISES MEXICO, 1983-1993					
	Divestitures Completed	Divestitures In Progress	Divestitures Authorized	No. of Companies Created	No. of Companies in Existence at Year's End
1983	75	32	107	10	1058
1984	32	7	39	18	1037
1985	89	23	112	7	932
1986	132	75	207	7	732
1987	86	49	135	15	612
1988	76	89	165	2	449
1989	69	170	239	2	386
1990	82	190	272	2	286
1991	95	87	-	5	241
1992	66	53	-	8	217
1993	15	-	-	4	209

Source: Teichman, 1995. *The Politics of Privatization in Mexico*, 131.

—APPENDIX 4—

Telephone Lines per 100 Residents
Western Hemisphere, 1990



Source: Szekely and del Palacio, 1995. *Telefonos de Mexico*, 42.

—APPENDIX 5—

TELMEX PERFORMANCE VS. SELECT NATIONS 1988-1993								
Country	Main lines/ Per 100 people	Employee /1,000 main lines	Waiting time for line (years)	Main lines with failure (%)	Local call completion rate (%)	Long-distance completion rate (%)	Days to repair a line	Dial tone in 3 seconds (%)
Mexico	5.2	10	2-3	10	92	90	4	97
Argentina	9.6	14	22	45	42	29	14	na
Brazil	5.5	11	na	5	39	na	2	84
Chile	4.6	8	na	7	97	93	3	95
Venezuela	7.5	11	8	na	49	31	na	na
Tanzania	0.2	69	11	na	na	na	na	na
India	0.5	96	na	13	na	na	na	na
Indonesia	0.4	50	8	17	na	na	na	na
United States	51	6.6	A few days	>1	na	na	na	na
Japan	40	6.6	A few days	>1	na	na	na	na

Source: Ramamurti. 1996. Telephone privatization in a large country: Mexico, 90.

—APPENDIX 6—

TELMEX PERFORMANCE, 1988-93						
Performance Indicator	1988	1989	1990	1991	1992	1993
<u>Lines in Service</u>						
Annual increase (k's)	288	460	508	670	729	867
% Increase	7	10.5	10.5	12.5	12.1	12.8
Total lines (k's)	4,387.0	4,847.0	5,355.0	6,025.0	6,754.0	7,621.0
<u>Lines installed</u>						
Annual increase (k's)	345	535	705	759	711	975
% Increase	7.4	10.4	12.4	11.9	9.9	12.4
Total lines (k's)	5,152	5,687	6,392	7,151	7,862	8,837
Telephone density (per/100)	5.6	6.1	6.6	7.2	8	8.7
# Employees	49,995	49,203	49,912	49,488	48,937	48,771
Lines per employee	85.5	95.2	104.2	117.7	133.3	151.5
Capital expenditure (\$USm)	1,080.0	987.0	1,831.0	1,967.0	2,352.0	2,282.0

Source: Ramamurti. 1996. Privatization in a large country: Mexico, 90.

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The Logic of Declining Civic Participation

by Jason William Beutler

In recent years scholars have focused increasing attention on the role played by free or voluntary associations in American society. Some of the research done on this subject suggests that one form of free association, the civic association, is a key source of social capital: a set of norms and shared ideals that produce a network of trust many consider essential for the success of democratic liberal society. Consequently, some scholars argue that civic organizations such as the Boy Scouts, bowling leagues, and the Red Cross are an essential part of American life. However, another type of free association typically known as the interest group, is often accused of thwarting the public good in pursuit of its own, narrow interests. These interest groups have proved so destructive that one writer has accused them of being “the silent killer of American government” (Rauch 1994, 1). Given the positive effects of civic associations and the problems caused by interest groups, one would hope that the number and strength of interest groups would shrink and that participation in civic associations would grow conversely. In reality the trend is exactly opposite. New interest groups seem to appear daily in Washington while both the number of civic groups and participation in them is declining. How then do we explain decreased participation in civic groups and the increased energy devoted to interest groups? In this paper I will argue that the expanded role of government has unintentionally played an unfortunate and pivotal role in both the decline of productive civic associations needed to build social capital and the marked increase of destructive, narrow interest groups. To show this link, I will examine the reasons people form free associations including civic groups and interest groups. I will then explain why these associations are important in a democratic liberal society, and how an expanded role for government leads to a decline in civic associations and an expansion of interest groups.

A DEFINITION OF FREE ASSOCIATION

Alexis de Tocqueville’s explanation of free associations remains a highly respected account of how and why these groups form in a democratic society. For this reason many scholars return to Tocqueville to begin their discussion of almost any type of voluntary association (Hall 1995, 5). According to Tocqueville, free associations can be organized for any conceivable purpose, but they all have one thing in common: they unite “the energies of divergent minds and vigorously [direct] them toward a clearly indicated goal” (1966, 190). This characteristic of free associations is apparent in both civic associations and interest groups. Both groups organize to pursue some chosen end. Thus both interest groups and civic associations fit the definition of a free association given by Tocqueville.

The term free association itself points out one of the fundamental characteristics of these groups which is that individuals have free entrance into and exit from these associations. To illustrate this point Tocqueville compares voluntary association to a game played by children who “submit to rules settled by themselves and punish offenses that they define themselves” (1966, 189). The game analogy points out that those involved want to participate. If the rules become too oppressive, participants are free to leave. But while involved in the game, they are obliged to obey the rules agreed to by all other participants.

Tocqueville points out the contrast that exists between free associations and governments which are a form of permanent association. By their very permanence, even the most free form of government is not entirely voluntary. No regime can allow individuals to form a new government whenever they choose inside the boundaries of the old one. In contrast, many free associations can exist in the same boundaries and share the same members while pursuing diverse ends. Thus governments differ from free associations in that the latter are entirely voluntary while the former are not.

WHY CIVIC ASSOCIATIONS ARE IMPORTANT IN A DEMOCRATIC SOCIETY

Free associations form to accomplish any number of tasks from educating the youth to securing euthanasia for the elderly, but they all have one common characteristic: these groups exist to further a collective interest of all those involved. If free associations are simply self-interested entities, why then has the decline of one form of free association, the civic association, become a cause for concern? A large number of scholars feel that these associations not only seek to benefit their members, they also produce a positive side effect for society as a whole known as “social capital” (Coleman 1988). In a recent *Journal of Democracy* article, Robert Putnam explains this capital’s importance.

For a variety of reasons, life is easier in a community blessed with a substantial stock of social capital. In the first place, networks of civic engagement foster sturdy norms of generalized reciprocity and encourage the emergence of social trust. Such networks facilitate coordination, communication, amplify reputations, and thus allow dilemmas of collective action to be resolved. (Putnam 1995, 67)

In other words social capital gained in civic associations is like a blue print that gives people the pattern and equipment needed to work together more efficiently in solving the problems that develop in a community. Since individuals who are civically involved have learned to work together, they already have developed skills and habits such as mutual trust and cooperation that are needed to surmount any new obstacle the community might face.

Although civic associations begin as a tool for individuals to seek their own interests, the abilities gained through these efforts take people beyond actions that are simply for private benefit. In working together with others, social capital is developed. Participation in a civic association results in cooperation spill-overs that may serve the public good in numerous other aspects of life. For example, people who are actively involved civically are more likely to vote and participate

in government affairs. In addition studies show that in societies with a large amount of social capital governments typically receive greater support from the populous (Putnam 1993).

Tocqueville provides additional insights into the importance of free associations for democracies by comparing democratic and aristocratic society. According to Tocqueville, the need for free associations is not as great in aristocratic times as it is in times of equality. When aristocracy reigns, loyalty to family and class hold people together. Since families seldom change in station, family members typically see themselves as part of a continuing chain, rather than a solitary individual.¹ Consequently, individuals in aristocratic times are willing to give up instant gratification for the sake of their children and grandchildren.

In addition to family connections, aristocratic institutions place each person in a class structure. From this position, each member of society needs the assistance of people in different castes to accomplish anything. As Tocqueville explains it, “each citizen in an aristocratic society has his fixed station, one above another, so that there is always someone above him whose protection he needs and someone below him whose help he may require” (1996, 507). This position teaches the members of society that they are part of a larger unit without which they can do nothing. Thus when aristocracy reigns, people are held together both by the existence of classes and by the seeming permanence of the family’s position.

However, the institutions of family and class that glue the aristocratic society together are loosened or removed under a democratic regime. Since people are neither absolutely dependent on their family nor other people for their existence, they can easily become isolated from the rest of society. While this withdrawal from social life is not an immediate danger to society as a whole, Tocqueville argues that it plants the seeds that can lead to its eventual destruction. In this isolated condition people are easy pawns for an oppressive government, because they are not connected to a social network through which they can accomplish anything. For a tyrant what better condition can there be than the isolation of all citizens? No group can easily combine to oppose the tyrant. Thus isolation leaves the masses vulnerable to those who

would strip them of their liberty (Tocqueville 1966, 507).

Although the isolation that results from equality exposes people to tyranny, this oppression need not come from a single despot. In a democracy it comes more often from the majority. The tyranny of the majority can be just as repressive as that of the individual despot. The method of oppression has simply undergone a metamorphosis. Instead of one man controlling the reigns of society, the spirit of many combines to constrain all to act according to the majority's whims. Tocqueville expresses his feelings toward this tyranny as follows. "For myself, if I feel the hand of power heavy on my brow, I am little concerned to know who it is that oppresses me; I am no better inclined to pass my head under the yoke because a million men hold it for me" (1966, 436). Tyranny of the majority, then, leads to the same bondage as any other form of tyranny. It still constrains individual liberty and leaves people as the pawns of some master.

One way to escape tyranny (of one or the majority) is through free associations which preserve the liberty of the people. As individuals participate together as part of a larger group, one individual in that group cannot be hurt without the entire group knowing about it. Thus the type of oppression that can creep into a society of isolated individuals is less likely to flourish in a society where many free associations exist, because these groups are capable of acting collectively to protect their members.

Both interest groups and civic associations are capable of collective action to protect participants in their groups and so it seems that at as a means of preventing tyranny of the majority or of an individual neither type of association has huge advantages over the other. However, Tocqueville makes clear that civic associations not only protect liberty, they also reinforce what he refers to as public virtue. He describes this as a reinforcement process by which "feelings and ideas are renewed, the heart enlarged, and the understanding developed only by the reciprocal action of men one upon another" (1966, 515). This reciprocal action of one individual on another found in civic association is the primary source of public virtue in times of equality.

Tocqueville uses the term public virtue, to describe

something quite similar to what modern scholarship has begun calling social capital. Although the key descriptive terms used by recent scholars such as Putnam and Coleman are different than those used by Tocqueville, their conclusions about the importance of civic associations are remarkably similar. All agree that without the positive side effects produced by civic associations, society as a whole suffers.

SEEKING AN EXPLANATION FOR DECLINING PARTICIPATION

Putnam, Coleman, and Tocqueville all point out the importance of free associations that produce social capital and protect individual liberty. However, there seems to be a clear trend towards decreased participation in these groups. Robert Putnam makes clear that activity in associations from the Boy Scouts to the Red Cross to bowling leagues has declined steadily since the late 1960s (1995, 69-70). If these associations are crucial for successful, modern democratic society, why are fewer people participating in them?

There are a number of possible explanations for declining participation in civic associations. Putnam examines a few of these that seem most serious, including the movement of women into the labor force and changes in the American family. However, after careful analysis he concludes that none of these changes are a satisfactory to explain the changes in civic participation. If the entrance of women into the labor market was the primary cause of decreasing civic participation, the number of women involved civically should have declined faster than that of men, but this is not the case. Putnam suggests that the most likely cause of decreased participation in civic groups is the privatization of leisure actually made possible by technological advances. Individuals can now be entertained in their own living rooms. Technological innovations such as TVS and VCRs have, Putnam argues, have a heavy impact on civic involvement. (1995, 74-75)

Putnam's argument that technology's privatization of leisure has led to the decline of civic associations seems plausible when applied to bowling leagues and bridge clubs. People only have a certain amount of time to spend bowling or bridging in a league with friends and neighbors, and the more of that time quota they fill at home, the less time they

will have to spend in the entertainment-oriented civic groups in which they once participated. However, this explanation seems more limited in explaining the reduced participation in many other civic groups. Associations such as Boys Scouts, the Red Cross, and organized religion do more than simply provide leisure for their volunteers. Thus a theory of participation based on expendable leisure seems too limited, and a more inclusive explanation is needed.

ADMINISTRATIVE DESPOTISM

If Tocqueville's explanation of free association discussed earlier is right, then these associations are formed and joined by people as a means of advancing collectively shared interests. Thus a straightforward explanation for decreased participation in these groups would be that either these interests are being met in some other way or the desire to achieve the goals sought by these organizations has diminished.

In Tocqueville's discussion of free associations he suggests that a large, centralized bureaucracy would seriously undermine civic associations, since the bureaucracy would essentially take over the responsibilities once performed by voluntary groups. He names this type of government "administrative despotism" because, while it works to do the will of the people, it also robs them of the ability to do things for themselves. As government entities take the place of civic associations, the social capital that was once formed by participation in these organizations also diminishes (1966, 515).

The logic behind establishing a centralized bureaucracy is that since it holds the might of government, it is the most efficient way to carry out large-scale projects that are difficult for the people to accomplish. Since government can tax all citizens, it can avoid the free-rider problem caused by those who would otherwise enjoy services without helping to pay for them. Recently, many scholars have argued that for numerous reasons government agencies are not the most effective means of accomplishing large-scale projects,² but Tocqueville points out that even more important than the possible inefficiency of an active, centralized bureaucracy is the danger created by breaking down free associations that are needed to produce social capital.

The displacement of civic associations by bureaucracy in the name of efficiency is not likely to produce social consequences that are immediately visible, because the social capital built up by civic association does not dissipate instantaneously. With time, however, the repercussions of disintegrating civic associations become more serious. Tocqueville notes that the more government expands to organize society, the less capable individual people will be to organize associations that solve even the smallest collective-action problems. Consequently, citizens become even more dependent on government to deal with any new crisis that arises. Seeing these dangers, Tocqueville asks of those who would have government replace civil associations:

Must the public administration cope with every industrial undertaking beyond the competence of one individual citizen? And if ultimately, as a result of the minute subdivision of landed property...must the head of government leave the helm of state to guide the plow? (1966, 515)

As if to answer Tocqueville's question, the recent debate over the new farm bill has shown that central government must in a sense guide the plow. Farmers in many parts of the country have become so dependent on government to tell them what and how much to plant that the extended debate over the farm bill has had an interesting effect. Without governmental guidance many farmers have conceded that they would have difficulty going forward with spring planting. The agriculture department has stepped into the role of crop management and now it literally cannot step out without leaving farmers unable to make basic decisions about what crops to grow. Government has taken the place that would have once been occupied by free associations (Congressional Quarterly Weekly Report 1995, 2127-39).

Tocqueville saw this form of micro-management by government as a possibility in diversified, democratic society. Instead of seeking happiness for a few members of society, soft despotism seeks for the happiness of all, but it also wants to define what this happiness is. Thus as this form of gov-

ernment assumes paternal responsibility for society, it keeps its citizens in a perpetual childhood (1966, 692). While bureaucratic government may preserve some form of order, it destroys civil society. As Tocqueville notes, in times of equality "a government, by itself, is...incapable of refreshing the circulation of feelings and ideas among a great people" (1966, 516). These feelings and ideas comprise the heart of public virtue or social capital that holds the community together. Since the aristocratic sources of these public virtues—family and class—have already been weakened or destroyed in the democratic society, a pivotal source of these virtues is civic association. When bureaucracy replaces associations, order may be momentarily increased, but civic society that is held together by feelings of community is damaged. Even the order that is created by governmental intervention is insufficient, because, as public virtue decays, ever increasing government intervention is needed. Each new intervention leads to calls for further governmental action.

Administrative despotism does not break the will of individuals, but this form of oppression can weaken it. Instead of recognizing public problems and working to solve them, individuals become hard working animals that are directed by the state. Some room for free will still exists, but this space is decreased. And the choices individuals under administrative despotism are allowed to make are strange ones. Tocqueville summarizes this paradox as follows: "Under this system the citizens quit their state of dependence just long enough to choose their masters and then fall back into it" (1966, 693).

Individuals are still oppressed, but they are allowed to choose those who oppress them. Yet, how competent are humans in this condition of choosing their leaders? Some scholars have pointed out that there is a direct correlation between the strength of civic associations and the effectiveness of government. Robert Putnam notes that since the 1960s voting, attendance of town meetings, and even the public's trust of government has decreased (1995, 69). Over this same period of time the size and power of government has expanded, taking over much of the work once performed by voluntary associations. Logically, the small choices made in civic associations prepare people to make bigger ones.

However, when experience with these more grass-root choices is limited, the likelihood that people will make the bigger choices properly is also diminished. When the government makes decisions for the people which within the context of civic associations could have been made by the people, the individual's ability to make competent decisions declines. As centralized government broadens the scope of its programs, one unintended consequence is that it undercuts the ability of its citizens to make competent decisions about how government should be run. Thus a centralized, active bureaucracy not only limits the freedom of individuals, it also undermines their ability to use their remaining liberty effectively.

A COLLECTIVE ACTION PROBLEM

The analysis thus far has shown that the growth of centralized bureaucracy leads to the decline of civic associations. These associations are an important part of society, because they help preserve individual liberty and produce social capital. Using the language of economics this capital could be described as a "positive externality" of civic associations, because the benefits from social capital can be felt not only by those who participate in these groups, but also by the rest of society as a whole. However, since the 1960s a new set of free associations has come to prominence: interest groups. These groups, like civic associations, organize voluntarily to pursue some collective end, but unlike Tocquevillian civic associations, interest groups produce "negative externalities" by securing some good for themselves at the rest of society's expense.

While civic associations have been declining rapidly during the last thirty years, interest groups have grown at an alarming rate. Putnam explains that one important difference between interest groups and civic associations is that interest groups require very little involvement from their members. Most members never attend a group meeting or meet a leader of the organization, and they typically make their entire contribution to the organization by writing a check (Putnam 1995, 71). Certainly, this form of interaction is not likely to develop the social connectedness and sense of trust that are a natural byproduct of civic associations.

More alarmingly, the truly negative side effect of this new form of free association is that it feeds off the expanded role of centralized government. Centralized bureaucracy not only puts in place new programs that replace civic associations thus damaging the organizations that help create social capital, the expanded role of government also opens up a new way for groups to seek collective ends. Instead of organizing along broad goals that encourage large scale private support for an organization's activities, interest groups use the expanded powers of government to redistribute the wealth of society for their own benefit. In other words these groups bypass the general public and instead appeal to a small group of bureaucrats and government officials for resources to pursue their chosen ends.

WHY JOINING AN INTEREST GROUP MAKES SENSE

Although the lobbying efforts of most interest groups are seen by many as being underhanded and even sinister, on closer examination it becomes clear that these efforts are simply the most efficient way to pursue a desired end. Since the government has extensive powers and can easily divert funds from society as a whole, it is more efficient to organize a group of people with a narrow interest and use government as a redistributive vehicle than it is to organize a group that appeals to a broad public interest and ask for private support. Creating a large group that pursues these same aims by seeking support from the general public (in the manner that civic associations gain their support) is harder and more time consuming. Thus the expanded powers of a centralized government make it the perfect tool for any end-seeking organization.

Mancur Olson best explains the problem caused by interest groups in *The Logic of Collective Action*. To explain why interest group lobbying creates problems for the political system, Olson notes that smaller groups motivated by narrow interests have a tremendous advantage in the interest group organization game over large groups with broad interests. Broad interest groups are vulnerable to the free rider problem witnessed with public goods. This free rider problem can be best summarized as individuals gaining benefits without paying

the costs of obtaining them (Olson 1965, 11-15). Hence the interest groups that develop to lobby government tend to center around narrow interests that benefit a select few.

Any developing interest group faces an uphill organizational battle, trying to find people willing to donate sufficient resources to make the group viable. But Olson notes that once these groups are formed, they seldom disappear. Consequently, these narrow interest groups tend to build up over time. As interest groups compete for government resources, more and more of a society's productive energies are sucked into the fight to redistribute already existing resources rather than producing more for everyone. These groups find it easier to get the government to redistribute wealth in their favor than it is to produce more and to produce it more efficiently. Thus, the incentive to produce new goods is diminished, while the incentive to seek a larger share of what is already produced increases (Olson 1982).

While the pluralist theory of government maintains that the growth of diverse interest groups is good, because these groups counter each other and approximate the public good (Burns et al. 1993, 252), there are some major problems with this theory. As Olson makes clear, it is the narrow interest groups that have the organizational advantage. As the number of groups continues to grow, only on rare occasions do groups arise to specifically counter many of the narrow interests. For example, the mohair growers (a group that was successful for years in securing a subsidy for raising mohair sheep) are not likely to run into the league of anti-mohair growers, since almost no one except those who grow mohair know what it is, or why the government began subsidizing its growth in the first place (Rauch 1994). Additionally, the gains made by narrow interest groups like the mohair growers is much larger than the expected gains of any group countering their efforts. A tax payer would likely save only a few tenths of a penny by stopping the mohair subsidy, but the members of this narrowly organized group profit handsomely by even a small subsidy since there are not many of them. Thus as Mancur Olson makes clear, it is the small groups with narrow interests that have nothing to lose and everything to gain in transfer-seeking activities (1965, 33-38).

One possible counter argument that could be made to support pluralist theory is that public-interest groups stand up for the general public by countering activities of other organizations. But actually public interest groups do not break from the interest group paradigm established by Olson; rather they enrich it. Public-interest groups want, in principle, the same thing as all other interest groups: benefits at someone else's expense. These groups claim their projects benefit the general public, but their ideas are seldom embraced by a majority of Americans. Nor do public-interest groups try to achieve broad-based support before moving ahead with an agenda. Like every other interest group, public-interest groups attempt to create new programs by appealing to a narrow range of legislators and bureaucrats. These groups like others involved in lobbying are typically centered around an agenda that appeals to only a narrow segment of citizens while asking tax payers as a whole to pay for the programs these groups recommend. Although these groups use the term "public interest" to describe themselves, they seek to transfer resources in the same manner as every other interest group without gaining large scale public support (Rauch 1994, 45-47).

UNINTENDED CONSEQUENCES

The proliferation of transfer-seeking interest groups by itself is a dangerous problem for any society. And the accompanying decline in civic associations that are needed to build social capital is an equal, if not greater cause for concern. Both of these problems can best be described as an unintended consequence of expanding governmental powers. Certainly, the government is not the only agent that has contributed to these disturbing trends. However, its growth is a primary source of both the increased energy devoted to transfer seeking and decreased civic participation. As long as government is available as an easy quick fix to every problem, people are more likely to ask for a government solution than to participate in civic associations that can accomplish the same tasks. Thus the expanded powers of government have a two-fold negative effect on society as a whole. First, as government does the jobs that civic association once did, the amount of social capital declines. It is unclear whether government does these jobs more successfully than civic associations, but it is clear that

bureaucratic agencies cannot produce social capital, the reciprocal feeling and habits of cooperation that lead people to work together and effectively achieve collective ends. These feelings and habits are a natural side effect of civic participation. The second negative consequence of governmental expansion is that it is often more efficient for individuals to create narrow interest groups that seek to divert government resources than it is to form civic associations that can accomplish these same purposes. Thus the energies that might otherwise go into organizing and maintaining civic associations are diverted into parasitic, transfer-seeking activities.

CONCLUSION

In this paper I have argued that governmental expansion both displaces civic associations and produces greater incentives for interest groups to use government as a means of redistributing resources. Clearly, the increased bureaucratic centralization of government has not developed as a way to supplant civic associations with a feeding frenzy of interest groups, but this has been one of the unanticipated side effects. This paper is not an attempt to argue that government action is never justified, but rather to make clear the dangers of using government as the primary solution to every collective-action dilemma. Attempts by government to stop the decline of civic associations and the rise of interest groups through further expansion of governmental power are likely to be counterproductive. An effective solution must limit government action in some consistent manner so that interest groups have fewer reasons to invest in governmental lobbying efforts and more incentive to ask for broad-based private support. The consequence of further governmental expansion is likely to be that civic associations will continue to decline and social capital needed for the wise direction of governmental efforts will diminish. It is also likely that these unfortunate processes will be fed by the growth of narrow interest groups that produce negative externalities as they bypass the general public good, appeal to a small group of government officials for access to the public purse, and draw more of society's productive resources into counter-defensive maneuvers that seem necessary to survive the consequences of redistributive politics.

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1 For further analysis of democratic liberalism's loosening effect on the familial bonds, Allan C. Carlson's recent book, *From Cottage to Workstation*, provides many interesting insights.

2 Although space does not permit thorough recount here, Hayek explains in detail the limitations on knowledge for one person. This analysis is one of the more persuasive arguments against bureaucratic provision of public goods. According to Hayek one person can never have enough knowledge to make good decisions for society as a whole, because it is impossible for any one person to have all knowledge, or even a small part of it. Hayek concludes that the more freedom people are given to apply their knowledge in the search for new ways to deal with constantly changing living conditions, the more likely society will be to advance and become better off (1960, 22-26).

Post-separation Québec's NAFTA Accession: *Un Blocage Permanent?*

by Ryan Geoffrey Baker

INTRODUCTION

The world is becoming increasingly interdependent. As interdependence among states increases, so does the number and significance of international treaties. Treaties involve any number of states and can be political, economic, or both. Because the international system is not static, but is constantly shifting as states change in number and power, treaties are often tested by changes in circumstance. International law develops as treaty members establish customary precedent, solving dilemmas presented to them by changing circumstances.

The case of Québec and the North American Free Trade Agreement (NAFTA) provides an interesting example of this phenomenon. In this paper, I will address the status of an independent Québec relative to NAFTA. Doing this provides an illustration of the establishment of international legal precedent. First I will present a brief summary of Québec's political and economic background. Next, I will analyze the separatists' arguments and the NAFTA text. Finally, I will consider Québec's probable course and briefly discuss its international law implications.

BACKGROUND

On 17 December 1992, the United States, Canada, and Mexico signed NAFTA, forming the largest free-trade bloc in the world. This event is part of an international trend—freer trade through regional, multilateral treaties. Although discussion continues over the possible accession of additional countries, and President Clinton has expressed a desire to form a Hemispheric Trade Zone, additional NAFTA membership is unlikely, at least in the near future. For the time being and the near future, NAFTA will be a trilateral treaty between its original members.

At the time of the signing, there was great concern over Mexico's socio-political stability. Many worried that Mexico's unstable political system would be a detriment to NAFTA because of Mexico's economy, which remains vulnerable to political turmoil. With such a focus on problems south

of the U.S. borders, less attention was given to our northern neighbor, Canada. Ironically, the threat of politics adversely affecting economics, specifically the trade relationship, is currently greatest in Canada. Québec, a province of Canada, threatens secession, and their threat is becoming more and more serious. In 1980, a referendum on Québec secession lost, 60 percent voting against Québec sovereignty. In 1995, however, the margin of victory for the federalists was a mere 1.2 percent, 49.4 percent voting "yes" and 50.6 percent voting "no" on the secession issue (Farnsworth 1995, A-1).

Any political disturbance north of U.S. borders directly affects the United States because the U.S.-Canada trade relationship is the largest in the world. In 1995, this relationship produced \$330 billion in trade (U.S. Department of State 1996, Internet). Québec is a major contributor to U.S.-Canada trade. In fact, Québec does more trade with many Northeastern states than the rest of Canada and Mexico together. The province's 6.9 million people make up 25 percent of Canada's population, and Québec is Canada's largest geographic province. Québec's geographic size represents great potential wealth because, according to the World Bank, 69 percent of Canada's national wealth is in its natural resources (1992, Annex 1). Overall, Québec's economy constitutes one fourth of Canada's economic base (Bookman 1992, 54). Thus, it is certain that any change in the province's political or economic structure, especially the sort that would result from secession, would reverberate south of the border. Actually, NAFTA assures such reverberations; some claim that a Québec secession would throw the U.S.-Canada and the U.S.-Québec trade relationship into a bind for five to ten years (Fry 1997).

Québec's secession would not only involve internal costs, it would also be costly to the United States, Mexico, and the rest of Canada. Because trade involves mutual benefits, the lack of trade forfeits benefits; this is especially costly when people rely upon such benefits for their livelihood. If Québec trade was eliminated or seriously hindered, the entire market

would suffer. In addition, a political-economic NAFTA crisis, even on a small scale, may drive investors away from the North American market, causing some to invest in Europe instead (Barnhart 1995). Even temporary exclusion and re-entry negotiations will involve significant costs for Québec and the entire North American market. Perhaps the Québécois accept these costs as the price of their desired freedoms.

SEPARATIST ARGUMENTS

The implications of Québec's separation have not gone unconsidered by separatist leaders. Separatists—primarily leaders of the Bloc Québécois, Parliament's opposition party, and the Parti Québécois, Québec's majority party—counter the costly NAFTA exclusion argument with the proposal of an immediate post-secession Québec-Canada trade agreement. In fact, the text of the most recent referendum question conditioned separation on a Québec-Canada economic union. This, according to separatists would allow Québec to access Canada's markets until full NAFTA access was negotiated. Following such negotiations, they claim, Québec would gain access to the agreement on terms similar to those it now enjoys.

The separatists make several assumptions in their arguments. First, they assume that a Canada-Québec free-trade agreement would be acceptable to Canada. Second, they assume that Québec will gain access to NAFTA. Finally, they assume that Québec's eventual NAFTA access will be on terms similar to those currently enjoyed. These assumptions are questionable and may all be denied in the course of events.

The first separatist assumption, the possibility of a Québec-Canada trade agreement, is problematic. Québec's secession would not please Canadians nor would it please Parliament. If such an action embitters Western Canada, a bilateral trade agreement will be less likely. Canada will retain its NAFTA membership and will not be as dependent on Québec's trade, retaining at least three-fourths of its economic base. The Canadians may use this leverage to punish Québec or to secure concessions. For instance, the Canadian government is saddled with an immense debt, much of which they attribute to Québec. While the exact figure of debt that

Québec is responsible for is unclear, Canada may grant Québec access to its trade markets only if the Québécois assume a large portion of the debt. Although Canada is in the stronger position, Québec brings some chips to the table as well. Concerning the debt issue, Québec could threaten refusal to pay for any of it unless a bilateral trade agreement were implemented. Another potential cost to Canada from excluding Québec is a devalued currency. Québec uses the Canadian dollar, and they claim they will continue to do so after separation. If Québec uses the Canadian dollar and Canada continues to isolate Québec's economy, Canada would, in a sense, be shooting itself in the foot. The probability of each of these events taking place remains in question; therefore, the validity of the first separatist assumption also remains in question.

The second separatist assumption, Québec will gain NAFTA access, is also uncertain. NAFTA's accession clause requires unanimous consent, giving each member veto power. Thus, Canada could also prevent Québec from entering NAFTA. Québec could then turn to the United States for support, but such support may not be found because of U.S. concern over the larger trade relationship. The separatists argue that because of Québec's robust economy and trade, they will be a natural NAFTA addition. While the strength of Québec's economy may be obvious today, separation, involving currency and debt problems, may considerably weaken it.

The final assumption made by the Québécois separatists is Québec's NAFTA accession, when it comes, will be on favorable terms—terms similar to those Québec currently enjoys relative to other NAFTA markets. This seems particularly unlikely for political and economic reasons. Each member-state has veto power, and it is certain that each state will use this power to secure concessions from Québec. Currently, NAFTA members grant several concessions to various Québécois markets. For example, the dairy farmers of Québec are protected by a set of import restrictions and tariffs (NAFTA 1992, Annex 703.2). This, according to dairy farmers of the Northeastern U.S., is driving them out of business (Fry 1996). Most of Québec's industry fears any renegotiations because of probable added restrictions.

Each Separatist assumption is questionable. While they may hold true, there is no guarantee. It is certain that Québec will not have an easy road to NAFTA accession. Regardless of Québec's present economic strength, future international political and economic factors may block Québec from becoming the fourth NAFTA member. Indeed, a sovereign Québec could encounter a blocage permanent from NAFTA.

NAFTA'S TEXT

Because NAFTA is a treaty among three nations, international law allows these three nations to formulate the treaty's conditions, as long as they conform to prevailing international standards. The parties are not bound to give external states any concessions, or, in this case, access to the treaty's benefits. This is an area of debate in international law, and, as regional trade blocs increase in number and importance, the debate intensifies. Turkey seeks membership in the European Union (EU), but EU members, for various political and economic reasons, will not allow Turkey's entry. The case of Québec is unique because it will have unique status as a past key player on the inside that pushed for NAFTA's creation and ratification. NAFTA, however, gives no special consideration to any outside state, even if the state was once a part of the agreement. Because NAFTA's accession clause empowers its members, as does the EU's, Québec may find itself in a similar situation to Turkey's.

NAFTA defines the three original and current member-states by defining their territory. Canada is defined as the following:

The territory to which its customs apply, including any areas beyond the territorial seas of Canada, within which, in accordance with international law and its domestic law, Canada may exercise rights to the seabed and subsoil and their natural resources. (NAFTA 1992, Annex 201.1)

Thus, if Québec remains a part of Canada, even under a revised constitutional system, they will remain a part of NAFTA, and their trade relations will continue unchanged. If,

however, Québec secedes, severing itself from Canada's customs laws, it would no longer be a NAFTA member.

According to NAFTA, "A party may withdraw from [the] agreement six months after it provides written notice of withdrawal to the other parties. If a party withdraws, the Agreement shall remain in force for the remaining parties" (NAFTA 1992, Article 2205). There are no special clauses for state fragmentation. Thus, only the original member-government retains its membership, and only this government is bound by the six-month rule. Therefore, Québec will not enjoy six months of additional membership, and for the purposes of the treaty, nothing will have changed—the agreement will remain trilateral between its three original members.

External states must rely solely on member-states' acceptance to gain NAFTA accession. The treaty's accession clause states the following:

1. Any country or group of countries may accede to this Agreement subject to such terms and conditions as may be agreed between such country or countries and the Commission and following approval in accordance with the applicable legal procedures of each country.
2. This agreement shall not apply as between any Party and any acceding country or group of countries if, at the time of accession, either does not consent to such application. (NAFTA 1992, Article 2204)

The ambiguity and brevity of this clause leaves the preponderance of power and work to the NAFTA Commission, which will handle accession bids on a case-by-case basis.

The treaty empowers the Free Trade Commission. Article 2001 of NAFTA outlines the composition and functions of this commission. It is comprised of each country's selected cabinet members or other designated representatives. Many duties are listed in the treaty's text, some are obliged and others are optional. One requirement is that "all decisions of the Commission . . . [be] . . . taken by consensus, except as the Commission may otherwise agree" (1992). Each member's possession of veto power does not increase the

likelihood of reaching a decision, especially on an issue as significant as accession with all of its economic and political ramifications.

The Institute for International Economics published *NAFTA: An Assessment*, reviewing certain elements of the treaty. In their discussion of their accession clause, they identify several flaws:

First, several of the industry-specific provisions of the pact (e.g., auto and textiles origin rules) were designed without reference to their possible extension to additional countries. Second, the three countries did not spell out either the application procedures or the application procedures or the criteria that new members would have to meet to join the club. In addition, each country remains free to form its own network of FTAs with other countries that do not wish to join NAFTA or are blackballed from NAFTA membership. (Hufbauer and Schott 1993, 114-15)

NAFTA's ambiguity on these issues is either a sign of a hastily constructed treaty or a set of intended loopholes. Because four years have passed since the treaty was first ratified and no changes have been made, it seems likely that these "flaws" are planned loopholes, providing flexibility.

This flexibility creates some interesting possibilities. First, the various concessions in the treaty, which were not drafted with additional members in mind, would certainly require amendment before more states gain NAFTA accession. For instance, if nations of the Caribbean Basin, a very low-cost textile producer, were admitted, current members would have to renegotiate portions of the agreement concerning textiles. The extent of such renegotiations is unclear and would depend on the situation. The United States has expressed a desire to avoid large-scale NAFTA renegotiations, and, if such negotiations would accompany a country's accession bid, the United States would likely block it.

The second flaw, NAFTA's lack of specific requirements, allows politics to have a greater role in Commission decisions. In, Québec's case, this would probably be detrimental.

Québec, even after an immediate post-secession recession, would likely meet any major requirements concerning economic strength. They will probably have a more difficult time winning unanimous Commission support for their accession bid.

The failure of NAFTA to restrict members from forming bilateral treaties in addition to the agreement could be the saving factor for Québec. Chile, another nation vying to be the fourth NAFTA member, currently has bilateral trade agreements with Canada and Mexico, allowing it access to a significant portion of the NAFTA market. If Québec formed bilateral agreements with either the U.S. or Canada, its economy would stabilize and could subsist even during an extended NAFTA exclusion period.

SOVEREIGN QUÉBEC'S BID FOR NAFTA ACCESSION: UN BLOCAGE PERMANENT?

There are many possible scenarios of a sovereign Québec seeking NAFTA accession. International law does not provide answers as Québec's case involves a dispute within an economic treaty that has not been tested in such a manner. Québec's situation as a new state seeking access to a trilateral economic treaty to which it was a party as a part of one of the charter members is unique, and this scenario is not addressed by the treaty. Thus, the results of Québec's NAFTA dispute will create new precedent.

Québec's first move following secession will be to apply with Canada for a Québec-Canada economic union. This union will benefit Québec because of trade and investment flows between the two nations, and it will ease currency-sharing dilemmas. Québec will face serious difficulties if it creates a new currency. Canada, however, will not enter into such an agreement unless Québec assumes a large part of the federal debt, perhaps larger than separatist leaders feel Québec is responsible for. Québec could also use the debt issue in an attempt to coerce Canada into an agreement by threatening to refuse all debt payment; however, this is unlikely as its negative effects on Québec's economic and political image would cancel any short-term economic gains.

If Canada does not allow a Québec-Canada economic union package, Québec will seek to form a similar agreement

with the United States and Mexico. Because there are no NAFTA restrictions against forming bilateral agreements, the dilemma faced by the United States would be whether agreement to such a treaty would damage U.S.-Canada relations. Out of frustration or anger, Canada could use political leverage and economic threats to block Québec's entry into a bilateral agreement with the United States. However, the Northeast relies heavily upon Québec trade, and it is doubtful that the United States would sever such trade relations. In fact, Québec is the U.S. eighth largest trading partner and tremendous cross-border investment links the regions (Nunez 1996, Lexis Nexis). Canada's threats could be minimized by considering that a U.S.-Québec agreement would probably not be enough to cause Canada to sever itself from the largest economy in the world. Thus, it is quite possible that Québec would at least have access to the U.S. market through some sort of bilateral agreement. However, any agreement made by Québec will be costly for the Québécois. Renegotiations give states a time to assess the costs and benefits of agreements; when the renegotiations are between two parties not on equal grounds, the weaker party suffers. In this case, Québec would suffer. NAFTA gives certain sectors of the Québécois economy certain benefits and protections (NAFTA 1992); these protections would not last through renegotiations. Such incentives are usually mutually granted at the time of original treaty negotiation, but when one party already has these protections, reciprocity for the sake of being friendly is unlikely.

Once Québec has secured a bilateral agreement, it will seek membership in NAFTA. A preceding bilateral agreement is significant for two reasons. First, NAFTA accession negotiations will take time, and a bilateral agreement will provide Québec's economy with some sustenance during that time. Second, because NAFTA's accession clause is vague, with so much depending on the Commission, the favor of one or more members will be significant in negotiations.

The NAFTA accession clause states that a country can gain access to the agreement "subject to such terms and conditions as may be agreed between such country . . . and the Commission and following approval in accordance with the applicable legal procedures of each country" (NAFTA 1992,

Article 2204). Québec's bid must pass through the Commission and meet the legal standards of each country.

The NAFTA Commission is the central player in accession cases. The Commission consists of cabinet-level representatives from each member-state. Because all binding decisions of the Commission must be by consensus, each state has veto power. Canada will be able to block Québec's accession via the Commission. Québec will have compelling arguments to make before the Commission. First is Québec's economic strength, placing them far ahead of any non-NAFTA countries in the Western Hemisphere (Nunez 1996, Lexis Nexis). Second, Québec has always been an advocate of free trade. Both the Bloc Québécois and the Party Québécois were behind NAFTA, and their strong support made a difference in NAFTA's successful ratification, compensating for the rest of Canada's noncommittal attitude (Lexis Nexis).

In order to gain NAFTA accession, Québec must obtain consensus and meet each member's applicable legal standards. Meeting such legal procedures could include receiving congressional support and the support of the Canadian Parliament. Again, Canada will likely be the biggest obstacle. Parliament will be even less likely to support Québec's accession than the Commission members because it will be more representative of the views of the Canadian people, who are most likely to be embittered against Québec. There is also some question over whether or not Canada will even recognize Québec's secession. Canada may declare Québec's claim of sovereignty unconstitutional. This would render parliamentary ratification impossible, and an international self-determination fiasco would ensue.

It seems that immediately following Québec's secession, Canada would act to punish Québec, blocking their entry into trade agreements or, at least, requiring stiff terms of entry. In the long run, however, Canada could not afford to ignore the markets of Québec. Ontario and Western Canada depend on trade with Québec and investment in Québec's markets, and over time these concerns will likely prevail. For Québec, the critical variable is the duration of the long run. A severance from all of NAFTA's markets for five to ten years would cripple Québec economically. Even a bilateral

agreement with the U.S. over this period of time would not be able to completely replace the trade Québec does with the rest of Canada. Unfortunately for Québec, there is no way to circumvent the Canadian Free Trade Commission veto. Québec could submit the matter to the World Trade Organization (WTO) or the United Nations (UN), assuming that Québec gains membership in these organizations. In these forums, they could argue that Canada is only blocking their NAFTA entry out of anger and frustration and that Canada's actions are an unfair form of punishment. Québec's legal case would be weak at best. Québec would not have any case at all until it had completely exhausted its options under the treaty, and this would take some time.

Secession from Canada will inevitably be costly to Québec. The price of statehood for the Québécois would be exclusion from the world's largest free-trade agreement. Although it seems likely that Canada and the U.S. will eventually allow Québec to enter their markets via bilateral agreements and or NAFTA, this will only occur after political tensions have subsided; this could take ten years or more (Fry 1997). Thus, although Québec's secession will not result in a blocage permanent from NAFTA, it will sever the region from its economic lifeblood for an undetermined period of time—a blocage significant.

CONCLUSIONS

Québec's secession presents a new occurrence in the realm of international law. Never has a treaty such as NAFTA been faced with state fragmentation and a re-accession bid. The situation is especially interesting because of NAFTA's vague accession clause. The Free Trade Commission will make the decision, which must be unanimous. Thus, if Québec does not have the good favor of all members, they will not gain accession to NAFTA. The dynamics of the international legal system will be especially interesting to watch should one state, Canada, for instance, block Québec's entry for an extended period of time.

The precedent created by a sovereign Québec's NAFTA bid will be of special interest to other nations of the Western Hemisphere. Chile, which has the support of two-

thirds of the NAFTA members, if not already the fourth NAFTA member, will watch intently. Other nations will also watch and learn from Québec's scenario as they make their own cases for NAFTA accession.

North America will not exclude Québec from NAFTA indefinitely; Québec's markets are too valuable. Thus, the question is how long Québec's accession will take. If Québec is blocked from NAFTA for an extended period of time, say ten years, the Québécois economy may wither; this would certainly have adverse effects on its neighbors. If Québec gains quick access, nations like Chile will argue their accession cases more vehemently, claiming some form of discrimination or unfair treatment. Such states may even call for an international tribunal or an arbitration panel under the WTO to rule on their right to NAFTA access. The possibilities are endless in the ever-changing field of international law. Thus, while Québec's separation will not be un blocage permanent; it will be un blocage significant, resulting in new international legal precedent.

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The Dynamics of Open-Seat Campaigning: A Case Study of Nevada's Second Congressional District

by *Hilarie Hicks Robison*

INTRODUCTION

Americans place great value on their democratic constitutional system, which emphasizes representation of the people. Congressional campaigns go to the very heart of this democratic system in determining who will represent the American people. Consequently, it behooves us to study the processes and theories surrounding election campaigns. These processes and theories will be presented in the following pages as they are placed in context through a detailed case study of a campaign race waged for the United States House of Representatives in 1996. The players are Republican James Gibbons and Democrat Thomas "Spike" Wilson, competing for the open seat in Nevada's second Congressional District.

HERRNSON'S MODEL

Dr. Paul Herrnson, a distinguished professor and author from the University of Maryland, provides an excellent framework for studying campaigns in his book *Congressional Elections: Campaigning at Home and in Washington* (1995). The theoretical context for this study is based on Herrnson's work, not because other writers of merit do not exist, but because other authors focus on incumbent-challenger races, the dynamics of which are quite different from open-seat campaigns. For example, David Mayhew describes advertising, credit-claiming, and position-taking as the three activities in which Congressmen engage (1974). While an excellent analysis, this has only a limited application to candidates not currently holding elected office. As an interesting note, Jim Gibbons' campaign manager did indicate that their campaign focused more on advertising (achieving name recognition for the candidate) and position-taking rather than credit-claiming (Dayton 1996). This is to be expected for a non-incumbent. Similarly, Richard Fenno's work on "home style," the way in which a candidate presents himself to his district, applies primarily to incumbents (1978).

CONFORMATION TO MODEL

Herrnson, however, provides a framework designed specifically for analyzing open-seat campaigns. His model is based on two premises. First, open-seat elections are very competitive; they are nearly always won by much smaller margins than races which involve an incumbent. Second, the two major factors which determine the outcome of an open-seat election include the partisanship of the district and the "skills and resources that candidates and their organizations bring to the campaign" (Herrnson 1995, 216). The two factors outlined in the second premise were indeed the most important in determining the outcome of Nevada's second Congressional District race. However, this race did not conform to Herrnson's first premise in being extremely competitive. While the candidates followed Herrnson's prediction of acquiring nearly equal amounts of money (1995, 218), the race was won by a large margin.

THESIS

Interestingly, the very fact that this race for Nevada's second district seat conformed to Herrnson's second premise provides an explanation for its deviation from the first premise. The race between Jim Gibbons and Spike Wilson was won by a large margin precisely because of the party composition of the district and because of the inferiority of the skills and resources, i.e., lack of strategic ambition, that Spike Wilson and his organization brought to the campaign. Due to these two factors, the open-seat race to determine the representative for Nevada's second Congressional District does not conform entirely to Herrnson's model. In the pages that follow, the dynamics and intricacies of the campaign, which lead to this conclusion, will be explored.

THE NEVADA SECOND CONGRESSIONAL DISTRICT

GEOGRAPHY AND DEMOGRAPHICS

Nevada's second Congressional District was created by reapportionment in 1982. Until that time, all of the state was an at-large district. Geographically, this district encompasses a wide expanse of rural area, taking in nearly the entire state of Nevada, minus only the city of Las Vegas. Although it comprises 99.8 percent of the state's land area (Cook 1996, 31 January), the total district population is only 600,876.

This primarily white population consists of generally lower middle-class families. With 64 percent of voters registered Republican, the NV second is labeled a "likely Republican" district (Cook 1996, 28 August). As recent presidential elections testify, the area is very friendly toward Republicans, but a tough arena for Democrats. In 1988, Bush received 65 percent here; in 1992, Bush received 38, Clinton 33, and Perot 28 percent (Cook 1996, 31 January). Of the seventeen counties represented by the second district, the number of registered Democrats outweigh registered Republicans in only four.

Approximately 55 percent of the district is located in the metropolitan areas of Reno and Carson City, the state capitol; 30 percent is suburban Las Vegas; and the remainder is rural Nevada. Consequently, classic "western state issues" such as mining and grazing laws, as well as an interest unique to Nevada, i.e., gaming, are important. Nevada's second district generally is seen as part of the conservative western bloc, but has little impact nationally.

REPRESENTATIVE BARBARA VUCANOVICH (R, NV)

Since its creation in 1982, conservative Republican Barbara Vucanovich has represented Nevada's second Congressional District. In December of 1995, while serving her seventh term, Representative Vucanovich announced that she would not seek reelection. Though she received 64 percent of the vote in 1994, 1992 was a different story. In a field of numerous candidates, Vucanovich retained her seat with only 48 percent of the vote (Cook 1996, 31 January). Fear of losing a reelection bid, however, did not evidently affect her decision to retire.

At age 74, Barbara Vucanovich is widely considered the most conservative woman serving in the House. Her pro-life stance serves to alienate Vucanovich from her female colleagues (Cook 1996, 31 January). She also often voted against other "women's issues," such as family and medical leave. A breast cancer survivor, she now counts "good health" among her blessings (White 1995). According to Vucanovich, her decision to retire was based on a desire to spend more time with her family. "It has been a great honor to be here this year working on behalf of Nevadans and serving in the House Republican leadership during this historic Congress. The time has come, however, for me to take off my public service hat so I can spend more time with my husband, George, and my family" (White 1995).

Vucanovich's decision to retire reversed an earlier announcement in June of 1995, that she would seek an eighth term. Vucanovich served as Chairman of the Appropriations Subcommittee on Military Construction. She was also elected Secretary of the House GOP Conference. Although Representative Vucanovich belongs to the conservative wing that swept Congress in 1994, her retirement may have been affected by Herrnson's theory that elections following an upheaval within Congress are marked by a large number of retirements (1995, 33).

THE PRIMARY RACE

Herrnson's model predicts that an open seat will draw a large number of primary contestants, as well as more money and resources (1995, 17). This was certainly true of the primary elections in Nevada's second district, especially in the Republican party.

REPUBLICAN CANDIDATES

Spurred by Vucanovich's retirement in this Republican district, there was no shortage of qualified, experienced GOP candidates vying for the nomination. As Herrnson predicts, the race pitted several state elected officials against each other (1995, 46). The GOP roster boasted Vucanovich's own daughter, Patty Cafferata; state

Assemblyman Jim Gibbons; former Secretary of State Cheryl Lau; rural miner Pat Macmillan; Las Vegas attorney Mike Schaefer; stockbroker Hilary Milko; retiree Bob Edwards; and State Treasurer Bob Seale.

As the incumbent's daughter, Patty Cafferata was expected to have an edge in the race. She was a former Reno assembly member, ex-State Treasurer, unsuccessful candidate for governor in 1986, and currently the district attorney for Lander County. Strongly pro-life, Cafferata labeled herself as "the most conservative of the candidates running" (American Political Network 1996, 8 March). She promised to get government "off the backs of and out of the pockets of citizens" (American Political Network 1996, 8 March).

Jim Gibbons had served in the state Assembly and, as the Republican nominee for governor in 1994, garnered 41 percent of the vote against incumbent Bob Miller. In favor of abortion rights, Gibbons labeled himself a mainstream conservative. Treasurer Bob Seale claimed to be "conservative on fiscal issues" (American Political Network 1996, 8 March). He also favors abortion rights.

In this campaign for the U.S. House, Gibbons' internal polls, conducted by Wirthlin Worldwide in May of 1996, showed him leading the GOP pack by a margin of more than 40 points against Cafferata and Seale (American Political Network 1996, 8 March). As Herrnson would predict, Gibbons' early lead in the polls helped to attract substantial campaign funding (1995, 218). Throughout the primary season, Gibbons received more than \$265,000 in campaign contributions, compared to Cafferata's \$95,000 and Seale's \$82,000 (FEC 1996, September).

A poll conducted in July by the *Las Vegas Review-Journal* confirmed Gibbons' internal findings; he led his Republican primary challengers as well as Democrats (Morrison 1996). Due to the findings of this poll, Bob Seale dropped out of the race, blaming his poor showing in the polls for blocking his fundraising efforts (Morrison 1996). Ironically, he withdrew too late to have his name removed from the ballot and finished fourth in the race with 4 percent of the vote (Vogel 9/4/96).

DEMOCRATIC CANDIDATES

The Democratic primary roster was less distin-

guished, boasting former Virginia City prostitute Jesse Winchester; security guard Mike Martin; and David Ward, a cable TV salesman who dropped out before the primary race. It was not until the last day to file, June 4, that Thomas "Spike" Wilson added his name to the list of candidates for the Democratic primary race.

Wilson, a Reno attorney and "fiscal conservative," served in the state Senate and on the Nevada Ethics Commission (Morrison 1996). Among the Democrats, he provided the only evidence of political experience or qualifications. Due to his late entry, Wilson had little time to solicit campaign contributions for the primary season, but he did receive over \$80,000, which he added to \$100,000 of his own money (FEC 1996, September).

THE RESULTS

Nevada's primary election was held on September 3, 1996. It produced no surprises. Gibbons won the Republican primary with 43 percent of the vote, followed by Cafferata and Lau. In the Democratic primary, Wilson won handily with 62 percent of the votes despite his late entry (Vogel 1996, 4 September). Although Herrnson calls open-seat primaries "the most competitive of all nominating contests" (1995, 46), both Gibbons and Wilson won their primaries by significant margins (20 percent for Gibbons and nearly 40 percent for Wilson). This is additionally surprising in the Republican camp because of the qualifications and experience of the other candidates. Perhaps the wide margin of victory reflects the large differences in the amount of campaign funding each candidate was able to acquire.

THE CANDIDATES

Herrnson submits that the best qualified office-seekers wait until an open seat becomes available rather than face a formidable incumbent (1995, 36). The two candidates for Nevada's second Congressional District's open seat could both be considered experienced. Gibbons had the advantage of name recognition from having run a state-wide election previously. (Because the district covers the entire state, campaign-

ing in it is virtually the same as running for a state-wide office.) Wilson's delay in filing his candidacy perhaps illustrates his hesitancy to run as a Democrat in such a conservative district. Though Gibbons was not an incumbent, Wilson may have seen his opponent as a formidable challenge. Ironically, the two men's careers have evolved along similar paths.

REPUBLICAN JAMES GIBBONS

A native Nevadan, Jim Gibbons earned his law degree, then became a pilot for Delta Airlines. Previously, he worked as a mining geologist and served in the United States Air Force, experiencing combat duty as a secret-missions pilot in the Vietnam War and voluntarily in the Persian Gulf during Operation Desert Storm. Gibbons, age fifty-one, is proud of his wife, daughter, and two sons, whose pictures he flaunted throughout various campaign literature.

Gibbons served three terms in the Nevada State Assembly, where he authored the popular Gibbons Tax Restraint Initiative. This initiative, requiring all tax increases to be approved by two-thirds of the state legislature, was on the ballot this year and passed quite easily on election night (Morrison and Vogel 1996, 6 November). As the Republican nominee for governor in 1994, Gibbons made this conservative legislation the centerpiece of his campaign (American Political Network 1994, 13 October). Though seen as a conservative Republican, Gibbons was labeled by the Abortion Report as pro-choice (American Political Network 1994, 19 October) and declared that government should not involve itself in the abortion issue (Gibbons and Cafferata 1996).

Gibbons fits the criteria for what Herrnson calls a strategic politician. Candidates who behave strategically possess "a desire to get elected, a realistic understanding of what it takes to win, and an ability to assess the opportunities presented" (Herrnson 1995, 31). Gibbons fits this category because he obviously exercised much thought and preparation in evaluating his candidacy. He announced his candidacy on December 5, 1995, long before any other competitors. With this head start, Gibbons began raising money (and thus spending money) and conducting polls early in the campaign season. As Herrnson illustrates, "a campaign's initial expendi-

tures are particularly influential" in spreading a candidate's name recognition and message (1995, 218). Gibbons achieved this advantage by entering the race early and behaving strategically, while Wilson missed out because he filed his candidacy much later.

DEMOCRAT THOMAS "SPIKE" WILSON

Unfortunately, it is necessary to begin here with a disclaimer. Spike Wilson's campaign offices and staff were less than helpful in providing information. Due to their refusal to answer questions and provide campaign literature, the sources used to compile a profile of Spike Wilson and his campaign are quite limited. This difficulty in dealing with the candidate and his campaign suggest that Wilson is not overly personable or helpful, which are qualities heavily associated with casework. Perhaps Wilson's apparent weakness in constituency relations stems from the fact that he knew he was waging a lost-cause campaign. From the beginning, Wilson knew his chances for victory were minimal, but "this is a race that someone had to make....I had a ball" (Wilson quoted in Morrison and Vogel 1996).

Thomas "Spike" Wilson, age sixty-one, was also born and raised in Nevada. He served as a federal prosecutor, then became a partner in a law firm with offices in Reno and Las Vegas. As a Democrat, he served from 1970 until 1986 in the Nevada State Senate, where he claimed to be "fiscally conservative" and "careful with your [constituents'] tax dollars" (Morrison 1996). Wilson helped to create the bipartisan Nevada Commission on Ethics in Government in 1985, and served as its chair from 1989 until 1996. In 1991, he received the *Ethics in Government* award from Nevada Common Cause (Wilson 1996).

Though a Democrat, Wilson declined to align himself with Clinton and his party in this conservative district. Calling himself the "independent voice for Nevada," Wilson promised that he would not be another "sure" vote for party leaders. "Congress must stop the finger pointing and partisan bickering, and put the very best ideas of both parties to work" (Wilson 1996). Despite Clinton's general popularity nationwide, Wilson evidently realized that, due to the conservative

nature of this district, aligning himself with the president would not be politically profitable.

Although Wilson was politically experienced, having campaigned and held office in the state, it is doubtful whether he behaved strategically in this campaign. Institutionally, strategic politicians examine factors including filing deadlines and campaign finance laws (Herrnson 1995, 31). Wilson seemed to lack understanding regarding both of these factors. He barely met the filing deadline and failed to conform to Federal Election Commission rules requiring a declaration of receipts and contributions (Paxon 1996).

Structural factors involved in strategic ambition include examining the geography and partisan composition of the district (Herrnson 1995, 31). If Wilson did make such an examination, he did not heed the warning signs. The large, sprawling district is Republican-dominated and requires extensive travel and money to spread one's name and message throughout the district. A poll taken during the primary season indicated that 53 percent of the district's voters did not even recognize Wilson's name (Morrison 1996). In contrast with Bob Seale, however, Wilson opted to remain in the race, saying the numbers did not depress him. "I just see room for growth" (Morrison 1996).

Wilson may have focused on national forces, such as Clinton's likely victory, instead of local circumstances as a strategic politician would (Herrnson 1995, 31). According to Herrnson's model, a politician behaving strategically would not run in the circumstances Wilson met. On the other hand, our democratic idealism prefers the presence of an opponent with slim chances to a strategic politician in an unopposed race.

CAMPAIGN FINANCES

With each successive election year, the amount of money it takes to wage a campaign increases. Many have speculated on the impact such money-centered campaigns have on our democratic system, but here it is necessary only to analyze its effects in the race at hand. As pointed out earlier, Herrnson's framework predicts that an open seat will attract more money and assistance from individuals, political action

committees (PACs), and party committees than will a challenger race (1995, 17). With high political stakes up for grabs in an open seat, many groups find it advantageous to support their candidate of choice. Hence, both Spike Wilson and Jim Gibbons received substantial campaign contributions.

Candidates are required to report the contributions they receive to the Federal Election Commission (FEC), which then makes this information available to the public. In the general election, Jim Gibbons spent nearly \$500,000. He received most of his money, close to \$400,000, from individual contributors. PACs, primarily those associated with casinos and other businesses, donated approximately \$130,000 to the Gibbons campaign (FEC 1996, December).

Although Herrnson's framework predicts that the party not in control of the presidency (in this case, the Republican party) will use more of its resources to support incumbents (1995, 80), the National Republican Congressional Committee gave the maximum contribution allowed to the Jim Gibbons campaign. After all, the committee's primary goal is to maximize its party's seats in Congress, and the Nevada second district seat was "likely Republican" (Cook Political Report 1996, 28 August).

From the beginning of the general election, Gibbons led Wilson in the polls and the lead continued to widen as the election drew closer (American Political Network 1996, 4 October). Given this lead in the polls, Herrnson theorizes that Gibbons will attract more money and resources than Wilson (1995, 218). This proved true in the Nevada second district campaign, but the difference was quite small. Spike Wilson spent approximately \$450,000 on the general election (FEC 1996, December).

Wilson received almost \$250,000 from individual contributors. Most of his PAC money, totaling over \$100,000, was donated by national organizations, such as the Federal Express PAC and the National Education Association PAC, as well as labor organizations. Interestingly, a number of casino corporations that contributed to Gibbons' campaign also gave money to Spike Wilson (FEC 1996, October and December; Kanigher and McCall 1996). Evidently, these casino PACs exercise access strategies, contributing to both candi-

dates so that they are guaranteed access regardless of who wins the election (Herrnson 1995, 110). Information regarding the Democratic Congressional Campaign Committee's involvement in Wilson's campaign is unavailable.

Despite the integral role that money seems to play in modern elections, it is not always the most important factor. Although Gibbons and Wilson spent similar amounts of money, there was a wide margin between them in the election results. Perhaps voters do see beyond the resources money can buy. Or, as is more likely in this case, party identification is simply more important to voters than how many television ads a candidate can buy.

ON THE CAMPAIGN TRAIL

Numerous factors play a significant role in the outcome of a campaign for office. Obviously, the role of money is very substantial, as has been discussed. Beyond that, however, variables such as campaign organization and staff, priorities made in determining the campaign budget, and campaign strategies, including the issues, themes, and messages which a candidate embraces, are extremely significant. Each of these factors can be used in such a way as to mean the difference between winning and losing an election.

CAMPAIGN ORGANIZATIONS

In Herrnson's model of campaign staff and organizations, incumbents clearly have an advantage with more experienced staff and resources (1995, 63). In the open seat race at hand, however, Herrnson indicates that nonincumbents who have previously held an elected position have an advantage in assembling their campaign organization (1995, 64). Both Gibbons and Wilson held elected posts, but neither of them had an ongoing support club. Their respective organizations, the "Jim Gibbons for Congress Committee," and "Nevadans for 'Spike' Wilson" were both organized specifically for this race. However, it is most likely that each candidate has a tight circle of staunch supporters who have been through other state and local campaigns with him.

Open seat campaigns fall between those waged by

challengers and those by incumbents in regard to the professionalization of the staff and organization. The majority are managed by a paid staffer, some have professional media consultants, and most candidates have their polling done by professionals. Other functions, such as press relations, fundraising, and issue research, is often done by volunteers in open seat campaigns (Herrnson 1995, 64-69).

Due to my difficulty in obtaining information from the Wilson campaign, I cannot compare his campaign organization to the model; however, Gibbons' campaign largely conforms to Herrnson's pattern for organization. Jim Gibbons' campaign manager, Mike Dayton, was a paid professional. Wirthlin Worldwide, a well-known and respected firm, conducted several polls for Gibbons. His campaign relied on outside political consultants for some advice on advertising, and the National Republican Congressional Committee provided its research. The rest of Gibbons' campaign staff was comprised of volunteers, who handled press relations and fundraising (Dayton 1996). The entire Gibbons family was involved in the campaign, especially the candidate's son, Christopher, age twenty-one, who designed an Internet home page for his father: <http://www.gibbons4congress.com>.

CAMPAIGN BUDGETS

In addition to the organization of campaign staff, the professionalism of a congressional campaign can be judged by how its money is budgeted. In the way they allocate funds, there are virtually no differences among incumbents, challengers, and open-seat candidates. Generally, candidates spend 76 percent of campaign funds in voter communication, 18 percent for overhead expenses, and 6 percent on polling and research. Further breaking down the voter communication percentages, most candidates budget 11 percent of their total funds for radio, 18 percent for television, another 18 percent for direct mail, 4 percent for newspapers, and the remaining 25 percent for field activities. (Herrnson 1995, 73)

As discussed above, this information is not available for the Wilson campaign, and Gibbons' campaign budget largely does not conform to Herrnson's model, due primarily to the geographical expanse of Nevada's 2nd district and some

in-kind donations Gibbons received.

In contrast with the usual 18 percent spent on overhead, Gibbons' campaign manager indicated that their overhead comprised closer to 5 percent of the budget because of numerous in-kind donations. Field activities, including travel, make up only 10 percent of the Gibbons budget. This is surprising in a district where campaigning requires travel throughout the entire state. (Perhaps Gibbons' employment as a pilot for Delta Airlines facilitated this.) Approximately 5 percent was spent on polling, done by Wirthlin Worldwide, and 10 percent on direct mail. In describing open-seat races, Herrnson theorizes that "direct mail has the biggest impact on vote shares, followed by radio and television" (1995, 219). Gibbons' allocation of funds does not exactly fit Herrnson's pattern.

The major discrepancies between Gibbons and the typical campaign are in the amount spent on radio and television advertisements. As is becoming more common every election year, television was the major budgetary item in the campaign. While Gibbons spent only 5 percent of his total budget on radio, a phenomenal 60 percent went toward television (Dayton 1996). These discrepancies may be explained by looking at the different media markets throughout the state. To reach the entire second district, a candidate not only has to advertise in Reno and the extensive rural areas, but also in the Las Vegas area, where 20,000 of the district's registered voters reside. In this urban center's media market, television advertising is costly, but radio is less expensive and one radio station may reach a larger number of voters.

CAMPAIGN STRATEGY

Campaigns do not just "happen." They are carefully planned and designed; the candidate, together with political consultants, family, and friends, thinks through every move he makes. Analyzing what will appeal to voters in the current environment is quite an art, one which every candidate tries to perfect. To do so, they choose which groups of voters to target and the message, including issues and image, which they will portray throughout the campaign. Much of this is manifested in campaign literature.

TARGETING

As Herrnson points out, campaigns do not intend to reach everyone; that would be impossible. Instead, most candidates focus their campaign efforts on members of their own party and independent voters (Herrnson 1995, 164). This is true of the Jim Gibbons campaign, but there is no available information regarding Spike Wilson's targeting strategies.

In addition to this general targeting, Herrnson discusses the importance of soliciting specific groups of voters; "...communicating a message to identifiable groups of supporters and undecided voters is important in the campaign for votes" (Herrnson 1995, 166). The Gibbons campaign used Herrnson's group-oriented approach, which says that "there are identifiable segments of the population whose support the campaign needs to attract and that specific communications can be tailored to win that support" (Herrnson 1995, 166). According to Gibbons' campaign manager and as evidenced by his campaign literature, the Republican candidate focused on specific population segments like veterans and seniors.

As a veteran of two wars himself, Gibbons already had one foot in the door with that group. Gibbons designed his crime reduction plan to protect "our neighborhoods from violent criminals who prey on our society's most vulnerable: our elderly citizens and our children" (Jim Gibbons, *Plan* 1996). Citing the contributions that seniors and veterans have made to the state of Nevada, Gibbons vowed to protect them. "We can count on Jim Gibbons and his commitment to Nevada seniors and veterans" (Jim Gibbons, *Uncommon* 1996). Spike Wilson also tried to reach out to seniors, promising "I won't vote to cut Social Security" (Wilson 1996).

MESSAGE

The campaign message is a combination of imagery and the candidate's position on certain issues. Herrnson describes the most successful messages as thematic, prevalent throughout every ad, pamphlet, and speech. In an attempt to project a coherent image of the candidate, messages are generally a mixture of party affiliation, issue positions, personal accomplishments, and qualifications for office (Herrnson 1995, 168-9). Especially in a close race, campaign messages can become a determining factor in the outcome of the election. Though not the most important ingredient, candidate

messages were important in the race for Nevada's second Congressional District.

In an open seat, Herrnson's model predicts that candidates will strive to portray themselves as "caring, hard-working, and experienced" (1995, 170). In Nevada's second district, Jim Gibbons embraced all three attributes quite successfully, while Spike Wilson emphasized his qualifications and what his agenda would be as a member of Congress. While both candidates chose a few issues to emphasize, only Gibbons was successful in portraying a coherent image of himself.

Image. Wilson's campaign "image" consisted of a picture of himself, the headline "We like Spike," and the subtitle "the *Independent* voice for Nevada" (Wilson 1996). As a Democrat in a largely Republican district, he was trying to disassociate himself from the party ticket. Voters were not given the opportunity to meet Spike as a person, even through simple words on paper. A few qualifications were listed, but no family was ever introduced (Spike is divorced), and trustworthiness or caring were not discussed. To some Nevadans, Spike may have come across as a cold politician. With the large party barrier to overcome, this lukewarm portrayal of Spike Wilson's image was quite a blunder. Evidently, Wilson was attempting to portray a "home style" (Fenno 1978) that focused on experience and a future agenda more than identifying with the people as one of them.

Republican candidate Jim Gibbons scored high points in the portrayal of a consistent, likeable, and comfortable image. He stressed his past record of fighting for Nevadans and filled his campaign literature with pictures of a caring Jim Gibbons reading to children or helping seniors find solutions to their problems (Jim Gibbons, *Uncommon* 1996). Gibbons also used his role as an Air Force veteran to transmit a certain image of patriotism and honor, saying "I was willing to fight for my country—I'm willing to fight for Nevada" (Jim Gibbons 1995). Both the military and politics are about leadership and public service.

The most consistently-used image, however, was a lovely portrait of Jim with his wife and three children. It was included in every piece of direct mail and many television

advertisements. This image of a caring family man essentially became Gibbons' "home style" (Fenno 1978) and served well as an overarching theme that hit home with numerous voters.

Issues. Spike fared better in presenting his issues than his image. Clearly, this Democrat understood the importance of alienating himself from the Clinton/Gore ticket in this district. Stressing his independence, Spike promised not to be "another sure vote for the leaders of either party" (Wilson 1996). His primary issue focus was on families. Despite his promise to be an independent voice, Spike jumped on the national bandwagon in calling for tax credits for child care and education, health insurance access and portability, and pay and pension equity for working women (Wilson 1996).

These family issues did not exactly play out as Wilson's trump card, however. Wilson simply talked about helping families, while Gibbons portrayed it in action. As it is said, a picture is worth a thousand words; or a thousand votes, as the case may be. Wilson also talked about "ending corporate welfare" through changes in tax policy and achieving political reform through tough ethics (Wilson 1996).

Jim Gibbons' focus on a few broad issues further helped him achieve coherence as he repeated his message in every ad and leaflet. Gibbons followed Herrnson's model in identifying himself with valence issues (Herrnson 1995, 170). He took policy stands on protecting seniors and veterans, cracking down on crime, and improving education—issues which generate little controversy and draw large support. While he outlined specific policy goals, Gibbons continually emphasized the broader valence issues. Gibbons also campaigned on the issue of tax restraint, echoing the initiative he authored that was passed at the same time he was elected to Congress. In this Republican district, Gibbons did not shie away from the Dole-Kemp national ticket and openly supported Dole's plan for a 15 percent across-the-board tax cut (Vogel 1996, 27 October). Wilson opposed any tax cut until Congress balances the budget (Vogel 1996, 27 October).

During the primary campaign, Gibbons addressed a wider array of issues, especially emphasizing classic states' rights in claiming that the "federal government is too heavy-handed" (Henley 1996), and therefore we should "let Nevadans

run Nevada" (Chris Gibbons, *Jim's Stand* 1996). In issues regarding Nevada's mining and ranching interests, Gibbons claimed that the federal government has been "waging war on the west" (Henley 1996), in preventing Nevada from controlling its own state land. True to his party, Wilson favored leaving Nevada's lands in the hands of the federal government. Gibbons also argued in favor of popular national issues, such as balancing the federal budget, welfare reform, and revamping Medicare (Chris Gibbons, *Jim's Stand* 1996). However, all of these issues faded into the background during the general election campaign in favor of those discussed above.

In the Wilson campaign, issues were used more extensively than images. Gibbons also focused on issues, but his family picture, so prevalent throughout the campaign, seemed to be the overriding theme. Perhaps due to the large and diverse nature of the district, both candidates steered away from local concerns, (which have the potential to arouse opposing viewpoints in the urban and rural areas) to embrace larger issues. Gibbons' family portrait served as a universal theme, striking chords in this area largely populated by traditional families. Also due to the district's extensive geographic area, Gibbons and Wilson were required to travel and campaign throughout the state, walking the neighborhoods everywhere from Elko to Las Vegas. Out of necessity, both candidates maintained offices and campaign personnel in Reno as well as Las Vegas.

NEGATIVE CAMPAIGNING

This congressional race was clouded by very little negative campaigning. The candidates participated in seven debates together and remained civil in each one (Vogel 1996, 27 October). Both Gibbons' and Wilson's television campaign advertisements remained relatively positive, but a couple of incidences are noteworthy.

In particular, the Nevada Republican Party published a pamphlet attacking Spike Wilson's history of voting in favor of raising taxes on Nevada citizens. According to their campaign literature, Wilson voted to raise his legislative salary and perks twelve times and to raise taxes and fees over three hundred times while serving in the state senate. Telling the "real

story about Spike Wilson," they labeled him as an out-of-touch politician (NV Republican Party 1996).

In the last weeks of the campaign, Wilson accused Gibbons of "attack ads" and Gibbons tried to paint Wilson as a Clinton liberal (Morrison and Vogel 1996). Discussing Clinton's interventions in Iraq, the two candidates got their hands a little muddy. Wilson bordered on calling Gibbons, a veteran of two wars, unpatriotic (Vogel 1996, 19 September).

AND THE WINNER IS.....

The results of the general election held on November 5, 1996, like those of the primary, were not unexpected. They were in line with results indicated in earlier polls (Morrison 1996; American Political Network 1996, 30 May). For the open seat in Nevada's second Congressional District, Republican Jim Gibbons won with 58 percent of the vote. Gibbons beat Democrat Spike Wilson, who garnered 36 percent of the vote, by a margin greater than 20 percentage points (Morrison and Vogel 1996).

In order to explain the outcome of this race, there are several relevant factors to address. These include the types and groups of voters which supported each candidate, the national context in which the race took place, and the party identification within the district. Also, it is interesting to explore the explanation given by the losing candidate.

Gibbons was supported throughout the race and in his victory by traditionally conservative Republican groups, such as the National Rifle Association and Citizens for Responsible Government, as well as business-related associations like the U.S. Chamber of Commerce. These groups endorsed Jim Gibbons, as did other local and state associations (Chris Gibbons, *Endorsements* 1996; Vogel 1996, 27 October). Also, retiring Representative Barbara Vucanovich endorsed Gibbons in the general campaign (after he defeated her daughter in the primary), calling him "a man of integrity, decency, and a sense of compassion" (NV Republican Party 1996).

Wilson also had numerous supporters and endorsements, especially from state and local unions, such as the Nevada AFL-CIO, the Nevada State Education Association,

and the Service Employees International Union Local 1864 (Vogel 1996, 27 October). An obvious difference is the national scope of the groups which supported Gibbons versus the local nature of Spike's supporters. National groups like the NRA have a broader membership and more money with which they can support the candidate. This gave Gibbons an edge in the campaign and demonstrates the power of endorsement as a resource.

The population segments which voted for Gibbons and Wilson mirror the types of groups and associations which supported each candidate. Republicans overwhelmingly chose Gibbons, as did many Independents and some Democrats. Many Democrats toed the party line in voting for Spike, but they were simply outnumbered by registered Republicans in the district (Dayton 1996). Clearly, this race is a good example of party politics.

Although redistricting was not a factor in this race, the presence of a presidential election did play a role. As Herrnson points out, presidential election years spur a larger turnout of voters (1995, 17). Such years also have a potential for coattail effects, but these were not realized in the Nevada second district race nor throughout the nation. In the case at hand, Clinton's coattails may have been replaced by those of Representative John Ensign of Nevada's first Congressional District.

Ensign, a staunch Republican, served as a freshman in the 104th Congress and retained his seat by a huge margin of victory in 1996. Ensign has been very popular with casino magnates as well as the general populace, so the several public appearances he made with Gibbons may have brought in more money and votes for the second district candidate (see Morrison and Vogel 1996; Vogel 1996, 4 September).

The most important factor in determining the outcome of this race was undoubtedly the party cue. Herrnson's theory includes explanations for voting decisions. One of these explanations is that voters will choose the candidate with whose political party they identify themselves. This party cue "also enables voters to speculate about a candidate's ideological orientation and issue positions" (Herrnson 1995, 159). In Nevada's second district, the Republican party, and hence Jim

Gibbons, had a clear advantage based on party cue voting.

Neither Jim Gibbons nor Spike Wilson was surprised by the outcome of the race. In line with Herrnson's theory that winners attribute their success to image and issues (1995, 219), Gibbons credited his victory to his past experience and issue positions. Although it is natural for Spike to be disappointed, he knew from the beginning that for him this race was basically a lost cause (Morrison and Vogel 1996). As discussed earlier, he knew his chances were very slim and thus he did not put forth the effort necessary to be competitive; i.e., Spike did not behave strategically. Hence, Herrnson's model that shows the losing candidate placing blame and obsessing about money (1995, 219) does not apply here. Spike Wilson did not blame anyone for his defeat, instead positioning himself almost as a martyr for the democratic system. Spike can be seen as a candidate who entered the race simply to provide an element of opposition, without any real hope of personal victory.

CONCLUDING ANALYSIS

In Herrnson's model, open-seat races are characterized by their intense competition. Yet at no time on election night (or throughout the campaign season) was this race "too close to call." What explains the deviation in this race from Herrnson's theory? There are two reasons that the race for Nevada's second Congressional District was won by 22 percentage points instead of the small margin predicted by Herrnson. First, the majority of voters in the district identified themselves as Republicans, which was a heavy weight in favor of Gibbons. Second, Wilson did not behave as a strategic politician. Spike's delay in filing his candidacy, his mistakes in reporting to the FEC, and his weakness in constituent relations (casework), because he saw his campaign as a lost cause, all point to this conclusion. Herrnson predicts that only strategic politicians will be successful; Spike was not strategic, so the race was not highly competitive and he lost by a wide margin.

This study of an open-seat race in Nevada's second Congressional District, in the context of Herrnson's frame-

work and the 1996 election, provides insight into the elements that are necessary to wage a successful campaign. Such a campaign is an example of the very processes that are integral to our American democratic constitutional system.

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The Illicit Drug Trade

Review by Hugh Beck

LaMond Tullis. 1995. *Unintended Consequences: Illegal Drugs and Drug Policies in Nine Countries*. Lynne Rienner Publishers.

PURPOSE AND APPROACH

"Unfortunately, although drug-control laws have contributed little to suppressing the illicit-drug trade, they have contributed much to social dislocations, corruption, militarization, abuse of human rights, and a general disregard for human decency" ¹. Thus goes the principle thesis of LaMond Tullis's *Unintended Consequences: Illegal Drugs and Drug Policies in Nine Countries*. Upon this conclusion Tullis prescribes a shift in drug control policies. His volume integrates and interprets the results of nine country-studies completed by separate scholars respectively qualified for studying the nature of drug trade in each of the countries. Eight of the nine countries in which research was conducted are net producers of drugs and thus the geographic focus of the book is on drug producing countries. The purpose of the volume is four-fold: 1) to describe and explain what is happening with the trade of illicit drugs, 2) to describe and assess the effectiveness of current drug control efforts, 3) to make more transparent the unintended socioeconomic and political effects of drug trade and of the efforts to control it, and 4) to prescribe policy changes that may address the effects seen as most hurtful. In addressing the first three objectives Tullis draws upon the findings of the studies in each of the nine countries. In discussing prescriptions for policy changes he focusses specifically on Bolivia and Columbia. These two countries represent respectively the two basic functional aspects of the drug trade: production and marketing. Thus, conclusions made about Bolivia and Columbia may be applied to other countries according to the particular mix of production and marketing emphasis they exhibit.

SUGGESTED APPROACH TO READING UNINTENDED CONSEQUENCES

Concerning his choice of theoretical framework, Tullis states, "The answers [to the questions of the drug trade] insofar as they are possible, are not to be found in any single discipline, method, theory, frame of reference, or value preference. Although country-study authors have approached the discussion from their own disciplines—economics, political science, political economy, history, environmental studies—they have tried to be sensitive to the need for cross-disciplinary integration" ². *Unintended Consequences* thus does not neatly fall into a single scholarly discipline defined by a unifying theoretical base. The reader may therefore initially find it difficult to pinpoint the basic assumptions which the volume makes and which influence its conclusions. Choosing to first classify *Unintended Consequences* with a group of literature having similar characteristics, even if this classification does not sufficiently describe the broad integration of approaches applied in the studies from which Tullis draws his conclusions, may thus benefit the reader. The orientation of international political economy as such a classification is suggested here, again not so much as a sufficient description of the book's actual theoretical base, but more as an aid to the reader in grasping the dynamics of the issues Tullis raises and the nature of the conclusions he reaches.

Political economy has as its main goal the examination of governments and markets and how each interacts with the other. It seeks to determine the effectiveness of this interaction in particular cases and also to explore the unintended consequences each sphere, in pursuing its own goals, has upon the other. At times, these consequences may be favorable but more often they are not. One political economy scholar writes, "the market and the government... generate powerful forces that reverberate throughout society and against each other with potentially damaging consequences."³

It is in this sense that *Unintended Consequences* can be classified as a political economy study. Tullis's volume seeks to

examine the effects of a market (the drug market), the effects of government intervention into that market, and the unintended consequences of that intervention. Moreover, the drug trade takes place on an international scale, nation-states are affected by drug related activities in neighboring countries, and as Tullis makes clear any solutions must involve international cooperation. *Unintended Consequences* may thus profitably be seen by the reader as an international political economy study.

Viewing *Unintended Consequence* as such helps the reader to realize that the drug trade operates primarily according to market principles (the first face of the drug trade) and only secondarily in avoidance of governments' efforts to restrict its activities (the second face of the drug trade). This distinction allows the reader to grasp the issues Tullis discusses and to see that harmful effects of the drug trade occur on both faces. This point can be illustrated by a quote from the first chapter of Tullis's book: "Were it not for the laws, the production, consumption, and trade of drugs would not be illegal and therefore not criminal. But crimes might still result. Drug-related crimes derive from more than simple legislative artifacts that parliaments may make and unmake according to their political will. Some addictive drugs have psychopharmacological properties that may induce violent behavior against children, spouses, the unborn, and random bystanders"⁴. Thus, some criminal behavior of the drug trade arises upon the first face of the drug trade (the nature of the drug market itself) and other criminal behavior arises upon the second face (avoidance of governments' restrictive policies). The distinction is an important one for Tullis and he keeps it continually at the forefront of his discussion, especially as he criticizes current drug efforts and examines possible changes in these efforts. We will briefly review these issues next.

Unintended Consequences helps the reader to understand the way in which perspectives of the first face of the drug trade, specifically of who is most to blame for it, lead to certain types of policies to control drug trade and reactions to those policies (the second face). Historically most drug control efforts have been based upon what Tullis calls a supply side theory of addiction. The basic assumption of such a theory is that level of drug consumption is dependent upon the

level of drug availability. Upon this assumption, policies have been directed at restricting supply at one of three levels: the production of the drug crop (crop suppression), the trafficking network for the drug (network disruption), the movement of the drug itself (interdiction). The validity of this theory's principle assumption has been difficult to determine by virtue of the fact that efforts aimed at restricting supply on one or on a combination of these three levels have proved largely fruitless. Concerning these efforts Tullis states, "On the whole the supply-suppression->consumption reduction model has fallen on hard times. It has too many points to unravel in practical application. Usually, where it can unravel, it has unraveled"⁵. Because these efforts' intended consequences (to reduce the effects of the market face of the drug trade) have proved unsuccessful, the only remaining inquiry to be made concerning them is of their unintended consequences (the effects of the second face of the drug trade, the avoidance of restrictions). As the nine country study shows, the unintended consequences of these efforts have been also been very hurtful. Tullis thus prescribes the abandoning of such supply suppression efforts. In their place he proposes "harm-reduction strategies" which focus on reducing drug consumption in those countries which consume the most and on the initiation of development programs to compensate those countries which would be hurt by such a reorientation.

¹. LaMond Tullis. *Unintended Consequences: Illegal Drugs and Drug Policies in Nine Countries*. Lynne Rienner Publishers. p. 171.

². p.3

³. Barry Clark. *Political Economy: A Comparative Approach*. Praeger Publishers. p.6.

⁴. p.8

⁵. p.126.

Hobbes Early Writings: A Review of *Three Discourses*

Review by Jason William Beutler

Hobbes, Thomas. 1995. *Three Discourses*. Reynolds, Noel and Arlene Saxonhouse, eds. Chicago: University of Chicago Press.

Hobbes' seminal work, *Leviathan* is considered one of the classic books in political philosophy. In the words of Richard Peters, "Hobbes' *Leviathan* ranks as one of the great books in philosophy because it attempted a systematic answer to the far-reaching social changes of the sixteenth and seventeenth centuries" (Hobbes 1962, 7). *Leviathan* lays a great deal of the ground work for liberal ideas about the nation-state's political foundation. Yet many scholars have lamented the lack of writing available by the young Hobbes. Until recently, the earliest major work available from Hobbes was written when he was already forty years old. Hobbes' early work would be useful to scholars who want to understand how his introduction to the deductive methods of geometry at the age of forty affected the questions Hobbes asked and the methods of argumentation used by Hobbes as a political philosopher. The word print work done by Noel Reynolds, James Hilton and other professors at Brigham Young University has proved that such a manuscript exists. This manuscript has recently been published under the title of *Three Discourses* edited by Noel Reynolds and Arlene Saxonhouse. In this review I will explain how this discovery was made and examine some of the important insights this manuscript gives about Hobbes' political philosophy.

The three essays that have recently been released under Hobbes' name were first published anonymously under the title *Horae Subseivae* in 1620 by Mr. Edward Blount.¹ This London publisher claimed not to know who had authored these discourses, but "having heard them commend- ed" (Reynolds and Saxonhouse 1995, 27), he asked a friend who had the hand-written copy for permission to print this work. This anonymous publication has left scholars debating the authorship of these essays for three and half centuries. These discourses have been attributed to a variety of different

authors, from members of the Cavendish family for whom Hobbes worked as a tutor to Francis Bacon, one of Hobbes' contemporaries. Leo Strauss was the first to suggest that these essays were written by Hobbes. Marlene Saxonhouse, the second editor of this book, wrote a dissertation arguing that Strauss was right to attribute *Horae Subseivae* to Hobbes. Saxonhouse, however, was never able to find a method of proving this historically. It was not until Noel Reynolds showed that word print statistical analysis could be used to make this case that the "smoking gun" needed to get these essays published under Hobbes' name was available.

The third section of the book contains an essay by Saxonhouse in which she points out some of the important insights this early work gives us into Hobbes the political philosopher. Some scholars have suggested that Hobbes' fascination with geometry, discovered later in life, led him to search for origins rather than ends of the state. However, these essays make clear that this search for origins began long before Hobbes discovered geometry at the age of forty. In the essay entitled, "A Discourse upon the Beginning of Tacitus," Hobbes examines the work of the Roman historian Tacitus to show how Augustus was able to create a stable political foundation. In Saxonhouse's commentary on this essay she notes that Hobbes used the example of Augustus to examine the means necessary to establish political authority in a world where divine right to political leadership is no longer accepted as a sufficient grounds for this authority. Saxonhouse points out that Hobbes is already asking the questions about how political authority is justified and its true origin that he deals with at greater length in *Leviathan*. Thus these early essays suggest that Hobbes search for the origins of the state and political authority began long before he discovered geometry.

Hobbes early essays also show that he had already broken with ancient philosophers by searching for an origin to state authority separate from God or nature. Machiavelli had already written extensively about the means needed to maintain political authority in a godless world by examining Roman his-

tory in *The Prince*. In Hobbes' early essays, he follows Machiavelli's lead in embracing deception and murder of political adversaries by Augustus to establish political order. These acts are justified because political opponents must be put down before peace can be established. In Hobbes' words, "therefore being weary, they could not but be much won with the present ease, and vacancy of War, especially civil war" (44).² These writings show that Hobbes does not see brutal actions to establish political order as a violation of a higher moral code.

Hobbes' willingness to justify any means of securing political authority in a chaotic world shows that he is already beginning to separate from natural law thinkers who see morals and law as a natural by-product of reason possessed by humans in every situation. Instead he begins an argument that he carries further in the *Leviathan*. For Hobbes the real moral imperative before a stable government forms is self preservation. In these early essays Hobbes is already prepared to suggest that laws and morals exist inside a society with a stable political order, but not outside of this order. Thus he has already accepted the view that laws and morals are conventions created to preserve a stable legal system.

Much has been made of Hobbes' discovery of geometry and the effect this had on his philosophical studies. This fascination with deductive methods of argumentation does seem to change how Hobbes engages in philosophical arguments in his later works. However, the basic questions that Hobbes deals with in his early essays are very similar to the questions he attempts to answer in his seminal work *Leviathan*. And even the answers Hobbes gives to these questions *Leviathan* coincide with Hobbes' earlier writings. Thus it seems that while geometry affected Hobbes' method of argumentation about political authority and the origins of the state, Hobbes still reaches a strikingly similar conclusion in both his early essays published in *Horae Subsecivae* and his later work *Leviathan*. Certainly, Hobbes arguments show far greater refinement in *Leviathan* than in his early essays, but the need for strong political authority to establish and maintain the state never changes.

In this review of *Three Discourses* I have outlined how the early writings of Hobbes were identified using word print

analysis and examined some of the insights this new work gives on the development of Hobbes' political philosophy. The three essays by the young Hobbes demonstrate that the questions about the origins of the state and rationale for political authority are not simply foisted on Hobbes by the civil wars in England. Rather, these are questions that Hobbes had long thought about and examined. While the deductive methods of geometry helped Hobbes make what many consider to be the one of the greatest arguments ever for the state, these methods do not lead him to altogether new conclusions about how the state should be founded. Instead, the deductive tools give Hobbes a better way to make his arguments. Clearly, the newly identified Hobbesian essays published in *Three Discourses* produce interesting insights into Thomas Hobbes the political philosopher and create a new and interesting way to examine Hobbes' political philosophy.

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- 1 Although *Horae Subsecivae* contained twelve essays, only three of these have been proven to be written by Hobbes.
- 2 It is interesting to note that even before Hobbes experienced the true ravages of civil war in England, he already sees it as the greatest evil.

Political Parties and the Maintenance of Liberal Democracy

Review by Anna Nibley

Patterson, Kelly D. 1996. *Political Parties and the Maintenance of Liberal Democracy*. New York: Columbia University Press.

Is democracy failing in the United States? Can its failures be blamed on the decline of political parties? Has there actually occurred a decline in political parties in the United States? Kelly Patterson, in his book, *Political Parties and the Maintenance of Liberal Democracy*, sets out to disprove the notion that the decline in political parties is the reason for the "failure" of democracy in the United States.

Patterson asserts that displeasure with democratic institutions is not necessarily bad and is in fact a necessary component of workable democracy. Patterson looks at the connections between democracy and political parties to prove the problem with democracy lies not in its institutions but in the fact that no one really knows what *workable* democracy is. In the end, Patterson rejects the decline-in-party thesis and proves democracy is alive and well and only seems ill because it has been misdefined.

In order to examine political parties and their relationship to democratic governance, Patterson looks at both the broad party system and the theory of democracy that sustains it. Patterson states that any judgment about democracy's performance is largely a function of the way in which democracy is defined. Essentially, Patterson claims that our estimations about performance of democracy are largely shaped by our definition of democracy and that political parties have a special relationship, for good or ill, with democracy because they perform a number of visible and latent functions of democracy. He claims further that the performance of political parties cannot be evaluated until a workable definition of democracy is established.

Through the course of the book, Patterson chooses a definition of democracy that points toward the best area in which to study the intersection of democratic theory and political parties. Patterson looks to Giovanni Sartori's ideas to

fashion a definition of democracy. Patterson's definition of democracy states that "power is limited by the ever-present possibility of converting minorities into majorities, which is exclusive to the electoral sphere" (xix). This area of study emphasizes decisions made in the electoral sphere and the competition that can reverse those decisions in upcoming elections.

To examine the connections between parties and governance, Patterson compares the policy positions of presidential candidates during the elections of 1952 through 1992 to the positions outlined in party platforms and to those of party leaders in Congress. To accomplish this task, Patterson divides the comparisons into the two different party eras represented in the eleven elections. The elections of 1952 to 1968 are from the period some have labeled the brokered convention era. The elections from 1972 to the present represent the system of popular appeal because of various reforms that have increased the public participation.

Patterson begins his book with a description of the Republican "revolution" of 1994. He cites this revolution as evidence of a general dissatisfaction with democracy. Patterson does not attempt to find a panacea for the discontentment with democracy. He does not try to twist the definition of democracy so that it could be viewed in a better light; instead, Patterson proves, through quantitative means, that this dissatisfaction is actually evidence of the vitality of American democracy. By showing this, Patterson accomplishes his goal of proving that democracy is not in decline. Patterson draws in the major theories of today and yesterday to create a workable definition of democracy. His method is thorough and sound and his sources are carefully documented.

Patterson's dialogue is interesting and readable. His theory, method, and evidence shed light on the muddy discussion of political parties and the degree to which their operation helps to sustain American democracy. Patterson's study is relevant today because it lends clarity to the question of democracy and the importance of political parties. Without a

clear definition of democracy and a coherent discussion of its relationship to political parties, we end up with a slew of unproductive efforts to reform what may not need to be reformed.

