Public Perception of Economic and Social Reforms in Bolivia

POLICY AND PROGRAM LEARNING
Executive Summary

CIPE created the Knowledge Hubs for Democratic and Market Transition project, with the financial support of National Endowment for Democracy (NED), to build a broader consensus around reform priorities in Ukraine, Tunisia, and Bolivia—three transitional economies that have undergone serious political and economic challenges over the last decade. To help coordinate business efforts on reform and improve understanding among stakeholders, the initiative enables business leaders to effectively frame economic reform messages and apply international lessons for reform in each country.

In Bolivia, CIPE worked with an advocacy business group to help frame reform priorities, based on credible economic arguments, by incorporating the perspectives of civil society. To understand what the public thought about which reforms were needed, CIPE designed a survey and contracted CiesMori, a professional polling firm in Bolivia, to measure the public opinion of men and women between ages 18 and 65 in urban areas in Bolivia. The survey covered a wide range of themes in economic growth, government’s role in the economy, inequality, COVID-19’s impact on society, and the private sector’s role in stimulating growth.

The results of the survey show that Bolivians have high confidence in the private sector, but they also demand a more robust role for the government in the economy; with women, more than men, wanting a more active government. Overall, the most pressing issues in the minds of respondents are corruption, poverty, access to health care, unemployment, and COVID-19. Respondents also reflect a high distrust in key government institutions, which may point to deeper breakdown in the social contract between government and the people.
Bolivia Context

In the past, Bolivia had benefited from a commodities boom, which contributed to the country’s GDP growth by over 4.5% on average between 2002 and 2014. This period of growth was accompanied by public investments and relatively stable macroeconomic policies that led to a significant reduction in poverty and contributed to a more broadly shared prosperity. The commodities-based growth stagnated around 2014 as prices for commodities fell, and during the following years Bolivia turned to public spending and borrowing to stimulate economic growth.¹

![Figure 1. Bolivia's economic growth stalled in 2014](image)

Source: World Bank Indicators

After a controversial election in late 2019, the country plunged into a period of prolonged political uncertainty and economic crisis which turned worse after the onset of COVID-19. During this crisis, the government tried to prioritize dealing with the pandemic, but the economic crisis called for immediate relief measures to help with recovery. In the meantime, structural economic and political reforms have become essential for Bolivia as the country attempts to create a more diversified economic landscape.

Economic reform and public perception in Bolivia

CIPE worked with an advocacy business group to help frame reform priorities, based on credible economic arguments, and by incorporating the perspectives of civil society. To understand public thought on which reforms were needed in the country, CIPE designed a survey and used CiesMori, a professional polling firm in Bolivia, to measure the public opinion of men and women between ages 18 and 65 in urban areas in Bolivia. The survey sampled 1015 people—49% male and 51% female—between February and March 2021 and consisted of 20 questions. The survey covered a wide range of themes in economic growth, government’s role in the economy, inequality, COVID-19 impact on society, private sector’s role in

stimulating growth and providing employment as well as the state of small businesses and entrepreneurs in Bolivia.

Overall, the survey findings revealed that about 85% of Bolivians believe the country is going through an economic crisis, which the vast majority attributed to the COVID-19 pandemic. About 75% of the respondents, however, expected improvement in the economy during the next year. By an almost equal percentage respondents expect the quality of life to improve, an indication of robust optimism among the public about the near-future economic prospects of Bolivia. Other key insights from the survey reflect the public's high expectations and positive attitude toward the private sector and its central place in Bolivia. At the same time, a majority want a more substantial role for government in the economy, despite high public distrust in key government institutions.

Figure 1. Despite current crisis, optimism is high that better days are ahead for Bolivians

Lesson #1: Bolivians have a near-universal confidence in the private sector to lead economic recovery

Attitudes toward the private sector are overwhelmingly positive. Almost universally, 97%, think that the private sector has an either essential or important role in the economic recovery. Over 71% of the respondents have a favorable view of large companies. In addition, more than 80% of respondents think that government should listen to and cooperate with businesses before deciding on what economic recovery policy to pursue. When it comes to
socioeconomic status of respondents, those better off tend to have more positive views of big companies than respondents belonging to a lower socioeconomic status. As for small business, an overwhelming 84% hold small firms in high regard—though respondents belonging to a lower socioeconomic status have less favorable views of the small business sector.

Figure 2. A near-universal belief in private sector's important role in economic recovery

Ibid.

Lesson #2: A more robust role for government in the economy is desired

Regarding government’s role in the economy, over 66% of the surveyed believe that government must play a more active role in regulating the private sector, while about one third think that government should have a limited role. By the same percentage, Bolivians want the government to do more to help private businesses recover from the economic crisis so that they can be profitable and create jobs. Though in general Bolivians don't have a high trust in key public institutions, they still want their government to have a more active role in helping private sector firms recover from the economic crises.

Lesson #3: Women, more than men, want an active government

Of further interest on the issue of government role in the markets is the gender divide, whereby more women (71%) than men (61%) believe the government should be more interventionist in the economy. Though women want a more active government, they don’t necessarily like to see public resources committed to supporting the private sector. For
example, about 53% of women (vs. 63% men) agreed with the statement that “the government must support private companies so that they can create more jobs.”

When women are head of household, their support for a more interventionist government increases by 6% point, while for men it slightly decreases by 2%. This may indicate that the Bolivian women's support for more government may be tied to social policies and regulation that address inequities and discrimination in the workplace or job creation, but not necessarily use government to provide subsidies or offer fiscal and tax incentives to private business.

**Figure 3. Support for big government is stronger among women**

![Bar chart showing support for big government by gender and household status](chart.png)

Source: Ibid.

**Lesson #4: Attitudes toward inequality and economic growth are complex**

As in many other countries, inequality in Bolivia is a serious issue. Though a significant minority of Bolivians (45%) believe that economic growth is more important than inequality, more than half of the surveyed (55.2%) say that reducing social disparities should be a priority even if that comes at the cost of slower economic growth. The percentage of people who believe in addressing inequality increases to 63% for those aged between 50 and 64. But the consensus on the detrimental effect of inequality in Bolivia becomes firmer when
respondents were asked about social disparities in income between rich and poor. This is likely because the stark differences in wealth are associated with corruption and ties to government, which generates a stronger reaction among people.

Figure 4. Majority of Bolivians are concerned about inequality

![Inequality vs. Economic growth](image)

- 55%: Reducing inequality is more important even if that means slower economic growth
- 44%: Economic growth matters more even if that produces social disparities in income

Source: Ibid.

The rising inequality and economic slowdown in recent years stands in contrast to the previous ten years when price of commodities supported Bolivia’s steady economic growth, while the government made key investments in public infrastructure and maintained macroeconomic policies, which had a positive impact on reducing inequality. According to figures from the World Bank and Bolivian government, the incidence of poverty fell from 63% to 39% between 2002 and 2014. Per capita income for the bottom 40% of the population also rose faster than for those in the general population, while Gini coefficient fell from 60 to 49.²

² Ibid.
Lesson #5: The gap between rich and poor sharpens focus on inequality

For some respondents, inequality comes into a sharper focus when framed in the context of the gap between rich and poor. Seen this way, the concern about inequality rises by at least 5% among respondents. Only those belonging to a high socioeconomic status disagreed that disparities in wealth are serious problems. Other issues that surpassed concern about inequality, however, are unemployment (very concerned: 77.8%), access to health care (82%), poverty (83%), corruption (86%).

Figure 5. The most prevalent social and economic issues on the minds of the Bolivians

Lesson#6: Bolivians have high distrust in key government institutions

High distrust in some of the most important public institutions is also another critical finding of the survey. For example, about 88% of the respondents either fully distrust or somewhat distrust Bolivia's Justice system, followed by another 78% who have no trust in the Police force. More than 60% distrust government and about half of respondents don't have much trust in the armed forces either. The distrust and cynicism in government institutions is higher among those over 65 years of age.

Beyond this noted disappointment about policy failures, the widespread distrust in institutions may reflect a deeper breakdown of the social contract between the government
and the people it tries to serve. This is not necessarily specific to Bolivia. Research from other regions and countries show that voters demand more than elections and basic services from their democratic government. They demand a recognition of their dignity and fundamental respect for their place in the public sphere.

**Lessons #7 Transition economies like Bolivia still needs structural reform**

Most of the findings in the survey are not that surprising. Transition markets are typically characterized by political upheaval, weak governments, corruption, disputed elections, and economic shocks. Such disruption breeds unpredictability and enduring confusion not only in government but throughout society. The concern and insecurity reflected by Bolivians is as much about the fragility and underlying instability of key institutions as it is about the welfare of their families. The survey results point to the hard work of fundamental reform that is needed by Bolivia in order to deliver inclusive economic growth for all.

The longer the transition lasts the more difficult it becomes to reach consensus on economic and political reform. The business community bears the brunt of the ongoing instability which can lead to flight of capital and loss of economic value. Under such insecure conditions, most bona fide businesses withhold investments and spending, hesitate to hire new workers, and generally seek opportunities elsewhere. On the other hand, economic transition research has shown that in countries where early and robust structural reform were implemented, private sector investment grew quickly and helped mitigate the disruptive effects of transition, while also contributing to lowering inequality in the long run.

**Figure 6. Transition markets with early structural reforms experienced faster and longer growth**

![Graph showing the relationship between EBRD Structural Reform Index and Real GDP in 1998](source: Havrylyshyn and others, IMF Occasional Paper 184, 1999)

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The story of stagnation and difficult transition is a familiar one for Bolivians in the past decade. After the demand for commodities fell, the Bolivian economy slowed down around 2014. The government resorted to borrowing and public spending to stimulate the economy. But research on market transition show that short-term interventions, without institutional reform, are not designed to create sustainable economic growth and attract business investments. As a result, in the last few years Bolivia has been navigating a new territory, one beset with unpredictability and uncertainty, but also with hope and ambition for a more deliberative democracy with a diversified economic base.