Universidad de San Andrés

THE POLITICAL ECONOMY OF POST-INCLUSION DEMOCRACIES: INCORPORATION, COOPERATION, AND POLITICAL EQUILIBRIA

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THE POLITICAL ECONOMY OF POST-INCLUSION DEMOCRACIES

Incorporation, Cooperation, and Political Equilibria

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Abstract

Over recent decades, many Latin American democracies have expanded political participation, social rights, and redistribution, yet have simultaneously experienced rising discontent, policy volatility, and institutional fragility. This coexistence challenges standard political economy models that associate democratization with greater stability and accountability.

This paper argues that incorporation—the expansion of effective participation in political and policymaking processes—alters the cooperation problem itself. While broader participation raises the potential gains from collective action, it also increases coordination costs and the institutional demands required to sustain self-enforcing cooperation. A simple model shows that as participation expands, the minimum level of institutional adaptation required for cooperation rises; when such adaptation lags, polities may become trapped in low-cooperation equilibria marked by polarization and short time horizons.

Comparative case studies of Uruguay, Chile, Brazil, Argentina, Peru, and Venezuela illustrate how similar inclusionary processes generate divergent political trajectories depending on whether cooperative governance adjusts to expanded participation. Where cooperation is rebuilt, inclusion supports legitimacy and durable governance; where it is not, expanded voice yields instability and, in extreme cases, democratic breakdown.

1. Motivation

A central question in social science concerns how societies expand inclusion while maintaining social order and effective collective action. Classic theories of political order emphasized the primacy of coordination and authority: from Hobbes's insistence on order as a precondition for collective life, through Durkheim's emphasis on moral integration, to Weber's account of legitimacy as rule-based authority. In political economy, this concern reappears in analyses of self-enforcing institutions, which stress that stable governance depends on the capacity of rules and expectations to sustain cooperation over time (North; Greif; Weingast). Across these traditions, order is not automatic. It must be actively constructed and maintained.

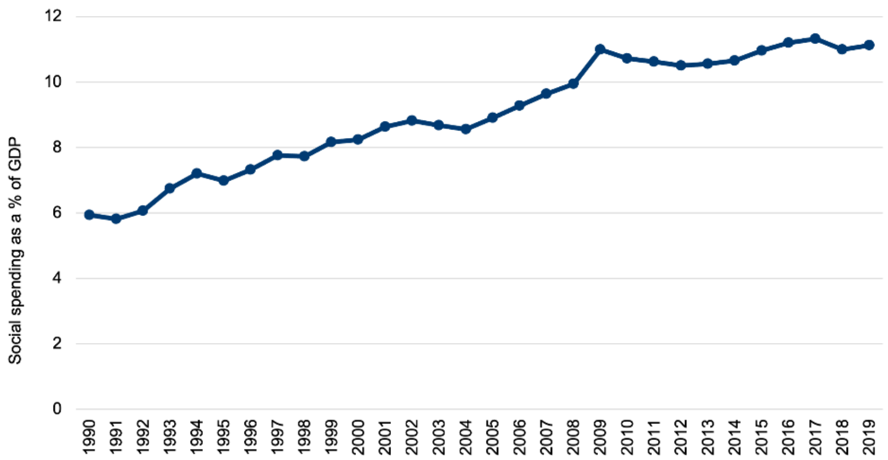
Modern democratic theory, by contrast, has emphasized the virtues of inclusion. Expanding participation is expected to improve accountability, legitimize authority, and yield better policy outcomes.[1] In political economy models, broader inclusion is often associated with redistribution and social stability: as political rights expand, lower- and middle-income groups gain influence, inequality declines, and conflict subsides (Acemoglu and Robinson 2000, 2006; Boix 2003). Electoral accountability is likewise expected to discipline policymakers and strengthen institutional credibility (Persson and Tabellini 2000; Besley 2006). Under this perspective, incorporation is broadly self-reinforcing: participation supports redistribution and accountability, which in turn foster compliance, trust, and political stability.

Yet recent experience has generated growing unease with this optimistic logic. Over the past several decades, many Latin American countries have substantially expanded political participation, extended social rights, and increased redistribution. Electoral enfranchisement is now nearly universal, social spending as a share of GDP has risen across the region (Figure 1), and groups historically excluded from political decision-making have gained formal voice through democratic institutions. At the same time, this period of expanded inclusion has coincided with rising political discontent, recurrent protest cycles, heightened policy volatility, declining trust in institutions, and, in some cases, democratic erosion (Figure 2).[2]

[1] This expectation traces back to classic democratic theory, which links political inclusion to legitimacy, accountability, and responsive governance (e.g., Dahl 1971; Schumpeter 1942).

[2] A growing comparative literature documents a gap between democratic inclusion and perceived institutional performance. Research on "democratic malaise" shows declining trust and rising dissatisfaction with democratic institutions even as participation expands (Norris 2011; Foa and Mounk 2016; Joignant, Morales, and Luna 2017; Kessler and Vommaro 2023).

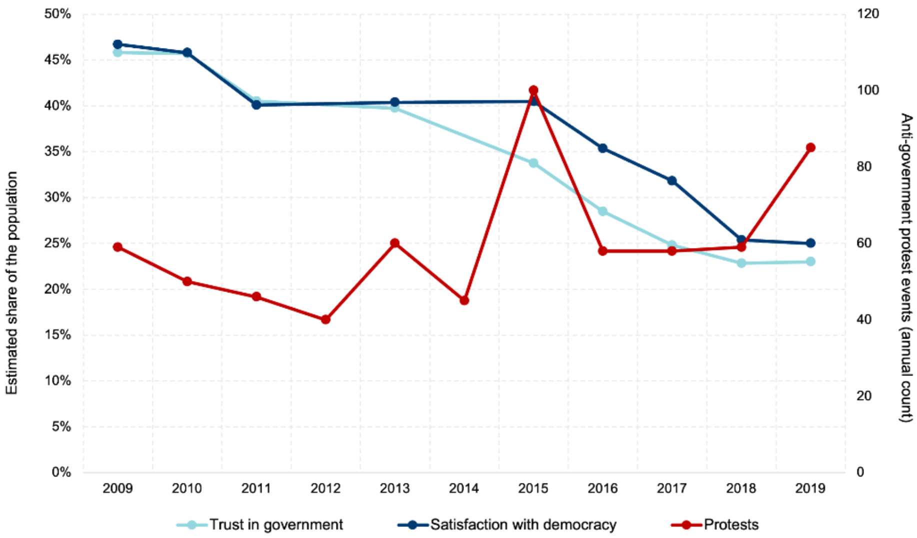
Figure 1
Increasing Social Spending



Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT DataBank, *Public social expenditure according to the classification of the functions of government (% of GDP).*

Note: The regional series is reported by ECLAC as a simple average across 17 Latin American countries (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, and Uruguay).

Figure 2
Declining Trust, Declining Satisfaction with Democracy, and Increasing Protests



Source: Authors' calculations based on Latinobarómetro Survey and Mass Mobilization Protest Data (Clark and Regan, 2016).

Note: The left axis reports the estimated share of the population (survey-weighted) expressing (i) trust in governmentand (ii) satisfaction with democracy, constructed from Latinobarómetro questions and recoded to equal 1 if respondents report "a lot" or "some" trust and "very" or "quite" satisfied, respectively (0 otherwise). Country–year values are computed as weighted averages using Latinobarómetro sampling weights and then averaged across countries. The right axis reports the annual number of anti-government protest events from the Mass Mobilization project (public gatherings of at least 50 people making demands on the government), aggregated at the country–year level and averaged across countries. The common sample includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. The protest measure additionally covers Guyana and Suriname, while the Latinobarómetro-based measures additionally cover Mexico and the Dominican Republic.

The coexistence of broader participation with growing instability poses a central puzzle for political economy. Empirically, many Latin American trajectories deviate from the expectations of standard models. Protest often intensifies following major inclusionary reforms; policy volatility increases rather than declines as participation broadens; and trust in political institutions frequently erodes even as formal democratic rights expand.[3] These patterns suggest that inclusion alone is insufficient to generate stable political equilibria—and that the mechanisms linking participation to cooperation are weaker, more conditional, or more fragile than canonical theories assume.

This tension resonates with a broader literature on the paradox of progress and discontent. Tocqueville famously observed that dissatisfaction can intensify even as material conditions improve. Hirschman's framework of voice and exit similarly highlights how expanded opportunities for participation can coexist with frustration, protest, and withdrawal. Contemporary debates on democratic malaise echo these insights, documenting a widening gap between formal inclusion and effective governance. What remains less well understood, however, is why expanded participation sometimes destabilizes cooperation rather than consolidating it.

Existing political economy approaches focus primarily on distributional conflict, elite capture, or inequality, but under-theorize the coordination problems that arise when the number and heterogeneity of political actors increase. Incorporation raises the potential gains from cooperation—through taxation, public goods provision, and political legitimacy—but simultaneously increases the costs of sustaining it. As participation expands, cooperation becomes more demanding, requiring greater institutional capacity, more credible rules, and stronger constraints on opportunism.

The core claim of the paper is that incorporation is not self-stabilizing. When institutional and political adaptation fails to keep pace with expanding participation, societies may become trapped in low-cooperation political equilibria characterized by polarization, short time horizons, and persistent discontent. Building on Hirschman's (1970) framework of voice and exit and recent work on low-cooperation equilibria (Guizzo, Scartascini, and Tommasi 2025), the paper conceptualizes Latin America's contemporary malaise as the outcome of incomplete incorporation: participation expands faster than the mechanisms required to sustain self-

[3] In Latin America, this gap has been accompanied by concrete political-economy pathologies. Expanded participation has often coincided with recurrent protest waves following inclusionary reforms (Roberts 2014; Somma et al. 2021), greater policy volatility and shorter political time horizons (Stein et al. 2008; Lora and Scartascini 2010), and declining institutional trust despite democratic consolidation (Latinobarómetro, various years).

enforcing cooperation. Discontent, in this view, is neither a rejection of inclusion nor a failure of democracy per se, but a symptom of post-incorporation disequilibrium—an environment in which voice is abundant, expectations are high, and coordination is fragile.

The remainder of the paper develops this argument in four steps. Section 2 introduces a conceptual framework centered on incorporation, cooperation, and synthesis. Section 3 formalizes the core tradeoff in a simple model that highlights threshold effects and multiple equilibria. Section 4 explores the model's comparative statics and dynamics, linking changes in incorporation, synthesis, and political incentives to distinct equilibrium trajectories. Section 5 then illustrates this framework with a set of comparative Latin American cases, showing how similar processes of inclusion have produced divergent political outcomes depending on whether participation was converted into durable cooperation. Section 6 concludes.

2. Theoretical Framework

This paper builds a framework to understand how expanded political inclusion reshapes the conditions for cooperation and, ultimately, the stability of democratic political equilibria. The central concepts are incorporation, cooperation, and synthesis, and the relationships among them.

By **incorporation** we refer to the expansion of political participation through the entry of new social actors into the polity. Incorporation can take multiple forms—electoral enfranchisement, the extension of social rights, the recognition of new collective identities, or the expansion of redistributive policies—but in all cases it increases the number of actors with voice and claims on public decision-making.

As incorporation proceeds, three structural changes follow: the number of relevant political actors rises; heterogeneity of preferences increases as newly included groups bring distinct interests and expectations; and demands on public resources expand, intensifying distributive conflict.[4]

Cooperation refers to the capacity of political actors to sustain mutually beneficial arrangements over time. In democratic settings, cooperation is required to support taxation and public goods provision, to respect intertemporal policy commitments,

[4] This usage of incorporation builds on classic accounts of political inclusion in Latin America (e.g., Collier & Collier, 1991). It emphasizes not only the expansion of formal participation, but also the multiplication of actors with distributive claims and veto power in policymaking. Incorporation here refers to a change in the scale and composition of the polity rather than to any particular institutional form.

and to accept distributive compromises that leave no group fully satisfied in the short run. Cooperation is inherently forward-looking: it depends on expectations that others will comply with agreed rules and that today's concessions will be reciprocated in the future. When cooperation breaks down, political exchange becomes short-term and opportunistic, policy volatility increases, and collective action problems intensify.[5]

By **synthesis**, I refer to the recomposition of cooperative governance after inclusion—namely, the institutional and political adaptation required to sustain self-enforcing cooperation as the number and heterogeneity of effective political actors expands.

Synthesis thus denotes the set of institutional arrangements and shared expectations that make cooperation feasible under conditions of broad participation. Formal institutions—such as parties, legislatures, fiscal rules, and bureaucratic procedures—structure interaction, limit discretion, and facilitate credible commitments, thereby lowering transaction costs. Shared norms and expectations regarding fairness, reciprocity, and legitimate participation complement these formal rules by sustaining compliance even when enforcement is imperfect. Together, institutions and shared understandings transform plural participation into coordinated governance.[6]

Crucially, synthesis is neither automatic nor costless. Building and maintaining institutional capacity requires political investment, administrative resources, and time, while stabilizing shared expectations depends on narratives, practices, and repeated interactions that bind insiders and newcomers into a common political project. When such investments lag behind expanding participation, cooperation becomes increasingly difficult to sustain.

From a formal perspective, synthesis can be interpreted as an investment in political infrastructure that lowers transaction costs and expands the parameter space over which cooperative equilibria are self-enforcing. This interpretation is consistent with an institutional economics tradition that views institutions as

[5] The notion of cooperation employed here is consistent with the political economy literature on intertemporal policymaking and credible commitments (e.g., North & Weingast, 1989; Spiller & Tommasi, 2007), which emphasizes repeated interaction, expectations of reciprocity, and limits on opportunistic behavior as foundations of stable governance.

[6] The term *synthesis* is used here in its classical sense as a process of recomposition following expansion or differentiation. Conceptually, it echoes Durkheim's (1893) notion of moral solidarity and Weber's (1978) emphasis on legitimacy as shared belief, and resonates with Rawls's (1971) idea of a public sense of justice and Habermas's (1996) account of norm-based agreement. In the Latin American context, scholars such as Forment (2003), Levitsky and Roberts (2011), and Huber and Stephens (2012) emphasize that incorporation requires not only redistribution but the construction of shared understandings of political membership and obligation.

investments that stabilize expectations, constrain opportunism, and enlarge the set of feasible cooperative outcomes (North 1990; Weingast 1997; Greif 2006). In political economy applications, such investments sustain intertemporal cooperation by making policy commitments credible over time (Ostrom 1990; Spiller & Tommasi 2007). In the model developed below, synthesis captures these effects in reduced form, abstracting from specific institutional mechanisms while preserving their equilibrium implications.[7]

The key tradeoff emphasized in this framework is that incorporation raises both the benefits and the costs of cooperation. On the one hand, expanded participation can increase legitimacy, broaden the social base of taxation, and enlarge the potential surplus available for redistribution and public goods. On the other hand, as the number and heterogeneity of actors grow, sustaining cooperation becomes more demanding. Coordination costs rise, distributive conflicts intensify, and the incentives for short-term defection strengthen. Whether incorporation stabilizes or destabilizes democratic governance depends on whether institutional and normative investments keep pace with these rising demands.

When synthesis (institutional adaptation for high-N cooperation) advances alongside incorporation, expanded participation can be transformed into durable cooperation, yielding stable and legitimate political equilibria. When it does not, political systems risk falling into low-cooperation equilibria characterized by fragmented policymaking, short time horizons, and persistent discontent. The framework thus shifts attention away from the size of the polity or the depth of inclusion per se, and toward the capacity of institutions and shared understandings to scale cooperation under conditions of mass participation.[8]

The next section formalizes this intuition in a simple model that captures how incorporation affects cooperation incentives and how threshold effects can generate multiple political equilibria.

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[7] While synthesis is modeled primarily as an institutional and organizational investment, it also encompasses the stabilization of shared expectations about rule compliance and political obligation that support self-enforcing cooperation under expanded participation. This usage follows the institutional tradition that treats shared beliefs and expectations as complements to formal rules. North (1990) defines institutions as the humanly devised constraints that structure interaction, including informal norms and shared understandings. Related work emphasizes the role of beliefs and expectations in sustaining self-enforcing political equilibria (Weingast 1997; Greif 2006) and collective-action cooperation (Ostrom 1990). While the present paper abstracts from these microfoundations, the synthesis variable can be interpreted as capturing their aggregate effect.

[8] This logic parallels well-established findings in organizational theory, which show that as organizations grow in size and heterogeneity, informal coordination mechanisms break down and cooperation can be sustained only through deliberate investments in governance structures, rules, and shared expectations (March and Simon 1958; Chandler 1962; Williamson 1985).

3. A Simple Model of Incorporation and Cooperation

Building on the conceptual framework developed in Section 2, this section presents a simple model that formalizes how incorporation alters the conditions under which cooperation can be sustained through institutional investment. The deliberately stylized model captures the core logic of the paper: expanding political participation increases the potential gains from cooperation but simultaneously raises the difficulty of sustaining it.

The model is reduced-form by design. Rather than modeling individual strategies, monitoring, or punishment explicitly, it summarizes the relevant political and institutional constraints in a small number of parameters in order to isolate the central tradeoff between incorporation and synthesis.

3.1 Incorporation and Cooperation

Consider a polity characterized by a level of incorporation $n \geq 1$, which indexes the breadth of political participation. Higher values of n correspond to broader inclusion—through suffrage expansion, social rights, welfare coverage, or organizational access to policymaking.

We distinguish conceptually between the broader population, the set of actors effectively incorporated into the policymaking game, and the ruling coalition. The model focuses on interactions among the latter two, treating incorporation as an (exogenous) expansion in the number of effective insiders.

Political and social actors interact in activities that require cooperation to generate collective benefits, such as taxation, public goods provision, policy implementation, and respect for intertemporal commitments. When cooperation is sustained, the polity generates a surplus that supports economic performance, redistribution, and political legitimacy. When cooperation breaks down, actors engage in opportunistic behavior—evasion, obstruction, or short-termism—reducing aggregate performance and credibility.

3.2 "Synthesis" as a Reduced-Form Condition for Cooperation

In the model, *synthesis* is represented in reduced form by a scalar variable s, which captures the degree of institutional adaptation required to sustain cooperation under broad participation. This abstraction summarizes the political, institutional, and normative environment of the polity without modeling its individual components separately.

Higher values of s reflect stronger and more credible institutions, greater enforcement capacity, more stable policy rules, and shared expectations regarding fairness, reciprocity, and rule compliance. In this sense, s subsumes both **formal** arrangements—such as constitutional rules, fiscal institutions, party systems, and bureaucratic procedures—and informal understandings that sustain cooperation when enforcement is imperfect. The synthesis variable therefore captures, in a single parameter, the overall quality of the governance environment (Spiller and Tommas, 2007, ch. 2).

Crucially, the model distinguishes between the level of synthesis actually provided, s, and the level of synthesis required for cooperation, $\bar{s}(n)$. For a given degree of incorporation n, cooperation is sustainable if and only if

$$s \geq \bar{s}(n),$$

where $\bar{s}(n)$denotes the minimum level of synthesis needed to make cooperative behavior viable.

This distinction is central. The threshold function $\bar{s}(n)$ is not a choice variable but a structural requirement: it reflects how demanding the cooperation problem becomes as participation expands. As n increases, actors become more heterogeneous, the number of veto players rises, coordination costs grow, and informal enforcement mechanisms lose effectiveness. These features raise the institutional and normative requirements for sustaining cooperation, implying

$$\frac{d\bar{s}(n)}{dn} > 0.$$

In contrast, s represents the *actual* level of institutional and political investment undertaken by the polity—most directly by the governing coalition—through rule-making, enforcement, organizational design, and the stabilization of expectations.

The model abstracts from an explicit repeated-game structure. In a richer formulation, cooperation would arise from repeated interactions among political actors, sustained by credible punishment strategies and discounted by a factor δ. The synthesis parameter s should therefore be interpreted as a reduced-form representation of these mechanisms, encompassing enforcement capacity, monitoring, institutional credibility, and shared beliefs that support compliance and reciprocity over time. Similarly, the threshold $\bar{s}(n)$ can be understood as the level of institutional and normative support required for those repeated-game incentives to be effective at a given scale of participation.

Conceptually, this treatment follows a tradition in institutional political economy that emphasizes the coexistence of multiple feasible equilibria and the possibility of persistent disequilibrium. In Aoki's (2001) and Greif's (2006) analyses, institutions are equilibrium outcomes sustained by shared beliefs and expectations; when underlying conditions change, existing institutions may cease to be self-enforcing. Greif and Laitin (2004) further formalize this idea through the notion of *quasi-parameters*—slow-moving features of the environment that shape which equilibria are viable without being directly chosen in each period. In the present framework, incorporation n plays a similar role: it shifts the cooperation threshold $\bar{s}(n)$, potentially rendering previously stable arrangements unsustainable unless synthesis adjusts accordingly.

In this sense, incorporation operates as a structural shock to the cooperation problem. Whether cooperation persists depends not on participation alone, but on whether the level of synthesis s rises sufficiently to meet the higher threshold $\bar{s}(n)$. When it does not, the polity enters a post-incorporation disequilibrium in which expanded participation coexists with weakened cooperation.

3.3 Political Investment in Synthesis and Agency

The level of synthesis s is not exogenously given. It reflects political and institutional investments that sustain cooperation: building enforcement capacity, stabilizing rules, constraining discretion, and fostering shared expectations about fairness and reciprocity. These investments are costly and politically consequential.

While synthesis is defined in Section 2 as a broad system-level property of the polity, in the model it is represented in reduced form as the component of synthesis that is directly shaped by government choice. We assume that the government (or ruling coalition) chooses the level of synthesis $s \geq 0$. Higher synthesis entails a convex cost $C(s)$, reflecting administrative effort, institutional constraints, and political capital required to limit discretion and enforce rules. At the same time, higher synthesis reduces the scope for discretionary policymaking and rent extraction. Let $R(s)$ denote political rents available to incumbents, with $R'(s) < 0$.

Collective benefits from cooperation—economic performance, fiscal capacity, policy credibility, and political legitimacy—are captured by $B(n, s)$.[9] Crucially, these benefits are realized only if cooperation is self-enforcing. Formally, cooperation is sustainable when the level of synthesis satisfies $s \geq \bar{s}(n)$, where $\bar{s}(n)$ denotes the

[9] The benefit from cooperation, $B(n, s)$, can be interpreted as the difference in aggregate welfare between a cooperative and a non-cooperative equilibrium in a richer underlying game.

minimum synthesis required to sustain cooperation given the degree of incorporation n.

The government's objective can therefore be written in reduced form as:

$$U = \mathbf{1}\{s \geq \bar{s}(n)\} \cdot B(n, s) + R(s) - C(s),$$

where the indicator function equals one when cooperation is sustained and zero otherwise.

This formulation highlights a central agency problem. Citizens benefit from higher synthesis because it sustains cooperation and collective surplus. Political elites, however, face a tradeoff: higher synthesis increases collective benefits but reduces discretion and rents. As incorporation expands and $\bar{s}(n)$ rises, sustaining cooperation requires greater institutional investment and greater political self-restraint.

The government's choice of synthesis can be represented in reduced form as a comparison between two strategies. By choosing $s \geq \bar{s}(n)$, the government sustains cooperation and obtains collective benefits, at the cost of institutional investment and reduced rents. By choosing $s < \bar{s}(n)$, cooperation collapses, collective benefits are not realized, but the government retains greater discretion and rents. The government therefore chooses whether to invest in synthesis by comparing the payoff from sustaining cooperation with the payoff from governing under a low-synthesis, non-cooperative equilibrium.

This formulation captures the government's choice problem without modeling enforcement and repeated interaction explicitly. The key implication is that when incorporation raises the threshold $\bar{s}(n)$, sustaining cooperation requires larger institutional investments and greater political self-restraint, making low-synthesis equilibria more attractive from the perspective of incumbents.

This tension captures a core mechanism of inclusion without synthesis: expanded participation increases the potential gains from cooperation while simultaneously raising the institutional and political requirements needed to sustain it.

This agency logic helps explain why, in cases (explored in section 5) such as Argentina and Venezuela, governing coalitions have repeatedly favored discretionary, polarized, and rent-preserving strategies over investments in synthesis, even at the cost of undermining cooperation, policy credibility, and long-run collective performance.

3.4 Equilibria

An equilibrium in this model consists of a pair (n, s) such that two conditions are satisfied. First, given the level of synthesis s, cooperation is either sustained ($s \geq \bar{s}(n)$) or breaks down ($s < \bar{s}(n)$). Second, given the expected cooperation outcome, the government optimally chooses s to maximize its objective function.[10]

The interaction between incorporation n and synthesis s can generate multiple equilibria. This multiplicity arises because the government's incentive to invest in synthesis depends on whether cooperation is expected to hold, while the sustainability of cooperation depends on the level of synthesis that the government chooses. When synthesis is sufficiently high, cooperation generates collective benefits that make further investment in synthesis attractive. When synthesis is low, cooperation collapses, collective benefits are not realized, and the returns to investing in synthesis are correspondingly weaker. As a result, both high- and low-synthesis outcomes can be self-reinforcing.

In a **high-synthesis equilibrium**, the government invests sufficiently in synthesis so that $s \geq \bar{s}(n)$. Cooperation is self-enforcing, collective benefits are realized, and governance is relatively stable and predictable. These equilibria are characterized by higher legitimacy, sustained fiscal capacity, and lower levels of political discontent.

In a **low-synthesis equilibrium**, the government chooses $s < \bar{s}(n)$. Cooperation breaks down, collective benefits are not realized, and political interaction becomes polarized, short-term, and conflictual. Although aggregate welfare is lower, this equilibrium may persist if political rents from discretion and polarization outweigh the gains from restoring cooperation.

An increase in incorporation n can shift a polity from a high-synthesis to a low-synthesis equilibrium if institutional and political investment does not adjust accordingly. In this sense, incorporation is not inherently destabilizing; instability arises when participation expands faster than the mechanisms required to sustain self-enforcing cooperation.[11]

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[10] In this framework, the degree of incorporation n is treated as a state variable that shifts slowly over time, while the level of synthesis s is a contemporaneous political choice. Equilibria are therefore defined conditional on n.

[11] In a simple example with functional forms $\bar{s}(n) = \kappa n^{\theta}$, $B(n, s) = (\beta \ln\, n + \eta \ln\, s)$, $R(s) = \rho - \lambda s$, $(s) = \frac{c}{2} s^2$, the first order condition for the government´s choice of s is $\eta - \lambda s - c s^2 = 0$. Focusing on the interior root, we have $s^{\text{int}} = \frac{-\lambda + \sqrt{\lambda^2 + 4c\eta}}{2c}$. In that case the government either sets $s = 0$ (no cooperation) or chooses $s^C(n) = \max\{s^{\text{int}}, \bar{s}(n)\}$. Cooperation is selected iff $U^C(n) \geq 0$, i.e., the cooperative surplus $\beta \ln\, n + \eta \ln\, s$ outweighs the combined political and administrative costs $\lambda s +$

These equilibria provide the conceptual bridge to the country cases analyzed below. They allow national trajectories to be interpreted either as movements within equilibria—driven by changes in polarization, rents, or state capacity—or as transitions across equilibria triggered by shocks, institutional reforms, or failed attempts at synthesis.

3.5 Comparative Statics and Dynamics

The model yields a set of comparative statics that clarify how different political trajectories can emerge from the interaction between incorporation and synthesis. These comparative statics help interpret both cross-country variation and within-country dynamics over time.

Incorporation and the Rising Threshold for Cooperation

An increase in incorporation n raises the minimum level of synthesis required to sustain cooperation, $\bar{s}(n)$. Broader participation increases heterogeneity of preferences, the number of relevant actors, and the complexity of coordination, weakening informal enforcement mechanisms that supported cooperation under more restricted equilibria. Unless synthesis adjusts upward—through institutional strengthening, credible rules, and shared moral understandings—cooperation breaks down.

This mechanism captures a core pattern in Latin America: episodes of expanded participation that initially increase political voice but strain existing coordination mechanisms. In the model, this appears as a rightward shift in n without a commensurate increase in s, pushing the polity toward the non-cooperative region.

Political Incentives and Underinvestment in Synthesis

The government's choice of synthesis depends on the relative payoff from sustaining cooperation versus governing under discretion. Higher political rents or weaker accountability increase the value of low-synthesis governance by raising the returns to discretionary control. Polarization-based mobilization further reinforces this logic by both increasing the threshold level of synthesis required for cooperation and reducing the political dependence of incumbents on cooperative performance. When support is sustained through identity-based conflict rather than collective outcomes, governments can retain office even as cooperation breaks down. As incorporation expands and the cooperation threshold $\bar{s}(n)$ rises, sustaining

$\frac{c}{2}s^2$. As incorporation n increases, $\bar{s}(n)$rises; once $\bar{s}(n) > s^{\text{int}}$, sustaining cooperation requires "overinvestment" $s = \bar{s}(n)$, and a breakdown becomes more likely because the cost of clearing the threshold grows faster than the logarithmic gains from scale.

cooperation requires greater institutional investment and greater political self-restraint, making underinvestment in synthesis increasingly attractive. In reduced-form terms, polarization shifts $\bar{s}(n)$ upward while increasing the relative payoff of the non-cooperative regime.

This comparative static is central for understanding why some polities remain below the cooperation threshold even when the potential gains from cooperation are large. In cases such as Argentina and Venezuela, governing coalitions have repeatedly found it politically optimal to tolerate—or actively cultivate—low synthesis, relying on discretionary authority and polarized loyalty rather than investing in cooperative capacity.

State Capacity and the Cost of Synthesis

Higher administrative, fiscal, and legal capacity lowers the marginal cost $C(s)$ of synthesis. This makes high-synthesis equilibria more attainable for a given level of incorporation. Countries with professional bureaucracies, credible fiscal systems, and stable enforcement can accommodate larger increases in n without falling below the cooperation threshold.

This channel helps distinguish cases with similar levels of participation but different outcomes. It also explains why some polities can remain cooperative despite high pluralism, while others fragment rapidly as participation expands.

Shocks, Booms, and Transitional Dynamics

Temporary shocks—such as commodity booms—can increase the short-run benefits of cooperation $B(n, s)$, allowing cooperation to be sustained at lower levels of synthesis. However, unless synthesis is durably rebuilt during these periods, cooperation collapses when the shock dissipates. In the model, this corresponds to temporary movements that mask underlying underinvestment in s.

This dynamic is particularly relevant for Latin America's experience during the commodity supercycle, where redistribution and political inclusion expanded faster than institutional consolidation.

4. Interpreting Country Trajectories in the (n, s) Space

The model can be represented in a simple two-dimensional space with incorporation n on the horizontal axis and synthesis s on the vertical axis. The curve $s = \bar{s}(n)$ separates regions where cooperation is self-enforcing from those where it is not.

- Above the curve: high-synthesis region where cooperation is sustained.

- Below the curve: low-synthesis region where cooperation breaks down.

Within this space, as shown in Figure 3:

- Uruguay is located well above the threshold even at relatively high n, reflecting sustained investment in synthesis as participation expanded.
- Chile (pre-2019) occupied a point with moderate n and relatively high s: a cooperative but narrow equilibrium. Democratic re-incorporation pushed n rightward faster than s adjusted, moving the system closer to—or temporarily below—the threshold.
- Brazil (post-1988) moved sharply rightward in n while also increasing s, remaining near but above the cooperation threshold. Its trajectory reflects high inclusion with costly and fragile synthesis, vulnerable to shocks and agency problems.
- Argentina experienced repeated rightward shifts in n with insufficient upward movement in s, oscillating around and below the threshold. Weak cooperation exists not only across camps but also within them, reflecting persistent underinvestment in synthesis.
- Peru combines moderate n with persistently low s, remaining below the threshold across regimes. Incorporation occurs episodically but without institutional consolidation.
- Venezuela initially moved rightward in n during the Bolivarian incorporation while deliberately pushing s downward, crossing decisively into the non-cooperative region and eventually into an authoritarian equilibrium.
- Earlier historical equilibria—such as Chile under technocratic democracy or Venezuela under Punto Fijo—can be represented as points with lower n but sufficiently high s. Later crises reflect movements to higher n without sustained investment in synthesis.

The key insight is that countries move in this space. Some move gradually within the cooperative region; others cross the threshold into low-synthesis equilibria. Discontent arises not from high participation per se, but from trajectories in which incorporation outpaces the political and institutional capacity to sustain cooperation.

Figure 3: Country Trajectories in the (n, s) Space

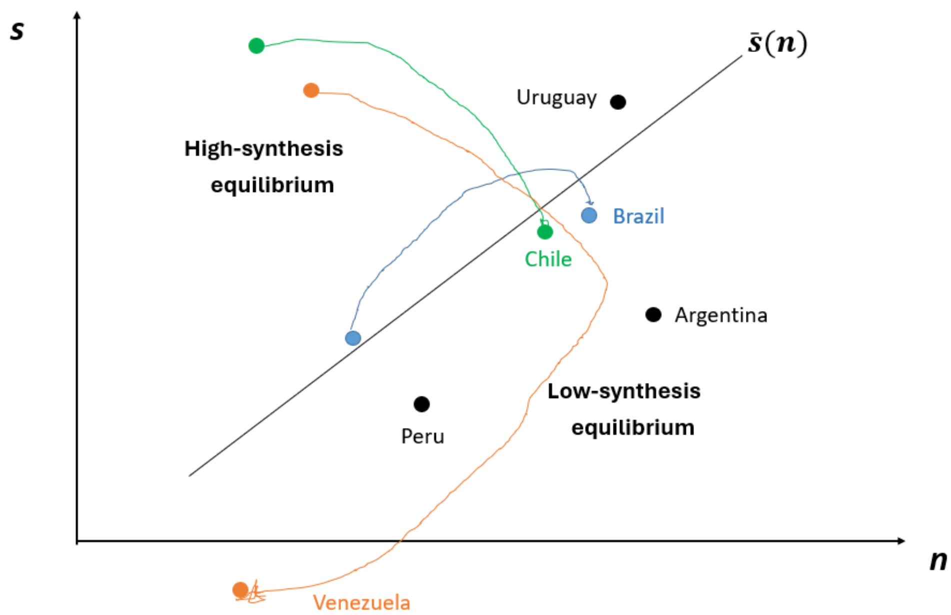

Table 1 summarizes how the interaction between incorporation n and synthesis s maps into distinct political equilibria across Latin American countries. The comparison highlights that variation in outcomes is driven less by the extent of inclusion than by the capacity of institutions and political coalitions to adjust synthesis as participation expands. Countries such as Uruguay remain well above the cooperation threshold $\bar{s}(n)$, sustaining self-enforcing cooperation despite high incorporation. Chile and Brazil occupy near-threshold positions in which cooperation persists but is increasingly sensitive to shocks, polarization, and agency problems. Argentina and Peru lie below the threshold, where expanded participation coexists with unstable or fragmented cooperation. Venezuela illustrates a dynamic transition across equilibria, in which rising incorporation combined with declining synthesis produced a collapse of cooperative governance. These configurations clarify that incorporation generates heterogeneous trajectories depending on institutional and political responses. The country cases analyzed in the next section trace these trajectories in detail, showing how movements within and across equilibria emerge from historically specific patterns of incorporation, institutional investment, and political agency.

Table 1. Incorporation, Synthesis, and Political Equilibria in Latin America

Country	Incorporation n	Synthesis s	Position relative to $\bar{s}(n)$	Equilibrium Type	Dynamics
Uruguay	High	High	$s \gg \bar{s}(n)$	Cooperative, high-synthesis	Stable within-equilibrium
Chile (pre-2019)	Moderate	High	$s > \bar{s}(n)$	Cooperative, narrow	Stable within-equilibrium
Chile (post-2019)	High	Stagnant	$s \approx \bar{s}(n)$	Near-threshold	Within-equilibrium stress
Brazil (post-1988)	High	Moderate	$s \gtrsim \bar{s}(n)$	Cooperative, fragile	Near-threshold, shock-sensitive
Argentina	High	Low–Moderate	$s \lesssim \bar{s}(n)$	Low-synthesis	Across-equilibrium oscillation
Peru	Moderate	Low	$s < \bar{s}(n)$	Non-cooperative	Persistent low-equilibrium
Venezuela (Chávez)	High	Declining	Crossing $\bar{s}(n)$downward	Breakdown transition	Across-equilibrium collapse
Venezuela (Maduro)	High	Very Low	$s \ll \bar{s}(n)$	Authoritarian	Locked low-equilibrium

5. Country Trajectories of Incorporation and Cooperation

This section illustrates the theoretical framework developed above through a selected set of country cases. Rather than providing exhaustive national histories, the cases are chosen to represent distinct equilibrium trajectories generated by the interaction between incorporation, cooperation, and institutional adaptation.[12]

[12] For more details on each country case, see Tommasi (2025).

Each case highlights a particular configuration of incorporation and synthesis, as formalized in Section 3 and summarized in Table 1.

The purpose of the cases is analytical rather than descriptive. They show how similar processes of expanded participation can lead to sharply different political outcomes depending on whether political and institutional investments keep pace with incorporation. In some settings, inclusion is accompanied by durable cooperation and legitimacy; in others, it generates polarization, policy volatility, or chronic discontent. Read together, the cases illustrate that the central challenge facing Latin American democracies has not been inclusion per se, but the difficulty of converting expanded participation into self-enforcing cooperation.

The cases are presented in a comparative order that reflects a spectrum of outcomes, from successful conversion of participation into durable cooperation to the progressive erosion—and eventual collapse—of cooperative governance. They underscore that incorporation does not have a single political destination. Under favorable conditions, expanded participation is absorbed through institutional and moral synthesis, sustaining cooperation as the polity grows. Under less favorable ones, incorporation outpaces institutional adaptation, raising coordination costs and weakening legitimacy. At the extreme, where polarization and discretionary governance supplant self-enforcing cooperation, the failure of synthesis can culminate not merely in instability but in democratic breakdown. The cases that follow trace this progression across national contexts, with Venezuela representing the outer bound of the dynamics examined in this paper.

Uruguay: Transformative Incorporation and Durable Cooperation[13]

Uruguay represents a rare Latin American case in which early and sustained incorporation was matched by durable investments in cooperation. Over more than a century, expanding participation did not overwhelm the polity's capacity to coordinate; instead, institutions and shared norms adjusted in tandem with inclusion. In the language of the model, Uruguay combined rising incorporation n with sufficiently high and persistent synthesis s, keeping the polity on a high-cooperation equilibrium.

Uruguay's first major incorporation occurred in the early twentieth century under the batllista reforms associated with José Batlle y Ordóñez. Unlike the corporatist or populist incorporations elsewhere in the region, this process unfolded through universalistic social policies, secular education, and the professionalization of the

[13] For the sake of brevity, references to the country cases are omitted her. The reader is referred to Tommasi (2025) for longer country narratives, a general comparative overview, and detailed country level references.

state rather than through hierarchical labor–state bargains. Workers and middle sectors were incorporated as citizens rather than as corporately mediated groups. This early expansion of participation was accompanied by the construction of a capable bureaucracy, stable parties, and predictable fiscal institutions, reducing coordination costs as the number of actors grew.

Crucially, cooperation in Uruguay rested not only on formal rules but on shared expectations about fairness, moderation, and reciprocity. Political competition was programmatic and routinized, enabling intertemporal bargains over taxation, redistribution, and public goods provision. In terms of the model, the cost of sustaining synthesis $C(s)$ was relatively low: the small scale of the polity, limited regional heterogeneity, and early state capacity made institutional investment politically and administratively feasible.

The crisis of the 1960s and the subsequent authoritarian period (1973–1985) temporarily disrupted this equilibrium but did not destroy its foundations. While participation was curtailed, parties, unions, and civic organizations were weakened rather than dismantled. When democracy was restored, these organizational legacies facilitated rapid re-coordination. The negotiated transition and subsequent pacts prioritized rule stability and fiscal credibility over short-term distributive gains, restoring cooperation under expanded participation.

From the 1990s onward, Uruguay experienced a second incorporation with the rise of the Frente Amplio. New actors—unions, social movements, and previously peripheral constituencies—entered the governing coalition. Yet this expansion did not erode cooperation. Redistribution increased, but it remained embedded in predictable fiscal and policy frameworks. Governments accepted institutional constraints on discretion, and alternation in power preserved mutual legitimacy among parties. In the terms of the model, political elites internalized the long-run benefits of maintaining s above the cooperation threshold $\bar{s}(n)$, even as n increased.

Uruguay thus illustrates that incorporation need not generate instability. Where political actors invest in institutions and shared expectations that scale with participation, expanded voice reinforces rather than undermines governance. Discontent exists, but it is channeled through institutionalized competition rather than erupting as exit or polarization. Among the cases examined here, Uruguay most closely approximates a stable high-cooperation equilibrium, demonstrating that incorporation can be transformative when it is matched by credible commitments to cooperation.

Chile: From Institutionalized Cooperation to Post-Incorporation Strain

Chile illustrates a distinct incorporation trajectory in which strong institutionalized cooperation coexisted for decades with limited inclusion—and then proved difficult to adapt once participation broadened. Unlike Uruguay, where institutions and shared expectations evolved alongside incorporation, Chile sustained a high-cooperation equilibrium by restricting the scope of participation. When incorporation eventually accelerated, institutional adjustment lagged behind, pushing the polity into a post-incorporation disequilibrium.

During much of the twentieth century, Chile developed one of Latin America's most rule-bound and institutionalized political systems. Mass parties, disciplined unions, and a professional bureaucracy mediated conflict through formal channels. Incorporation expanded gradually between the 1930s and early 1970s, but distributive compromise remained bounded. Political competition was intense yet structured, allowing cooperation among organized actors while limiting the fiscal and social scope of redistribution.

This equilibrium broke down in the early 1970s, when attempts to deepen incorporation under the Unidad Popular government confronted elite resistance and external constraints. The resulting polarization culminated in the 1973 coup, which violently dismantled participatory channels. The Pinochet dictatorship (1973–1990) imposed a radical de-incorporation while simultaneously constructing a new, highly institutionalized policy framework centered on market coordination, executive insulation, and technocratic authority. The 1980 Constitution codified this order.

From the perspective of the model, Chile during this period sustained cooperation by sharply reducing n. Participation was suppressed, but synthesis $s$within a narrow coalition of technocrats, business elites, and military actors was high. Coordination costs were low, rules were predictable, and policymaking was intertemporally consistent. This was a stable equilibrium—but one explicitly premised on exclusion.

The democratic transition in 1990 initiated Chile's second incorporation. Successive Concertación governments expanded social spending, reduced poverty, and reactivated electoral competition while preserving the core institutional architecture inherited from the dictatorship. For nearly three decades, Chile combined macroeconomic stability with incremental inclusion. In terms of the model, participation increased, but the polity remained below the threshold at which coordination costs overwhelmed existing institutions.

However, incorporation during this period was segmented. Social policy expanded primarily through targeted programs rather than universalistic provision, and key policy domains—pensions, education, health—remained partially insulated from democratic contestation. Cooperation among insiders remained strong, but shared expectations did not extend fully to new participants. As n rose, the level of synthesis s did not increase proportionally.

By the late 2010s, this mismatch became visible. Rising educational attainment, indebted middle sectors, and younger cohorts entered the polity with heightened expectations of fairness and voice. Yet institutional mechanisms for renegotiating distributive compromises remained constrained. The 2019 Estallido Social marked the rupture: a sudden expansion of voice in a system whose cooperative framework had been designed to limit precisely such pressures.

The subsequent constitutional process revealed the difficulty of rebuilding cooperation once institutional credibility is strained. While the demand for inclusion was overwhelming, agreement on new rules proved elusive. Competing moral claims and polarized expectations increased the effective cooperation threshold $\bar{s}(n)$, while trust in institutions declined. The rejection of successive constitutional drafts reflected not rejection of democracy, but exhaustion with the inability to translate participation into binding coordination.

Chile thus represents neither a failure of institutions nor a failure of inclusion per se, but a failure of institutional adaptation. For decades, the country sustained cooperation by limiting the scope of incorporation. When participation expanded more rapidly than institutional recomposition, the existing equilibrium unraveled. In contrast to Uruguay's adaptive synthesis, Chile illustrates the fragility of cooperation when institutions designed for exclusion confront mass participation without sufficient recalibration.

Brazil: Ambitious Incorporation and the Erosion of Synthesis

Brazil's trajectory illustrates a case of broad and ambitious incorporation accompanied by partial but fragile synthesis. Unlike Chile, where cooperation was historically sustained by restricting participation, or Uruguay, where institutions and shared expectations adapted alongside inclusion, Brazil attempted to expand participation rapidly through institutional design. The result was a high-participation democracy whose cooperative foundations proved vulnerable to erosion under rising coordination costs and political polarization.

Brazil's first major incorporation occurred under Getúlio Vargas between the 1930s and 1950s. Through state-led corporatism, labor was integrated into the political system via legally recognized unions, social insurance, and labor protections. This model produced hierarchical coordination rather than horizontal cooperation: inclusion was real but mediated through the state, and political order relied on executive authority rather than autonomous institutions. Cooperation was achieved within a controlled framework, with limited pluralism and strong vertical dependence.

Military rule (1964–1985) dismantled these corporatist linkages and sharply curtailed participation. In terms of the model, this period reduced $n$while preserving coordination among a narrow set of actors—technocrats, state enterprises, and economic elites. Policy was insulated, intertemporally consistent, and growth-oriented, but exclusionary. As in Chile's authoritarian phase, cooperation was sustained by suppressing participation rather than by expanding synthesis.

Brazil's democratic transition marked a decisive shift. The 1988 Constitution represented one of the most ambitious attempts at democratic incorporation in Latin America. It expanded political rights, social entitlements, decentralization, and participatory mechanisms simultaneously. In the language of the model, Brazil sharply increased $n$and attempted to raise $s$through constitutional design—strengthening courts, formalizing federal relations, and embedding social rights in law.

For a time, this strategy succeeded. Democratic competition stabilized, compliance with constitutional rules was broadly respected, and fiscal and social policy expanded. The Workers' Party (PT) governments (2003–2016) deepened this incorporation through redistribution combined with macroeconomic prudence. Programs such as Bolsa Família reduced poverty and inequality while maintaining investor confidence. Brazil appeared to approach a high-n, high-s equilibrium: inclusion and cooperation reinforcing one another.

Yet this equilibrium rested on complex and costly coordination. Brazil's fragmented party system, coalition presidentialism, and federal structure raised the threshold $\bar{s}(n)$ required to sustain cooperation. Informal mechanisms—coalitional bargaining, budgetary side-payments, and discretionary appointments—substituted for deeper institutionalized consensus. While effective in the short run, these arrangements were vulnerable to shocks and moralization.

As economic growth slowed and corruption scandals proliferated, the cooperative foundations of the system weakened. Polarization increased, raising coordination costs and undermining shared expectations of legitimacy. At the same time, agency problems intensified: political actors exploited polarization to mobilize loyal constituencies and weaken accountability, reducing incentives to invest in synthesis. In terms of the model, the government's optimal choice of $s$declined as the political returns to discretion rose.

The impeachment of President Dilma Rousseff in 2016 marked a critical rupture—not a breakdown of democracy, but a breakdown of cooperation. The subsequent rise of Jair Bolsonaro reflected a shift toward low-synthesis politics: mass voice mobilized through moral antagonism rather than institutional mediation. While formal democratic institutions remained in place, trust, predictability, and intertemporal cooperation eroded sharply.

Brazil thus exemplifies a case of **erosion of synthesis** rather than its absence. Unlike Argentina, where low cooperation has been persistent, or Peru, where institutionalization never consolidated, Brazil built a complex democratic architecture capable of sustaining inclusion for a time. Its contemporary malaise reflects the difficulty of maintaining high levels of synthesis as participation, heterogeneity, and polarization increase.

In the terms of the model, Brazil moved from a cooperative equilibrium sustained by high institutional investment to a more fragile equilibrium in which $n$remained high but $s$fell below the threshold required for stable cooperation. Discontent emerged not because inclusion failed, but because the institutions designed to sustain cooperation under mass participation proved too costly—and politically inconvenient—to maintain.

Argentina: Recurrent Incorporation and Chronic Coordination Failure

Argentina illustrates a distinctive variant of incorporation without synthesis in which inclusion repeatedly expands political participation and redistribution but fails to generate stable cooperation—both across social camps and within them. Unlike Chile or Uruguay, Argentina never consolidated a broadly shared cooperative equilibrium; unlike Peru, it did construct powerful incorporation mechanisms, yet these mechanisms proved unable to sustain intertemporal coordination or institutional credibility.

The first major incorporation occurred under Peronism in the 1940s, when organized labor was integrated into the state through corporatist arrangements, collective bargaining, and an expansive welfare regime. This incorporation dramatically increased $n$and generated strong distributive inclusion. Cooperation, however, was vertically organized and politically conditional. Coordination was robust within the Peronist coalition but weak across it, as business elites, rural sectors, and anti-Peronist actors were excluded from the cooperative framework. The resulting equilibrium was polarized rather than synthetic: cooperation existed, but only within a bounded political camp.

Crucially, even within camps, cooperation relied on informal, personalized mechanisms rather than rule-based institutions. Business actors, financial elites, and non-Peronist political forces failed to construct durable collective action mechanisms of their own. Capital never fully solved its own coordination problem, oscillating between accommodation, exit, and short-term bargaining with the state.

As a result, Argentina entered a path-dependent equilibrium of weak intertemporal commitments and high policy volatility.

The breakdown of the original Peronist synthesis in the 1950s led not to institutional recomposition but to cycles of exclusion, repression, and restoration. Military interventions and unstable democratic interludes reflected the absence of shared moral and institutional foundations across camps. In terms of the model, increases in $n$were not matched by investments in s; instead, polarization raised the threshold $\bar{s}(n)$ while institutional capacity stagnated.

Market reforms in the 1990s temporarily restored macroeconomic coordination under technocratic leadership, but did so by dismantling the labor-based incorporation mechanisms without replacing them. The Menem reforms hollowed out collective representation while preserving discretionary policymaking. Cooperation among elites was narrow and short-lived, and the absence of synthesis became evident in the 2001 collapse, when generalized voice erupted in the absence of credible coordinating institutions.

Kirchnerism (2003–2015) represented a second major incorporation, extending redistribution to previously excluded groups through social programs, pension expansion, and labor re-regulation. Yet this expansion relied on discretionary, executive-centered governance and moralized polarization rather than institutional rebuilding. Political competition hardened into antagonistic camps, and policymaking became increasingly non-institutionalized. As in the model's agency component, incumbents faced incentives to limit synthesis in order to preserve discretion and rents, even as cooperation deteriorated.

By the 2010s, Argentina exhibited high levels of participation, mobilization, and political engagement alongside chronic inflation, fiscal instability, and institutional mistrust. The alternation between Peronist and anti-Peronist governments failed to restore cooperation, as neither camp possessed credible mechanisms for cross-coalitional or intertemporal coordination. The election of radical outsiders in the 2020s reflects not democratic excess but exhaustion with an equilibrium in which voice repeatedly substitutes for synthesis.

In the framework of the model, Argentina occupies a persistent low-cooperation equilibrium characterized by high n, high $\bar{s}(n)$, and weak incentives for institutional investment. Discontent emerges not because inclusion went too far, but because incorporation repeatedly occurred without rebuilding the cooperative foundations necessary for stable governance.

Peru: Incorporation Without Institutionalization

Peru represents the clearest case in the sample of incorporation without institutionalization. Unlike Uruguay or Brazil, Peru never constructed durable organizational or institutional foundations capable of converting expanded participation into sustained cooperation. Incorporation occurred episodically and often from above, while synthesis remained shallow, fragile, or entirely absent. The result is a polity characterized by high participation, intense volatility, and persistently low cooperation.

Peru's first major attempt at incorporation emerged in the mid-twentieth century through two aborted paths. The APRA movement sought to organize workers, peasants, and middle sectors into a mass party capable of sustaining democratic inclusion. Persistent repression and elite resistance prevented this project from consolidating, producing mobilization without institutional embedding. A second, top-down incorporation occurred under the military government of Juan Velasco Alvarado (1968–1975), which implemented agrarian reform, nationalizations, and corporatist participation mechanisms. While redistributive, this incorporation depended on authoritarian coordination and collapsed once economic conditions deteriorated. In terms of the model, both episodes raised n without durably increasing s.

The return to democracy in 1980 coincided with severe economic crisis and internal armed conflict. Hyperinflation, insurgency, and state weakness dismantled remaining organizational capacities. Political parties, unions, and civic intermediaries eroded rapidly, lowering cooperation even as formal participation expanded. This period marks Peru's transition into a low-s, high-uncertainty equilibrium.

The Fujimori era (1990–2000) institutionalized a distinctive form of incorporation without synthesis. Fujimori's outsider victory reflected mass rejection of discredited elites, but his governing strategy replaced collective representation with direct, personalistic linkages between the executive and the poor. Targeted social spending expanded inclusion administratively, while the 1992 autogolpe dismantled horizontal accountability. In the model's terms, cooperation was achieved through centralized authority rather than self-enforcement, while institutional investment in $s$declined sharply.

Post-Fujimori democracy restored elections but not institutional cooperation. Social policy expanded substantially through targeted programs, increasing n, yet beneficiaries remained atomized and weakly organized. Extreme labor informality limited the emergence of collective actors capable of sustaining intertemporal agreements. Decentralization further fragmented authority, producing regionalized contestation without national coordination. As a result, the threshold $\bar{s}(n)$ rose while actual synthesis stagnated.

The election of Pedro Castillo in 2021 represented the most explicit bottom-up incorporation in contemporary Peru. Rural and Andean voters entered the political center with unprecedented force. Yet this incorporation lacked organizational density and institutional support. Castillo's government rapidly collapsed amid congressional obstruction, corruption scandals, and executive incapacity. The subsequent protests and repression illustrated the core pathology of Peru's equilibrium: intense voice without mechanisms for cooperation, mediation, or credible commitment.

In the language of the model, Peru is trapped in a low-cooperation equilibrium where increases in participation systematically outpace investments in synthesis. Governments face weak incentives to raise s, while citizens rationally distrust institutions and rely on episodic mobilization or exit. Discontent is persistent because incorporation repeatedly raises expectations without generating self-enforcing cooperation.

Peru thus stands as the limiting case in the comparative framework: not a failure of democracy due to exclusion, nor an erosion of previously robust synthesis, but the enduring absence of institutional and moral foundations capable of sustaining cooperation under mass participation.

Venezuela: From Elite Synthesis to Populist Incorporation and Democratic Collapse

Venezuela represents the most extreme outcome in the spectrum of incorporation dynamics analyzed in this paper. Unlike other cases where incorporation outpaced institutional adaptation, yet democracy persisted, Venezuela crossed a threshold beyond which the failure to sustain cooperation culminated in democratic breakdown. Its trajectory illustrates how repeated incorporation without durable synthesis can erode not only policy coordination but the institutional foundations of democracy itself.

The first major incorporation unfolded after 1945 with the rise of mass parties—most notably Acción Democrática (AD)—and was consolidated after 1958 through the Punto Fijo pact. This arrangement integrated workers, the middle class, and key economic actors into a distributive political order anchored in oil rents and strong party organizations. For several decades, Venezuela achieved what the model would characterize as a high-synthesis equilibrium: cooperation among political elites was credible, policymaking predictable, and redistribution sustained through stable expectations. However, this synthesis was fiscally and socially bounded. It relied on abundant oil revenues rather than broad taxation and excluded emerging actors outside the party system, particularly informal and urban marginal populations.

As oil revenues declined and social demands expanded in the 1980s, the costs of sustaining cooperation rose sharply. The existing synthesis failed to adapt: parties became insulated, corruption scandals proliferated, and distributive commitments outpaced fiscal capacity. The Caracazo of 1989 marked the collapse of the Punto Fijo equilibrium, revealing a dramatic gap between expanded expectations and weakened coordination. In the terms of the model, $n$increased while effective synthesis $s$fell below the threshold required to sustain cooperation.

Hugo Chávez's ascent in 1998 inaugurated a second, bottom-up incorporation. The Bolivarian project dramatically expanded participation, redistribution, and symbolic recognition of previously excluded groups. Social missions, participatory institutions, and constitutional reform broadened voice and temporarily restored legitimacy. Yet this incorporation was built on polarized moral narratives rather than reconstructed cooperative institutions. Politics was reframed as a confrontation between *el pueblo* and *la oligarquía*, sharply raising coordination costs across social camps.

Crucially, this horizontal polarization was accompanied by a vertical agency dynamic. Following the logic emphasized by Acemoglu, Egorov, and Sonin (2013), incumbents exploited polarization to consolidate power, weaken accountability, and substitute loyalty for cooperation. Institutional constraints were dismantled, policymaking became discretionary, and coordination increasingly depended on hierarchical control rather than self-enforcing rules. Synthesis was not merely absent; it was actively undermined, as higher $s$would have constrained executive discretion.

After Chávez's death in 2013, declining oil prices exposed the fragility of this equilibrium. Under Nicolás Maduro, redistribution gave way to repression, selective patronage, and mass exit. Electoral competition was neutralized, independent institutions dismantled, and cooperation replaced by coercion. In the model's terms, Venezuela transitioned from a low-synthesis democratic equilibrium to an authoritarian one: cooperation no longer sustained by expectations of reciprocity, but by fear, dependence, and repression.

Venezuela thus illustrates the darkest implication of the framework. Incorporation without synthesis does not merely generate discontent or policy volatility; under certain conditions, it can culminate in the destruction of democratic governance itself. The Venezuelan case underscores that when expanded participation is severed from institutional and moral cooperation—and when political elites face incentives to erode synthesis rather than rebuild it—voice can be transformed into dependence, and inclusion into domination.

Conditions Shaping Post-Inclusion Trajectories

Taken together, these cases trace a continuum of incorporation outcomes shaped by the interaction between expanding participation and the capacity to sustain cooperation. Uruguay illustrates the rare case in which incorporation was matched by durable institutional and moral synthesis, allowing cooperation to scale with inclusion. Chile and Brazil occupy intermediate positions: both achieved periods of effective coordination, yet struggled to adapt their institutional arrangements as participation deepened, giving rise to fragmentation and polarization rather than renewed synthesis. Argentina and Peru represent persistent low-cooperation equilibria, where repeated incorporation expanded voice but failed to generate credible intertemporal commitments, producing chronic instability and disillusionment. Venezuela stands as the extreme endpoint of this trajectory. There, the exhaustion of prior synthesis and the subsequent embrace of polarized, discretionary incorporation not only undermined cooperation but ultimately dismantled democratic institutions themselves. In this sense, Venezuela reveals the outer bound of the dynamics analyzed in this paper: when incorporation persistently outpaces the rebuilding of cooperative foundations—and when political incentives favor the erosion rather than the reconstruction of synthesis—the result is not merely discontent or volatility, but democratic regression.

The comparative cases also suggest that post-inclusion political trajectories are not idiosyncratic. Rather, they reflect systematic differences in pre-existing and conjunctural conditions that shape both the feasibility of sustaining cooperation and the incentives of political actors to invest in synthesis as participation expands. In the language of the model, these conditions affect either the level of synthesis that can be achieved for a given political effort, the threshold level of synthesis required to sustain cooperation, or the equilibrium selection problem faced by governing coalitions.

A first set of conditions concerns **state and organizational capacity**, which directly influences the cost of synthesis. Countries with professional bureaucracies, credible fiscal institutions, and dense intermediary organizations—such as programmatic parties, unions, or business associations—are better able to coordinate large numbers of actors and to enforce intertemporal commitments. These features lower the marginal cost of institutional adaptation and allow synthesis to scale with incorporation. Where administrative capacity is weak and intermediary organizations are fragmented or absent, increases in participation raise coordination costs sharply, making cooperative equilibria difficult to sustain even at moderate levels of inclusion.

A second set of conditions relates to **elite incentives and political rents**, which shape the willingness of incumbents to invest in synthesis. High discretionary rents—whether derived from natural resources, inflationary finance, or clientelistic control over transfers—increase the opportunity cost of rule-bound governance. In such settings, governing coalitions may rationally prefer low-synthesis equilibria that preserve discretion, even at the expense of aggregate welfare. Polarization-based mobilization further reinforces this logic by allowing political survival to depend on loyalty and moralized conflict rather than on cooperative performance, making underinvestment in synthesis politically viable.

A third set of conditions concerns the **mode of incorporation itself**. Universalistic and organizational forms of inclusion are more conducive to shared expectations and system-wide cooperation than segmented, targeted, or individualized incorporation. When new participants are incorporated through collective actors and stable policy frameworks, participation can be translated into durable cooperation. By contrast, incorporation that operates through direct executive–citizen linkages or partisan moral narratives often produces cooperation within camps but weakens cooperation across the polity, effectively raising the synthesis threshold required for system-wide coordination.

Finally, **macroeconomic and historical shocks** play a critical role in shaping dynamics across equilibria. Commodity booms or periods of rapid growth can temporarily relax cooperation constraints by increasing the perceived benefits of collective action, masking underlying underinvestment in synthesis. When such favorable conditions reverse, polities lacking durable institutional and normative foundations are more likely to experience sharp breakdowns in cooperation, polarization, and discontent.

Taken together, these conditions help explain why similar processes of expanded participation have produced sharply different outcomes across Latin America. Post-inclusion trajectories depend not only on how much participation expands, but on whether institutional capacity, political incentives, and modes of incorporation allow synthesis to adjust accordingly. Where these conditions align, inclusion can be absorbed into cooperative governance; where they do not, expanded participation is more likely to culminate in persistent instability or, in extreme cases, democratic breakdown.

6. Conclusion

A central concern of political economy has long been how societies sustain social order and effective collective action as participation expands. From classic theories of cooperation and legitimacy to modern analyses of self-enforcing institutions, scholars have emphasized that stable governance depends not only on inclusion, but on the capacity to coordinate expectations, constrain opportunism, and sustain cooperation among diverse actors. This paper situates Latin America's contemporary experience within that broader tradition by examining what happens when participation expands faster than the institutional and political foundations required to govern collectively.

Over the past century—and with renewed intensity in recent decades—countries across Latin America have broadened political participation, extended social rights, and expanded redistribution. These processes have increased the potential gains from collective action and democratic legitimacy. Yet they have also raised coordination costs by enlarging the number and heterogeneity of political actors involved in the policymaking process. When the institutional and political investments needed to sustain cooperation do not adjust accordingly, polities enter a post-incorporation disequilibrium characterized by heightened voice alongside weak coordination, volatile policymaking, and declining institutional credibility.

The theoretical framework and simple model developed in this paper formalize this tension. Incorporation increases both the benefits of cooperation and the threshold level of synthesis required for cooperation to remain self-enforcing. When synthesis—understood as institutional adaptation and the stabilization of shared expectations—fails to keep pace because of limited state capacity, rising polarization, or political incentives favoring discretion over rule-bound governance, cooperation erodes. Discontent then emerges not as an anomaly, but as a predictable response to the gap between expanded participation and diminished collective performance.

The comparative country cases illustrate the range of political trajectories generated by this logic. Uruguay demonstrates that incorporation can be absorbed through durable synthesis when institutional credibility and shared expectations evolve alongside participation. Chile and Brazil occupy more intermediate positions: inclusion sustained legitimacy and growth for extended periods, but eventually strained cooperative arrangements, giving rise to polarization and discontent. Argentina and Peru exemplify more persistent forms of incorporation without synthesis, marked by chronic instability and weak intertemporal cooperation. Venezuela represents the outer bound of these dynamics, where the erosion of cooperative governance culminated not merely in instability but in democratic breakdown.

Taken together, these cases underscore a central lesson: incorporation does not have a single political destination. Its consequences depend on whether expanding participation is matched by investments in institutions, enforcement mechanisms, and shared expectations capable of sustaining cooperation under pluralism. Where such investments succeed, inclusion can reinforce legitimacy and stability. Where they lag, inclusion amplifies conflict, short time horizons, and political fatigue—even within formally democratic systems.

The broader implication is that Latin America's contemporary challenge is not primarily one of participation, but of governance under expanded participation. Future research should examine more closely the political incentives shaping investment in synthesis, including principal–agent problems between citizens and political leaders, the erosion and transformation of party systems, the role of new technologies in mediating voice, and the interaction between macroeconomic shocks and institutional adaptation. Understanding how societies convert expanded participation into self-enforcing cooperation is essential not only for explaining Latin America's recent discontent, but for advancing a more general political economy of post-inclusion democracies.

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