

Why is democracy in retreat in Latin America?

Thiago Marzagão, Ph.D. candidate at Ohio State University, 2011

This paper argues that the current democratic erosion in Latin America is rooted in the region's left turn in the 2000s. Two causal mechanisms are proposed: a) the electoral constituency of leftwing parties is the poor, which are inherently authoritarian (Lipset 1960); and b) the leftwing parties elected in the region have embraced economic interventionism, which has concentrated coercive resources in the state (Hayek 1944; Friedman 1962). I test both mechanisms using cross-country time-series data for 18 Latin American countries from 1994 to 2010. The results strongly support the predictions.

1. Puzzle and argument

Why is democracy in decline in Latin America? This paper argues that Latin America's left turn in the 2000s is responsible for the region's current democratic erosion. Two causal mechanisms are proposed: a) the electoral constituency of leftwing parties is the poor, which are inherently authoritarian (Lipset 1960); and b) the leftwing parties elected in the region have embraced economic interventionism, which has concentrated coercive resources in the state (Hayek 1944; Friedman 1962). I test both mechanisms using cross-country time-series data for 18 Latin American countries from 1994 to 2010. The results strongly support the predictions. The next section clarifies the concepts used in the analysis and elaborates on the causal mechanisms of the argument. The third section motivates the analysis by showing that democracy is indeed declining in Latin America. The fourth section describes the data and methods employed. The fifth section presents and interprets the results. The sixth section discusses the implications. The seventh section outlines an agenda for further research.

2. Concepts and causal mechanisms

Democracy – the dependent variable – is understood here as a specific set of procedures: a) rulers are chosen in regular elections wherein nearly all adult citizens can vote and be voted and every vote has the same weight; b) rulers respect existing constitutional and legal constraints; and c) rulers do not restrict people's freedom to express their opinions, to associate, and to support the opposition. Two aspects of this definition must be noted. First, it represents an ideal type: no country perfectly complies with all those procedures all of the time. Hence for the purposes of this paper democracy is not a binary variable but a continuous one. Second, the definition is deliberately

procedural: democracy is about respecting a small, concrete set of procedures, not about “accountability” or “representation”.¹ As Schumpeter (1976) puts it, democracy is simply “that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people’s vote” (269).² The left-right dimension, in turn, is understood here as in Downs (1957, 116): it captures the amount of state intervention in the economy. At the leftmost point the entire economy is controlled by the state; at the rightmost point the entire economy is controlled by private actors. That is all there is to it. The reason for such a minimalist definition of left and right is straightforward: Hayek’s (1944) and Friedman’s (1962) claim that economic freedom fosters political freedom is not conditional on which segments of society benefit from state intervention. Importantly, class does not enter the left-right definition: it does not matter whether the state-controlled resources are used to benefit the poor, the middle class, or the elite. Those who take issue with such class-blind definition are free to mentally re-label our left-right scale: what matters here is whether we find the expected association between economic freedom and political freedom, not how we label the economic freedom scale. In any case, bringing class into the discussion would not change much: as Sartori (1969) puts it, if we bring class into the definition then “it is hard to understand why, according to this criterion, Fascism, Nazism, Peronism, and the like should be excluded from ‘left’. These movements advocated change (and eventually did produce change); they certainly had large working class support, and possibly took as much care of the underprivileged as many Communist parties in power have done so far.” (79).

Having clarified the two main concepts – democracy and leftism –, it is time to elaborate on the causal mechanisms of the argument. As summarized before, this paper argues that the current erosion of democracy in Latin America is rooted in the region’s left turn in the 2000s. Two causal mechanisms link one thing to the other. The first one is based on Lipset’s (1960) sociological account of the inherent authoritarianism of the poor, whose vote has been the key to the left’s electoral success in Latin America. Because of their upbringing, the poor have “a tendency to view politics and personal relationships in black-and-white terms, a desire for immediate action, an impatience with talk and discussion, a lack of interest in organizations which have a long-range

¹ As Condorcet (1785), Arrow (1950), and McKelvey (1976) show, translating individual preferences into social choices is all but impossible. Moreover, as Downs (1957) posits, every individual vote has only a negligible effect on the electoral outcome, so voters have no incentive to acquire information (which is costly) – they remain rationally ignorant; thus, as Converse (1964) shows, individual preferences are largely non-existent in the first place. Hence this paper does not concern itself with accountability or representation.

² This definition may seem rather timid to some, but as Maloy (2012) puts it, “elections at least have the saving virtue of allowing peaceful transfers of power from one set of elites to another, which is no small matter, considering the alternative of civil war” (22).

perspective, and a readiness to follow leaders who offer a demonological interpretation of the evil forces (either religious or political) which are conspiring against him” (120-121). Lipset supported his assertions with data from several surveys, mostly from the 1950s. Current data show that his analysis is still up-to-date, at least in Latin America. For instance, when Latin Americans were asked in 2010 about the importance of democracy, 19.02% of respondents with only primary education answered that “it doesn’t matter whether we have a democratic or a non-democratic regime”; among respondents with tertiary education, only 7.54% gave that answer (Latinobarometer 2010).³ Some argue that the Latinobarometer survey actually captures satisfaction with the government rather than support for democracy. That is possible, but if true that should affect respondents of all education and income levels, whereas what matters here is cross-level variation. Furthermore, another survey, the AmericasBarometer, is based on more specific questions and corroborates Lipset’s claim as well (AmericasBarometer 2010). The 2006 round of the AmericasBarometer survey included five questions specifically designed to assess support for constitutional and legal constraints on government’s power.⁴ Using factor analysis, Seligson (2007) combined those five items into a 0-50 scale and plotted it against education and wealth. His graphs are reproduced below:

³ The other alternatives were “democracy is preferable to any other kind of government” and “under some circumstances, an authoritarian government can be preferable to a democratic government”. The survey included respondents from Argentina, Bolivia, Brazil, Colombia, Costa Rica, Chile, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Uruguay, and Venezuela. Total number of respondents was 22,687.

⁴ “With which of these two opinions do you agree more:

Question #1: a) For the progress of the country, it is necessary that our presidents limit the voice and vote of the opposition parties; b) There is no reason that would justify that our presidents limit the voice and vote of the opposition parties, even if they hold back the progress of the country.

Question #2: a) The Congress hinders the work of our presidents/prime ministers, and should be ignored b) Even when it hinders the work of the president/prime minister, our presidents/prime ministers should not bypass the Congress.

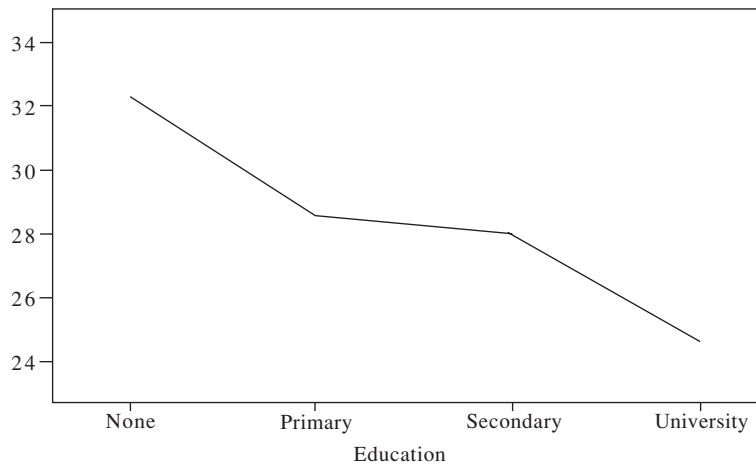
Question #3: a) Judges frequently hinder the work of our presidents/prime ministers, and they should be ignored. b) Even when judges sometimes hinder the work of our presidents/prime ministers, their decisions should always be obeyed.

Question #4: a) Our presidents/prime ministers should have the necessary power so that they can act in the national interest. b) The power of our presidents/prime ministers should be limited so that they do not endanger our liberties.

Question #5: a) Our presidents/prime ministers should do what the people want even when laws prevent them from doing so. b) Our presidents/prime ministers should obey the laws even when the people don’t want them to.”

The survey included respondents from Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, and Peru. Total number of respondents was around 27,000. The wording was changed to account for parliamentary and presidential systems, according to the case.

Figure 1 – Education and authoritarianism



Source: Seligson (2007, 92).

Figure 2 – Wealth and authoritarianism

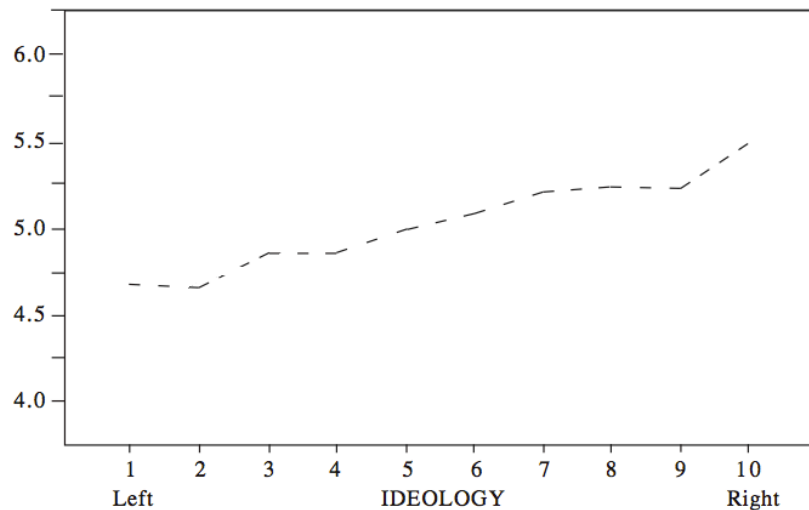


Source: Seligson (2007, 93).

As Seligson (2007) concludes, “Seymour Martin Lipset’s classic work on ‘working-class authoritarianism’ finds support in the contemporary data from the region.” (91). The question then becomes why is it that the poor produced authoritarian governments in the 2000s but not in the 1990s? The answer is that in the 1990s the region’s presidents relied on relatively multiclass electoral bases of support, whereas in the 2000s they relied mainly on the poor. In Brazil, for instance, the voting intention for President Cardoso in 1994 was quite similar across income levels: 53.5% in the lowest income quintile and 52.9% in the highest income quintile (Datafolha 1994). In 2006, by contrast, voting intention for President Lula varied substantially: from 60% in the lowest income

quintile to 29% in the highest income quintile (Carreirão 2007). Because their electoral constituency is more authoritarian, leftwing presidents will feel more at ease to tamper with democratic institutions than rightwing presidents (who rely on multiclass constituencies whose average support for democracy is stronger). In other words, what Baker and Greene (2011) call the “Latin American left’s mandate” is not only about policies, but about institutions as well. Unfortunately there are no comparable, cross-country data on the “class content” of elections (this point will be discussed in greater detail in Section 4). But to the extent that leftist individuals vote for leftist candidates the graph below, based on AmericasBarometer data and adapted from Seligson (2007), shows that, on average, those who elected Chávez, Lula, Morales, Kirchner, Ortega, and Correa care relatively less about democracy. The graph plots a 0-10 scale of support for the proposition that “democracy is the best system” against a 0-10 left-right ideology scale. (As before, this measure of support for democracy may be flawed, but in principle its flaws should afflict all respondents equally and hence do not invalidate the correlation shown in the graph.)

Figure 3 – Leftism and authoritarianism



Source: Seligson (2007, 94).

An important counter-argument is that, according to some, it was precisely the poor that pushed for democratization in Europe and Latin America in the 20th century. For instance, according to Rueschemeyer, Stephens & Stephens (1992), “It was the subordinate classes that fought for democracy. By contrast, the classes that benefited from the status quo nearly without exception resisted democracy.” (46). Collier (1999) and Eley (2002) argue along similar lines. Such counter-

argument suffers from three important flaws though. The first one is that to Moore (1966) and others it was the “bourgeoisie”, not the “working class”, that pushed for democratization. This paper is not the place to answer such deep sociological question, but clearly Rueschemeyer, Stephens & Stephens’, Collier’s, and Eley’s view is at least contentious. Second, even if the poor did push for democracy in Europe or Latin America, it does not follow that the poor chose democracy over autocracy; it only follows that the poor chose democracy over the elitist sort of autocracy that was in place before. In any game, the players can only choose from the available set of strategies. It may as well be the case that the poor preferred socialist autocracy in the first place, but lacking the strength to accomplish it they settled for democracy instead, as a second-best choice. In short, one does not have to be particularly fond of a given strategy to select it. Third, as Rueschemeyer, Stephens & Stephens themselves acknowledge, "In South America the working class was too weak to play the leading role in pushing for democratic rule. In effect, this role fell to the middle classes." (282).

Another counter-argument is that maybe the economic crises of the 1990s eroded people’s support for democracy – a possibility suggested by the survey results of Merolla & Zechmeister (2009). But most Latin American countries democratized in the 1980s, precisely when the region underwent the most severe economic crisis of its history. Moreover, if democracy is positively correlated with economic performance, then how can we explain the persistence of the authoritarian trend today despite the economic boom that began in the early 2000s? Finally, Merolla & Zechmeister only surveyed respondents in Mexico, which is a peculiar country – it only democratized in 2000, not in the 1980s –, so their results may not generalize to the rest of Latin America. In any case, if the current democratic decline is happening because the 1990s “didn’t deliver the goods” – rather than because of the reasons proposed here –, the empirical tests discussed in Sections 4 and 5 should reflect that.

The second causal mechanism between leftism and authoritarianism is one that goes back to Hayek (1944) and Friedman (1962): in a nutshell, economic freedom fosters political freedom. The logic is straightforward. As Dahl (1971) puts it, “The likelihood that a government will tolerate an opposition increases as the resources available to the government for suppression decline relative to the resources of an opposition.” (48). Hence the more the government accumulates economic power, the more it can meet the costs of coercion and the less resources are available for society to resist coercion. Such coercion can take various forms. First, with more resources the government can expand and better equip the police and the military. In Venezuela, for instance, Chávez has nationalized all oil fields formerly explored by foreign companies (such as ExxonMobil and

ChevronTexaco) and extensively milked Petróleos de Venezuela S.A. (PDVSA), the state oil company. The increased revenues have helped equip the Venezuelan military with 100,000 Kalashnikov rifles, 24 Russian supersonic Sukhoi jets (equipped with 200 laser-guided bombs, 50 air-to-surface missiles, 50 anti-ship missiles, 50 guided cruise missiles, and 250 air-to-air missiles), 24 Chinese trainer jets, 50 helicopters, five submarines, surveillance radars, and more (SIPRI 2012). Military spending is certainly not a proxy for state coercion, but since Venezuela is under no external threat all that military weaponry can only be aimed at internal enemies, actual or potential. The same process is under way in Bolivia, where Morales has nationalized the oil and gas sectors and used part of the revenues to increase military spending by 64%; the list of new equipments includes six Chinese fighter jets, six helicopters, 10,000 rifles, and a missile system (Duarte 2011). With more resources the government can also pay for informal repressive devices, such as the Bolivarian Circles (*Círculos Bolivarianos*) in Venezuela and the more *ad hoc* indigenous and peasant mobs in Bolivia. These militias receive patronage goods (jobs, food, cash transfers) and, in exchange, intimidate opposition figures. In Venezuela these groups have been assaulting journalists (Peña 2009) and politicians (Brewer-Carías 2010) liberally. For instance, in 2002 members of the Bolivarian Circles opened fired against an anti-government demonstration (Mosbarch 2002) and, in 2009, they attacked the headquarters of the country's only independent TV station, Globovisión (El Nacional 2009). In Bolivia a peasant mob invaded the house of Hugo Cardenas, a prominent opposition politician who served as vice-President under Gonzalo Sanchez de Lozada (1993-1997), and assaulted his wife and children (Democracy Center 2009). (The big advantage of such informal repression over conventional – i.e., police- or military-enforced – repression is that the government can always deny any involvement.) With more resources the government can also impose non-violent sanctions on the opposition. The government may direct subsidies and contracts primarily to friendly businesses, which creates an unlevel playing field and chokes independent and opposition actors. In Brazil, Lula increased public spending with official publicity by 961% (Rodrigues 2009). Although disaggregated data are not made public, it is widely known that official publicity disproportionately benefits friendly media, such as the weekly Carta Capital and the TV station Rede Record (Morgenstern 2012), and even blogs maintained by prominent government supporters, such as journalists Luis Nassif (Colon 2010) and Paulo Henrique Amorim (Pannunzio 2012). Where the government controls essential inputs these may also be withheld from selected businesses or areas. In Argentina, for instance, the government partially owns the country's only newsprint supplier and Cristina Kirchner is using that ownership to choke El Clarín, publisher of Argentina's largest independent newspaper (Economist

2010). Other state resources – such as public jobs and cash transfer programs – may also be politicized and allocated preferentially to cooperative citizens. In Venezuela and Bolivia, public employees must attend pro-government rallies if they wish to keep their jobs (Schelp 2007; La Patria 2011; El Nacional 2012; Jiménez 2012). The threat is not empty: since 2003 Chávez has fired 18,000 PDVSA employees (40% of the company’s workforce) deemed uncooperative (Economist 2012); in Bolivia, the government is openly discussing mandatory subscription to the ruling party for all public employees – in order to identify “infiltrated [elements] from neoliberal parties who stand in the way of our brother the President and our brothers the Ministers”, as the party’s spokesperson has candidly explained (La Prensa 2012). Finally, non-budgetary benefits may also be selectively distributed – tariffs and regulatory exemptions immediately come to mind.

Naturally, these practices are not the exclusive domain of leftwing governments. But leftwing governments intervene more in the economy, which creates more opportunities for such practices. This is especially worrying in light of Latin America’s reversal to statism in the 2000s. Since 2003, Argentina has nationalized the pension system (Partlow and Byrnes 2008), the postal service, the capital’s railroad and water systems, the country’s main airline company (Baer and Montes-Rojas 2008), manufacturers of aircraft (Guimarães 2009a) and automobile parts (Guimarães 2009b), and even the broadcasting rights of the national soccer championship (Economist 2009). Brazil’s official development bank (*Banco Nacional de Desenvolvimento Econômico e Social* – BNDES) has increased yearly subsidies to domestic firms from US\$ 111 million in 2002 to US\$ 296 million in 2010 (BNDES 2003, 2010). The bank has also expanded its participation in the capital of domestic firms: through acquisitions in the energy, mining, manufacturing, food, and retail sectors, BNDES’ portfolio has increased from US\$ 70 billion in 2002 to US\$ 221 billion in 2010 (BNDES Participações 2004, 2010). Also importantly, since 2003 more than 200,000 new civil servants have been added to the already bloated federal bureaucracy (Ministério do Planejamento 2002, 2010). Both Argentina and Brazil have raised tariffs and imposed a variety of administrative trade barriers, sometimes against each other’s exports and often in violation of multilateral rules (World Trade Organization 2007, 2009). Bolivia has nationalized the pension system (Turner 2010), the railroad system (Globo 2010), and oil and gas companies (Prada 2006), and has attempted to nationalize mining companies (Romig 2011). Venezuela started in 2007 the most ambitious program of nationalization in the region: it has expropriated companies in virtually every sector of the economy, most notably telecommunication, energy, banking, tourism, and cement. Only in the first semester of 2011 Venezuela intervened in 401 companies (Teixeira 2011).

The argument that economic freedom fosters political freedom – popularly known as the Hayek-Friedman hypothesis – has been examined empirically several times (the most recent study is Lawson & Clark 2010). The results generally support the hypothesis but the measures and methods employed are often questionable. The major problem is that political freedom is usually operationalized as the Freedom House index, which suffers from serious methodological flaws. As Munck & Verkuilen (2002) put it, “the Freedom House index includes so many components under its two attributes ‘political rights’ and ‘civil rights’ (9 and 13, respectively) and does so with such little thought about the relationship among components and between components and attributes – the components are presented as little more than a ‘checklist’ [...] – that it is hardly surprising that a large number of distinct or at best vaguely related aspects of democracy are lumped together” (14). Of particular concern here is that the Freedom House index has “socioeconomic rights” and “freedom from gross socioeconomic inequalities” among its subcomponents (Munck and Verkuilen, 9). Thus the index captures not only political freedom but some aspects of economic freedom as well. The implication is straightforward: when the index is used in evaluating the Hayek-Friedman hypothesis, the tests become tautological. Hence the vast majority of the existing empirical literature relies on highly disputable foundations.

Some argue that economic freedom may actually undermine democracy, or at least some aspects of it. For instance, Oxhorn & Ducatenzeiler (1999), Kurtz (2004) and Holzner (2007) claim that free-market policies may increase collective action costs – particularly for the poor –, which undermines political participation. They point to several causal mechanisms, such as increased unemployment and job insecurity, the disruption of traditional patterns of land ownership, the disruption of residential patterns, the growth of the services sector at the expense of the manufacturing sector, the flexibilization of labor laws, and the shrinkage of the public sphere. There are three problems with that literature though. First, it relies on problematic definitions of democracy. To Kurtz, “if we understand representatives to be the agents of voters, then a vibrant associational life is critical for efforts to maintain the accountability of politicians and at least some semblance of the majoritarian principle that is at the core of democracy” (267). But if we were to use non-procedural definitions of democracy, we might find that non-electoral forms of political participation are intrinsically anti-democratic. Whereas voting gives all citizens equal political weight, protesting and petitioning give more political clout to those who are better organized and funded. Consider trade policy, for instance. The producers of any given good are usually much better informed and organized than their consumers. That asymmetry results in tariffs and other trade

barriers that benefit producers at the expense of consumers. If the political game were purely electoral, there would arguably be no room for such kind of redistribution. Thus direct participation weakens the disorganized masses and reinforces the political power of organized interests. The proponents of the “participation strengthens accountability” argument might retort that the solution is to mobilize the masses rather than insulate policy-making. But whenever one group mobilizes another groups is hurt and the outcome may be an endless chain of rent-seeking leading to more rent-seeking. The “participatory democracy” literature has never made clear what the optimal amount of mobilization is. Should everyone mobilize? If not, where do we draw the line between too little and too much mobilization? In other words, how can we assess whether organizational capacities are “reasonably well distributed across the major social groups and cleavages of the polity” (Kurtz, 268)? If mobilization is a measure of democracy then is Greece more democratic than Finland? In the 1990s Finland underwent an economic crisis as severe as the one Greece faces today. But whereas the Finnish quietly reformed their economy and moved on, the Greek have resorted to mass demonstrations and rioting. If we take the “participatory democracy” literature seriously we might have to conclude that Greece is a paragon of democratic vitality whereas in Finland democracy is anemic and at risk. In sum, the idea that non-electoral political participation is a component of democracy lacks rigorous foundations and may lead to nonsensical conclusions.

The second problem with the “participatory democracy” literature is that, in Latin America, when the poor organize they are often motivated by totalitarian ideologies and explicitly mobilize *against* democracy. Take the Landless Workers’ Movement (*Movimento dos Sem-Terra* – MST) in Brazil, for instance. Those who join the movement must undergo a training program that introduces the new recruits to various strains of communist thought, from Leninism to Maoism and Castroism (Oinegue 2000), and to guerrilla tactics, often taught by members of the Armed Revolutionary Forces of Colombia (FARC – *Fuerzas Armadas Revolucionárias de Colombia*), as public prosecutors have shown (Thums 2007). According to the primer used by new recruits, “The [goal of the] struggle for land has evolved from the economic takeover to the political fight against the state and not only against latifundium.” (Oinegue 2000). The contempt of the MST for “bourgeois” democracy is reflected in the movement’s actions: since 1988 the MST has invaded over 7,500 farms (Cuminalé 2008). Such invasions are not peaceful. Heavily armed, militants set the crops on fire, destroy the machinery, torture and kill the animals, and take hostages (Thums 2007). But since violence is bad publicity and might alienate domestic and international supporters (voters, NGOs, scholars), invasions are planned and executed with a strong “public relations” concern: the invasion itself

happens during dusk, but once the farm has been secured the guns are put away and replaced by sickles, and the women and children are brought in (Thums 2007). So when the journalists arrive what they see (and photograph) are unarmed peasant families. Sometimes the MST takes control of entire areas and in such places “the control [by the movement] is absolute, the areas are cut off and little or nothing remains of the authority of the local and central governments; in such areas the army and the police do not enter” and the movement sells drugs, guns, protection, wild animals, and wood (Thums 2007). In sum, the goal of the MST is not land reform, but the same goal of the FARC in Colombia and of the Zapatistas in Mexico: communist revolution in the long run and criminal activities in the short run. Clearly, the belief that organizing the poor is intrinsically pro-democratic is unfounded. If economic liberalization did cause social atomization, as Kurtz and Holzner claim, that might as well be a pro-liberalization argument, if one is concerned with democracy.

Which brings us to the third problem with the “participatory democracy” literature: the link between economic liberalization and social atomization is always assumed but rarely examined. Kurtz (2004) is among the few that attempt to establish the link empirically. Kurtz presents unemployment and GDP data for several Latin American countries, both before and after the enactment of reform. In order to measure reform he uses an index developed by Morley, Machado & Pettinato (1999) that captures financial liberalization, trade liberalization, tax reform, and privatization. Thus, an essential component of virtually all reform packages in Latin America since the 1980s is left out of the index: price stabilization. How could this omission affect the conclusions? A concrete example will show it. Kurtz defines “before reform” as the five years before the index reaches 0.587 and “after reform” as the five years after the index reaches 0.700. For Brazil, this means that the “before reform” period is 1984-1988 and the “after reform” period is 1991-1995 (Morley, Machado & Pettinato, 24). Since the country’s real GDP per capita shrunk from an average of \$4134 in 1984-1988 to an average of \$4080 in 1991-1995, the tempting conclusion is that reform hurt economic performance. But between 1991 and 1995 the accumulated inflation in Brazil was 2,121,478% (no typo here: it was over two million percent).⁵ Hyperinflation – and the corresponding chaos in relative prices – is a much more likely explanation for the negative growth we see when comparing 1984-1988 to 1991-1995. In other words, Kurtz is ascribing to reform outcomes that actually result from the very absence of reform. (Incidentally, it is worth noting that inflation hurts especially the poor, who do not have the option to invest in indexed financial assets.)

⁵ *Banco Central do Brasil*, online database.

This is a recurrent problem in the literature on the social consequences of liberalization. One important legacy of import-substitution industrialization (ISI) strategies was an enormous misallocation of factors across industries. Yet the same papers that decry the reallocation costs imposed by trade liberalization often fail to mention that, were it not for the distortions caused by statist policies in the past, massive reallocation would not be necessary in the first place. Similarly, those worried about reallocation costs should concern themselves with rigid labor laws that add to those costs and yet remain unreformed. In short, much of what is ascribed to liberalization is actually the result of decades of statism.

In sum, the “participatory democracy” literature is conceptually, theoretically, and empirically flawed. Its claim that economic liberalization may undermine democracy has yet to be substantiated.

Finally, a word is in order regarding scope conditions. Are the arguments advanced here applicable only to Latin America? If so, are they applicable only to today’s Latin America? The answer to both questions is no: the arguments developed here are general and applicable to any country in any period. However, data availability issues (to be discussed in detail in Section 4) preclude us from using a more comprehensive sample. Thus the empirical results discussed in Section 5 should be viewed as preliminary. Moreover, we do not claim to explain every single case in the world. Certainly there are anomalies. For instance, if economic freedom fosters political freedom, then how can we explain Sweden, which is a combination of big government and sound democracy? Or, to pick the opposite case, how can we explain Chile under Pinochet, which was a combination of pro-market policies and dictatorship? Explaining outliers would require delving into country-specific factors, which is beyond the scope of this analysis. (However, the often-cited case of Sweden may not be an outlier after all. Sweden may have a big government in terms of fiscal and social policy, but it is actually quite liberal when it comes to all other aspects of economic policy. The Heritage Foundation has a 0-100 score of economic freedom and Sweden scores 71.7 and ranks #21 worldwide, whereas Brazil, for instance, scores 57.9 and ranks #99 – way below not only Sweden but below all of the Scandinavian countries. A look at the index’ subcomponents helps us understand this result. Brazil does beat Sweden when it comes to fiscal policy, as expected given Sweden’s generous welfare outlays: Brazil scores 69.1 in fiscal freedom whereas Sweden scores 39.1. But Sweden beats Brazil 94.6 to 53.7 in business freedom; 87.1 to 69.7 in trade freedom; 80.0 to 60.0 in financial freedom; and 90.0 to 50.0 in investment freedom. The same results obtain when we compare other Latin American countries to Sweden and to other Scandinavian countries.

Scandinavia is clearly not the hotspot of economic interventionism many believe it to be, just as the economic reforms of the and 1980s 1990s did not turn Latin America into a fully capitalist region.)

3. The retreat of democracy in Latin America

Twenty years after Huntington (1991) celebrated the third wave of democratization, the process is now being reversed in Latin America. In Nicaragua, President Ortega has ignored the constitution's explicit two-term limit (as well as its prohibition of consecutive terms) and decided to run for a third (and consecutive) term in the 2011 election. The Supreme Court assented – in a weekend decision with independent justices away (Economist 2011a). Registration of opposition parties was delayed, NGOs and journalists were harassed, and voting credentials were not delivered to some areas of the country. The President was reelected, and the outcome was reputed valid by electoral judges whose expired terms Ortega had extended by decree (National Democratic Institute 2011). In Bolivia, a constituent assembly was convened in 2006 and President Morales, failing to obtain the two-thirds majority required for approving a new constitution, moved the assembly to a military encampment and locked out opposition delegates. Later, when the new constitution was put to vote in the Senate, a pro-government crowd surrounded the building and physically intimidated opposition senators. The new constitution, enacted in 2009 after a popular referendum, granted Morales the right to run for reelection and eliminated the principle of equality under the law by making some political and civil rights conditional on ethnicity criteria (O'Grady 2009a). (That the constitution was approved by a popular referendum before being enacted does not compensate for its authoritarian genesis – otherwise we would be accepting that presidents need not observe formal constraints, as long as they can obtain popular support for their decisions.) One might counter that in Latin America few constitutions have been enacted according to standards we would consider democratic today. But if President Obama convened a constituent assembly, moved it to a military camp, and locked out opposition delegates, would we not consider that undemocratic? If we would, then why is that not undemocratic in Bolivia? Should standards be lower when it comes to Latin America (or to developing countries in general)?

In Ecuador, President Correa wanted the constituent assembly convened in 2007 to have the power to dissolve congress. Since congress did not accede, Correa had the electoral court oust opposition legislators. When the Supreme Court tried to overrule the ousting, an angry mob took over the building, causing justices to flee. A new constitution was eventually approved, and it

granted the President the right to dissolve congress; and, as in Bolivia, it also lifted the ban on reelection (O’Grady 2010). Still not satisfied, in 2011 Correa submitted to popular referendum several constitutional amendments, including a temporary subordination of the judiciary to the executive, the establishment of a censorship council, and the criminalization of “unjustified wealth” – all of which were approved (Economist 2011b). In Honduras, President Zelaya proposed to hold a referendum on the creation of a constituent assembly, in 2009. But the Honduran constitution establishes that such a referendum can only be called by congress, not by the president. Zelaya ignored that and tried to run the referendum anyway, which prompted the Supreme Court to order his arrest, in accordance with the constitution (O’Grady 2009b). In Argentina, late President Néstor Kircher (2003-2007) and his successor and wife, President Cristina Kirchner (2007-present), have openly cracked down on the country’s largest media group (El Clarín): they have sent tax agents to raid the company’s offices, used the government’s influence to disrupt the group’s relations with some of its major business partners, and cancelled the group’s authorization to offer internet services. More recently, Cristina Kirchner has tried to restrict the group’s access to the only newsprint manufacturer in the country, and she has passed a bill that forces the group to divest from several of its businesses (Economist 2010).

In Brazil, President Lula submitted to congress in 2004 a bill intended to create a “Federal Council of Journalism”, with the authority “to guide, discipline, and supervise” journalists. The bill requires all journalists to be accredited by the Council before they can work. Journalists deemed “unethical” would be fined, censored, or have their accreditation suspended or revoked. When asked to clarify the purpose of the bill, the Labor Minister publicly explained that the goal was to prevent “irresponsible” corruption news that “negatively affect the country, the economy, and society” and produce “instability” (Souza 2004). (Earlier that year, a major corruption scandal had damaged the government’s reputation: it was revealed that the executive was using money from state-owned enterprises to provide legislators with unofficial monthly “stipends” of about US\$ 15,000 in exchange for legislative support; Oltramari and Cabral 2004). The bill has not been voted upon yet, but its mere proposal has been interpreted as a threat intended to scare independent journalists and media groups. In any case, the lack of legislative approval has not prevented the government from imposing *de facto* punishments on some journalists: in 2004 Lula revoked the working visa of Larry Rohter, a New York Times journalist who wrote about the president’s drinking habits (Rohter 2004); the visa was later restored, but only after the journalist publicly apologized to the president (Hoge 2004). Last but not least, in Venezuela President Chávez, elected in 1999, has wiped out any

resemblance of separation of powers (the legislative and the judiciary are now subordinated to the executive), abolished presidential term limits, resorted to massive electoral fraud (such as violating ballot secrecy), seized control of virtually all the country's media, and arrested hundreds of opposition figures (Brewer-Carías 2010).

Unfortunately existing measures of democracy have failed to capture the democratic erosion outlined above. The two main existing measures are the Polity IV index (Marshall, Gurr, and Jaggers 2010) and the Freedom House index (Freedom House 2010). Let us discuss the Polity IV index first. The scores of Argentina and Brazil have not changed since 1999: they are both 8, on a scale that goes from -10 (least democratic) to +10 (most democratic),⁶ despite repeated attacks on press freedom. Nicaragua's score is even harder to understand: it increased from 8 to 9 in 2007, and it has remained at 9 since then despite the massively fraudulent municipal elections of 2008 and despite the Supreme Court's paradoxical ruling that the constitutional limits on presidential terms were unconstitutional, in 2009. In the case of Bolivia, the approval of a new constitution with opposition delegates locked out, in 2007, did not change the country's score of 8. Bolivia's score did decrease when the new constitution was finally enacted, in 2009, but only to 7, which seems too little to reflect the enactment of a constitution obtained by force. President Correa has cost Ecuador two points: the country's score has declined from 7 to 5 upon his taking office, in 2007. Yet one would expect a further decline in 2008, when – à la Morales – President Correa submitted to popular referendum a constitution obtained by force (as discussed above, congress only acceded to the creation of a constituent assembly after the pro-Correa electoral court ousted opposition legislators). Of the cases discussed in the previous section, only the scores of Honduras and Venezuela appear to make sense. Honduras's score of 7 has not changed at all since 2000, which reflects the Supreme Court's prompt response to President Zelaya's attempt to call an unconstitutional referendum. Venezuela's score, in turn, has plummeted from 7 to -3 since Chávez took office in 1999, which is consistent with the degree of institutional deterioration observed in the country. But since the scores of Argentina, Brazil, Nicaragua, Bolivia, and Ecuador have failed to respond to fundamental institutional changes in those countries, the Polity IV score is fundamentally flawed.

The Freedom House index is no better. It consists of two separate indexes: a political rights index and a civil rights index. Both range from 7 (least free) to 1 (most free). Argentina's political rights and civil rights scores have both been upgraded from 3 to 2 in 2003 – the year leftwing

⁶ The Polity IV dataset has actually two separate scores, one for democracy and one for autocracy, each ranging from 0 to 10. The -10 to +10 scale is obtained by subtracting the autocracy score from the democracy score.

President Néstor Kirchner took office – and have stayed at that level since then. Brazil’s political rights score was upgraded from 3 to 2 in 2003 – the year President Lula was elected – and has not changed since then. The country’s civil rights score has been upgraded from 3 to 2 in 2005 – a year after the government tried to pass a bill that creates a federal agency with powers to fine, censor, suspend, and revoke the license of “unethical” journalists who dare produce “irresponsible” corruption news, and a year after President Lula revoked the working visa of journalist Larry Rohter. Bolivia’s and Ecuador’s political rights scores and civil rights scores have all remained at 3 since before the elections of Morales and Correa, respectively. Honduras’ scores have both been downgraded from 3 to 4 in 2009, despite the fact that the country’s institutions foiled Zelaya’s move. Venezuela’s political rights score was upgraded from 4 to 3 in 2000 – a year after President Chávez took office –, then downgraded back to 4 in 2005, and then downgraded further to 5 in 2010. The country’s civil rights score has been upgraded from 5 to 4 in 2002 and remained at that level for the entire decade, being downgraded back to 5 only in 2010. The only visible improvement over the Polity IV score is that Nicaragua’s Freedom House scores have indeed responded to the country’s institutional deterioration, declining from 3 to 4 in 2008 (political rights) and 2009 (civil rights). In any case, even if the Freedom House index were overall more responsive than the Polity IV score, its several methodological flaws – exposed by Munck and Verkuilen (2002) – would make it a problematic measure. As discussed before, of special concern for the purposes of this paper is that the Freedom House index includes “socioeconomic rights” and “freedom from gross socioeconomic inequalities” (Munck and Verkuilen, 9). Since one of our independent variables is the degree of state intervention in the economy – which subsumes, for instance, labor regulations that establish socioeconomic rights –, the empirical tests would be circular.

The reasons behind the rigidity of the Polity IV and Freedom House indexes would themselves be worth an investigation. Could it be that the anecdotal evidence presented before deliberately ignores instances of institutional improvement? If that is the case, then it is not that the indexes are rigid, but rather that, within each country, change is happening in both directions and they cancel each other out. But the few instances of institutional improvement we observe are clearly insufficient to explain the lack of change of democracy indexes. For instance, Bolivia innovated in 2009 by introducing biometric registration of voters, which should reduce electoral fraud (Carter Center 2009). That is no small achievement and should not be disparaged, but we must take into account that those biometrically registered voters are voting according to the electoral rules of a constitution obtained by force. Change may be happening in both directions, but the “pull” is

certainly much stronger in one direction than in the other. A second possibility is that the indexes are measuring something else besides democracy. As discussed above, the Freedom House index includes measures of inequality and social policy. Since inequality and social policy have not remained constant in Latin America in the last decade, it is possible that changes in those areas are compensating for institutional decay, which explains the index's stability. That does not explain the stability of the Polity IV scores though. None of its subcomponents explicitly includes non-political considerations. The authors assert that "minor fluctuations in a polity's authority characteristics may not be reflected in the data" (Marshall, Gurr and Jagers, 11). We are thus left with the possibility that, in the building of the Polity IV index, ousting opposition members from congress and enacting constitutions obtained by illegal means are considered "minor fluctuations". They are certainly less extreme changes than, say, an outright military coup. But they are important enough to deserve scrutiny. If for no other reason, they may be early signs that more extreme change is on the way.

One final word on the matter: it is obvious that coercion also happened under the rightwing governments of the 1990s – Fujimori's self-coup in 1992 comes immediately to mind, for instance. We claim not that attacks on democracy happen only under leftwing governments, but that such attacks are more likely under leftwing governments, all else equal.

4. Data and methods

4.1 Dependent variable

If existing measures of democracy are too rough to capture the changes we seek to understand, how can we perform the necessary empirical tests? The solution we adopt is to use the Polity IV index anyway: the index' rigidity is a bias *against* the arguments we wish to test. In other words, the Polity IV increases the risk of a Type II error (failing to reject a false null hypothesis) but decreases the risk of a Type I error (rejecting a true null hypothesis).

4.2 Independent variables

As the argument goes, the poorer the president's electoral constituency, the more authoritarian she is. Thus, ideally we would need a measure of how poor is/was the electoral basis of support of each Latin American president in the last few decades. For instance, what was the

average income of Cristina Kirchner’s voters in the 2007 election? Or what percentage of Lula da Silva’s voters were below the national poverty line in the 2006 election? Obtaining such measures was not possible though. Because of the secrecy of the ballot, we cannot observe voters’ socioeconomic characteristics directly. We have to rely on polls that ask respondents about voting intention *and* about some indicator of social class, such as income, occupation, or education. The AmericasBarometer survey does ask respondents about voting and provides class indicators, but for most countries data are only available starting in the mid-2000s, which would drastically reduce the sample and potentially bias it (since by the mid-2000s there were few non-leftist governments in the region). Country-specific data, on the other hand, are only readily available for a handful of countries. Many electoral surveys are privately ordered by the political parties participating in the race, and the corresponding data are not always publicized. Newspapers and TV stations often order or carry their own surveys (or have access to party-ordered surveys), but only a few of them publicize the databases; more often they only report summaries of the main findings, and these second-hand accounts rarely break down voting intention by social class. (In any case, relying on data reported by the press might cause selection bias, since press freedom is one of the components of democracy.) Where readily available, electoral survey data are hardly comparable across countries (or even within the same country over time): some ask about income, others about occupation, and others about education; some are conducted on the eve of the election, while others are conducted a month before (which increases the risk of respondents changing their minds); and so on. Collecting such data would require getting in touch with local scholars and journalists, which would exceed the time limit available for the completion of this paper, and it is therefore left as a future exercise.

We will thus test the “destitute electoral constituency → authoritarianism” link indirectly. The anecdotal evidence suggests that when voting is class-based (which has been the case in Latin America since the early 2000s), the poor tend to vote for left-wing parties. Hence we will use Baker and Greene’s (2011) measure of electoral leftism as a proxy for the weight of the poor in the electoral support of the president. Baker and Greene called that measure *voter-revealed leftism* (VRL) and computed it for every presidential (VRL_{PRES}) and congressional (VRL_{CONG}) election in Latin America between 1994 and 2010. The VRL is computed as follows. First, each party is ascribed a 0-20 ideology score, with 0 being the rightmost point and 20 being the leftmost point. Second, the vote share of each party (in the first-round) is computed. Third, the ideology scores and the corresponding vote shares are multiplied. Finally, those products are summed up for each election, and the result is the VRL, which measures how leftist the electorate is and will serve as our proxy for

how destitute is the president's electoral constituency. Now, the effect we are positing is indirect: the poor elect a leftist president whose constituency does not care about democracy, which in turn increases the president's incentive to tamper with democratic institutions. If the poor somehow fail to elect a leftist president – say, because the electoral system overrepresents the middle- and upper-classes –, then the authoritarianism of the masses does not translate into democratic erosion (the president's electoral constituency will be the middle- and upper- classes, which do care about democracy). Thus in the statistical model we interact VRL_{PRES} with the ideology of the president's party. We use Baker and Greene's VRL_{PRES} and ideology scores without any transformation. Unfortunately, there are no global equivalent of the VRL_{PRES} measure, so our empirical tests are based only on Latin American countries. The arguments are general though, and with the appropriate data the results should carry over to any other region.

As regards our second argument – that economic freedom fosters political freedom –, we use the following measures extracted from the Heritage Foundation database (Heritage Foundation 2010): “business freedom” (ease of starting and closing a business), “trade freedom” (tariff and nontariff barriers), “fiscal freedom” (tax rates and tax/GDP ratio), “investment freedom” (controls on the flow of foreign direct investment), “financial freedom” (controls on financial flows), and “property rights” (legal protection and judicial enforcement). Each subcomponent is rated on a scale of 0 (least free) to 100 (most free). All these series start in 1994 and they now cover 179 countries. (The main alternative – the measures of economic freedom published by the Fraser institute – only became annual in 2000, which would limit our dataset.) The Heritage Foundation also provides measures of “government spending” (government spending/GDP ratio), “monetary freedom” (price controls and inflation), and “labor freedom” (controls on labor relations). None of these three are used here: “monetary freedom” is partly based on the average inflation of the previous three years, which in turn may not be related to state intervention and cannot necessarily be ascribed to the ruling government; “government spending” is redundant given the “fiscal freedom” subcomponent; and the “labor freedom” measure only started in 2004, which would drastically reduce the sample size.

Since both the VRL measure and the economic freedom measures only start in 1994, one might wonder whether there is enough variation in the data: since Latin America's left turn only started in 1999 (when Chávez became Venezuela's president), perhaps there are not enough rightwing governments in the sample to test the arguments presented before. That is not the case though. Even if there were no rightwing governments after 1999 the sample would still not be

terribly unbalanced: we would have 1/3 of rightwing governments and 2/3 of leftwing governments. But the sample is actually more balanced than that: Latin America's left turn was gradual, not sudden, so by the early 2000s there were still a good number of rightwing governments in power. Naturally, a longer time series – going back to the 1970s, for instance – would be preferable. But neither the VRL nor the economic freedom measures go so far back.

We control for GDP (constant 2005 PPP US dollars), population, GDP per capita (constant 2005 PPP US dollars), education (ratio of enrollment in tertiary education), poverty (% living under PPP \$2 a day), inequality (Gini coefficient), state capacity (proxied by the Corruption Perception Index produced by Transparency International, rescaled to range from 0=extremely corrupt to 100=no corruption), and a time trend. All socioeconomic controls come from the World Bank Indicators (there were some missing data; in those cases we imputed the value of the previous year for which information was available).

The resulting dataset is an unbalanced panel of 292 country-years comprehending 18 Latin American Countries from 1994-2010: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. Summary statistics are provided in Appendix A.

4.3 Methods

The model described above is estimated using the following methods: pooled cross-section time series via ordinary least squares (OLS); fixed-effects via OLS; random-effects via generalized least squares (GLS); and random-effects via maximum likelihood (ML). The pooled OLS method is straightforward: every country-year is an observation and the model is estimated by OLS. We use panel-corrected standard errors (Beck & Katz 1995) to account for contemporaneous correlation across panels (Brazil 2002 may provide information about Venezuela 2002, which would violate the assumption of independent errors) and cross-section heteroskedasticity (the variance of the residuals may differ across panels, which would violate the assumption of homoscedasticity). Panel-corrected standard errors are not robust to serial correlation though, which may bias standards errors downwards and lead to overoptimistic inferences (Greene 2012, 919). One way to address the serial correlation issue would be to include a lagged dependent variable on the right-hand side of the equation. Yet, as Achen (2000) shows, that often eliminates the effect of the remaining variables or flips their signs. Keele & Kelly (2005) argue that that is not necessarily the case, but they warn that

“If the model residuals are strongly autocorrelated, including a lag will produce biased estimates” (203). Using the model residuals we estimated $u_{it} = \rho u_{it-1} + e_{it}$ and obtained a ρ of .80, which means very strong autocorrelation. Hence including a lagged dependent variable might cause more problems than it would solve. The other methods used here, however, are robust to serial correlation (see below), so they provide a check on the pooled OLS results.

The fixed-effects method employed here consists of demeaning the variables across each panel (Wooldridge 2010, 302), which amounts to estimating $(y_{it} - \bar{y}_i) = \beta(x_{it} - \bar{x}_i) + (u_{it} - \bar{u}_i)$ via OLS. Because we are now working with country means, the estimates rely entirely on the variation observed for each country across time. The information provided by the variation across countries is discarded completely. This is a hard test on our theory, since the dependent variable (the Polity IV index) has changed very little for each country in the 2000s (see discussion in Section 3) and since we have a short panel. But the fixed-effects method has the advantage of being relatively robust to contemporaneous correlation and serial correlation, since mean deviations are less likely than variable levels to present those problems. Yet, to be on the safe side, we use Huber/White/sandwich standard errors, which are robust to serial correlation (of any order) and to heteroskedasticity (see Wooldridge 2010, 310-312). These robust standard errors are not a panacea though: they are not robust to contemporaneous correlation and, more importantly, their properties have been established only for panels where T is fixed and $N \rightarrow \infty$, which is not the case here (we have 17 years and 18 countries).

The random-effects GLS and ML methods improve on the fixed-effects by capturing both variation over time and across countries, thus using all the available information (the estimates are a weighted average of the two types of estimates). The idea is the same in both the GLS and ML procedures, but with unbalanced panels the estimates may differ (Baltagi & Chang 1994), so we run both. Here too we use the Huber/White/sandwich standard errors discussed above, and the same caveats apply.

Unfortunately no method seems to be completely robust to all the usual panel-data violations (heteroskedasticity, serial correlation, and contemporaneous correlation) at the same time, so the best we can do is employ all of them and compare the results.

Three further methodological points merit some discussion. First, there is no evidence of spatial autocorrelation, at least in a geographical sense. It may be that contagion is happening in non-geographical ways though: Venezuela has been providing left-wing governments in the region – especially Morales’s in Bolivia, Correa’s in Ecuador, and Ortega’s in Nicaragua – with substantial

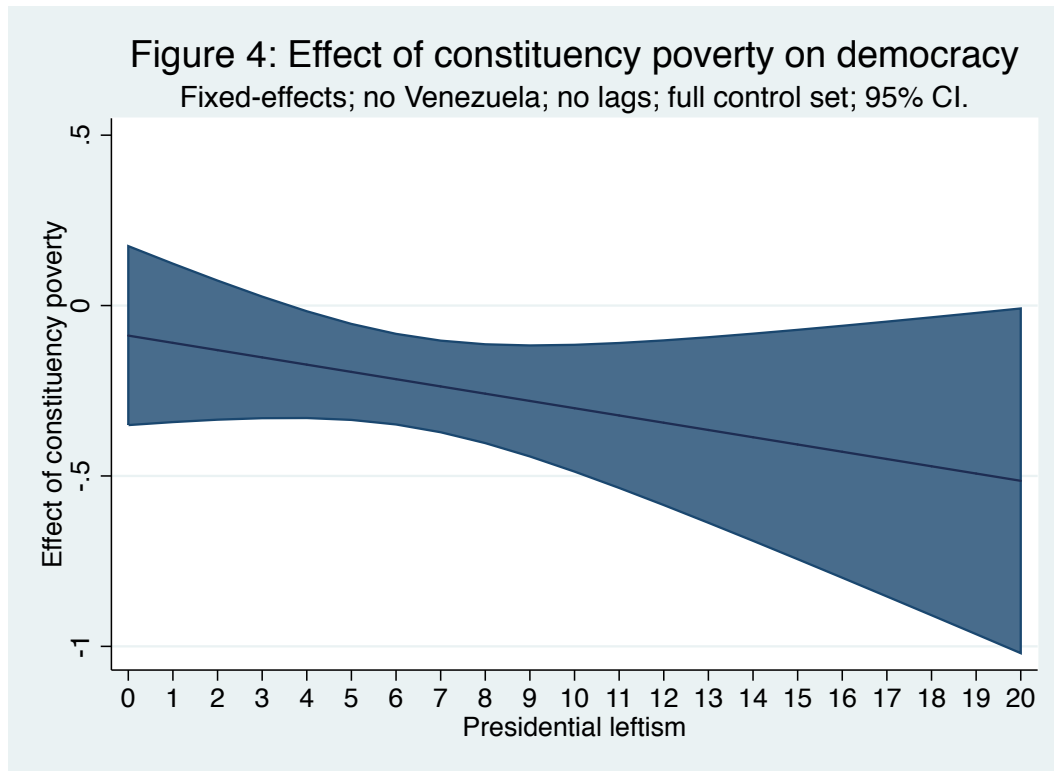
bilateral aid (Romero 2007; O’Grady 2011). But that bilateral aid is not always transparent and the available data do not permit a meaningful treatment of the issue at this point. Second, we use all four stationarity tests proposed by Choi’s (2001) and they all reject the null hypothesis that the Polity IV index has a unit root across all panels (which makes sense, given the variable’s rigidity – see discussion in Section 3). Hence the results are not a spurious artifact of cointegrated relations. Third, endogeneity seems unlikely. According to Lake and Baum’s (2001) model, autocratic rulers, having no competitors, can overprice public services in order to reap monopoly rents. Because of that incentive, “autocratic states will [...] expand the areas of economic activity in which they exercise their monopoly power. Democratic states will be more constrained to produce in their areas of comparative advantage” (590). But in Latin America political competition has not been entirely suppressed and it probably has not been reduced to the point where rulers can overprice public services (except perhaps in Venezuela). Thus we steer clear from statistical fixes such as two-stage least squares regression (2SLS) or matching techniques.

Venezuela is an extreme case of both leftism and authoritarianism and hence it could be disproportionately affecting the results. Thus the model is estimated both with the full sample and dropping Venezuela. In order to check whether the results are not an artifact of the set of controls, we also estimate a model that controls only for GDP per capita. As regards the temporal dimension, we have no theoretical reason to use any lags: whether the president will respect democracy or not depends on how supportive of democracy her constituency is today, not last year or two years ago; similarly, whether the president has the material means to restrict democracy depends on the proportion of society’s resources controlled by the state now, not at any time in the past. Yet, just to be sure, we also estimate the model lagging the independent variables by one to nine years. We estimate all possible combinations of methods, samples (with and without Venezuela), control sets (using all of them and using only GDP per capita), and lags (no lags and one- to nine-year lags). Hence there are 160 regressions in total.

5. Results

The results largely support the arguments presented before. The interaction between presidential leftism and constituency poverty (proxied by VRL_{PRES}) has the same basic form across all 160 estimations: a monotonically decreasing line showing that the more leftist the president, the more having a destitute constituency undermines democracy. To give a more concrete idea, Figure 1

below plots the interaction obtained with the fixed-effects estimation using no lags, full control set, and dropping Venezuela.



As we see, the poorer the electoral constituency, the more democracy is undermined, and this is true under presidents of nearly any ideological leanings. Moreover, the negative effect of a destitute constituency becomes worse as the president becomes more leftist. This negative effect more than doubles when we move from a president who scores 6 to a President who scores 20 on the leftism scale. The graphs obtained from the other 159 estimations all have the same basic shape. This strongly supports the argument that the electoral cost of undermining democratic institutions decreases as the president's constituency becomes poorer.

In any case, it is worth noticing a few differences across the graphs. The main difference is the point at which the effect becomes statistically significant: in some cases that only happens when presidential leftism reaches 9 or 10. Another difference is that, in some cases, constituency poverty has a positive effect on democracy when presidential leftism is lower than 3 or 4. But this is of little practical relevance since extreme rightwing presidents do not have poor-based constituencies. Finally, in a few cases, the effect of constituency poverty disappears when presidential leftism scores

19 or 20 (the confidence interval of the interaction encompasses zero). Again, this is immaterial: the maximum in-sample score is 18, so 19 and 20 reflect imaginary cases.

(Because of the interaction, reporting any point estimates here would be futile. As Braumoeller 2004 and Brambor, Clark & Golder 2005 show, we cannot interpret the constitutive terms as unconditional effects. The default null hypothesis – which informs the point estimates obtained from the standard regression output – is that the effect of each constitutive term is zero *when the other variable is fixed at zero*. If we label presidential leftism X_1 and constituency poverty X_2 , we can express the null hypotheses as, respectively, $H_{O1}: \beta_1=0 | X_2=0$ and $H_{O2}: \beta_2=0 | X_1=0$. Thus, what we can learn from a standard regression output is the effect of constituency poverty when presidential leftism is zero. But this is not useful information, since presidential leftism is never zero. We need to estimate the effect of constituency poverty for different values of presidential leftism. That is why the preceding discussion was based on graphs, not on point estimates.)

The results also support the argument that economic freedom fosters political freedom, although with some qualifications. Table 1 below summarizes the results. The entire 160 estimations are available under request.

Table 1 – Democracy in 18 Latin American countries, 1994-2010
(summary of results, by number of occurrences)

Results from the 16 estimations with no lags (only contemporaneous effects, as the theory predicts)				
Variable	Positive coefficient		Negative coefficient	
	Statistically sig.	Not statistically sig.	Statistically sig.	Not statistically sig.
Business freedom	0	2	4	10
Trade freedom	7	9	0	0
Fiscal freedom	11	5	0	0
Financial freedom	5	9	0	2
Property rights	1	2	3	10
Investment freedom	8	8	0	0
Results from all 160 estimations				
Variable	Positive coefficient		Negative coefficient	
	Statistically sig.	Not statistically sig.	Statistically sig.	Not statistically sig.
Business freedom	7	21	39	93
Trade freedom	40	113	0	7
Fiscal freedom	49	80	5	26
Financial freedom	12	65	5	78
Property rights	26	75	5	54
Investment freedom	56	70	5	29

As we see, the most important components of economic freedom are trade freedom, fiscal freedom, and investment freedom. Trade freedom has a positive effect on democracy in all 16 estimations with no lags and in 153 of the total 160 estimations. In the 7 estimations wherein trade

freedom has a negative sign, it is not statistically significant. This is a crucial result: it suggests that the “economic freedom → political freedom” argument goes beyond the budgetary dimension. The Hayek-Friedman hypothesis is usually thought of in terms of economic resources concentrated in the state: tax revenues, state-owned enterprises, etc. But the results above suggest that statism undermines democracy even when it does not entail “concrete” economic resources: the mere authority to raise tariffs may be used to coerce the opposition (say, by raising tariffs on essential inputs needed by opposition businesses). Fiscal freedom, in turn, has a positive sign in all 16 estimations with no lags and in 129 of the total 160 estimations. In only 5 estimations fiscal freedom has a negative, statistically significant coefficient. This corroborates the conventional budgetary dimension of the Hayek-Friedman hypothesis: the more the government taxes society, the easier it can meet the costs of coercion and the harder it is for society to resist coercion. Finally, investment freedom has a positive coefficient in all 16 estimations with no lags and in 126 of the total 160 estimations, and in only 5 cases it has a negative, statistically significant coefficient. Clearly, the more the government can dictate to which sectors investment may or may not flow, who can invest, who can repatriate profits, etc, the more the government can skew market competition in favor of friends and against opposition or independent figures. As in the case of trade freedom, this corroborates the idea that economic freedom is not entirely captured by conventional measures of statism, such as tax revenues/GDP and government spending/GDP.

Financial freedom, property rights, and business freedom, on the other hand, do not behave as expected. Financial freedom has a positive sign in 14 of the 16 estimations with no lags, but when we look at the total 160 estimations its sign is more often negative (83) than positive (77). Moreover, it is only positive *and* statistically significant in 12 of the 160 estimations. Property rights, in turn, only has a positive sign in 3 of the 16 estimations with no lags, and in only 1 case it is statistically significant. However, when we look at the entire 160 estimations property rights has a positive sign in 127 cases and it is much more likely to be positive and statistically significant (26 cases) than negative and statistically significant (5 cases). Such contradiction between the 16 “contemporaneous effects” estimations and the 144 lagged estimations suggests that perhaps it takes some time between nationalizing a business and using it to undermine democracy. It may take time to replace the staff, redirect contracts toward friendly businesses, etc. In other words, when it comes to property rights perhaps the correct model is a lagged one. Finally, business freedom not only does not foster democracy, but actually seems to undermine it. This is a curious result, since the variable is based mainly on how complicated it is to obtain the government licenses needed to start and close

businesses. It is certainly conceivable that this is only capturing bureaucratic inefficiency rather the exercise of autocratic discretion. But if that were the case we would expect business freedom to have no effect, whereas it seems to have a negative effect on democracy. We checked for multicollinearity but the variance-inflation factor (VIF) is quite low for all economic freedom variables (below 3, whereas the threshold suggested by Greene 2012 is 20). We have failed to come up with a plausible causal mechanism, so further theorizing on this point is left as a future exercise.

What about the *substantive* significance of the results? Table 2 below presents the estimates obtained using pooled OLS.

Table 2 – Democracy in 18 Latin American countries, 1994-2010
(pooled OLS cross-section time series estimates)

Variable	Full sample		Dropping Venezuela	
	All controls	GDP per capita only	All controls	GDP per capita only
Presidential leftism	.233** (.090)	.282*** (.089)	.171** (.085)	.156** (.071)
Constituency poverty	.163 (.103)	.180* (.093)	.108 (.111)	.070 (.090)
Presidential leftism * Constituency poverty	-.029** (.011)	-.032*** (.010)	-.025** (.011)	-.016* (.009)
Business freedom	-.017* (.009)	-.016 (.010)	-.025*** (.008)	-.019* (.010)
Trade freedom	.025** (.012)	.031*** (.009)	.024** (.011)	.026*** (.008)
Fiscal freedom	.044*** (.009)	.050*** (.010)	.046*** (.009)	.054*** (.009)
Financial freedom	.003 (.007)	.007 (.007)	-.001 (.006)	.004 (.006)
Property rights	-.004 (.007)	.010** (.005)	-.011* (.007)	.004 (.004)
Investment freedom	.014* (.007)	.016** (.007)	.009 (.006)	.013* (.007)
GDP per capita	<.001 (<.001)	<.001*** (<.001)	<.001 (<.001)	<.001*** (<.001)
GDP	<.001 (<.001)	-	<.001 (<.001)	-
Population	<.001 (<.001)	-	<.001 (<.001)	-
Tertiary enrollment	<.001 (.011)	-	.023*** (.006)	-
Poverty	-.010 (.012)	-	-.023** (.011)	-
Gini	.005 (.023)	-	.007 (.024)	-
Non-corruption	.032*** (.009)	-	.040*** (.008)	-
Time trend	.003 (.027)	-	-.003 (.020)	-
Constant	-.370	-1.617	1.412	-.249

	(1.904)	(1.280)	(1.923)	(1.291)
Observations	292	292	275	275
R-squared	.348	.310	.322	.219

Notes: Panel-corrected standard errors in parentheses. *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$. Countries included: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela (the later was dropped in the last two sets of estimations).

As we observe, the findings are largely robust to sample and controls. Let us consider the estimates obtained when dropping Venezuela and using the full set of controls. When we fix presidential leftism at 10, then for every additional point of constituency poverty (proxied here by VRL_{PRES}), the Polity IV score declines by .11 points. When we fix presidential leftism at 15, the damage is bigger: .24 points. To give a concrete idea of what this means, consider the case of Bolivia. Between 1994 and 2010, the country's constituency poverty score rose from 5.92 to 12.92. Under Evo Morales' level of presidential leftism – 16.12 –, this means a decline of almost 2 points in the Polity IV score. This may seem low, but it is consistent with the fact that democracy is being dismantled “from within”, not in outright coups. Moreover, as discussed before, the Polity IV is too rigid to reflect even those changes “from within” and hence it is biased against our hypothesis. With a more responsive measure of democracy the effect would certainly be higher.

Trade freedom, fiscal freedom, and investment freedom, in turn, are also substantively significant. All else equal, if Brazil's trade policy (score of 69.8 in 2010) were as liberal as Costa Rica's (score of 82.3 in 2010), Brazil would be 3.75% more democratic. If Argentina's fiscal policy (68.7 in 2010) were as liberal as Uruguay's (84.3 in 2010), Argentina would be 8.75% more democratic. And if Venezuela's investment policy (5 in 2010) were as liberal as Chile's (80 in 2010), Venezuela would be 8.43% more democratic. Again, these effects are biased downward since the Polity IV has failed to capture most of the regime changes of the last decade. In any case, it seems remarkable that each of those three aspects of economic policy may single-handedly have such impact on democracy. Moreover, since different aspects of economic policy tend to correlate, in practice trade, fiscal, and investment liberalization cluster together and their individual effects compound. If Brazil were to emulate Costa Rica's trade, fiscal, and investment policies, it would be 14.5% more democratic.

How do the pooled OLS estimates compare to the fixed- and random-effects estimates? Appendix B reproduces all the fixed- and random-effects estimates with no lags. The pooled OLS and the random-effects estimates are reassuringly similar in magnitude, sign, and significance. The pooled OLS and the fixed-effects estimates are very similar in magnitude and sign, but they often

lose significance in the fixed-effects estimation. This is not surprising, since the fixed-effects estimates only use within-country variation and not between-country variation. Because of the Polity IV's rigidity most scores have not changed in the 2000s (despite all the institutional decay), so there is not much variability to be explained in the fixed-effects estimations. Hence the arguments advanced here can only be adequately tested when we take into account cross-country variation, which is captured by the pooled OLS and random-effects estimations (both the GLS and the ML). Methodologically, that the pooled OLS estimates and the random-effects estimates are nearly equivalent suggests that neither serial correlation (to which pooled OLS is not robust) nor contemporaneous correlation (to which random-effects is not robust) is too much of a problem here (unless both violations are biasing the estimates toward the same magnitude, sign, and statistical significance, which sounds unlikely).

As regards the control set, only corruption seems to have an effect on democracy. The “non-corruption” variable (0=extremely corrupt; 100=no corruption) has a positive coefficient in all eight regressions with full control set and no lags, and it is statistically significant in six of them. When we consider all 80 regressions with full control set, “non-corruption” is positive 77 times and positive and statistically significant 54 times. It is also worth mentioning that tertiary enrollment is often positive and statistically significant in the regressions with lags, although that is not the case with no lags. Hence perhaps education has a “delayed” effect on democracy. The remaining controls are usually not statistically significant and their coefficients are erratic.

6. Implications

The estimates reported in the previous section clearly support the two causal mechanisms outlined before. First, the more the president relies on the poor for electoral support, the more the authoritarianism of the poor undermines democracy. Second, the more the state accumulates economic power, the easier it can coerce citizens and the harder it is for citizens to resist coercion. What are the implications?

The first theoretical implication is that the problem has been shown to exist. Scholars have resisted acknowledging that democracy has been in retreat in Latin America. In fact, some explicitly claim otherwise. Levitsky & Roberts (2011), for instance, assert that “By and large, [Latin American] left governments had a positive impact on liberal democracy in the 1998-2010 period” (416). As discussed in Section 3, this is far from true: left governments have undermined democracy in the

region, not promoted it. Levitsky & Roberts do not acknowledge democratic erosion even when it comes to the most flagrant cases of authoritarianism in the region: “In Venezuela, Bolivia, and Ecuador, the left turn’s implications for democracy were more ambiguous” (417). There is clearly no ambiguity in those three cases: they are, at best, cases of “competitive authoritarianism”, to use Levitsky’s own conceptual framework (Levitsky & Way 2010). We can only speculate on why scholars have resisted acknowledging the erosion of democracy in Latin America since 2000. Three possibilities come to mind. *First*, as discussed above, existing democracy indexes are not capturing the retreat of democracy in Latin America. If we simply plot those indexes over time we are bound to conclude that there is no puzzle to be explained in the first place. Only a more in-depth analysis of anecdotal evidence can motivate the investigation. *Second*, and related to the first point, perhaps the fact that democracy is being dismantled “from within” also makes the dismantling harder to see. Because Chávez, Lula, Morales, Correa, Ortega, Néstor Kirchner, and Cristina Kirchner were all democratically elected at some point, one may have the wrong impression that democratic institutions are functioning properly. Indeed, some have hailed the absence of military or rightwing coups against those leaders as evidence that democracy has never been so solid in the continent. But the absence of a coup is by itself a poor measure of democracy, as Section 3 has hopefully made clear. Moreover, the history of Europe in the 1920s and 1930s shows that the erosion of democracy “from within” may be an early sign of more serious developments in the future: Hitler was democratically appointed prime minister by President Hindenburg, in 1933, and after the successive elimination of power constraints, five years later he had secured full totalitarian control of Germany. As Lipset warns, “Where an extremist party has secured the support of the lower classes – often by stressing equality and economic security at the expense of liberty – it is problematic whether this support can be taken away from it by democratic methods” (130). Thus, political scientists should not wait too long before turning their attention to the changes under way in Latin America. *Third*, political scientists may be confusing policy and institutional evaluation. As a growing body of empirical research shows, political scientists are overwhelmingly left-inclined (e.g. Klein & Stern 2005; Maranto, Redding & Hess 2009) and thus likely to be pleased with the policy consequences of Latin America’s left turn – which meant the reversal of the pro-market policies of the 1990s. So perhaps political scientists are willing to look the other way when it comes to the institutional consequences. As Maranto & Woessner (2012) note, “In Latin American studies, countless articles document the mendacity of the long-dead Pinochet dictatorship, while remarkably few dissect the still-living Castro dynasty” (469). On a similar vein, when pro-market President Fujimori shut down

the Peruvian congress, in 1992, that move was greeted with a determined wave of academic responses (e.g. Mauceri 1995; Stokes 1996), whereas the current democratic erosion in Argentina, Brazil, Bolivia, Ecuador, and Nicaragua have met with an embarrassing silence. This silence suggests that political scientists may be willing to give authoritarianism a pass, provided that their preferred policies are put in place.

The second theoretical implication of this paper is that Venezuela need not be treated as an anomaly. Perhaps the nearly complete overthrow of democracy in Venezuela has made that case look qualitatively different from the others. Granted, oil is a fundamental aspect of the Venezuelan case (Dunning 2010), and one that is missing in the other countries discussed before. But by corraling Venezuela into the “oil-rich countries” category we miss the opportunity to investigate how regional trends that are common to all Latin America may have contributed to the country’s recent political developments. Conversely, we also miss the opportunity to investigate how developments that may appear specific to the Venezuelan case may actually be at work in other Latin American countries as well. This paper puts the Venezuelan case in a *regional* comparative perspective and suggests that there is nothing intrinsically different between, say, Lula’s attitudes toward democracy in Brazil, on the one hand, and Chávez’ attitudes toward democracy in Venezuela, on the other. They are both manifestations of the same phenomenon, only in different degrees. And as manifestations of the same phenomenon, they can be traced backed to common roots: the authoritarianism of the poor and the amount of coercive resources concentrated in the state. In short, the analytical framework advanced in this paper should help reduce our need for ad hoc, country-specific accounts.

7. Future research

The first goal of future research should be the creation of more refined measures of democracy. As shown in Section 3, the dissonance between existing indexes and the observed reality in today’s Latin America is too big. We should not have to postpone the study of regime change until outright coups or revolutions come about: democratic erosion may happen “from within” and we need measures that can capture that. The second goal of future research should be the construction of a more refined measure of the class content of electoral constituencies. As discussed above, that would exceed the existing time constraints and therefore has not been attempted here. But it would be a fruitful exercise, since the proxy used in this paper (VRL_{PRES}) is just a rough

approximation. Third, future research should test the arguments advanced here in other regions of the world. The causal mechanisms tested in this paper are not region-specific and in principle should work with any other sample. This paper has restricted itself to Latin America for practical, not for theoretical, reasons. Future research, however, should overcome those practical obstacles and attempt to build a general framework for explaining democratic erosion.

Appendix A

Table A1: Summary statistics

	Average	Minimum	Maximum	Std. deviation
Polity IV	7.79	-3	10	1.73
Presidential leftism	7.19	1.5	18	4.34
Constituency poverty	7.78	3.81	15.14	2.14
Business freedom	63.58	47.8	87.3	9.71
Trade freedom	69.58	17	88	8.99
Fiscal freedom	80.95	64.8	97.6	6.44
Financial freedom	56.91	20	90	14.29
Property rights	44.17	0	90	17.63
Investment freedom	59.48	5	90	16.0
GDP	242 billion	7.76 billion	1.96 trillion	416 billion
Population	27.6 million	2.67 million	195 million	4.33 million
GDP per capita	7,089.53	1,750.88	14,362.60	3,097.64
Tertiary enrollment	28.91%	8.39%	78.36%	14.25%
Poverty	19.30%	1.18%	55.91%	10.74%
Gini coefficient	52.16	34.78	62.78	4.91
Non-corruption	34.61	10	79	14.19

Appendix B

Table B1 – Democracy in 18 Latin American countries, 1994-2010
(ML random-effects estimates)

Variable	Full sample		Dropping Venezuela	
	All controls	GDP per capita only	All controls	GDP per capita only
Presidential leftism	.168** (.081)	.182** (.082)	.192** (.091)	.155* (.093)
Constituency poverty	-.052 (.136)	.040 (.129)	.007 (.119)	-.036 (.116)
Presidential leftism * Constituency poverty	-.017* (.009)	-.021** (.009)	-.024** (.011)	-.018 (.011)
Business freedom	-.001 (.012)	-.001 (.012)	-.009 (.010)	-.005 (.010)
Trade freedom	.015 (.013)	.032*** (.010)	.009 (.011)	.018* (.009)
Fiscal freedom	.022 (.019)	.022 (.018)	.029* (.016)	.025* (.015)
Financial freedom	.011 (.007)	.017** (.007)	.009 (.006)	.013** (.006)
Property rights	-.005 (.010)	<.001 (.008)	-.017* (.009)	-.017** (.008)
Investment freedom	.016 (.007)	.015** (.007)	.013** (.006)	.010 (.006)
GDP per capita	<.001* (<.001)	<.001** (<.001)	<.001 (<.001)	<.001*** (<.001)
GDP	<.001** (<.001)	-	<.001** (<.001)	-
Population	<.001** (<.001)	-	<.001** (<.001)	-
Tertiary enrollment	-.044*** (.013)	-	.008 (.012)	-
Poverty	.007 (.019)	-	-.023 (.017)	-
Gini	.049 (.031)	-	.061** (.027)	-
Non-corruption	.026** (.010)	-	.020** (.009)	-
Time trend	.066** (.032)	-	.022 (.028)	-
Constant	-.109 (2.419)	.663 (1.745)	.587 (2.080)	2.889* (1.549)
Observations	292	292	275	275
LR chi2	82.85	61.84	64.75	45.79

Notes: Robust standard errors in parentheses. ***p<0.01; **p<0.05; *p<0.10. Countries included: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela (the later was dropped in the last two sets of estimations).

Table B2 – Democracy in 18 Latin American countries, 1994-2010
(GLS random-effects estimates)

Variable	Full sample		Dropping Venezuela	
	All controls	GDP per capita only	All controls	GDP per capita only
Presidential leftism	.233* (.134)	.170 (.110)	.171* (.095)	.157 (.124)
Constituency poverty	.163 (.154)	.015 (.086)	.108 (.123)	-.046 (.091)
Presidential leftism * Constituency poverty	-.029** (.012)	-.019* (.010)	-.025** (.009)	-.018 (.012)
Business freedom	-.017 (.015)	<.001 (.012)	-.025** (.012)	-.004 (.012)
Trade freedom	.025 (.019)	.032** (.016)	.024 (.015)	.017 (.012)
Fiscal freedom	.044** (.018)	.017 (.013)	.046*** (.014)	.023** (.010)
Financial freedom	.003 (.015)	.019* (.011)	-.001 (.015)	.013 (.009)
Property rights	-.004 (.019)	-.001 (.027)	-.011 (.017)	-.019 (.026)
Investment freedom	.014 (.012)	.015 (.013)	.009 (.012)	.010 (.013)
GDP per capita	<.001 (<.001)	<.001 (<.001)	<.001 (<.001)	<.001* (<.001)
GDP	<.001 (<.001)	-	<.001 (<.001)	-
Population	<.001 (<.001)	-	<.001 (<.001)	-
Tertiary enrollment	<.001 (<.029)	-	.023 (.017)	-
Poverty	-.010 (.025)	-	-.023 (.025)	-
Gini	.005 (.059)	-	.007 (.064)	-
Non-corruption	.032** (.015)	-	.040*** (.015)	-
Time trend	.003 (.051)	-	-.003 (.046)	-
Constant	-.370 (3.506)	1.069 (1.964)	1.412 (2.811)	-
Observations	292	292	275	275
R-squared within	.138	1.79	.114	.161
R-squared between	.607	.342	.564	.072
R-squared overall	.348	.256	.322	.108

Notes: Robust standard errors in parentheses. ***p<0.01; **p<0.05; *p<0.10. Countries included: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela (the later was dropped in the last two sets of estimations).

Table B3 – Democracy in 18 Latin American countries, 1994-2010
(fixed-effects estimates)

Variable	Full sample		Dropping Venezuela	
	All controls	GDP per capita only	All controls	GDP per capita only
Presidential leftism	.122 (.140)	.146 (.111)	.181 (.162)	.160 (.135)
Constituency poverty	-.220 (.147)	-.038 (.076)	-.088 (.133)	-.071 (.090)
Presidential leftism * Constituency poverty	-.010 (.015)	-.016 (.011)	-.021 (.018)	-.018 (.014)
Business freedom	-.002 (.010)	.004 (.014)	-.005 (.006)	-.001 (.015)
Trade freedom	.020 (.019)	.035 (.020)	.009 (.016)	.017 (.015)
Fiscal freedom	.023* (.011)	.009 (.012)	.027*** (.008)	.017 (.010)
Financial freedom	.010 (.008)	.021* (.011)	.011 (.008)	.015 (.009)
Property rights	-.008 (.030)	-.006 (.030)	-.021 (.030)	-.024 (.027)
Investment freedom	.015 (.010)	.016 (.013)	.012 (.012)	.010 (.013)
GDP per capita	<.001 (<.001)	<.001 (<.001)	<.001 (<.001)	<.001 (<.001)
GDP	<.001* (<.001)	-	<.001 (<.001)	-
Population	<.001 (<.001)	-	<.001 (<.001)	-
Tertiary enrollment	-.063 (.045)	-	.002 (.020)	-
Poverty	.024 (.037)	-	-.013 (.036)	-
Gini	.050 (.074)	-	.070 (.075)	-
Non-corruption	.020 (.014)	-	.014 (.015)	-
Time trend	.099 (.058)	-	.026 (.032)	-
Constant	2.044 (4.507)	1.986 (2.006)	.909 (4.608)	3.768** (1.290)
Observations	292	292	275	275
R-squared within	.274	.181	.223	.163
R-squared between	.024	.254	.028	.035
R-squared overall	.070	.217	.084	.080

Notes: Robust standard errors in parentheses. ***p<0.01; **p<0.05; *p<0.10. Countries included: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela (the later was dropped in the last two sets of estimations).

Works cited

- Achen, C. (2000). *Why lagged dependent variables can suppress the explanatory power of other independent variables*. Prepared for the annual meeting of the Political Methodology section of the American Political Science Association, UCLA, July 20-22.
- AmericasBarometer. (2010). Data files, 2004-2010.
- Arrow, K. (1950). A difficulty in the concept of social welfare. *Journal of Political Economy*, 58(4), 328-346.
- Baer, W. & Montes-Rojas, G. (2008). From privatization to re-nationalization: what went wrong with privatizations in Argentina? *Oxford Development Studies*, 36(3), 323-337.
- Baker, A. & Greene, K. (2011). The Latin American left's mandate: free market policies and issue voting in new democracies. *World Politics*, 63(1), 43-77.
- Baltagi, B. & Chang, Y. (1994). Incomplete panels: a comparative study of alternative estimators for the unbalanced one-way error component regression model. *Journal of Econometrics*, 62(2), 67-89.
- Beck, N. & Katz, J. (1995). What to do (and not to do) with time-series cross-section data. *American Political Science Review*, 89(3), 634-647.
- BNDES. (2003). *Relatório Anual*. Retrieved from <http://www.bndes.gov.br>
- BNDES. (2010). *Relatório Anual*. Retrieved from <http://www.bndes.gov.br>
- BNDES Participações. (2004). *Relatório da Administração*. Retrieved from <http://www.bmfbovespa.com.br/>
- BNDES Participações. (2010). *Relatório da Administração*. Retrieved from <http://www.bmfbovespa.com.br/>
- Brambor, T., Clark, W. & Golder, M. (2006). Understanding interaction models: improving empirical analyses. *Political Analysis*, 14, 63-82.
- Braumoeller, B. (2004). Hypothesis testing and multiplicative interaction terms. *International Organization*, 58(4), 807-820.
- Brewer-Carías, A. (2010). *Dismantling democracy in Venezuela: the Chávez authoritarian experiment*. Cambridge: Cambridge University Press.
- Carreirão, Y. (2007). A eleição presidencial brasileira de 2006: uma análise preliminar. *Política & Sociedade*, 10, 91-116.
- Carter Center. (2009). *Observation mission of the Bolivia voter registration: final report*. Retrieved from http://www.cartercenter.org/resources/pdfs/news/peace_publications/election_reports/FinalReportBoliviaVoterRegistration2009.pdf

- Choi, I. (2001). Unit root tests for panel data. *Journal of International Money and Finance*, 20(2), 249-272.
- Collier, R. (1999). *Paths toward democracy: the working class and elites in Western Europe and South America*. Cambridge: Cambridge University Press.
- Colon, L. (2010, September 23). Blogueiro que critica a mídia é contratado pela EBC. *Estado de São Paulo*. Retrieved from <http://www.estadao.com.br/noticias/impreso,blogueiro-que-critica-a-midia-e-contratado-da-ebc,613997,0.htm>
- (Marquis de) Condorcet (1785). *Essai sur l'application de l'analyse à la probabilité des décisions rendues à la pluralité des voix*. L'Imprimerie Royale. Retrieved from <http://books.google.com/books?id=ZDUJAAAAIAAJ&printsec=frontcover#v=onepage&q&f=false>
- Converse, P. (1964). The nature of belief systems in mass publics. In Apter, D. (Ed.), *Ideology and discontent* (pp. 206-261). Glencoe: Free Press.
- Cuminale, N. (2008). Sem-terra já invadiram 7500 terras. *Revista Veja* (online edition). Retrieved from <http://veja.abril.com.br/noticia/brasil/terra-ja-invadiram-7-500-terras>
- Dahl, R. (1971). *Polyarchy*. New Haven: Yale University Press.
- Datafolha. (1994). *Pesquisa de intenção de voto para presidente da república*. Retrieved from <http://www.scielo.br/img/revistas/op/v8n2/1489827b.gif>
- Democracy Center (2009). *Mob attacks home of former vice-president – and another US diplomat is ousted*. Retrieved from <http://www.democracyctr.org/blog/2009/03/mob-attacks-home-of-former-vice.html>
- Downs, A. (1957). *An economic theory of democracy*. New York: Harper & Row.
- Duarte, L. (2011, January 23). Bolivia ha subido en 123% su gasto military en última década. *ABC Color*. Retrieved from <http://www.abc.com.py/edicion-impresa/politica/bolivia-ha-subido-en-123-su-gasto-militar-en-ultima-decada-211261.html>
- Dunning, T. (2008). *Crude democracy: natural resource wealth and political regimes*. New York: Cambridge University Press.
- Economist. (2009, August 13). *Hand of gold*. Retrieved from <http://www.economist.com/node/14228653>
- Economist. (2010, October 8). *No rush to judgment*. Retrieved from http://www.economist.com/blogs/americasview/2010/10/argentinas_media
- Economist. (2011a, November 5). *The Survivor*. Retrieved from <http://www.economist.com/node/21536629>

Economist. (2011b, June 1). *Not over yet*. Retrieved from <http://www.economist.com/blogs/americasview/2011/06/ecuadors-politics>

Economist. (2012, February 12). *Spilling over*. Retrieved from <http://www.economist.com/node/21547829>

El Nacional. (2009, January 7). *SIP condena atentados contra Televisa en México y Globovisión en Venezuela*. Retrieved from http://www.el-nacional.com/www/site/p_contenido.php?q=nodo/62541/Pol%C3%ADtica/SIP%20condena%20atentados%20contra%20Televisa%20en%20M%C3%A9xico%20y%20Globovisi%C3%B3n%20en%20Venezuela

El Nacional. (2012, February 8). *Mud denuncia “amenazas” a empleados públicos para que no voten en las Primarias*. Retrieved from <http://www.el-nacional.com/noticia/21714/64/MUD-denuncia-amenazas-a-empleados-publicos-para-que-no-voten-en-las-Primarias.html>

Eley, G. (2002). *Forging democracy: the history of left in Europe, 1850-2000*. New York: Oxford University Press.

Freedom House. (2010). *Freedom in the World*, historical data. Retrieved from <http://www.freedomhouse.org/template.cfm?page=439>

Friedman, M. (1962). *Capitalism and freedom*. Chicago: University of Chicago Press.

Globo. (2010, January 12). *Bolivia vai estatizar ferrovias*. Retrieved from <http://oglobo.globo.com/economia/bolivia-vai-estatizar-ferrovias-3070557>

Greene, W. (2012). *Econometric analysis*. New York: Prentice-Hall.

Guimarães, M. (2009a, March 18). *Cristina vai reestatizar fábrica de aviões militares*. *Estado de São Paulo*. Retrieved from <http://www.estadao.com.br/noticias/impresso,cristina-vai-reestatizar-fabrica-de-avioes-militares,340650,0.htm>

Guimarães, M. (2009b, June 17). *Argentina estatiza fábrica da alemã Mahle*. *Estado de São Paulo*. Retrieved from <http://www.estadao.com.br/noticias/impresso,argentina-estatiza-fabrica-da-alema-mahle,404015,0.htm>

Hayek, F. (1944). *The road to serfdom*. Chicago: University of Chicago Press.

Heritage Foundation. (2010). *Index of Economic Freedom*, historical data. Retrieved from <http://www.heritage.org/index/explore>

Hoge, W. (2004, May 15). *Brazil's government drops its threat to expel a Times reporter*. *New York Times*. Retrieved from <http://www.nytimes.com/2004/05/15/world/brazil-s-government-drops-its-threat-to-expel-a-times-reporter.html>

Holzner, C. (2007). *The poverty of democracy: neoliberal reforms and political participation of the poor in Mexico*. *Latin American Politics & Society*, 49(2), 87-122.

Huntington, S. (1991). *The third wave: democratization in the late twentieth century*. Norman: University of Oklahoma Press.

Jiménez, A. (2012, March 4). PDVSA intensifica hostigamiento contra empleados no chavistas. *El Nacional*. Retrieved from <http://www.el-nacional.com/noticia/25115/18/Pdvsaintensifica-hostigamiento-contra-empleados-no-chavistas.html>

Keele, L. & Kelly, N. (2005). Dynamic models for dynamic theories: the ins and outs of lagged dependent variables. *Political Analysis*, 14(2), 186-205.

Klein, D. & Stern, C. (2005). Professors and their politics: the policy views of social scientists. *Critical Review*, 17, 3-4.

Kurtz, M. (2004). The dilemmas of democracy in the open economy: lessons from Latin America. *World Politics*, 56(2), 262-302.

La Patria (2011, October 13). *Acusan al MAS de campaña prebendal y organizar "marcha de los obligados"*. Retrieved from <http://lapatriaenlinea.com/?t=acusan-al-mas-de-campana-prebendal-y-organizar-marcha-de-los-obligados¬a=85396>

La Prensa (2012, March 29). *Todo servidor público deberá ser masista*. Retrieved from http://www.laprensa.com.bo/imprimir_art.php?id_noticia=22235&fecha=20120329

Lake, D. & Baum, M. (2001). The invisible hand of democracy: political control and the provision of public services. *Comparative Political Studies*, 34(6), 587-621.

Latinobarometer. (2010). Data files, 1995-2010. Retrieved from <http://www.latinobarometro.org/latino/latinobarometro.jsp>

Lawson, R. & Clark, J. (2010). Examining the Hayek-Friedman hypothesis on economic and political freedom. *Journal of Economic Behavior and Organization*, 74, 230-239.

Levtisky, S. & Way, L. (2010). *Competitive authoritarianism: hybrid regimes after the cold war*. Cambridge: Cambridge University Press.

Levtisky, S. & Roberts, K. (2011). Democracy, development, and the left. In Levtisky, S. & Roberts, K. (eds.), *The resurgence of the Latin American left* (pp. 399-427). Baltimore: Johns Hopkins University Press.

Lipset, S. (1960). *Political man: the social bases of politics*. Garden City: Doubleday.

Maloy, J. (2012). *The fallacy of electoral accountability*. Unpublished. Retrieved from <http://wpsa.research.pdx.edu/meet/2012/maloy.pdf>

Maranto, R., Redding, R. & Hess, F. (2009). The politically correct university: problems, scope, and reforms. Washington DC: American Enterprise Institute.

Maranto, R. & Woessner, M. (2012). Diversifying the academy: how conservative academics can thrive in liberal academia. *PS: Political Science & Politics*, 45(3), 469-474.

Marshall, M., Gurr, T. & Jagers, K. (2010). *Polity IV project: political regime characteristics and transitions, 1800-2010*. Retrieved from <http://www.systemicpeace.org/polity/polity4.htm>

Mauceri, P. (1995). State reform, coalitions, and the neoliberal autogolpe in Peru. *Latin American Research Review*, 30(1), 7-37.

McKelvey, R. (1976). Intransitivities in multidimensional voting models and some implications for agenda control. *Journal of Economic Theory*, 12(3), 472-482.

Merolla, J. & Zechmeister, E. (2009). *Democracy at risk: how terrorist threats affect the public*. Chicago: University of Chicago Press.

Ministério do Planejamento. (2002). *Boletim Estatístico de Pessoal*. Retrieved from http://www.servidor.gov.br/publicacao/boletim_estatistico/bol_estatistico_02/Bol80_dez2002.pdf

Ministério do Planejamento. (2010). *Boletim Estatístico de Pessoal*. Retrieved from http://www.servidor.gov.br/publicacao/boletim_estatistico/bol_estatistico_10/Bol176_Dez2010.pdf

Moore, B. (1966). *Social origins of dictatorship and democracy: lord and peasant in the making of the modern world*. Boston: Beacon Press.

Morley, S., Machado, R. & Pettinato, S. (1999). Indexes of structural reform in Latin America. ECLAC, *Serie Reformas Economicas*, 12.

Morgenstern, F. (2012, May 14). A embromação da Carta Capital e da Record. *Revista Veja* (online edition). Retrieved from <http://veja.abril.com.br/blog/augusto-nunes/feira-livre/a-embromacao-da-carta-capital-e-da-record-por-flavio-morgenstern/#>

Mosbarch, G. (2002, June 12). Chavez accused of fostering militia links. *BBC News*. Retrieved from <http://news.bbc.co.uk/2/hi/americas/2038827.stm>

Munck, G. & Verkuilen, J. (2002). Conceptualizing and measuring democracy: evaluating alternative indices. *Comparative Political Studies*, 35(1), 5-34.

National Democratic Institute. (2011). Country report: Nicaragua. Retrieved from <http://www.ndi.org/nicaragua>

O'Grady, M. (2009a, November 22). The end of Bolivian democracy. *Wall Street Journal*. Retrieved from <http://online.wsj.com/article/SB10001424052748704888404574549741582508178.html>

O'Grady, M. (2009b, June 29). Honduras defends its democracy. *Wall Street Journal*. Retrieved from <http://online.wsj.com/article/SB124623220955866301.html>

- O'Grady, M. (2010, April 12). Ecuador's Chávez. *Wall Street Journal*. Retrieved from http://relooney.info/0_NS4053_667.pdf
- O'Grady, M. (2011, October 31). Ortega won't let go of Nicaragua. *Wall Street Journal*. Retrieved from <http://online.wsj.com/article/SB10001424052970203687504577003754153198434.html>
- Oinegue, E. (2000, May 10). Sem terra e sem lei. *Revista Veja*. Retrieved from http://veja.abril.com.br/100500/p_042.html
- Oltramari, A. & Cabral, I. (2004, September 18). O escândalo da compra do PTB pelo PT. *Revista Veja*. Retrieved from <http://veja.abril.com.br/>
- Oxhorn, P. & Ducatenzeiler, G. (1999). The problematic relationship between economic and political liberalization: some theoretical considerations. In: Oxhorn, P. & Starr, P. (eds.), *Markets and democracy in Latin America: conflict or convergence?* (pp. 15-39). Boulder: Lynne Rienner.
- Pannunzio, F. (2012, March 14). *Abrindo a caixa-preta*. Retrieved from <http://www.pannunzio.com.br/archives/tag/rubens-bueno>
- Partlow, J. & Byrnes, B. (2008, November 21). Argentina to nationalize pension funds. *Washington Post*. Retrieved from <http://www.washingtonpost.com/wp-dyn/content/article/2008/11/20/AR2008112003812.html>
- Peña, A. (2009, August 14). Chavistas agredieron brutalmente a 12 periodistas de la Cadena Capriles. *El Nacional*. Retrieved from http://www.el-nacional.com/www/site/p_contenido.php?q=nodo/94225/Nacional/Chavistas-agredieron-brutalmente-12-periodistas-de-la-Cadena-Capriles
- Prada, P. (2006, May 6). Bolivia nationalizes the oil and gas sector. *New York Times*. Retrieved from <http://www.nytimes.com/2006/05/02/world/americas/02bolivia.html>
- Rodrigues, F. (2009, June 1). Propaganda de Lula chega a 5.297 veículos. *Folha de São Paulo*. Retrieved from http://www.direitoacomunicacao.org.br/content.php?option=com_content&task=view&id=5055
- Rohter, L. (2004). Brazilian leader's tipling becomes national concern. *New York Times*. Retrieved from <http://www.nytimes.com/2004/05/09/world/brazilian-leader-s-tilpling-becomes-national-concern.html?pagewanted=all&src=pm>
- Romero, S. (2007, February 23). Venezuela rivals U.S. in aid to Bolivia. *New York Times*. Retrieved from <http://www.nytimes.com/2007/02/23/world/americas/23bolivia.html?pagewanted=all>
- Romig, S. (2011, April 20). Bolivia's plan to nationalize mines hits snag. *Wall Street Journal*. Retrieved from <http://online.wsj.com/article/SB10001424052748704570704576275042085055636.html>
- Rueschemeyer, D., Stephens, E. & Stephens, J. (1992). *Capitalist development and democracy*. Chicago: University of Chicago Press.

Sartori, G. (1969). From the sociology of politics to political sociology. In: Lipset, S. (ed.), *Politics and the social sciences* (pp. 65-100). Oxford: Oxford University Press.

Schelp, D. (2007). À sombra de El Supremo. *Revista Veja*. Retrieved from http://veja.abril.com.br/071107/p_086.shtml

Schumpeter, J. (1976). *Capitalism, socialism, and democracy*. New York: Routledge.

Seligson, M. (2007). The rise of populism and the left in Latin America. *Journal of Democracy*, 18(3), 81-95.

SIPRI – Stockholm International Peace Research Institute. (2012). Data retrieved from http://armstrade.sipri.org/armstrade/page/trade_register.php

Souza, L. (2004, August 7). Conselho de jornalismo vai coibir excessos, diz Berzoini. *Folha de São Paulo*. Retrieved from <http://www1.folha.uol.com.br/folha/brasil/ult96u63067.shtml>

Stokes, S. (1996). Peru: the rupture of democratic governance. In Dominguez, J. & Lowenthal, A. (eds.), *Constructing democratic governance: Latin America and the Caribbean in the 1990s* (pp. 58-71). Baltimore: Johns Hopkins University Press.

Teixeira, D. (2011, September 16). Empurra mas não vai. *Revista Veja*. Retrieved from <http://veja.abril.com.br/blog/ricardo-setti/vasto-mundo/venezuela-vejam-como-a-estatizacao-de-hugo-chavez-e-um-desastre-monumental/>

Thums, G. (2007). Official report prepared by public prosecutors of the state of Rio Grande do Sul. Retrieved from <http://zerohora.clicrbs.com.br/pdf/4583377.pdf>

Turner, T. (2010, December 3). Bolivia passes bill nationalizing pensions. *Wall Street Journal*. Retrieved from <http://online.wsj.com/article/SB10001424052748703350104575652852902005086.html>

Wooldridge, J. (2010). *Econometric analysis of cross section and panel data*. Cambridge: The MIT Press.

World Bank Indicators. (2010). GDP, GDP per capita ,population, tertiary enrollment, poverty, and inequality data, 1994-2010. Retrieved from <http://data.worldbank.org/indicator/all>

World Trade Organization. (2007). *Trade policy review – Argentina: report by the Secretariat*. Retrieved from http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm

World Trade Organization. (2009). *Trade policy review – Brazil: report by the Secretariat*. Retrieved from http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm