

*The Resurgence of  
the Latin American Left*

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## *Economic Constraints and Presidential Agency*

MARÍA VICTORIA MURILLO, VIRGINIA OLIVEROS,  
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This book was triggered by what scholars, journalists, and electoral analysts labeled “a leftward shift” in Latin American politics during the first decade of the 21st century. The movement got its footing in Venezuela with the 1998 election of Lieutenant Colonel Hugo Chávez and gathered strength with the election of Brazilian union leader Luiz Inácio Lula da Silva in 2002, Peronist governor Néstor Kirchner in Argentina in 2003, and Tabaré Vázquez—a social democratic mayor—in Uruguay in 2004. The region’s so-called leftward tilt reached full speed in 2005 with the election of *cocalero* Evo Morales in Bolivia, followed in 2006 by former finance minister Rafael Correa in Ecuador and former Sandinista guerrilla leader Daniel Ortega in Nicaragua. At decade’s end, the region’s leftist presidential ranks have been buoyed by the induction of a new class, which includes such diverse figures as journalist Mauricio Funes in El Salvador (2009), former bishop Fernando Lugo in Paraguay (2008) and ex-guerrilla José Mujica in Uruguay (2009), among others.

The diversity of this cast of characters demonstrates both the breadth and the heterogeneity of this leftward shift, which scholars have associated with a range of phenomena: disenchantment with neoliberal market reforms; antiglobalization fervor; endemic problems of corruption, inequality, and poverty; and the crisis of representation of Latin American political parties.<sup>1</sup> By contrast, in this chapter we provide an argument for the leftward shift that emphasizes the effect of incentives generated by economic realities and fiscal constraints. In so doing, we distinguish citizens’ choice for left-wing leaders (voting for the Left) from the executive’s economic policy choices (governing on the left). We believe that distinguishing between incentives of voting and of governing is important for both theoretical and empirical reasons. Theoretically, the literatures explaining mass behavior, such as voting, and that explaining elite behavior, such as policy choice, are different and focus on distinct

explanatory factors.<sup>2</sup> Empirically, Latin America is a region characterized—especially in the 1990s—by politicians elected on left-wing or populist campaign platforms who upon their inauguration adopted neoliberal policies, as shown by Stokes’s work (2001) on policy switching.

We therefore understand the “left turn” in Latin America as a combination of two different but related phenomena: the vote for left-wing presidential candidates and the policy choices presidents make once in office. We have explained elsewhere the voting behavior of Latin American citizens by focusing on the share of votes obtained by all left-wing presidential candidates (rather than only the victors) during the 1978–2008 democratic era. In that work, we demonstrated that the electoral support for left-wing presidential candidates can be largely explained by retrospective voting against the lackluster performance of right-wing incumbents (Murillo, Oliveros, and Vaishnav 2010). This argument is consistent with Arnold and Samuels’s findings in chapter 1, which demonstrate that the electoral success of leftist parties after 1998 has not been accompanied by a discernible leftward shift in terms of citizens’ ideological self-placement.

In this chapter we focus, by contrast, on the supply-side dynamics of the leftward shift. That is, we code the ideological *modus operandi* of Latin American presidents and explain why they have increasingly governed on the left in recent years. We argue that the global commodity boom of the 2000s reduced the need for countries in the region to resort to external financing, which came with policy conditionality that constrained executives; presidents were thus free to pursue their preferred domestic policies on the leftward end of the ideological spectrum. In simple terms, presidents who had campaigned on left-of-center platforms were empowered to carry out these policies once in office, thanks to the reduced need for external credit, a corresponding weakening of associated policy constraints, and more generous fiscal space at home.

Indeed, left presidents’ agency to pursue their desired policy preferences stands in sharp contrast to the financial constraints of the 1990s, when, regardless of electoral promises or prior ideological proclivities, most presidents implemented neoliberal policies upon election. It is important to state up front that our argument is a dynamic one, and we would fully expect that as economic conditions change in the future, the governing pendulum may well swing back in the opposite direction.

Our definition of the “Left” focuses on economic policies and follows Levitsky and Roberts’s in the introduction to this volume: “The Left refers to political actors who seek, as a *central programmatic objective*, to reduce social and economic inequalities. . . . In the socioeconomic arena, left policies aim to combat inequalities rooted in market competition and concentrated property ownership, enhance opportunities for the poor, and provide social protection against market insecurities. Although the

contemporary Left does not necessarily oppose private property or market competition, it rejects the idea that unregulated market forces can be relied on to meet social needs.”

To test our argument regarding the influence of fiscal resources on the executive's governing ideology, we assembled a unique dataset of political, electoral, and economic variables spanning 18 countries from 1978 to 2008, the most sustained democratic period the region has ever witnessed. One of the contributions of our work is the development of a measure that captures the ideology of the incumbent president as an indicator of how far to the left (or to the right) a given president actually *governs while in office*. Although we utilize the well-known coding scheme and dataset developed by Coppedge (1997) and its various extensions, we build and expand on these initiatives using new candidate codings verified by a panel of country experts to ensure that this coding reflects the realities of governing rather than of campaigning. Using this measure of governing ideology, we assess the impact of flush fiscal coffers resulting from the commodity boom and the corresponding decline in financial constraints on a president's agency to pursue left-wing policies. Multivariate regression analysis demonstrates that the absence of financial constraints due to commodity booms and reflected in current account surpluses are crucial in understanding the policy choices of presidents. This approach allows us to understand the right-wing turn of the region in the 1990s as well as the subsequent left-wing tide of the 2000s. In addition, our explanation concerning fiscal constraints provides some intuition for the fact that several presidents in the region had earlier been elected by promising policies different from the ones they eventually pursued in office (policy switching). Indeed, our explanation builds on a prior literature that explained the prevalence of neoliberal policies in the earlier decades by emphasizing the impact of external financial constraints (see, e.g., Remmer 1998; Stallings and Peres 2000; Teichman 2001; Weyland 2002; Murillo 2009).

To make our argument more concrete, consider the cases of Venezuela and Argentina, which provide interesting examples of the logic of our argument. In the early 1970s, Venezuela benefited from a hike in oil prices that more than doubled its terms of trade. When President Carlos Andrés Pérez from the social democratic Democratic Action (AD) was inaugurated in 1974, he adopted expansionary fiscal policies, increased social expenditures, nationalized oil and steel industries, and established new state-owned enterprises (Rodríguez 1988). Indeed, Pérez's populist legacy was a crucial factor motivating his subsequent election in 1988. However, after his inauguration Pérez promised a “Great Turnaround” in a speech that unveiled an adjustment program including an end to price subsidies, the privatization of state-owned enterprises, and deep fiscal cuts (Murillo 2001). Thanks largely to a decline in oil prices,

mounting fiscal deficit. In the face of a crippling economic crisis, Pérez was moved to sign a standby agreement with the International Monetary Fund (IMF) and adopt neoliberal policies favored by the international financial institutions (Weyland 2002). President Hugo Chávez was elected a decade after Pérez in the context of low oil prices. Despite running a radical electoral campaign against right-wing businessman Enrique Salas-Römer, Chávez's initial economic policies were relatively moderate. Instead of embarking on wide-scale nationalization of domestic industry, the new president implemented legislative reforms to initiate the privatization of key sectors of the economy (Buxton 2003). Yet after 2000, emboldened by the twin incentives of increasing oil prices and his survival of a military coup that required strengthening his coalition of support, Chávez radicalized his policies and moved sharply to the left.

The current and historical trajectory of the Peronist party in Argentina provides another example of how the ideological pendulum can swing in either direction based on economic conditions. Until the 1990s, the Peronist party enjoyed a long legacy as a populist party supporting state intervention in the economy for redistribution. In 1989 Peronist president Carlos Menem (1989–99) ran on such a populist platform but adopted neoliberal policies after his inauguration because of the financial constraints faced by his administration (Murillo 2001). However, the subsequently elected Peronist presidents Néstor (2003–7) and Cristina Kirchner (2007–present) switched paths and ran for the presidency based on their opposition to neoliberal reforms. And once in office, both presidents followed policies that have been classified as part of the regional “left turn” (see chapter 12) as they benefited from higher commodity prices—especially for soybeans (Richardson 2009).<sup>3</sup> While low commodity prices in the 1990s accompanied the shift of a populist presidential candidate to neoliberal policies, high commodity prices in the 2000s propelled the leftward shift of Néstor Kirchner, a former governor characterized in the 1990s by his fiscal prudence and support of Menem's neoliberal policies.

Although our example from Argentina reflects developments from the very recent past, there is a precedent for this recent Peronist swing from one side of the ideological spectrum to the other. After several years of carrying out impressive redistributive policies (first as secretary of labor and then as president), Juan Perón himself shifted to the right in response to a drop in commodity prices in the postwar period. Perón was elected to office in 1946 amid a wave of prosperity reflected in a current account surplus of US\$268 million in the 1946–49 period—when the terms of trade grew by 50%—allowing for annual GDP growth of 8.48% (Gerchunoff and Antúnez 2002, 198–99). During this period, real wages increased by 40% and social expenditure, industrial subsidies, and credit for consumption grew dramatically. However, as the

aged the country's agricultural production—the level of exports declined dramatically, producing a current account deficit of US\$205 million (199). As a result, the government was forced to resort first to external financing and later to opening the country to foreign investment. Indeed, after his reelection in 1952, President Perón's first postelection speech announced an adjustment program including a freeze on salaries and public prices to control inflation and the loss of reserves. Reflecting on the shifts within Perón's presidency, Gerchunoff and Antúnez (2002) argue that the content of economic policy shifted in direct reaction to changes in fiscal constraints resulting from current account imbalances.

In the remainder of this chapter, we first outline our economic argument concerning the Latin American left turn and then provide details as to the operationalization of our key variables and basic controls as well as our modeling strategy. In the last two sections, we present the results of our model and review the key findings, before concluding with a discussion connecting our findings to related work (such as chapters 3 and 4 in this volume) and suggesting some implications for government accountability more generally.

## Economic Constraints and Presidential Policies

We focus on the incentives and constraints of policymakers to govern on the left. Our point of departure is the comparative literature that analyzed the neoliberal wave of the 1990s, which emphasizes the impact of financial pressures on governing. In a context of declining commodity prices and high interest rates for highly indebted countries with fiscal shortages, presidents of different ideological traditions throughout the region were constrained to largely govern on the right (Stallings 1992; Stokes 2001; Johnson and Crisp 2003; Murillo 2009). For instance, emphasizing the regional impact of capital scarcity, Edwards (1995) looks at the effect of conditionality under the Baker and Brady plans for debt restructuring to explain the shift toward neoliberal policies. Turning this argument on its head, we should expect that as capital became more abundant and as domestic sources of revenue increased with the commodity boom of the 2000s, governments were less compelled to follow the laissez-faire policies preferred by international financial institutions and financial markets.

From a macroeconomic view, Latin America experienced a turning point around 2003, when the region experienced a growth upsurge thanks to a sharp increase in commodity prices. As Fishlow (2006) argues, this reversal of fortune has considerably loosened the economic constraints of the past that confined economic policymaking to the conservative end of the spectrum. Thanks to newfound growth and soaring commodity prices, the continent no longer had to rely on external financing to

Consensus, they became free to govern on the left. Thus, our primary hypothesis is that *as the value of exports increases, providing domestic sources of hard currency, the freedom to support redistributive policies also increases. Therefore, the availability of domestic sources of currency will increase the likelihood that the president will govern on the left.*

Conversely, in the 1990s, when commodity prices were low and capital was scarce, the influence of international markets and multilateral credit institutions on highly indebted and fiscally strapped countries was seen as one of the primary drivers of the region's adoption of neoliberal policies (Stallings 1992; Stokes 2001; Johnson and Crisp 2003; Murillo 2009). Commodity booms reduce the impact of capital scarcity and provide alternative domestic sources of income that should mitigate the policy influence of international financial markets. The impact of these external financial constraints on the net effect of the export boom captured by the current account therefore needs to be considered.

Two variables are crucial in assessing the influence of external constraints: the impact of debt service payments and the need for funding from international financial institutions such as the World Bank and the International Monetary Fund. The adverse fiscal situation that most countries in Latin America experienced in the aftermath of the 1980s debt crisis has been used to explain the neoliberal wave of the 1990s (Edwards 1995; Teichman 2001). As a result, it is important to analyze how a country's debt service payments restrain the agency of executives from adopting left-wing policies. Indeed, the policy conditionality of the international financial institutions (IFIs) might serve as an important constraint on domestic behavior by explicitly imposing the policy preference of funding institutions. In fact, several authors have provided empirical evidence of a robust association between IMF conditionality and neoliberal policies around the world (Vreeland 2003; Hénisz, Zelnér, and Guillén 2005). Because the IFIs were the main source of credit following the Debt Crisis, they played a leading role in providing financing to Latin American countries while promoting economic reforms in the 1980s and 1990s that placed considerable constraints on the menu of economic policy options executives could choose from. Thus, the extent to which countries are engaged in borrowing from the IMF—where conditionality is imposed and externally evaluated—should have an impact on the executive's freedom to maneuver.

Finally, although the fiscal position of governments is the result of budgetary policies, the fiscal health of the country also affects the policy options available to executives in presidential systems. For instance, the widespread adoption of privatization in the 1990s has been associated with presidents' need to replenish their empty fiscal coffers (Castelar Pinheiro and Schneider 1994). We should therefore test for the impact

expectation that fiscal deficits will constrain expansionary social and economic policies typically favored by left-wing presidents.

Thus, our expectation regarding the influence of financial constraints on governing economic ideology is that *the higher the country's debt service, the higher its fiscal deficit, and the higher its dependence on IMF lending, the more constrained executives will be when it comes to pursuing left-wing economic policies.*

The distribution of power across institutions of policymaking in a presidential system shapes the capacity of executives to pursue their preferred policies (Shugart and Haggard 2001) and therefore should be taken into consideration when one analyzes the incentives of presidents to adopt left-wing policies. The literature on veto points, in particular, emphasizes how a lack of alignment between executives and legislators can result in gridlock that prevents the president from adopting her or his preferred policies (Cox and McCubbins 2001; Tsebelis 2002). Thus, to assess presidential policies, we must control for the presence of a legislature controlled by right-wing parties that can oppose the executive's left-wing policy preferences. When a right-wing opposition legislature collides with a president with left-wing policies, the latter's redistributive agenda could either be stymied by legislative gridlock or seriously compromised in ways that water down redistributive priorities. Alternatively, the executive could anticipate the legislative opposition and refrain from even introducing redistributive policies for fear of embarrassing legislative defeat. Therefore, we expect that *if the primary opposition force in the legislature is associated with a right or center-right party (or parties), the likelihood of a president's governing on the left decreases.*

In addition to specific institutional effects derived from the working of democratic institutions, it is necessary to control for the impact of democratic consolidation—especially after the end of the Cold War. The longer the democratic experience of a country and the more accustomed its political elites are to alternation in power, the less afraid left-wing incumbents should be of the polarizing reactions often provoked by redistributive policies. By the same token, as countries gain experience with democracy, conservative forces in society should be less concerned that leftist political actors will take up arms or pursue extrademocratic practices. Beginning in the 1960s, leftist movements challenged the authority of the state and often took up arms against state authorities to protest conservative policies. Yet by the 1990s, the revolutionary Left had become a virtual nonentity in the region. Indeed, as Castañeda (1993, 2006) argues, the end of the Cold War and the demise of Communism removed the geopolitical stigma attached to leftist politics in the region. While traditionally Marxist left-wing political parties moderated their policies,<sup>4</sup> the conservative Right lifted its prior objections to democratic governance (Hagopian 1996). Hence, *as a country's experience with democracy grows, we expect declining concern that adopting left-wing*

*policies will challenge democratic stability; as a result, presidents have more latitude to govern on the left.*

Finally, it is necessary to control for the incentives generated by democratic alternation in power, since new rulers have incentives to differentiate themselves from previous incumbents. In explaining the rightward shift of populist parties with previous antimarket tendencies during the 1990s, Burgess and Levitsky (2003) emphasize the role of policy differentiation from incumbents. For example, following the center-right administration of Belaúnde Terry (1980–85) in Peru, the populist American Popular Revolutionary Alliance (APRA) under Alan García (1985–90) had fewer incentives to attempt neoliberal policies than the populist Peronist party led by Carlos Menem (1989–99), who followed the failure of a heterodox macroeconomic strategy under Raúl Alfonsín (1983–89). Applying the same logic to explain the leftward shift of presidents would imply that a previous right-wing incumbent increases the chances that a ruling president will govern on the left. Thus, we expect that *presidents who assume office following right-wing incumbents are more likely to govern on the left.*

## Our Empirical Strategy

To test the argument we have laid out thus far, we assembled a unique dataset of political and economic data from 18 Latin American countries for the period between 1978 and 2008. Each observation corresponds to one presidential term in year  $j$  and country  $i$ . We have a total of 106 observations across the 18 countries, ranging from two to nine per country (see table 2A.1 in the appendix).

Our dependent variable, Presidential Ideology, is calculated using a five-point scale, where 1 is the leftmost score and 5 is the rightmost score. These scores indicate whether, in terms of ideology, the president is left (1), center-left (2), center (3), center-right (4), or right-wing (5). Note that in this five-scale categorization, “center-left” and “left” are two different categories used to classify “left-wing” presidents. It is important to emphasize that this subjective coding captures the governing ideology of the president, *not* his or her campaign platform. In assembling the dataset, we have consulted several country experts to make sure that our coding of economic ideology squares with a subjective assessment of actual economic policies that presidents pursued while in office, rather than campaign promises or declared intentions.<sup>5</sup> The distinction is important because “policy switches” (Stokes 2001) are common in the region. In fact, Stokes counts 12 cases of policy switching in the 1982–95 period. According to our coding, verified by the expert judgment of regional specialists, our dataset contains 22 “switchers” between 1978 and 2008. Therefore, the use of a coding scheme that does not distinguish between campaigning and governing could result in



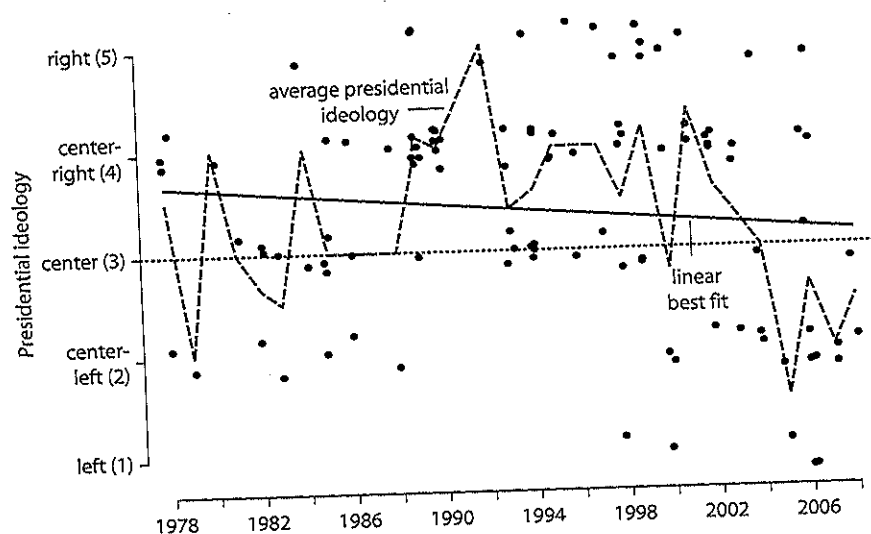


Fig. 2.1. Presidential Ideology, by election year, 1978–2008. The solid black line represents the linear best fit from the regression of Presidential Ideology on time; the dashed line corresponds to the trend in average Presidential Ideology in each election from 1978 to 2008; the horizontal dashed line provides a reference for center ideology. Data was jittered to make each observation more distinct.

biased estimates. Figure 2.1 indicates the presidential ideology of the Latin American presidents over the 1978–2008 period, using our five-point scale.

As seen in figure 2.1, the number of presidents who govern on the left (lower ideological score) increases between 1978 and 2008, confirming the popular view about the regional trend toward left-wing governments. In an aggregate sense, this figure also shows that at the beginning of the democratic period, presidents were more likely to govern from the center, whereas in the 1990s we observe a movement to the right (higher scores in presidential ideology) and in the early 2000s a shift to the left (lower scores in presidential ideology). This tendency tracks with the conventional narratives about the political trajectory of the region over this 30-year period, which holds that transitions to democracy ushered in moderate governments at the onset of the period when the ghost of returning military dictatorships was still present. Yet, this effect declined as democracy consolidated—particularly after the end of the Cold War.

In spite of these general trends, there is significant variation in the ideology of governing presidents throughout the entire study period (see table 2A.2 in the appendix for details on the frequency distribution of the dependent variable). We take advantage of both longitudinal and cross-country variation to explain the conditions

In testing our explanation for Presidential Ideology based on the availability of domestic sources of capital, we use the variable Current Account, which measures the net effect of export income (after imports are discounted) as a proportion of GDP, and thus the availability of capital produced domestically in a given country.<sup>6</sup> To assess the effect of economic constraints on the executive's freedom to govern on the left, we measure the impact of debt service, fiscal deficits, and IMF conditionality using Debt Service (as a proportion of Gross National Income [GNI]), Fiscal Deficit (as a proportion of GDP), and Signed IMF Agreement, respectively. The latter takes a value of 1 for every year in which the country signs a new IMF agreement and it is averaged for the presidential term.<sup>7</sup> These variables test our main argument that a higher value of exports provides domestic resources that grant presidents the latitude to govern on the left, whereas external financial constraints reduce their agency.

To capture political constraints, we measure the effect of having a Right Opposition in the legislature—which should constrain presidential agency—with an indicator variable that takes the value 1 when the main opposition party in the legislature is center-right (4) or right (5), and 0 otherwise. To control for the incentives of presidents to differentiate themselves from their predecessors, we include a measure of the ideology of the prior incumbent (Incumbent Ideology), using the same five-point scale. To assess the positive effect of democratic consolidation on the latitude of presidents to adopt left-wing policies, we use a variable called Age of Democracy, which is constructed by summing the years since democratic rule was reestablished in each country.

Finally, we control for existing economic conditions with three variables. We include GDP Per Capita to control for the overall wealth of the country, and GDP Growth and Inflation (both lagged one year) are included to control for the effect of prior economic performance. Since the dependent variable takes on five ordered values (1 to 5), we use an ordered probit model for the estimation, with robust standard errors to control for clustering within countries.<sup>8</sup> Summary statistics for all of the variables are presented in table 2A.3 in the appendix.

## Our Results

Table 2.1 presents the results of a series of multivariate ordered probit regressions where the outcome variable is Presidential Ideology (where 1 is Left and 5 is Right). The column “Model 1” reports the baseline model; under “Model 2” the economic constraints are added to the baseline model; “Model 3” incorporates the political variables; and “Model 4” includes both the economic and political variables.<sup>9</sup>

As the results of table 2.1 indicate, we find strong support for our main hypothesis

Table 2.1.  
*Explaining Presidential Ideology*

Variable	Model 1	Model 2	Model 3	Model 4
Current Account	-0.055 [2.50]**	-0.066 [2.77]***	-0.085 [3.52]***	-0.076 [2.43]**
Growth Lagged	-0.02 [1.06]	-0.019 [0.96]	-0.005 [0.19]	-0.001 [0.04]
Inflation Lagged (ln)	-0.058 [0.81]	-0.029 [0.44]	0.017 [0.21]	0.009 [0.12]
GDP Per Capita (ln)	-0.366 [1.05]	-0.203 [0.50]	0.007 [0.02]	0.027 [0.06]
Debt Service		-0.088 [2.16]**		-0.046 [0.91]
Fiscal Deficit		1.401 [0.66]		2.025 [0.38]
Signed IMF Agreement		1.212 [2.60]***		0.936 [2.22]**
Age of Democracy			-0.025 [2.22]**	-0.021 [1.84]*
Incumbent Ideology			0.267 [1.45]	0.222 [1.19]
Right Opposition			-0.69 [2.27]**	-0.556 [1.71]*
Observations	101	92	89	84
Pseudo R-squared	0.05	0.078	0.134	0.127

Notes: Robust z statistics in brackets.

\* significant at 10% \*\* significant at 5% \*\*\* significant at 1%

presidents. The effect of Current Account on the ideology of the president is negative (indicating a movement to the left) and significant across all models. That is, the effect of Current Account on governing ideology remains significant even when a variety of economic and political factors are controlled for. The negative and significant effect of Current Account indicates that as the current account balance improves, the probability of observing a left president increases. Figure 2.2 demonstrates the predicted probability of observing a left, center-left, center, center-right, or right president as the current account balance (as a percentage of GDP) moves from its minimum to its maximum value.<sup>10</sup>

While the probability of encountering a president who governs on the left (1 on our five-point ideological scale)—holding all independent variables at their means—is only 0.018, the effect changes substantially depending on the current account balance.<sup>11</sup> At its lowest level (when the current account deficit reaches 30% of GDP, as in Nicaragua circa 1990), the probability of a left-wing president declines to a miniscule 0.00002. At its highest level (when the current account surplus reaches almost 15% of

GDP, as in Venezuela in 2006), the probability grows to 0.221. We observe a similar effect for center-left presidents (2 on our scale). The probability of encountering a president who governs left of center, holding all independent variables at their means, is 0.181. The probability declines to 0.002 when the current account deficit is at its minimum value (Nicaragua in 1990) but grows to 0.467 when the current account surplus reaches that of Venezuela in 2006.

When we take into account the impact of external financial constraints, only IMF leverage appears to have a strong impact. Debt Service has an unexpected negative sign (although not consistently significant across models). That is, the higher the debt service (as a proportion of Gross National Income [GNI]), the more likely the president is to govern on the left. This suggests that perhaps policymaking reacts to the consequences of accumulated debt rather than being constrained by it. We do, however, find strong support for the hypothesis that when a country enters into more IMF agreements during a presidential term, the ruling president is more likely to govern on the right. The variable Signed IMF Agreement is positive and significant across our models, suggesting that when incumbents have to enact policies in line with IMF dictates, they are less likely to govern on the left. Conversely, as countries become less dependent on IMF financing, their executives can operate with greater flexibility and are more likely to govern on the left. When Signed IMF Agreement reaches its highest value, as in Peru in 2000, the probability of having a right or center-right president is 0.328 and 0.478, respectively. In contrast, the probability of having a left or center-

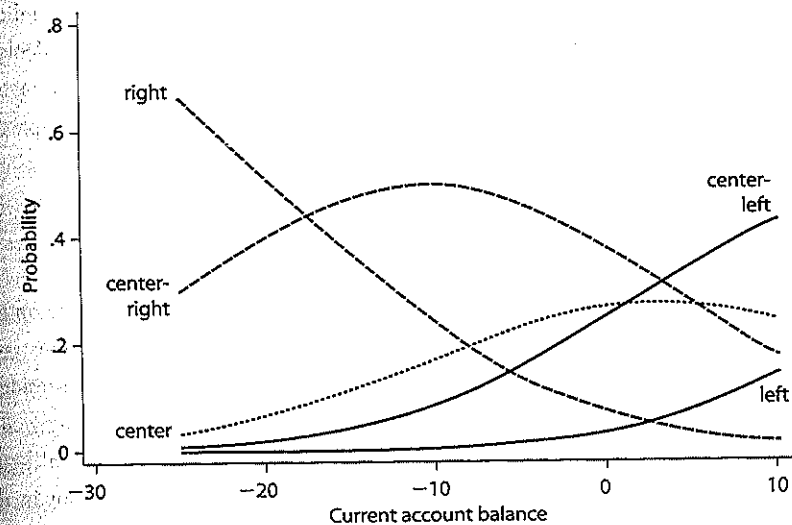


Fig. 2.2. Predicted probabilities of Presidential Ideology, by Current Account balance



left president under those conditions is only 0.002 and 0.056, respectively.<sup>12</sup> Whereas Debt Service does not seem to matter much for governing ideology, there is clearly an association between IMF leverage and right-of-center presidents.

The effect of Age of Democracy is significant and negative, suggesting that as a country has experienced more years of democracy, it is more likely that the president will adopt left-wing policies. This result suggests that as the fear of military coups declined in the region with democratic consolidation and the end of the Cold War, presidents became freer to adopt redistributive policies. Remarkably, the effect of Right Opposition in congress is significant and negative, suggesting that even in a democratic context, left-wing policies are associated with ideological polarization between the executive and the legislative branches. The rest of the variables are not significant, although Fiscal Deficit has the expected sign. Not even the effect of GDP Growth in the year prior to the election, which Corrales (2007) suggests is crucial in explaining the leftward trends of Latin American presidents, is significant in our statistical models.<sup>13</sup>

In conclusion, in line with our primary hypothesis, we find that the main factor explaining presidential ideology during Latin America's democratic period is the availability of capital free of external constraints. When capital scarcity is eased by the increasing availability of domestic sources of income, thanks in part to increasing commodity prices, the probability of observing presidents who execute policies on the left end of the ideological spectrum increases. And when low commodity prices result in capital scarcity and Latin American governments are compelled to engage in new lending programs with the international financial institutions, their policies move to the right. The effect of democratic consolidation on presidential ideology supports this conclusion, as presidents appear freer to adopt left-wing policies when they are not only enabled by economic realities but also less fearful of the impact of left policies on regime stability.

### Final Discussion: The Leftovers

We end this chapter by offering some tentative suggestions about the debate on the motivations behind the leftward shift in Latin America. Our analysis demonstrates the importance of economic incentives and constraints for understanding presidential policy choices in Latin America. That is, financial constraints can strongly curb a president's preferred economic policy agenda, just as the availability of hard currency—either through foreign markets or export revenue—can as well, but in the opposite direction. We believe that external financial constraints (or their absence) not only help explain the region's turn toward neoliberalism in the 1990s (as others

supply evidence for the proposition that the financial latitude made possible by the recent commodity boom is closely linked to the governing left-wing economic ideology of recent presidents.

Indeed, the trends we describe coincide neatly with the literature on policy switching. Stokes (2001) documents the switching of left-wing or populist candidates elected in the 1980s and 1990s toward neoliberal policies after their inauguration. By contrast, in the 2000s, the most dramatic switch the region has witnessed was that of Honduran president Manuel Zelaya. Zelaya, after being elected by the centrist Liberal Party, adopted left-wing policies and moved to align himself with Venezuelan president and leftist firebrand Hugo Chávez before being ousted by a military coup in 2009.

Our economic argument for when presidents can commit to "governing left" fits with a wider range of cases in the region and, in fact, echoes the findings of Weyland and Kaufman (chapters 3 and 4). Weyland argues that efforts by some Latin American presidents to radically rewrite the economic rules of the game have rested on "exceptional, temporary circumstances"—namely, the recent uptick in the value of international commodities. Following Fishlow's earlier intuition (2006), Weyland argues that the ability of Morales in Bolivia or Chávez in Venezuela to enact expansionary social and economic policies rests on a relatively thin foundation: windfall rents that can temporarily extend "the bounds of political agency" but are unlikely to persist indefinitely. Yet a discussion of the current commodity boom need not be limited to hydrocarbons in Bolivia or Venezuela. Richardson (2009) compellingly argues how the Kirchner government in Argentina levied export taxes on soy products, which have enjoyed a long-term increase in value because of rising global demand, to finance redistributive policies favoring urban voters. But while the recent economic boom may be a necessary condition for pursuing redistributive left-wing policies, it certainly does not define the type of strategies that left-wing governments adopt. After all, both Weyland and Kaufman point out that left-wing presidents in Brazil and Chile pursue redistributive policies while defying the temptation inherent in the recent bonanza to engage in economic populism, preferring instead to err on the side of fiscal prudence. Richardson, too, contrasts Brazil with Argentina, as Lula has eschewed the opportunity to exploit high commodity prices and engage in export-oriented populism while advancing the cause of redistribution through different means. The Workers' Party (PT) in Brazil has committed to an austere fiscal policy, but Lula's administration has experienced significant success with its conditional cash transfer scheme Bolsa Família (see chapter 13). Similarly, Pribble and Huber (chapter 5) document the role of left governance in Chile and Uruguay in balancing fiscal responsibility with redistribution and social-sector reforms. Therefore, commodity booms must be seen as permissive conditions; the exact nature of redistribution favored by left-wing

We have shown elsewhere that Latin American citizens are retrospective voters who care about their economic well-being (Murillo, Oliveros, and Vaishnav 2010). Yet, recent evidence indicates that voters' expectations are actually contingent on the partisanship of incumbents. In a study of 83 democracies between the 1950s and the 1980s, Barreiro (2008) shows that voters reward government spending while punishing hyperinflation. However, she finds that the effect of spending is positive and significant *only* when incumbents are left-wing: voters expect left parties to increase government spending when they are in power, and they punish the parties if they fail to do so. But voters' expectations revolve not only around policy content; voters also seem to value policy consistency. For instance, Sanchez-Cuenca (2008) finds that voters rely on both government policy consistency and government's capacity to execute its promised policies when making their assessments of accountability. His argument is consistent with Stokes's view (2001) that Latin American voters have higher standards for "switcher" presidents who campaign on a populist platform and then implement neoliberal policies once in office. In Stokes's study, only sizable economic gains made voters excuse a candidate's about-face. It is therefore not surprising that, given financial capacity to redistribute, left-wing governments take advantage of trade surpluses to do so—albeit through a diverse array of policies. After all, this allows them to pursue policies voters expect of them, maintain ideological consistency, and increase their (or their party's) chances of reelection. The key, of course, is having both a loosening of fiscal constraints and the resources necessary to exploit the opportunity.

Precisely because governing on the left is conditional on the economic facts on the ground, we conclude with the observation that the leftist winds that prevailed in the region for much of the 2000s may falter with changes in external conditions—if these were to occur. That is, judging by current developments in western Europe, where fiscal constraints are forcing left-wing governments in Spain and Greece toward austerity measures, our argument has implications not only for future regional policymaking but also for political and economic dynamics globally.

## APPENDIX

Table 2A.1.  
*Number of observations, by country*

Country name	Number of observations	Country name	Number of observations
Argentina	6	Guatemala	6
Bolivia	6	Honduras	7
Brazil	6	Mexico	2
Chile	4	Nicaragua	4
Colombia	8	Panama	4
Costa Rica	8	Paraguay	5
Dominican Republic	9	Peru	7
Ecuador	8	Uruguay	5
El Salvador	4	Venezuela	7
		Total	106

Table 2A.2.  
*Frequency distribution of presidential ideologies*

Presidential Ideology	Freq.	%	Cum. %
Left	5	4.72	4.72
Center-left	20	18.87	23.58
Center	25	23.58	47.17
Center-right	41	38.68	85.85
Right	15	14.15	100.00
Total	106	100.00	

Table 2A.3.  
*Descriptive statistics*

Variable	Obs	Mean	Std. Dev.	Min	Max
Presidential Ideology	106	3.387	1.092	1	5
Current Account	106	-3.387	5.902	-30.234	14.342
Growth Lagged	106	3.198	4.327	-13.380	12.822
Inflation Lagged (ln)	106	2.676	1.629	-1.024	8.470
GDP Per Capita (ln)	101	8.627	0.459	7.533	9.475
Debt Service	106	6.136	3.002	0.289	13.247
Fiscal Deficit	97	-0.020	0.048	-0.412	0.081
Signed IMF	104	0.220	0.217	0	1
Age of Democracy	106	17.094	13.512	0	57
Incumbent Ideology	90	3.578	0.948	1	5
Right Opposition	105	0.476	0.502	0	1

## Variable Definitions and Sources

*Dependent Variable*

**Presidential Ideology:** We code ideology based on the actual economic policies a president implemented in office, as opposed to the platform she or he campaigned on. In line with the definition of *Left* we are using in this chapter ("political actors who seek, as a *central programmatic objective*, to reduce social and economic inequalities"), the main criterion for coding presidential ideology was the economic policies implemented during the presidential term. To code ideology, we rate each president on a five-point scale, where 1 is Left and 5 is Right. The scores are modified from Coppedge 1997 and its various extensions, including Huber, Mustillo, and Stephens 2008; Murillo and Martínez-Gallardo 2007; Wiesehomeier and Benoit 2009; and consultations with country experts. We consulted the following country experts: Argentina: Ernesto Calvo and Victoria Murillo; Bolivia: Raúl Madrid; Brazil: David Samuels; Chile: David Altman and Juan Pablo Luna; Colombia: Ana María Bejarano, Steven Taylor, and José Antonio Ocampo; Costa Rica: Ronald Alfaro-Redondo, Kirk Bowman, and Kevin Casas-Zamora; Dominican Republic: Jonathan Hartlyn and Andrew Schrank; Ecuador: Carolina Curvale, Flavia Freidenberg, Andrés Mejía Acosta, and Jorge León Trujillo; El Salvador: Ronald Alfaro-Redondo; Guatemala: Ronald Alfaro-Redondo; Honduras: Daniel Altschuler, José René Argueta, and Ronald Alfaro-Redondo; Mexico: Cecilia Martínez-Gallardo and Guillermo Rosas; Nicaragua: Ronald Alfaro-Redondo; Panama: Ronald Alfaro-Redondo and Orlando Pérez; Paraguay: Diego Abente Brun; Peru: Julio Carrión, Cynthia McClintock, and Steven Levitsky; Uruguay: David Altman and Juan Pablo Luna; Venezuela: Brian Crisp and Margarita López Maya.

*Independent Variables*

**Age of Democracy:** Number of years since return to democracy. The year of the first democratic election was considered year 1. From Freedom House 2009b; Polity IV Project (Marshall and Jaggers 2010).

**Current Account:** Current account balance as a percentage of GDP. From World Bank 2010b.

**Debt Service:** Total debt service as a percentage of GNI. From World Bank 2010b.

**Fiscal Deficit:** Central government deficit as a percentage of GDP. From IMF 2010a.

**GDP Per Capita (ln):** Natural log of Gross Domestic Product per capita, PPP (constant 2005 international dollars). From World Bank 2010b.

**Growth Lagged:** Growth rate of Gross Domestic Product (annual percentage) lagged one year. From World Bank 2010b.

**Incumbent Ideology:** Ideology of the incumbent president at the time of the presidential election. See "Presidential Ideology" for details on coding.

**Inflation Lagged (ln):** Natural log of inflation lagged one year. From World Bank 2010b.

**Right Opposition:** Indicator variable that takes the value 1 when the main opposition party in the legislature is 4 (center-right) or 5 (right), and 0 otherwise.

**Signed IMF Agreement:** Average number of years in a given presidential term in which the country has signed a new IMF arrangement (SBA, EFF, SAR, ESAF/PRGF).<sup>14</sup> For example, if a presidential term was five years and the government signed new IMF agreements in two of those five years, this variable would take a value of .4 (2/5). Data from Vreeland 2007.

<sup>14</sup> I have updated the data for the 2004–8 period, using data from [www.imf.org](http://www.imf.org).

## NOTES

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1. For arguments on economic inequality and poverty, see Castañeda and Navia 2006; Fishlow 2006; Debs and Helmke 2008. Others, such as Corrales (2007), Panizza (2005b), Stokes (2009), argue that the Left's rise is a response to pressures linked to globalization and manifestation of disenchantment with economic reforms. Finally, some scholars have pointed to domestic institutional crisis as the mechanism that has given rise to the leftists' success at polls (see Mainwaring 2006; Roberts 2007b).

2. For instance, the literature on policy choice in presidential systems emphasizes the impact of institutional constraints (Cox and McCubbins 2001; Shugart and Haggard 2002), whereas the literature on voting behavior looks at contextual economic conditions affecting the income of voters (Lewis-Beck and Stegmaier 2000) and their evaluation of incumbent performance (Fiorina 1981).

3. Richardson (2009) argues that the Néstor Kirchner administration (2003–7) represents "export-oriented populism." This new form of populism combines export promotion and benefits for urban workers. What is new about this form of populism is that it is mainly based on soybeans, a product that is not consumed by the working class, allowing the government to promote and tax their export without affecting the purchasing power of Argentines.

4. See Samuels 2004 on the moderation of the PT in Brazil; and see Roberts 1998 for arguments about left-wing movements in Peru and Chile.

5. See the appendix for more details on the coding.

6. Current account balance is the sum of net trade (exports minus imports) in goods and services, and income plus net current transfers (World Bank 2008).

7. For instance, assume a presidential term in country X is five years. If the country enters an IMF agreement in year three of a presidency, our variable would have a value of .2 (1/5). The rationale for this operationalization is that countries typically have to show good faith up to the IMF to enter into an agreement with it. Once the first tranche of an IMF loan has been delivered, however, the effects of policy conditionality tend to drop off.

8. The ordered probit model takes into account the ordinal nature of our dependent variable without treating the difference between categories as equivalent (e.g., the difference between left and center-left cannot be treated as equivalent to the difference between center-left and center-right, as OLS [ordinary least squares] implies).

9. There is a concern that there is measurement error in our dependent variable since it rests on subjective coding. As a robustness test, we ran all statistical models in this section on two alternate dependent variables. The first was the Simon Fraser Institute's "Economic Freedom of the World" measure. This is a composite index that uses 42 different mea-

to rank countries around the world based on policies that encourage economic freedom. The component measures fall into five categories, such as the size of government, legal structure, and security of property rights. The second alternative measure is the Heritage Foundation's annual Index of Economic Freedom, which ranks 162 countries across 10 freedoms, such as trade freedom, business freedom, investment freedom, and property rights. Using both of these alternate measures, our results are broadly consistent with those reported here (although, in some cases, significance levels are lower). Results are available from the authors. The main shortcoming of both of these datasets is their limited data coverage. Prior to 2000, the Fraser index collected data only at five-year intervals. The Heritage Index, though published annually, dates back only to 1995. Because of the limited coverage of these datasets, we decided to use our own coding for the analysis.

10. The figure is drawn using coefficients taken from the regression results on the "Model 4" column of table 2.1.

11. Marginal effects were calculated using coefficients from the regression results in the "Model 4" column of table 2.1. The low probability of having a left president is produced by the small number of cases (5) of left presidents in our dataset.

12. Marginal effects were calculated using coefficients from the regression results in the "Model 4" column of table 2.1.

13. We acknowledge that growth, as compared to inflation, can have a much longer lag time with respect to its effects on voters. To account for this, we tried lagging growth one entire presidential period and reran our regressions. The results did not change, so we report our findings with the one-year lag, for simplicity's sake.

14. These arrangements include SBA (Stand-By Arrangement), EFF (Extended Fund Facility), SAF (Structural Adjustment Facility), and ESAF/PRGF (Enhanced Structural Adjustment Facility/Poverty Reduction and Growth Facility).

## *The Left* Destroyer or Savior of the Market Model?

KURT WEYLAND

Discontent with the market reforms of the 1980s and 1990s was crucial for sweeping left-wing governments into power during the past decade in a striking number of Latin American countries. Neoliberalism clearly failed to fulfill its promise of ensuring sustained growth and producing steady increases in employment. As hopes and exaggerated—hopes for a turnaround in the region's economic fate were dashed and disaffection and malaise spread. While a majority of Latin Americans continue to regard the market as the best development scheme in principle, dissatisfaction with its actual performance reached up to 84% of the population in the early 2000s (nobarómetro 2005, 63). This disappointment has weakened the political force behind implemented and administered neoliberal reforms during the 1990s and has boosted the electoral fortunes of left-wing challengers (Lora and Olivera 2005). Then, from 1998 onward, critics who attacked neoliberalism with more or less stridency managed to capture government power in countries ranging from Argentina in the south to Guatemala in the north.

What do leftist election victories mean for the political sustainability of the market model, the economic project of the Right? Will left-leaning governments reverse the changes of the 1980s and 1990s and institute a viable alternative to neoliberalism—either a substantially improved version of the economic nationalism and state interventionism prevailing before the 1980s debt crisis or a coherent new model of "21st century socialism"? Or do the constraints of global capitalism preclude drastic change, so that moderate efforts to reform and improve the market model to maintain its basic outlines, nowadays constitute a more realistic strategy for the region? Can such limited modifications produce enough change to remedy the most important deficiencies of neoliberalism? If the moderate Left can significantly enhance the market's socioeconomic performance, it may end up bolstering its future political sustainability. Accordingly, as in Europe during the 20th century (and despite ob-