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Ideology and Economic vote in Latin America

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Abstract

This work is about the influence of the ideology on the economic performance on the Latin American countries. This work assumes that the electors use ideology as a mechanism that reduce cost of gathering information about the politicians and their proposal, and that politicians uses ideology as a form of differentiating themselves, and as a consequence, their performance are bounded by the expectations that the electors have about them. This work also assumes that there is a tradeoff between inflation and unemployment, and this is used ideologically by the parties. In short, this paper will search whether an economic conjecture with high inflation tend to favor right wing parties, and whether high unemployment tend to favor left wing parties.

Introduction

Ever since the redemocratization wave has hit Latin America throughout the 80's decade, this region has become subject to the interest of political scientists. Even though this region was now in most of the mainstream political discussion, remnants persisted among scholars regarding the old stereotype that was once shared as a common wisdom on this region. A place where personalism and clientelism persisted and thus there were doubts on the quality of its governments representation (Gélineau, 2013). However, political scientists found evidence that there is economic voting on this region. This finding is the same as finding that the governments are being accountable for their actions, and the citizens are whether punishing or rewarding the governments – and that is the heart of a democratic system.

The economic voting literature hasn't yet come to an agreement about which are the economic variables that influence the most for the political outcomes, especially on the developing countries (Lewis-Beck and Stegmaier, 2008), nor what are the effect of the ideologies on the incumbents performance. On this view, the key for these questions lies in Latin America, not only because this region has shown such variance on the

economy but also because this variance came along with the rise and fall of parties ideologically well positioned.

The first moment was the rise of right wing parties during a time when most countries were facing the same acute problem – the inflationary crisis. To control the inflation, the right wing parties adopted a set of policies that became known as the Consensus of Washington. Even though they were able to put the crisis to an end, these actions have led Latin America to a new conjuncture characterized by the rise of unemployment and other social issues. The second moment happened by the turn of the millennium, when many countries seemed to be adopting left-of-center parties.

The actions every government can make are limited by two factors. First, it is because the government faces a tradeoff that prevents him from pleasing everyone, in which it has to choose to control either the inflation or the unemployment, illustrated by the Philips' Curve. This leads to the second point, that the governments are bounded ideologically to their voters. Ideology, in short, is the tool that parties have to differentiate themselves and a mechanism for the citizens to reduce cost of gathering all information he needs to make a choice when voting. When someone votes ideologically, he is somewhat aware of the implications of what this party will do regarding some matters when in office. When we look into the Latin America's politic and economical history, it raises the suspicious that ideology is mediating the economic variables and the election outcomes. Moreover, it rises suspicious of a more general statement – inflation tends to favor right-wing parties, and unemployment favors left-wing parties.

Ideology and the Spatial Model

The classical Downsian model states that there are two actors in the dynamics of the electoral competition – parties and voters. For parties, their ultimate goal is to gain office and stay there. Voters, on the other hand, only care about real issues and policies. Social heterogeneity leads each elector to have a different view of what the ideal world would be. If it was possible, the elector would compare each resolution made by each party and vote according to the set closer to his own view, and this process carries much

cost to the voter. Since we live in a state of uncertainty, and there is no way to verify which is the right point of view, and also because there is no way to be sure of what would be consequences that each policy will bring, parties develop ideologies as tools to differentiate themselves and to attract the biggest number of electors. On the other hand, voters use ideologies as a mechanism to reduce the cost of being informed about every single issue and thus reduce cost of party differentiation (Downs, 1957). Both actors are linked through ideologies.

Furthermore, based on Hotelling (1929) and Smithies (1941)' spatial model, Downs explain the movement of parties and the distribution of elector through the ideological spectrum. First, Hotelling's spatial model was meant to explain the convergence of parties on a center moderate position. He understood that the individuals were equally distributed through the spectrum and voters would choose the party according to the proximity the party was to him. As the parties are vote maximizers, they would converge to the center, which is the position, both competing parties can maximize their votes. Second, Smithies introduced the idea of elastic demand on each point of the scale. Therefore, the electors who lies in extreme positions would have na aversion on parties that are far from what they expect, and the parties would lose these electors. This explain why parties can distinguish themselves. They calculate how many votes they would lose if they move far to the center position and if the lost is bigger than the gain, then they stop moving. At least, Down's contribution to this model was the introduction of the idea that the electors are not equally distributed, but the distribution could be normal, bimodal or have many modes, each of them resulting on a type of party system. The distribution of the voters along the ideological scale determines the type of democracy that will be developed. In a social structure in which the voters are normally distributed (one mode), a two-party system is encouraged and both parties tend to converge because voters' preferences become relatively homogeneous and ideology might have little effect. On the other hand, a distribution with many modes will result in a multiparty system, each party will be at the core of each mode, and they will have more reasons to distinguish themselves ideologically. What Downs is suggesting is that in a two-party system, parties are moved by non-ideological issues while parties in a multiparty system are moved by ideological matters and also that they will tend to maintain its "purity".

Even though the parties might have the incentives to move toward a position in which they might get more votes, they are not free to move as they wish across the scale. Integrity and responsibility limit its movement. A party's ideology must be true to its statements and its actions. Its policies must be as close as possible to its ideas. Otherwise, the voter will not be able to rationally predict its action when elected, so "the struggle for votes compels all parties to be reliable" (Downs, 1957). That doesn't mean however that a party will be static. On the contrary, they adjust their ideas according to their needs. But its readjustment is not perfectly responsible and it takes time for it to adapt. Since each party is a vote maximizer, and it will attempt to attract as much votes as possible, a party will also make policies to try to reach every other social groups as well. In the short run, what might happen is that a party changes its focus from a policy to another.

In this article, the empirical test attempted is assuming that most of the points made by Downs are correct. Nevertheless, the spatial model has its limitations, most of which was observed by Donald Stokes (1963). The spatial model was originally an economic model to explain market competition and then it was transferred to deal with the political problems. Because of this, it carried some aspects regarding the physical dimension of a market competition. First, it assumes that there is only one dimension in which the political conflict happens. But as Stokes stresses, there are many different dimensions in which the political conflict can occur, and they have a relative independence from each other. This axiom is hardly reconcilable with a multiparty system, because the support of these parties is better explained by the presence of other conflict dimension, for example religion or ethnics. Second, another point is that the spatial model brings with it the idea of a fixed structure of market competition in which the distribution of consumers may vary, but not the structure. The space in which parties compete can be highly variable. "Just as the parties may be perceived and evaluated on several dimensions, so the dimensions that are salient to the electorate may change widely over time" (Stokes, 1963). There are many issues that are not related to the ideological left-right dimension and they are frequently decisive in an election.

This point raises another one, probably the most important for the current purposes. For one to apply the spatial model, parties' alternatives and voter's preferences must be placed in a common ordered dimension. Just like in Downs' model, the spatial dimension is thought as the support for more state intervention, on the left

side, and less state intervention on the right side. Between an extreme point to another, there are several alternatives ordered in a way so that parties can stand in a position and voter's preferences are distributed. But many issues don't even have two alternatives, like the struggle to avoid corruption for example. Stokes underlines the importance of distinguishing these two kinds of issues. The first one is what the author calls position-issues, which are issues that "involve advocacy of government actions from a set alternative over which a distribution of voter preferences is defined" (Stokes, 1963). The other one he calls valence-issues, that is, issues that related to parties as conditions that positively or negatively evaluated. The importance of making this distinction is that unless we are dealing with issues in which parties' alternatives and voter's preferences are placed in a common dimension, the model won't work. In other words, we have to make sure that we are dealing with position-issues.

Inflation vs unemployment

The economic voting literature has researched the link between the economy and political behavior, and since its beginning it has successfully proved that the economy has a major impact on the electoral outcomes. The main idea that has been stressed by this literature is that political authorities are responsible for their actions. Electoral accountability is then a central key to a democratic government, because it is the ability to punish or reward governors according to their performance. The economic conditions are then precise parameters in which voters can rely on to decide whom to vote for. Nevertheless, despite its success and the effort that this literature has dedicated to understand the economic influence on political behavior, there has been no final answer nor a major consensus over which are the most relevant variables that explain the electoral outcome, especially on the developing countries (Lewis-Beck & Stegmaier, 2008).

Inflation and unemployment are two of the most important economic indicators. They express not only the economic condition per se, but also indirectly reflect social and political struggles. Since the beginning of the economic voting literature, many authors have employed them to explain electoral outcomes. From another point of view,

W. Philips (1958) found that there is a negative relation between inflation and unemployment. The correlation happens because low unemployment is associated with a high aggregated demand that pressures the salaries and prices up, causing an increase in inflation. This tradeoff was called the Phillip's curve. Even though its existence is still under discussion, this theory has contributed with governments to have the understanding that, at least for a short period, there is a set of policies that will lead to different points in the curve. Since the governments' goal is to stay in office, one might think that all they have to do is be aware of the public's economic fluctuation preferences and then apply the preferred policy. But most governments have to deal with market demands, trade unions, inflationary pressures, ideological goals and campaign compromises. (Hibbs, River and Vasilatos, 1982). These factors pressure and limit governments to take action. The government has to choose between expanding the public spending and supply of money and credit and thus raising inflation and prices, or tightening spending and money supply and then stabilizing the inflation.

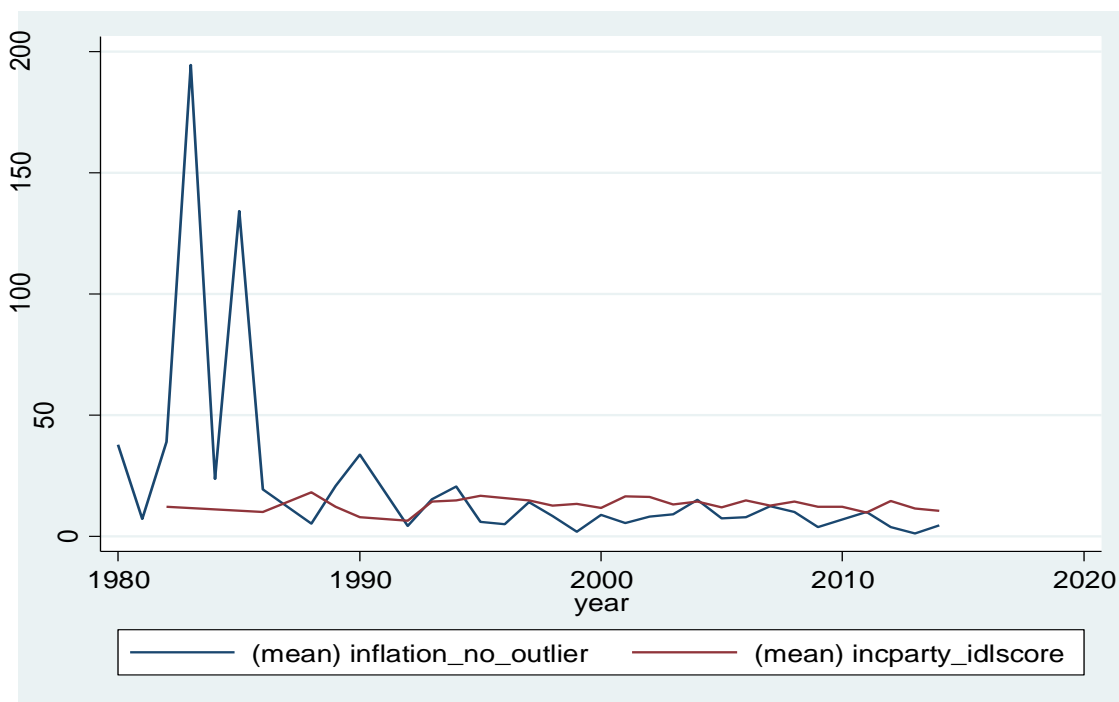
The point is that choices that a government can take are displayed in a manner analogous to the Down's spatial model. Even though the distribution of the voter's preferences might change, the parties are bounded to their own compromises and to their public. Because the governments' decision will have different effects depending on the social group on belongs, it is expected that this is an issue that will cause political struggle. So this choice is made on ideological basis.

Latin America

From the 19th century, there was a conventional wisdom that persisted among the scholars that Latin America was a region of caudillismo, or dominated by a single military figure who lacked a strong organizational base of support, in short, it was a region whose political representation and its party system was known as personalistic, clientelistic, volatile and weak. In the beginning of the 60's decade, some interest in studying the party system rose as the post-war era brought new parties with clear ideological programs. But this interest was quickly left aside as by the end of the same decade radicalism and military dominated most of the political environment. However,

as the process of redemocratization took place in this continent in the 80's decade, Latin America has been put in most of the mainstream discussions in political science (Coppege, 1997).

Figure 1 – Evolution of the mean inflation and mean ideological score



It was necessary to drop some information from the graph. The inflation rate was so high at some points that it was not possible to see any variation on the bottom.

One of the reasons scholars were so interested in Latin America is because this region has shown to bear far greater economic variance than any other developed region (Gélineau, 2013). Many scholars to understand its electoral outcomes. The beginning of the redemocratization era started facing a major inflationary crisis. The first democratic governments being unable to deal with this crisis have elected the right-wing parties. Then they have implemented a set of policies, the so called the Consensus of Washington. This led to a process of liberalization, monetary and fiscal discipline and privatization. All these matters have indeed controlled the inflation, as shown in figure 1. Its success seems to have granted the office through the 90's decade.

On the other hand, by the beginning of new the millennium there has been a left turn on the Latin American countries. Eleven of eighteen countries have elected left-of-center presidents (Baker and Greene, 2011). All the economic sets that have been implemented by the right-wing parties seems to have had an effect on the demand for

production and employment. It gave rise to a new conjecture in which most countries faced social insecurity, most of which is captured by the unemployment rate.

Figure 2 – Evolution of unemployment and ideological score

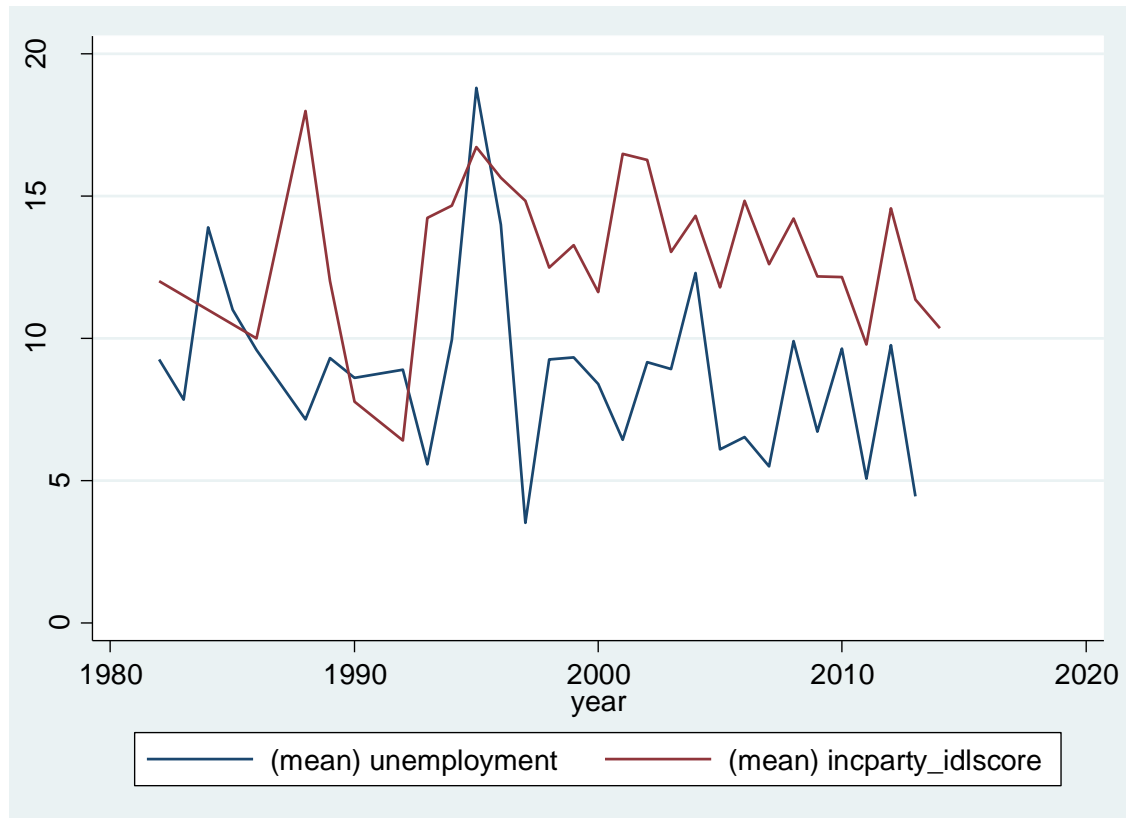


Figure 2 compares the rate of unemployment and the Ideological Score of the incumbent party. There is a high peak of unemployment in the middle of the 90's, by the same time the right wing parties were empowered. After that, it seems to have a downtrend from the rate of unemployment as the average Ideological Score moves toward the left.

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