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Doctoral Thesis

**The Varying Impacts of Populist Rule on
Liberal Democracy in Latin America**

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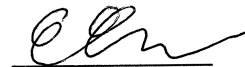
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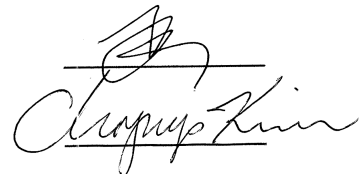
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Abstract

Populist rule is one of the most symbolic features that have characterized modern politics in Latin America. In so far as the outcomes of populist rule in the region are studied, one of the main interests in the existing literature is its impact on the quality of liberal democracy. This thesis seeks to contribute to the existing literature on the relationship between the two variables by conducting empirical research based on a panel dataset covering 18 Latin American countries from 1991 to 2017. I find an overall negative relationship between populist rule and liberal democracy, which is a reflection of their inherent incompatibility and the populist project of maximizing the utility of the individuals forming a majority at the expense of the elite and minority. However, what has been observed across the countries in the region is that some populist presidents distort liberal democratic institutions with a high level of discretion, whereas others relatively conform to the constraints imposed by liberal democracy and have a limited impact on it. I argue that the capability of populist presidents to attack liberal democratic institutions is determined by the estimated costs of doing so incurred by a set of constraints arising from three groups in society: the informal working class; the formal working class; and the capitalist class. Each of these three groups, with class-specific socioeconomic demands, curtails populist incumbents' room to maneuver by posing a probable threat to governability. The populist government is by nature constrained by the requirement to please the informal working class, who constitute a majority in a typical Latin American society and are willing to support the populist project only if their socioeconomic demands are met. Its policy choices are also constrained by the formal working class and the capitalist class, who possess disproportionate influences in the society and are interested in the protection of the existing political order. I identify three

variables that are closely related to each of the three potential veto players to the populist project: natural resource rents, industrial employment, and financial development. Depending on the levels of these three variables, the extent to which populist presidents can actually pursue strengthening of executive power and radical institutional changes that are consistent with their populist discourse is determined. I find that the negative impact of populist rule on liberal democracy is exacerbated with a higher level of natural resource rents and lower levels of industrial employment and financial development. Finally, I complement my quantitative analysis with an examination of the experiences of a number of Latin American countries under populist rule. This study is one of the first systematic evaluations of the constraints that shape governing populists' capability to damage liberal democratic institutions.

Keywords: Populism; Liberal Democracy; Latin America; Natural Resource Rents; Industrial Employment; Financial Development

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1. Introduction

Since the post-1978 democratic transition, Latin American democracies have continuously been affected by populism. A notable number of populist candidates have achieved victories in presidential elections over the past decades. For example, in the 1980s and 1990s, politicians such as Carlos Menem in Argentina, Fernando Collor de Mello in Brazil, Alberto Fujimori in Peru, and Rafael Caldera in Venezuela, were elected to executive office with a populist discourse. The new millennium witnessed another tide of populist presidents. Populist figures such as Néstor Kirchner in Argentina, Evo Morales in Bolivia, Rafael Correa in Ecuador, Fernando Lugo in Paraguay, and Hugo Chávez in Venezuela dominated the region's political landscapes.

However, populist rule is not a recent phenomenon in Latin America. Since the 1930s during which mass politics emerged, populism has been resilient in numerous countries across the region. Populist movements were particularly predominant from the 1930s to 1960s, with the ascent of populist figures such as Juan Perón of Argentina, Getúlio Vargas of Brazil and Victor Raul Haya de la Torre of Peru. Indeed, populist rule is one of the most symbolic features that have characterized modern politics in the region. Understanding the implications of populist rule is thus an issue of much importance in the political economy of the region and this topic has generated an intense scholarly debate.

A sizeable literature has recently emerged on populism within and without the region. There are works discussing the concept of populism (Weyland 2001; Mudde 2004; Hawkins 2009; Hawkins and Rovira Kaltwasser 2017), whereas some focus on the logic behind the success of populists in being elected to executive office (Roberts 2007; Doyle 2011; Remmer 2011; Kenny 2013). A

number of authors analyze the impact of populist leaders after they gain office (Laclau 2005; Mudde and Rovira Kaltwasser 2012; Rovira Kaltwasser 2012; Levitsky and Loxton 2013; Albertazzi and Mueller 2013; Rummens 2017; Galston 2018).

In so far as the outcomes of populist rule in Latin America are studied, one of the main interests in the existing literature is its impact on several conceptions or dimensions of democracy. In this thesis, I aim to study how it influences the “liberal” version of democracy. As noted by Mudde and Rovira Kaltwasser (2012), democracy refers to liberal democracy in most day-to-day rather than democracy “per se”. Przeworski (2010) and Mudde and Rovira Kaltwasser (2012) also point out that democracy “without adjectives” is nothing more or less than the combination of popular sovereignty and majority rule. Since the 1990s, the majority of Latin American governments have abided by some of the core pillars of these “democratic” principles regardless of the emergence of populist presidents, thereby justifying my focus on the “liberal” version of democracy.

The discussion about the impact of populism on liberal democracy has not yet reached a consensus. As noted by many, their relationship is ambivalent. Some consider it as a clear threat to liberal democracy, highlighting their inherent incompatibility (Albertazzi and Mueller 2013; Müller 2016; Rummens 2017; Galston 2018; Urbinati 2019). Others argue that it has a potential to operate as a corrective to the existing liberal democratic institutions to a certain extent, pointing to its inclusionary nature (Mudde and Rovira Kaltwasser 2012; Rovira Kaltwasser 2012).

Most generic studies that investigate the implications of populist rule on some core institutional settings of liberal democracy focus on the theoretical aspects of

their relationship or conduct qualitative research relying on few individual country cases for empirical evidence (Roberts 2012; Levitsky and Loxton 2013; Mazzuca 2013; Weyland 2013). Recently, some have begun to quantitatively test the relationship, especially in the Latin American context (Houle and Kenny 2018; Huber and Schimpf 2016). However, these studies have limitations in the sense that they only highlight how populist leaders in government differ from non-populist actors in government or populist actors in opposition in terms of their influence on some dimensions of liberal democracy. Their analyses are centered on the average effect of populist rule in comparison to non-populist rule and hence do not explain why some populist presidents are more capable of damaging liberal democratic institutions than others. Ruth (2017) is one of the few attempts that systematically analyze under which conditions populist presidents pose a threat to the key institutional settings of liberal democracy and which circumstances hinder them from doing so.

This thesis seeks to provide empirical substance to the existing studies on the relationship between populist rule and liberal democracy by conducting quantitative research based on a panel dataset covering 18 Latin American countries from 1991 to 2017. First, I hypothesize that populist rule overall has a negative effect on liberal democracy in the region. Populist ideas are inherently incompatible with some of the core principles of liberal democracy. According to the minimalist ideational conceptualization of populism by Mudde (2004), which I follow throughout this thesis, populists consider the society to be ultimately separated into two homogeneous and antagonistic groups, the “people” and the “elite.” Given their antagonistic and moralistic nature, they often demonstrate illiberal and authoritarian tendencies once in office (Mudde and Rovira Kaltwasser 2012; Albertazzi and Mueller 2013; Müller 2016; Galston 2018). As

Pappas (2014) puts it, populism is a form of democracy lacking the liberal protections for individuals and minority groups and ignoring the constraints from the constitutional order.

A typical populist project starts with the attack on the political establishment. With electoral majority in presidential elections and subsequent plebiscites, governing populists continuously seek to maximize the utility of the individuals constituting a majority at the expense of elites and minorities. In doing so, they make use of the notion of popular sovereignty to contravene the checks and balances and separation of powers and take advantage of the praxis of majority rule to circumvent minority rights. Ultimately, the trajectory of populism in power is directed towards imposing new rules of the political order and making of a populist constitution.

Despite this seemingly apparent negative relationship between populist rule and some of the key institutional dimensions of liberal democracy arising from the Manichean worldview of populists, what has been observed across the countries in the region is that some populist presidents govern unconstrained by the principles of liberal democracy and thereby assault liberal democratic institutions with a high level of discretion, whereas others relatively conform to the constraints posed by liberal democracy and thus have a limited impact on it. Why do some populist presidents behave in a manner that is consistent with their populist rhetoric during their presidential campaign while others become “moderate?”

All populist presidents are ultimately power-maximizers. Once elected, they all wish to engage in the populist project of maximizing the utility of those forming the “people” at the expense of the “non-people,” which is likely to result in

eroding liberal democratic institutions in their favor. Yet, assaulting liberal democratic institutions is not an easy task. Although populist rule does open a unique possibility for a country's liberal democratic institutions to be under a significant threat, to go from populist rule to the erosion of liberal democracy, radical institutional changes by the president are indispensable. Given that populist presidents often face the hostile institutions of horizontal accountability and their overt support for popular sovereignty and majority rule at the expense of liberalism and constitutionalism, they often turn to unilateral means in order to implement the required institutional changes.

However, changing institutions in a unilateral manner within the context of representative democracies is a delicate task and usually involves costs, as it concerns several political actors (Negretto 2009; Corrales, 2016; Ruth 2017). Bearing in mind that amending liberal democratic institutions with discretionary presidential power can potentially garner costly opposition (Christenson and Kriner 2017), incumbent populists carefully assess what constraints they face when pursuing institutional changes. The degree of discretion that they enjoy vis-à-vis amending liberal democratic institutions is thus determined by the estimated costs of doing so incurred by a set of constraints curtailing incumbent discretion.

Then, what constraints do populist presidents face when they attempt to increase executive power and device a set of radical institutional changes? I argue that their room to maneuver is constrained by the three groups in society: the informal working class; the formal working class; and the capitalist class. Such class structure is a unique characteristic that distinguishes a typical Latin American society from others in the North. The distinction between formal and informal workers derives from the centrality of the informal working class in the

structuration of labor relations in Latin American countries. Each of the three groups, with class-specific socioeconomic demands, curtails populist presidents' room to maneuver by posing a probable threat to governability.

The populist government is by nature constrained by the requirement to please the informal working class, who constitute a majority in a typical Latin American and are willing to support the populist project only if their socioeconomic demands are met, in order to maintain its legitimacy. Its policy choices are also constrained by the formal working class and the capitalist class, who are interested in the protection of the existing political order. These two groups often have disproportionate influences in a country's political and economic scenes given high levels of inequality and weak political institutions in the Latin American context.

I argue that how relevant each group's potential veto power is in populist presidents' cost-benefit analysis conditions their capability to actually pursue strengthening of executive power and radical institutional changes that are consistent with their populist discourse. I identify three variables that are closely connected with each of the three potential veto players to the populist project: natural resource rents; industrial employment; and financial development. Depending on the levels of these three variables, the extent to which populist presidents can implement a set of radical institutional changes consistent with their populist discourse is determined.

Available natural resource rents allow populist presidents to employ them for short-term consumption to keep the marginalized informal working class who make up a majority in a society satisfied through the channel of clientelism. They invest the profits from natural resource rents in politically expedient "pork barrel"

projects, targeting government expenditures at their key constituencies. Strong popular support in favor of the president demonstrated in plebiscites, in turn, is likely to relax the constraint posed by its principal, most of whom form a key component of winning electoral coalition that makes populist presidents to claim plebiscitarian ratification of their agendas (Mazzuca 2013). This ultimately fosters presidential dominance and its attempts to erode liberal democratic institutions.

The contribution of the industrial sector to total employment is a proxy for the level of political leverage of organized labor, the most powerful fraction of the formal working class in a typical Latin American society. From the viewpoint of populist presidents, how much leverage organized labor has in national politics shapes the costs of bringing about institutional changes, as unions can organize opposition to their policy choices. A strong organized labor is believed to act as a significant impediment to ruling populists when they attempt to mobilize the masses and twist the existing political order through three channels: it has traditionally acted as a major pro-democracy social force across the region; enhances party politics through its support for labor-based parties; and opposes the populist project of maximizing the utility of the populations forming a majority as it does not belong to the core constituencies for populist mobilization.

The financial sector also acts as another important source of conditionalities presented to incumbent populists when it comes to their populist project of distorting the existing political order. The costs posed to the executive are in the form of damage to the country's reputation in financial markets. The higher the level of financial development, the higher the importance of keeping sound financial reputation, thus the higher the costs of assaulting property rights of the

wealthy, propertied capitalist class, for example, by expropriation. In a financially developed country, therefore, the relevance of the elite who demand the protection of the existing political order in the policy choices of the government becomes significant. Protecting their interests are related to its financial reputation which is directly connected with how much international capital it can receive and the risk of capital flight. In this case, the incumbent populist is likely to pursue a set of policy reforms inside the confines of the existing political order as demanded by the capitalist class.

If populist presidents diagnose that the costs shaped by these constraints cannot be easily ignored for governability, they may feel compelled to work inside the confines of liberal democracy. If they perceive themselves unconstrained by these restraining forces, they are likely to actively engage in twisting the existing political order as power-maximizers. Of course, none of these settings should be individually necessary or sufficient to lead to the erosion of liberal democracy in the presence of populist presidents. However, this study is one of the first systematic evaluations of the constraints that shape governing populists' capability to damage liberal democratic institutions.

This thesis is organized as follows. The second and third chapters define the key concepts of the thesis respectively: populism and liberal democracy. The fourth chapter provides a theoretical framework for the relationship between the two main variables and explains how their relationship is mediated by the three variables of my choice. I then discuss my empirical specification and present empirical results in the fifth chapter. In the sixth chapter, I show that the experiences of a number of Latin American countries under populist rule provide telling confirmation of my hypotheses. The last chapter sums up the thesis.

2. Populism

2.1. Defining Populism

2.1.1 The Ideational Definition of Populism

In this section, I define populism. I start by discussing the main trends in the existing literature in conceptualizing populism. As many point out, populism is a heavily contested concept (Weyland 2001; Mudde 2004; Laclau 2005; Roberts 2007). This is especially true in the Latin American context, thereby casting a number of challenges to those studying the populist phenomenon over the region.

Populism has been defined in many ways. Some authors emphasize the ideational nature of populism by focusing on the identities centered on the us-versus-them division of society (Mudde 2004; Panizza 2005; Hawkins 2009; Mudde and Rovira Kaltwasser 2012). Another group of scholars describes populism purely in economic terms, suggesting that it is a set of policy outcomes (Dornbusch and Edwards 1990; Edwards 2010). Some authors support a political-strategic understanding of the term (Weyland 2001; Leaman 2004; Roberts 2007). Others locate populism in specific historical junctures or circumstances (Malloy 1977; Germani 1978; Oxhorn 1998).

Given the obscurity of the concept, diverse empirical phenomena and a wide variety of politicians in the region have been labelled populist. In order to conduct an empirical analysis on the impact of populism on liberal democracy, it is essential to establish a clear definition of populism. In this thesis, I employ the minimalist ideational conceptualization of populism by Mudde (2004), which is in line with the definition of populism provided in Panizza (2005), Hawkins (2009), Mudde and Rovira Kaltwasser (2012).

Following Mudde (2004), I define populism as a thin-centered ideology that considers the society to be ultimately separated into two homogeneous and antagonistic groups, the “people” and the “elite,” and which argues that politics should be an expression of the *volonté générale* (general will) of the people. As Hawkins (2009) and Mudde and Rovira Kaltwasser (2012) note, such ideational approach effectively considers populism as a form of moral politics or Manichean discourse, in which a confrontation between the “pure people” and the “corrupt establishment” is emphasized. To populists, politics is about nothing but reflecting the general will of the “virtuous people.”

One has to note that Mudde (2004) defines populism as a “thin” ideology, rather than a “full” one. The difference between “thin” and “full” ideologies lies in the level of intellectual refinement and consistency. Populism does not have the same level of intellectual refinement and consistency as “full” ideologies such as socialism or liberalism. According to Freedman (1998), thin-centered ideologies exhibit a restricted core attached to a narrower range of political concepts. Whereas populism offers general advice on how politics should be conducted, it offers few specific views on political, institutional or socioeconomic issues (Mudde 2017).

Populism, in its ideational conceptualization, has two natural opposites: elitism and pluralism (Mudde 2004; Hawkins 2009). First, elitism shares with populism the Manichean view that draws a line between the two antagonistic and homogeneous groups, the “people” and the “elite”. However, in sharp contrast to populism, it considers the “people” corrupt while depicting the “elite” virtuous. Second, pluralism assumes that the “people” are inherently heterogeneous in terms of their interests and views. It therefore directly rejects the Manichean

distinction between the “people” and the “elite”, which is a core idea of populism. Out of these two natural opposites of populism, elitism rejects some essential aspects of liberal democracy, whereas pluralism respects them.

2.1.2. The ideational Definition of Populism in Comparison

I briefly compare the ideational definition of populism with some other major definitions in the existing literature: economic; political-strategic and structuralist. First, some define populism as a set of shortsighted macroeconomic policies adopted to gain wide support from the general public (Dornbusch and Edwards 1990; Edwards 2010). According to this economic definition of populism, populists emphasize income redistribution and overspending while ignoring the risks posed by inflation, deficit financing, external constraints, and how economic agents react to radical non-market policies. This approach was especially popular when scholars investigated classical populist regimes in Latin America from the 1930s to 1960s, which shared affinities in terms of economic policy.

However, what happened in the 1980s and 1990s in Latin America seems to disprove the association of populism with economic irresponsibility. The so-called neopopulists in the region insisted on orthodox structural adjustments and thorough market-oriented reforms. Carlos Menem of Argentina, Fernando Collor de Mello of Brazil, and Alberto Fujimori of Peru all systematically capitalized on a populist discourse to boost political support, but at the same time enacted comprehensive neoliberal reforms dictated by the International Monetary Fund and the World Bank. Hawkins and Rovira Kaltwasser (2017) point out that the chief deficiency in the economic definition of populism is that it limits populism to left-wing forms and effectively excludes right-wing populists.

What Roberts (1995) and Weyland (1996) call unexpected affinities of populism and economic liberalism demonstrate that populism cannot be defined by the disregard of neoliberal principles. Even the reappearance of radical left-wing populists across Latin America in the 21st century does not seem to have restored the justification for employing the economic conceptualization of populism. For instance, Evo Morales of Bolivia maintained relatively strict budget discipline. Rafael Correa of Ecuador refrained from challenging crucial constraints imposed by his neoliberal predecessors and cemented via dollarization.

Second, the structuralist approach associates populism with social origins or specific developmental periods, especially the period of import substitution industrialization. According to this view, populist regimes are those employing cross-class coalitions and popular mobilization to support state-led industrialization (Germani 1978; Oxhorn 1998). This definition focuses not only on the politics behind economic policies but also on the structural forces behind class formation (Hawkins and Rovira Kaltwasser 2017). It considers populist governments as historically specific regimes that are a result of a coalition between the urban proletariat, groups of the middle class, and sectors of the bourgeoisie to promote an interventionist state.

Barr (2017) posits that conceptualizing populism as an integral part of a specific developmental period is analytically limiting. According to the structuralist view, populism should have ended in Latin America with the collapse of import substitution industrialization. However, the ascent of neopopulists in the 1980s and 1990s who replaced import substitution with neoliberal economic policies, led to a reconsideration of this understanding. Given the resiliency of populism, it should not be coupled with any specific phase or model of socioeconomic

development.

In addition, according to Hawkins and Rovira Kaltwasser (2017), excessive emphasis on the multiclass nature of populism is problematic. Assuming the development of multi-class coalitions as a defining attribute of populism makes it difficult to describe populist radical right parties in Europe, whose voters are not too diverse in terms of class, most of them with a working-class background (Mudde 2007). Latin American neoliberal populists in the 1980s and 1990s also clearly departed from the reliance on the cross-class alliance. Likewise, third-era populists that rose later in the region did not make attempts to form multi-class coalitions for mobilization as classical populists did. Instead, they heavily relied on the informal sector for support. Given the rapidly growing informal sector, they felt no need to derive multi-class support. Hawkins and Rovira Kaltwasser (2017) add that those who adopt the structuralist definition of populism often overlook the fact that populist discourse can be employed by political actors and constituencies who are in opposition, and who may never have the opportunity to fully structure a heterogeneous coalition around actually implemented policies.

Third, the political-strategic approach defines populism as a political strategy led by charismatic outsiders that uses an anti-elite discourse and relies on direct, unmediated, and uninstitutionalized support from unorganized heterogeneous followers (Weyland 2001; Leaman 2004; Roberts 2007; Houle and Kenny 2018). This political-strategic definition is similar to the ideational definition of populism in the sense that populists by definition employ the pro-people and anti-establishment discourse. However, what differentiates them is that the former privileges some distinctive modes of organization such as uninstitutionalized mobilization or specific organizational features based on the leader's personal

charisma or outsider status (Weyland 2001; Houle and Kenny 2018).

Hawkins and Rovira Kaltwasser (2017) view that the political-strategic conceptualization of populism overemphasizes the outsider status of populist leaders. They argue that several politicians that are typically labelled populist were not political outsiders. For instance, Alan García of Peru, who is widely believed to have employed populist discourse during his second presidential campaign, was a leader of the Alianza Popular Revolucionaria Americana (APRA) and had served in the Peruvian congress. In a similar sense, Álvaro Uribe of Colombia was a traditional politician with two decades of political experience before he ran as an independent candidate in a presidential campaign.

Furthermore, while it is almost always the case that populists mobilize the masses in a top-down fashion, the way they make use of organizational intermediaries to facilitate the mobilization widely differs across cases. For example, Juan Perón in Argentina relied on a formidable labor union while leaving his political party less organized. On the other hand, Victor Raúl Haya de la Torre in Peru, founded highly disciplined party organizations, indicating that the absence of personalism is possible in populism. Alberto Fujimori in Peru preferred a direct relationship with mass constituencies, whereas Hugo Chávez in Venezuela generated support from a decentralized multi-level network of grass-roots organizations. Therefore, one can say that the political-strategic approach overstresses the uninstitutionalized mode of organization or mobilization.

The ideational definition that I adopt in this thesis sees populist ideas as the main driving force behind other material characteristics of populist movements. Many of the features that are considered representative of populism by other definitions are therefore a product of the populist ideas, contingent on the economic, political,

social, or historical contexts.

2.1.3. Advantages of the Ideational Definition of Populism

The ideational approach to populism has gained popularity in recent years (Mudde 2017). The advantages of employing the minimalist ideational definition of populism over other traditional definitions are widely recognized in the existing literature (Mudde and Rovira Kaltwasser 2012; Hawkins and Rovira Kaltwasser 2017; Ruth 2017).

As mentioned earlier, one of the most important advantages that the ideational approach to populism presents is that, under the ideational conceptualization, populists do not have to be confined to any specific ideologies, economic policies, modes of organization and mobilization, or historical junctures. These features of populist movements are considered only contingent aspects, which may or may not accompany populism. As pointed out by Hawkins and Rovira Kaltwasser (2017), the ideational approach reduces populism to a common, minimal core, allowing one to identify some key attributes that are present in all the empirical phenomena that have been categorized populist.

As noted by many (Roberts 1995; Taggart 2000; Weyland 2001; Mudde and Rovira Kaltwasser 2013), it is almost always the case that populism is accompanied by some ideological features. However, the ideological flexibility of the ideational approach allows populism to be compatible with nationalism, as the cases of radical right populist parties in Europe demonstrate, socialism, as shown by a number of left-wing populist presidents in Latin America, state-centered development, as exemplified by classical Latin American populists in the era of import substitution industrialization, and neoliberalism, as in the cases of neopopulist presidents in Latin America in the 1990s. A certain doctrine thus

does not qualify as a defining attribute of populism. Specific ideologies or policies only act as the populist instruments for mobilizing and securing popular support.

Second, the ideational approach facilitates the process of providing empirical measures of populist discourse, so that one can distinguish populists and non-populists in both qualitative and quantitative studies (Hawkins and Rovira Kaltwasser 2017). A number of scholars apply techniques of discourse analysis and survey research to the measurement of populist ideas based on the ideational approach (Hawkins 2009; Rooduijn and Pauwels 2011; Hawkins and Rovira Kaltwasser 2017; Ruth 2017). The other major definitions of populism, for example, the political-strategic one, also do provide the framework under which scholars can conduct textual analysis and survey research to code populists and non-populists. However, the very fact that populism has clear opposites under the ideational definition, which are elitism and pluralism, facilitate the process of distinguishing populists from non-populists in textual analysis and survey research. This feature is not observed in other major definitions of populism.

As such, empirical analysis on populism can largely benefit from the use of the ideational conceptualization of populism. By assuming that populism is a set of ideas that can be combined with other ideological characteristics, researchers are able to identify a number of subtypes of populist forces in different contexts, not constrained by regions or time periods (Mudde and Rovira Kaltwasser 2012; Hawkins and Rovira Kaltwasser 2017; Barr 2017). Although it is still early to speak of an emerging consensus on how populism should be defined, an increasing number of researchers are adopting the ideational approach to populism.

2.2. A Brief History of Populism in Latin America

Although populism has appeared in many countries over the world in diverse forms, its appearance has without doubt been most active in Latin America. Since the 1930s during which mass politics emerged, populism has been resilient in numerous countries across the region. The existing literature broadly clusters three distinct phases in the evolution of Latin American populism. Although my analysis covers the 1991-2017 period, it is worthwhile discussing how populist movements have evolved in the region since the 1930s. In what follows, I aim to briefly examine three main batches of populism.

Famous populist figures who led the first wave of populism from the 1930s to 1960s include Juan Perón in Argentina, Getulio Vargas in Brazil, Raúl Haya de la Torre in Peru, Lázaro Cárdenas in Mexico, and Jose Maria Velasco Ibarra in Ecuador. They are often labelled classical populists. The collapse of the export-led growth model based on commodities and the rapid transition to the import substitution industrialization model resulted in the processes of industrialization and urbanization. Classical populists emerged with an anti-establishment discourse, incorporating this newly emerging class which was a product of such rapid socioeconomic developments, campaigning against the rigged political systems that benefited the few. The traditional oligarchic parties were unable to respond to the rapid expansion of the working class and channel its political mobilization. Indeed, the rise of classical populists to prominence was coupled with the post-1930 transition from oligarchic rule to mass politics.

The economic conceptualization of populism (Dornbusch and Edwards 1990; Edwards 2010) and structuralist approach to populism (Malloy 1977; Germani 1978; Oxhorn 1998) are mainly the products of what was observed in the era of

classical populists. Populist regimes that were dominant from the 1930s to 1960s were closely associated with specific economic policies, cross-class coalitions, and import substitution industrialization. These regimes were considered a result of an alliance between some fractions of the urban proletariat, middle class, and bourgeoisie aimed at establishing an interventionist, industrial, and redistributive state.

Classical populists promoted free and open elections and expanded the franchise based on the inter-class support. As De la Torre (2017) points out, they incorporated the subaltern groups into the political and economic spheres of national politics. According to Barr (2017), they offered a vision of an inclusive society, which was in a sharp contrast to the extant oligarchic structure. For example, Perón of Argentina carried out a state restructuring that would institutionalize the working class movement through the legalization of unionism (Griega 2017). In addition, Argentine women gained the right to vote under his rule. As it was the case for Argentina, during the Vargas era of Brazil, the widening of the state's social base was witnessed. Vargas expanded rights for the urban labor, quickly incorporating the urban masses into politics through labor rights. Mexico's Cárdenas, by reconfiguring the Partido Revolucionario Institucional (PRI), enhanced representation for peasants, workers, and middle-class groups.

In the economic dimension, classical populist regimes often entailed pro-industrialization and nationalist policy, along with redistribution and the expansion of social benefits (Barr 2017). They also promoted deficit spending, disregarded inflation and in some cases nationalized private industries in order to win political support. For example, Perón built schools and clinics, made health

care a human right, extended social security benefits, and nationalized the foreign-owned railroads. Cárdenas took on the landholding elite and redistributed millions of acres to peasants. He also nationalized oil production.

The linking of economic policy or historical junctures with populism was regarded quite logical until the 1980s and 1990s in which a new brand of populism would challenge these combinations. The second phase of populist movements in the region coincided with the decline of the state-led import substitution industrialization model. Those who presumed that populism was closely linked to the import substitution industrialization expected that its decline would mark the end of populism in the region. However, a group of neopopulists such as Alberto Fujimori in Peru, Carlos Menem in Argentina, and Fernando Collor de Mello in Brazil, who clearly departed from the reliance on the cross-class alliance and the objective of promoting an interventionist state, took office in the 1980s and 1990s.

Rapid changes in the political and economic landscape in the 1980s and 1990s that largely stemmed from the 1982 debt crisis produced governance crises, creating opportunities for populists to build support among those who were adversely affected by it. Once the government and traditional political parties that had been weakly institutionalized failed to respond effectively to the socioeconomic problems caused by the debt crisis, their decay occurred rapidly. With crippled political institutions and the growth of the economically precarious informal sector, populist figures appealed directly to the marginalized and unorganized urban poor in the informal sector. Populists could easily mobilize popular support by adopting a typical us-versus-them discourse. As classical populists did, neopopulists blamed traditional political institutions. Established

political parties and elites were portrayed incapable of tackling the needs of the electorate and corrupt enemies of the “virtuous people.”

Surprisingly, neopopulist presidents once in office introduced harsh neoliberal structural adjustment policies rather than expansionary economic policies. Such unexpected move inspired a vigorous debate about the meaning and features of populism and challenged the assumption that populism should be coupled with a particular model of economic development. Illustrating how populism lacks an ideology and can be either right-wing or left-wing, neopopulist presidents shrank the size of the state, opened their economies, and privatized what their populist predecessors had nationalized.

It is also notable that, as a result of dramatic economic transformation that took place over the region since the 1980s, the industrial labor was no longer considered the main subject of mobilization for populists. In the era of classical populists, the workers in the industrial sector represented the marginalized group whose growing demands had to be channeled by populists. It was not the case in the 1980s and 1990s. As Latin American countries went through the period of import substitution industrialization, the industrial sector no longer remained underrepresented both in economic and political terms. At the same time, the drastic market reforms carried out following the debt crisis weakened labor organizations based on the industrial labor. They did not enjoy the political leverage that they used to do during the import substitution industrialization era.

Under these circumstances, populists no longer had to rely on the cross-class alliance between the urban proletariat and some fractions of the middle class and bourgeoisie. As a result, scholars became increasingly convinced that certain sociological bases or historical roots that are often associated with populism are

incidental rather than inherent. The demise of the structuralist conceptualization of populism, along with the economic approach to it, seemed clear.

The third wave of populism in the region came about in the 2000s, soon after the decline of neopopulists. The harsh neoliberal reforms of the 1990s triggered large-scale disruption. As it was the case for neopopulists, radical populists capitalized on the incapacity of established political institutions to respond effectively to socioeconomic problems and rose to prominence with an anti-establishment discourse. Radical populists such as Hugo Chávez in Venezuela, Evo Morales in Bolivia, and Rafael Correa in Ecuador, Daniel Ortega in Nicaragua emerged mediating the social demands of the growing informal sector in a direct manner.

The public perceived established parties as the instruments of elites that implemented neoliberal policies that caused a wide range of socioeconomic problems such as inequality. Against this backdrop, radical populists promised to wipe away corrupt politicians and traditional parties and experimented with the merger of socialist and populist ideas, giving rise to an inclusionary, participatory form of democracy and the implementation of redistributive economic policies (De la Torre 2017). They argued that they would give sovereignty back to “the pure people” through the formation of a constituent assembly in charge of drafting a new constitution, which could be ratified with a referendum.

Most of them shared a discourse of anti-neoliberalism and anti-globalization. For instance, Correa campaigned against the domestic and international forces that, according to him, were exploiting Ecuador in the name of neoliberalism. However, radical populists differed in their modes of mobilization. For example, Chávez and Maduro of Venezuela generated support from a decentralized multi-

level network of grass-roots organizations. Correa of Ecuador co-opted previously existing social movement organizations. Morales of Bolivia built his leadership on a network of autonomous movement organizations (De la Torre 2017). The disparate modes of organization or mobilization within the third wave of populism probably confirm that the political-strategic definition of populism (Weyland 2001; Leaman 2004; Roberts 2007) is lopsided, as it puts too much emphasis on the linking of an uninstitutionalized mode of organization or mobilization with populism.

Another characteristic that was notable in the era of third-era populists is that many benefited from rising demand for natural resources. They capitalized on this favorable environment by using expansionary economic policy alongside various social programs that targeted their main constituencies to build support. Chávez, for instance, used oil revenues to fund a variety of social programs that were channeled through the National Development Fund which was under his control with full discretion. Similarly, Correa vastly expanded direct cash transfers to the poor and spending on a variety of programs backed by oil exports. Such programs were accompanied by nationalizations or partial nationalizations and threats thereof to gain greater shares of profits from natural resource production. On the other side, the populist regime of Daniel Ortega in Nicaragua did not experience such resource windfalls.

2.3. Identifying Populist Presidents

Identifying populist and non-populist presidents is a crucial task for this thesis, as the central independent variable in my empirical analysis is the presence of a populist president in office. There are a number of papers that systematically code populist presidents in Latin America to construct a dataset (Hawkins 2009; Doyle

2011; Levitsky and Loxton 2013; Hawkins and Rovira Kaltwasser 2017; Kenny 2017; Ruth 2017). These works define populism and then code populists and non-populists following the definition that they have provided.

For example, Hawkins (2009) adopts the ideational definition of populism and codes populist presidents employing a holistic grading of speeches delivered by chief executives. His sample is 25 chief executives from Latin America and 15 chief executives from non-Latin American countries for the period up to 2005. Doyle (2011) analyzes 48 presidential elections in 18 Latin American countries and identifies populists relying on the political-strategic definition of populism. The analysis is conducted based on presidential candidates' rhetoric. In ambiguous cases, additional coding is conducted based on the literature review and consultation with a number of country experts.

Levitsky and Loxton (2013) view populism as a semi-radial category. They categorize populists into three categories: full populists; movement populists; and maverick populists. The categorization depends on to what extent they demonstrate the following characteristics during presidential campaigns: mass mobilization with anti-establishment appeals; outsider status; personalistic linkage to voters. They code 14 presidents of the countries in the Andes between 1990 and 2010. Hawkins and Rovira Kaltwasser (2017) adopt the ideational definition and present a dataset of populist presidents in Argentina, Chile, and Peru. The dataset is derived from a textual analysis of presidential speeches from 1900 to 2000. Kenny (2017) codes populists around the world by the primary type of linkage system between their party and its supporters from 1980 to 2010. It is done on the basis of a reading of the extensive secondary literature and media coverage on political parties.

This thesis mainly refers to the coding by Ruth (2017) in identifying populist presidents in the Latin America. Doing so presents a number of advantages. First, the definition of populism adopted in Ruth (2017) is very close to my own, thereby justifying its use for this thesis. It follows the ideational definition of populism provided by Mudde (2004) and Hawkins (2009). Second, her analysis defines populist rule as a situation in which there is a president in office who has been elected to executive office with a populist discourse during the presidential campaign. That is, whether presidents are populist or not depends solely on how they have done during the populists' ascent to power. The subsequent behavior of populist presidents or their actual policies, which should be considered as regime outcomes, have no bearing on whether they are classified as populist. This strategy is in line with Doyle (2011), Levitsky and Loxton (2013), Huber and Schimpf (2016), and Houle and Kenny (2018). In contrast, the choice of populist presidents in Hawkins (2009) depends on their discourse on the speeches they give once in office. Lastly, the dataset constructed by Ruth (2017) is most comprehensive in terms of time and countries, covering all countries in the region from 1979 to 2014.

To identify presidents who deployed a populist rhetoric in their electoral campaign, Ruth (2017) first conducts a literature review covering research articles on the behavior of candidates in presidential elections in Latin America. Resulting from this review, presidents with a potential populist mandate are pre-selected. The judgement is based on the ideational definition of populism. This pre-selected list of populist presidents is then reviewed by several experts. Based on their comments, final decisions on whether they are populist or not are made.

Most papers that quantitatively test the effect of the rule of populist presidents

employ a dummy variable, which takes the value of 1 if populist rule is present and 0 otherwise. I acknowledge that populism can hardly be considered a binary phenomenon that is either fully present or fully absent. Some presidents may be called “full” populists, whereas others may be on the boundary. Nevertheless, there has been no attempt code populist presidents on a multi-level basis in a comprehensive manner.

Another issue that may arise is that disagreements exist on the definition of populism. However, one should acknowledge the fact that there is substantial consensus in the existing literature for most of the presidents coded as populist, regardless of the disagreement on the exact definition of populism. This is evidenced in the fact that researchers studying populism tend to reference a similar set of cases. Of course, for a number of presidents, there is more uncertainty, as any coding scheme eventually requires some subjective judgement even if similar definitions of populism are employed.

I update the list of populist presidents provided by Ruth (2017) by adding more time periods and three more politicians to the list, following the same logic adopted in her paper.¹ First, I code Álvaro Uribe of Colombia as a populist. During the 2002 Colombian presidential election, he strenuously denounced government corruption and political intriguers, while constructing himself as someone not contaminated by the corrupt establishment (Dugas 2003; Ulloa and Posada-Carbó 2003; Burrier 2019). Indeed, he was open about his resentment towards the existing political institutions. Although he was a traditional politician with around two decades of political experience, he broke ranks with the Liberal

¹ My empirical results shown in Chapter 5 are not driven by the choice to update the dataset by Ruth (2017).

party, Primero Colombia, to run as an independent candidate. He in turn established his own electoral movement which he fully controlled from the top down. His aggressive anti-establishment discourse is well reflected in his proposal of submitting to Congress for approval of a referendum against corruption, introduction of a unicameral Congress, and reducing the total number of legislators to almost half during his presidential campaign. Ruth (2017) herself acknowledges that expert comments on Uribe yield conflicting evaluations. Doyle (2011) categorizes Uribe as a populist using a political-strategic approach to defining populism. Although it is done so using the political-strategic definition of populism, he does acknowledge Uribe's pro-people and anti-establishment discourse. One should note that the ideational approach and the political-strategic approach are quite similar to each other in terms of defining populism and the latter requires populism to take a certain mode of organization or mobilization based on populist ideas.

I also add Fernando Lugo of Paraguay to the list of populist presidents. Quite surprisingly, he is not even considered in the pre-selection procedure for coding populists in Ruth (2017), it is widely recognized that the presidential campaign led by him clearly delivered a message in populist accents featuring a simplistic polarization of society. By making a clear distinction between the well-off and the poor, he denounced the established political system, promising that he would give power to "the people." For example, along with one of his campaign slogans, "change or death," it was advertised that he did not consider himself "a slave of the law." Doyle (2011) and Kenny (2017) classify Lugo as a populist president from a political-strategic perspective.

Table 1. List of Populist Presidents

Country	Years	Populist President
Argentina	1991-1998	Carlos Menem
	2003-2006	Néstor Kirchner
Bolivia	2006-2017	Evo Morales
Brazil	1991	Fernando Collor de Mello
Colombia	2002-2009	Álvaro Uribe
Dominican Republic	2000-2003	Hipolito Mejia
Ecuador	1996	Abdala Bucaram
	2003-2004	Lucio Gutierrez
	2007-2016	Rafael Correa
Nicaragua	2007-2017	Daniel Ortega
Panama	1999-2003	Mireya Moscoso
Paraguay	2008-2011	Fernando Lugo
Peru	1991-1999	Alberto Fujimori
	2006-2010	Alan García
Venezuela	1994-1998	Rafael Caldera
	1999-2012	Hugo Chávez
	2013-2017	Nicolás Maduro

Chile, Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Uruguay never experienced populist rule from 1991 to 2017.

Finally, I code Nicolás Maduro of Venezuela as a populist president. His ties to Chavismo and populist rhetoric inherited from his predecessor Hugo Chávez were apparent during his presidential campaign. He served as a minister of foreign affairs and a vice president under the Chávez administration. When Chávez announced his cancer, he made it clear that he wished his Vice President

Maduro to assume the office. It is widely believed that Maduro largely followed or even deepened his predecessor Chávez's populist rhetoric in his presidential campaign.

Table 1 presents a complete list of Latin American presidents who are considered populists in the sample that covers 18 countries in the region from 1991 to 2017. 11 out of 18 countries witnessed a populist president over the study period. Only Chile, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Uruguay were not under the rule of populist actors. All populist rulers included in our sample gained power through democratic elections.

3. Liberal Democracy

3.1. Defining Liberal Democracy

3.1.1. Democracy “without Adjectives”

Before defining liberal democracy, it might be helpful to discuss the concept of democracy in a minimal sense. As it is the case for populism, democracy is a highly contested concept. Although the purpose of this thesis is not to delve deep into the ongoing debate on how democracy should be defined, I briefly examine how the existing literature conceptualizes democracy.

The most common definition of democracy is introduced in Schumpeter (1949), where it is defined as an institutional arrangement for reaching political decisions for the common good. In this tradition, democracy means a method by which rulers are selected in competitive elections. Free and fair elections therefore correspond to what defines democracy (Mudde and Rovira Kaltwasser 2012). Thus, democracy “without adjectives” is a combination of popular sovereignty and majority rule. This conception of democracy is probably in line with the notion of polyarchy introduced in Dahl (1971), in which a democratic regime in a minimal sense is denoted.

According to Mudde and Rovira Kaltwasser (2012), democracy “per se” offers nothing more and nothing less, implying that free, fair, and competitive elections are the key conditions for democracy. Although this concept might appear to be too narrow, it is worth noting that billions in the world currently live without this narrow form of democracy (Przeworski 1999). Therefore, democracy can exist both in liberal and illiberal forms. For example, as Galston (2018) rightly points out, there is nothing essentially undemocratic about majoritarian decisions that

go systematically against the core interests of specific individuals and groups as long as their democratic equality, inclusion, and power are not violated. In theory, nor are majoritarian decisions undemocratic even if they invade privacy rights.

3.1.2. The Definition of Liberal Democracy

Unlike the Schumpeterian version of democracy, Dahl (1982) emphasizes in his “ideal” version of democracy the importance of constitutional principles that not only guarantee the separation of powers but also avoid situations in which majorities threaten the fundamental rights of minorities. Effectively, his “ideal” version of democracy points to liberal democracy. It is a system characterized not only by popular sovereignty and majority rule, but also by the constitutional protection of the separation of powers and minority rights. Compared to the concept of polyarchy presented in Dahl (1971), the “ideal” version of democracy points to a more elaborate political system. Polyarchies are relatively democratic in the sense that they meet certain minimal standards required for democracy but fall considerably short of some principles of democracy highlighted in the ideal model.

The notion that rule of majority should be limited and restrained in liberal democracy is also highly emphasized in Sartori (1987). Following the notion of Dahl (1982) and Sartori (1987), many other scholars point out that liberal democracy is a more elaborate political system than democracy “without adjectives” (Coppedge et al. 2011; Galston 2018). According to Coppedge et al. (2011), the “liberal type” of democracy goes beyond an electoral democracy in which free and fair elections are held with citizens enjoying full voting rights. The liberal version of democracy should guarantee rule of law, horizontal accountability, minority rights, civil liberty and transparency.

According to Galston (2018), liberal democracy has to meet four conditions: the republican principle; democracy; constitutionalism; and liberalism. The republican principle dictates that the government derives its power from the votes of the people. In a republic, the people are considered the sole source of legitimacy. Democracy is about equal citizenship, inclusive citizenship, and majority rule. These two principles are sufficient conditions for the Schumpeterian version of democracy. While both democracy “per se” and the “liberal version” of democracy tend to respect the republican principle and democracy, what differentiates them is, according to Galston (2018), whether or not they see the principles imposed by constitutionalism and liberalism as necessary conditions.

Constitutionalism organizes the structure of formal institutional power and establishes boundaries for the institutions that wield it. The limits that constitutions create are typically the separation of powers and checks and balances. The core idea of liberalism is about protecting a sphere beyond the rightful reach of government in which individuals can enjoy independence and privacy. As all human beings are endowed with certain unalienable rights that governments do not create and individuals may not surrender, these rights should be secured by governments.

In sum, liberal democracy is a form of government that limits the power of popularly elected governments by constitutional checks and balances and the fundamental rights and liberties of citizens. This prevents the majority rule from translating into tyranny over others. The liberties of minorities, no matter how “unpopular” they are, must be respected. Sartori (1987) explains that if the majority criterion is turned into an absolute majority rule, a part of the “people”

becomes a “non-people.” This is what puts liberal democracy in a natural collision course with populism, to which I turn in Chapter 4.

3.2. Measuring Liberal Democracy

I refer to the Varieties of Democracy Index (2019) in order to quantify the quality of liberal democracy. According to the codebook, it focuses on the liberal principle of democracy which emphasizes the importance of protecting individual and minority rights against the tyranny of the state and the tyranny of the majority. One has to note that Liberal Democracy Index has two components: Electoral Democracy Index and Liberal Component Index. Therefore, it not only considers the level of electoral democracy but also measures the extent to which constitutionally protected civil liberties, strong rule of law, an independent judiciary, and effective checks and balances are able to limit the exercise of executive power. The lowest level of liberal democracy scores 0 and the highest level of liberal democracy scores 1.

As mentioned above, Liberal Democracy Index (*libdem*) is aggregated using two other indices from the Varieties of Democracy Index (2019) that measure the level of electoral democracy (Electoral Democracy, *elecDEM*) and the level of liberal component in democracy (Liberal Component Index, *libcom*). Liberal Democracy Index is calculated through the following equation:

$$libdem = 0.25*elecDEM^{1.585} + 0.25*libcom + 0.5*elecDEM^{1.585}*libcom$$

I now introduce the two components of Liberal Democracy Index in more detail. The first component, Electoral Democracy Index, measures the electoral conception of democracy, which is an essential element of liberal democracy. According to the codebook, it evaluates to what extent the government respects

the core value of making rulers responsive to citizens, which is achieved through electoral competition for the electorate's approval. The measure therefore considers if suffrage is extensive, and elections affect the composition of the chief executive of the country, elections are clean and not marred by fraud or systematic irregularities, and political and civil society organizations can operate freely. Lastly, the electoral principle of democracy considers if there is freedom of expression and an independent media capable of presenting alternative views on matters of political relevance in between elections.

Formally, Electoral Democracy Index (*elecDEM*) is calculated by taking the average of, on the one hand, the weighted average of the indices measuring suffrage (*suff*); elected officials (*elecOFF*); clean elections (*cleanelec*); freedom of association (*freeasso*); and freedom of expression and alternative sources of information (*freeexp*), and on the other, the five-way multiplicative interaction between those indices.

$$elecDEM = 0.5*(suff*elecOFF*cleanelec*freeasso*freeexp) + 0.5*((1/8)*suff + (1/8)*elecOFF + (1/4)*cleanelec + (1/4)*freeasso + (1/4)*freeexp)$$

The second component of liberal democracy, Liberal Component Index, focuses on the liberal principle of democracy, which emphasizes the importance of protecting individual and minority rights against the tyranny of the state and the tyranny of the majority. According to the codebook, the liberal model takes a "negative" view of political power insofar as it judges the quality of democracy by the limits placed on government. Thus, it is measured to what extent constitutionally protected civil liberties, strong rule of law, an independent judiciary, and effective checks and balances are able to limit the exercise of executive power.

Formally, Liberal Component Index is calculated by averaging the following indices: equality before the law and individual liberties (*equal*); judicial constraints on the executive (*jucon*); and legislative constraints on the executive (*legcon*).

$$libcom = (1/3)*equal + (1/3)*jucon + (1/3)*legcon$$

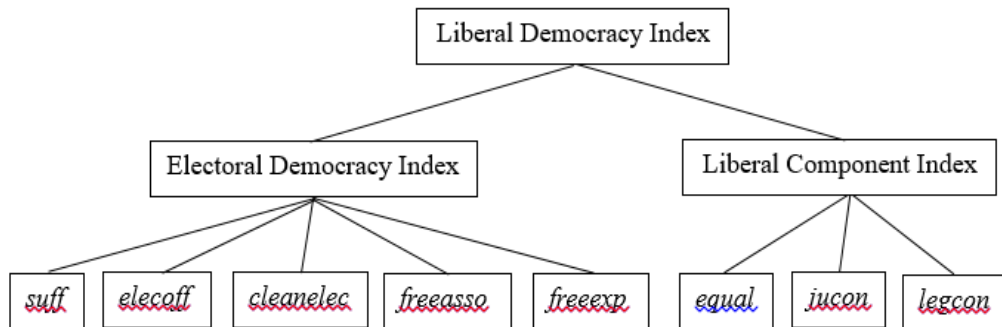
Figure 1 graphically illustrates the components and sub-components of Liberal Democracy Index. I now briefly discuss the five elements that constitute Electoral Democracy Index and the three elements that constitute Liberal Component Index. According to the codebook, *suff* measures how much share of adult citizens as defined by statute has the legal right to vote in national elections. *elecuff* evaluates if the chief executive and legislature are appointed through popular election. *cleanelec* measures how free and fair elections are. *freeasso* questions to what extent parties, including opposition parties, are allowed to form and to participate in elections, and to what extent civil society organizations are able to form and to operate freely. *freeexp* measures to what extent government respects press and media freedom, the freedom of ordinary people to discuss political matters at home and in the public sphere, as well as the freedom of academic and cultural expression.

Populists in government without almost no exception fully respect the most fundamental principles of democracy: suffrage (*suff*) and elections (*electuff*). However, once they consolidate their executive power using their popularity from the popular sector, they normally fall in the temptation to skew the playing field for elections, oppress political and civil organizations (*freeasso*), and persecute the press (*freeexp*).

equal is a measurement of to what extent laws transparent and rigorously are

enforced and public administration impartial, and to what extent do citizens enjoy access to justice, secure property rights, freedom from forced labor, freedom of movement, physical integrity rights, and freedom of religion. *jucon* evaluates how much the executive respects the constitution and comply with court rulings, and how much the judiciary is able to act in an independent fashion. *legcon* measures to what extent the legislature and government agencies such as comptroller general, general prosecutor, or ombudsman are capable of questioning, investigating, and exercising oversight over the executive.

Figure 1. Composition of Liberal Democracy Index



All these three sub-components of Liberal Democracy Index are likely to be adversely affected by the presence of a populist actor in government. Each of them is in a natural collision course with populist ideas, according to which popular sovereignty and majority rule are superior to the separation of powers, checks and balances, and minority rights imposed by constitutionalism and liberalism.

3.3. Liberal Democracy in Latin America

The third wave of democratization began in Portugal in 1974 and reached Latin America in 1978 via the Dominican Republic. Until the beginning of the wave of

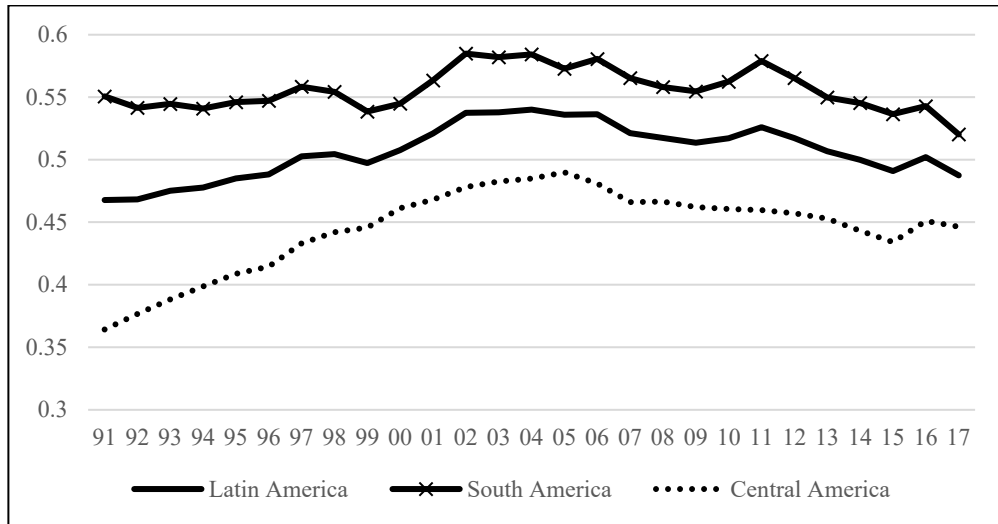
democratization, authoritarian governments were pervasive in the region. There were 17 authoritarian regimes in the region, and only Costa Rica, Venezuela, and Colombia to a limited extent, were under democratic rule. However, after the period of democratization, the regional political landscape changed drastically.

By the beginning of the 1990s, virtually every government in the region had competitively elected regimes. According to Mainwaring and Pérez-Liñán (2013), the period since 1990 has been by far the most democratic in the history of Latin America. Openly authoritarian regimes that were so prevalent in the region now became the rare exception. Yet, the post-1978 wave of democratization has been far from an unquestionable success. Despite clear democratic advances, especially in terms of the guarantee of electoral democracy, it is hard to deny that the “liberal” form of democracy in the region has experienced many setbacks.

Figure 2 plots yearly levels of liberal democracy for three country groups from 1991 to 2017 using Liberal Democracy Index from the Varieties of Democracy Index (2019). As can be seen, until the mid-2000s, Liberal Democracy Index in the region improved overall, but eroded since then. This is the case both for South American and Central American sub-groups. It is also noteworthy that South American countries recorded a higher level of Liberal Democracy Index than Central American countries on average from 1991 to 2017.

As Mainwaring and Pérez-Liñán (2005) highlight, the endurance of democracy “per se” in Latin America after the democratic transition surprised many. Nevertheless, advances in liberal democracy have not been widespread across the region. Indeed, over the study period, the performance of Latin American countries in terms of the quality of liberal democratic institutions were mixed and it still remains low in a large number of countries.

Figure 2. Yearly Averages of Liberal Democracy Index by Country Group 1991-2017

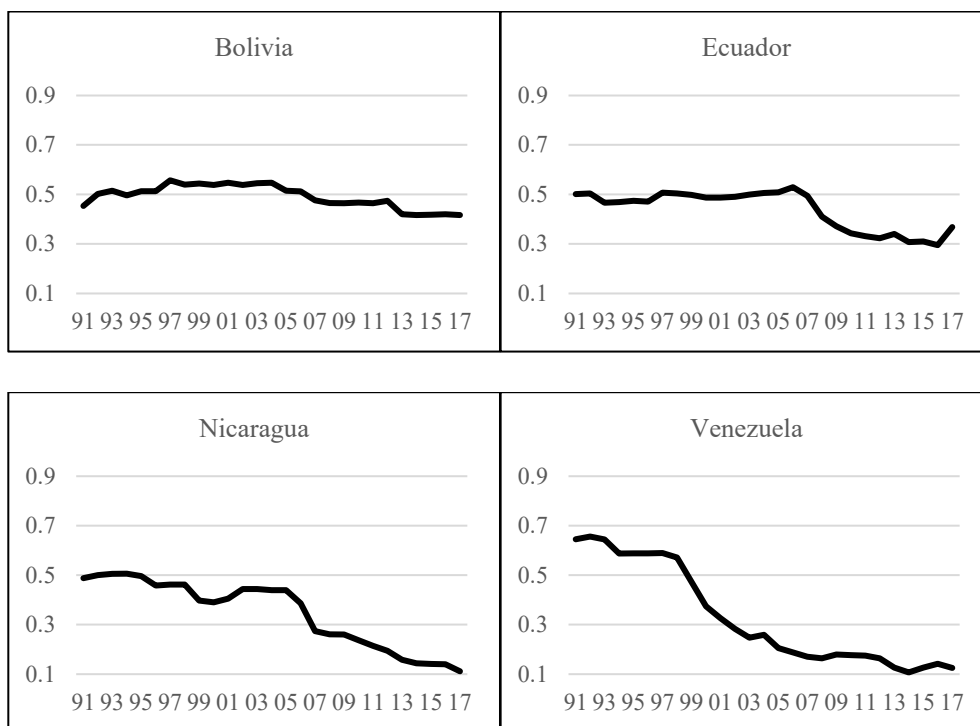


I therefore categorize 18 Latin American countries into five groups according to their performance in terms of liberal democracy over the study period: eroding liberal democracies; stagnant liberal democracies; improving liberal democracies with setbacks; stable liberal democracies; and strong liberal democracies. There are countries whose liberal democratic regimes clearly eroded from 1991 to 2017. In some countries, liberal democracy stagnated, in the sense that their liberal democracies were always weak. In others, liberal democratic institutions improved markedly but these countries still suffer from some setbacks. Lastly, there are countries in which liberal democracy remained quite stable or surprisingly strong over the study period.

I now draw figures that plot yearly levels of liberal democracy for 18 individual Latin American countries from 1991 to 2017. These figures help understand the overall evolution of liberal democracy in each country. Bolivia, Ecuador, Nicaragua, and Venezuela belong to the group of eroding liberal democracies.

The Dominican Republic, Honduras, and Paraguay are categorized as stagnant liberal democracies. The group of improving liberal democracies with setbacks includes Colombia, El Salvador, Guatemala and Mexico. Argentina, Brazil, Panama, and Peru are stable liberal democracies. Strong liberal democracies include Costa Rica, Chile, and Uruguay. Among these five groups, only the group of strong liberal democracies never had a populist president in office during the study period.

Figure 3. Eroding Liberal Democracies



As can be seen in Figure 3, liberal democratic institutions clearly eroded in Bolivia, Ecuador, Nicaragua, and Venezuela. What is noteworthy is that these countries entered the post-democratization period at relatively high levels of liberal democracy. Their Liberal Democracy Index was around 0.5 during the

early 1990s. However, it began to exhibit a decreasing trend from a certain period.

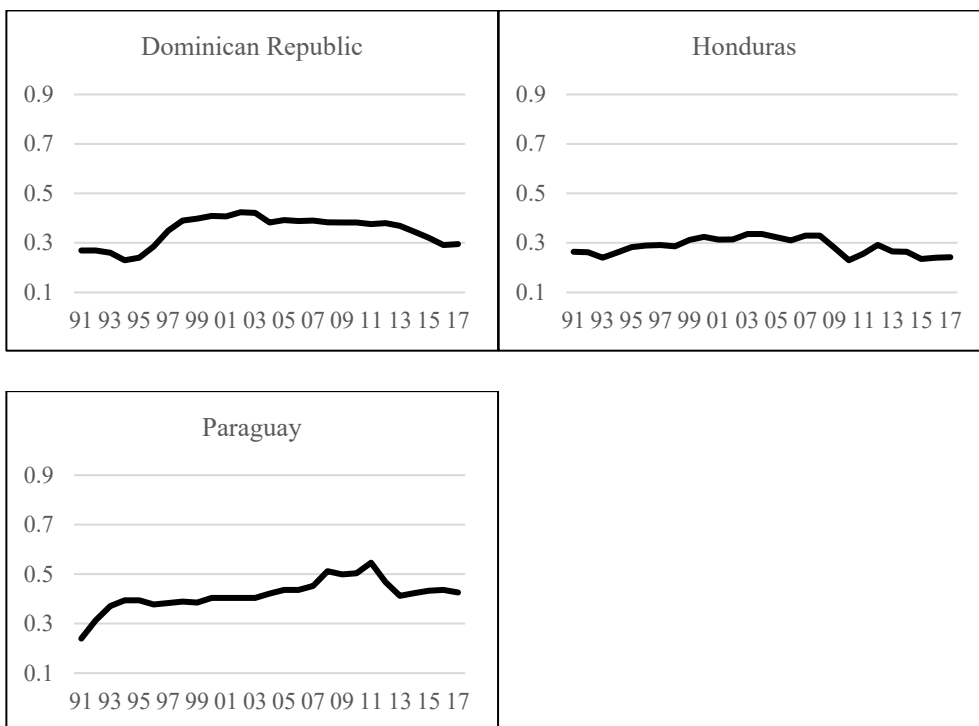
The most dramatic case of the erosion of liberal democracy is, without question, Venezuela, going from a relatively strong liberal democracy to a semi-liberal democratic rule. Then, it had ultimately become the case of what Levitsky and Way (2002) call “competitive authoritarianism.” The evolution of Liberal Democracy Index in Nicaragua also rouses much anxiety. Its semi-liberal democracy also gave way to competitive authoritarianism over the study period. Bolivia and Ecuador shifted from a weak liberal democracy to a semi-liberal democracy. A sustained negative trend since the mid-2000s had ultimately induced a shift in their liberal democratic regimes. The shift seems to have been more dramatic in Ecuador.

The drastic erosions or breakdowns of liberal democratic regimes in these countries largely coincided with the rule of populist presidents. Although they began the post-democratization period with relatively high levels of liberal democracy, their liberal democratic regimes which were never in full function, seriously deteriorated once populist presidents were given the opportunity to amend them.

Figure 4 reveals that liberal democracy remains feeble in the Dominican Republic, Honduras, and Paraguay. In these countries, Liberal Democracy Index hardly went beyond 0.5 from 1991 to 2017. These countries began the post-democratization period with low levels of liberal democracy and were unable to consolidate liberal democratic institutions in the ensuing period. The election of populist presidents in the Dominican Republic and Paraguay during the study period did not have a notable impact on their liberal democratic regimes, which were always of low quality. They have among the weakest states in the region

and are at the same time poor, which significantly limits their capacity to build more robust liberal democracies.

Figure 4. Stagnant Liberal Democracies



According to Figure 5, the quality of liberal democracy continuously improved in Colombia, El Salvador, Guatemala and Mexico. Although these countries entered the 1990s with low levels of liberal democracy, as the group of stagnant liberal democracies did, they now display quite stable levels of liberal democracy. Once they shifted to democracy, their liberal democratic institutions remained relatively intact.

Of course, their liberal democratic regimes are still with severe deficits in terms of quality. Although free and fair elections have become the norm, it is reported that citizens still suffer from limits on the exercise of their political rights.

Particularly, marginalized populations face difficulties in exercising the full scope of their political rights as citizens. At the same time, these countries are widely known for the prevalence of violence and organized crime. Among these four countries, only Colombia experienced populist rule, which was hardly translated into the serious erosion of liberal democracy.

Figure 5. Improving Liberal Democracies with Setbacks

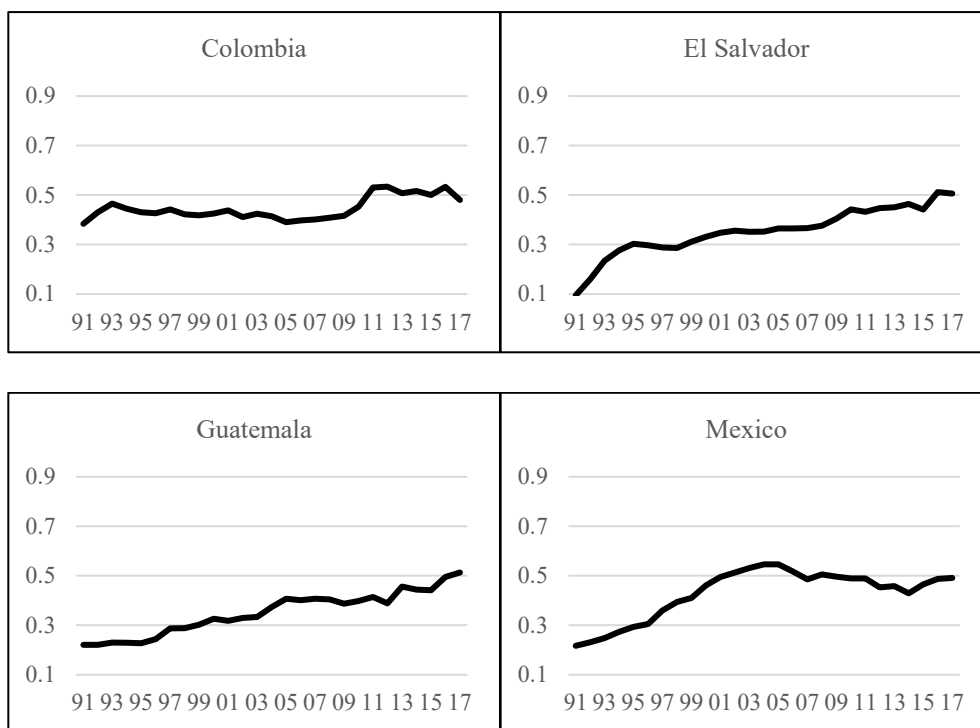
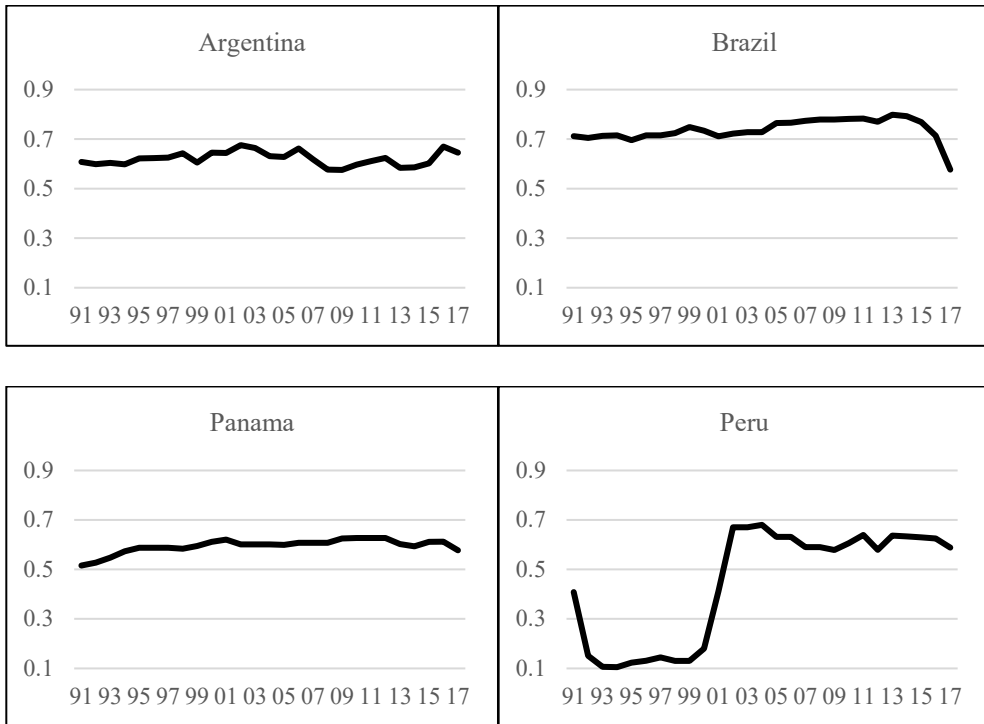


Figure 6 shows that Argentina, Brazil, Panama, and Peru since the fall of Alberto Fujimori, remained liberal democracies throughout the study period. Except the case of Peru, they all entered the post-democratization period at high levels of liberal democracy. Despite some shortcomings, breakdowns or severe erosions of liberal democratic regimes in the foreseeable future seem quite unlikely in these countries.

Figure 6. Stable Liberal Democracies

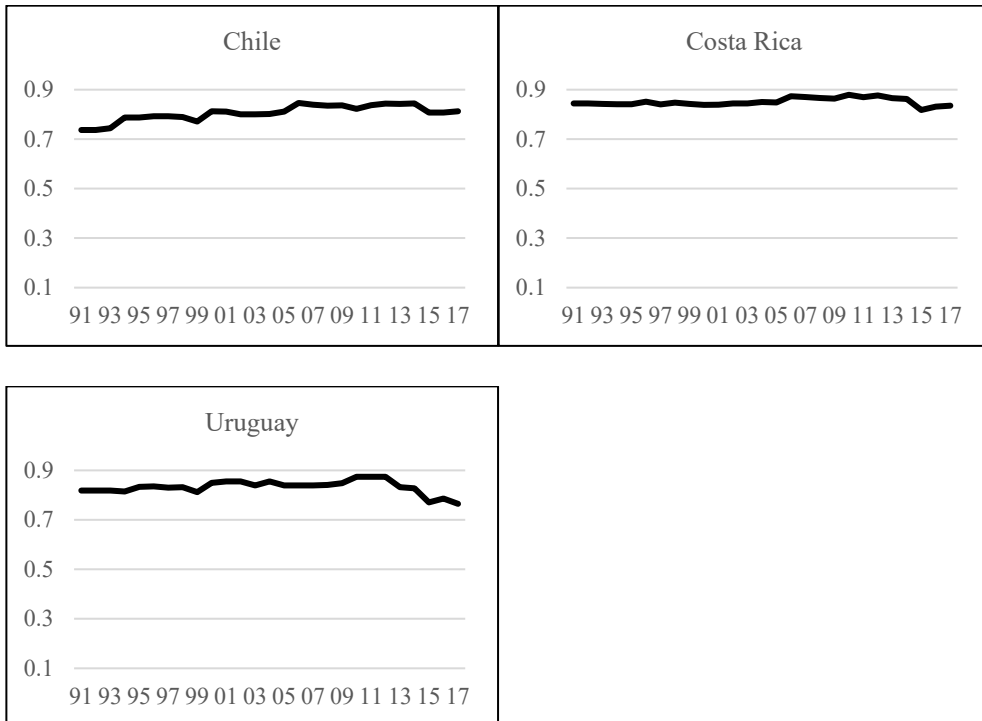


Free and fair elections are widely considered the norm, the electoral playing field is level, and governments are generally believed to respect opposition rights. Despite the fact that all these countries elected a populist president at least once from 1991 to 2017, it seems that their liberal democratic regimes remained largely resistant to populist threats. A notable exception is Peru under the rule of Alberto Fujimori, in which its liberal democratic institutions were completely destroyed.

Liberal democratic regimes remained robust in Chile, Costa Rica, and Uruguay, as can be seen in Figure 7. These countries were the beacons for liberal democracy in the region, never recording Liberal Democracy Index that is below 0.7. In these countries, the electoral playing field is even, most citizens enjoy full

political rights and civil liberties, and governments hardly display intolerance towards opposition rights. These countries did not witness the election of a populist president from 1991 to 2017.

Figure 7. Strong Liberal Democracies



4. The Relationship between Populism and Liberal Democracy

4.1. Populist Threats to Liberal Democracy

4.1.1. The Impossibility of Coexistence

The effect of populism on liberal democracy is a matter of ongoing debate. Some consider it as a clear threat to liberal democracy (Levitsky and Loxton 2013; Albertazzi and Mueller 2013; Müller 2016; Rummens 2017; Galston 2018), whereas others argue that it has a potential to operate as a corrective to liberal democracy to a certain extent (Taguieff 1995; Laclau 2005; Mudde and Rovira Kaltwasser 2012). Depending on the cases analyzed by individual scholars, quite different interpretations emerge on what implications populism leaves to liberal democracy.

I first consider the former group's viewpoint. Liberal democracy is, after all, a complex compromise of popular democracy and liberal constitutionalism. As Mudde and Rovira Kaltwasser (2012) rightly argue, there exists an inherent internal contradiction of liberal democracy. The promises of popular sovereignty and majority rule and the reality of constitutional protection of checks and balances and minority rights are in a natural collision course (Canovan 1999).

In this struggle, populists are in strong favor of popular sovereignty and majority rule. As Pappas (2014) puts it, populism is a form of democracy lacking the liberal protections for individuals and minority groups and ignoring the constraints from the constitutional order. They derive their authority from a promise to champion popular will and see any institutions that constrain the popular will as obstacles to be bypassed. This arises mainly from how they distinguish between the "people" and the "elite" in their worldview, an idea that

the two groups could develop a singular judgment and will and hence a singular mandate (Müller 2016).

The “majoritarian extremism” by populists is therefore directly against constitutionalism and liberalism, the two core principles of liberal democracy. As a result, according to those who claim that populist rule negatively affects the quality of liberal democracy, populists once in power often demonstrate illiberal and authoritarian tendencies. As the “virtuous people” who form the “sacred” majority are considered the ultimate source of legitimacy, their will must be realized fully at the expense of that of the “corrupt elite.” Consequently, evading judicial and legislative constraints on the “rule by the people” authority or ignoring the protection of minorities become common. As mentioned earlier, liberal democracy requires the rule of the majority to be checked, so that it does not translate into tyranny over others (Dahl 1956). The power of the majority should never be exercised at the expense of individual rights, no matter how numerically superior the majority is.

Furthermore, according to the worldview of populists, the “corrupt elite” do not belong to the “people” and thus have fewer entitlements. This means that those belonging to the “elite” group are excluded from equal citizenship. In this sense, as argued by Galston (2018), populists even violate the principle of popular sovereignty, although it is the notion that they claim to stick to no matter what. Also, the populist presumption on the monopoly on virtue of the “people” means that they refuse to recognize the democratic legitimacy of their political opponents. Therefore, the populist view of the democratic process is incompatible even with the democratic dimension of liberal democracy (Rummens 2017).

As such, populist ideas are inherently irreconcilable with the core characteristics of liberal democracy. I therefore hypothesize that populists are more likely to erode liberal democratic institutions than non-populists once in office. They pose a clear threat to the constitutional and liberal order of their countries. Not only that, they are also in a collision course even with the republican and democratic principles of liberal democracy. Free and fair elections are simply not enough to prevent populist presidents from exercising arbitrary power on liberal democratic institutions. Moreover, in a number of cases, elections are not fair under populist regimes.

Populist rule transforms national politics into an endless series of moralized zero-sum conflicts (Galston 2018). I do acknowledge that populist rule can strengthen certain aspects of liberal democracy by promoting political participation of the previously marginalized groups. However, it should be noted that this is done at the expense of constitutionalism and the liberal order, and even some dimensions of the republican and democratic principles. An excessive emphasis on the popular will ultimately leads to a “tyranny of the majority.”

4.1.2. Populism as a Corrective to Democracy?

Some observers contend that there are virtues of populism in the context of established liberal democratic regimes. While they acknowledge that populism does pose a certain threat, most notably for its illiberal tendencies, it is argued that populism can also function as a wholesome corrective (Canovan 1999; Ardit 2003; Mudde and Rovira Kaltwasser 2012).

When populism is viewed as a corrective to liberal democracy, emphasis is mostly put on its inclusionary nature. The main argument is that populism can potentially make the democratic process more inclusive by opening up the

political establishment to those who have been previously marginalized in the political process. Specifically, populists can play a positive role in the early stages of democratization, by giving voice to the marginalized populations, attacking authoritarianism, and pushing for the realization of free and fair elections (Mudde and Rovira Kaltwasser 2010). Even after democratization, according to Rovira Kaltwasser (2012), populist governments in Latin America have created new channels of access to the state, assigned important positions to representatives of marginalized populations, and advanced a number of policies to benefit those populations.

In a similar vein, according to Roberts (2013), populism can reinforce democratic dynamics in a context in which the democratic process has been stifled by an excess of liberal elitism. In some cases, it represents “an illiberal democratic response to undemocratic liberalism.” In sum, populism can increase democratic accountability and helps activate public opinion and social movements, which are likely to foster the “democratization of democracy.”

Briefly, in terms of the two dimensions of polyarchy introduced in Dahl (1982), populism is believed to increase political participation by the inclusion of marginalized populations in a society but limit contestation by concentrating power to the executive and undermining the power of counter-balancing coalition (Rovira Kaltwasser 2012).

4.1.3. The Populist Playbook

Populists in government make use of the notion of popular sovereignty to contravene the checks and balances and separation of powers and the praxis of majority rule to circumvent minority rights. Their primary objective is to remove constraints on presidential power. According to Müller (2016), populist

presidents tend to concentrate power in their immediate circle by systematically disabling their potential resisting political forces. In order to do so, they usually bypass, weaken, and marginalize institutions of horizontal accountability controlled by the old establishment. Once they succeed in consolidating the power of the executive, they even go on to damage some core principles of popular sovereignty and democracy.

Then, what instruments do governing populists employ to assault liberal democratic institutions? What has been a typical strategy of populist presidents is plebiscitary mobilization of political support. As Mazzuca (2013) puts it, the plebiscite is the populist president's best friend. As the majority of them fail to translate their victories in presidential elections into legislative majorities due to their outsider status, plebiscites and administrative decrees become the only instruments to implement a set of policies that are consistent with their populist rhetoric and resist the hostile legislature and judiciary. Over the past decades, direct democratic institutions have been added to constitutions in a number of Latin American countries. As a result, policy decisions are increasingly made by citizens through popular votes (Breuer 2008).

In theory, they could respond to the hostile institutions of horizontal accountability by negotiating or offering to share power with established parties. However, after being elected with an anti-establishment discourse, such a move would be viewed as a betrayal of their mandate. If they succeed in earning an electoral mandate in plebiscites, they gain confidence in burying the existing "elite" and its institutions and eventually re-found the political system.

While researchers such as Abromeit (1998) and Schmitter (2000) focus on the bottom-up character of this plebiscitary mechanism, highlighting its potential to

foster democratic participation and accountability, as Breuer (2008) points out, the plebiscitary mechanism has so far remained mostly a top-down affair in Latin America. Many express concern that the frequent use of government-initiated referendums by populist presidents is likely to lead to the emergence of what O'Donnell (1994) describe as delegative democracy.

In plebiscites, populist presidents often cast themselves as the sole arbiters of right and wrong representing the “pure people” and encourage their constituents to oppose anything connected to the old establishment. If they achieve referendum victories, they gain confidence in skewing and circumventing political opposition in order to implement radical policies of their preference.

Furthermore, they seek to politicize state institutions such as the judiciary, security forces, tax agencies, and electoral authorities, and deploy them against political opponents. With unchecked control over the state institutions, they have little difficulties in skewing the playing field against opponents to such an extent that the ability of the opposition to compete is seriously undermined. Lastly, with majorities in newly-elected constituent assemblies, they even attempt to instrumentalize the constitution as a means for promoting their own objectives by imposing new constitutional rules of the game. The result is likely to be competitive authoritarianism. The regime is competitive in the sense that opposition forces use elections to contest seriously for power. Yet competition is markedly unfair (Levitsky and Way 2002).

Peru under the rule of neopopulist Alberto Fujimori and Venezuela under the rule of radical populist Hugo Chávez are classic examples of how plebiscitary strategies succeed and ultimately lead to the consolidation of competitive authoritarianism. A defining feature of their regimes was their strategic

employment of plebiscites based on a sustained level of popularity among the public, regardless of their ideology, means of mass mobilization, or the historical context in which they were placed.

The Fujimori government of Peru from 1991 to 1999 is a prototypical case of plebiscitary neopopulist leadership (Roberts 1995; Weyland 2001). Fujimori emerged to prominence out of total obscurity in a country that had suffered from hyperinflation as well as insurrectionary violence and military repression (Carrion 2006). After winning the 1990 presidential election, he wielded these problems as weapons against liberal democratic institutions. He continuously attacked the congress and the judiciary through plebiscitary measures, which he considered as the institutions dominated by “corrupt” and “unrepresentative” elites.

Fujimori upon taking office faced difficulties in implementing his policies as the vast majority of the legislature and the judiciary remained in the hands of the established parties. As a political outsider, he lacked partisan allies in other branches of government (Kenney 2004). Although opportunities existed for him to forge legislative alliances necessary to govern in a democratic fashion, such alliances would signify betrayal to his populist rhetoric during the presidential campaign. He therefore refused to negotiate with the established parties and opted for attacking them, entering into a ‘chicken game’ with both the congress and the judiciary (Tanaka 1998). His use of executive decrees became increasingly frequent.

In 1992, Fujimori carried out a presidential coup backed by the military. The congress was shut down, the constitution was dissolved, and the judiciary and other state institutions were purged. Moreover, most major media outlets were

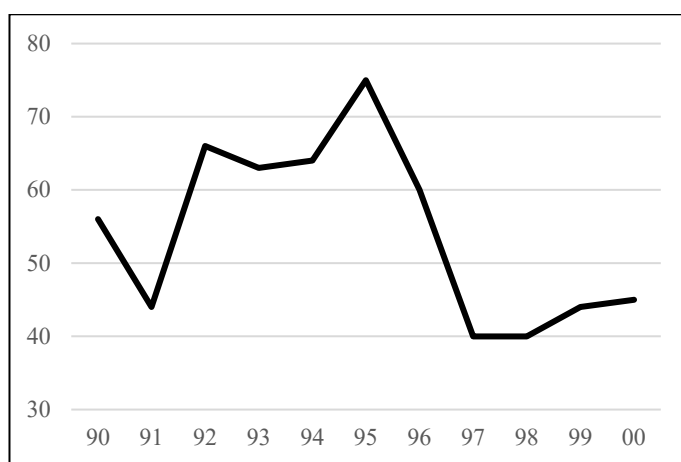
occupied by the armed forces. Quite surprisingly, such an anti-democratic move was overwhelmingly popular among the Peruvian public, given people's deeply-rooted disdain for the existing political institutions and the notable progress toward resolving socioeconomic problems. According to Conaghan (2005), post-coup surveys found more than 80% of the public supported the dissolution of the congress and 90% of the public supported the purge of the judiciary.

The regime that emerged after the 1992 *autogolpe* was effectively a competitive authoritarian one. Elections for a constituent assembly were held in late 1992. Fujimori's coalition won an outright majority of seats in the new constituent assembly, which allowed him to dominate the new body and unilaterally write a new constitution expanding executive authority and permitting presidential re-election (Conaghan 2005). In addition to writing a new constitution, the constituent assembly served as an interim congress until legislative elections were held in 1995. A referendum on the constitution was held in 1993 and it was approved. Under the new 1993 constitution, the president could rule virtually by decree.

Fujimori's consolidation of authoritarian rule could largely be attributed to his skillful employment of plebiscitary means. It was firmly rooted in broad public support that he enjoyed, as can be seen in Figure 8. He used approval ratings to fight his opponents in the congress and gain political momentum. Confronted with figures that clearly indicated public approval for the president's overall performance in office, the opposition had difficulties in devising an effective opposing strategy. The Peruvian public let him govern with the concentrated power as long as he governed effectively, resolving urgent socioeconomic problems.

Fujimori used the temporary majorities to skew the playing field for elections in ways that would distort or prevent the emergence of alternative majorities in the future. In the absence of institutional checks and balances, in the 1995 presidential election, Fujimori defeated his opponents with massive state resources. For example, the National Intelligence Service of Peru spied on his main opponent Perez de Cuellar and other opposition candidates to discredit them.

Figure 8. Yearly Averages of Approval Ratings for Alberto Fujimori in Peru (%)



Source: Instituto de Estadística e Informática del Perú (2001)

The authoritarian nature of the regime became particularly manifest in Fujimori's second term. The judiciary fell under the full control of the government. Tax authorities also became highly politicized, persecuting opposition politicians, businesspeople, journalists, and media owners. The National Elections Board was also packed, and as a result, complaints of electoral abuse were routinely buried (Conaghan 2005). The Fujimori government also skewed access to resources and the media (Levitsky and Loxton 2012). In 1996, the congress passed a law allowing him to run for a third term, despite the constitutional

provision limiting the president to run only for two terms. However, as Weyland (2006) rightly points out, populism’s lack of institutionalization makes a populist president highly dependent on performance legitimacy. Given the renewed economic deterioration, his popularity began to rapidly decline from the mid-1990s, as can be seen in Figure 4.1.

Table 2. Popular referendums in Venezuela under the Rule of Hugo Chávez

	Constituent Assembly (1999)	New Constitution (1999)	Constitutional Reforms (2007)	Constitutional Amendment (2009)
Yes	86.4%	71.4%	49.3%	54.9%
No	13.6%	28.6%	50.7%	45.1%

Source: Political Database of the Americas (2019)

Plebiscitary strategies employed by Fujimori in Peru during the 1990s were replicated in Venezuela under the rule of Hugo Chávez from 1999 to 2012. Just like Fujimori, Chávez relied heavily on plebiscitary measures to mobilize a popular majority behind an agenda for radical institutional reforms (Roberts 2012). Along with anti-neoliberal and anti-globalization rhetoric, he openly promised in his campaign for the 1998 presidential election that he would convene a constituent assembly to redesign democratic institutions if elected.

After being elected, in 1999, he did issue his first presidential decree ordering a referendum on whether a constituent assembly should be held. He obtained a strong mandate to proceed with his plans, with 86.4 percent of voters supporting the election of a constituent assembly, as can be seen in Table 2. Although the opposition-controlled congress bitterly opposed the election of a constituent assembly, Chávez imposed his will, armed with his plebiscitary mandate and

unusually high approval ratings in public opinion surveys, as Figure 4.2 demonstrates.

The election of a constituent assembly that was held in 1999 allowed *Chavistas* to claim 121 of the 131 seats in the assembly. The new constituent assembly claimed “supra-constitutional power,” and dissolved the national congress as well as state-level assemblies, effectively removing institutional checks on executive power. In December 1999, a new constitution was drafted and approved in yet another referendum by 71.4% of voters. A committee was then formed out of the constituent assembly to exercise legislative powers in place of the dissolved assembly.

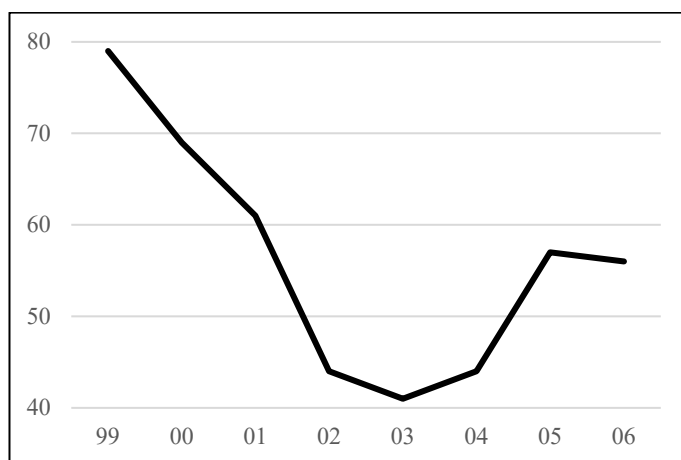
The newly-written constitution largely ignored the role of political parties. Instead, it emphasized the direct, participatory, and protagonistic role of citizens and civil society in the democratic process (Álvarez 2003). While strengthening the powers of the presidency, the constitution also highlighted the role of referendums in the exercise of popular sovereignty, including recall elections that would allow citizens to remove public officials and judges after the midpoint of their terms in office.

However, popular support for Chávez declined from 2001 to 2004 as can be seen in Figure 9. During this period, social and political polarization increased. While his radical institutional changes generated high expectations among the poor populations, which identified with his anti-establishment rhetoric, they at the same time created rejection by the upper and middle classes. This polarization reached its peak after the Decree of 49 Laws in November 2001, which included a land reform law and a new oil law, among many others (Tanaka 2006).

The polarization culminated in the biggest governing crisis for the Chávez’s

populist regime, a military coup in April 2002 that removed him from power for about 2 days, followed by a violent clash between pro-Chávez and anti-Chávez demonstrators in Caracas. As subsequent negotiation efforts failed, it transformed into a two-month long nationwide general strike that began in December 2002, which openly called for the convocation of a national referendum on Chávez's continuation in office. In late 2003, over 3 million of Venezuela's 12 million registered voters signed a petition to recall Chávez from office, forcing a recall referendum. In August 2004, he achieved yet another victory in the presidential recall election, with 59% of voters. He would remain in power until at least 2006.

Figure 9. Yearly Averages of Approval Ratings for Hugo Chávez in Venezuela (%)



Source: Consultores 21 (2006)

Chávez's victory in the recall presidential election could largely be attributed to expansionary and redistributive economic policies backed by high oil prices. Especially, a wide range of social programs were central to his popularity. The victory in the recall election, alongside the continued popularity, marked his consolidation of control over the state as well as the implementation of more

comprehensive and radical reforms. He solidified his control over key state institutions of the government, the judiciary, and the electoral branch.

As can be seen in Table 4.1, his first lost referendum was in 2007, which was on a package of constitutional reforms that, among other measures, would have eliminated term limits on the presidency. Although he accepted this defeat and acknowledged shortcomings in his administration that undermined its popular support, he quickly regrouped and implemented some of the reform measures by presidential decree. A new referendum on a constitutional amendment eliminating term limits on the presidency and other elected offices was held in 2009, and this time the amendment was ratified with 54.9 per cent of the vote.

Many other populist presidents, such as Evo Morales of Bolivia and Rafael Correa of Ecuador largely followed the populist playbook of Fujimori and Chávez. First elected in 2006 and 2007 respectively, both populist presidents frequently called for plebiscites for radical reforms, taking advantage of support from popular sectors. Constitutional assemblies significantly undermined what remained of the existing liberal democratic institutions, writing new basic laws featuring stronger presidential powers, weaker accountability mechanisms, and possibilities for presidential reelection. With this discriminatory legalism, they moved toward competitive authoritarianism (Weyland 2013).

In Bolivia, an election to form a constitutional assembly was held in July 2006. With the highest electoral turnout in Bolivian history, Morales' party Movimiento al Socialismo (MAS) won 137 of its 255 seats. In November 2006, the Assembly approved a new constitution that emphasized Bolivian sovereignty of natural resources and implemented a two-term limit for the presidency. It also claimed every citizen's right to water, food, free health care, education, and housing. In

May 2008, when the Morales government rejected the demands of eastern departments of the country for greater autonomy, they called for a referendum on recalling Morales. It saw an 83% turnout and in which Morales was ratified with 67.4% of the vote. Another referendum on constitutional amendments was approved by 61.4% of voters in January 2009. In February 2016, a referendum was held on a constitutional amendment which would allow Morales to run for a fourth term. Morales narrowly lost the referendum.

4.2. Populists Gone “Radical” and “Moderate”

Given the inherent incompatibility between populism and liberal democracy, there is likely to be an overall negative relationship between the two variables in Latin America. However, what has been observed across the countries in the region is that some populists go on to damage liberal democratic institutions more than others, unconstrained by the principles of liberal democracy using their popularity. In contrast, a number of populist presidents relatively conform to the constraints imposed by liberal democracy and have a limited impact on it. I illustrate the different behavior of populist presidents with regards to liberal democratic institutions in Latin America from 1991 to 2017.

As can be seen in Figure 10, the majority of populist presidents in the group of eroding liberal democracies in general seem to have a negative effect on the quality of liberal democracy. Evo Morales (2006-2017) of Bolivia, Rafael Correa (2007-2016) of Ecuador, Daniel Ortega (2007-2017) of Nicaragua, and Hugo Chávez (1999-2012) and Nicolás Maduro (2013-2017) of Venezuela saw their countries' liberal democratic institutions deteriorating to a significant degree. In contrast, Abdala Bucaram (1996) and Lucio Gutierrez (2003-2004) of Ecuador, and Rafael Caldera of Venezuela (1994-1998) do not seem to have an adverse

effect on liberal democracy.

Figure 10. Populists in Eroding Liberal Democracies

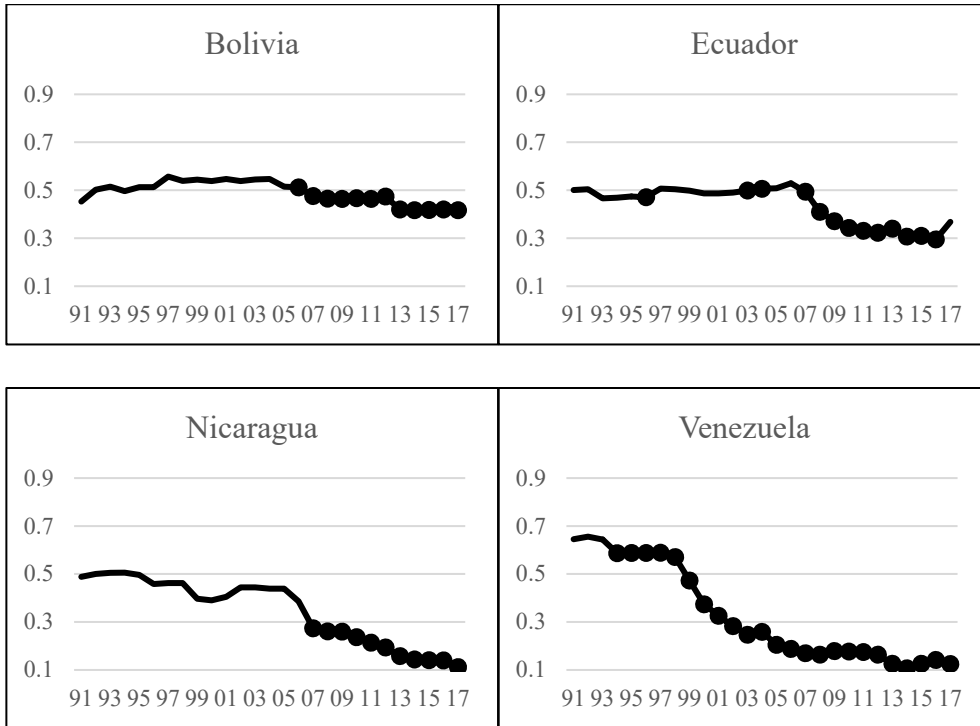


Figure 11 shows that populist presidents elected in those countries belonging to the group of stagnant liberal democracies, Hipolito Mejia (2000-2003) of the Dominican Republic and Fernando Lugo (2008-2011) of Paraguay, were not associated with the decline of the quality of liberal democracy. Colombia is the only country that oversaw the election of populist presidents among those categorized as improving liberal democracies. I observe in Figure 12 that the rule of Álvaro Uribe (2002-2009) did not have a negative impact on Colombia's liberal democratic institutions.

Figure 11. Populists in Stagnant Liberal Democracies

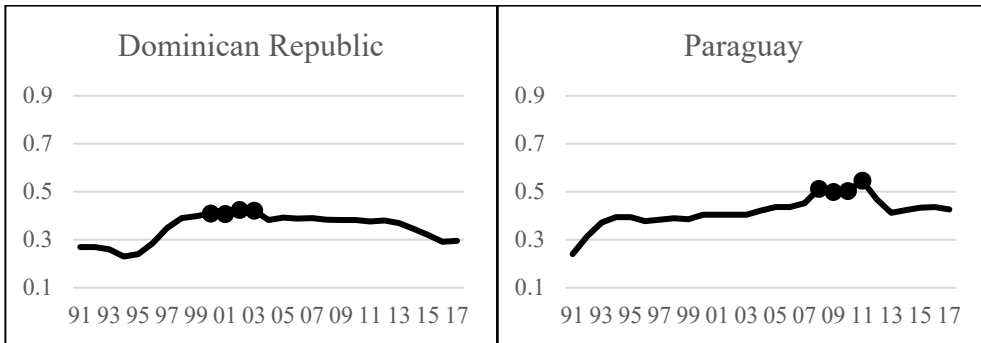
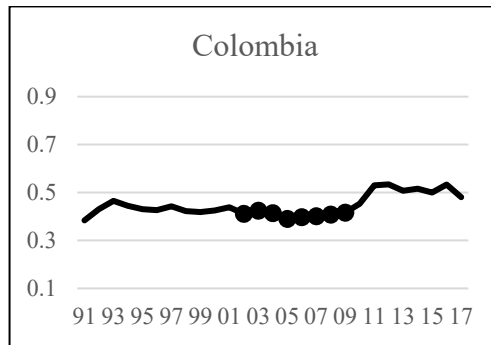
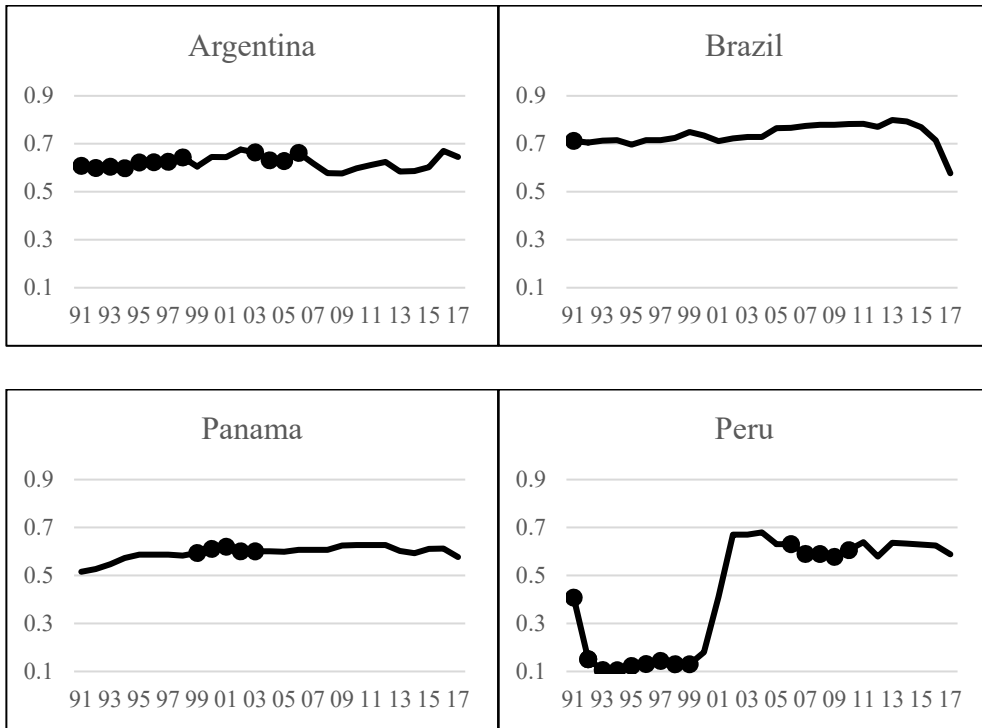


Figure 12. Populists in Improving Liberal Democracies



As can be seen in Figure 13, liberal democratic institutions also remained quite intact under the rule of populist presidents in those countries belonging to the group of stable liberal democracies such as Argentina, Brazil, Panama and Peru. Carlos Menem (1991-1998) and Néstor Kirchner (2003-2006) of Argentina did not produce negative outcomes on Argentine liberal democracy. It was also the case for Fernando Collor de Mello (1991) of Brazil and Mireya Moscoso (1999-2003) of Panama. A notable exception is the authoritarian rule of Alberto Fujimori (1991-1999), during which Peruvian liberal democracy was crushed. However, Peru’s restored liberal democratic institutions remained largely unaffected by populist threats posed by Alan García (2006-2010).

Figure 13. Populists in Stable Liberal Democracies



What explains the disparate behavior of populist presidents? All incumbent populists are ultimately power-maximizers. Therefore, once elected, they all wish to engage in the populist project of maximizing the utility of the individuals constituting the majority at the expense of the elite and minority, which is likely to result in eroding liberal democratic institutions in their favor. Yet, assaulting liberal democratic institutions is not an easy task. To go from populist rule to the erosion of liberal democracy, presidents' radical political choices are required. While Populist rule does open a unique possibility for the erosion of liberal democratic institutions, the capability of populist presidents to increase their power and damage liberal democracy depends on some specific constellations. In the following section, I describe the three variables that allow me to analyze

under which conditions they pose a threat to the key institutional settings of liberal democracy and which circumstances might hinder them from doing so.

4.3. Populist Presidents' Room to Maneuver and its Constraints

4.3.1. Populist Presidents and Constraints from Three Groups

As Ruth (2017) rightly points out, the fact that a populist president is in office itself opens a unique possibility for radical institutional changes, given the inherent incompatibility between populist ideas and liberal democracy. Yet, assaulting liberal democratic institutions is not an easy task. To go from populist rule to the erosion of liberal democracy, presidents' radical political choices are required. As the executives enjoy a distinctive advantage over other political actors in terms of the power to impact policy outcomes, populist presidents often employ unilateral tools to impose their policy agenda (Barber et al. 2019). They are keen to capitalize on unilateralism as it is largely in accordance with their populist rhetoric that strongly favors popular sovereignty and majority rule over checks and balances and minority rights.

However, changing institutions in a unilateral manner within the context of representative democracies is a delicate task and usually involves costs, as it concerns several political actors (Negretto 2009; Corrales, 2016; Ruth 2017). It is therefore impossible that populist presidents implement discretionary institutional changes without completely ignoring costs that may arise from a number of potential resisting forces (Barber et al. 2019). Bearing in mind that twisting the existing political order with discretionary executive power can potentially garner costly opposition (Christenson and Kriner 2017), incumbent populists carefully assess what constraints they face over the course of bringing about institutional changes. The degree of discretion that they enjoy is thus

determined by the estimated costs of doing so incurred by a set of constraints.

Then, what constraints do populist presidents face when they attempt to increase executive power and device a set of radical institutional changes? In order to answer this question, one should look at the class structure of a typical Latin American society and which fractions of the society populists consider as target constituencies to maintain their legitimacy. I distinguish between three groups in society: the capitalist class; the formal working class; and the informal working class, who curtail their room to maneuver vis-à-vis liberal democracy by posing a probable threat to governability.

The first distinction is between those who own the means of production and those who only own their labor power: the capitalist class and the working class. Then, the working class are further differentiated by their employment status: those under formal arrangements and those under informal arrangements.² This society cleavage is quite similar to that introduced in Mukand and Rodrik (2020), where there are three groups in society, elite; non-elite majority; and non-elite minority.

Among these three groups, populists mainly target informal workers as they constitute a majority in a typical Latin American society. While populists claim to represent the supposedly marginalized “people,” against privileged elites and minorities who are together depicted as depriving the “people” of their voice and

² Informal employment includes own-account workers outside the formal sector, contributing family workers, employers and members of producers' cooperatives in the informal sector, and employees without formal contracts. The most common way to distinguish between formal workers and informal workers is by their contributions to social security (International Labor Organization 2019).

prosperity, it is unclear who these “people” exactly are. As pointed out by Espejo (2017), for populists, the “people” are merely a hypothetical ideal for governance. On this view, the concept of the “people” are used to make enough individuals believe that the government is legitimate, enabling populists to form the majority they need for governance.

Therefore, from the viewpoint of populists, membership in the “people” should be granted to the marginalized informal working class who are a key component of the winning electoral coalition and whose votes costs the least to buy (Mazucca 2013). What characterizes a typical Latin American society is that, although to a varying degree across countries, a notably high proportion of workers are under informal employment.³ Persistently high levels of informality means that the workers under informal arrangements have constituted a core fraction of the majority that populists claim to represent in most Latin American countries. Informal employment is typically accompanied by low wages and high risks of vulnerability due to the absence of social protection. Their demands are usually not effectively mediated by established political institutions, making them target constituencies for populists.

The ideological construct of populism dictates incumbent populists to focus exclusively on the legitimacy of the majority. Therefore, they feel authorized to

³ According to the most recent statistics on the informal economy by International Labor Organization (2019), the share of informal employment including agriculture in total employment was 48% in Argentina in 2018, 81% in Bolivia in 2018, 45% in Brazil in 2015, 29% in Chile in 2019, 62% in Colombia in 2019, 39% in Costa Rica in 2019, 57% in the Dominican Republic in 2018, 74% in Ecuador in 2019, 69% in El Salvador in 2018, 80% in Guatemala in 2017, 83% in Honduras in 2017, 66% in Mexico in 2004, 82% in Nicaragua in 2012, 51% in Panama in 2018, 69% in Paraguay in 2019, 69% in Peru in 2018, 24% in Uruguay in 2019.

act unilaterally and make policy choices bypassing the elite and minority (Urbinati 2019), who mostly belong to the capitalist class and the formal working class. It is the majority's prerogative to impose policy outcomes of their preference, disregarding the elite and minority's wishes. Under liberal democratic regimes, the majority still retains control over policy outcomes, but they cannot discriminate against the elite and minority (Mukand and Rodrik 2020). In liberal democracy, policy outcomes should reflect a settlement between the elite, majority and minority.

The capitalist class and the formal working class belong to the “non-people.” Populists do not need the wealthy, propertied capitalist class or the relatively-well paid minorities in the formal sector in order to win votes needed for plebiscitarian mechanism or re-election. Their votes are more expensive to buy than those of the informal working class and the share of informal employment in total employment is sufficiently high to rule them out as target constituencies.

The marginalized informal workers, who constitute a majority, pursue a set of policies that improve their economic conditions. The wealthy, propertied capitalist class want the government to protect asset holders and investors from various risks such as expropriation, as they are likely to have made long-term investments. The formal working class, who are considered a core component of the minority, desire equality under the law and their rights not to be discriminated against in the economic and political realms.

While the informal working class are indifferent about the principles of popular sovereignty and majority rule being dominant over liberalism and constitutionalism as long as the populist government improves their economic conditions, the capitalist class and formal working class demand the functioning

of liberal democratic institutions as they benefit from it. According to Mazzuca (2013), the groups most interested in placing horizontal controls on the executive branch are the sections of the population that are least likely to become partners in the populist project and are most worried about the discretionary use of political power (Mazzuca 2013).

I argue that each of these groups curtails populist presidents' room to maneuver with regards to attacking liberal democratic institutions by posing a potential threat to governability. The populist government is by nature constrained by the requirement to please the informal working class in order to maintain its legitimacy. However, it is also constrained by the capitalist and formal working class as these two groups often have disproportionate influences in a country's policy choices given high levels of inequality and weak political institutions in the Latin American context. Therefore, populist presidents cannot completely ignore these two groups over the course of their populist project of maximizing the utility of the populations forming the majority at the expense of elites and minorities as completely ignoring their demands can pose a threat to governability.

First, their capability to increase presidential power and bring about institutional changes with unilateralism is constrained by the need to please the informal working class, who constitute a majority in a typical Latin American society. A number of scholars point out that the executives are significantly constrained by its principal (O'Donnell 1994; Christenson and Kriner 2017), and especially by those who form a key component of winning electoral coalition that makes populist presidents to claim plebiscitarian ratification of their agendas (Mazzuca 2013). According to O'Donnell (1994), electorates are not passive actors after the

election but actively demand vertical accountability. For example, they play a significant role in the government policymaking process, executive-legislative conflicts and presidential falls (Smulovitz and Peruzzotti 2000). The majority have no incentive to support the populist government in attacking liberal democratic institutions with unilateral power if it does not provide them with socioeconomic benefits. Populist presidents often meet the demands of the informal working class through the employment of natural resource rents, thereby relaxing the constraint posed by the majority.

Second, the populist government's policy choices are constrained by the formal working class. In Latin American countries, a high proportion of the formal workers are employed in the industrial sector and they tend to be highly unionized, making up the core fraction of the organized labor. In a typical Latin American society, organized labor is one of the most influential groups among those who form "privileged" minorities in the civil society. Although organized labor in a typical Latin American country remains the minority in terms of the magnitude of its relative number, it does possess significant power to curtail policy choices of the executives demanding the functioning of liberal democracy through direct and indirect channels, serving to affect the design, implementation, and schedule of key government policies (Murillo 2003). A package of policies introduced by the executives have diverse effects on the interests of organized labor and it is capable of making powerful responses to them, armed with tools such as strikes, protests and collective bargaining. Thus, from the populist point of view, organized labor is a significant actor that shapes the costs of pursuing institutional changes in a unilateral manner.

Lastly, another constraint to the executives comes from the capitalist class. The

costs posed by this group to the executives are in the form of damage to the country's reputation in financial markets. The higher the level of financial development, the higher the importance of maintaining sound financial reputation, thus the higher the costs of assaulting property rights of the wealthy, propertied elites, for example, by expropriation. Therefore, the importance of protecting the interests of the capitalists increases with a higher financial development. It is directly related to how much international capital it can receive and the risk of capital flight. As Mazzuca (2013) argues, financial reputation costs provide immunization against abrupt government decisions.

Ultimately, the effectiveness of these three potential veto players incurring costs to presidential discretion and thereby posing constraints to it is to do with their relevance within the political economy of the country. I therefore argue that how relevant the three restraining forces are in the populist presidents' cost-benefit analysis conditions their capability to actually pursue strengthening of executive power and radical institutional changes that are consistent with their populist discourse. In what follows, I identify three variables that are closely connected with each of the three constraints posed to populist presidents: natural resource rents, industrial employment, and financial development. Depending on the levels of these three variables, the extent to which populist presidents can implement a set of radical institutional changes consistent with their populist discourse is determined.

4.3.2. Joint Effect of Populist Rule and Natural Resource Rents on Liberal Democracy

The ability of populist presidents to pursue a radical strategy of making institutional changes depends on their ability to maintain high levels of popular

support (Mazzuca 2013). Strong popular support in favor of the president thus relaxes the constraint posed by its principal mostly located in the precarious informal sector and may foster presidential dominance and its attempts to erode liberal democratic institutions (Carey 2003; Mazzuca 2013).

The extent of popular support that the incumbent populist enjoys often reflects its government's fiscal space (Kaplan 2016). Sufficient fiscal space is a key to the political survival of populist presidents. Considering that virtually all Latin American countries face strong redistributive pressures, the redistributive demands of the masses need to be met by the institutional capacity of the state to redistribute. In the majority of countries in the region where tax base is not stable, securing fiscal space often depends on the availability of natural resources.

For populist presidents in resource abundant countries, the easiest channel through which they can retain enough fiscal space and meet the redistributive demands of the marginalized informal workers who form the majority is the employment of natural resource rents. The rentier state literature points out that natural resource booms help finance high government spending (Weyland 2009). High government spending, in turn, often involves clientelism through the targeting of government expenditures at key constituencies, investing in politically expedient "pork barrel" projects. With increasing opportunities to use the states' budget to offer favors to their target constituencies, populist presidents can easily buy political loyalties.

Under what Mazzuca (2013) calls rentier-populist coalition, ruling populists aim to win popular support with gains from natural resource exports. In a similar vein, Müller (2016) argues that available natural resources rents allow populist presidents to make use of them in engaging in mass clientelism, providing the

incumbents with enough room to pursue a radical strategy of institutional changes. They strategically employ the subsidies generated from natural resources incomes for short-term consumption rather than long-term investment. This is likely to result in popular support, especially from the informal sector, in which the marginalized populations are concentrated. Strong popular support in favor of the president in plebiscites and referendums, in turn, widens the populist president's room to maneuver in amending the existing liberal democratic institutions to their favor, fostering presidential dominance.

According to the theoretical framework of rentier populism, there are two winning partners in the rentier-populist coalition: the government that redistributes income derived from natural resources to the informal sector and the informal sector which comprises a majority of the population in Latin American countries and rewards the government with political support, in the form of votes and "street power" to intimidate economic and political losers (Mazucca 2013). This is possible as exploiting natural resources does not require substantial investments. Ultimately, the rentier-populist coalition forms what is called the social basis of the plebiscitarian superpresidentialism (Mazucca 2013). Rentier populists do not feel the need to appeal to the minorities in the formal economy for political support, as they can easily exceed the required threshold level of political support from the informal majority. The only requirement in the plebiscitarian mechanism is the majority.

At the same time, natural resource rents significantly decrease the potential power of other political actors to defend the status quo. According to Levitsky and Loxton (2013), as exports of natural resources generate massive state revenue, state-society resource asymmetries occur, enabling populist governments to co-

opt civil society and starve the opposing forces of resources. They make more appointments in the bureaucracy, in the courts, and in the military. They can offer favors to the private sector and the ruling party, blocking the rise of alternatives. The effectiveness of groups in the opposition demanding checks and balances is a function of their relevance within the political economy of the dominant coalition. Thus, when rentier populism rules, given the state-society resource asymmetries, the effectiveness of demands for horizontal accountability becomes almost negligible (Levitsky and Loxton 2013; Mazzuca 2013).

For a significant number of countries in Latin America, natural resource rents have been the main sources of income over the past decades. Especially, the region recently witnessed the surging prices of commodities such as oil, minerals, and agricultural products due to the growing demand from emerging market economies such as China and India. The post-2002 commodity boom facilitated the hegemonic rule of populist presidents in those countries that experienced a favorable boost in their terms of trade. Hugo Chávez of Venezuela, Rafael Correa of Ecuador, and Evo Morales of Bolivia greatly benefitted from the commodity boom.

Populist governments strategically used their revenues from natural resources to increase social transfers to their target constituencies. For example, rents from oil allowed Hugo Chávez of Venezuela to establish strong ties with the lower popular strata through numerous social programs encompassing the fields of health, education and housing (Panizza 2009; Hawkins 2010). The main beneficiaries of these social programs, the poorer strata of the population that are mostly concentrated in the informal sector made up the core of Chávez's electorate. Clientelist dimension was present from the outset (Stavrakakis et al. 2016). The

main strategy of Chávez's populist regime was, in sum, to distribute rents from natural resources to their clients and mobilize them through plebiscitarianism to alter liberal democratic institutions to its favor.

I split my sample of 18 Latin American countries from 1991 to 2017 according to the presence of populist rule. In one graph, I draw scatterplots of Liberal Democracy Index versus natural resource rents as a percentage of GDP, in filled circles for the sub-sample consisting of the countries under populist rule in a given year and in empty circles for the other sub-sample consisting of the countries under non-populist rule in a given year.

Figure 14. Natural Resource Rents and Liberal Democracy Index 1991-2017

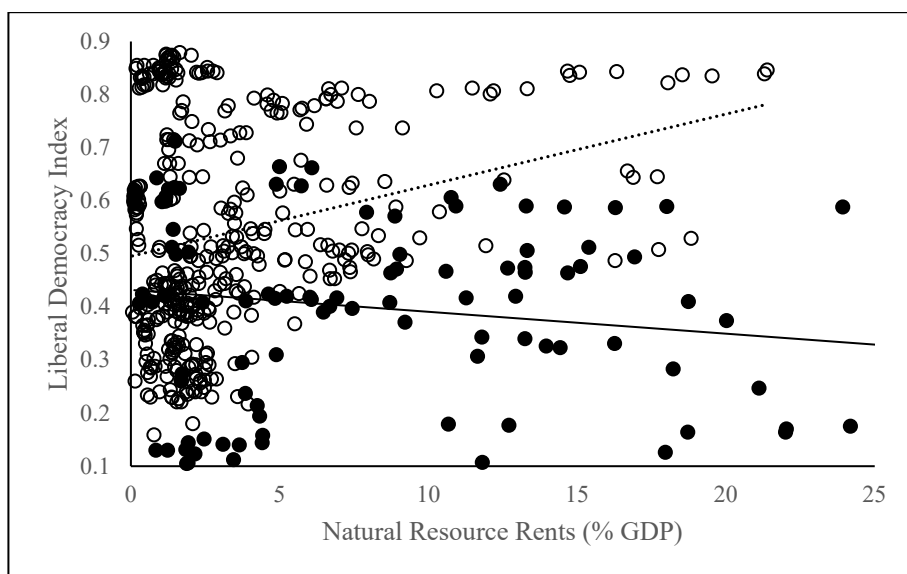


Figure 14 shows that natural resource rents as a percentage of GDP is negatively associated with Liberal Democracy Index among the observations under populist rule. However, the negative relationship between the two variables is reversed in the sample restricted to the observations under non-populist rule. This suggests

that the implications of natural resource abundance on liberal democracy may be different for populist and non-populist presidents. Under populist rule, a higher level of natural resource rents is likely to lead to a further deterioration of the quality of liberal democratic institutions. In contrast, under non-populist rule, higher natural resource rents can be a blessing for a country's liberal democracy. One should also note from the two trend lines drawn in Figure 4.7 that the difference between populist rule and non-populist rule in terms of the associated levels of liberal democracy increases with a higher level of natural resource rents.

4.3.3. Joint Effect of Populist Rule and Industrial Employment on Liberal Democracy

From the populist ruler's point of view, organized labor is an important player shaping the executives' costs of engaging in favorably amending liberal democratic institutions. As a proxy for the political leverage of organized labor in resisting presidential discretion vis-à-vis liberal democracy, I look at the contribution of the industrial sector to the country's employment⁴. The industrial sector traditionally consists of well-paid, highly unionized formal sectors such as manufacturing.

A strong organized labor can act as a significant impediment to ruling populist presidents when they attempt to mobilize the masses through their typical strategy of holding plebiscites with the purpose of twisting the existing political order. Unions can organize opposition to what presidents do, thus changing the

⁴ Although there exist informal jobs in the industrial sector, it still serves as a better proxy for the strength of organized labor than other measures such as labor union membership rates due to its data availability. Moreover, the proportion of informal employment in the formal sector should be similar across countries, giving a systematic error for statistical analysis.

costs of a set of policies. Organized labor is generally believed to act as a significant force that can resist the threats to liberal democracy posed by populist presidents through three main channels.

First, organized labor has traditionally been a major social force supporting liberal democracy. Many scholars underlie the industrial labor as the most consistent pro-democratic force (Rueschemeyer et al. 1992; Valenzuela 1989; Blind 2008). Its pivotal role in shaping regime dynamics in Latin America has been evident since the 1930s (Collier and Collier 1991; Murillo 2000; Levitsky and Mainwaring 2006). According to Valenzuela (1989), organized labor is a group that consistently benefits from the advancement in liberal democracy. Naturally, those who gain from it are its most reliable promoters and defenders.

Indeed, In Latin America, the labor movement, a product of the growing industrial sector since the 1930s, led the demands for the expansion of the franchise and the creation of welfare state from the 1930s to 1960s. Organized labor's support for liberal democracy was also manifest at several points in the region's history even after the mid-1900s. Unions often represented the broader interests of the society under authoritarian military regimes in the 1970s and 1980s. For example, in Argentina, labor protests led by the Confederación General del Trabajo (CGT) intensified divisions within the authoritarian military regime, thereby instigating a process of political opening in the 1980s (Collier and Mahoney 1997). It has consistently defended liberal democracy and unambiguously opposed military uprisings in 1987 and 1990. In Uruguay, when the military shut down the legislature in 1973, organized labor were the only social group that protested publicly.

Organized labor actively engaged in national politics to protect their interests,

which were often closely connected with advancement in liberal democracy. Unions enjoyed greater legitimacy after the democratic transition due to their persecution under authoritarian regimes and their significant role in the transition (Cook 2004). Consequently, it has stood among the most organized and consolidated pro-democracy representative forces in a typical Latin American society. It has shown the capacity to paralyze the country with national strikes, achieving a strong bargaining leverage and posing themselves as legitimate political interlocutors.

Second, organized labor often constitutes the core constituency of labor-based political parties, exercising a direct and indirect influence on them (Murillo 2000). Labor-based parties draw significant electoral and mobilizational support from organized labor. In return, unions are rewarded with access to the internal politics of the party and even the governance of the state. Such exchange mechanisms between organized labor and the labor-based party have become institutionalized over time (Collier and Collier 1991; Levitsky and Mainwaring 2006). Indeed, most high-ranking labor leaders in Latin America have historically aligned themselves with major labor parties in their countries. For example, in Peru, the Confederación General de Trabajadores del Perú (CGTP) has traditionally been closely linked to the labor-based party Alianza Popular Revolucionaria Americana (APRA). In sum, organized labor provides support for the established labor-based parties, and ultimately, party politics, which is a core element of the functioning of liberal democracy.

Levitsky and Loxton (2013) emphasize the importance of party-labor alliances for liberal democracy to function properly. According to them, the decomposition of the party system triggered by the loosening party-labor linkages has important

implications for the stability of liberal democracy. Where powerful labor-based parties collapsed during the neoliberal era as an outcome of the declining numerical leverage of organized labor and the erosion of the linkage between organized labor and established political parties, as in Peru and Venezuela, party systems decomposed.

Where the decreasing numerical leverage of organized labor was apparent as a result of trade liberalization, it was left with less to offer to traditional parties in terms of the party-labor exchange. It delivered fewer votes, was less necessary to ensure social peace, and had fewer resources to invest in the political arena (Howell and Daley 1992). As a result, neopopulists and radical populists wished to avoid anchoring themselves to an increasingly narrow social base. Being aware of the declining numerical and political leverage of organized labor, they often turned to capture a larger share of the informal sector vote. They did not feel the need to incorporate both formal and informal workers to their layer of constituents. They were now willing to recruit support from the legions of informal workers who were “worse off” than the organized laborers in the formal sector who were “better off” and experiencing shrinkage. From the perspective of populist governments, the relative social and political strength of organized labor was limited.

Third, populist presidents’ policy platforms can often be detrimental to organized labor’s economic interests. As a result of neoliberal economic policy implemented by neopopulists in the 1980s and 1990s, jobs in the formal sector were dismantled. For instance, the Menem government in Argentina implemented a number of flexibilizing labor reforms that turned out to threaten some key interests of organized labor. Under the regime of Alberto Fujimori, the

loss of jobs in the formal sector was aggravated due to the neoliberal adjustments. According to Blind (2008), unions, in addition to being important actors in democratization and the consolidation of liberal democracy, are also the groups most intensely and directly affected by neoliberal reforms (Cook and Murphy 2002). Privatization tends to adversely affect wages, job security, working conditions, and the very idea of unionism, thereby rendering unions politically less powerful.

In the new millennium, the strategy of clientelism typically employed by radical populists was not targeted towards the formal industrial sector. As pointed out by Brady et al. (2011), Bogliaccini (2013), and Athukorala and Sen (2015), the industrial sector has traditionally provided well-paid formal jobs, especially for unskilled labor. As a result of dramatic economic transformation that took place over the region since the 1980s, organized labor was no longer considered as the main subject of populist mobilization, to both neopopulists and radical populists. That is, there was a dramatic shift in the mobilized subject.

In the era of classical populists, organized labor represented the marginalized group whose growing demands had to be channeled by populists. Indeed, it was the stalwart of populist presidents in the region from the 1930s to 1960s. The urban workers in the industrial sector who had previously been ignored were mobilized, enfranchised, and incorporated to the political arena by classical populists. However, as Latin American countries went through the period of import substitution industrialization, organized labor no longer remained underrepresented both in the economic and political realms. Unions were often portrayed by populists as privileged special interest groups that sought only to secure their means to wealth, or as market-distorting force that pushed up wages

at the expense of the vast majority excluded from the formal labor market.

Given the conflicting interests between governing populists and organized labor, a higher proportion of labor employed in the industrial sector tells that there are less people to be easily tied to governing populists in a vertical manner. Those belonging to the informal sector whose economic and political interests are highly heterogeneous and remain unchanneled have become the main mobilized subject for populists.

Figure 15. Industrial Employment and Liberal Democracy Index 1991-2017



I once again split my sample of 18 Latin American countries from 1991 to 2017 according to the presence of populist rule. In one graph, I draw scatterplots of Liberal Democracy Index versus industrial employment as a percentage of total employment, in filled circles for the sub-sample consisting of the countries under populist rule in a given year and in empty circles for the other sub-sample consisting of the countries under non-populist rule in a given year.

Figure 15 illustrates that the ratio of industrial employment to total employment is positively associated with Liberal Democracy Index among the observations under populist rule. The positive relationship between the two variables still holds in the sample restricted to the observations under non-populist rule. However, the slope of the trend line becomes much gentler in the non-populist sample, implying that populist presidents are likely to be more heavily affected by the numerical leverage of the industrial sector in the economy than non-populist presidents. One should also note from the two trend lines drawn in Figure 4.8 that the difference between populist rule and non-populist rule in terms of the associated levels of liberal democracy decreases with a higher level of industrial employment.

4.3.4. Joint Effect of Populist Rule and Financial Development on Liberal Democracy

A country's level of financial development is another important determinant of the capacity of populist presidents to carry out radical institutional reforms that pose a threat to liberal democracy. The wealthy, propertied elite who demand the protection of property rights and the existing political order have more leverage in the policy choices of the populist government in a country with a higher level of financial development. In such a country, the protection of asset holders and investors from various risks such as expropriation becomes an important policy priority as it is directly related to the country's financial reputation, which is simply too precious to throw away for governability. The inflow of international capital and low likelihood of capital flight are important preconditions for sound governance in a financially developed country.

Certainty over policy and its associated risks are considered a crucial component

of a country's financial creditworthiness (Cho 2013). One important information shortcut that asset holders and investors commonly rely on when they assess certainty over policy directions of a country is the professed beliefs of the incumbent politicians (Brooks and Mosley 2007; Gray 2013). In this respect, one can expect that populist presidents are likely to spook elites as they often represent a threat to the status quo. Elites are well aware of the fact that the way populists view politics is not compatible with some of the core pillars of liberal democracy. Their employment of the notion of popular sovereignty to contravene checks and balances and separation of powers and the praxis of majority rule to circumvent minority rights, with the frequent use of plebiscites, may ultimately lead to expropriation given the unlimited executive power.

The possibility of drastic changes in the existing political order becomes greater and associated economic and political risks emerge, which asset holders and investors who value consistency and predictability are weary of. Populist presidents are open about their wishes to submit the economy to majoritarian decisionmaking, as the majority have extensive political power (Dornbusch and Edwards 1991; Persson and Tabellini 1994). They intend to use political criteria in guiding the allocation of economic value. The wealthy, propertied elites are particularly worried about populist assault on the enforcement of property rights, possibility of expropriation, frequent economic experimentations that violate the liberal principles, and ultimately, the emergence of an authoritarian regime.

When a country's level of financial development is high enough, losses from the weakening of financial reputation become quite significant. Once asset holders and investors begin to sense that the incumbent populist is going to implement a set of radical policies that are consistent with its populist rhetoric, including

assault on property rights, it becomes quite likely that domestic and international capital move in an unfavorable manner due to uncertainties in the domestic economic and political landscape.

If governments have the incentive to build credibility among asset holders and investors of their future policy directions, it is necessary that they send a signal that they are to provide consistency and predictability in their policy choices. They should show that liberal democratic institutions that go beyond the will of individual populist leaders exist. In that way, arbitrary policy changes based on plebiscitary majoritarianism such as expropriation are refrained and property rights are respected. Any deterioration in liberal democratic institutions as manifested by undermining the existing institutional arrangements by assaulting the propertied elite may be perceived as a threat by asset holders and investors, negatively affecting sovereign credibility.

In sum, while populist presidents naturally consider superpresidentialism based on plebiscites a tempting political option, the potential reputation costs shaped by the financial sector can provide immunization against the incumbent populists' attempts to implement radical institutional changes that correspond to their populist rhetoric. They who otherwise might be tempted to employ superpresidentialism may end up concluding that the sound financial reputation is simply too precious to throw away (Weyland 2009). That is, losses from the weakening of financial reputation outweigh the gains from governing in a populist manner which ultimately assaults liberal democracy. When faced with significant constraints emanating from the financial market, populist presidents pursue changes inside the confines of the existing political order, as demanded by elites.

I repeat the same exercise conducted in the previous sections. I split my sample of 18 Latin American countries from 1991 to 2017 according to the presence of populist rule. In one graph, I draw scatterplots of Liberal Democracy Index versus financial development, in filled circles for the sub-sample consisting of the countries under populist rule in a given year and in empty circles for the other sub-sample consisting of the countries under non-populist rule in a given year.

Figure 16. Financial Development and Liberal Democracy Index 1991-2017

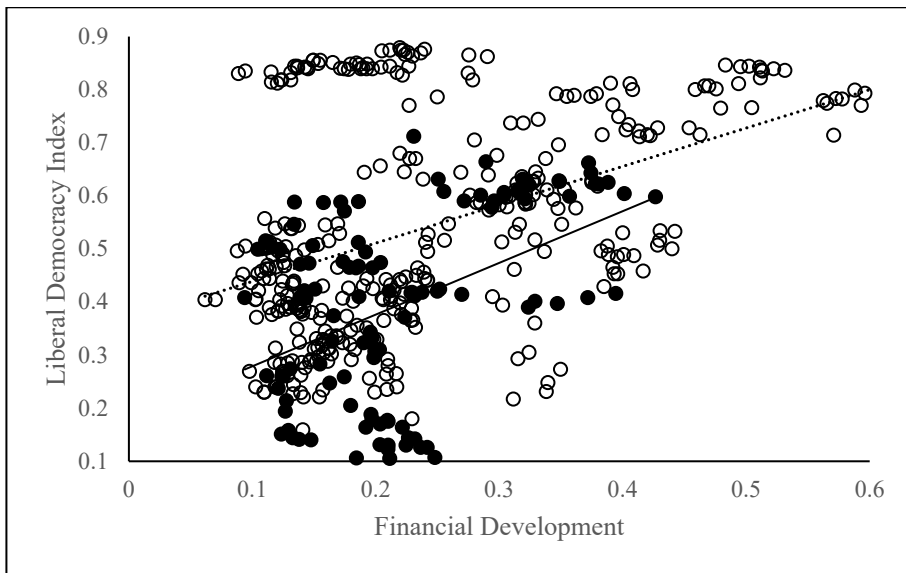


Figure 16 illustrates that the level of financial development is positively associated with Liberal Democracy Index among the observations under populist rule. The positive relationship between the two variables still holds in the sample restricted to the observations under non-populist rule. However, as it was the case for the relationship between industrial employment and liberal democracy, the slope of the trend line is gentler in the non-populist sample, suggesting that populist presidents are likely to be affected by the level of financial development to a larger extent than non-populist presidents. One can also see from the two

trend lines drawn in Figure 4.9 that the difference between populist rule and non-populist rule in terms of the associated levels of liberal democracy decreases as the level of financial development becomes higher.

5. Empirical Analysis

5.1. Research Hypotheses

Based on the theoretical considerations along with some empirical evidence, I expect populist presidents to have a negative effect on the quality of liberal democracy. Once populists are in office, they are expected to undermine the institutional settings underlying liberal democracy. Furthermore, the negative impact of populist actors in government on the quality of liberal democratic institutions can be amplified depending on some specific conditions.

I aim to test the following hypotheses in my empirical analysis:

H1: When populist presidents are in government, they are likely to have a negative influence on the quality of liberal democracy.

H2: The higher the level of natural resource rents, the stronger the negative impact of populist presidents on the quality of liberal democracy.

H3: The higher the level of industrial employment, the weaker the negative impact of populist presidents on the quality of liberal democracy.

H4: The higher the level of financial development, the weaker the negative impact of populist presidents on the quality of liberal democracy.

5.2. Model Specification

In order to test my hypotheses, I construct a number of regression models based on pooled ordinary least squares and fixed effects estimation methods employing a panel dataset of 18 Latin American countries between 1991 and 2017. This sample is appropriate to test my hypotheses not only because Latin America has a long history of populism but also because the countries in the region

demonstrate a significant degree of homogeneity. They have long featured presidential regimes and share a similar history of democratization and economic development. Presidential systems provide favorable conditions for the ascent of populists, due to the high degree of personalization and centralization through the nationwide, direct election of the executive (Linz 1994). These similarities, according to Hagopian and Mainwaring (2005), allow one to concentrate on a reduced set of explanatory factors that vary among them.

My dependent variable is the quality of liberal democracy, which is quantified using Liberal Democracy Index from the Varieties of Democracy Index (2019). The lowest level of liberal democracy scores 0 and the highest level of liberal democracy scores 1. Details on this index are provided in Chapter 3. The quality of liberal democracy is modeled as a function of my main variables of interest and several other control variables that are conventionally invoked in the existing empirical literature: the level of development; the maturity of democracy; and the years after the presidential inauguration.

I now introduce three variables that are expected to mediate the relationship between populist rule and liberal democracy. My first mediating variable is a country's total natural resource rents as a percentage of GDP. The data are collected from the World Development Indicators (2019). Total natural resource rents are the sum of oil, natural gas, coal, mineral, and forest rents. The rent from a particular commodity is defined as the difference between its world price and average extraction cost both expressed in current US dollars. Measuring resource rents is a good proxy for resource revenues that can potentially be appropriated by political leaders (Bhattacharyya and Hodler 2014). This measure is better than the use of the share of natural resource exports in total exports as the latter is

likely to suffer from endogeneity. Using natural resource rents as a proxy for natural resource abundance helps bypass some endogeneity-related concerns as they mainly depend on the stock of natural resources and exogenous world prices.

My second mediating variable is employment in industry as a percentage of total employment in a country (International Labor Organization 2019). The industrial sector consists of mining and quarrying, manufacturing, construction, and public utilities (electricity, gas, and water). This sector provides well-paid formal jobs for less-skilled workers, which are abundant sources of labor in Latin American countries.

My third mediating variables is the level of financial development. I use the Financial Development Index extracted from the International Monetary Fund (2016), which is defined as a combination of the depth (size and liquidity of markets), access (ability of individuals and companies to access financial services), and efficiency (ability of institutions to provide financial services at low cost and with sustainable revenues, and the level of activity of capital markets) of a country's financial institutions and financial markets. This composite index summarizes how developed each country's financial institutions and financial market are in an overall sense.

As for my control variables, I first control for the level of economic development. In general, it is expected to have a positive effect on the quality of liberal democracy, as argued by Lipset (1960) and Przeworski et al. (2000). According to the modernization theory, a higher level of per capita GDP is likely to boost normative preferences of political actors for liberal democracy. I use per capita GDP (constant 2010 US\$) from the World Bank (2019) in order to measure the level of economic development.

Table 3. Summary Statistics

Variable	N	Mean	Std. Dev.	Min	Max
Liberal Democracy	486	0.51	0.20	0.10	0.88
Electoral Democracy	486	0.68	0.16	0.25	0.93
Suffrage	486	1	0	1	1
Elected Officials	486	0.99	0.08	0	1
Clean Elections	486	0.73	0.18	0.22	0.98
Freedom of Association	486	0.85	0.09	0.31	0.95
Freedom of Expression and Alternative Sources of Information	486	0.82	0.13	0.30	0.98
Liberal Component	486	0.67	0.19	0.18	0.96
Equality before the Law and Individual Liberties	486	0.76	0.16	0.09	0.98
Judicial Constrains	486	0.61	0.24	0.04	0.97
Legislative Constraints	486	0.64	0.27	0.06	0.96
Populist	486	0.22	0.42	0	1
Natural Resource Rents	483	4.44	5.27	0.06	31.58
Industrial Employment	486	20.98	3.08	13.35	32.90
Financial Development	468	0.24	0.12	0.06	0.61
Per Capita GDP	483	5996	3626	1060	15060
Democratic Consolidation	486	20.88	19.51	0	98
Years in Office	486	3.44	2.24	1	14

Table 4. Summary Statistics, Populist Rule vs. Non-Populist Rule

	Populist Rule (N=108)		Non-Populist Rule (N=378)	
	Mean	Std. Dev.	Mean	Std. Dev.
Liberal Democracy	0.39	0.18	0.54	0.20
Electoral Democracy	0.60	0.17	0.70	0.15
Suffrage	1	0	1	0
Elected Officials	0.97	0.17	1	0
Clean Elections	0.68	0.17	0.84	0.10
Freedom of Association	0.79	0.13	0.86	0.07
Freedom of Expression and Alternative Sources of Information	0.74	0.17	0.84	0.10
Liberal Component	0.54	0.20	0.71	0.17
Equality before the Law and Individual Liberties	0.72	0.15	0.77	0.16
Judicial Constrains	0.41	0.26	0.67	0.20
Legislative Constraints	0.49	0.28	0.69	0.25
Natural Resource Rents	8.40	7.44	3.34	3.82
Industrial Employment	20.11	3.47	21.23	2.92
Financial Development	0.22	0.08	0.24	0.12
Per Capita GDP	6011	3898	5992	3552
Democratic Consolidation	18.15	13.95	21.67	20.78
Years in Office	4.87	3.22	3.02	1.67

My second control variable is the consolidation of democracy. The inclusion of

this variable is to account for the expected difference between consolidated and less consolidated democracies. I thus look at the duration of democracy to measure a country's status of consolidation. I refer to the Regime Durability variable from the Polity5 (2020) to measure the duration of democracy in years since the last regime change to democracy. It is expected that more consolidated democracies enjoy a higher quality of liberal democracy.

Lastly, I control for the time elapsed in office since the presidential inauguration for each president. Years in office since inauguration are measured. This variable is intended to control for the time sensitivity of presidents' attempts to interfere with liberal democratic institutions and their increasing tendency to govern in an authoritarian manner with a plebiscitarian strategy with time. I expect that a country's level of liberal democracy is likely to decrease with more years in office since presidential inauguration. Table 3 reports summary statistics of the variables introduced in my regression analysis.

In Table 4, I provide summary statistics for the same variables after dividing my sample into two groups according to the presence of a populist president in office. There are 108 observations under populist rule and 378 observations under non-populist rule.

Table 5 summarizes annual average values of the four key variables in this thesis: Liberal Democracy Index (*libdem*); natural resource rents as a percentage of GDP (*nr*); employment in industry as a percentage of total employment (*emp*); and Financial Development Index (*fd*) during the governing period of each populist president.

Table 5. Annual Average Values of Key Variables under Populist Rule

Country	Years	Populist President	<i>libdem</i>	<i>nr</i>	<i>emp</i>	<i>fd</i>
ARG	1991-1998	Carlos Menem	0.62	1.2	28.3	0.37
	2003-2006	Néstor Kirchner	0.65	5.4	22.9	0.33
BOL	2006-2017	Evo Morales	0.45	11.1	20.6	0.20
BRA	1991	Fernando Collor de Mello	0.71	1.5	22.5	0.23
COL	2002-2009	Álvaro Uribe	0.41	6.1	19.9	0.31
DOM	2000-2003	Hipólito Mejía	0.42	0.6	23.0	0.14
ECU	1996	Abdalá Bucaram	0.47	8.9	20.2	0.14
	2003-2004	Lucio Gutiérrez	0.50	11.2	18.3	0.14
	2007-2016	Rafael Correa	0.35	12.1	18.7	0.20
NIC	2007-2017	Daniel Ortega	0.19	3.3	17.9	0.13
PAN	1999-2003	Mireya Moscoso	0.61	0.1	17.4	0.31
PRY	2008-2011	Fernando Lugo	0.52	1.6	18.4	0.12
PER	1991-1999	Alberto Fujimori	0.16	1.9	14.6	0.19
	2006-2010	Alan García	0.60	11.1	16.2	0.28
VEN	1994-1999	Rafael Caldera	0.58	16.3	23.6	0.16
	2000-2012	Hugo Chávez	0.24	20.3	21.1	0.18
	2013-2017	Nicolás Maduro	0.13	14.9	21.2	0.24

5.3. Regression Results

I begin by presenting regression results testing for H1. As a benchmark, I estimate the impact of populist rule on the quality of liberal democracy in the absence of mediating variables. Table 6 reports the regression results with estimation methods based on pooled ordinary least squares and fixed effects with or without

year dummies.

Table 6. Effect of Populist Rule on Liberal Democracy

Dependent Variable: Liberal Democracy Index				
	(1)	(2)	(3)	(4)
	OLS	OLS	FE	FE
Populist	-0.104*** (0.017)	-0.110*** (0.018)	-0.075*** (0.012)	-0.079*** (0.012)
Ln (pcgdp)	0.153*** (0.010)	0.158*** (0.010)	0.067** (0.029)	0.185*** (0.047)
Dem Con	0.003*** (0.000)	0.003*** (0.000)	0.002** (0.001)	0.002*** (0.001)
Years in Office	-0.016*** (0.003)	-0.014*** (0.003)	-0.013*** (0.002)	-0.012*** (0.002)
Year FE	No	Yes	No	Yes
Country FE	No	No	Yes	Yes
Observations	483	483	483	483
Adjusted R ²	0.48	0.48	0.83	0.84

*statistically significant at 10% level, ** at 5% level, and *** at 1% level. Standard errors are reported in parentheses.

The negative coefficient on the populist dummy variable throughout columns (1) to (4), suggests that countries governed by populist presidents are more likely to have a lower level of liberal democracy than those who are not. This is in line with H1, supporting the hypothesis that populists in office have an overall negative effect on the quality of liberal democracy. The size of this negative effect

is -0.079 in column (4). Considering the range of my dependent variable, the influence of this magnitude cannot be ignored. As of 2017, this is the size of the difference in Liberal Democracy Index between Mexico and Bolivia.

The coefficients on the control variables demonstrate expected signs: natural logarithm of per capita GDP and democratic consolidation are positively related to the dependent variable. The variable that measures the number of years the president has been in power since inauguration is found to be negatively associated with the dependent variable. These results confirm the theoretical expectations.⁵

Table 7. Effect of Populist Rule on Liberal Democracy

	Dependent Variable: Polity Score			
	(1)	(2)	(3)	(4)
	OLS	OLS	FE	FE
Populist	-1.106*** (0.204)	-1.195*** (0.210)	-0.780*** (0.200)	-0.747*** (0.207)
Ln (pcgdp)	0.315*** (0.119)	0.262** (0.121)	0.318 (0.487)	2.675*** (0.806)
Dem Con	0.032*** (0.004)	0.029*** (0.004)	0.076*** (0.012)	0.091*** (0.013)
Years in Office	-0.265*** (0.037)	-0.272*** (0.039)	-0.275*** (0.032)	-0.257*** (0.033)

⁵ The sign and significance of the coefficients remain largely the same after I exclude all the countries that never experienced populist rule over the study period (Chile, Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Uruguay) from the sample.

Year FE	No	Yes	No	Yes
Country FE	No	No	Yes	Yes
Observations	483	483	483	483
Adjusted R ²	0.29	0.29	0.53	0.54

*statistically significant at 10% level, ** at 5% level, and *** at 1% level. Standard errors are reported in parentheses.

In order to show that my benchmark results are not conditioned by the use of Liberal Democracy Index from the Varieties of Democracy Index (2019), I re-run my regressions replacing Liberal Democracy Index with Polity Score from the Polity5 (2020) which range from -10 to 10.

Regression results reported in Table 7 show that the effect of populist rule on Polity Score is present, with the control variables showing expected effects. Polity Score from the Polity5 (2019) does consider some core components of liberal democracy such as executive constraints, in addition to the principles of electoral democracy. Nevertheless, I choose Liberal Democracy Index over Polity Score as the former measures the quality of liberal democratic regimes in a more explicit and disaggregated way. Furthermore, Liberal Democracy Index is less sticky than Polity Score over the study period, facilitating my regression analyses.

I now investigate to which components of liberal democracy populist rule is particularly detrimental. As mentioned earlier, there are two main components of Liberal Democracy Index. One is Electoral Democracy Index (*elecDEM*) and the other is Liberal Component Index (*libcom*). The former consists of five sub-components: Suffrage (*suff*); Elected Officials (*elecOFF*); Clean Elections (*cleanelec*); Freedom of Association (*freeasso*); and Freedom of Expression and

Alternative Sources of Information (*freeexp*). The latter is composed of three sub-components: Equality before the Law and Individual Liberties (*equal*); Judicial Constraints on the Executive (*jucon*); and Legislative Constraints on the Executive (*legcon*).

Table 8. Effect of Populist Rule on Electoral Democracy Index and its Components

	(1)	(2)	(3)	(4)
	FE	FE	FE	FE
	<i>elecDEM</i>	<i>cleanelec</i>	<i>freeasso</i>	<i>freeexp</i>
Populist	-0.063*** (0.011)	-0.033*** (0.125)	-0.054*** (0.010)	-0.070*** (0.012)
Ln (pcgdp)	0.186*** (0.043)	0.179*** (0.049)	0.024 (0.038)	0.130*** (0.047)
Dem Con	0.001** (0.001)	0.001 (0.001)	0.003*** (0.001)	0.002*** (0.001)
Years in Office	-0.009*** (0.002)	-0.010*** (0.002)	-0.007*** (0.002)	-0.008*** (0.002)
Year FE	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Observations	483	483	483	483
Adjusted R ²	0.77	0.78	0.48	0.56

*statistically significant at 10% level, ** at 5% level, and *** at 1% level. Standard errors are reported in parentheses.

I first look at the effect of populist rule on the quality of electoral democracy and

its components. In an estimation based on a fixed effect model with year dummies, populist rule is found to have an overall negative impact on the quality of electoral democracy, with the coefficient of -0.063, as can be seen in column (1) in Table 8. As for the components of electoral democracy, I find that the legal rights to vote have never been violated by populist rule. All the observations in the sample record the value of 1 for *suff*. With regards to *elec*off, Peru under the rule of Alberto Fujimori reports the value of 0 between 1992 and 1994. In all the other cases, the chief executive and legislature were appointed through popular election.

Table 9. Effect of Populist Rule on Liberal Component Index and its Components

	(1)	(2)	(3)	(4)
	FE	FE	FE	FE
	<i>libcom</i>	<i>equal</i>	<i>jucon</i>	<i>legcon</i>
Populist	-0.085*** (0.014)	-0.034*** (0.010)	-0.085*** (0.016)	-0.156*** (0.020)
Ln (pcgdp)	0.135** (0.053)	0.136*** (0.040)	0.087 (0.063)	0.120 (0.077)
Dem Con	0.004*** (0.001)	0.001 (0.001)	0.004*** (0.001)	0.006*** (0.001)
Years in Office	-0.014*** (0.002)	-0.006*** (0.002)	-0.015*** (0.003)	-0.020*** (0.003)
Year FE	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes

Observations	483	483	483	483
Adjusted R ²	0.77	0.80	0.79	0.75

*statistically significant at 10% level, ** at 5% level, and *** at 1% level. Standard errors are reported in parentheses.

Columns (2), (3), and (4) show that all the other components of electoral democracy, *cleanelec*, *freeasso*, and *freeexp*, are negatively influenced by the presence of a populist president in government. It becomes clear from these regression results that populists in office not only attack liberalism and constitutionalism but also the democratic principle of liberal democracy, which is, free and fair elections. They tend to skew the playing field against opponents in elections. At the same time, they crush the opposition parties and civil society organizations and oppress the media. The adverse effect of populist rule is most pronounced for *freeexp*. The magnitude of its effect is much smaller for *cleanelec*.

Regression results in Table 9 illustrate how Liberal Component Index and its components are attacked by populists in government. Note that the magnitude of coefficient on the populist dummy is bigger for *libcom* than *elecDEM*, as can be seen in column (1), suggesting that populist rule is more detrimental to the liberal and constitutional principles of liberal democracy than to those guaranteeing popular sovereignty and rule by majority.

Columns (2), (3), and (4) suggest that all the components of Liberal Component Index, *equal*, *jucon*, and *legcon*, are negatively affected by populist rule. The magnitude of coefficients on the populist dummy is found to be especially large for *jucon* and *legcon*, -0.085 and -0.156 respectively as can be seen in columns (3) and (4), suggesting that populists once in office are likely to fiercely attack the checks and balances mechanisms imposed by the judiciary and the legislature.

Populist presidents also have an overall negative impact on *equal*, pointing to their tendency to ignore minority rights. As column (2) shows, the magnitude of the negative effect is relatively small.

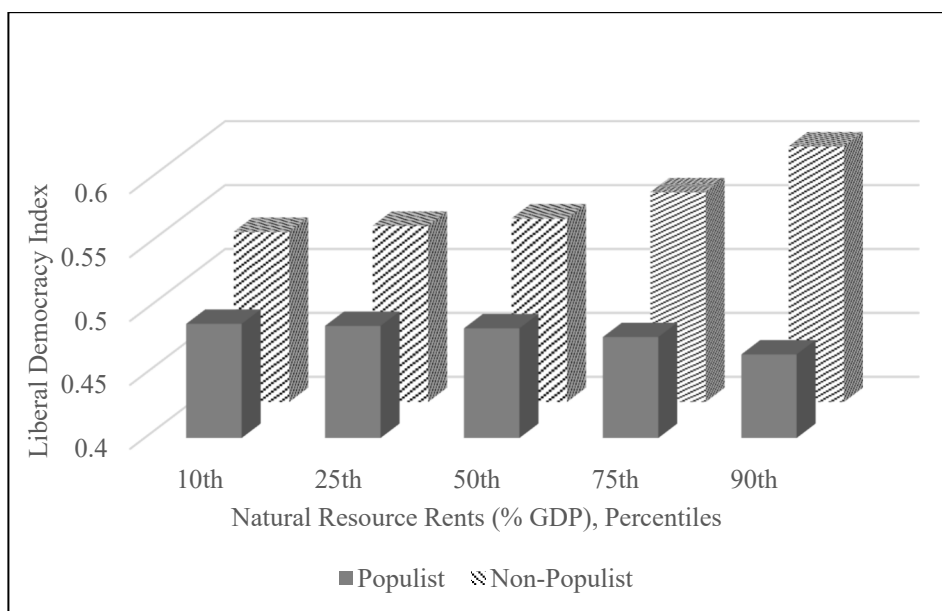
Table 10. Joint Effect of Populist Rule and Natural Resource Rents on Liberal Democracy

	(1)	(2)	(3)	(4)
	FE	FE	FE	FE
Populist	-0.079***	-0.038***	-0.080***	-0.040***
	(0.012)	(0.015)	(0.012)	(0.015)
NR	0.002	0.007***	0.001	0.006***
	(0.002)	(0.002)	(0.002)	(0.002)
Populist*NR		-0.008***		-0.008***
		(0.002)		(0.002)
Ln (pcgdp)	0.058**	0.045	0.180***	0.141***
	(0.029)	(0.029)	(0.048)	(0.048)
Dem Con	0.002**	0.002**	0.002***	0.002***
	(0.001)	(0.001)	(0.001)	(0.001)
Years in Office	-0.013***	-0.012***	-0.012***	-0.011***
	(0.002)	(0.002)	(0.002)	(0.002)
Year FE	No	No	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Observations	483	483	483	483
Adjusted R ²	0.83	0.84	0.84	0.84

*statistically significant at 10% level, ** at 5% level, and *** at 1% level. Standard errors are reported in parentheses.

I now show regression results that test H2. I estimate the joint effect of populist rule and natural resource rents on the quality of liberal democracy. Table 10 reports the regression results from the estimations based on pooled ordinary least squares and fixed effects with or without year dummies. Throughout columns (1) to (4), the populist dummy is found to be negatively associated with the quality of liberal democratic institutions. Columns (1) and (3) show that natural resource rents alone does not affect my dependent variable.

Figure 17. Predicted Values of Liberal Democracy Index at the k^{th} percentile for NR



Columns (2) and (4) suggest that the negative effect of populist rule on the quality of liberal democracy is amplified with a higher level of natural resource rents in GDP. The negative coefficient on the interaction term between populist rule and the ratio of natural resource rents to GDP identifies natural resource rents as an important channel through which populist rule affects liberal democratic

institutions. The signs of all the other control variables remain largely the same.

In Figure 17, I graphically depict how the expected quality of liberal democratic institutions changes at the k^{th} percentile for natural resource rents as a percentage of GDP. The graphical illustration is built on the regression presented in column (4) in Table 10. Under the rule of populist presidents, an average Latin American country is expected to experience a deterioration in its quality of liberal democracy with a higher ratio of natural resource rents to GDP. A unit increase in the ratio of natural resource rents to GDP leads to a deterioration of Liberal Democracy Index by 0.002. In contrast, under the rule of non-populist presidents, an average Latin American country is projected to experience an improvement in its quality of liberal democracy with a higher level of ratio of natural resource rents to GDP. A unit increase in the ratio of natural resource rents to GDP leads to an improvement of Liberal Democracy Index by 0.006.

Table 11. Joint Effect of Populist Rule and Industrial Employment on Liberal Democracy

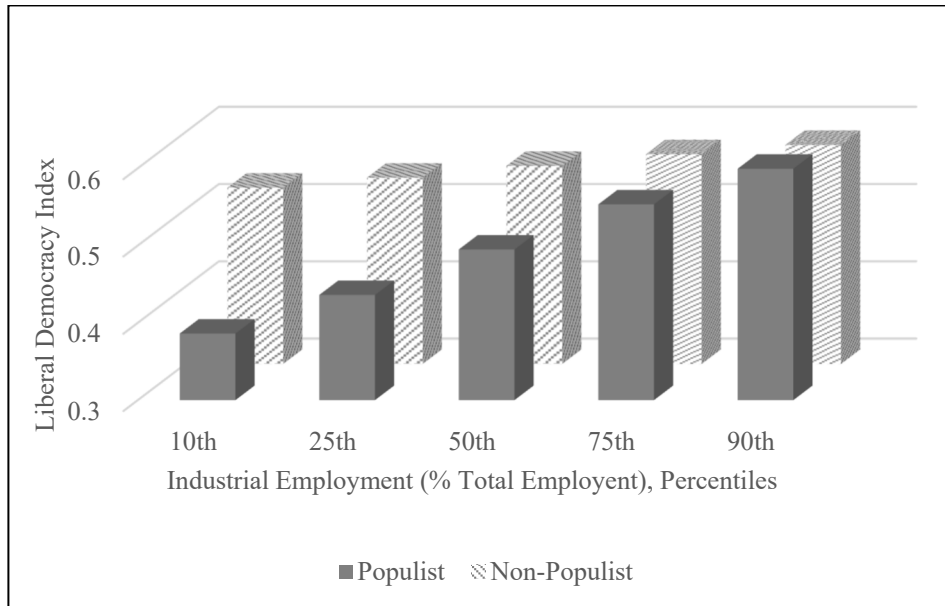
	(1)	(2)	(3)	(4)
	FE	FE	FE	FE
Populist	-0.078*** (0.012)	-0.472*** (0.062)	-0.086*** (0.012)	-0.482*** (0.062)
Ind Emp	0.011*** (0.002)	0.004* (0.002)	0.013*** (0.002)	0.007** (0.002)
Populist*Ind Emp		0.020*** (0.003)		0.020*** (0.003)
Ln (pcgdp)	0.090*** (0.029)	0.056** (0.028)	0.172*** (0.046)	0.108** (0.045)

Dem Con	0.002**	0.002***	0.002***	0.002***
	(0.001)	(0.001)	(0.001)	(0.001)
Years in Office	-0.013***	-0.012***	-0.012***	-0.011***
	(0.002)	(0.002)	(0.002)	(0.002)
Year FE	No	No	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Observations	483	483	483	483
Adjusted R ²	0.84	0.85	0.85	0.86

*statistically significant at 10% level, ** at 5% level, and *** at 1% level. Standard errors are reported in parentheses.

Table 11 presents regression results that test H3. I estimate the joint effect of populist rule and industrial employment on the quality of liberal democracy. One can note that populist rule negatively influences the quality of liberal democratic institutions from columns (1) to (4). The share of the industrial sector in total employment is positively associated with the dependent variable. I also observe from columns (2) and (4) that a clear joint effect of populist rule and industrial employment on the dependent variable exists. The positive coefficient on the interaction term between populist rule and the share of industry in total employment suggests that the negative effect of populist rule on the quality of liberal democracy can be alleviated through the channel of industrial employment. The signs of all the other control variables remain the same.

Figure 18. Predicted Values of Liberal Democracy Index at the k^{th} percentile for *Ind Emp*



In Figure 18, I graphically describe how the expected quality of liberal democratic institutions changes at the k^{th} percentile for industrial employment as a percentage of total employment. The graphical illustration is built on the regression presented in column (4) in Table 11. Under both populist and non-populist rule, an average Latin American country is projected to experience an improvement in its quality of liberal democracy with a higher contribution of the industrial sector to total employment. Under populist rule, a unit increase in the level of industrial employment in total employment leads to an improvement of Liberal Democracy Index by 0.027. Under non-populist rule, a unit increase in the level of industrial employment in total employment brings about an improvement of Liberal Democracy Index by 0.007.

Table 12. Joint Effect of Populist Rule and Financial Development on Liberal Democracy

	(1)	(2)	(3)	(4)
	FE	FE	FE	FE
Populist	-0.079*** (0.012)	-0.192*** (0.031)	-0.078** (0.012)	-0.175*** (0.032)
Fin Dev	0.346*** (0.108)	0.177 (0.115)	0.428*** (0.110)	0.271** (0.119)
Populist*Fin Dev		0.517*** (0.133)		0.434*** (0.136)
Ln (pcgdp)	0.024 (0.035)	0.046 (0.034)	0.169*** (0.049)	0.163*** (0.049)
Dem Con	0.001 (0.001)	0.002*** (0.001)	0.002** (0.001)	0.002*** (0.001)
Years in Office	-0.014*** (0.002)	-0.015*** (0.002)	-0.013*** (0.002)	-0.014*** (0.002)
Year FE	No	No	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Observations	466	466	466	466
Adjusted R ²	0.84	0.85	0.85	0.85

*statistically significant at 10% level, ** at 5% level, and *** at 1% level. Standard errors are reported in parentheses.

I now estimate the joint effect of populist rule and financial development on the quality of liberal democracy. Regression results that test H4 are presented in Table 12. From columns (1) to (4), the populist dummy is found to be negatively

associated with the quality of liberal democracy. Columns (1) and (3) show that a higher level of financial development is conducive to liberal democracy. I find from columns (2) and (4) that there exists a joint effect of populist rule and financial development on the dependent variable. The interaction term between populist rule and the level of financial development demonstrates a positive coefficient, serving as evidence that the adverse effect of populist rule on the quality of liberal democracy can be alleviated through the channel of financial development.

Figure 19. Predicted Values of Liberal Democracy Index at the k^{th} percentile for *Fin Dev*

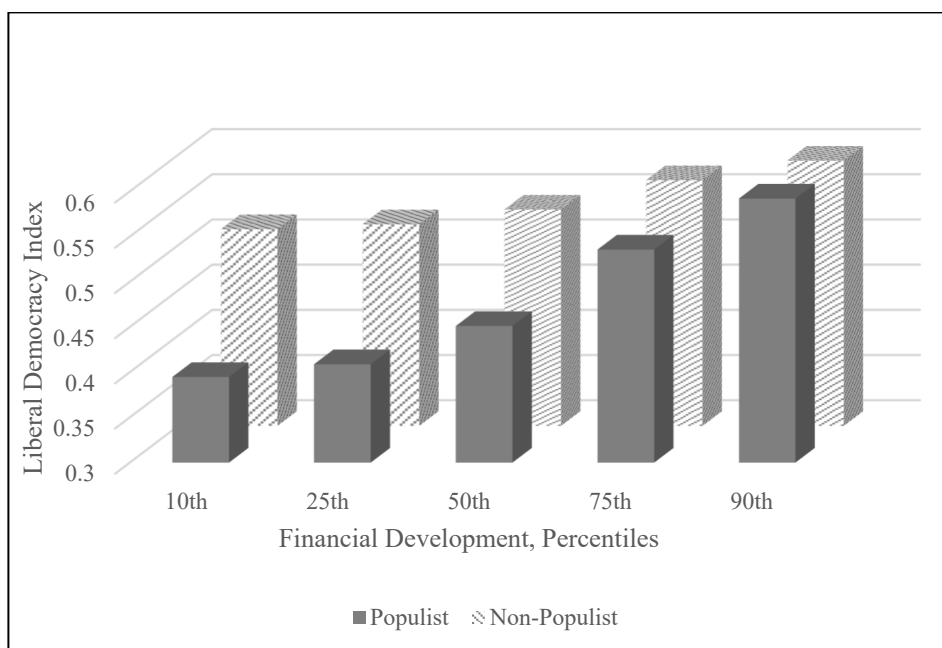


Figure 19 is a graphical illustration of how the expected quality of liberal democratic institutions changes at the k^{th} percentile for financial development. It is based on the regression presented in column (4) in Table 12. Under both populist and non-populist rule, an average Latin American country is expected to

experience an improvement in its quality of liberal democracy with a higher level of financial development. Under populist rule, a unit increase in the level of financial development results in an improvement of Liberal Democracy Index by 0.035. Under non-populist rule, a unit increase in the level of industrial employment in total employment leads to an improvement of Liberal Democracy Index by 0.014.

Finally, I include all the three mediating variables and the three interaction terms between populist rule and each of them to regressions in Table 13. The populist dummy is still negatively associated with the quality of liberal democratic institutions. Columns (2) and (4) show that the joint effects of populist rule and three mediating variables on liberal democracy are still present.

Table 13. Joint Effects of Populist Rule and Mediating Variables on Liberal Democracy

	(1)	(2)	(3)	(4)
	FE	FE	FE	FE
Populist	-0.083*** (0.012)	-0.478*** (0.064)	-0.085*** (0.012)	-0.480*** (0.065)
NR	0.001 (0.002)	0.006*** (0.002)	0.000 (0.002)	0.006*** (0.002)
Ind Emp	0.010*** (0.002)	0.003 (0.002)	0.011*** (0.002)	0.005** (0.002)
Fin Dev	0.277** (0.109)	0.005 (0.113)	0.335*** (0.111)	0.000 (0.119)
Populist*NR		-0.006*** (0.002)		-0.007*** (0.002)

Populist*Ind Emp		0.018***		0.019***
		(0.003)		(0.003)
Populist*Fin Dev		0.284**		0.249*
		(0.129)		(0.130)
Ln (pcgdp)	0.053	0.045	0.164***	0.081*
	(0.035)	(0.033)	(0.048)	(0.047)
Dem Con	0.001*	0.003***	0.002**	0.002***
	(0.001)	(0.001)	(0.001)	(0.001)
Years in Office	-0.013***	-0.012***	-0.013***	-0.011***
	(0.002)	(0.002)	(0.002)	(0.002)
Year FE	No	No	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Observations	466	466	466	466
Adjusted R ²	0.85	0.86	0.85	0.87

*statistically significant at 10% level, ** at 5% level, and *** at 1% level. Standard errors are reported in parentheses.

6. Case Study

6.1. Populist Rule, Natural Resource Rents and Liberal Democracy

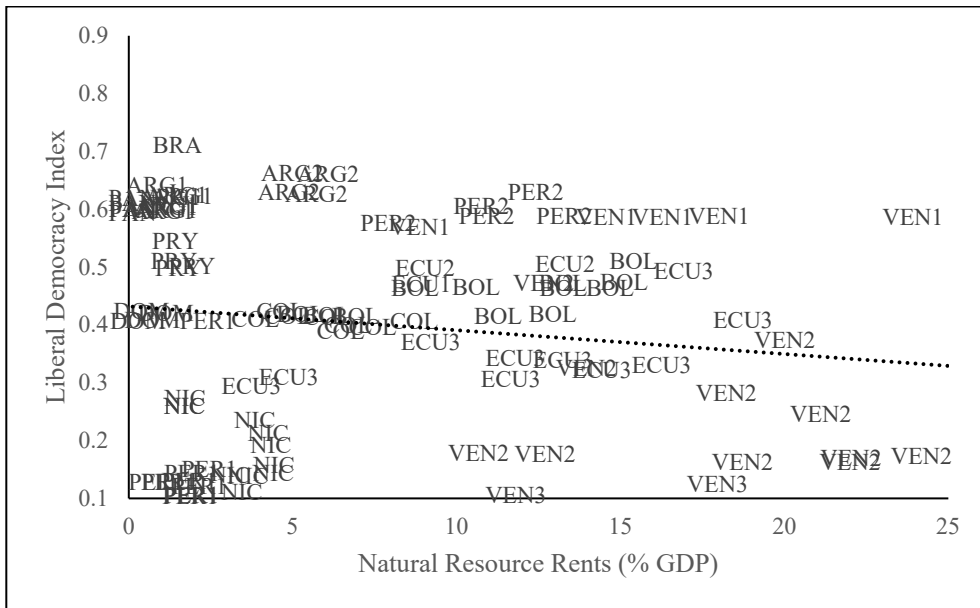
In this section, I examine the case of the populist regime led by Hugo Chávez in Venezuela, which is considered a typical example of what Mazzuca (2013) calls a rentier-populist coalition. Figure 20 is a scatterplot of Liberal Democracy Index versus the ratio of natural resource rents to GDP in the sample restricted to the observations in which a country is under populist rule in a given year. The unfavorable joint effect of populist rule and natural resource rents on liberal democracy is clearly observed in Venezuela under the rule of Chávez.

Rents from oil provided the Venezuelan state with a pot of resources that could be used to mobilize political support. Backed from oil rents, Chávez provided his target constituencies with material benefits in a politically biased manner to generate support. As pointed out by Posner (2016), the regime's attempts to attack liberal democratic institutions followed by its dominance of the civil society were largely facilitated by its ability to gain support from its target constituencies, especially unorganized labor in the informal sector.

According to Albertus (2015), Venezuela's status as a competitive authoritarian regime under the rule of Chávez makes it an excellent case for the study of the widespread and politically biased distribution of material benefits. He explains, in a full authoritarian regime, the lack of electoral pressure diminishes the ruler's incentives to seek an electoral advantage through the widespread distribution of benefits in a politically biased fashion. The politically biased distribution of goods in a consolidated democracy tends to be more constrained. However, in competitive authoritarian regimes such as that of Chávez, presidents face

electoral pressure to engage in clientelism and at the same time experience few of the restraints that democracy can potentially impose.

Figure 20. Natural Resource Rents and Liberal Democracy Index 1991-2017
(Observations under Populist Rule)



ARG1=Carlos Menem, ARG2=Néstor Kirchner, BOL=Evo Morales, BRA=Fernando Collor de Mello, COL=Álvaro Uribe, DOM=Hipolito Mejia, ECU1=Abdala Bucaram, ECU2=Lucio Gutierrez, ECU3=Rafael Correa, NIC=Daniel Ortega, PAN=Mireya Moscoso, PRY=Fernando Lugo, PER1=Alberto Fujimori, PER2=Alan García, VEN1=Rafael Caldera, VEN2= Hugo Chávez, VEN3=Nicolás Maduro

Various social programs served to boost the popularity of Chávez and functioned as a visible instrument for maintaining power. As they were manipulated by the presidency with plausible threat of withdrawal of support, Stokes et al. (2013) define these programs as clientelistic. Of course, these populist social programs did serve to reduce poverty rates and inequality. However, they suffered from

major flaws in design. They were tied to the persona of the president who distributed benefits primarily to his political supporters rather than on the universal basis (De la Torre 2017). For example, land distribution is characterized by non-programmatic individual distribution controlled by central incumbents with reasonable threat of withdrawal of support (Albertus 2015).

I now briefly introduce a number of projects that represent the Chávez regime's employment of redistributive and clientelistic methods to create a material foundation for popular sector support. As noted by many (Penfold-Becerra 2007; Hawkins 2010; Roberts 2012), the *Misiones* was the centerpiece of the Chávez government's strategy based on rentier populism. It was a set of ambitious state-led socioeconomic programs designed to eradicate poverty. The post-2002 oil windfall allowed the Venezuelan government to widely expand the scope of these programs over a short time. The amount of funding to these programs exceeded 3.5 percent of GDP between 2003 and 2005 (Corrales and Penfold-Becerra 2007), making it one of the most significant social fund programs in Latin America over the past two decades.

What characterizes the *Misiones* is the way the programs were financed. The opaque and non-budgetary mechanisms, by transferring oil revenues directly from Petróleos de Venezuela S.A. (PDVSA), Venezuelan state-owned oil and natural gas company, to a special fund managed by the presidency, largely differed from other social funds that normally operate outside regular administrative structures. Regular legislative budgetary oversight was absent. Hawkins (2010) concludes that the *Misiones* effectively constitutes discretionary spending programs where allocations are controlled by a small group of elected officials.

Given the opaque and non-budgetary nature of the way the *Misiones*, the government could effectively “buy” votes by targeting certain constituencies with various programs of the *Misiones* and strengthen support for the government. The very fact that these programs were highly dependent upon government funding and required to conform to the regulations dictated by the Chávez government suggests that they were highly attuned to electoral objectives. In sum, social funds became politicized and subject to clientelistic practices under the populist rule of Chávez.

The full list of *Misiones* is quite extensive. The first program of the *Misiones*, *Barrio Adentro*, was introduced in 2003, with the purpose of providing free health care through primary care clinics in the poorest areas in the country. It was quickly followed by educational programs, ranging from literacy education to university education in rural and urban areas. The educational programs provided remedial elementary (*Robinson II*) and secondary education (*Ribas*), as well as regular university education (*Sucre*). *Mercal* was a series of subsidized supermarkets offering staple items at heavily discounted prices. *Zamora* was an integrated land reform and land redistribution program.

A pivotal question to ask is whether the social funds for the *Misiones* were allocated following a political rationale or they were actually targeted towards the poorest sectors of the population. In that respect, the existence of a database called *Maisanta* is revealing. In late 2003, over 3 million of Venezuela’s 12 million registered voters signed a petition to recall Chávez from office, forcing a recall referendum. At the same time, over a million Chávez supporters simultaneously signed a counter-petition to recall opposition politicians.

In 2004, pro-Chávez congressman Luis Tascón posted a list of more than 2.4

million signers together with their national identity card numbers on the website. Later, with support from Chávez, the list of recall petition and counter-petition signers was merged with information on registered voters and packaged into a database called *Maisanta*. It was then distributed throughout the bureaucracy. After the leak of the database, allegations arose that *Maisanta* had been referred to when distributing social benefits (Stokes et al. 2013).

Albertus (2015) empirically tests whether one of the social programs under the *Misiones*, *Misión Zamora*, a land reform initiative, was designed to reward *chavistas*, linking *Maisanta* to land applicant information. It is found that pro-Chávez individuals, who signed the petition to recall opposition politicians, are significantly more likely to receive land, serving as clear evidence of the government's politicization in allocating social benefits. The distribution of benefits is also found to be modified by the partisanship of state governors. The presence of a pro-Chávez governor is a signal that its state is politically deserving, whereas opposition governors inhibit land distribution. These results are consistent with Cox (2009), who argues that a highly polarized electorate with few swing voters such as that in Venezuela induces the government to target transfers to core constituencies.

Therefore, *Maisanta* serves an example demonstrating the unique influence of populist ideas on public policy at the micro level given abundant natural resource rents. There are attributes in the way social benefits were distributed in Venezuela that are explicable only in terms of the populist beliefs about the political world. Backed by natural resource incomes, the populist regime of Chávez effectively bought votes by distributing social benefits in a politically biased way.

6.2. Populist Rule, Industrial Employment and Liberal Democracy

Figure 21 is a scatterplot of Liberal Democracy Index versus the ratio of industrial employment to total employment in the sample restricted to the observations in which a country is under populist rule in a given year. I focus on Peru under the rule of Alberto Fujimori, Venezuela under the rule of Hugo Chávez, and Argentina under the rule of Carlos Menem in order to examine how the combination of populist rule and the low level of industrial employment facilitates the discretion of the executive with regards to liberal democracy.

Economic crises and the prevalence of social violence preceded by the debt crisis in the early 1980s had significant effects on Peru's social organization. Especially, within the structure of employment, the informal sector grew at the expense of the formal sector, exacerbating income inequality and undermining class solidarity. The public belief was that such economic decline and social deterioration were not handled properly by the established parties.

Given the decreasing number of workers employed in the formal sector and the widely discredited established political parties, a political context where populist rule could thrive was created. The strong collective identities that had characterized the labor movement and provided sustenance to the traditional labor-based parties tended to be replaced by populist rule (Tanaka 1998). Fujimori triumphed in the 1990 elections as the candidate of the popular classes. As noted by Roberts (1995), the populist project of Fujimori was primarily aimed at subaltern sectors rather than the conventional focus on organized labor, given the increasing informality and heterogeneity of the workforce and the diminished political centrality of organized labor in Peru.

Throughout the populist project of reducing the veto players in the political

system and concentrating leadership in the executive, organized labor can form a formidable resisting force against the populist project. Yet, neither organized labor nor traditional political parties based on labor, weakened by the preceding years of crisis, were able to effectively resist this tide of radical institutional changes led by Fujimori after he was elected. The backers of the old order were prevented from organizing a significant opposing force against Fujimori (Crabtree 2000).

Figure 21. Industrial Employment and Liberal Democracy Index 1991-2017

(Observations under Populist Rule)



ARG1=Carlos Menem, ARG2=Néstor Kirchner, BOL=Evo Morales, BRA=Fernando Collor de Mello, COL=Álvaro Uribe, DOM=Hipolito Mejia, ECU1=Abdala Bucaram, ECU2=Lucio Gutierrez, ECU3=Rafael Correa, NIC=Daniel Ortega, PAN=Mireya Moscoso, PRY=Fernando Lugo, PER1=Alberto Fujimori, PER2=Alan García, VEN1=Rafael Caldera, VEN2= Hugo Chávez, VEN3=Nicolás Maduro

The declining relevance of organized labor in governance meant that Fujimori did not have to draw support from the organized industrial sector. He largely oppressed the Peruvian labor movement and often harmed its interests. The loss of jobs was aggravated throughout the neoliberal adjustments taken place under his regime. Solfrini (2011) highlights that workers' representative organizations effectively lost strength and organizational capacity during the 1990s, disappearing from political struggle and mobilization. Organized labor was strongly debilitated, divided, and with a weak political agenda, therefore remaining marginal actors in the political arena with little strength to oppose the anti-democratic or anti-labor policies of the Fujimori regime.

The Peruvian labor has not always been without political leverage. Labor mobilization centered on the Confederación General de Trabajadores del Perú (CGTP), largest workers' confederation in Peru, played an important role in pushing forward Peru's democratic transition between 1977 and 1978 (Levitsky and Mainwaring 2006). The CGTP had traditionally been closely linked to the Alianza Popular Revolucionaria Americana (APRA). Indeed, the labor movement's support for liberal democracy was to a large extent channeled by labor-mobilizing party systems. However, this link seriously deteriorated by economic crisis and neoliberal reforms. The loss of formal jobs in the formal industrial sector and the creation of a more informal, precarious, and temporary workforce led to the weakening of labor movements. In short, the capability of the organized labor to make significant responses to a set of policies implemented by the government seriously deteriorated in Peru.

The Venezuelan case under the rule of Hugo Chávez also demonstrates that once organized labor loses its capacity to act as a veto player to the government,

presidential hegemony is strengthened quite rapidly. Even before Chávez came to power, he embraced an anti-labor discourse, portraying established labor leadership as a "trade-union mafia" that was only interested in defending the positions of Acción Democrática (AD) and Comité de Organización Política Electoral Independiente (COPEI). After his election, he continuously attacked representative labor unions for being linked to "corrupt" traditional political parties and the "old" system.

Indeed, in sharp contrast to his avowed commitment to socialist principles of worker solidarity and equality, there was a great degree of antagonism between the Chávez regime and organized labor. He targeted the informal sector as the main beneficiary of his new state-led policies. Organized labor was increasingly alienated. As a result, the two traditional parties, AD and COPEI, and the CTV were continuously on the defensive and steadily opened a window of opportunity for presidential hegemony.

As it was the case for the CGTP of Peru, the Confederación de Trabajadores de Venezuela (CTV), the biggest labor movement in Venezuela, had been a consistent pro-democracy actor since 1948. After the 1948 coup the CTV played a central role in the struggle against the Jimenez dictatorship during the 1950s and strongly supported the 1958 democratic transition. During the first four decades of the new democratic regime, CTV leaders exercised a moderating role in national politics and labor relations, serving to push policies that protected liberal democratic institutions and party politics through their stable linkages with the AD (Levitsky and Mainwaring 2006). Indeed, Venezuela used to be perhaps the clearest case of a stable democratic party-labor linkage. The CTV's cooperation with AD governments during the 1960s helped avoid the regime-

threatening polarization that was prevalent in many other Latin American countries during the same period.

In the early years of the rule of Chávez, organized labor did form a formidable resisting force against Chávez. There was a clear sense of political polarization between the populist government and the organized labor as Chávez's revolutionary rhetoric and autocratic governing style intensified. When radical decree laws were implemented and Chávez made attempts to engineer a government-sponsored takeover of the CTV, the opposition became increasingly aggressive and began calling for his ouster.

The CTV led four general strikes from 2001 to 2003 with the aim of forcing Chávez out of power by extraconstitutional means or holding an immediate presidential election. However, the opposition led by the CTV was defeated in the presidential recall referendum in August 2004. After the defeat in the recall election, the organized labor lost its significance as a resisting political force to the Chávez regime. With formal jobs in the industrial sector in constant decline, established unions associated with the CTV further weakened, creating strong incentives for workers to abandon established labor unions to join the new ones controlled by the government. Many workers widely perceived that the CTV's support for neoliberal reforms and privatization in the 1990s indicated that they put the interests of elites above the economic interests of the rank and file (Murillo 2000).

The neopopulist government led by Carlos Menem sought presidential dominance, just like other populist regimes. His intention of concentrating power in the executive and wielding significant discretionary power was apparent in his frequent use of presidential decrees (Larkins 1998; Szusterman 2000; Cook

2002). Only three years into his first term, he had already issued 244 decrees of necessity and urgency, which were eight times more than all former constitutional presidents combined. He governed the country "as he saw fit," seeking to bypass checks and balances and other regulatory supervision (Larkins 1998).

However, he could not follow the populist playbook of Fujimori in Peru and go as far as significantly destroying the country's separation of powers and the rule of law. Unlike in Peru, organized labor remained an important negotiating partner for the Menem government in Argentina (Cook 2002). The share of industrial employment in total employment did sharply decrease in the Menem era, however, not to a level that could be ignored by the government. While it is true that the labor movement significantly weakened. Nevertheless, it never completely lost its political leverage in national politics.

For example, the Menem government's neoliberal reforms were implemented with an alliance with Argentina's biggest labor union, Confederación General del Trabajo (CGT). While organized labor was quite cooperative with the reform process in Menem's first term, it became increasingly combative in his second term, carrying out three general strikes in response to his additional labor decrees and economic reforms. Although significantly weakened, the labor movement managed to demonstrate its influence in the political arena, resisting reforms that would affect the country's existing political order and the unions' key organizational resources and curtailing presidential discretion over policy choices. Its influence over congressional allies was still there. The CGT's alliance with the Peronist party could not be easily cut, given the still significant numerical leverage of the industrial labor in Argentina.

6.3. Populist Rule, Financial Development and Liberal Democracy

I refer to the cases of Venezuela under the rule of Hugo Chávez, Nicaragua under the rule of Daniel Ortega, Argentina under the rule of Carlos Menem and Néstor Kirchner, and Peru under the rule of Alan García in order to provide qualitative evidence of how the low level of financial development can amplify the negative impact of populist rule on liberal democratic institutions. As can be seen in Figure 6.3, given the low level of financial development of Venezuela, maintaining sound financial reputation was never an important policy goal for Chávez. Even after controlling for the size of its economy and oil sector, its financial system had been one of the smallest and least developed in the world (Cho 2017).

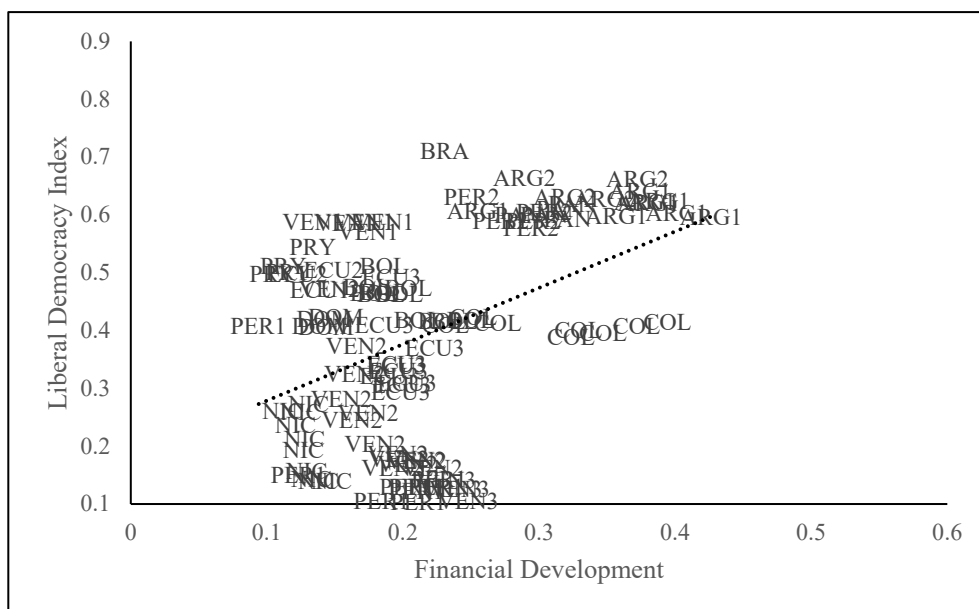
The highly underdeveloped banking system and stock and bond markets of Venezuela were largely due to the lack of consistency and much-delayed efforts in liberalizing its financial system in the 1990s and 2000s. Aside from partial allowance of international capital flows, as of the late 1980s Venezuela still had directed credit policies, entry barriers into the banking system, interest rate controls, and very weak financial regulation (Braun 2014). Also, it had not yet engaged in banking sector privatization. The management of the 1994 banking crisis by the Venezuelan government is an example of how politics distorted the country's financial development. According to De Krivoy (2000), the Venezuelan government demonstrated no willingness to create and sustain the building blocks of a sound financial system.

Therefore, Chávez after taking office did not have to consider the financial sector as a significant factor influencing his policy choices. Consistent with his populist rhetoric rooted in anti-neoliberalism and anti-globalization, he quickly reversed the trend toward privatization observed under the previous Caldera

administration. He also expanded the role of the state in the country's key economic sectors and began to implement radical institutional changes in the political realm. Venezuela's withdrawal from the International Centre for Settlement of Investment Disputes (ICSID) in 2012 demonstrates his populist government's disinterest in maintaining its financial reputation.

Figure 22. Financial Development and Liberal Democracy Index 1991-2017

(Observations under Populist Rule)



ARG1=Carlos Menem, ARG2=Néstor Kirchner, BOL=Evo Morales, BRA=Fernando Collor de Mello, COL=Álvaro Uribe, DOM=Hipolito Mejia, ECU1=Abdala Bucaram, ECU2=Lucio Gutierrez, ECU3=Rafael Correa, NIC=Daniel Ortega, PAN=Mireya Moscoso, PRY=Fernando Lugo, PER1=Alberto Fujimori, PER2=Alan García, VEN1=Rafael Caldera, VEN2= Hugo Chávez, VEN3=Nicolás Maduro

It is worthwhile observing how international investors reacted to the radical reforms implemented by Chávez under the populist rhetoric. Venezuela's

Institutional Investor ratings fell significantly for the first five years after Chávez took office. Institutional Investor (2001) clearly stated that the reasons behind this drastic fall in ratings were mainly political. In the following few years, higher oil prices were able to offset unease about Chávez's reckless behavior. His second term triggered another large fall in the Institutional Investor rating in 2009 given further radical changes in liberal democratic institutions, for example, a new constitution allowing perpetual reelection of the president. Fitch assigned Venezuela the lowest business environment ratings in the region, based on the increasing long-term political risk (Business Monitor International 2008).

Nevertheless, the continuous fall in the country's financial reputation throughout the governing period of Chávez was never a serious concern for him. The already low level of financial development of Venezuela meant that the government had not been enjoying the benefits from the financial sector anyway. He was thus not required to craft a credible commitment to the existing political order. He was free to make arbitrary and abrupt policy changes as the low level of financial development was an institutional weakness that could be taken advantage of. Decreeing new rules and regulations were frequent.

Similarly, in Nicaragua, with little incentives to do what is required to keep financial reputation in check, Daniel Ortega often employed a majoritarian, plebiscitarian discourse to dismantle checks and balances and concentrate power in the executive. The extremely underdeveloped capital market facilitated the populist regime's rejection of the market model, submission of the economy to politics, and a questioning of pluralist, representative democracy. The financial market was never an institutional constraint to Ortega.

In contrast, as a consequence of financial liberalization in the 1980s and 1990s

involving liberalization of cross-border capital movements, and domestic bank deregulation to promote greater integration into the international capital market, the Argentine economy had been closely linked to the global economy and maintained a relatively high level of financial development since the early 1990s (Wylde 2012). Therefore, two Argentine populists Carlos Menem and Néstor Kirchner had to live with significant constraints posed by the financial sector, leading them to maneuver inside the confines of the exiting political order.

As highlighted by Tussie and Heidrich (2007), in the context of integrated trade and capital markets, the financial market shaped the Argentine state's room to maneuver. For example, while Néstor Kirchner searched for a new state-society relationship based on a developmentalist logic, in a country in the middle of the process of financial deepening, he had to govern under pressure exerted by domestic and international investors, the International Monetary Fund and external debt. He was careful not to preside over a total rupture with the international community. While he engaged in hard negotiations with international creditors, a restructuring agreement covering the vast majority of owners of defaulted debt was achieved (Wylde 2012). During his term, various international natural gas and electricity transmission companies brought 15 cases in total against the Argentine government at the ICSID in response to his populist government's domestic energy pricing policies and tariffs. But there were never about expropriation threats. He did not go as far as implementing the socialization of production or the nationalization of public services.

In a similar vein, maintaining sound financial reputation was also an important policy priority for the populist government of Alan García in Peru. Given the country's significant progress in financial development, the precious financial

reputation became increasingly difficult to ignore for the executive. In this context, there was little scope for radical changes in the existing political order.

7. Conclusion

Liberal democracy is a complex compromise of popular democracy and liberal constitutionalism. As Mudde and Rovira Kaltwasser (2012) rightly argue, there exists an inherent internal contradiction of liberal democracy. The promises of popular sovereignty and majority rule and the reality of constitutional protection of minority rights are in a natural collision course (Canovan 1999). In this struggle, populists are in strong favor of popular sovereignty and majority rule. As Pappas (2014) puts it, populism is a form of democracy lacking the liberal protections for individuals and minority groups and ignoring the constraints from the constitutional order. They derive their authority from a promise to champion popular will and see any institutions that constrain the popular will as obstacles to be bypassed.

Despite the inherent incompatibility between populist ideas and some of the core principles of liberal democracy, what has been observed across the countries in the region is that some populist presidents govern unconstrained by the principles of liberal democracy and thereby assault liberal democratic institutions with a high level of discretion, whereas others relatively conform to the constraints posed by liberal democracy and thus have a limited impact on it. Why do some populist presidents behave in a manner that is consistent with their populist rhetoric during their presidential campaign while others become “moderate?”

All populist presidents are ultimately power-maximizers. Once elected, they all wish to govern in a populist fashion and distort liberal democratic institutions in their favor, given the inherent tension between populism and liberal democracy. Yet, assaulting liberal democratic institutions is not an easy task. Although populist rule does open a unique possibility for a country’s liberal democratic

institutions to be under a significant threat, to go from populist rule to the erosion of liberal democracy, radical institutional changes by the president are indispensable. Given that populist presidents often face the hostile institutions of horizontal accountability and their overt support for popular sovereignty and majority rule at the expense of liberalism and constitutionalism, they often turn to unilateral means in order to implement the required institutional changes.

However, changing institutions in a unilateral manner within the context of representative democracies is a delicate task and usually involves costs. I argue that populist presidents' room to maneuver with respect to attacking liberal democracy is constrained by three groups in society: the informal working class; the formal working class; and the capitalist class. Such class structure is a unique characteristic that distinguishes a typical Latin American society from others in the North. The distinction between formal and informal workers derives from the centrality of the informal working class in the structuration of labor relations in Latin American countries. Each of the three groups, with class-specific socioeconomic demands, curtails populist presidents' room to maneuver by posing a probable threat to governability.

The populist government is by nature constrained by the requirement to please the informal working class, who constitute a majority in a typical Latin American and are willing to support the populist project only if their socioeconomic demands are met. However, policy choices are also constrained by the formal working class and the capitalist class, who are interested in the protection of the existing political order. These two groups often have disproportionate influences in a country's political and economic scenes given high levels of inequality and weak political institutions in the Latin American context.

I argue that how relevant each group's potential veto power is in populist presidents' cost-benefit analysis conditions their capability to actually pursue strengthening of executive power and radical institutional changes that are consistent with their populist discourse. I identify three variables that are closely connected with each of the three potential veto players posed to populist presidents: natural resource rents; industrial employment; and financial development. Depending on the levels of these three variables, the extent to which populist presidents can implement a set of radical institutional changes consistent with their populist discourse is determined.

My statistical tests based on a panel dataset covering 18 Latin American countries from 1991 to 2017 provide support for my hypotheses. I find an overall negative relationship between populist rule and liberal democracy, which is a reflection of their inherent incompatibility. However, I observe that the negative impact of populist rule on liberal democracy is amplified with a higher level of natural resource rents and lower levels of industrial employment and financial development.

The experience of Venezuela under the populist rule of Hugo Chávez provides telling confirmation of my empirical results. The three variables mediating the relationship between populist rule and liberal democracy introduced in the thesis: natural resource rents; industrial employment; and financial development, all contributed to the success of his populist project that ultimately gave way to the rise of a competitive authoritarian regime. The post-2002 commodity boom allowed Chávez to strategically employ revenues from oil to increase social transfers to his target constituencies through various socioeconomic programs with discretionary funding from the presidency. This *de facto* vote-buying

behavior led to high levels of support by the informal working class workers, which significantly relaxed a constraint posed by the need to please the majority.

Organized labor of Venezuela, a consistent pro-democracy group with stable linkages with the country's largest labor-based party, continuously weakened during the Chávez era both in terms of its number and organizational capacity. Although it did form a formidable resisting force against Chávez in the early years of the rule of Chávez, its political leverage dramatically decreased after the presidential recall referendum in August 2004. Given the declining political relevance of organized labor in governability and that his target constituencies were the informal proletariat, his pursuit of radical institutional changes and presidential hegemony remained uninterrupted by organized labor.

The highly underdeveloped financial system of Venezuela meant that Chávez did not have to seriously consider the interests of the wealthy, propertied elites demanding the protection of property rights. The continuous fall in the country's financial reputation throughout the governing period of Chávez never posed a concern to him. The already low level of financial development of Venezuela meant that the government had not been enjoying the benefits from the financial sector anyway. He was thus not required to craft a credible commitment to the existing political order. He was free to make arbitrary and abrupt policy changes consistent with his populist rhetoric based on anti-neoliberalism and anti-globalization. The low level of financial development was an institutional weakness that could be taken advantage of.

Chávez relied heavily on plebiscitary measures to mobilize a popular majority behind an agenda for radical institutional reforms (Roberts 2012). With electoral majority in presidential elections and subsequent plebiscites, he continuously

sought to maximize the utility of the individuals constituting the majority at the expense of elites and minorities. With the success of plebiscitary strategies, the trajectory of populism in power was directed towards changing the rules of the existing political order and making of a populist constitution in order to strengthen his decisionmaking power, ultimately leading to the consolidation of competitive authoritarianism.

At present, Latin America is witnessing another tide of populism. For example, populist figures such as Brazil's Jair Bolsonaro and El Salvador's Nayib Bukele were elected to executive office with a populist discourse. To what extent will their populist projects be checked? Stabilized commodity prices suggest that populist presidents in resource abundant countries have fewer options to buy political loyalties of their target constituents concentrated in the informal sector. Deindustrialization is a phenomenon that is hard to be reversed in most Latin American countries. It seems that organized labor in many Latin American countries is increasingly losing its organizational capacity and political leverage in national politics, thus creating a more favorable condition for incumbent populists over the course of maximizing the utility of the individuals forming the majority. The level of financial development should increase with time. The growing importance of the financial sector is expected to serve as an institutional check on the populist project through the channel of financial reputation costs.

This study is one of the first systematic evaluations of the constraints that shape governing populists' capability to damage liberal democratic institutions. However, it is possible that my empirical results do not travel well outside Latin America. The implications of populist rule on liberal democracy may vary across regions with different characteristics such as political systems, levels of

economic development and income inequality, ethnic composition, level of democratic consolidation and confidence in the established political parties.

For example, how does a populist government in a developed country with democratic maturity such as the United States differ from a populist regime in a developing country with a relatively short history of liberal democracy in Latin America? Are they constrained by different groups in society as they appeal to different types of constituencies? One may also question if the degree of discretion that incumbent populists enjoy is analogous under parliamentary and presidential systems. With populism on the rise at the global level, future work may investigate how the populist project poses a threat to the existing political system and how it is countervailed by various actors in society across disparate geographical areas.

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