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Cushioning the Fall: Scandals, Economic Conditions, and Executive Approval

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Abstract   Why do some presidents emerge from a scandal unscathed while for others it may lead to a crisis of legitimacy? This question is crucial to understanding the conditions under which elected leaders are held accountable. This study proposes a theory of conditional accountability by which the public most consistently punishes presidents for scandals when the economy is weak. Under strong economic conditions, scandals do not tarnish presidents' public standing. To test the theory, we use a new dataset that includes measures of scandals, presidential approval, and the economy for 84 presidential administrations in 18 Latin American countries. Consistent with our expectations, scandals only appear to damage presidential approval when inflation and unemployment are high.

Keywords   Scandals · Executive approval · Latin America · Inflation · Unemployment · Behavior

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Introduction

When presidents become embroiled in scandals the consequences can differ enormously, and this seems especially true in the newer democracies of Latin America. Consider the fates of three recent presidents involved in scandal. In 1992, Brazil's Fernando Collor de Mello was accused of illegal enrichment, impeached, and forced to resign. The year before, in Argentina, Carlos Menem's approval nosedived after a mysterious donor sent him a red Ferrari—but he was ultimately reelected. In contrast, when documents linked Colombia's Alvaro Uribe to drug traffickers in 2004, his popularity barely moved. The diverging outcomes for these presidents point to a puzzling pattern across presidential systems: while some presidents weather scandals relatively well, others fail to survive the popular backlash against them. What explains such remarkable variation in accountability?

We argue the relationship between political scandals and incumbent support is conditioned by economic performance: citizens are more likely to punish presidents for scandals when the economy is weak than when it is strong. Such conditional accountability, we argue, helps explain why scandals are the political undoing of some presidents while others get off scot-free. Despite differences in the particulars, economic performance appears to have played a mediating role in each of the cases above. At the time Collor was impeached, inflation had risen steadily and dramatically to around 90 % and unemployment had almost doubled. In contrast, inflation went from 567 % when Menem took office to 39 % when the Ferrari scandal broke; unemployment, while not low (7.4 %), was stable. And when scandal hit during Uribe's term, inflation stood at 0.6 % and unemployment had descended gradually from its peak around the 2002 election. Although these examples imply a broader pattern of conditional accountability, its theoretical underpinnings remain underdeveloped and we lack systematic evidence to establish its generalizability.

In theory, the legitimacy of political leaders and indeed the system itself rests on public support for policy "outputs" as well as the procedural "inputs" which created them (Easton 1975). In the longest-standing presidential democracy, the United States, incumbent support generally reflects the public's expectation that executives competently deliver "peace, prosperity, *and probity*" (Fiorina 1981, 18, emphasis added). Yet whether citizens in newer, less institutionalized democracies hold leaders accountable both for policy outcomes and how they are reached remains an open question. On one hand, skeptics cite weak institutions, a less professionalized press corps, unreliable protection of civil rights, and strong ties to international markets as barriers to holding elected officials accountable for both policy outputs *and* inputs (Duch 2001; Keefer 2007; Stokes 2001; Johnson and Schwindt-Bayer 2009; Alcañiz and Hellwig 2011). On the other hand, the empirical record for Latin America partially contradicts these claims. Despite fragile institutional environments, Latin Americans do sanction leaders for corruption and scandals (Canache and Allison 2005; Hochstetler 2006; Pérez-Liñán 2007) and, under certain circumstances, hold presidents accountable for the state of the economy (e.g. Singer and Carlin 2013; see review in Lewis-Beck and Stegmaier 2008).

Beyond the fates of the presidents involved, the relationship between scandals, the economy, and incumbent support is important for understanding the quality and

stability of democracy, particularly where institutions of accountability are weak or less deeply rooted. In presidential systems, unpopular presidents are notoriously difficult to remove via institutional means, and in Latin America sharp drops in popularity have spurred street protests and demands for the executive's ouster (Pérez-Liñán 2007). Such campaigns are most successful when the president is personally involved in a corruption scandal (Hochstetler 2006; Hochstetler and Edwards 2009). Does a strong economy prevent these patterns? Or can scandals derail an otherwise economically successful president? Moreover, it is crucial to know whether a strong economy, either genuine or manipulated, shields leaders who abuse official power.

Against this backdrop, this study makes several contributions. Most importantly, our theory of *conditional accountability* helps solve the puzzle of why presidents are subject to different degrees of accountability for political scandals. Despite serious institutional and political challenges, we find Latin Americans hold their leaders responsible for political scandals in much the same way they do in established democracies like the U.S.: accountability is mediated by the incumbent's ability to deliver on the economy. The analysis, thus, probes the generality and scope conditions of conditional accountability, and joins other studies indicating similarities between publics in established and developing democracies. Further, to test the relationship between scandals, approval, and the economy we present an original dataset of quarterly presidential approval for 18 Latin American countries. Finally, the study's methodological innovation is the introduction of autoregressive distributive lag (ADL) models to examine accountability in comparative perspective.

We proceed by reviewing the literature on accountability and executive approval. Then we develop a theory of conditional accountability between scandals and economic performance. After that we test its implications empirically. Consistent with our expectations, the results suggest accountability for scandals is less likely when the economy is performing well. The conclusion highlights our findings' main theoretical and empirical contributions.

Accountability and Executive Approval: Theory and Evidence in Comparative Perspective

In liberal democracies elections are the chief mechanisms of vertical accountability: they compel leaders to take citizens' preferences seriously and allow citizens to punish or reward leaders accordingly. But accountability does not vanish between elections. Instead, presidents use the public's evaluations of their performance as a window into citizens' evolving views and, thus, as a guide to adjusting their policy program. The effectiveness of public opinion as an instrument of vertical accountability is limited because, unlike elections, it does not necessarily hasten the incumbent's demise or grant the incumbent another term. Yet changes in presidents' approval ratings have serious enough consequences to give presidents strong incentives to pay attention—and they do.

The idea that presidential approval acts as a form of accountability is supported by a raft of evidence in American politics showing how it shapes presidents'

electoral strategies and prospects (e.g. Kernell 1977), legislative agendas (e.g. Canes-Wrone and De Marchi 2002), and policy choices (e.g. Canes-Wrone, Herron and Shotts 2001). Latin American presidents also respond to public approval because it affects their ability to advance their legislative agendas (Calvo 2007) and strategies in inter-branch bargaining (Martinez-Gallardo 2011). Moreover, their political survival may depend on it. A precipitous decline in approval preceded every premature exit from the presidency in Latin America since the Cold War (Pérez-Liñán 2007). In short, there are strong grounds for considering presidential approval a lever of accountability between elections.

It is commonly assumed that economic performance is a, if not the, central criterion upon which citizens evaluate incumbents. Mueller's (1970, 1973) classic finding that poor economic performance consistently hurts presidential approval in the U.S. informed a vast, cross-national research program grounded in the idea that democratic accountability depends on citizens' ability to form and express judgments about government performance (see reviews in Anderson 2007; Duch 2007). While citizens surely care about more than economic performance (e.g. Singer 2011), the focus on the economy as the bedrock of accountability for policy outputs has often meant scholars treat political events "as dummies and distractions, something to be banished to footnotes and appendices" (Norpoth 1996, p 781). Watergate, the Iran-Contra Affair, and the Lewinsky scandal regularly enter U.S. popularity functions but typically only as controls. Beyond the U.S., studies on the impact of political events on executive approval are scarce, but most seem to accept—explicitly or implicitly—that it is "unlikely that this type of case-specific, idiosyncratic explanation (based on political events) wields the same leverage in understanding over-time variation in approval levels as the economic explanation does" (Morgan Kelly 2003, p 868).

In general, scholars are skeptical about the prospects of accountability for political inputs—such as political scandals—beyond highly developed democracies. They argue the weakly institutionalized party systems, a less-than-free press, and clientelistic practices that characterize many newer democracies deprive citizens of the necessary information on parties' platforms, programs, and capabilities (Duch 2001; Keefer 2007; Stokes 2001) to hold elected officials accountable for policy inputs. Indeed, Johnson and Schwindt-Bayer's (2009) examination of accountability in Central America finds governmental (not just presidential) scandals have no discernible effect on approval. A notable exception to this trend is Pérez-Liñán's (2007) study which shows *presidential* scandals tend to snowball and, thanks to strategic action by some members of the press, tank popularity. However, it is confined to presidents in five Latin American countries who presided over economic chaos and does not explore the *conditional* relationship between scandals and economic conditions.[1]

In sum, while there is some evidence that citizens consider political inputs when evaluating government performance, the theoretical and empirical links between the

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[1] In addition, differences in question wording, sample design, and survey frequency limit the comparability of approval data across countries (Pérez-Liñán 2007, p 116). We discuss this issue below.

public's willingness to exact accountability for presidential scandals and the economy remain underdeveloped.

Scandals, the Economy and Conditional Accountability

Scandals are important signals to citizens of the "competence, honesty, credibility and morality" of the government officials directly involved (Maier 2011, p 3; Memoli 2011). They can feed the impression that state institutions "are not very effective in their prevention of serious wrongdoing" (Maier 2011, p 3) and, thus, damage trust in the government or institutions more widely (Bowler and Karp 2004; Della Porta 2000; Seligson 2002). Just how damaging scandals are for incumbents, however, may depend on several factors (Brody 1991; Shah et al. 2002; Fischle 2000; Andolina and Wilcox 2000). Specifically, we argue the degree to which presidents are held responsible for political scandals is *conditional*: scandals harm presidential approval less, if at all, when the economy is strong than when it is weak.

There are good reasons but limited evidence to suggest economic performance conditions accountability for presidential scandals. As research on the Monica Lewinsky affair illustrates, throughout the ordeal most voters approved of President Clinton's job performance because they considered the economy better than when he took office (Zaller 1998; Andolina and Wilcox 2000). Newman (2002), p 795 estimates Clinton's approval would have been 6 points lower under average economic performance and a full 10 points less had Clinton been impeached with the same economic indicators as Nixon during his impeachment. Thus he concludes "excellent economic conditions, both before and during the scandal, were powerful enough to compensate for the scandal" (796). This and other analyses of the Clinton presidency imply that while scandals can damage presidential approval, the damage will be significantly less among citizens who view the president as competent in handling the economy. To date, however, there is no cross-national test of the generalizability and scope conditions of this relationship.

In Latin America, a sentiment of conditional accountability is reflected in surveys conducted around the most recent economic crisis. According to the Latinobarómetro (2008), more than half (54.1 %) of Latin Americans surveyed said they would support an authoritarian government if it could resolve economic problems; 40.7 % believed economic development was more important than democracy (14.7 % believed they were *equally* important); and 41.7 % agreed that the government should be above the law. Such values augur in favor of the conditional accountability hypothesis, whereby political scandals take a back seat to the executive's economic competence.

What explains such views? One possibility is that individuals are willing to trade corrupt or illicit practices for the prospect of favorable policy outcomes. According to Rundquist et al. (1977), the more intensely people feel about a policy issue the more likely they are to vote for a politician who, although guilty of corruption, is close to them on that issue (see also Peters and Welch 1980). Extending this line of theorizing, (Zechmeister and Zizumbo-Colunga 2013) reason that, "[i]f we consider the *performance of the economy* to be an *issue*, then when output is favorable we

have reason to believe good economic performance could similarly dissuade individuals from linking corruption to support [for presidents]" (1195, emphases added). Such tradeoffs or "implicit exchanges" could explain why "office holders are more likely to be held accountable for illegal activity" (Rundquist et al. 1977, p 961) when policy outcomes are unsatisfactory. Recent work has provided evidence of this trade-off mechanism using experiments (Muñoz et al. 2012), individual-level data on government corruption perceptions (Manzetti and Wilson 2007), as well as country-level corruption indices (Choi and Woo 2010).

Other studies of Latin America during the 1980s and 90s are consistent with this pattern. For example, Stokes (2001) claims Venezuela's economic crisis amplified perceptions of corruption under President Pérez which led to an attempted coup and, ultimately, his impeachment. Yet, according to Stokes, presidents Fujimori (Peru) and Menem (Argentina) avoided precipitous declines in support—despite accusations of corruption—by keeping inflation in check. Speaking more broadly about the period, O'Donnell (1994) argues the unpopular, painful, and often rent-seeking-laden neoliberal reforms implemented by presidents after the debt crisis "generate[d] a strong sense of urgency and provide[d] fertile terrain for unleashing the delegative propensities" of the region's political systems (65). By becoming "the embodiment of the nation and the main custodian of its interests" (60), such presidents personify the economy and, "not surprisingly…tend to suffer wild swings in popularity: one day they are acclaimed as providential saviors, and the next they are cursed as only fallen gods can be" (62).

These examples suggest a further possibility: beyond economic conditions, the extent to which scandals shape approval might depend on the *type* of scandal. Perhaps citizens regard President Pérez's misuse of public funds as graver than, say, scandals based on claims about the personal character of President Fujimori. However, there is no scholarly consensus about the theoretical underpinnings of such relationships (see review in Doherty et al. 2011). In line with the ambiguity in the literature, our evidence suggests the type of scandal is not a crucial distinction for our theory. Furthermore, there are plenty of counter-examples, such as Menem's Ferrari, that suggest scandals of various types inform citizens' judgments of the executive's job performance.

A rival interpretation of any connection between scandals, economic conditions, and approval is that the economy's effect on approval is conditioned by the president's (non)scandalous behavior in office. That is, the effect of the economy on approval is amplified when scandals occur. While possible, we do not believe this is very plausible. Many articles document how the economy affects incumbent popularity in the absence of, or despite, scandals (cf. Gronke and Newman 2003, p 503–505). And there is no reason to think scandals raise the salience of the economy in citizens' minds; in fact, the opposite may be true (Singer 2011). Indeed, scandals often spark major shifts in media coverage and, in the "zero-sum dynamic" logic of the issue agenda (Singer 2011, p 287; Zaller 1998), information about scandals tends to drown out economic information. Pérez-Liñán (2007) documents such media shifts in Latin America, where during economic crises presidential scandals can create "feeding frenzies," by which erstwhile loyalists leak scandalous information to emboldened journalists who become "more willing

to risk the publication of controversial stories" (119). As a consequence, economic news tends to be replaced by extensive and growing scandal coverage. Thus, any finding of an interactive effect between these two phenomena is most reasonably interpreted as economic performance conditioning the effect of scandals on approval.

In sum, there are theoretical and empirical reasons why the extent to which the public holds Latin American presidents accountable for the procedural inputs to policy—the *means* of democratic politics—might be conditioned by the incumbent's competence in delivering policy outcomes—its *ends*. In particular, we propose that presidents' approval ratings will tend to thrive so long as they deliver the economic goods, regardless of how they achieve them. But when economic outputs falter, the president's methods and behavior will come under greater scrutiny and citizens will exact conditional accountability. Below we test this proposition using executive approval data across 18 Latin American presidential systems. If economic success *cushions the fall*, i.e. shields presidents from the damaging effects of their scandalous conduct, it would suggest that a strong economy can provide presidents the cover and leeway to abuse power.

Data and Methods

The key challenge to testing the relationship between presidential approval, economic performance, and scandals is that comparable cross-national approval survey data are very difficult to come by. Although public opinion survey research has seen a dramatic expansion in recent decades, data availability still varies widely over space and time. Even where these data are available, differences in question wording, response sets, length of time series, missing data, temporality, and sample frame have frustrated comparisons and rendered highly unbalanced panels. We resolve these issues by collecting and combining all available approval series for 18 Latin American countries into "smoothed" quarterly time series that are comparable across administrations, countries, and time.

Our approach relies on country-specific measurement models employing a dyad-ratios algorithm (Stimson 1991) common in macro-opinion research in the U.S. (e.g. Erickson et al. 2002; Enns and Kellstedt 2008) but that to our knowledge has not been used in cross-national approval research. This method assumes that to the extent a given data time series is a valid indictor of presidential approval, the ratio of any two values within the series is a *relative* indicator of presidential approval. The algorithm uses all such dyadic ratios within a given series to estimate presidential approval values at regular (here, quarterly) time intervals. To combine N time series—ostensibly measuring presidential approval—for a country i into a single measure, each raw series undergoes this transformation, resulting in N dyads-ratio series. If these N dyads-ratio series are indeed relative indicators of presidential approval, they should co-vary where they have temporal overlap. To test whether this is true, the algorithm examines their common variance to see if the N dyads-ratio series do, in fact, tap a single latent construct—presidential approval. From this covariance, validity estimates are computed for each of the N series, and these are

used to estimate the best single underlying series of latent approval. Exponential smoothing on the resulting series sharpens the estimates by removing random fluctuation due to sampling error. These measurement procedures are followed to create a time series measure of presidential approval for each country *i* in our study.

With this methodology we construct an original dataset of executive approval for 18 Latin American countries from their most recent transition to 2007,[2] including 84 presidents. While the actual number of input series varies by country—from a high of 33 (Mexico) to a low of 5 (Dominican Republic—we employ a total of 184 unique data series gauging presidential "approval" (*aprobar/desaprobar*), "favorability" (*favorable/desfavorable*), and "ratings" (e.g. *muy bien, bien, regular, mal, muy mal*) of the president's "management" (*gestión*), "job/work" (*trabajo*), "performance" (*desempeño*), and "image" (*imagen*).[3] We exclude questions related to vote intentions, trust or confidence, and grading systems (e.g. 1–10).[4] If the response choice is dichotomous, we employ the marginal of the positive response. If it is trichotomous with a "regular" or neutral middle category, we only analyze the "positive" marginals. For 4-part response choices, we sum all positive responses; if there are 5 responses, again we sum only positive response marginals and exclude "regular" or neutral categories. In total, we use 1499 survey marginals.[5]

Several pieces of evidence suggest this novel approach delivers valid and reliable measures of presidential approval and thus allows us to analyze patterns of accountability across a wider cross-section of countries than has been possible to date. We find that a single dimension, theorized to be presidential approval, accounts for an average of 84.31 % of the variance in the measurement models, ranging from a low of 70.6 % in Mexico to a high of 96.5 % in the Dominican Republic. Moreover, most individual input series load highly on the latent factor, typically over 0.90. By meeting conservative criteria for confirmatory factor analysis, these results bolster our confidence that despite differences across the data in any given case, the information can nonetheless be harnessed to produce a valid measure of presidential approval. Furthermore, we are confident that distinct question wordings or response sets are not significantly affecting our results since they do not lead to systematic differences in loadings estimates. Finally, if we analyze the log of presidential approval, the results reported below change very little.

It is clear from Fig. 1 that presidential approval rates vary widely in our sample, from a low of 4.6 % for Peru's Alejandro Toledo in 2004 to a high of 88.3 % for

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[2] Dates vary by country; see Table 1 in the Supporting Information (SI).

[3] The raw data series that are the basis for presidential approval come from a variety of sources. Most have been generously provided by private survey firms in each Latin American country.

[4] It is unclear what grade, or grades, indicate "approval" of the president. Further, we have no way of verifying whether respondents base their grades on country-specific scales or norms for "passing" and "failing." Thus, parsing the scale to calculate a survey marginal of presidential approval from a grading scale is arbitrary and likely invalid.

[5] To ensure our findings are not unduly influenced by countries with shorter series we estimated the models using only the eight countries with the longest series, at least 63 quarters, and the results are substantively identical to those presented below (see SI, Tables 4, 5).
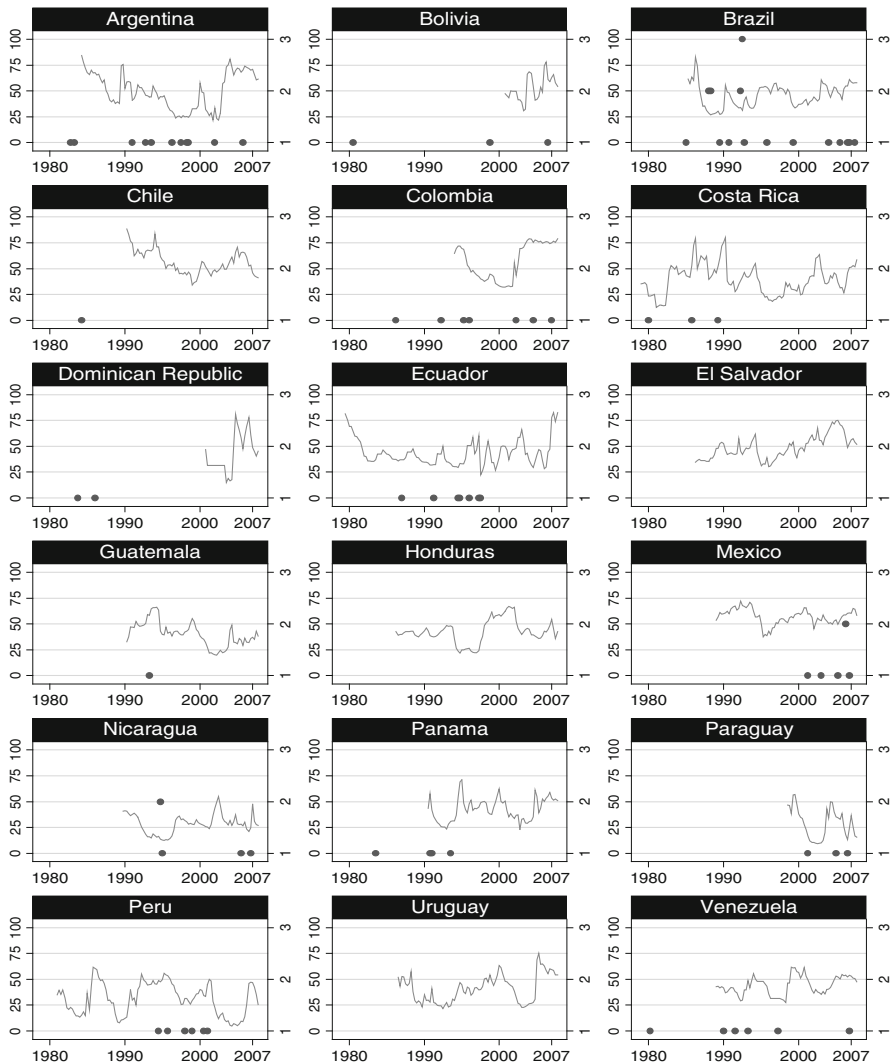
Fig. 1 Presidential approval (*lines*) and scandals (*dots*) in Latin America

Chile's Patricio Aylwin in 1990, after the transition to democracy.[6] Variability also fluctuates within countries; some countries have high and stable approval rates (Mexico, mean 57.2 %, s.d. 7.25), while others like Colombia couple high average approval (59.9 %) with greater volatility (s.d. 17.8). Yet other countries feature low approval rates and low (e.g. Nicaragua) or high volatility (e.g. Paraguay). There is also some disparity in data availability across cases. While we would expect (and find) more data in places that transitioned to electoral politics early, such as Ecuador

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[6] Table 1 in the online supplemental materials displays summary statistics for approval across the sample.

or Costa Rica, in other long-standing democracies, such as Colombia and Venezuela, we have far fewer data points. At the same time, some late-transitioning countries have comprehensive and data-rich time series (i.e. Mexico, Chile) while others (i.e. Dominican Republic, Bolivia) do not.

Our theoretical expectations rest on two main determinants of executive approval: economic conditions and political scandals. Regarding the relationship between presidential approval and the economy, the economic voting literature has long debated which economic indicator citizens are most likely to feel and, in consequence, which specific changes in the economic context will most consistently elicit a reaction from voters. Empirical work has done little to resolve the issue. For Latin America, approval is found to vary systematically with inflation (Johnson and Schwindt-Bayer 2009) and/or unemployment (Pérez-Liñán 2007; Cuzán and Bundrick 1997). Following these studies, we operationalize the economy using indicators for inflation, unemployment, and growth (see Table 1 for descriptive statistics). Inflation is the quarterly percentage change in consumer price index and the data come from the International Monetary Fund's (IMF) International Financial Statistics. Unemployment indicates the percentage of the unemployed active population currently seeking a job. Most of the data is reported for urban unemployment; however, three countries (Chile, Dominican Republic, and Venezuela) report national unemployment figures. Likely due to high levels of urbanization in these three countries, results presented below are unchanged if they are removed from the analyses. Annualized unemployment data comes from the Economic Commission for Latin America and the Caribbean (ECLAC).[7] Growth is the change in quarterly GDP from the penn world tables.

Our second theoretical variable is political scandals defined as "news events disclosing episodes of corruption or abuse of power" (Pérez-Liñán 2007, p 93) by the president. This definition aligns with the dominant view in American politics that scandals are negative (Newman 2002; Newman and Forcehimes 2010) or popularity-diminishing personal events (Ostrom and Simon 1985; Ostrom and Smith 1992). Like this previous work, we understand scandals to be events that are (1) "'specific, dramatic, and sharply focused,' (2) connected to the president, and (3) the object of extensive media coverage" (Newman 2002, p 788; Mueller 1973, p 209). The underlying assumption of this definition is that for events to affect public opinion they must be publicized; thus we restrict our analysis to events prominently reported in the press.

To measure presidential scandals, we use Pérez-Liñán's (2007) data. The original data has annual observations for the years between 1980 and 2007 which we transposed into quarterly series. The data source is the *Latin American weekly report* (LAWR), a summary of the most salient stories in local and international media reports. This variable counts only scandals involving the president—not

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[7] Adopting Palmer and Whitten's (1999) strategy, the quarterly indicator of unemployment was calculated on the basis of the following formula: $\rho = [\rho(t-1) \times (4 - \sigma(t))/4] + [\rho(t) \times (\sigma(t)/4)]$, whereas "$\rho$" is the annual economic indicator, "σ" the quarter of interest, and "t" the year of reference. For example, to compute a value for the first quarter of 1996, we would multiply the 1996 annual indicator by 1/4 and add it to the 1995 annual indicator multiplied by 3/4. We followed the same process for GDP and calculated growth as the percent change in quarterized GDP.

Table 1 Descriptive statistics

Variable	Mean	SD	Max	Min
Executive approval	43.64	14.92	83.43	4.57
Political scandals	0.06	0.26	3	0
Scandal 0/1	0.05	0.22	1	0
Inflation	9.51	27.65	374.23	−1.34
Unemployment	9.36	3.85	20	3.4
Growth	0.37	1.11	3.66	−4.48
Trade flows	0.10	0.04	0.25	0.019
Honeymoon	0.07	0.25	1	0
Polity score	8.04	1.22	10	5

family, friends, cabinet members, or co-partisan legislators. Thus it includes *abuses of power* such as Panamanian president, Guillermo Endara, creating a secret spy agency in 1991 or Paraguayan president, Nicanor Duarte, spying on legislators opposed to his plan to allow re-election; *acts of corruption* like Venezuela's Carlos Andrés Pérez misuse of public funds in 1992 or the uncovering of a Swiss bank account belonging to Argentina's Carlos Menem; and *character issues* including alleged links between Colombian president, Álvaro Uribe, and drug traffickers or the legal proceedings brought against Peru's president, Alberto Fujimori, by his wife, Susana Higuchi, for various forms of "psychological and moral violence."

Given the varied nature of the scandals in the dataset, we test whether citizens react differently to different types of scandals. For example, citizens may consider whether scandals are political or non-political, pervert personal or institutional integrity, etc. As mentioned above, while these distinctions are plausible, there is no theoretical consensus about how different scandals should shape approval and empirical evidence about such distinctions is mixed (Doherty et al. 2011). This is due, at least in part, to different conceptualizations and operationalizations of a scandal, and a mix of micro- and macro-level observational and experimental results that resist facile comparisons. The dataset employed here categorizes each scandal as based on administrative corruption, abuse of power, or character issues. In our data whether a particular scandal is based on administrative corruption or abuse of power does not moderate the degree of conditional accountability (see SI, Tables 13, 14; Figs. 4–11). Unfortunately, there are too few character issue scandals in the dataset (only 6) to determine if this scandal type influences conditional accountability. To some degree, the lack of a difference between scandal types is not entirely surprising since the dataset only registers scandals that receive significant press coverage.

In addition to executive approval, Fig. 1 also plots the total number of presidential scandals per quarter. The incidence of scandals varies widely across countries. While the quarterly average is 0.05, scandals range from a high of 0.22 per quarter in Brazil to lows of 0 for the period under study in Chile, El Salvador, Honduras and Uruguay. Most importantly, the graphs in Fig. 1 do not suggest a simple, direct relationship between scandals and approval. In some quarters

approval drops following a scandal, in others it changes little if at all, while still in other approval actually rises immediately after a scandal. These graphs give initial support to our hypothesis that economic conditions must be considered in any assessment of how presidential scandals affect executive approval.

Figure 1 shows, there are few quarters in which a country registers more than one scandal and all but two cases of multiple scandals occurred in Brazil. It is also unclear if additional scandals in a short time-frame (three months) would have an additive effect on approval beyond the uproar over the initial scandal. Because of this, and the highly skewed distribution of scandals, for the models below we collapse the scandals variable into a dummy indicating the existence of a scandal during the quarter. The results presented below are substantively similar to models using the total number of scandals per quarter (see Tables 2 , 3 in the SI). Relatedly, results of models using only countries with at least one scandal do not differ significantly from those using all 18 countries (or 17 with Brazil excluded).

Figure 1 includes approval data in periods of electoral authoritarianism (e.g. Mexico prior to 2000) or severely illiberal democracy (e.g. Guatemala before 1996; Peru during the *autogolpe*), we exclude them from our analysis for two reasons. The first is the unreliability of the data. Surveys conducted in these more restrictive environments are likely biased by design to exaggerate popularity or contain serious response bias due to fear of reprisal (Bischoping and Schuman 1992). Second, the relationships between both economic performance and scandals and executive approval should be drastically altered by the absence or weakness of key accountability mechanisms such as meaningful elections and free speech. So while the graphs include all data points collected during the period under study, we restrict our analysis to administrations that scored at least 5 on the Polity scale. Moreover, we include the Polity measure of democracy in the models below to account for residual differences in the level of democracy across the region.

We include three additional controls. Globalization is captured with a quartertized measure of annual IMF trade shares data. Trade flows (as a percentage of GDP) control for the possibility that increased globalization is frustrating voters' ability to assign credit or blame for domestic economic conditions. And we include a dummy variable for the first quarter of an administration to capture honeymoon effects.

To estimate the impact of scandals and the economy on presidential approval we use a time-series cross-sectional autoregressive distributed lag model (ADL) with either robust standard errors clustered on administrations or administration-level fixed effects. ADL models, mathematically equivalent to error correction models (ECM), refer to a class of models that can be used to analyze an equilibrium relationship among time series (Beck 1993; Beck and Katz 1996; Hassler and Wolters 2005; De Boef and Keele 2008). ADL specifications hold two key advantages over other time series models. First, they place far fewer restrictions on a model's lag structure, where its dynamics reside. Moreover, like other dynamic lag specifications, they allow us to calculate the total long-run impact of independent variables on the dependent variables distributed over future time periods. This is important because some disturbances take longer to return to equilibrium than others and, given the debates over whether and how quickly the public responds to changes in economic conditions (Palmer and Whitten 1999; Quinn and Woolley

Table 2 Political scandals, economic performance, and presidential approval autoregressive dynamic lag models

	I	II	III Fixed-effect	IV Brazil exc.	V Brazil exc.	VI FE: Brazil exc.
	0.019	*0.020*	*0.022*	*0.019*	*0.020*	*0.023*
Scandal	−0.743	1.681	−0.565	−0.961	3.313	0.306
	0.850	*2.589*	*2.401*	*1.080*	*3.028*	*2.720*
Scandal$_{t-1}$	−0.051	6.840***	5.125**	−0.112	8.774***	6.834**
	1.128	*2.187*	*2.367*	*1.452*	*2.336*	*2.663*
Unemployment	−1.020*	−0.963*	0.223	−1.263**	−1.214**	0.110
	0.550	*0.544*	*0.580*	*0.602*	*0.597*	*0.621*
Unemployment$_{t-1}$	1.044*	1.034*	−0.501	1.286**	1.281**	−0.451
	0.558	*0.558*	*0.579*	*0.607*	*0.606*	*0.616*
Inflation	−0.034***	−0.032***	−0.046***	−0.0488***	−0.045***	−0.055***
	0.010	*0.011*	*0.009*	*0.012*	*0.012*	*0.012*
Inflation$_{t-1}$	0.021***	0.022***	0.021***	0.021***	0.021***	0.020***
	0.003	*0.003*	*0.006*	*0.003*	*0.003*	*0.006*
Growth	0.369	0.475	0.808**	0.252	0.422	0.769**
	0.307	*0.295*	*0.325*	*0.306*	*0.292*	*0.333*
Growth$_{t-1}$	−0.024	−0.054	−0.085	−0.072	−0.165	−0.186
	0.323	*0.319*	*0.307*	*0.329*	*0.318*	*0.317*
Trade	−39.74**	−38.85**	−24.410	−40.89**	−38.99**	−23.410
	15.780	*15.580*	*17.310*	*15.890*	*15.620*	*17.630*
Trade$_{t-1}$	40.19***	39.86***	36.33**	41.79***	39.71**	34.48**
	15.130	*15.000*	*17.050*	*15.460*	*15.270*	*17.410*
Polity	1.578*	1.319*	0.224	1.723**	1.367*	0.399
	0.840	*0.762*	*1.210*	*0.842*	*0.756*	*1.241*

Table 2 continued

	I	II	III Fixed-effect	IV Brazil exc.	V Brazil exc.	VI FE: Brazil exc.
$Polity_{t-1}$	−1.774**	−1.540*	1.162	−1.931**	−1.603**	1.077
	0.857	*0.786*	*1.134*	*0.859*	*0.779*	*1.163*
Scandal × Unemployment		−0.096	0.083		−0.198	0.040
		0.286	*0.233*		*0.298*	*0.247*
$Scandal_{t-1} × Unemployment_{t-1}$		−0.719***	−0.701***		−0.826***	−0.789***
		0.179	*0.224*		*0.171*	*0.235*
Scandal × Inflation		−0.0469*	−0.038		−0.347***	−0.231
		0.027	*0.038*		*0.087*	*0.148*
$Scandal_{t-1} × Inflation_{t-1}$		−0.029	−0.034		−0.213	−0.197
		0.024	*0.036*		*0.131*	*0.144*
Scandal × Growth		−1.531	−1.168		−0.925	−0.794
		1.169	*1.121*		*0.967*	*1.208*
$Scandal_{t-1} × Growth_{t-1}$		0.363	1.216		0.479	1.277
		0.666	*1.013*		*0.748*	*1.072*
Honeymoon	0.680	0.764	2.948***	0.784	0.882	3.154***
	1.417	*1.414*	*0.746*	*1.522*	*1.524*	*0.778*
Constant	5.427***	5.153**	3.745	5.461**	5.318**	4.121
	2.025	*2.039*	*7.759*	*2.125*	*2.162*	*8.120*
Observations	1,019	1,019	1,019	933	933	933
R^2	0.85	0.86	0.64	0.85	0.86	0.63

Clustered robust standard errors in italics (except for fixed-effects models)

* Significant at 10 %; ** significant at 5 %; *** significant at 1 %

Table 3 Long-run effects of scandal, inflation, and unemployment on approval

	I	II	III Fixed-effects	IV Brazil exc.	V Brazil exc.	VI FE: Brazil exc.
Scandal	−7.417	78.01**	14.090	−10.330	113.4**	21.36*
	13.870	*33.460*	*10.770*	*18.840*	*43.200*	*12.010*
Unemployment	0.221	0.656	−0.857**	0.221	0.634	−1.018**
	0.664	*0.696*	*0.425*	*0.709*	*0.739*	*0.430*
Inflation	−0.117	−0.093	−0.0775***	−0.270**	−0.224**	−0.104***
	0.099	*0.097*	*0.029*	*0.102*	*0.098*	*0.036*
Growth	3.218	3.863*	2.235***	1.734	2.407	1.742**
	2.151	*2.015*	*0.749*	*2.359*	*2.204*	*0.756*
Trade	4.248	9.252	36.810	8.690	6.787	33.110
	49.820	*49.460*	*54.300*	*58.560*	*59.330*	*54.050*
Polity	−1.828	−2.023	4.283	−2.004	−2.209	4.416
	1.623	*1.581*	*2.709*	*1.659*	*1.595*	*2.746*
Scandal × Unemployment		−7.457**	−1.911*		−9.611***	−2.242**
		2.843	*1.027*		*3.030*	*1.066*
Scandal × Inflation		−0.691**	−0.222		−5.247***	−1.280**
		0.326	*0.158*		*1.575*	*0.637*
Scandal × Growth		−10.690	0.146		−4.189	1.446
		12.310	*4.779*		*11.820*	*4.946*

Clustered robust standard errors in italics (except for fixed-effects models)

* Significant at 10 %; ** significant at 5 %; *** significant at 1 %

2001), the fewer restrictions placed on model dynamics the better. Hence the ADL/ ECM setup not only helps with issues of stationarity, it also permits a more comprehensive analysis of the long-term consequences of scandals and the economy for executive approval.[8] In the models presented below the lag structure of the dependent variable and independent variables successfully account for serial autocorrelation in the data.[9] Clustered robust standard errors or fixed effects help account for any non-time related error correlation among the observations within a given administration.

Results

The first three columns of Table 2 report results of three models. Model I looks at the additive effects of economic conditions and scandal on approval; Model II tests

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[8] Results using the ECM specification of the model are identical to the ADL, indicating the model does not suffer from co-integrated data. Similarly, augmented Dickey-Fuller panel tests of the approval and the key economic variables show the data to be stationary.

[9] Using the (Arellano and Bond 1991) test for autocorrelation in panel data for the models in Table 2, we reject the null hypothesis of remaining autocorrelation in the error terms ($P = 0.302$).

for our main hypothesis, the *conditional* effect of scandal on approval; Model III adds administration-level fixed-effects to Model II. Table 2 displays two short-run effects of economic conditions and scandal on approval: (1) the coefficients and significance for the current period (X_t) are the immediate effects of change in the independent variables on approval in the same quarter, (2) the coefficients and significance for the lagged values (X_{t-1}) show the effect of a change in the independent variables on approval in the following quarter. We include both because changes caused by an independent variable may not be observed immediately but rather may take at least another quarter to manifest in the data.[10]

Model I shows the direct effect of economic conditions on approval and suggests increases in inflation or unemployment have immediate negative effects. The positive yet smaller coefficients at X_{t-1} indicate the slide is over by the following quarter. Growth, however, has no consistent effect on approval, supporting the contention that this broad aggregate measure of economic performance has little influence on mass public opinion, perhaps due to distributional factors.[11] More broadly, these results support the fundamental notion that executive approval in Latin America's new democracies reflects changes in economic performance. Importantly, they show that accountability for economic performance *between* elections matches the influence of the economy on incumbents' fortunes at election time.

As for the unconditional role of scandals in patterns of approval, we observe a negative but insignificant relationship in both the short and long runs.[12] This is not to say that scandals and approval are not associated. Rather, as Models II and III indicate, the relationship varies with economic performance (inflation and unemployment, not growth). The real test of our argument is in Models II and III, which show that the initial conditional short-run effect of scandals is large and negative. Additionally, after controlling for the conditional effect of scandals, we find limited support for the contention that growth has a positive effect on approval.[13,14]

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[10] Both of these effects are direct and additive. When the signs on the two short-run effects are in opposite directions it often indicates that the variable's effect, whatever it is, is short lived. The influence of X_t can be attenuated when X_{t-1} has an opposite effect; however, when both coefficients carry the same sign the variable's effect is likely long lasting. While lags greater than one period can be incorporated into the ADL framework, we find no evidence that additional lag lengths contribute to model fit.

[11] Without controls for inflation and unemployment, more proximate economic indicators, growth has direct but not conditional effects on scandals (see SI, Tables 2 , 3, column V).

[12] Scandal has a significant and positive coefficient in some of the interactive models because at no time are the interactive terms zero. To assess how scandals affect approval, the effect of the interaction terms with unemployment, inflation, and growth must be taken into account (see Fig. 2).

[13] Controlling for press freedom and whether the president's party controls the legislature (high clarity of responsibility) does not change the result. For reasons of over-fitting, parsimony, and clarity of presentation we report these models in the SI, Tables 2 , 3.

[14] We also tested whether the conditioning effect of the economy is dependent on trade openness, Polity score, press freedom, or unified government (using 3-way interactions). We find no evidence for such relationships and because of issues of multicollinearity and data limitations we exclude them from the analysis.

In the last three columns of Table 2 we test the robustness of our results by running the same models excluding a substantial outlier in regards to both inflation and scandals: Brazil. While most countries in Latin America experienced one or more executive scandals during the period examined, Brazil had by far the most. With the exception of Mexico, no other country has even half as many scandals as Brazil. Similarly, Brazil posted the highest average inflation levels in the region in the period under study (1985–2007). And while other countries suffered hyperinflation, none experienced more quarters of inflation rates over 100 % than Brazil. Three of the five most recent presidential administrations in Brazil occurred during periods of hyperinflation. In two other cases, Peru and Argentina, hyperinflation was shorter lived and at far lower levels of average inflation.[15] Brazil is the only case who's exclusion from or inclusion in the sample shifts coefficients and standard errors (see Supporting Information for models), indicating that pooling across countries does not induce significant bias or inefficiencies due to heterogeneous effects in the sample.

Models IV–VI shows our main findings are robust to the exclusion of Brazil. Indeed, without Brazil, we find even stronger evidence that approval responds quickly to changes in inflation and unemployment, but less so in growth, and that the relationship between scandals and approval hinges on economic conditions. An alternative way to deal with Brazil's hyperinflation, taking the natural log of inflation, produces similar results (see the SI, Tables 9, 10). Yet we chose to keep inflation in its interpretable scale and remove Brazil for the reasons highlighted above.

To see the entire effect of economic conditions and scandals on approval, Table 3 displays the full long-run effect of the models with and without Brazil. A key advantage of using the ADL configuration is that it allows for a direct estimation of the long-run multiplier and its standard error using the Bewley (1979) transformation: $Y_t = \phi_0 + \phi_1 \Delta Y_t + \beta_0 X_t + \beta_1 \Delta X_t + \varepsilon_t$, where β_1 and its standard error are the LRM and its standard error, respectively (De Boef and Keele 2008). Because the Bewley transformation requires no more than estimating a reconfigured model, analytic standard errors are generated without the need for simulations or other more complicated approaches. Significant interaction effects for scandals and inflation as well as scandals and unemployment confirm that the economy conditions the relationship between scandals and approval. As in the short-run effects, growth has neither a direct nor a conditional effect on approval.

To better gauge the magnitude of these effects, Fig. 2 graphs the marginal effect, based on the fixed-effects estimates, of scandals, conditional on unemployment or inflation. It shows that when presidents manage to keep unemployment low (<10.5 % in the full [a] and limited samples [c]), a scandal does not hurt their approval in the long-run. But when unemployment creeps past 10 %, the marginal effect of an additional scandal turns negative.[16] In the full sample, by contrast, a scandal damages approval only when inflation is extremely high (Fig. 2b). However, when Brazil is removed from the sample, the conditional effect of

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[15] Using the natural log of inflation in the full sample model does not substantively change the results from those presented. We use the untransformed data for easier interpretation of effects.

[16] In all interaction graphs the other variables are set at their sample means: 9.6 % unemployment, 9.1 % inflation, and .38 % quarterly growth (without Brazil, 9.6, 7.12, and .39 %, respectively).
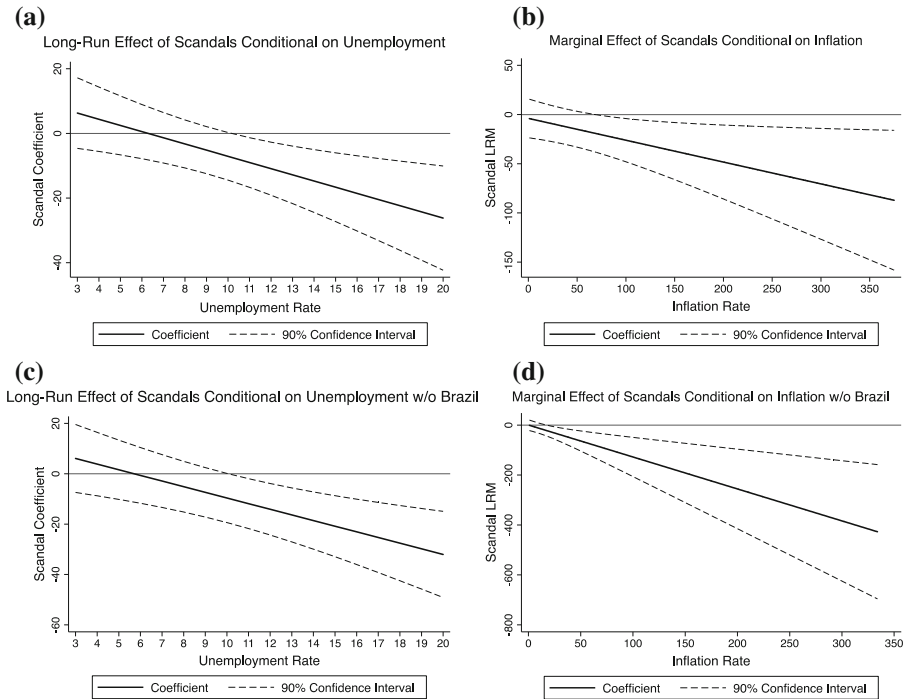
(a)

Long-Run Effect of Scandals Conditional on Unemployment

(b)

Marginal Effect of Scandals Conditional on Inflation

(c)

Long-Run Effect of Scandals Conditional on Unemployment w/o Brazil

(d)

Marginal Effect of Scandals Conditional on Inflation w/o Brazil

Fig. 2 Marginal effect of scandals on approval, conditional on economic performance

inflation is more pronounced and kicks in earlier (Fig. 2d). In other words most Latin American presidents paid no real price for a scandal as long as quarterly inflation remained relatively low (<18 %), with the worst damage occurring under conditions of hyperinflation.

With the flexibility and estimates of both short and long-run effects, we can be more precise about how long the "long-run" effect is. Looking at Model IV, a scandal's full effect on approval is doled out over time. In the quarter of the scandal approval is depressed, on average, a couple of percentage points. Yet this decline in approval does not cease for a substantial period of time. Specifically, at mean levels of unemployment (9.4 %), inflation (9.5 %), and growth (.38 %) half of the decline in approval caused by a scandal (its median lag length) is felt within a year and a half (6 quarters). This pattern of a gradual and declining impact of scandals generally plays out across the range of unemployment and inflation values. However, the speed at which the public turns against the president for economic failures is extremely rapid. Most of the effect of an increase in unemployment or inflation is felt immediately—within three months—and the full effect is generally observed by the nine-month point.

Two scandals under Argentine president Carlos Menem illustrate how the economy conditions the effect of scandals on executive approval. As mentioned, after the 1991 Ferrari scandal, Menem's popularity dropped 15.7 points—almost

exactly the 15.8 points our model predicts.[17] This drop was partly explained by a sluggish economy: unemployment was slightly below the sample average (7.5 %), but inflation was four times higher than the sample average (39 %). By contrast, when in 1993 it was revealed that, on the president's orders, the police had been collecting information on potential 'dissenters,' Menem's popularity was practically untouched. This is precisely what our models would predict given that, by 1993, inflation had dropped to 1.5 % and other economic indicators had improved markedly.

Clearly, public opinion about presidents quickly reflects changes in economic conditions, especially for the economic factors that are most likely to be felt by individuals—unemployment and inflation, though not aggregate growth. Scandals' effects on approval depend on the economic environment, that is, economic success does seem to *cushion the fall*. Moreover, public doles out (conditional) account-ability for scandals both immediately and over time. On the whole, though, the Latin American public appears willing to pardon scandalous presidents who keep the economy humming.

Conclusion

Why scandals make some presidents appear to be made out of Teflon and others out of flypaper is a curious puzzle. We argue that although citizens hold executives accountable for scandals (policy inputs) even in institutionally fragile democracies, the importance they give to this measure of incumbent competence depends on their perception of the executive's ability to deliver economic prosperity (policy outputs). To test our argument about conditional accountability, we construct a unique dataset of presidential approval in Latin America that allows the most comprehensive analysis to date. We find compelling evidence that a strong economy cushions the fall of presidents who are embroiled in scandal. Scandals are far more damaging for presidents who cannot keep inflation and unemployment in check. Thus, Latin Americans grant some leeway on the "inputs" side of governance to executives who are competent on the "outputs" side.

Conditional accountability can be seen in two ways. Glass-half-full observers would say Latin Americans demonstrate a keen awareness of the economy, inform themselves of political affairs, and judge presidents upon these criteria. Hence, presidents at least know where they stand and can take steps to avoid dangerous drops in public support that could hasten their exit from power. Such a conclusion is in keeping with the notion that the "new political instability" in Latin America (Pérez-Liñán 2007) does not signal low democratic quality (Hochstetler and Samuels 2011).

A glass-half-empty observer would note that democracy could be in serious trouble if the public gives presidents who abuse power a pass so long as they deliver the economic goods. In this view, democracy retains a rather utilitarian flavor and

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[17] The estimate from the fixed-effects model is also close to the observed value: a drop of 14.6 percentage points.

its principles and institutions might be disregarded should they fail to deliver. This latter conclusion would also seem to qualify V.O. Key's (1966) claim that executive accountability for the economy is a good indicator of democratic quality. In Key's American context, where democratic politics are routinized and political scandals involving the executive are exceedingly rare, his claim makes perfect sense. However, where the institutional context is more fluid and executive scandals are more commonplace, as in Latin America, accountability for economic performance alone can come at a cost to democratic quality. Put another way, strong democratic institutions and traditions can better withstand the occasional presidential hiccup under almost any economic conditions. But where democratic institutions are weak, presidential scandals may warp democratic processes and procedures as the economy roars. Thus, the extent to which publics hold executives responsible for the economy might not be an ideal measure of the quality of new democracies.

Finally, the foregoing analysis suggests scholars have much to gain by studying the dynamics of executive approval and the factors that drive it, and opens some avenues for future research. For instance, further theoretical development and more fine-grained data could produce a more nuanced understanding of conditional accountability that accounts for social and cultural conditions in addition to economic conditions. Going forward, we hope our data, methods, and analysis can further the debates on executive approval, accountability, and the quality of democracy.

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