

Party Financing and the Entrance of New-Party Candidates

Denise Laroze*

Department of Government
University of Essex.

April 18, 2016

Word Count \approx 8,060

Working Paper

Abstract

The literature on party finance regulations has increasingly found evidence of its impact on the structure and characteristics of the party system. This paper extends the literature by disaggregating the effect of different types of funding (campaign vs on-going), and their allocation mechanisms, on the number of new-party presidential candidates that compete in presidential elections. This paper argues that subsidies for campaigns based on past electoral results create a barrier to the entrance candidates sponsored by new parties. However, this effect can be counteracted by the potential to access post-election benefits in the form of on-going party funding. The empirical results provide evidence in favour of these arguments and are robust to a wide range of model specifications and definitions of new-party candidate. Substantively, the results indicate that the design of party funding regulations can have significant consequences for the stability of the party system.

Keywords— New Parties, Latin America, Party Finance, Presidential Candidates

*email: dalaro@essex.ac.uk, mobile: +44 7918983204. Wivenhoe Park, Colchester, UK, CO4 3QS. Thanks are due for comments on earlier drafts of this paper to Thomas Scotto, Todd Landman, John Bartle, Peter Josse, the annual conferences of the Midwest Political Science Association, Chicago, 3-6 April 2014, and the European Political Science Association, Edinburgh 19-21 June 2014.

Introduction

A substantial number of candidates in Latin America now compete using a new-party logo. These ‘new-party presidential candidates’ include a wide range of political actors, starting from a standard bearer of a small issue party, to strong ‘outsiders’ that compete for the presidency (cf. Barr, 2009; Carreras, 2012; Kenney, 1998). Among noteworthy examples are presidents Rafael Correa and Lucio Gutiérrez in Ecuador, Alberto Fujimori in Peru and Hugo Chávez in Venezuela.

There are multiple reasons for new-party candidates to compete in elections. This paper tests the hypotheses that one of those reasons are the incentives introduced by regulations regarding the public finance of political parties. Campaign-period subsidies (allocated based on past electoral results), are argued to increase the relative costs of the campaign, creating a potential barrier to entry and that could reduce the number of new-party candidates in presidential elections. On the other hand, performance based subsidies for inter-election (i.e. on-going) party activities are hypothesised to have the opposite effect. As subsidies for on-going activities are obtained as a consequence of a successful campaign, when these funds are available new parties would have incentives to run the most competitive elections possible (assuming that more funds are always preferable). An efficient way of doing this is by running a presidential candidate and using his or her visibility to improve the party’s overall results (see Ferejohn and Calvert, 1984; Golder, 2006; West and Spoon, 2015, among others).

To test this argument the study uses a Time-Series Cross-Section Poisson estimation on the number of new-party candidates participating in 113 democratic presidential elections in 18 Latin American countries between 1978 and 2013 (see Appendix for full list of countries and elections included). The paper focuses on the incentives introduced by the different allocation mechanisms for monetary and media subsidies for campaigns, as well as post-election funding for on-going party activities. The empirical results corroborate the hypotheses, indicating a strong impact of public funding on the number of new-party candidates that enter. These findings are robust to the inclusion of a standard battery of covariates, different methods of estimation, varying definitions of the dependent variable and concerns of endogeneity.

Recent literature on the impact of party finance provides evidence of the importance of these regulations on the party system (Hug, 2001; Hooghe et al., 2006; Scarrow, 2007; Tavits, 2006, 2008a, among others). With the notable exception of Potter and Tavits (2013), who measure the effect of *fund parity* on the size of the party system, many of these studies estimate an aggregate effect of presence/absence of public funding for political parties.¹ This paper extends the literature by analysing the contrasting incentives introduced by the different types (and timing) of funding currently used in Latin America. The new approach allows one to differentiate between the incentives introduced by resources allocated at different periods in the electoral cycle and not only focus on the variations between funding that favours established vs new parties.

This research also contributes to the expansion of data on new political parties to developing countries with presidential systems, which, to my knowledge, has not been previously coded. Similar research in Latin America has concentrated on political ‘outsiders’, that is, presidential candidates from outside the mainstream parties (cf. Kenney, 1998; Mayoraga, 2006; Corrales, 2008; Mustillo, 2012; Carreras, 2012, among others). Following Hug (2001, p.172) the present research adapts the coding criteria used for new legislative parties in parliamentary system to account for the predominance of the chief executive in presidential systems. In doing so, the study creates a comparable dataset on new party entry, generating opportunities to test the generalizability of theories on new parties in a broader institutional, economic and cultural setting. As a complement, the study also codes the first longitudinal dataset (1978-2013) on party finance regulations for Latin America that can be used for other research agendas, including comparative studies on the effects of money in politics. All the data will be made publicly available upon publication.

The next two sections provide a definition of new-party candidates and the incentives produced by party finance laws. This is followed by an operationalisation of the variables of interest and the model specifications. The final two sections present results and conclusions.

¹Potter and Tavits (2013), describe *fund parity* as the level of (in)equality in the distribution of public funds between political parties in the system (large, small, old and new) (see also Scarrow, 2006; Hogan, 2001; Hooghe et al., 2006).

1 New-party candidates

The appearance of new political parties and their leaders is studied from a wide range of perspectives in Latin America, including ‘populism’ or ‘neopopulism’ (Roberts, 2006, 2007; Seligson, 2007; Weyland, 2001, 2003) and ‘insiders’ vs. ‘outsiders’ with respect to the party system (Barr, 2009; Corrales, 2008; Carreras, 2012; Kenney, 1998). These studies are insightful and contribute to the empirical models and theory used in this paper. However, operationalising these definitions for large cross-national studies can be complicated and unintentionally biased by the (un)availability of data. An alternative is to look at the emergence of relevant new political actors from the perspective of the literature on the entry and success of new parties (cf. Harmel and Robertson, 1985; Hug, 2001; Mustillo, 2009; Tavits, 2008a,b, 2006).

The ‘new party’ approach characterizes political parties (and, consequently, their candidates) as ‘new’ on the basis of when they enter the electoral arena and how they were formed. A ‘new party’ is defined as one that presents candidates to the general election for the first time and (a) has no previous affiliation to other existing parties, or (b) is the result of a split or fission from an existing party (Sjöblom, 1968; Hug, 2001; Mustillo, 2009; Tavits, 2008a). With this definition, new parties add an actor to the electoral competition, altering the dynamics of the election. Other possible categories, such as alliances and mergers, are not counted as new parties, as they maintain their party structures and political histories without adding a new player to the competition.

2 Party finance and the decision to enter

From a rational choice perspective, one can expect new-party presidential candidates to emerge when the probability of obtaining benefits outweighs the costs of running (see Feddersen et al., 1990; Osborne and Slivinski, 1996; Cox, 1997; Tavits, 2006). Among the potential benefits of competing is, obviously, the possibility of winning the presidency. But there can also be long term benefits such as contributing to the consolidation of their political party, getting an issue on the political agenda, or establishing the credibility of their party as a contender (Cox, 1997;

West and Spoon, 2013). While these different benefits are not observationally identifiable, all require the party to survive the election.

In terms of costs, new parties and their candidates face important obstacles to entry. In order to compete they must incur the organizational and economic costs of legally registering the political party, as well as the costs of the campaign itself. Furthermore, new parties have lower levels of grass-roots or long-term supporters than existing parties, giving their presidential candidates less access to volunteers and making them more dependent on subsidies and monetary resources.

A review of the party finance laws in Latin America shows that countries in the sample have either relied exclusively on private funding for political parties, or have mixed sources of funds where the state provides some level of subsidies. Overall, the main sources of public funding include monetary and television subsidies for political campaigns and/or funding for inter-election ‘on-going’ party activities. The allocation mechanisms by which the funds are distributed are predominantly a) based on past electoral results, or b) distributed equally between all contending parties.² The next sections present an argument as to why the different types of public subsidies can alter the incentives for a new-party candidates to enter.

2.1 Campaign subsidies

As indicated above, public subsidies for political campaigns are predominantly composed of a) monetary transfers to the party and b) subsidies for (or free) time on television. On their own, these funds should not, *per se*, increase the costs of an election, but they can increase the relative costs for a new-party candidates, if they are allocated on the basis of past-performance. That is, in addition to the costs of registering a new party, that existing parties do not have to pay.

New party candidates, by definition, do not have a previous electoral history, hence they would not get access to any resources allocated based on past results. This, in itself, puts the new-party candidates at an economic disadvantage with respect to other candidates (that do

²A dataset containing specific regulations for all countries and years will be made public upon publication.

get funding) and increases the costs of a campaign. This argument is similar to the notion of *fund parity*, identified by Potter and Tavits (2013). To level up, the new-party candidates would need to obtain equivalent funds from the private sector. However, that requires fund-raising capabilities that newly formed parties may not have, given their inherently weak institutional structure.

In cases where fund-raising capabilities do exist, economic disadvantages at an early stage of a campaign can still have knock-on effects later on. Political candidates, in general, need to build a narrative of success around their candidacy early in the campaign cycle in order to succeed. Campaigns are costly enterprises that require large and constant influxes of funds. However, private donors only have incentives to fund candidates that (they believe) have a reasonable possibility of success; otherwise they would be throwing away money. If candidates don't present themselves as viable contenders from the beginning, they are less likely to raise the necessary funds to run an effective campaign. One way of signalling competitiveness for any kind of candidate, is through the use of, expensive, media campaigns from early on in the campaign cycle.³ Of course, this requires access to funds for media in the initial stages of the campaign where new-party candidates are at an economic disadvantage.

Access to resources is especially important for new-party candidates given the diminishing returns of spending on the number of votes obtained (cf. Samuels, 2001; Jacobson, 1990; Gerber, 1998; Levitt, 1994). Monetary and media funding at the beginning of a campaign can help build name recognition and visibility for the candidate. While some new-party candidates may be known to the electorate, the parties they represent do not have a policy or executive histories that voters can rely on as cues for governmental capabilities. The candidate has to convince voters of the viability of his or her government, which requires physical and media contact with voters. Public subsidies can be an important source of initial endowment from which to start this process, but only for those that have access to it. If funds are allocated based on past-performance, candidates from existing parties will start the campaign at a substantial advantage.

³For literature on the importance of media in Latin American elections see Levitsky and Cameron (2003); Boas (2005); Mainwaring (2006).

Monetary funds and media subsidies do not necessarily produce the same magnitude of effects on the likelihood of a successful new-party candidate. Monetary resources are, indeed, more flexible and can be used for multiple purposes; while media subsidies are limited to a time, space and use predefined by the corresponding legislation. However, both resources leave the new-party candidate at a relative disadvantage with respect to other candidates (if the funds are past performance-based) and thus increase the costs for a new-party candidate. When the funding is allocated equally, or there is no funding, new-party candidates would find themselves in an equivalent position to candidates from existing parties and, thus, should not alter their decision to enter. Hence, one would expect

H1 Past performance-based public funding for campaigns to be associated with a lower number of new-party candidates, *ceteris paribus*.

H2 Public subsidies for media access, allocated as a function of past electoral results, to be associated with a lower number of new-party candidates, *ceteris paribus*.

One important caveat to this argument would be the existence of upper limits on campaign spending, as these restrictions could counteract the original funding differential by putting a ceiling on the overall costs of the campaign. However, in Latin America the limitations on spending, when they exist, are weak and rarely fully enforced (cf. Gutiérrez and Zovatto, 2011; Zovatto and Orozco, 2008). Even so, the existence of spending limits is accounted for in the empirical models.

2.2 Post-election subsidies for on-going party activities

Public funds for on-going party activities are resources that are made available to subsidize a party's operational costs (e.g. recruitment of party members, maintenance of party offices, etc.). Among the countries in the sample, these funds (when available) are predominantly allocated as a function of the votes or seats obtained by the party in the previous election. A new party would therefore only get access to those funds after their first election.

When funding is available, the new party has strong incentives to maximize their votes/seats shares (depending on country specific criteria) in the up-coming election. More votes/seats will allow them to gain access to a greater amount funds for the next inter-election period and, thus, make it easier to institutionalize the new party and establish grass-roots for the next campaign. This paper argues that presidential candidates can help the new party achieve this objective through his or her ‘coattail effects’ (cf. Ferejohn and Calvert, 1984; Campbell and Sumners, 1990; Golder, 2006; West and Spoon, 2015).

Before a general election a potential new party can choose between entering a) with presidential candidate, b) only in legislative elections, or c) staying out. If the party enters without a new-party candidate it will have to distribute its resources among multiple legislative candidates. However, with a new-party candidate the party can concentrate organizational and monetary resources on one candidate and use its visibility to inform the voters of the party’s policy offers. Presidential candidates get more free media attention, access to national debates and have higher fund-raising capabilities than legislative candidates (cf. Cox, 1997; Ferejohn and Calvert, 1984; West and Spoon, 2013). The ‘coattail effects’ of his or her campaign can improve the new party’s overall legislative results (relative to not having a new-party candidate) and secure higher on-going funding for the next period. As Golder (2006, p. 35) indicates “the fortunes of electoral parties are tied to the fate of their party’s presidential candidate.” Furthermore, West and Spoon (2015) find evidence that the electoral benefits of sponsoring a presidential candidate are higher for small parties than they are for large ones, as it adds visibility to their policies and highlights their potential as a national competitor. The authors’ results suggest that joining a pre-electoral coalition, without running a presidential candidate of their own, does not enhance a party’s legislative outcomes. Therefore, if a new party decides to enter, it is more efficient to do so with a new-party candidate.

Staying out is always an alternative. As campaign costs are high, new-party candidates need to obtain substantial benefits to justify running. Getting into office would yield the highest returns, yet income from public subsidies for future on-going party activities can help cancel out the costs of a campaign. If the extra visibility and votes associated with running a presidential candidate can improve the likelihood of recovering the money spent on the campaign, through

monetary subsidies for the next inter-election period, the new party would be better off doing so. Hence one would expect,

H3 The existence of public funds for on-going party activities allocated based on electoral results, *ceteris paribus*, to be positively associated with the number of new-party candidates.

3 Variable operationalisation and measures

Following the influential research conducted by Hug (2001) a new-party candidate is operationally defined as a first round presidential candidate that a) he/she is the candidate of a political party that does not have links with parties with a past electoral history; or b) is the candidate of a party that has resulted from a split in an existing party. A 'political party' is defined as an organization that legally presents candidates to the country's representative assembly.⁴ A candidate that is sponsored by a coalition of parties is a new-party candidate if the main party in the coalition is 'new' under the above criteria, because it adds a relevant new actor to the electoral competition. In congruence with new party literature in parliamentary systems, this coding focuses on new parties that appeal to a national audience and excludes regional parties that don't aspire to represent voters outside a local constituency. Examples of new-party candidates include Keiko Fujimori in Peru (2011), Hugo Chávez in Venezuela (1998), Fernando Collor de Melo in Brazil (1989).

To control for voter's level of information, candidates are only considered 'new' the first time they compete in an election, if that first election was as a candidate for an existing party he or she can never be considered a new-party candidate.⁵ For example Ollanta Humala is not counted as a new-party candidate in 2011, because he had been a presidential candidate for *Unión por el Perú* (UPP) in 2006. The UPP was founded in 1994 and had participated in legislative elections before 2006.⁶ Furthermore, parties that simply change their name but

⁴Political organizations that have only presented candidates to local or other non-national elections can, later on, present a new-party candidate.

⁵Tests on alternative coding of new-party candidates that did not include this restriction criterion produced substantially equivalent empirical results.

⁶For data on UPP was obtained from http://www4.congreso.gob.pe/grupo_parlamentario/upp/_historia.htm on Feb 05, 2016.

keep their policy positions and main members are not counted as new parties. This criterion is included to differentiate between simple re-branding efforts by existing parties from new actors. Independents are also excluded from the status of new-party candidates, as they don't have a party affiliation. The coding was done by the author and a full list of new-party candidates is presented in the Appendix.

This paper focuses on 'relevant' new-party candidates, given that incentives for 'relevant' and 'non-relevant' actors differ (Adams et al., 2006; Ezrow et al., 2011). This decision reduces the heterogeneity that has to be accounted for in the statistical models and allows comparability with similar literature (Carreras, 2012; West and Spoon, 2013). For simplicity of operationalisation (and comparability), a 'relevant' candidate is defined as one that obtained a minimum of 5 per cent of the valid votes in a presidential election. However, as this is an arbitrary decision, the main empirical model is also estimated using a definition of new-party candidates at: no-threshold, 0.5 and 10 per cent thresholds. For further robustness, estimations are conducted on Carreras' (2012) definition of 'full outsiders', which only includes relevant presidential candidates from outside the mainstream parties, excluding splinter-party candidates.

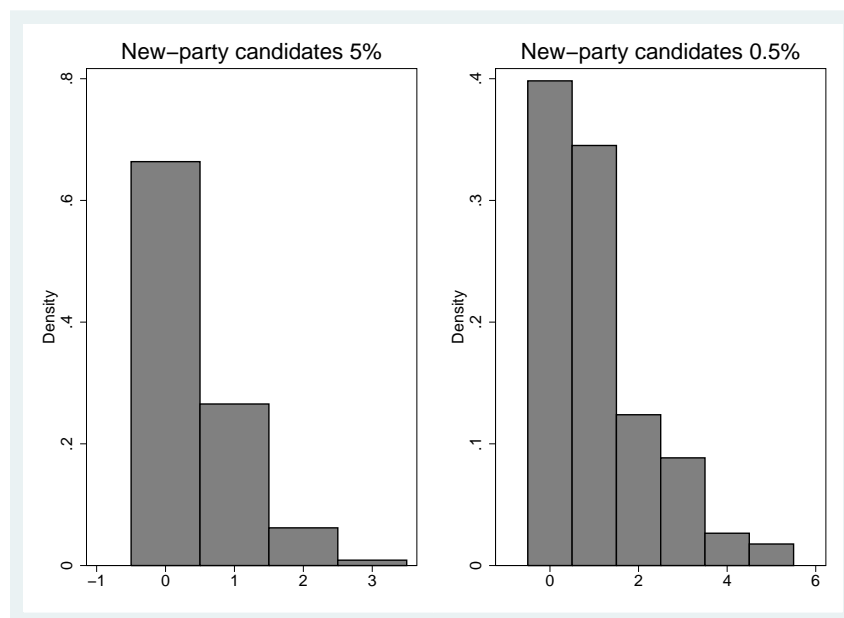


Figure 1: Distribution of new-party candidates

The new-party candidates included in the dataset participated in democratic presidential elections in 18 Latin American countries from 1978-2013.⁷ A list of the elections included

⁷Democratic elections are those for which Polity IV catalogued the country with an overall mark of at least 5

in the dataset can be found in the Appendix. Figure 1 presents a histogram of the number of new-party candidates per election with a 5 and 0.5 per cent threshold. The dependent variable is discrete and consistent with a Poisson distribution. The means and standard deviation of all versions of the dependent variable are equivalent (see Table 1). However, for robustness, the main empirical model is also estimated using a negative binomial distribution. This does not produce substantive differences (see Appendix).

The structure of government funding for political parties is measured by a set of categorical variables coded by the author. The variables included in the measurement are public subsidies for: a) media (during the campaign), b) monetary campaign spending and c) on-going party activities. The allocation mechanisms for these subsidies have been categorised into the following groups:

- Vote: when the resources were allocated solely based on past electoral results.
- Mixed: when the allocation mechanism included a mix of vote and equal distribution of funds among contending parties.
- Equal: when the funds were distributed equally among all candidates/parties.

The baseline category for all variables of interest is the absence of funding. Alternatively, the classification is simplified to dummy variables identifying allocation based on past electoral results (Vote or Mixed, coded as 1) vs equal or no funding (0). More nuanced categorizations are avoided because each country has particular funding criteria and empirical models would simply capture country specific differences in new-party candidate entry. A dataset including details of all the funding laws and allocation rules is available for further review and will be made public upon publication.

To control for possible confounding variables, the empirical models account for a series of election and country specific characteristics that are correlated with both the dependent and independent variables of interest. Among the control variables included are: 1) the existence of limits to campaign spending, as these can create a ceiling that levels off the cost differential pro-

(Marshall and Jaggers, 2013).

duced by campaign subsidies (coded by the author); 2) the time since the country (re)obtained democratic status, because countries with longer democratic histories have had more time to implement reforms to the party system (source: Polity IV); 3) the level of economic development, given that more prosperous countries have higher capabilities of financing political parties (source: IMF and World Bank); 4) concurrent elections, as this can alter the possibilities of obtaining funding for on-going party activities (source: Bormann and Golder (2013)); 5) the possibility that independents can run as candidates, as that would lower the incentives to create a new party for competing in the election, by avoiding organizational costs (coded by the author); 6) the effective number of political parties in past elections, as the existence of more parties can saturate the programmatic space open for new parties to enter (cf. Zons, 2013) and also alter the regulations regarding the equality in distribution of funding (source: Bormann and Golder (2013)), and; 7) relevant country and election specific characteristics, such as ethno-linguistic fractionalization, the mean district magnitude, and the size of the population (source: Fearon and Leitin (2003); Bormann and Golder (2013) and World Bank data, respectively). For literature on how these controls can affect new party entry see Lipset and Rokkan (1967); Ordeshook and Shvetsova (1994); Hug (2001); Cox (1997); Jones (1994, 2004); Tavits (2006, 2008a); Carreras (2012).

A summary of the variables used in the analysis are presented in Table 1. Other variables, such as open or closed lists, presidential powers, and federalism may also affect entry decisions by new-party candidates (cf. Hicken and Stoll, 2008; Spoon and West, 2015). However, they are not included because there is no reason to believe these institutions are correlated with party funding allocation and, therefore, would not introduce bias in the estimation of the variables of interest. This claim is corroborated by empirical tests (included in replication material).⁸

⁸I would like to thank Hicken and Stoll (2008) for sharing their data on presidential powers to conduct these tests.

VARIABLES	(1) N	(2) mean	(3) sd	(4) min	(5) max
Non-Partisan	113	0.451	0.500	0	1
Uneq. On-going dummy)	113	0.487	0.502	0	1
On-going fund	113	1.150	1.234	0	3
Uneq. Campaign dummy)	113	0.779	0.417	0	1
Campaign fund	113	2	1.217	0	3
Media fund	113	0.973	0.949	0	4
Concurrent	113	0.761	0.428	0	1
Incumbent	113	0.142	0.350	0	1
NPC 0%	113	2.363	2.612	0	12
NPC 0.5%	113	1.053	1.187	0	5
NPC 5%	113	0.416	0.651	0	3
NPC 10%	113	0.336	0.592	0	2
Log Time (+1)	113	2.852	0.923	0.693	4.804
ELF	113	0.254	0.216	0.0370	0.678
Uneq. Media (dummy)	113	0.204	0.404	0	1
FPTP	108	0.343	0.477	0	1
Mean Dist. Mag.	104	6.030	4.185	1	19
Full Outsiders	92	0.380	0.644	0	2
Log GDP pc	113	7.800	0.776	5.501	9.305
Lag ENPP	93	3.592	1.645	1.970	9.320
Lag NPC dummy	95	0.358	0.482	0	1
Log Population	113	16.31	1.082	14.61	19.09

Table 1: Summary of variables included in the study

4 Model specification

The empirical analysis was conducted on an unbalanced election-year, Time-Series Cross-Section original dataset with 18 countries and an average of 6.278 elections per country, giving a total of 113 observations. For ease of comparison with the literature on new legislative parties, the main method of estimation for the statistical tests was a pooled Poisson Maximum Likelihood Estimation (MLE) (cf. Hug, 2001; Tavits, 2006, 2008a). Auto-correlation concerns were controlled for through a dummy variable indicating the presence of new-party candidates in the previous election (as frequentist statistics do not produce lags of latent dependent variables).⁹ To account for potential biases introduced by the coding of the dependent variable,

⁹Even so, a model with a lag of the dependent variable was estimated and did not substantively or significantly change the conclusions (see Appendix).

models were also estimated on four variations of the ‘new-party candidate’ definition.

To test the robustness of the analysis to characteristics, structure and clustering of the sample, the estimations were conducted using: a logit on the existence of new-party candidates, an ordered logit on the number of new-party candidates, Panel Poisson with Random Effects (RE) and Fixed effects (FE), a pooled ordinary least squares (OLS) with country clustered standard errors; and pooled Poisson with Jackknife and Bootstrapped standard errors. The results of these tests are included in the Appendix, and the conclusions are substantively in line with the results presented in the paper.¹⁰

Concerns of endogeneity between the number of new-party candidates and government funding regulations are reduced by two factors. The first is that these countries enacted party finance legislation due to pressure from the international community for the adoption of ‘normatively desirable’ institutions, instead of internal factors such as the number of parties or electoral volatility (Potter and Tavits, 2013). That is to say, decisions about party funding were not explicitly designed to deter the entrance of new political parties. And second, logit estimations indicate that the past number of new-party candidates do not correlate with current funding structures, when controlling for country characteristics (results in Appendix).

5 Results

The findings in Table 2 model 1 provide support for the hypotheses. When campaign funding is allocated based on votes in a previous elections (increased relative costs), one observes a significantly lower number of presidential candidates sponsored by new parties, *ceteris paribus*. The same is true when media funding is unequally distributed, favouring existing parties over new entries. On the other hand, the allocation of funds for on-going party activities based on votes or mixed allocation criteria (benefits of good electoral results) is associated with a higher number of new-party candidates, *ceteris paribus*.¹¹

¹⁰The MLE models do not use so called ‘robust’ or ‘clustered’ standard errors, because maximum likelihood estimators such as the Poisson models include fixed assumptions about the distribution of the variance, and thus, do not present problems of heteroskedasticity (Greene, 2003; Long, 1997).

¹¹The baseline for on-going funding is “no-funding”, within the sample “Equal on-going” allocation was not observed.

VARIABLES	(1) NPC 5%	(2) NPC 5%	(3) NPC 5%	(4) NPC 5%	(5) NPC 5%
Campaign: Votes	-1.373** (0.692)				
Campaign: Mixed	-0.819 (0.679)				
Campaign: Equal	-13.66 (1,322)				
On-going: Votes	1.941*** (0.658)				
On-going: Mixed	1.420** (0.696)				
Uneq. Campaign (dummy)		-1.229** (0.601)	-1.515** (0.756)	-1.024 (0.629)	-1.398** (0.695)
Uneq. On-going (dummy)		1.825*** (0.616)	2.302*** (0.781)	1.723*** (0.623)	2.030*** (0.701)
Uneq. Media (dummy)	-1.273** (0.543)	-1.220** (0.478)	-1.357** (0.570)	-1.204** (0.494)	-1.165** (0.535)
Log Time (+1)	0.286 (0.217)	0.317 (0.224)	0.548* (0.323)	0.392 (0.252)	0.568* (0.316)
Log GDP pc	-0.570* (0.298)	-0.664** (0.293)	-1.110*** (0.360)	-0.621* (0.320)	-0.907*** (0.322)
Spending limits	0.248 (0.382)	0.125 (0.367)	0.341 (0.436)	0.0710 (0.399)	0.156 (0.401)
Concurrent	-0.196 (0.552)	-0.357 (0.545)	-0.419 (0.641)	-0.422 (0.605)	-0.386 (0.653)
Non-Partisan	0.339 (0.318)	0.230 (0.316)	0.196 (0.349)	0.196 (0.341)	0.221 (0.345)
Log Population	0.384* (0.228)	0.394* (0.218)	0.357 (0.295)	0.463 (0.313)	0.495* (0.267)
ELF	0.979 (0.935)	1.083 (0.959)	4.085* (2.231)	0.996 (1.567)	1.462 (1.081)
EFL*Lag ENPP			-0.760 (0.547)		
Lag ENPP			0.226 (0.203)		
Mean Dist. Mag.				-0.0282 (0.0792)	
EFL*Mean Dist. Magn.				0.0625 (0.176)	
Lag NPC dummy					-0.195 (0.338)
Constant	-3.878 (3.954)	-3.307 (3.951)	-0.878 (5.331)	-4.874 (4.791)	-3.944 (4.849)
Observations	113	113	93	104	95
Log likelihood	-75.88	-77.10	-61.09	-72.87	-62.07

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 2: Poisson models on the number of new-party candidate at the 5% threshold

The estimation of model 1 includes on-going and campaign funding distributions at their most disaggregated state. However, the number of observations in the dataset is limited due to the short history of democratic elections since the third wave of democracy in Latin America (Huntington, 1991). The small number of observations can lead to over-fitting the models and biased results. To manage these concerns models 2–5 are estimated using dummy variables for presence/absence of performance-based subsidies. Likelihood ratio tests indicate there is no significant loss of fit between models 1 and 2, justifying the use of this simplified coding in further analyses.

The patterns in models 1 and 2 are similar, campaign and media funding based on performance in past elections is, as hypothesised (H1-2), negatively associated with the new-party candidates. However, one observes more of these candidates in the presence of potential funding for future on-going party activities, allocated as a consequence of current electoral outcomes (Uneq. On-going). This result is consistent with hypothesis H3. The coefficients in models 3–5 indicate the robustness of these inferences to the inclusion of various control variables. Model 3 accounts for the impact of the effective number of parties in the legislature and its interaction with the level of ethno-linguistic fractionalization in the country. Model 4 controls for the level of permissibility of the electoral system by including the mean district magnitude. Finally, model 5 deals with potential autocorrelation problems by including a dummy for the presence of new-party candidates in the previous election. As can be observed, the variables of interest are consistently significant and the magnitude of their effect only varies slightly. Furthermore, likelihood ratio tests indicate no significant difference of fit between most parsimonious model 2 and models 3–5. For this reason, further tests are conducted using model 2 as a base.

All estimations include controls for the existence of campaign spending limits. As can be observed, spending limitations are never significant predictors of new-party candidate entry, despite their potential to level off funding inequalities among competitors. Further controls for a possible interaction effect between spending limits and types of funding are not significant either (see Appendix). This absence of a distinguishable effect is likely caused by a weak execution of controls and sanctions by enforcement agencies (cf. Gutiérrez and Zovatto, 2011; Zovatto and Orozco, 2008). It is possible that spending restrictions could have an effect when

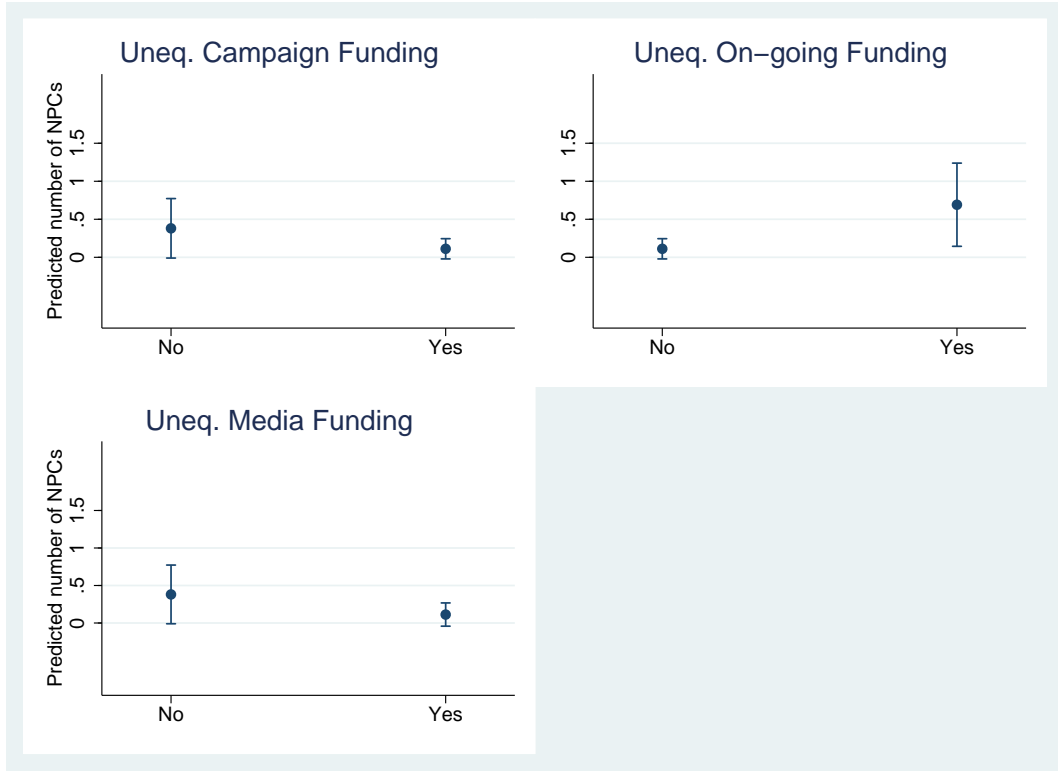


Figure 2: First differences on the effects of public subsidies for new-party candidates at the 5% threshold

adequately implemented, but further research would have to be conducted.

Overall the results in Table 2 indicate that the more disadvantaged new-parties are regarding funding and media during a campaign, the less likely one can observe relevant new-party candidates entering, other variables constant. On the other hand, more of these candidates are willing to take the risk if there is a increased potential for funding for their party's future activities, *ceteris paribus*. As previously indicated, these effects are robust to multiple methods of estimations and sample selection, attesting to the reliability of the inferences outlined above (tables in Appendix).

The substantive effect of public subsidies can be observed in the first difference plots in Figure 2.¹² The y-axis is the expected number of new-party candidates (NPCs) and the x-axis indicates the presence or absence of performance-based funding. Figure 2 top-left shows that roughly in 1/4 of the elections that do not including funding for campaigns (or allocate it equally), one can expect a relevant new-party candidate entry. However, when campaign

¹²The effects are calculated from model 2, holding constant non-partisans at 0, limits to spending at 1, concurrence of elections at 1, and Log of Time, ELF, and Log GDP *per capita* at their means.

funding is allocated based on past-electoral results the mean expectation is reduced to 1/10. Nevertheless, in the absence of funding, the variation in number of candidates is large, and whether a new party sponsors a presidential candidate (or not), or avoids entering altogether will depend on other factors. The effect of campaign subsidies simply decreases the expectation of entry to a negligible number.

The predictions for media subsidies determined by past votes, Figure 2 bottom-left, are similar to campaign funding. The expected number of relevant candidates running for new parties is substantially higher when there are no media subsidies (or these are equally distributed). The size of this effect is equivalent to the one by monetary campaign funding and larger than hypothesised –given that media subsidies are earmarked for limited purposes and monetary subsidies can be used at the discretion of the candidate or party. However, it corresponds with the similarity in coefficients estimated for unequal campaign and media funding in model 2. Another factor that is important to note is the small variation in the expected number of new-party candidates when past-performance based funding media funds are available. As one can observe, the 95% confidence intervals in the presence of media funding is roughly one third the size of those when no subsidies exist (or are equally allocated). The same goes for campaign funding. These results imply that, even if the confidence intervals overlap, the availability of unequal funding during the campaign period systematically reduces the expected number of new-party candidates. In other words, the absence of barriers to entry does not imply new-party candidates will compete. However, when they are present, one can be confident in predicting that the number of relevant new-party entries will be low.

As hypothesised, funding for on-going activities has the opposite effect. Even when campaign funding exists, the presence of potential benefits of entry is associated with a substantially higher number of relevant new-party candidates. In the absence of on-going funding one can expect a new-party candidate every ten elections. However, the incentives introduced by funding for party activities increases that to seven out of ten. This is a substantial difference if one considers that the maximum number of new-party candidates that reach the 5% threshold is three, in Bolivia 2002.

VARIABLES	(6) NPC 0%	(7) NPC 0.5%	(8) NPC 10%	(9) Full Outsiders
Uneq. Campaign (dummy)	-0.603*** (0.214)	-0.573* (0.330)	-1.477** (0.719)	-1.257* (0.670)
Uneq. On-going (dummy)	0.497** (0.203)	0.779** (0.311)	1.931*** (0.740)	1.160* (0.614)
Uneq. Media (dummy)	-0.214 (0.179)	-0.591** (0.296)	-1.560*** (0.554)	-1.751*** (0.660)
Log Time (+1)	0.498*** (0.0933)	0.298** (0.133)	0.404 (0.258)	0.0333 (0.219)
Log GDP pc	-0.134 (0.111)	-0.362** (0.174)	-0.664** (0.331)	-0.714* (0.377)
Spending limits	-0.150 (0.168)	0.352 (0.244)	0.138 (0.395)	-0.159 (0.504)
Concurrent	-0.161 (0.200)	-0.0547 (0.336)	-0.178 (0.624)	1.045 (0.745)
Non-Partisan	0.577*** (0.134)	0.0730 (0.193)	0.334 (0.355)	0.628* (0.357)
ELF	0.506 (0.415)	1.174** (0.592)	1.274 (1.086)	0.773 (1.042)
Log Population	0.242*** (0.0852)	0.162 (0.140)	0.574** (0.247)	0.576** (0.254)
Constant	-3.600** (1.512)	-0.970 (2.505)	-6.855 (4.463)	-5.937 (4.132)
Observations	113	113	113	92
Log likelihood	-228	-139.7	-66.51	-58.56

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 3: Poisson Models on the number of new-party candidate at the 5% threshold

5.1 Robustness

For generalizability of results it is important to test the robustness of these estimations to different definitions of the dependent variable. To do this, models 6–8 alter the ‘relevance’ threshold for a new-party candidate to 0, 0.5 and 10% of valid votes. On the other hand, model 9 uses Carreras’ (2012) definition of ‘Full Outsiders’ as the dependent variable. His operational approach focuses on how candidates emerged (from inside or outside the mainstream parties) as the distinctive condition, excluding splinter-party candidates as they would be considered insiders despite running for a new party. Nevertheless, in practice, ‘Full Outsiders’ and new-party candidates at the 5% threshold overlap substantively (comparison table in Appendix).

The results are consistent with the theory. Unequal campaign and media funding are always significantly associated with a lower number of new-party candidates. As before, the association with the existence of potential monetary benefits for on-going party activities is positive. The magnitudes of these effects vary, but that is caused by differences in the operational definitions of the dependent variable. As presented in Table 1, new-party candidates fluctuate between 0–12 per election at 0% threshold, to 0–2 at the 10% level. On the other hand, the coefficients for ‘Full Outsiders’ and new-party candidates at the 10% threshold are very similar to the ones in the main models (1–5).

6 Conclusions

The results provide evidence that entry decisions by new-party candidates are associated with incentives introduced by party finance regulations. As hypothesized, higher relative costs of competing (produced by past-performance based campaign and media subsidies) are associated with a lower number of presidential candidates running for new parties. These statistically significant effects contribute to reducing the expected number of new-party candidates that enter. However, even in the absence of unequal media and monetary campaign subsidies there are elections in which new-party candidates do not compete. On the other hand, one can observe a significantly higher number of these candidates entering when there are subsidies for on-going party activities, even under unequal access to campaign funding. These results suggest that the potential to gain monetary support for a new party to institutionalize itself in the up-coming inter-election period can outweigh the extra costs of running a presidential campaign.

Robustness tests provide assurance that the associations found in the data are not the product of sample selection, method of estimation, or definition of the phenomena of interest. The incentive mechanisms have significant effects on new-party candidates, independent of the assumptions regarding the data generating process. That is to say, the effects are persistent whether one believes the incentive schemes alter the existence (or not) of candidates sponsored by new parties, or how many of them enter an election. Furthermore, the impact of public subsidies is not only associated with ‘relevant’ candidates, but also with multiple and flexible

definitions of the phenomena of interest. Party subsidies can thus have an effect on the decisions of a wide range of political actors. These results corroborate Tavits's 2006 argument regarding the rational behaviour of new parties, and expand scientific evidence to developing countries with presidential systems.

Substantively, this study highlights the importance of looking at the effects of specific public funding provisions. Different types of subsidies and regulations can have contrasting effects on the incentive structures faced by new-party candidates. In the case presented here, increases in costs produced by unequal funding for campaigns reduce the incentives for entry. This, in turn, corresponds with a more stable electoral arena, where the number of new parties that enter sponsoring a presidential candidate is small and the *status quo* tends to prevail. On the other hand, public subsidies for political parties' inter-election (on-going) activities increase the incentives to participate, other costs being constant. Consequently, these types of benefits can lead to more variation in the actors and policy offers available to voters.

In conclusion, while there are many reasons to regulate money in politics, this study provides empirical evidence to suggest that funding mechanisms have consequences with respect to the structure of a party system. Whether a country benefits from an increase in party entry flexibility, or would do better if they reduce the level of instability, depends on the particular circumstance in that country. All objectives are valid, as long as policy makers are aware of the consequences of their decisions. They would be wise to consider the effects shown in this paper in the institutional design of future funding policies and, thus, avoid having to deal with unintended outcomes further on.

The impact of public funding policies on the stability/flexibility of the party system reinforces the need to analyse these matters in more detail. Further research with more nuanced measures could provide insights into how or at what levels the incentives become relevant. For reasons of comparability across countries it was not possible to do so in this study. However, research at the sub-national level could address this issue in more detail. It would be particularly interesting to study changes in the number of new-party candidates across constituencies in the same country, before and after regulatory reforms.

References

- Adams, J., Clark, M., Ezrow, L., and Glasgow, G. (2006). Are niche parties fundamentally different from mainstream parties? The causes and the electoral consequences of Western European parties' policy shifts, 1976-1998. *American Journal of Political Science*, 50(3):513–529.
- Barr, R. R. (2009). Populists, outsiders and anti-establishment politics. *Party Politics*, 15(1):29–48.
- Boas, T. C. (2005). Television and neopopulism in Latin America: Media effects in Brazil and Peru. *Latin American Research Review*, 40(2):27–49.
- Bormann, N.-C. and Golder, M. (2013). Democratic electoral systems around the world, 1946-2011. Replication Data.
- Campbell, J. E. and Sumners, J. A. (1990). Presidential coattails in senate elections. *American Political Science Review*, 84:513–524.
- Carreras, M. (2012). The rise of outsiders in Latin America, 1980–2010 an institutionalist perspective. *Comparative Political Studies*, 45(12):1451–1482.
- Corrales, J. (2008). Latin America's neocaudillismo: Ex-presidents and newcomers running for president... and winning. *Latin American Politics and Society*, 50(3):1–35.
- Cox, G. W. (1997). *Making Votes Count: Strategic Coordination in the World's Electoral Systems*. Cambridge University Press, Cambridge.
- Ezrow, L., Vries, C. D., Steenbergen, M., and Edwards, E. (2011). Mean voter representation and partisan constituency representation: Do parties respond to the mean voter position or to their supporters? *Party Politics*, 17(3):275–301.
- Fearon, J. D. and Leitin, D. (2003). Ethnicity, insurgency and civil war. Replication Data.
- Feddersen, T. J., Sened, I., and Wright, S. G. (1990). Rational voting and candidate entry under plurality rule. *American Journal of Political Science*, 34(4):1005–1016.

- Ferejohn, J. A. and Calvert, R. L. (1984). Presidential coattails in historical perspective. *American Journal of Political Science*, 28(1):127–146.
- Gerber, A. (1998). Estimating the effect of campaign spending on senate election outcomes using instrumental variables. *The American Political Science Review*, 92(2):401–411.
- Golder, M. (2006). Presidential coattails and legislative fragmentation. *American Journal of Political Science*, 50(1):34–48.
- Greene, W. (2003). *Econometric Analysis*. New Jersey, Prentice Hall.
- Gutiérrez, P. and Zovatto, D., editors (2011). *Financiamiento de los partidos políticos en América Latina*. Number 594 in Serie Doctrina Jurídica. Instituto Internacional para la Democracia y la Asistencia Electoral, Organización de los Estados Americanos, Universidad Nacional Autónoma de México, México, primera edition.
- Harmel, R. and Robertson, J. D. (1985). Formation and success of new parties: A cross-national analysis. *International Political Science Review / Revue internationale de science politique*, 6(4):501–523.
- Hicken, A. and Stoll, H. (2008). Electoral rules and the size of the prize: How political institutions shape presidential party systems. *The Journal of Politics*, 70(4):1109–1127.
- Hogan, R. E. (2001). Campaign war chests and challenger emergence in state legislative elections. *Political Research Quarterly*, 54(4):815–830.
- Hooghe, M., Maddens, B., and Noppe, J. (2006). Why parties adapt: Electoral reform, party finance and party strategy in Belgium. *Electoral Studies*, 25(2):351 – 368.
- Hug, S. (2001). *Altering Party Systems: Strategic Behavior and the Emergence of New Political Parties in Western Democracies*. University of Michigan Press, Ann Arbor.
- Huntington, S. P. (1991). *The Third Wave: Democratization in the Late Twentieth Century*. University of Oklahoma Press, Norman.

- Jacobson, G. C. (1990). The effects of campaign spending in house elections: New evidence for old arguments. *American Journal of Political Science*, 34(2):334–362.
- Jones, M. P. (1994). Presidential election laws and multipartism in Latin America. *Political Research Quarterly*, 47(1):41–57.
- Jones, M. P. (2004). Electoral institutions, social cleavages, and candidate competition in presidential elections. *Electoral Studies*, 23(1):73–106.
- Kenney, C. D. (1998). Outsider and anti-party politicians in power new conceptual strategies and empirical evidence from Peru. *Party Politics*, 4(1):57–75.
- Levitsky, S. and Cameron, M. A. (2003). Democracy without parties? Political parties and regime change in Fujimori's Peru. *Latin American Politics and Society*, 45(3):1–33.
- Levitt, S. D. (1994). Using repeat challengers to estimate the effect of campaign spending on election outcomes in the U.S. House. *Journal of Political Economy*, 102(4):777–798.
- Lipset, S. M. and Rokkan, S. (1967). Cleavage structures, party systems, and voter alignments: An introduction. In Lipset, S. M. and Rokkan, S., editors, *Party Systems and Voter Alignments*. Free Press, New York.
- Long, J. S. (1997). *Regression Models for Categorical and Limited Dependent Variables*. Sage Publications, London.
- Mainwaring, S. (2006). The crisis of representation in the Andes. *Journal of Democracy*, 17(3):13–27.
- Marshall, M. G. and Jaggers, K. (2013). Polity IV project: Political regime characteristics and transitions, 1800-2011 – users manual.
- Mayoraga, R. (2006). Outsiders and neopopulism: The road to plebiscitary democracy. In Mainwaring, S., Bejarano, A. M., and Pizarro Leongómez, E., editors, *The crisis of democratic representation in the Andes*, pages 132–170. Stanford University Press, Stanford CA.

- Mustillo, T. (2009). Modeling new party performance: A conceptual and methodological approach for volatile party systems. *Political Analysis*, 17(3):311–332.
- Mustillo, T. (2012). Latin American political party fragmentation trees.
- Ordeshook, P. C. and Shvetsova, O. V. (1994). Ethnic heterogeneity, district magnitude, and the number of parties. *American Journal of Political Science*, 38(1):100–123.
- Osborne, M. J. and Slivinski, A. (1996). A model of political competition with citizen-candidates. *The Quarterly Journal of Economics*, 111(1):65–96.
- Potter, J. D. and Tavits, M. (2013). The impact of campaign finance laws on party competition. *British Journal of Political Science*, 45:1–23.
- Roberts, K. M. (2006). Populism, political conflict, and grass-roots organization in Latin America. *Comparative Politics*, 38(2):127–148.
- Roberts, K. M. (2007). Latin America’s populist revival. *SAIS Review*, 27(1):3–15.
- Samuels, D. (2001). Does money matter? credible commitments and campaign finance in new democracies: Theory and evidence from Brazil. *Comparative Politics*, 34(1):23–42.
- Scarrow, S. E. (2006). Party subsidies and the freezing of party competition: Do cartel mechanisms work? *West European Politics*, 29(4):619–39.
- Scarrow, S. E. (2007). Political finance in comparative perspective. *Annual Review of Political Science*, 10(1):193–210.
- Seligson, M. A. (2007). The rise of populism and the left in Latin America. *Journal of Democracy*, 18(3):81–95.
- Sjöblom, G. (1968). *Party Strategies in a Multiparty System*. Studentlitteratur, Lund, Sweden.
- Spoon, J.-J. and West, K. J. (2015). Alone or together? How institutions affect party entry in presidential elections in Europe and South America. *Party Politics*, 21(3):393–403.
- Tavits, M. (2006). Party system change: Testing a model of new party entry. *Party Politics*, 12(1):99–119.

- Tavits, M. (2008a). Party systems in the making: The emergence and success of new parties in new democracies. *British Journal of Political Science*, 38(1):113–133.
- Tavits, M. (2008b). Policy positions, issue importance, and party competition in new democracies. *Comparative Political Studies*, 41(1):48–72.
- West, K. J. and Spoon, J.-J. (2013). Credibility versus competition the impact of party size on decisions to enter presidential elections in South America and Europe. *Comparative Political Studies*, 46(4):513–539.
- West, K. J. and Spoon, J.-J. (2015). Coordination and presidential coattails: Do parties' presidential entry strategies affect legislative vote share? *Party Politics*.
- Weyland, K. (2001). Clarifying a contested concept: Populism in the study of Latin American politics. *Comparative Politics*, 34(1):1–22.
- Weyland, K. (2003). Neopopulism and neoliberalism in Latin America: How much affinity? *Third World Quarterly*, 24(6):1095–1115.
- Zons, G. (2013). The influence of programmatic diversity on the formation of new political parties. *Party Politics*.
- Zovatto, D. and Orozco, J. J. (2008). *Reforma Política y Electoral en América Latina 1978-2007*. Number 418 in Serie Doctrina Jurídica. Universidad Nacional Autónoma de México e Instituto Internacional para la Democracia y la Asistencia Electoral, México.

7 Appendix

7.1 Names of new-party candidates included in the study

Table 4: Outsiders and new-party candidates in Latin America (1978-2013)

Country	Full Outsiders ¹³	Mavericks ¹⁴	NPCs 5% votes ¹⁵
Argentina	<p>2003: Ricardo López Murphy (RECREAR): 16.35%</p>	<p>1995: José Octavio Bordón (PJ → FREPASO): 29.2% 1999: Domingo Cavallo (PJ → AR): 10.09% 2003: Elisa Carrió (UCR → ARI): 14.15% 2007: Elisa Carrió (UCR → ARI): 22.95% Roberto Lavagna (PJ → UNA): 16.88%</p>	<p>1995: José Octavio Bordón (FREPASO) 29.2% 1999: Domingo Cavallo (AR): 10.09% 2003: Elisa Carrió (ARI): 14.15% Ricardo Lopez Murphy (RECREAR): 16,35%</p>
Bolivia	<p>1989: Carlos Palenque (CONDEPA): 12.25%</p> <p>1993: Carlos Palenque (CONDEPA): 14.29% Max Fernández (UCS): 13.77% 1997: Ivo Mateo Kuljis (UCS): 16.11% 2002: Evo Morales (MAS): 20.94% Felipe Quispe (MIP): 6.09%</p>	<p>1993: Antonio Aranibar Quiroga (MIR → MBL): 5.36%</p>	<p>1989: Carlos Palenque (CONDEPA): 12.25%</p> <p>1993: Max Fernandez (UCS) 13.77%</p> <p>2002: Evo Morales (MAS) 20.94% Felipe Quispe (MIP) 6.09% Manfred Reyes Villa (NFR) 20.91%</p>

¹³Outsiders are politicians that have not had a political career and compete in presidential elections with a new party (e.g. Fujimori in Peru). Data obtained from Carreras' web page <http://miguelcarreras.com/Data.php>

¹⁴As defined by Carreras 2012 Mavericks are politicians that were political figures in already existing parties but that compete with a newly created party (e.g. Uribe in Colombia).

¹⁵As defined in the text, as a first round presidential candidate that: 1) he/she is the candidate of a political party or movement that does not have links with parties with past electoral history, or 2) is the candidate of a party or movement that results from a split of an existing party. (Justifications of all coding decisions are available on request).

		2005: Jorge Quiroga Ramírez (ADN → PODEMOS): 28.6% Samuel Doria Medina (MIR → UN): 7.8% 2009: Samuel Doria Medina (MIR → UN): 5.65%	2005: Jorge Quiroga Ramírez (PODEMOS): 28.6% Samuel Doria Medina (UN): 7.8% 2009: Manfred Reyes Villa (PPB-CN) 26.46%
Brazil	1989: Fernando Collor de Mello (PRN): 28.52% 1994: Enéas Canneiro (PRONA): 7.38%	 2006: Heloísa Helena (PSOL): 6.8%	1989: Fernando Collor de Mello (PRN): 28.52% Mário Covas (PSDB) 10,78% 2006: Heloísa Helena (PSOL): 6.8%
Chile	1989: Francisco Javier Errázuriz (UCCP): 15.43% 1993: José Piñera Echenique (Independent): 6.1% Manfred Max-Neef (Independent): 5.6%	 2009: Marco Enríquez-Ominami (PS → Independent): 20.14% Jorge Arrate Mac-Niven (Concertación → Juntos Podemos Más): 6.21%	 Hernán Büchi (pro-UDI) 29.40%
Colombia	 1990: Antonio Navarro Wolff (Alianza Democrática M-19): 12.43%	1982: Luis Carlos Galán (PL → Nuevo Liberalismo): 10.9% 1990: Álvaro Gómez Hurtado (PC → MSN): 23.71% 1998: Noemí Sanín (PC → Sí Colombia): 26.88% 2002: Álvaro Uribe Vélez (PL → Primero Colombia): 54.51%	1982: Luis Carlos Galán (Nuevo Liberalismo): 10.9% 1990: Antonio Navarro Wolff (Alianza Democrática M-19): 12.43% Álvaro Gómez Hurtado (MSN): 23.71% 1998: Noemí Sanín (Sí Colombia): 26.88%

			2006: Carlos Gaviria Diaz (PDA) 22.0% 2010: Antanas Mockus (PV) 21.5%
Costa Rica		2002: Ottón Solís (PLN → PAC): 26.16% 2006: Ottón Solís (PLN → PAC): 39.8%	1986: Rafael Angel Calderon Fournier (USC) 46% 2002: Ottón Solís (PAC): 26.16%
Dominican Republic	NA	NA	1986: PLE 5.33% 1990: PRI 7.01%
Ecuador	1988: Abdala Bucaram (PRE): 17.61% Frank Vargas Pazzos (APRE): 12.63% 1996: Freddy Ehlers (Movimiento Nuevo País): 20.61% 1998: Freddy Ehlers (Movimiento Nuevo País): 14.75% 2002: Lucio Gutiérrez (PSP): 20.32% 2006: Rafael Correa (Alianza País): 22.84 % Gilmar Gutiérrez (PSP): 17.42%	1982: Francisco Huerta Montalvo (PL → PD): 6.64% 1992: Sixto Durán Ballén (PSC → PUR): 31.88% 1998: Rosalía Arteaga (PRE → MIRA): 5.07% 2002: Álvaro Noboa (PRE → PRIAN): 17.4%	1992: Sixto Durán Ballén (PUR): 31.88% 1996: Freddy Ehlers (Movimiento Nuevo País): 20.61% 2002: Álvaro Noboa (PRIAN): 17.4% Lucio Gutiérrez (PSP): 20.32% 2006: Rafael Correa (Alianza País): 22.84%
El Salvador			
Guatemala	NA	NA	1999: Álvaro Colom Caballeros (URNG) 12.3% Óscar Berger Perdomo (GANA) 34.46% 2007: José Eduardo Suger Cofiño (CASA) 07.5%

			2011: Manuel Antonio Baldizón Méndez (LIDER) 23.2%
Honduras	NA	NA	
Mexico	NA	NA	
Nicaragua	1990: Violeta Chamorro (UNO): 54.73% 2006: Edmundo Jarquín Calderón (MRS): 6.3%	2006: Eduardo Montealegre (PLC → ALN-PC): 28.3%	
Panama	1994: Rubén Blades (Movimiento Papa Egoró): 17.1%	1999: Alberto Vallarino (PA → PRC): 17.38% 2004: Guillermo Endara Galimany (PA → PS): 30.86% Ricardo Martinelli (PRD - PA → PCD): 5.31%	1994: Rubén Blades (Movimiento Papa Egoró): 17.1% 2004: Ricardo Martinelli (PCD): 5.31%
Paraguay	1993: Guillermo Caballero (EN): 23.04% 2003: Pedro Fadul (MPQ): 21.96% 2008: Fernando Lugo (APC): 42.3% Lino Oviedo (UNACE): 22.8%	2003: Guillermo Sánchez Guffanti (PC → UNACE): 13.9%	2003: Pedro Fadul (MPQ): 21.96% 2003: Guillermo Sánchez Guffanti (UNACE): 13.9%
Peru	1990: Mario Vargas Llosa (FREDEMO): 33% Alberto Fujimori (Cambio 90): 29% 2001: Alejandro Toledo (PP): 36.5% 2006: Ollanta Humala (UPP): 30.06%		1990: Alberto Fujimori (Cambio 90): 29% 2001: Alejandro Toledo (PP): 36.5% 2011: Keiko Fujimori Higuchi (F2011) 23.5%
Uruguay		1989: Hugo Batalla (FA → Nuevo Espacio): 9.01%	1989: Hugo Batalla (Nuevo Espacio): 9.01%

Venezuela	<p>1993: Andrés Velásquez (La Causa Radical): 21.95%</p> <p>1998: Hugo Chávez (MVR): 56.20%</p> <p>Henrique Salas Römer (Proyecto Venezuela): 39.97%</p> <p>2000: Francisco Arias Cárdenas (LCR): 35.75%</p>	<p>1993: Rafael Caldera (COPEI → CN): 30.46%</p> <p>1998: Hugo Chávez (MVR): 56.20%</p> <p>Henrique Salas Römer (Proyecto Venezuela): 39.97%</p>
-----------	---	--

7.1.1 Glossary of Latin American Party and Coalition Names

Argentina

PJ: Partido Justicialista
AR: Acción por la República
RECREAR: Recrear para el Crecimiento
ARI: Afirmación para una República Igualitaria
UCR: Unión Cívica Radical
UNA: Una Nación Avanzada
FREPASO: Frente País Solidario

Bolivia

CONDEPA: Conciencia de Patria
UCS: Unión Cívica Solidaridad
MIR: Movimiento de la Izquierda Revolucionaria
MBL: Movimiento Bolivia Libre
MAS: Movimiento al Socialismo
MIP: Movimiento Indígena Pachakuti
ADN: Acción Democrática Nacionalista
PODEMOS: Poder Democrático y Social
UN: Unidad Nacional
NFR: Nueva Fuerza Republicana
PPB – CN: Plan Progreso por Bolivia - Convergencia Nacional

Brazil

PRN: Partido da Reconstrução Nacional
PRONA: Partido de Reedificação da Ordem Nacional
PSOL: Partido Socialismo e Liberdade
PSDB: Partido da Social Democracia Brasileira

Chile

UCCP: Unión del Centro Centro Progresista
PS: Partido Socialista
UDI: Unión Demócrata Independiente

Colombia

PL: Partido Liberal
PC: Partido Conservador
MSN: Movimiento de Salvación Nacional
PDA: Polo Democrático Alternativo
PV: Partido Verde

Costa Rica

PLN: Partido Liberación Nacional
PAC: Partido Acción Ciudadana
USC: Unidad Social Cristiana

Ecuador

PL: Partido Liberal
PD: Partido Democrático
PRE: Partido Roldosista Ecuatoriano
APRE: Acción Popular Revolucionaria Ecuatoriana
PSC: Partido Social Cristiano
PUR: Partido Unión Republicana
MIRA: Movimiento Independiente para una República Auténtica
PSP: Partido Sociedad Patriótica 21 de Enero
PRIAN: Partido Renovador Institucional de Acción Nacional

Dominican Republic

Names not found in data of origin JCE.gob.do

Guatemala URNG: Unidad Revolu-

cionaria Nacional Guatemalteca

GAN: Gran Alianza Nacional

UNE: Unidad Nacional de Esperanza

CASA: Centro de Acción Social

LIDER: Libertad Democrática Renovada

CREO: Compromiso Renovación y Orden

Nicaragua

UNO: Unión Nacional Opositora

PLC: Partido Liberal Constitucionalista

ALN-PC: Alianza Liberal Nicaragüense

MRS: Movimiento de Renovación Sandinista

Panama

PA: Partido Arnulfista

PRC: Partido Renovación Civilista

PS: Partido Solidaridad

PRD: Partido Revolucionario Democrático

PCD: Partido Cambio Democrático

Paraguay

EN: Encuentro Nacional

MPQ: Movimiento Patria Querida

PC: Partido Colorado

UNACE: Unión Nacional de Ciudadanos Éticos

APC: Alianza Patriótica para el Cambio

Peru

FREDEMO: Frente Democrático

PP: Perú Posible

UPP: Unión por el Perú

F2011: Fuerza 2011

Uruguay

FA: Frente Amplio

Venezuela

COPEI: Partido Social Cristiano de Venezuela

CN: Convergencia Nacional

MVR: Movimiento Quinta República

LCR: La Causa Radical

7.2 Elections included in empirical models

This section presents data on the elections included in the study and results of the robustness test. Table 5 presents all the elections that were included in the analysis. As can be noted, there is a mean of 6.28 elections per country, with a standard deviation of 1.87. The dataset is unbalanced, with four out of 18 countries with 9 elections and 2 with only 4 elections. All of the countries, except Peru, are democratic throughout the full period. However, the Peruvian elections of 1995 and 2000 are not included because Peru was not considered democratic at the time according to Polity IV (Marshall and Jaggers, 2013).

Table 5: Elections Included in the Study

Countries	Years	Total
Argentina	1983 1989 1995 1999 2003 2007 2011	7
Bolivia	1985 1989 1993 1997 2002 2005 2009	7
Brazil	1989 1994 1998 2002 2006 2010	6
Chile	1989 1993 1999 2005 2009	5
Colombia	1978 1982 1986 1990 1994 1998 2002 2006 2010	9
Costa Rica	1978 1982 1986 1990 1994 1998 2002 2006 2010	9
Dominican Rep.	1982 1986 1990 1994 1996 2000 2004 2008 2012	9
Ecuador	1984 1988 1992 1996 1998 2002 2006 2009 2013	9
El Salvador	1984 1989 1994 1999 2004 2009	6
Guatemala	1999 2003 2007 2011	4
Honduras	1985 1989 1993 1997 2001 2005 2009	7
Mexico	2000 2006 2012	3
Nicaragua	1990 1996 2001 2006 2011	5
Panama	1994 1999 2004 2009	4
Paraguay	1993 1998 2003 2008 2013	5
Peru	1980 1985 1990 2001 2006 2011	6
Uruguay	1989 1994 1999 2004 2009	5
Venezuela	1978 1983 1988 1993 1998 2000 2006	7
Total		113
Mean		6.278
SD		1.873

7.3 Robustness on model specification

VARIABLES	(A.1) NPC 5% Lag NPC	(A.2) NPC 5% Logit entry	(A.3) NPC 5% Ologit	(A.4) NPC 5% Panel Poisson RE	(A.5) NPC 5% Panel Poisson FE
Uneq. Campaign (dummy)	-1.403** (0.697)	-1.819** (0.796)	-1.689** (0.790)		-0.430 (0.867)
Uneq. On-going (dummy)	2.053*** (0.702)	2.055*** (0.758)	2.499*** (0.787)	0.609** (0.274)	0.838 (0.885)
Uneq. Media (dummy)	-1.194** (0.535)	-1.376** (0.676)	-1.931*** (0.692)	0.0329 (0.359)	-0.730 (0.707)
Log Time (+1)	0.613* (0.323)	0.456 (0.312)	0.549* (0.309)	0.0230 (0.135)	-0.0302 (0.459)
Log GDP pc	-0.934*** (0.318)	-0.735* (0.427)	-1.034** (0.441)	-0.102 (0.183)	-2.077*** (0.659)
Spending limits	0.105 (0.406)	0.429 (0.646)	0.276 (0.623)	0.343 (0.294)	0.304 (0.681)
Concurrent	-0.352 (0.646)	-0.379 (0.748)	-0.510 (0.767)	0.510 (0.345)	-0.986 (0.883)
Non-Partisan	0.294 (0.357)	0.210 (0.504)	0.389 (0.488)	-0.131 (0.233)	0.335 (0.535)
ELF	1.572 (1.088)	2.060 (1.468)	1.964 (1.433)	-1.211* (0.694)	
Log Population	0.533* (0.275)	0.383 (0.309)	0.620* (0.318)	-0.131 (0.139)	5.300* (2.777)
Lag NPC	-0.200 (0.217)				
Constant cut1			4.393 (5.599)		
Constant cut2			6.802 (5.640)		
Constant cut3			9.176 (5.736)		
Constant Camp. (dummy)				2.144 (2.480)	
Constant lnalpha				-17.76 (790.8)	
Constant	-4.564 (4.935)	-2.470 (5.564)			
Observations	95	113	113	113	92
Log likelihood	-61.80	-57.46	-76.42	-104.1	-46.29
Number of countries				18	14

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 6: Robustness tests for method of estimation.

VARIABLES	(A.6) NPC 5% OLS Clustered SE	(A.7) NPC 5% Neg Binomial	(A.8) NPC 5% Bootstrap SE	(A.9) NPC 5% Jackknife SE
Uneq. Campaign (dummy)	-0.252 (0.175)	-1.229** (0.601)	-1.229** (0.590)	-1.229** (0.614)
Uneq. On-going (dummy)	0.524*** (0.160)	1.825*** (0.616)	1.825*** (0.659)	1.825*** (0.662)
Uneq. Media (dummy)	-0.557*** (0.152)	-1.220** (0.478)	-1.220** (0.510)	-1.220*** (0.462)
Log Time (+1)	0.135* (0.0681)	0.317 (0.224)	0.317 (0.254)	0.317 (0.239)
Log GDP pc	-0.236** (0.0936)	-0.664** (0.293)	-0.664** (0.302)	-0.664** (0.295)
Spending limits	0.0470 (0.120)	0.125 (0.367)	0.125 (0.402)	0.125 (0.363)
Concurrent	-0.194 (0.154)	-0.357 (0.545)	-0.357 (0.624)	-0.357 (0.586)
Non-Partisan	0.0870 (0.116)	0.230 (0.316)	0.230 (0.338)	0.230 (0.312)
ELF	0.691 (0.407)	1.083 (0.959)	1.083 (1.065)	1.083 (1.012)
Log Population	0.151** (0.0599)	0.394* (0.218)	0.394 (0.276)	0.394 (0.252)
Constant	-0.610 (0.906)	-3.307 (3.951)	-3.307 (4.622)	-3.307 (4.460)
Constant NB		-15.74 (891.9)		
Observations	113	113	113	113
R-squared	0.298			
Log likelihood		-77.10	-77.10	-77.10

Standard errors in parentheses (robust s.e. for OLS model)

*** p<0.01, ** p<0.05, * p<0.1

Table 7: Robustness tests for method of estimation (cont.).

VARIABLES	(A.10) NPC 5%	(A.11) NPC 5%	(A.12) NPC 5%
Uneq. Campaign (dummy)	-1.328** (0.629)	-1.340** (0.649)	-1.325** (0.636)
Uneq. On-going (dummy)	1.821*** (0.626)	1.882*** (0.634)	1.845*** (0.623)
Uneq. Media (dummy)	-1.279*** (0.486)	-1.470** (0.694)	-1.270*** (0.488)
Spending limits	-0.348 (0.839)	0.0485 (0.398)	-0.252 (0.865)
Limits*On-going	0.603 (0.937)		
Limits*Media		0.496 (0.933)	
Limits*Campaign			0.474 (0.966)
Log Time (+1)	0.349 (0.229)	0.312 (0.223)	0.344 (0.230)
Log GDP pc	-0.731** (0.313)	-0.661** (0.293)	-0.721** (0.315)
Concurrent	-0.337 (0.546)	-0.274 (0.576)	-0.347 (0.546)
Non-Partisan	0.214 (0.318)	0.228 (0.316)	0.218 (0.318)
ELF	0.947 (0.980)	1.029 (0.959)	0.979 (0.982)
Log Population	0.418* (0.222)	0.401* (0.220)	0.415* (0.223)
Constant	-3.168 (3.958)	-3.394 (3.954)	-3.200 (3.954)
Observations	113	113	113
Log likelihood	-76.88	-76.96	-76.98

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 8: Robustness tests for interaction between the independent variables of interest and limits to campaign spending.

VARIABLES	(13) Campaign Fund	(14) On-going Fund	(15) Media Fund
Lag NPC	-0.193 (0.516)	0.366 (0.401)	-0.680 (0.545)
Log Time (+1)	2.008** (0.879)	0.639 (0.400)	0.379 (0.752)
Log GDP pc	0.976 (0.685)	1.251*** (0.433)	1.008 (0.646)
Spending limits	2.396** (1.143)	0.475 (0.719)	-0.879 (0.885)
Concurrent	4.499*** (1.383)	-0.119 (0.701)	-3.297** (1.325)
Non-Partisan	-2.094** (1.024)	-0.463 (0.548)	0.933 (0.850)
ELF	-6.227** (2.539)	3.741** (1.696)	6.299** (2.978)
Log Population	-1.665** (0.670)	0.575* (0.305)	2.354*** (0.605)
Constant	15.25* (8.587)	-21.97*** (6.292)	-49.41*** (12.30)
Observations	95	95	95
Log likelihood	-27.16	-47.43	-25.12

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 9: Robustness tests for endogeneity.