THE INSTITUTIONAL IMPACT OF LEFT-LEANING POPULISM IN LATIN AMERICA

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**Abstract**

We study the institutional impact left-leaning populist regimes have in Latin America. Looking at left-leaning populist regimes in Argentina, Bolivia, Ecuador, Nicaragua, and Venezuela, We find that these types of populist regimes impose a significant deterioration on the liberal-democracy institutional quality of their countries.

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# Introduction

We investigate the impact of left-leaning durable populism in Latin America on liberal democratic institutions. We define liberal democracy as a system of institutions safeguarding individual and minority rights against state tyranny or majority rule. The media, policy networks, and academic literature have argued that populism threatens liberal democracy institutions (Casas-Zamora, 2023; Houle & Kenny, 2018; Ludwig, 2022). Our focus is on left-leaning populist regimes, as they have been more prevalent in Latin America during the early 21st century than right-wing populism.

For instance, in Venezuela, Hugo Chávez gained nearly absolute power through two constitutional reforms, abolished term limits, and increased the number of Supreme Court judges from 20 to 32. Canova Gonzáles et al. (2014) analyzed approximately 45,000 court sentences, revealing an absence of government losses in virtually all cases. In Bolivia, the electoral court issued controversial rulings that enabled Evo Morales to run for a fourth term, despite facing term limits. Morales also excluded opposition participation in the constitutional drafting process and resorted to arresting, intimidating, or exiling other opponents based on fabricated “charges of administrative irregularities, corruptions, terrorism, and genocide against numerous opposition politicians” (Weyland, 2013, p. 23). In Nicaragua, Daniel Ortega's government came to power by manipulating electoral rules (Pallais, 2009) and subsequently engaged in human rights violations during the repression of protests in 2018, as reported by the Inter-American Commission on Human Rights (*Nicaragua: Concentración Del Poder y Debilitamiento Del Estado de Derecho*, 2013).

These examples make it evident why populism is perceived as a threat to the republican institutions that serve as checks on democratically elected officials. However, institutional decay in Latin America is not exclusive to populist governments. Coup d’états, persecution of opposition leaders, and the control of state bureaucracy through patronage and corruption have been prevalent throughout Latin American history. This raises the question: would countries prone to electing populist leaders have experienced institutional decay even in the absence of a populist regime?

It is possible that the same underlying characteristics that attract populists are confounding factors influencing institutional decay. Although previous studies have addressed the impact of populism on institutions (Cachanosky & Padilla, 2020; Houle & Kenny, 2018), a potential concern is the lack of control for the fact that populists are more likely to emerge in countries with already weak institutions (Riker, 1982). Indeed, populists do not come to power randomly; they are drawn to notoriously weak institutional environments, enabling them to evade constraints and prolong their stay in power (Kaufman & Stallings, 1991). Therefore, to disentangle these effects and answer our question, we need to examine what would have occurred in each country if a populist leader had not ascended to power.

To identify the causal effect of populism on institutions, we rely on a synthetic control analysis (SCA) (Abadie, 2021; Abadie et al., 2015; Abadie & Gardeazabal, 2003). This method involves constructing a plausible counterfactual scenario, which is a weighted average of countries sharing similar characteristics to the treated country. Our synthetic counterfactual reflects the weak institutional environment that attracts populists, but none of the donor countries included in the counterfactual actually experienced a populist episode like the ones observed in the treated countries. Consequently, we can estimate the causal effect of populism on liberal democratic institutions by calculating the difference between the synthetic counterfactual and the actual treated country following the populist episode.

Drawing on previous studies (e.g.: Absher et al., 2020; Bastos et al., 2023; Cachanosky & Padilla, 2020), we focus on five representative episodes of populism: Néstor and Cristina Kirchner's presidencies in Argentina (2003-2015); Evo Morales in Bolivia (2006-2019); Rafael Correa in Ecuador (2007-2016); Daniel Ortega in Nicaragua (2007-present); and Hugo Chávez and Nicolás Maduro in Venezuela (1999-present). For each of these countries, we estimate a liberal-democracy index synthetic counterfactual.

We find that in all five cases there is an economic and statistically significant negative institutional effect as captured by V-Dem’s liberal democracy index. Furthermore, the effect is not only significant, but it also depicts divergent paths; all counterfactuals indicate that the institutional environment of these countries would have increased, while left-leaning populist regimes produced a marked descend in the institutional environment.

The structure of this article is as follows. Section II provides an overview of the literature on populism, with a particular emphasis on Latin America. Section III outlines our data and empirical strategy. Section IV presents our findings, while Section V discusses the robustness of our results. Finally, Section VI concludes.

# Causes and Effects of Populism

Our study examines left populism in 21st-century Latin America, adopting the definition proposed by Seligson (2007). According to Seligson, populism in the region involves the belief that institutions of classical liberal democracy, particularly legislatures and courts, are outdated, inefficient, and inconsistent with the true expression of “the people’s will” as interpreted by populist leaders. Populists often claim to represent the people and promise to carry out their will while isolating those who reject it. However, in practice, populism often disregards democratic guarantees such as civil liberties, free expression, and due process.[[1]](#footnote-2)

Contrary to a simplistic interpretation of populist discourse, which suggests that democracy improves under populism by aligning policies to the will of the people, the reality is quite different. As Seligson (2007) emphasizes, the danger of populism lies in bypassing institutional checks and balances. De la Torre (2016) argues that in an environment where institutions are discredited, populist leaders claim to embody the will of the people and override due process and democratic procedures. For instance, Chávez famously stated, “You are not going to reelect Chávez really, you are going to reelect yourselves. The people will reelect the people. Chávez is nothing but an instrument of the people” (quoted in Friedman, 2017). Despite their rhetorical promises, populists ultimately prioritize their own agendas, which often include extreme rent extraction.

However, the ability of Latin American populists to bypass the constraints of liberal democracy can be attributed to the weak institutional environment, which provides fertile ground for populism to thrive. Kaufman and Stallings (1991) argue that the rise of populism is associated with unstable coalitions that are characteristic of emerging democracies in Latin America. Moreover, besides coalition fragility, the institutional environment in the region promotes social conflict. Sachs (1990) posits that high inequality generates a demand for change, and populists capitalize on this by promising redistribution for the poor.

This observation has led to various avenues of research. Sachs (1990) and Dornbusch and Edwards (1990) elucidate the macroeconomic policies of populists, which often lead to detrimental consequences at the end of the “populist cycle.” By neglecting the adverse effects of fiscal deficits and expansionary monetary policy, populists prioritize income redistribution at any cost, ultimately causing inflation and reducing real wages. As a result, Rodrik (2018, p. 196) contends that populism consists of “irresponsible, unsustainable policies that often end in disaster and hurt most the ordinary people they purportedly aim to help.”

Recent studies have attempted to quantify the effects of populist policies. Houle and Kenny (2018) analyze changes in post-tax Gini coefficients to investigate the impact of populism on income inequality but find no evidence of greater redistribution efforts under populist governments compared to non-populist ones. Strobl et al. (2023) obtain similar results using a different empirical strategy. Funke et al. (2020) find that countries experience a 10 percent lower income per capita relative to the counterfactual in the 15 years following a populist government. This finding aligns with the results of Cachanosky and Padilla (2020).

Our study is similar in nature to the works of Grier and Maynard (2016) and Absher et al. (2020), as we examine the effects of populist governments in Latin America using a synthetic control approach. While the former study focuses solely on the impact of Hugo Chavez’s regime in Venezuela, the latter expands the analysis to include Bolivia, Ecuador, and Nicaragua. Both studies find that, on average, populist governments significantly impact income levels (except for dollarized Ecuador). They also explore potential effects on child mortality and inequality, as populists purportedly tend to prioritize these “social” outcomes over economic growth. However, neither study investigates the effects on institutional outcomes.

In contrast, Houle and Kenny (2018) explore the impact of populism on democratic institutions using various measures. Their sample includes 19 Latin American countries from 1982 to 2012, comprising fifteen populist governments of both left- and right-wing orientations. Their findings indicate that populist governments are associated with a reduction in all measures of democratic constraints while having no effect on voter turnout. Cachanosky and Padilla (2019) also observe institutional and economic decline following left-leaning populist governments in the 21st century, focusing on indicators such as GDP per capita, economic freedom, freedom of the press, and governance quality indicators. However, these studies do not fully address the endogeneity problem discussed earlier.

While previous studies predominantly focus on economic outcomes, our research explores the institutional impact of populism. Considering that institutions play a crucial role in long-term growth (Rodrik et al., 2004), our study provides potential mechanisms to explain the poor economic outcomes during populist regimes and it long-run negative effects on economic activity. Furthermore, since constitutional-level institutions are more resistant to change, we can better understand why these effects endure following populist regimes.

# Selection of Left-Leaning Populist Regimes

As mentioned above, we look at five iconic and representative cases of Latin American left-leaning populist regimes. Our selection of populist regimes is consistent with recent literature. Some studies may focus on some countries and other studies on other countries. Yet, these five cases are commonly identified as populist regimes in the literature. Our selection is also consistent with V-Dem’s populism index as well as typical policies carried by these political movements (Table 1).

Table . Left-Leaning Populist regimes in Latin America

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Argentina | Bolivia | Ecuador | Nicaragua | Venezuela |
| Presidential terms | 2003-2015 | 2006-2019 | 2007-2017 | 2007-2020 | 1999-2020 |
| President(s) | NK  CFK | EM | RC | DO | HC  NM |
| V-Party populism index (avg.) | 0.83 | 0.89 | 0.95 | 0.69 | 0.99 |
| Constitutional reforms | No | Yes | Yes | Yes | Yes |
| Attacks on judicial independence | Yes | Yes | Yes | Yes | Yes |
| Expropriation / Nationalization | Yes | Yes | Yes | Yes | Yes |
| NK: Néstor Kirchner; CFK: Cristina Fernández de Kirchner; EM: Evo Morales; RC: Rafael Correa; DO: Daniel Ortega; HC: Hugo Chávez; NM: Nicolás Maduro  Sources: V-Dem and Absher, Grier, and Grier (2020, p. 789). | | | | | |

Additionally, these countries represent long-lasting regimes (at least a decade), which includes enough time to capture institutional effects of populist governments. These are also politically powerful regimes. Except for Argentina, all other four regimes were able to reform their national constitutions.[[2]](#footnote-3) Additionally, all of them carried on expropriations or nationalizations as well as attacks on judiciary independence.

# Empirical Method and Results

## Empirical Strategy

Our empirical methodology follows the approach used by Absher et al. (2020). Firstly, we conduct a SCA for each country. We utilize the same donor pool in each SCA. However, we select the predictor variables to minimize the pre-treatment root mean square prediction error (RMSPE) for each country. For each country we look at 10 years before and after the left-leaning populist regime takes office.

To mitigate potential overfitting, we limit our donor pool to 27 countries. Our donor pool and strategy is similar to previous SCA studies conducted in Latin America (Absher et al., 2020; Cachanosky et al., 2023; Grier & Maynard, 2016; Spruk, 2019). The donor pool includes Latin American and other developing countries that are comparable to the countries with a populist regime but have not experienced a populist shock (see Table 2).[[3]](#footnote-4)

Table . Synthetic weights for each country

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Donor | Argentina | Bolivia | Ecuador | Nicaragua | Venezuela |
| Algeria | - | .083 | .387 | .617 | - |
| Australia | - | - | - | - | - |
| Austria | .339 | - | - | - | - |
| Belgium | - | - | - | - | - |
| Brazil | .419 | - | - | - | .231 |
| Canada | - | - | - | .287 | - |
| Chile | - | - | - | - | - |
| Colombia | .105 | - | - | - | .244 |
| Costa Rica | - | - | - | - | .365 |
| Denmark | - | - | - | - | - |
| France | - | - | - | - | - |
| Germany | - | - | - | - | - |
| Guatemala | - | .086 | - | - | - |
| Italy | - | .426 | .457 | - | - |
| Japan | - | - | - | - | - |
| Mexico | - | - | - | - | - |
| Netherlands | - | - | - | - | - |
| Nigeria | .137 | - | - | - | - |
| Paraguay | - | .353 | .076 | - | - |
| Peru | - | - | - | - | .159 |
| Portugal | - | - | - | - | - |
| Spain | - | - | - | .096 | - |
| Sweden | - | - | - | - | - |
| Thailand | - | .053 | .080 | - | - |
| Turkey | - | - | - | - | - |
| United Kingdom | - | - | - | - | - |
| Uruguay | - | - | - | - | - |
| Latin America | 0.524 | 0.439 | 0.076 | 0.000 | 1.000 |
| Non-Latin America | 0.476 | 0.561 | 0.924 | 1.000 | 0.000 |
| RMSPE | 0.712 | 0.704 | 0.454 | 2.550 | 1.516 |

Our independent variable is the Liberal Democracy index provided by V-Dem, which we rescale to range from 0 (low) to 100 (high). A lower value indicates weak protection of individual and minority rights against an authoritarian state, as well as a lack of limits on executive power. Similarly, a low index signifies weak constitutional protection of civil liberties, absence of the rule of law, and a lack of judicial independence.[[4]](#footnote-5) We posit that changes in the V-Dem index not only serve as a reliable measure of the institutional impact of populism but also reflect the desired institutional qualities necessary for achieving a prosperous civil society and sustainable long-term economic development.

To assess the statistical significance of our results, we employ standardized *p-values*. These *p-values* are calculated by conducting an in-place placebo test. This consists in estimating a synthetic control for each donor, as if they had a populist regime, and estimating the proportion of effects that are greater than or equal to the effect of the actual treated unit (Abadie et al., 2015, p. 500). To obtain a standardized *p-value*, we divide each country's treatment effect by its pre-treatment RMSPE (Galiani & Quistorff, 2017). A standardized *p-value* assigns different weights to donors based on the quality of their fits. Intuitively, countries with poor fits are expected to yield larger effects than those with a good fit, which would amplify *p-value* estimation making them too conservative.

Our donor variables are predictors of the V-Dem Liberal Democracy Index, either because they are one of their components or because they correlate due to measuring related qualities.

Table . Predictor variables and sources

|  |  |
| --- | --- |
| Predictor variable | Source |
| Electoral democracy index | V-Dem |
| Freedom of expression | V-Dem |
| Public sector corrupt charges | V-Dem |
| Government attack on the judiciary | V-Dem |
| Clientelism index | V-Dem |
| Presidentialism index | V-Dem |
| Voice and accountability | World Governance Indicators |
| Rule of law | World Governance Indicators |
| Control of corruption | World Governance Indicators |
| Corruption | International Country Risk Guide |
| Economic freedom of the world (EFW) | Fraser Institute |
| Political Rights | Freedom House |
| Civil Liberties | Freedom House |
| PolityV | Center for Systemic Peace |

## Average Results

We first present our average results. Following Cavallo et al. (2013), to obtain these results, we begin by centering all independent SCA findings on the year when a populist regime assumes government. Next, we calculate the average SCA estimation and the average V-Dem Liberal Democracy Index. The difference between these two averages represents the average effect.

The average results are of significant institutional importance. In the range of 0 to 100, the difference between the average V-Dem Liberal Democracy Index and its synthetic counterfactual amounts to a value of 25. This indicates a substantial impact of left-leaning populism on liberal democracy institutions. Notably, this impact is not only significant, with a rapid deterioration in a span of nine years, they are also long-lasting.

There are two noteworthy characteristics to highlight. Firstly, on average, populist regimes emerge in countries with a value just below 54, exhibiting a slight upward trend. Secondly, the SCA estimates indicate an increase in the index, approaching a value of 60. Instead of witnessing a sharp decline in their liberal democracy institutions, our left-leaning populist countries should have experienced a positive effect with a 10-point increase in the V-Dem Liberal Democracy Index.

Figure . Institutional impact of Left-Leaning populism, average results

## Individual Results

### Argentina

The populist regime of Néstor and Cristina Kirchner from 2003 to 2015 had a profound impact on the country’s democratic institutions. Their government sought to remove independent judges and attempt the impeachment of Supreme Court judges without going through Congress. The national government ignored unfavorable rulings, weakening the rule of law and checks on executive power.

The Kirchners pursued re-nationalization of privatized companies, such as the oil company Repsol-YPF and private retirement accounts. The government pursued diplomatic isolation, increased interventionism, and concentrated economic decision making in the executive. The inability to control inflation led to tampering with official data reported by the National Institute of Statistics and Census (INDEC). Notably, no cabinet meetings were held, a sign of strong presidentialism.

The Kirchners were also known for their high-profile disputes against entities that would challenge their power or investigate corruption. It was also a populist-playbook strategy to align the electorate against a created enemy. The media, the military, the IMF, bondholders, corporations, are some examples.

Argentina’s low ranking on the World Economic Forum’s 2004 Index of judicial independence further reflected the erosion of democratic norms. The 2001-2002 crisis prompted demands for institutional reform, but Kirchner's government failed to engage in significant institutional-building efforts. The populist approach during their rule concentrated power in the executive, weakened democratic institutions, and raised concerns about the health of liberal democracy in Argentina.

Our results show institutional deterioration under the Kirchners’ regime (Table 4 and Figure 2). The effects become statistically significant starting in 2008, which coincides with Cristina Kirchner’s presidency, which deepened even further Nestor’s populist style.

Table . Predictor balance: Argentina

|  |  |  |
| --- | --- | --- |
| Predictors | Treated | Synthetic |
| V-Dem: Freedom of Expression | 94.15 | 89.36 |
| V-Dem: Public Sector Corruption | 52.50 | 52.74 |
| V-Dem: Clientelism Index | 45.76 | 40.41 |
| WGI: Voice and Accountability | 0.34 | 0.43 |
| Freedom House: Political Rights | 2.20 | 2.59 |
| Freedom House: Civil Liberties | 2.90 | 3.00 |
| Liberal democracy index (1994) | 63.00 | 62.59 |
| Liberal democracy index (1997) | 62.50 | 62.78 |
| Liberal democracy index (1998) | 62.80 | 62.84 |
| Liberal democracy index (2002) | 65.90 | 66.43 |

Figure . Synthetic control: Argentina

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Table . Post-treatment effects and standardized p-values: Argentina

|  |  |  |
| --- | --- | --- |
|  | Effect | Standardized p-value |
| 2003 | -1.505 | .222 |
| 2004 | -1.337 | .407 |
| 2005 | -3.914 | .111 |
| 2006 | -5.069 | .148 |
| 2007 | -5.525 | .074 |
| 2008 | -6.671 | .037 |
| 2009 | -7.738 | .037 |
| 2010 | -8.178 | .000 |
| 2011 | -10.174 | .000 |
| 2012 | -10.058 | .037 |

### Bolivia

Evo Morales’ political party, the Movimiento for Socialism Party (MAS), comprised fervent supporters. One of Morales’ initial decisions was to fulfill a campaign promise by increasing taxes on the hydrocarbon industry, raising the profit tax rate from 18% to 82%, leaving 18% for the companies. Early the following year, Morales nationalized a metallurgy plant in the town of Vinto, which was operated by the Swiss company Glenco, arguing that they had obtained the contract illegally.

Later in 2006, Morales initiated a land reform program, seizing unproductive lands with absentee owners and transferring them to low-income individuals. Although the opposition approved regional referenda to be held in 2008, Morales dismissed the initiative, claiming it was illegal.

Despite Morales’ initial declaration that he would not amend the constitution, MAS sponsored a national vote. The 2009 constitutional reform allowed Morales to run for a second 5-year presidential term and granted him the power to dissolve Congress. Additionally, he established the Plurinational Constitutional Tribunal, responsible for adjudicating the constitutionality of laws. In 2013, the constitutional court ruled that Morales’ first presidential term, before the constitutional reform, did not count toward the constitutional two-term limit. In 2017, MAS petitioned the Plurinational Constitutional Tribunal to abolish presidential term limits, arguing that they violated human rights under the American Convention on Human Rights.

Morales ran for a fourth term in the 2019 presidential elections. The transmission of the results was temporarily paused for 24 hours, after which Morales went from being in a tight race with Carlos Mesa to securing a clear victory. However, Morales ultimately resigned amid allegations of electoral fraud and social protests during the 2019 presidential elections.

Our results reveal statistically significant negative results (Table 6, Table 7, and Figure 3). Bolivia’s liberal democracy index declined from its peak of 55 to less than 40 in 2014.

Table . Predictor balance: Bolivia

|  |  |  |
| --- | --- | --- |
| Predictors | Treated | Synthetic |
| V-Dem: Freedom of Expression | 83.33 | 79.85 |
| V-Dem: Clientelism Index | 52.03 | 51.40 |
| WGI: Voice and Accountability | 0.07 | 0.23 |
| WGI: Control of Corruption | -0.73 | -0.41 |
| ICRG | 2.59 | 2.36 |
| Freedom House: Political Rights | 1.80 | 2.64 |
| Freedom House: Civil Liberties | 3.00 | 2.68 |
| Liberal democracy index (1998) | 52.60 | 52.35 |
| Liberal democracy index (2000) | 53.00 | 53.19 |
| Liberal democracy index (2002) | 51.50 | 53.08 |
| Liberal democracy index (2004) | 54.90 | 54.68 |

Figure . Synthetic control: Bolivia

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Table . Post-treatment effects and standardized p-values: Bolivia

|  |  |  |
| --- | --- | --- |
|  | Effect | Standardized p-value |
| 2005 | -7.692 | .000 |
| 2006 | -8.871 | .000 |
| 2007 | -11.197 | .000 |
| 2008 | -13.533 | .000 |
| 2009 | -16.335 | .000 |
| 2010 | -17.097 | .000 |
| 2011 | -17.601 | .000 |
| 2012 | -14.750 | .000 |
| 2013 | -14.739 | .000 |
| 2014 | -16.879 | .000 |

### Ecuador

Rafael Correa successfully reformed the constitution, expanding the powers vested in the president by increasing the number of permitted presidential decrees. He also eliminated presidential term limits.

Correa gained notoriety for his contentious relationship with the media. His government strongly criticized the press, accusing media outlets of spreading falsehoods and defamation against him. Correa responded by imposing restrictions on the media and curbing freedom of expression. He even imposed fines on media outlets that were critical of his administration. Furthermore, individuals who voiced dissent, whether they were politicians or civilians, were subjected to prosecution and espionage, raising concerns about the safety of democratic discourse.

Correa, who vehemently opposed dollarization, attempted to circumvent the monetary regime through two distinct approaches. First, there was the unsuccessful endeavor to introduce what would have been the inaugural central bank digital currency (CBDC) (Arauz et al., 2021; Cachanosky et al., 2022) – a dollar-convertible digital currency issued and managed by the central bank and state-owned companies. The second approach involved the banking sector. He diminished the transparency of the central bank's balance sheet and subsequently mandated that banks repatriate their foreign reserves and deposit them with the central bank. Following this, he directed the central bank to utilize those reserves for the purchase of treasury bonds.

In Ecuador, our results show a consistent decline in the liberal democracy index, with a *p-value* of zero for all ten years under consideration. As observed in other countries within this study, liberal democracy would have experienced an increase in its score had it not been for the influence of a left-leaning populist regime.

Table . Predictor balance: Ecuador

|  |  |  |
| --- | --- | --- |
| Predictors | Treated | Synthetic |
| V-Dem: Freedom of Expression | 79.78 | 78.67 |
| V-Dem: Public Sector Corruption Charges | 34.40 | 53.87 |
| V-Dem: Government Attacks on the Judiciary | 50.36 | 66.78 |
| V-Dem: Clientelism Index | 55.16 | 44.48 |
| V-Dem: Presidentialism Index | 50.60 | 39.30 |
| ICRG | 2.88 | 2.29 |
| Polity2 | 7.00 | 5.15 |
| Freedom House: Political Rights | 2.80 | 3.27 |
| Liberal democracy index (1997) | 47.20 | 46.78 |
| Liberal democracy index (2002) | 46.80 | 47.26 |
| Liberal democracy index (2003) | 47.90 | 47.48 |
| Liberal democracy index (2006) | 46.60 | 47.21 |

Figure . Synthetic control: Ecuador

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Table . Post-treatment effects and standardized p-values: Ecuador

|  |  |  |
| --- | --- | --- |
|  | Effect | Standardized p-value |
| 2007 | -5.505 | .000 |
| 2008 | -12.734 | .000 |
| 2009 | -14.786 | .000 |
| 2010 | -16.351 | .000 |
| 2011 | -17.400 | .000 |
| 2012 | -18.415 | .000 |
| 2013 | -21.621 | .000 |
| 2014 | -20.269 | .000 |
| 2015 | -20.174 | .000 |
| 2016 | -19.224 | .000 |

### Nicaragua

Daniel Ortega previously governed the country from 1985 to 1990 as the leader of the Sandinista Revolution. Ortega ran for president in multiple elections, ultimately securing victory in 2006, thanks to a political agreement known as *El Pacto*. During this time, he forged a close relationship with Hugo Chávez in Venezuela. Chávez provided financial support to Ortega’s regime through the PetroCaribe initiative, where Venezuela supplied oil to Nicaragua at a discounted price, allowing Nicaragua to resell the oil at market prices.

In 2009, the Nicaraguan Supreme Court lifted the constitutional ban on consecutive re-elections. Ortega ran for president for the third time in 2011, and his party achieved a supermajority in the National Assembly. In 2014, the National Assembly abolished term limits for the presidency, enabling Ortega to run for an unlimited number of five-year terms, thereby further consolidating his power. The constitution granted the president sole authority to appoint military and police commanders, reinforcing executive dominance over key institutions. Ortega ran for president again in 2014, with his wife as the vice-presidential candidate.

Ortega’s regime became notorious for its violent suppression of civilian protests during the 2018 demonstrations against his social security reform, which aimed to increase contributions and reduce benefits. Ortega wielded his political power to promote a narrative of a failed coup through the media.

Our results indicate a significant decline in liberal democracy, supported by statistically significant results (Table 10, Table 11, and Figure 5). This decline in institutional quality became apparent immediately upon Ortega assuming the presidency.

Table . Predictor balance: Nicaragua

|  |  |  |
| --- | --- | --- |
| Predictors | Treated | Synthetic |
| V-Dem: Electoral Democracy Index | 61.63 | 52.59 |
| V-Dem: Freedom of Expression | 87.69 | 75.21 |
| V-Dem: Government Attacks on the Judiciary | 69.87 | 83.69 |
| V-Dem: Clientelism Index | 60.31 | 40.74 |
| V-Dem: Presidentialism Index | 59.92 | 50.74 |
| WGI: Voice and Accountability | -0.02 | -0.06 |
| ICRG | 3.47 | 3.15 |
| Freedom House: Civil Liberties | 3.00 | 3.65 |
| Liberal democracy index (1996) | 45.80 | 39.39 |
| Liberal democracy index (2001) | 37.70 | 39.43 |
| Liberal democracy index (2002) | 38.20 | 39.20 |
| Liberal democracy index (2004) | 37.80 | 39.45 |

Figure . Synthetic control: Nicaragua

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Table . Post-treatment effects and standardized p-values: Nicaragua

|  |  |  |
| --- | --- | --- |
|  | Effect | Standardized p-value |
| 2006 | -6.839 | .185 |
| 2007 | -17.525 | .000 |
| 2008 | -18.874 | .037 |
| 2009 | -19.611 | .037 |
| 2010 | -20.217 | .037 |
| 2011 | -20.352 | .037 |
| 2012 | -23.321 | .000 |
| 2013 | -26.367 | .037 |
| 2014 | -26.586 | .074 |
| 2015 | -26.666 | .074 |

### Venezuela

The Chávez-Maduro regime in Venezuela, spanning from 1999 to the present, stands out as the most iconic and enduring left-leaning populist regime in the region. In 1999, the Bicameral Congress was replaced with a Unicameral one, curbing legislative control over the executive. Like the other populist regimes, the Chávez-Maduro regime policies included implementing price controls on food and products. These policies, however, stifled economic freedom, as they interfered with private businesses and discouraged foreign investment.

In Venezuela, there was a notable erosion of press freedom and a rise in censorship, as state-run bodies attempted to silence the media and shut down over 115 media outlets critical of the government. The government also restricted citizens from running for governmental positions, further limiting political pluralism. Moreover, the autonomy of judges was undermined, as illustrated by the arrest of Judge Maria Lourdes Afini for challenging the government’s detention of a banker without evidence. Enacted laws, such as the “desacato” (insult laws), penalized citizens for criticizing public officials, resulting in violations of freedom of expression and a significant decline in Venezuela’s Press Freedom Index ranking. "Information blackouts" were prevalent, further suppressing dissenting voices and restricting the flow of information unfavorable to the government.

In summary, the populist rule of Chávez and Maduro in Venezuela has been characterized by a deterioration of democratic principles, marked by the concentration of power in the executive branch, restrictions on press freedom, limited political competition, and the undermining of judicial autonomy. These actions have raised serious concerns about the state of liberal democracy in the country.

Our findings reveal statistically significant negative results on Venezuela’s liberal democracy (Table 12, Table 13, and Figure 6). Venezuela stands out as the country with the largest effect, signifying the most significant institutional impact of a left-leaning populist regime.

Table . Predictor balance: Venezuela

|  |  |  |
| --- | --- | --- |
| Predictors | Treated | Synthetic |
| V-Dem: Presidentialism Index | 20.28 | 17.63 |
| WGI: Voice and Accountability | -0.01 | 0.27 |
| WGI: Control of Corruption | -0.90 | 0.07 |
| ICRG | 3.00 | 3.75 |
| Polity2 | 8.30 | 7.66 |
| Freedom House: Political Rights | 2.10 | 2.31 |
| Freedom House: Civil Liberties | 3.00 | 3.04 |
| Liberal democracy index (1988) | 59.30 | 57.36 |
| Liberal democracy index (1991) | 62.60 | 63.00 |
| Liberal democracy index (1994) | 60.70 | 59.79 |
| Liberal democracy index (1997) | 58.70 | 60.20 |

Figure . Synthetic control: Venezuela

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Table . Post-treatment effects and standardized p-values: Venezuela

|  |  |  |
| --- | --- | --- |
|  | Effect | Standardized p-value |
| 1998 | -15.000 | .000 |
| 1999 | -30.189 | .000 |
| 2000 | -38.722 | .000 |
| 2001 | -43.425 | .000 |
| 2002 | -44.531 | .000 |
| 2003 | -47.243 | .000 |
| 2004 | -52.008 | .000 |
| 2005 | -53.583 | .000 |
| 2006 | -53.876 | .000 |
| 2007 | -54.461 | .000 |

## Summary results

The SCA approach allows us to compare the populist damage to liberal democracy with its counterfactual value. This gives a more accurate assessment of the impact these populist regimes had on their countries that comparing their lower liberal-democracy index with the initial value of said index. Recall that SCA estimates that in three out of five of these countries liberal-democracy should have increased significantly. The only exception is Bolivia, where the SCA estimates a decline in what would have happened to the liberal-democracy index.

Table 14 shows the value of liberal-democracy the year before the populist shock, the lowest value attained under their populist regimes, the SCA counterfactual for the same year, and the spread between the last two. This last value measures the maximum institutional damage for each country.

Table . Summary liberal-democracy results

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Country | Year of populist shock | Initial liberal-democracy | Lowest liberal-democracy | Synthetic liberal democracy | Spread |
| Argentina | 2003 | 65.9 | 60.1 | 70.5 | -10.4 |
| Bolivia | 2005 | 54.9 | 39.7 | 54.4 | -14.7 |
| Ecuador | 2007 | 46.6 | 26.8 | 47.1 | -20.3 |
| Nicaragua | 2009 | 20.9 | 12.6 | 39.3 | -26.7 |
| Venezuela | 1999 | 58.7 | 16.7 | 70.5 | -53.8 |

# Conclusions

Our statistical findings underscore the significant institutional costs associated with 21st-century left-leaning populist regimes in Latin America. This damage carries the potential for long-lasting effects on institutions and the hindrance of long-term economic growth. These results align with the existing literature’s findings on the relationship between populism and institutional quality in Latin America. However, our study takes a step further by addressing potential endogeneity issues, and by providing a more precise assessment of institutional damage by estimating the institutional quality counterfactual.

In the aftermath of a populist regime, a non-populist administration faces the dual challenge of rectifying not only the macroeconomic imbalances inherited from populist policies but also rehabilitating the country’s institutional quality. Neglecting the erosion of liberal-democratic institutions poses the risk of further empowering future populist cycles.

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1. Other definitions certainly exist, but they tend to focus on specific features of populists, such as their rhetoric (de la Torre, 2013; Laclau, 2005), its economic paradigm (Dornbusch & Edwards, 1992; Edwards, 2010; Ocampo, 2019; Rode & Revuelta, 2015; Sachs, 1990), or its political and ideological features (Abts & Rummens, 2007; de la Torre, 2016, 2017; Doyle, 2011). In special, the economic definitions are certainly complementary as the populists in our sample could easily be defined as “macroeconomic populists" as well (Bastos et al., 2023; Dornbusch & Edwards, 1990). We follow Seligson (2007) because it focuses on the institutional effects of populists. Another broader definition (though not necessarily intended for Latin America) is that of Mudde (2004, 2007). [↑](#footnote-ref-2)
2. Cristina Kirchner failed to reform the constitution since she did not have enough representation in Congress to move forward with a proposal. [↑](#footnote-ref-3)
3. Nicaragua is subject to a “wide” interpolationbetween Algeria and developed countries such as Canada and Spain. We tried different specifications to narrow interpolation in the syntethic estimation without being able to find a better fit. [↑](#footnote-ref-4)
4. V-Dem’s codebook (v13 – March 2023), defines its liberal democracy index as follows: “The liberal principle of democracy emphasizes the importance of protecting individual and minority rights against the tyranny of the state and the tyranny of the majority. The liberal model takes a "negative" view of political power insofar as it judges the quality of democracy by the limits placed on government. This is achieved by constitutionally protected civil liberties, strong rule of law, an independent judiciary, and effective checks and balances that, together, limit the exercise of executive power” (p. 45). [↑](#footnote-ref-5)