

←.....THE SHIFT TO THE LEFT IN LATIN AMERICAN POLITICS.....→

INTRODUCTION

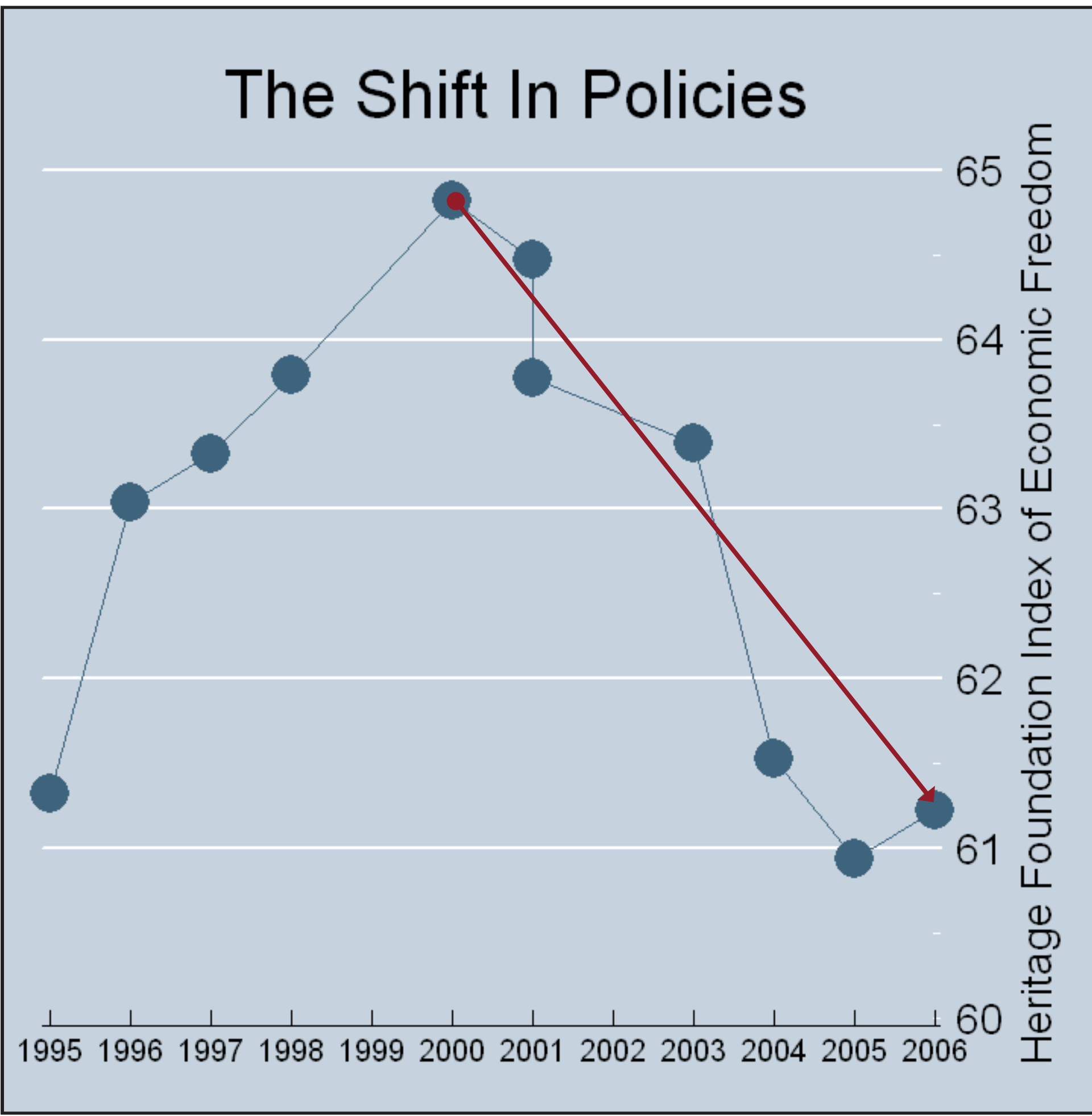
Reeling from the failures of Washington Consensus reforms, a populist and leftist movement has dominated Latin American politics as once powerful traditional political parties crumble. Has Latin America’s population grown more sympathetic to leftist ideals? Or, has this shift arisen from the disintegration of institutionalized parties, providing room for individual leaders to gain a voice in the political sphere? We seek to explore whether this shift in the political zeitgeist in Latin America is supply or demand driven.

RECENT PRESIDENTIAL ELECTIONS IN LATIN AMERICA

COUNTRY	YEAR	PRESIDENT	POLITICAL POSITION	CLOSENESS
Argentina	2007	Cristina Kirchner	Left	Landslide
Bolivia	2005	Evo Morales	Left/Extreme Left	Landslide
Brazil	2006	Luiz Inacio Lula da Silva	Center-Left	Landslide
Chile	2006	Michelle Bachelet	Center-Left	Comfortable
Colombia	2006	Álvaro Uribe	Right	Landslide
Costa Rica	2006	Oscar Arias	Center	Close
Ecuador	2006	Rafael Correa	Left	Comfortable
Honduras	2005	Jose Manuel Zelaya	Center-Right	Close
Mexico	2006	Felipe Calderón	Center-Right	Close
Nicaragua	2006	Daniel Ortega	Left	Comfortable
Peru	2006	Alan García	Center	Comfortable
Uruguay	2004	Tabaré Vaquez	Center	Landslide
Venezuela	2006	Hugo Chávez	Extreme Left	Landslide
Paraguay	2008	Fernando Lugo	Center-Left	Landslide
D.R.	2008	Leonel Fernández	Center-Right	Landslide
Panama	2004	Martín Torrijos	Left	Close
Guatemala	2007	Alvaro Colom	Center-Left	Close
El Salvador	2004	Antonio Saca	Right	Close

PURPOSE

Data from Latinobarómetro household surveys was used to evaluate the extent to which there has been a “Shift to the Left” in political preferences of Latin Americans, defining a set of 22 questions broadly indicative of where Latin Americans stand on the left-right spectrum. We are examining whether there has been movement in the responses to these questions over time, and if these political preferences are affecting the change in policies. The shift in policies is measured by the Heritage Foundation Index of Economic Freedom, an indicator of economic freedom.



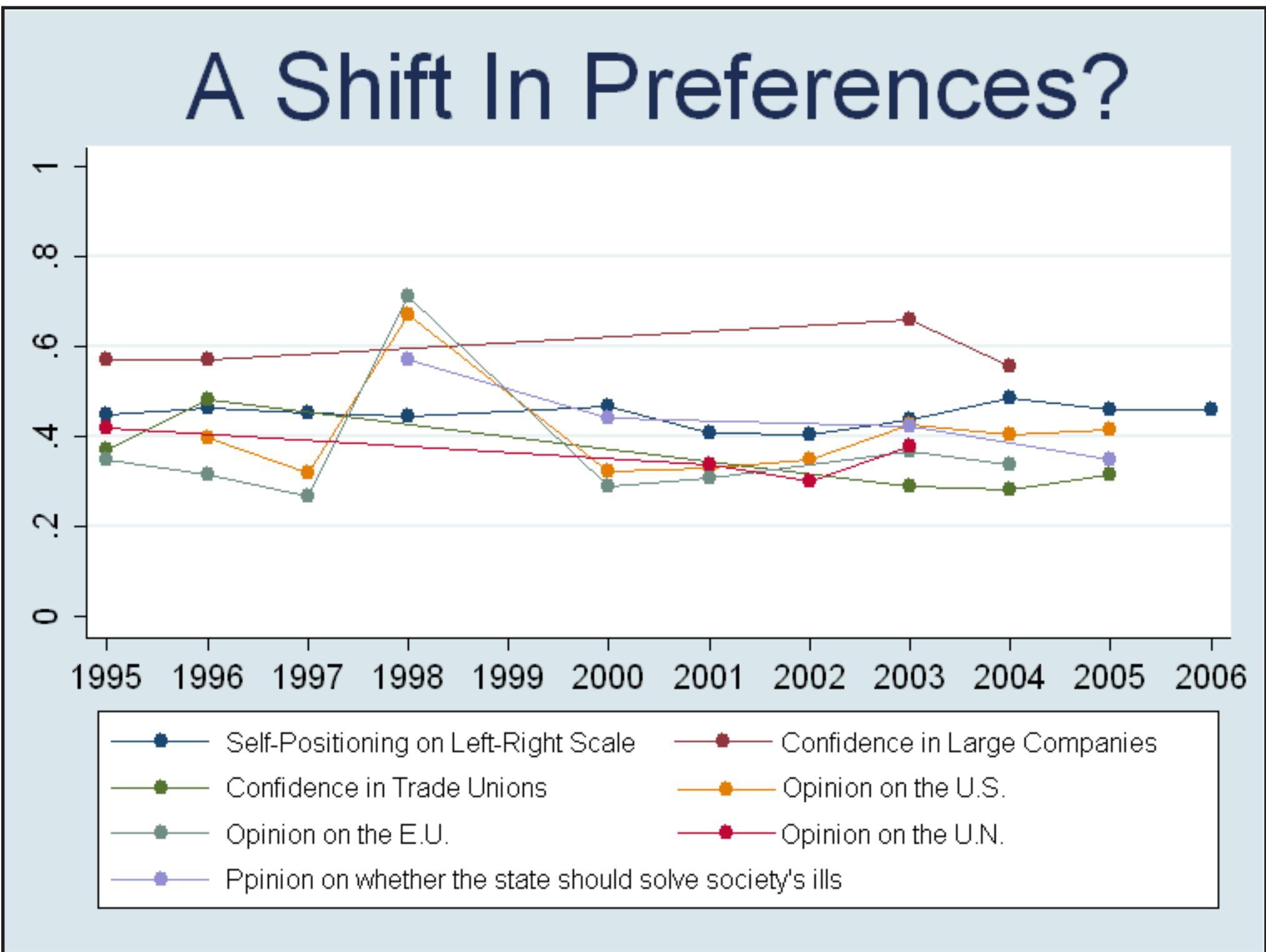
VARIABLE KEY

- “left” refers to the 22 preference variables from the Latinobarómetro survey.
- “age” is composed of dummy variables for the age of the respondent and ranges from 18 to 101.
- “eage” is composed of dummy variables for the age the respondent finished education and ranges from age 1 to 86.
- “relig” is composed of 16 dummy variables for religion.
- “ $(left)_{it}$ ” specifically refers to the fitted values generated by the equation:
$$(left)_{it} = \alpha_0 + \alpha_1(age)_{it} + \alpha_2(eage)_{it} + \alpha_3(relig)_{it}$$
- “GDPpc” refers to GDP per capita, in chained 2000 U.S. Dollars.
- “ec_freedom” refers to the Heritage Foundation’s Index of Economic Freedom.

METHODOLOGY

Using the results of the Latinobarómetro surveys from 1995-2006, we pooled data on the 22 questions and placed each response on a scale between 0 to 1 for consistency with “1” signifies a politically left position and “0” signifies a politically right position. After cleaning the data, we took the weighted means of the individual results for each country-year observation to have an idea of preferences at the country level.

To see if there was a significant pattern in population preferences, we ran robust fixed effects panel regressions on a time trend to examine whether there had been a significant trend towards leftist preferences. When run on a restricted time trend for all of Latin America, the variables produced mixed results, with some revealing a trend towards the right, and others suggesting trends to the left.



RIGHTWARD TREND IN PREFERENCES		LEFTWARD TREND IN PREFERENCES	
Significant	Not Significant	Significant	Not Significant
State should solve society's ills	Fairness of Same Job, Different Wages	Should foreign investment be encouraged?	Self-positioning on Left-Right Scale
Confidence in Trade Unions	Market economy needed for my country to become developed	Fairness of the Distribution of Wealth	Hard Work Does Not Guarantee Success
Success Depends On Who You Know	Confidence in private enterprise	Should Economic Activity Be Private?	Should prices be determined by free competition?
	Opinion on the U.S.	Confidence in Large Companies	Opinion on FTAA
	Opinion on the E.U.	For/Against Economic Integration	
	Opinion on U.N.	Opinion on WTO	
	Opinion on World Bank		
	Opinion on I.M.F.		

THE RELATIONSHIP BETWEEN PREFERENCES & POLICIES

To determine whether the preferences influence policy, it is vital to identify exogenous factors that influence preferences to remove the problem of endogeneity, as a country’s policies may affect political preferences. The instrument contains the part of an individual’s political preferences that can be accounted for by age, education, and religion - a source of exogenous variation in political preference. For this, we constructed $(\widetilde{left})_{it}$, which was composed of the predicted values for the preference variables when the following panel regression was run with random effects.

$$(\widetilde{left})_{it} = \alpha_0 + \alpha_1(age)_{it} + \alpha_2(eage)_{it} + \alpha_3(relig)_{it}$$

$(\widetilde{left})_{it}$, the variable containing the predicted values from this regression, had a positive and significant impact on the preference variables in 9 out of the 22 regressions using the following panel regression with robust fixed effects.

$$(left)_{it} = \alpha_0 + \alpha_1(\widetilde{left})_{it} + \alpha_2(GDPpc)_{it}$$

RESEARCH ASSISTANT KARA HAYWARD

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PROFESSOR FRANCISCO RODRÍGUEZ

Using the Heritage Foundation’s “Index of Economic Freedom” as a comprehensive indicator of economic policy, we ran the following regressions to examine the relationship in policies in Latin America and a population’s preferences since the shift in policies at the turn of the century. The following was run as instrumental variable panel regressions with fixed effects:

$$(ec_freedom)_{it} = \alpha_0 + \alpha_1(left)_{it} + \alpha_2(GDPpc)_{it}$$

$$\text{Instrument: } (left)_{it} = \beta_0 + \beta_1(\widetilde{left})_{it} + \beta_2(GDPpc)_{it}$$

When other explanatory variables were included in the regressions (percent of the population under 15, percent of population over 65, rate of urbanization, trade, and the Gini Index), none of our preference variables showed a statistically significant relationship with the policy shift.

To better understand the impact of our left variables on policies, we calculated the following to see how much the index of economic freedom should have shifted, according to the coefficients on the preference variables.

$$\Delta(ec_freedom)_{it} = \alpha_1 \times \Delta(left)_{it}$$

The table below reveals the results for the regressions which included explanatory variables GDP per capita, population under 15, population over 65, rate of urbanization, and trade. Although quantitatively the predicted and observed effects are roughly in line, the standard errors are large, so that it is not possible to reject the hypothesis that preferences had no effect on policies.

CHANGE IN INDEX OF ECONOMIC FREEDOM, 2000-2005

PREFERENCE VARIABLES	ACTUAL CHANGE	CHANGE PREDICTED BY REGRESSIONS	PREDICTED CHANGE/ACTUAL CHANGE
Self-Positioning On The Left-Right Scale	-3.87223	-1.48	38.22%
Hard work does not guarantee success		-3.40	87.84%
State should solve society's ills		-5.50	141.91%
Fairness of the Distribution of Wealth		-14.91	385.16%
Should Economic Activity be private		-7.11	183.59%
Has privatization been beneficial		-4.92	127.14%
Confidence in Large Companies		-3.89	100.54%
For/Against Economic Integration		-8.68	224.24%
Opinion on United States		-2.63	67.87%

CONCLUSIONS

We were unable to find that people’s preferences influenced policy. While there has been a shift to the left in policies, the results suggest that changing preferences are not a significant explanation. Changes in the political system other than what voters want, such as fiscal decentralization, the weakening of traditional parties, and the rise of local media must be examined in order explain the the shift to the left in Latin American policy.

WESLEYAN
UNIVERSITY

