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Explaining the Erosion of Democracy: Can Economic Growth Hinder Democracy?*

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Abstract

Economic growth has become one of the leitmotivs academicians and pundits ask once and again to assess democratic endurance over time. While large portion of the literature posits that economic growth is positive for democracy (eg. Przeworski et al. 2000), for other scholars it is a profoundly destabilizing force (eg. Olson 1963; Huntington 1968). This paper fills these contrasting views asking whether economic growth can undermine democratic competition. We hypothesize that the relation between economic growth and party competition is mediated by the strength of political institutions and free expression. Economic growth promotes incumbency advantage. Rulers can artificially extend this advantage by narrowing the space for negative coverage and dissident voices as long as they have political room for maneuvering. We leverage exogenously-driven growth in Latin America to test this argument. Over the past two decades, the region experienced accelerated growth as a result of a global commodity boom. Using data for 18 Latin American countries during this period, we show that faster economic growth led to significant increases in incumbency advantage in the legislature only where free speech was under attack. Our findings have important implications for literatures on democratization, natural resources, and economic voting.

Introduction

Political scientists have a love relationship with economic growth. Economic growth has become probably the first and crucial aspect we ask to have a picture of the performance of a country in a given time. Of course there are other considerations, such as inflation, unemployment, and debt (to mention just a few), but most of them are subordinated to growth. If growth is vigorous and positive, then the picture about that country is positive. A negative growth, on the contrary, regardless of unemployment, inflation, and debt, makes us wonder and worry.

A shrinking economy has negative effects on democracy and a constantly shrinking economy might be a disaster for sustaining democracy. The reason is relative simple, a positive economic growth allows government and states to fulfil their policy objectives, expand basic services, provide a better standard of living to their populations. A shrinking economy, on the contrary, limits government's basic aims. The discipline of political science has virtually not seriously challenged this common wisdom. In this work, we take a much more skeptical view of economic growth. As most of the literature, we sustain its importance but we qualify our views claiming that a positive and vital economic growth can, under certain conditions, endanger democratic stability and endurance.[1]

Very few scholars challenge the traditional perspective we have on the relationship between economic growth and democracy. Some voices, however, have long warned us that rapid economic "is a profoundly destabilizing force" (Olson 1963, 531). Olson claims that a rapid economic expansion brings about shaking the foundations of patterns of production, consumption, and distribution, which erodes the prevailing order, producing, as he calls it, a "social dislocation" (533). [2] Moreover, a rapid economic growth constitutes a perfect environment for a revolution of rising expectations (Lerner 1958; Davies 1962). This is particularly so when the number of losers substantially increase and start comparing their situation with new benchmarks provided by the economic growth itself.[3] In simpler words, people get mad when "they are not invited to the party."

1 "It would be absurd to attempt to explain political instability through economic growth alone" (Olson 1963, 543).

2 This derives from the study of revolutions. He claims that those behind revolutionary movements (left or right) are usually those, the *déclassé,* with weak bonds to the established order, at least in terms of civil society.

3 Olson was obviously not alone. Huntington makes an even bolder claim: "economic growth increases material well-being at one rate but social frustration at a faster rate" (Huntington 1968, 50). Yet, Huntington

Contemporary, the pace of economic growth is usually left aside, as far as it is positive. Recent works sustain that positive economic growth is always constructive. Przeworski et al (2000) argue that the evidence they have is robust from virtually all angles:

> "Democracies appear to be more sensitive to growth performance. When they face a decline in income, they die at the rate of 0.0512, so that about one in twenty of them dies, but when incomes are growing, they die at the rate of 0.0152, one in sixty-six. Moreover, democracies that grow slowly, at rates of less than 5 percent per annum, die at the rate of 0.0173, whereas those that grow at rates faster than 5 percent die at the rate of 0.0132" (Przeworski et al. 2000, 109).

They continue and bluntly claim that "Olson (1963) and Huntington (1968) could not have been more wrong when they thought that rapid growth destabilized democracies" (ibid).[4]

There is an evident and open contradiction between these contrasting views on the effects strong economic growth on democracy. This paper fills this gap claiming that rapid economic growth is detrimental for the democratic competition when the government has access to a significant share of the fresh resources coming from this growth and make a political use of this fresh surplus to cling to power. To maintain their power position, some governments curtail freedom of the press in order to bypass significant challengers. It does not mean, explained in due time, that rapid economic growth will be systematically exploited by the incumbent to curb democratic competition. Our focus on political competition reflects a scholarly consensus on the principle that vibrant competition is a necessary characteristic for a "high-quality" democratic process (Altman and Pérez-Liñán 1999, 2002; Coppedge 2004; Diamond and Morlino 2004; Munck 2004; O'Donnell 2004; Carlin 2006; Levine and Molina 2011).

We assess this argument by comparing the legislative advantage of incumbent governments in Latin America between 1990 and 2013. We use Latin America for two reasons. First, Latin American countries benefitted from an extraordinary economic boom staring around 2003. In general lines, this era of prosperity encouraged the adoption of innovative social policies, facilitated reductions in poverty and inequality, and, in some cases, allowed for the replacement of discredited political elites. However, prosperity had uneven consequences for

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acknowledges that the relationship between economic growth and political stability varies with the level of economic development and therefor is more complicated than assumed (1968, 49-53).

4 Some scholars show nuances on the effect of rapid economic growth has on democracy (Haggard and Kaufman 2016). Moreover, they might appear as skeptics, but still they do not challenge the essence of this relationship. Other scholars, however, have argued that windfall revenues can hinder democratization (Ross 2001; Gervasoni 2010).

political competition. In some of the region's countries, economic windfalls reinforced pluralist politics (Lanzaro 2001). In others, by contrast, revenues were used by incumbent governments to sustain intolerant strategies vis-à-vis their opponents (Weyland 2013). Because this regional economic boom was driven exogenously by the expansion of global commodity prices between 2003 and 2014, we analyze the decades before and after the commodity boom to minimize concerns about economic growth being endogenously determined by the quality of democratic institutions (Acemoglu et al. 2008; Bernhard et al. 2015). Second, Latin America has a preferred spot in the literature on democracy, its breakdowns (Linz and Stepan 1978), transitions (O'Donnell and Schmitter 1986), consolidation (O'Donnell 1996), or even quality (Munck 2016). Using this region back again, we fine-tune with previous works accumulation in the field.

The first section of this paper explores the contradictory effects of economic growth and identifies the mechanisms by which economic prosperity can undercut party competition. During periods of fast social advancement, political leaders are uniquely positioned to constrain the parameters of public deliberation, embracing a model of intolerant progress. The second section describes the exogenously-driven commodity boom and how it provided a unique window of opportunity to overcome unpopular neo-liberal policies in Latin America over the past 15 years. In the third section we introduce our dependent variable—a measure of the incumbent's advantage in the legislature—and document the reduction of political pluralism in some contemporary regimes, such as Argentina, Bolivia, Ecuador, and Venezuela, but not in others, such as Brazil, Chile, and Uruguay. The third section introduces our predictors and tests the moderating effect of free speech on the negative consequences of economic growth using data for 18 Latin American countries between 1990 and 2013. The results show that fast economic growth funded a decline in electoral competition when intolerant governments were able to restrict free speech. These findings hold even when we control for the effect of alternative moderators. The conclusions explore how economic progress may, paradoxically, undermine the sustainability of democracy and social equality over the long run. Our contribution lies at the intersection of institutional studies of democratic quality and resurgent debates in political economy (Luna et al. 2014).

I. Economic Growth, Competition and Free Speech

The literature on political modernization has argued that economic development facilitates democratization (Boix 2011; Epstein et al. 2006), stabilizes democratic regimes (Przeworski et al. 2000), and improves the quality of democratic systems (Diamond 1999).[5] Several mechanisms are invoked to account for these positive effects: growth drives social and structural transformations that support political pluralism (Ansell and Samuels 2014), it eases social conflict and redistributive tensions (Lipset 1959), and it reduces the risk of coups in new democracies (Svolik 2015; Kim 2016). As development is critical for modernization which has its correlates on democratization, and development is reached through a continuous process of economic growth, economic growth cannot but have a positive impact on democratization. Economic growth has become the leitmotiv academics and pundits reiterate once and again.

Nonetheless, the literature on natural resources argues that windfalls—particularly growth resulting from the exploitation of raw materials or foreign aid—reduces prospects for democratization by empowering incumbent governments. Rulers may use extraordinary revenues to strengthen their repressive apparatus, minimize accountability, expand patronage, and reinforce incumbency advantage (Karl 1990; Ross 2001; Paler 2013). Others have qualified this view, noting resource-based growth can benefit democracy when rents placate the effects of social inequality or when a competitive regime is already in place (Morrison 2014; Dunning 2008). This is not to be read as a straight line that goes from the economy to politics, but to the political use of resources.

We focus on a specific manifestation of this problem: Can rapid growth strengthen incumbent governments and undermine party competition in democratic regimes? Svolik argues that democracies are always exposed to incumbent takeovers, but finds that, on average, economic growth reduces this peril (Svolik 2015). By contrast, Wantchekon claims that in rentier states, growth breeds incumbency advantage because rulers enjoy informational advantages and can politicize the budget (Wantchekon 2002). Again, the key aspect here is the political use of these resources aimed to improvements in the government power position, their incumbency advantage.

Our question transcends the specific context of rentier states. In Latin American presidential democracies, a buoyant economy encourages retrospective voting in favor of the incumbent (Healy and Malhotra 2013; Benton 2005; Powell and Whitten 1993; Campello and

5 See also (Ansell and Samuels 2014; Boix and Stokes 2003; Przeworski et al. 2000).

Zucco 2016). Irrespective of whether voters assign credit for the state of the economy to the incumbent, rising government revenues facilitate the adoption of popular policies such as subsidies, and cash transfers.

This form of incumbency advantage resulting from retrospective voting is generally seen as transient and unproblematic for the democratic process. Voters are expected to shift their allegiances in the next election if new information shows that economic conditions have soured, that government policies have undesirable side-effects, or that policy gains are secure and new issues must dominate the campaign (Weyland 2000; Corrêa and Cheibub 2016; Zucco 2013).

Incumbency advantage is transitory when free flows of information allow voters to update their beliefs about the government and the world. Even if voters credit the incumbent with a good economy, the media will place new items in the voters' agenda and balance their retrospective assessment of past achievements against prospective considerations for unresolved policy issues. Thus, we hypothesize that *economic growth will produce limited advantages for the incumbent in a context of strong political institutions and free expression, but it will allow rulers to consolidate significant institutional advantages when free flows of information are constrained and institutions weak*.

If free press is vigorous and institutions work as expected, economic growth and democracy find a positive synergy. Examples abound, but let us mention just a couple: The Norwegian Government Pension Fund Global (formerly known as The Norwegian Oil Fund), famines in India. Once Norway discovered wealthy oil reserves and started to exploit them in the early 1970s the question was what to do with such amount of resources spurring into the national economy. With a small but ageing population, the government created a fund in the mid-1980s to be invested for the long term, but also to be used in case of drop in petroleum revenue. Actually, it was just in March 2016 that the government withdraw money the very first time since the fund was created.[6]

> Famines are easy to prevent if there is a serious effort to do so, and a democratic government, facing elections and criticisms from opposition parties and independent newspapers, cannot help but make such an effort. Not surprisingly, while India continued to have famines under British rule right up to independence (…), they disappeared suddenly with the establishment of a multiparty democracy and a free press (Sen 1999, 8).

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6 For a comprehensive view of the fund and how is performing see: https://www.nbim.no/

Understanding the transient nature of their advantage, some rulers attempt to artificially prolong their success by constraining the ability of voters to acquire new information. Two strategies deserve special attention. First, governments seek to dominate flows of information directly, regulating news content, or indirectly, regulating media ownership and subsidizing or acquiring friendly media outlets (Kellam and Stein 2016). These practices often induce self-censorship among news organizations. Second, rulers downplay the value of negative information by adopting an intolerant discourse, denouncing carriers of bad news as representatives of illegitimate interests (Skowronek 1997). This strategy questions the validity of adverse information, polarizes partisan positions, and reinforces party identity among followers and adversaries (Lupu 2014). Prompted by this discourse, government followers harass their critics in journalism, universities, cultural activities, and even in the public bureaucracy. Although such harassment is occasionally violent, more often critics are denied public employment or subject to cyber-bullying and workplace mobbing because of their views.

Like other forms of electoral misconduct, these practices do not automatically transform a democratic regime into a non-democracy, but they reduce the flow of information, limit the ability of voters to update their beliefs, and delay the successful emergence of party competition, even after the economic boom has receded (Donno and Roussias 2012; Alt et al. 2016).

We argue that intolerant politics is a distinctive example of structured contingency, a process by which structural conditions and contingent political choices have ultimately shaped lasting democratic trajectories (Karl 1990). While the ability of presidents to embrace intolerant strategies can be facilitated by access to economic resources or limited by legislatures and other veto players (Murillo et al. 2013), these practices are shaped, to a great extent, by institutional windows of opportunity and the rulers' commitment to democratic norms (Mainwaring and Pérez-Liñán 2013; Kellam and Stein 2016). Public resources may fund loyal media outlets, and weak institutions may fail to block restrictive media policies, but the government's *willingness* to manipulate free expression is determined by opportunities and normative preferences. Although this is a power game within the limits imposed by structural and institutional forces, governments have agency too.

II. Latin America after Neoliberalism

Around 2003, a major commodity boom created a historical opportunity for primary exports originating in Latin America. Between 2000 and 2008 the total value of exports increased annually by 21 percent in Peru, by 17 percent in Brazil and Chile, and by 13 percent in Argentina (Ros 2013). Much of this growth was spurred by the expansion of the Chinese economy, which enlarged global demand for minerals, energy, and foodstuffs. The expansion of Asian markets swelled consumption of soybeans from Argentina, Paraguay, and Uruguay; gas and minerals from Bolivia; oil from Ecuador and Venezuela; copper from Chile and Peru. Between 2006 and 2011, South American exports to China grew three times faster than exports to the rest of the world (Urcuyo 2013: 10; Ros 2013: 2-3).[7]

Our focus on the 1990-2013 period thus has a distinctive advantage. Because the rise of growth rates in the second half of the period was driven by an exogenous demand for primary products, this sample minimizes concerns about endogenous economic growth being the result of better domestic institutions (Acemoglu et al. 2008; Bernhard et al. 2015; Persson and Tabellini 2003). Against classic tenets of dependency theory, terms of trade appreciated in favor of primary exports during the first decade of the twenty-first century (Ros 2013: 4; Campello and Zucco 2016).[8]

Figure 1 shows the striking contrast between the late 1990s and the early 2000s. Between 1995 and 2002, the average rate of annual growth in per capita GDP was negative in Argentina, Ecuador, Uruguay, and Venezuela, and remained below 1% in Brazil, Mexico, and Peru (data from the World Development Indicators). Between 2003 and 2010 Argentina's per capita income grew at an average rate of 7 percent,[9] Peru and Uruguay, at 5 percent, Venezuela at 4 percent, Brazil and Chile, at 3 percent, and Bolivia and Ecuador, above 2 percent per year. Similar data from the Economic Commission for Latin America and the Caribbean indicate that the average per capita domestic product in Latin America expanded from 5,768 dollars in current prices in 2006 to 9,850 dollars in 2013 (CEPAL 2015).

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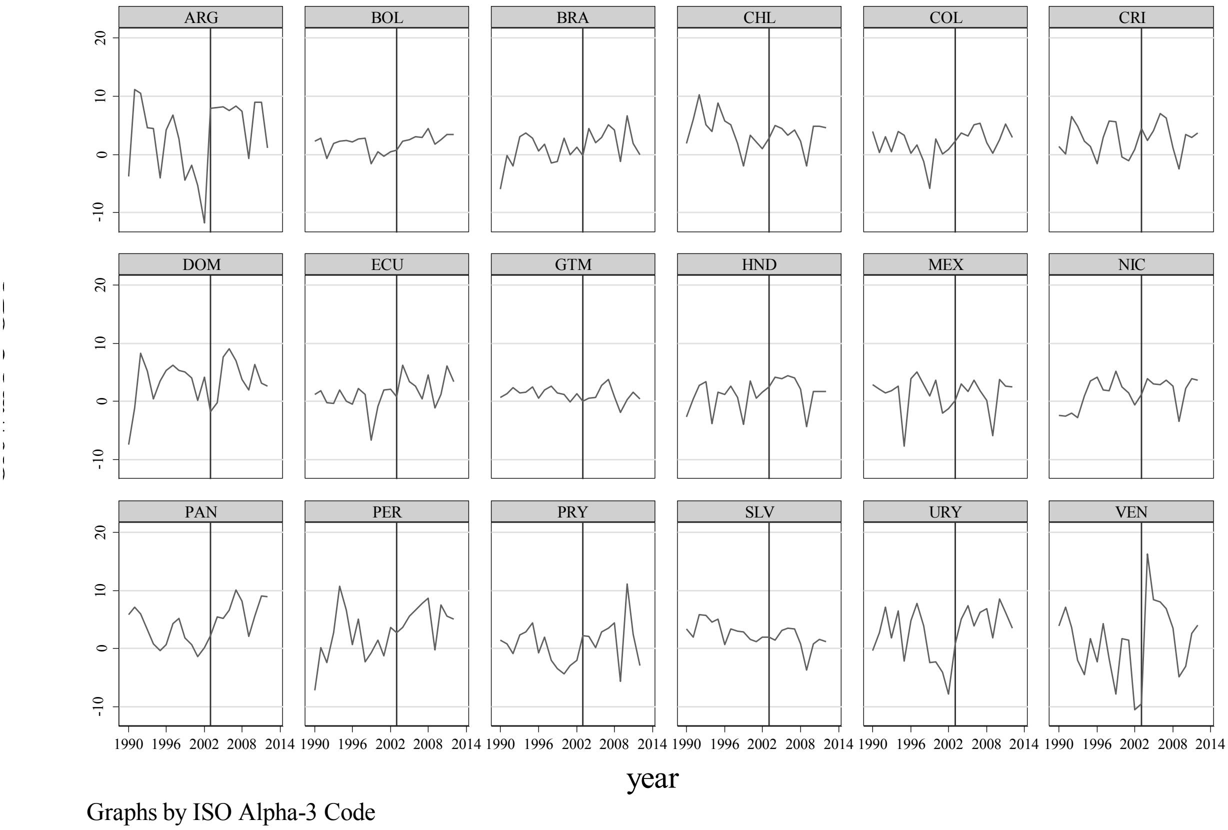
7 Between 2000 and 2013, China's trade with the region "increased 22 fold from just over 12.0 billion dollars to almost 275.0 billion dollars. By way of comparison, the region's trade with the world only tripled during that time" (http://bit.ly/1SISCGM). It has also become the first trade partner of smaller economies, such as Uruguay (http://bit.ly/1M17Bo4).

8 Mazzuca recalls that "In 2002, a hundred metric tons of soybeans—a major Argentine agricultural export—had the same value as a small Honda car. Ten years later, that same amount of soybeans would buy a BMW convertible" (Mazzuca 2013: 110).

9 Values for Argentina may be slightly inflated by the manipulation of government statistics, which have prevented the World Bank from estimating per capita growth rates since 2007. Rates for 2007-10 were approximated based on per capita income figures in current dollars.

Figure 1. Economic Growth before and after 2003



This inflow of public revenue provided necessary resources to address severe legacies of the twentieth century. In the 1990s, industrial employment declined and the informal sector expanded (Portes and Hoffman 2003). Social mobilization against neoliberal policies created government instability (Hochstetler 2006; Pérez-Liñán 2007), undermined traditional parties (Morgan 2011; Seawright 2012), and encouraged clientelism (e.g. Levitsky 2003). The political environment was mature enough for a new ideological turn to the left.

The crisis of the late 1990s benefitted an "untainted" left, which represented a credible alternative to the status-quo. Propelled by the commodity boom after 2003, leftist governments were in a privileged position to implement progressive policies, including means-tested subsidies for the poor and the direct provision of goods and services (e.g. De La O 2015). Some rightwing government of the time transited through similar policies.

Estimates by the Economic Commission for Latin America and the Caribbean (ECLAC) indicate that between 2004 and 2012 overall poverty rates declined from 64% to 36% in Bolivia, from 38% to 19% in Brazil, from 51% to 34% in Ecuador, and from 45% to 26% in Venezuela (CEPAL 2015). Improvements in social conditions reflected the effect of economic growth combined with proactive social policies. Morgan and Kelly show that public investment in health and education moderated the effects of economic growth on social outcomes: economic growth reduced inequality only when investment in human capital was above 7% of GDP. The benefits of economic growth were more equally distributed where "market-conditioning" policies strengthened the autonomous capacity of the poor to take advantage of an economic boom (Morgan and Kelly 2013).

However, this extraordinary period of prosperity and social progress had ambiguous effects on free speech and political competition. Emboldened by growing approval rates, some Latin American governments—but not all—adopted intolerant stances vis-à-vis their opponents. They engaged in what Kurt Weyland called "discriminatory legalism," using their legal authority to undermine their opponents and narrow the range of information available to voters (Weyland 2013).

The region supplies several examples of strategies intended to undermine freedom of expression where it fully existed or to curtail it where was already weak. First, governments undercut critical media and supported the emergence of friendly outlets (Kellam and Stein 2016). Waisbord identifies a "populist" strategy towards the mass media, characterized by legislative attempts to reshape the media system, the use of lawsuits to intimidate opposition editors, the president's discretional allocation of state advertisement and telecommunication licenses, and the pragmatic accommodation of media companies willing to support the incumbent in power (Waisbord 2013).

For example, the telecommunications law adopted in Argentina in 2009 was directed against the largest media corporation in the country, and it was implemented discretionally when dealing with government allies. In Ecuador, President Correa sued critical journalists and newspaper editors, and the judiciary imposed millionaire fines and prison sentences—that Correa occasionally pardoned—against them. In Nicaragua, government advertising benefitted President Ortega's family and friends, while newspapers with 60 percent of the readership received less than 3 percent of public investment (Waisbord 2013: 71-72; Kellam and Stein 2016). The media law adopted in Venezuela in 2004 banned messages altering public order, disrespecting public authorities, or provoking anxiety among citizens. The government cancelled or failed to renew broadcasting licenses for some opposition networks and imposed repeated fines on others (some even beyond those that had supported the 2002 coup attempt). By 2014, television channels critical to the government no longer existed, and a few struggled to keep a balanced coverage (Danielson et al. 2015).[10]

Second, leaders in Argentina, Bolivia, Colombia, Ecuador, Nicaragua, and Venezuela, embraced an intolerant discourse against critics, questioning their motivations and demanding that journalists and citizens adopt positions based on political loyalties rather than evidence (Waisbord 2013). This strategy was adopted by governments on the right (e.g., Alvaro Uribe in Colombia) and on the left (e.g., Rafael Correa in Ecuador, Nicolás Maduro in Venezuela) of the political spectrum. Leftist governments in Brazil, Chile, El Salvador, and Uruguay, by contrast, generally expressed respect for critical arguments.

Discursive strategies aimed at thwarting free expression often reached dramatic overtones. For example, in August 2014, the President of the Aragua State Medical Association alerted Venezuelans about the possible outbreak of an infectious disease and the lack of medicines in public hospitals. Because the doctor was linked to opposition groups, government officials reacted aggressively: the vice-president of the National Assembly accused him of "vandalism;" Venezuela's prosecutor general initiated an investigation against the physician; the governor of Aragua charged him with terrorism and ordered his arrest; and President Maduro denounced that right-wing groups were orchestrating a bacteriological attack in Venezuela, with Aragua being the prime target.[11]

The main target of such intolerant politics—and the focus of our empirical analysis—was party competition. While many traditional parties were hurt by the crisis of neo-liberalism, some governments took advantage of this situation to undermine all forms of organized opposition. The effects of this strategy were cumulative and sequential: in the midst of a crisis, an intransigent discourse facilitated initial electoral success; electoral success led to greater control over elective institutions and state resources; partisan use of state resources yielded greater control over non-elective institutions, such as the judiciary and the bureaucracy, and the action (or inaction) those institutions was ultimately instrumental to undermine critical media outlets, in ways that prolonged the government's institutional advantage (see Levitsky and Way 2010). The electoral foundation of this process produced "vexing ambiguity" among many democratic observers (Bermeo 2016).

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10 Governments also restricted the amount of public information available to their critics. Leaders shunned press conferences in favor of more controlled political meetings and manipulated governments statistics. Based on the amount of statistical information reported to the World Bank, Hollyer et al.'s Transparency Index shows a considerable decline in the relative position of countries like Argentina or Bolivia after 2003 (Hollyer et al. 2014).

11 For BBC reports on the case, see: http://bbc.in/1QWi0VO ; http://bbc.in/1KchNOQ

III. Empirical Evidence

We have hypothesized that the relation between economic growth and the consolidation of governmental advantage is moderated by free speech. To test this argument, we employ data for 18 Latin American countries between 1990 and 2013. The dependent variable in our study is a measure of the government's advantage in legislative contests. Data on per capita income growth was obtained from the World Development Indicators (see Figure 1), and data on free speech was obtained from the Varieties of Democracy (V-Dem) project.

Government Advantage. To measure the advantage obtained by incumbents in the political process, we develop an index of government advantage in the legislature.[12] The index ranges between 0 and 1, with 1 indicating complete government control of the lower house of congress. This measure is based on two principles. First, it employs the distribution of legislative seats to assess the government's effective institutional advantage. Public opinion may be less of a concern when the electoral system favors the incumbent, or when malapportionment favors regional strongholds of the ruling party. Rulers ultimately seek to maximize institutional control (seats) rather than votes. Second, the index accounts for the degree of fragmentation among opposition forces by comparing the size of the ruling party against the size of the typical opposition party in congress. A highly fragmented opposition is crippled by coordination problems, offering additional advantages to the government. At the same time, even the president's party may be small in a fragmented multiparty system. Its relative advantage must be assessed by comparison to the typical opposition forces.

Let o_i be the proportion of seats controlled by the i-th opposition party in the lower chamber. The size of the "typical" opponent is defined as $O = \frac{\Sigma o_i^2}{\Sigma o_i}$. The sum of squared party shares weights the score in favor of larger parties and punishes legislative fragmentation (Altman and Pérez-Liñán 2002; Laakso and Taagepera 1979). Similarly, let g_i be the proportion of seats controlled by the ruling party (in a single-party government) or by the i-th party in the government's coalition. The size of the "typical" government party is $G = \frac{\Sigma g_i^2}{\Sigma g_i}$.

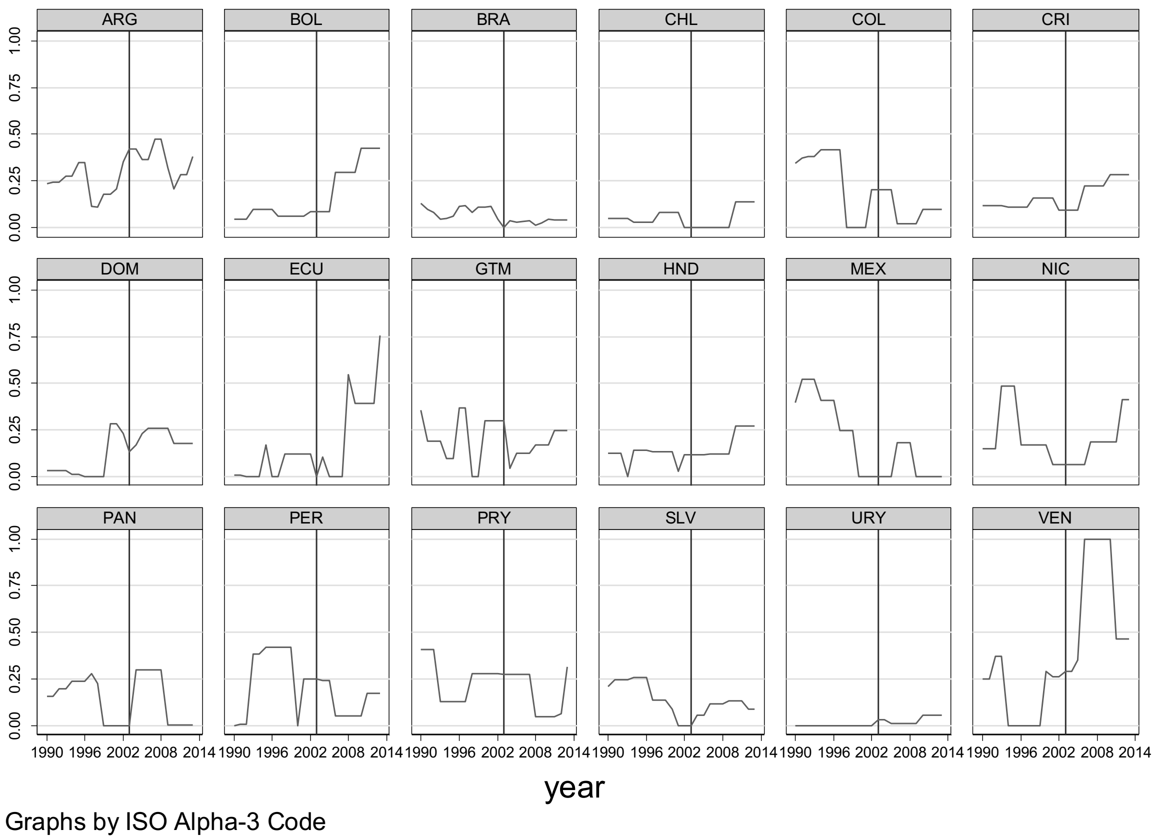
The index of legislative advantage is simply defined as $G - O$. Greater values indicate a greater institutional imbalance in favor of the government. To preserve the range of this measure

12 Altman and Pérez-Liñán's (2002) develop a similar index of effective competition, which reflects imbalances in favor of the government as well as the opposition. Because large imbalances in favor of the opposition are rare, our results hold even when this alternative measure is used as the dependent variable. Results available on request.

bound between 0 and 1, the index acquires a value of 1 if the opposition controls no seats in the lower house (i.e., when O is not defined), and a value of 0 when $O > G$ (i.e., when the government has no advantage at all).

Figure 2 compares the evolution of this measure for all countries in our sample. In the 1990s, some countries witnessed a decline of the government's legislative advantage, either as a result of increasing fragmentation of the party system (e.g., Colombia) or due to the demise of a hegemonic party (Mexico). By contrast, after 2003 several countries, including Bolivia and Ecuador, experienced an erosion of competitiveness and a consolidation of the government's legislative advantage. In Venezuela, this effect was compounded by the opposition's boycott of the 2005 legislative election.

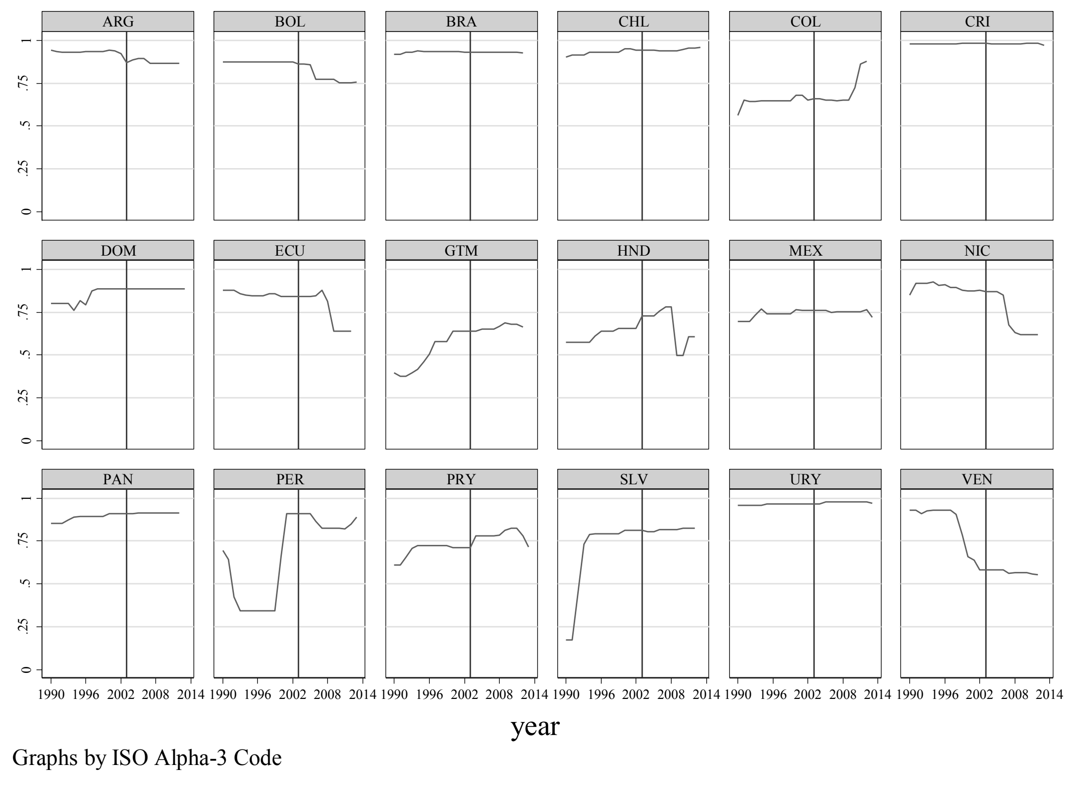
Figure 2. Government's Legislative Advantage



*Free Speech***.** We measure the emergence of an intolerant environment using the Freedom of Expression Index developed by the Varieties of Democracy (V-Dem) project (v. 5) (Coppedge et al. 2015a). The index reflects point estimates drawn from a Bayesian factor analysis of seven items capturing government attempts to censor—directly or indirectly—print and broadcast media, attempts to censor the internet, harassment of journalists, media self-censorship, freedom of academic and cultural expression, and two items capturing freedom of discussion for men and women. Information for these items originates in an expert survey involving country specialists throughout the globe.[13]

Figure 3 shows the evolution of free expression in the 18 Latin American countries; observed values for the index range between 0.17 (low freedom) and 0.98 (high freedom), with a mean value of 0.80. Sharp positive movements are evident in El Salvador after the signature of the Chapultepec Peace Accords and in Peru after the end of Alberto Fujimori's era. Erosions of free expression took place after the arrival in office of Hugo Chávez in Venezuela and, to a lesser extent, of Rafael Correa in Ecuador and Daniel Ortega in Nicaragua. Patterns of free expression, however, do not map consistently into rates of economic growth (Figure 1) or levels of political competition (Figure 2).

Figure 3. Freedom of Expression Index



[13] The V-Dem project operationalizes a wide range of democratic principles using more than 350 questions with well-defined response categories. More than 3,000 experts across the globe have participated in the survey, and typically a minimum of five independent experts complete each question for every country-year. V-Dem uses Bayesian ordinal item response theory (IRT) models to estimate latent country characteristics from the collection of expert ratings (https://v-dem.net/en/) (Coppedge et al. 2015b).

To assess the impact of economic growth and free expression on party competition, we estimate four panel models using the index of legislative advantage as the dependent variable. The rate of economic growth (lagged one year), the Freedom of Expression index (lagged one year), and an interaction between the two terms are our main predictors. We expect economic growth (in the absence of free flows of information) to display a positive coefficient and the interaction term to display a negative sign, indicating that the effects of economic growth on the government's ability to consolidate its power will vanish as flows of information become more open.

The models include several variables to distinguish the effect of our main predictors from possible alternative explanations. To control for the effect of electoral systems, social cleavages, and other conditions that may influence the number of parties gaining seats in congress, we incorporate the effective number of parties in the legislature (Laakso and Taagepera 1979). Because many features of the regime other than the nature of public deliberation may affect the environment for political competition, we include the Polity score (lagged by one year) as a general measure of democratization (Marshall 2014). In addition, we control for the presence of an interim government (interim rulers with no formal support in congress score low in the dependent variable because the "opposition" dominates the legislature), for the presence of a coalition government (coalitions including small parties will score lower in the dependent variable), and for per capita GDP (to distinguish the effects of economic growth from the overall effects of economic development).

Table 1 presents the results of the analysis. The first column (1.1) reports estimates for a dynamic model including only our main predictors and the lagged dependent variable. Control variables are incorporated in column (1.2). The results of this model suggest that, in the absence of free speech, a one-percent expansion in per-capita income would yield an expected increase of 0.07 points in the 0-1 scale of legislative advantage over the long run.[14] This represents 43% of one standard deviation for the dependent variable. Model (1.3) accounts for the panel structure of the data by assuming that the initial level of legislative advantage in each country is independent from the predictors and normally distributed. By contrast, Model (1.4) reflects the panel structure by centering all variables at the country mean. Dynamic, random-effects, and fixed-effects estimators confirm the same result: in an intolerant environment, economic growth hinders party competition and reinforces incumbency advantage, but this effect disappears in a context of free expression.

14 The long-run multiplier for the dynamic model is $0.02/(1 - 0.72) = 0.07$.

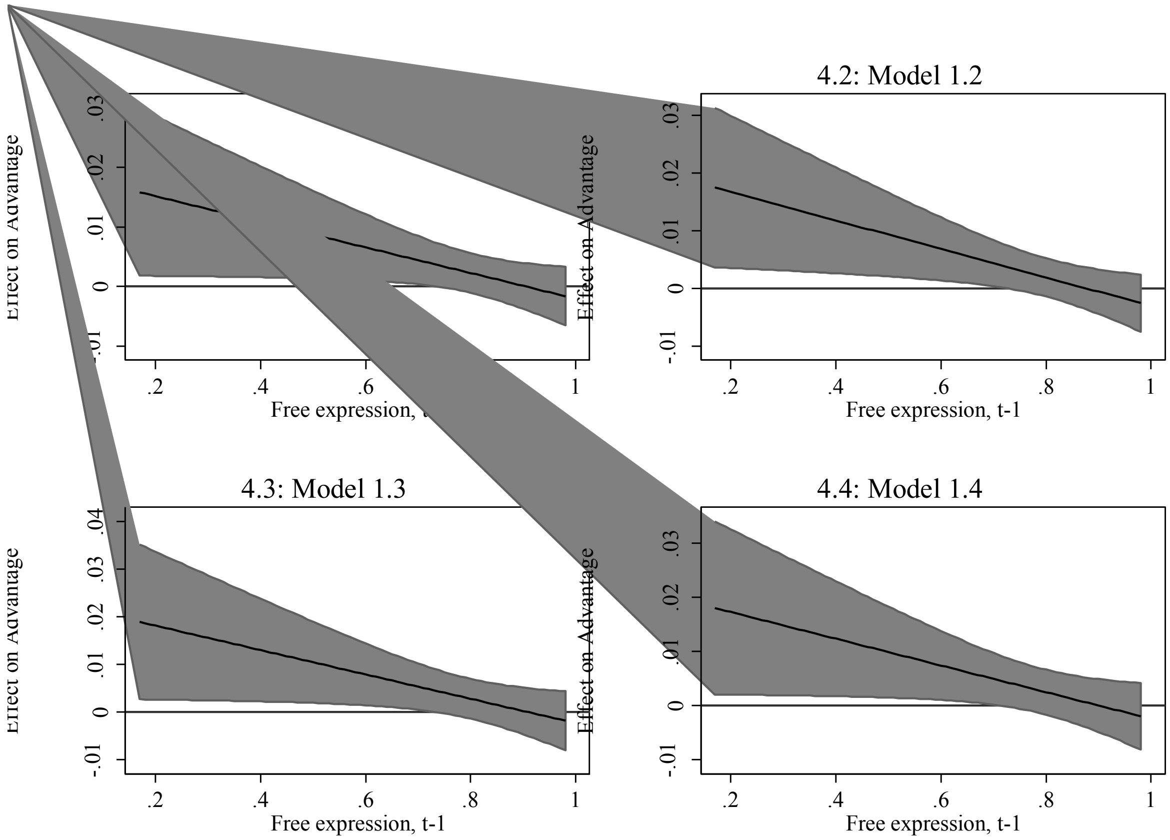
Table 1. Models of Party Competition

	(1.1) Dynamic	(1.2) Dynamic	(1.3) Random effects	(1.4) Fixed effects
Growth, t-1	0.02**	0.02**	0.02**	0.02**
	(0.01)	(0.01)	(0.01)	(0.01)
Free expression, t-1	-0.05	-0.01	-0.13*	-0.15*
	(0.03)	(0.04)	(0.06)	(0.06)
Free expression*Growth	-0.02**	-0.02**	-0.03**	-0.02*
	(0.01)	(0.01)	(0.01)	(0.01)
ENP (House)		-0.01**	-0.05**	-0.06**
		(0.00)	(0.01)	(0.01)
Polity, t-1		-0.00	-0.02**	-0.02**
		(0.00)	(0.00)	(0.00)
Crisis caretaker		-0.01	-0.03	-0.03
		(0.02)	(0.03)	(0.03)
Coalition government		-0.01	-0.04**	-0.05**
		(0.01)	(0.02)	(0.02)
Per capita income, t-1		0.00	0.00**	0.00**
		(0.00)	(0.00)	(0.00)
Leg. advantage, t-1	0.78**	0.72**		
	(0.03)	(0.03)		
Constant	0.07*	0.12**	0.56**	0.58**
	(0.03)	(0.03)	(0.05)	(0.05)
N	431	431	432	432
R^2 (within)	0.668	0.685	0.397	0.400

* $p<0.05$, ** $p<0.01$

Figure 4 presents the marginal effects of economic growth at different levels of Freedom of Expression. Under all estimators, economic growth produces a positive and statistically significant expansion of the government's advantage when free expression is constrained, but it fails to create any advantage for the government when deliberation is open. To adjust for the possibility of random discoveries, the plots present 99% confidence intervals (Esarey and Lawrence 2012).

Figure 4. Marginal Effect of Economic Growth on Legislative Advantage (99% CI)



To provide a substantive interpretation of the results, consider the following predictions based on Model (1.4): An economic growth rate of 6% would produce an expected expansion in legislative advantage of 0.05 per year in a country with levels of free expression similar to Venezuela in 2012 (0.55). By contrast, an equivalent rate of growth would produce a change in legislative advantage indistinguishable from zero (-0.01) in a country with a deliberative environment similar to Uruguay (0.98).

Alternative Moderators. Arguably, other factors could also moderate the effect of economic growth on the government's ability to consolidate its legislative advantage. For example, Mazzuca (2013) claims that rentier populism succeeded where fast economic growth coincided with a protracted crisis in the party system and in the financial markets, and Mainwaring and Pérez-Liñán (2015) note that the erosion of political competition took place where presidents confronted poorly institutionalized party systems and weak state institutions. These arguments suggest that institutionalized party systems may be more resistant to the translation of economic growth into incumbency advantage. The argument is problematic, however, because a declining institutionalization of the party system is in part the result of actions taken by the government to undermine the opposition.

Similarly, it is possible that the real factor translating economic growth into incumbency advantage is the use of public resources to undermine the fairness of the electoral process (Norris 2014; Donno and Roussias 2012). Moreover, a general deterioration in the quality of public deliberation, more than any specific constraints on free expression, could undermine the ability of voters to update their beliefs. Because these conditions are likely to be correlated with an erosion of free speech, they are potential confounders in the translation of economic growth into government advantage.

To account for these alternative explanations, Table 2 incorporates three additional predictors (and their interactions with economic growth): party system institutionalization, clean elections, and the quality of deliberation. All three measures originate in the V-Dem project, and they combine multiple indicators through Bayesian factor analysis. The *party system institutionalization* index combines items for the strength of party organizations, party branches, party linkages, distinct party platforms, and legislative party cohesion. The measure of clean elections reflects the autonomy of the election management board's (EMB), EMB capacity, the quality of voter registry, vote buying, irregularities in voting, election government intimidation, electoral violence, and a free and fair process. The index of *deliberation* combines five items measuring reasoned justification, common good justification, respect for counterarguments, the range of consultation among elites, and the presence of an engaged society for each country-year. Information for these items originates in V-Dem's expert survey (Coppedge et al. 2015b).

Table 2 presents three models including alternative moderators. The first column replicates Model 1.4 from Table 1; the remaining equations add an additional factor (interaction term) to regulate the effect of economic growth on government advantage. In all models, the baseline coefficient for economic growth is positive and significant, indicating that growth reinforces government advantage when the moderating conditions acquire values of zero.

Table 2. Models with Alternative Moderators

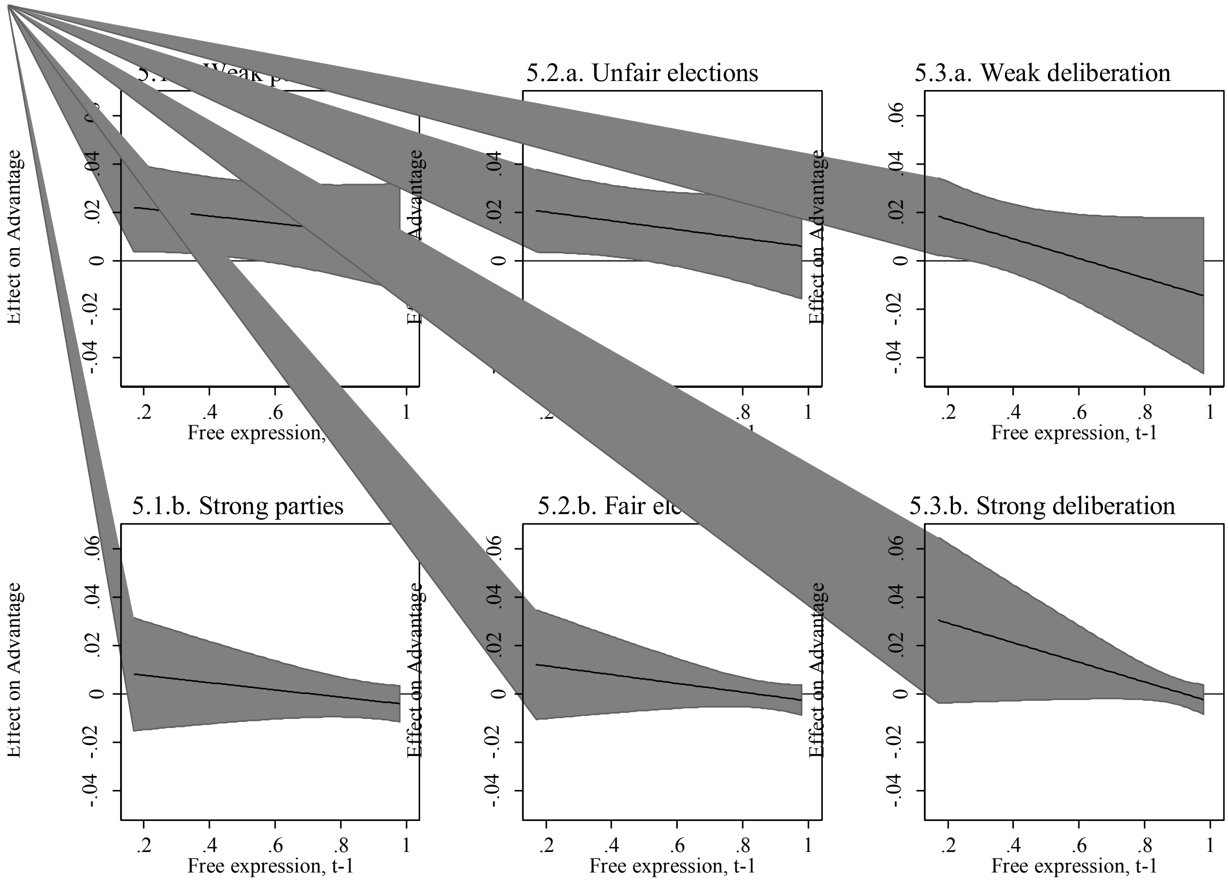
	(1.4) Fixed effects	(2.1) Parties	(2.2) Elections	(2.3) Deliberation
Growth, t-1	0.02**	0.03**	0.03**	0.02**
	(0.01)	(0.01)	(0.01)	(0.01)
Free expression, t-1	-0.15*	-0.23**	-0.14+	-0.19*
	(0.06)	(0.07)	(0.08)	(0.09)
Free expression*Growth	-0.02*	-0.02	-0.02	-0.04*
	(0.01)	(0.01)	(0.01)	(0.02)
ENP (House)	-0.06**	-0.06**	-0.06**	-0.05**
	(0.01)	(0.01)	(0.01)	(0.01)
Polity, t-1	-0.02**	-0.02**	-0.02**	-0.02**
	(0.00)	(0.00)	(0.00)	(0.00)
Crisis caretaker	-0.03	-0.03	-0.03	-0.04
	(0.03)	(0.03)	(0.03)	(0.03)
Coalition government	-0.05**	-0.05**	-0.05**	-0.05**
	(0.02)	(0.02)	(0.02)	(0.02)
Per cap GDP, t-1	0.00**	0.00**	0.00**	0.00**
	(0.00)	(0.00)	(0.00)	(0.00)
Party instit., t-1		0.20+		
		(0.11)		
Party instit.*Growth		-0.02		
		(0.01)		
Clean elections, t-1			-0.04	
			(0.09)	
Clean elections*Growth			-0.01	
			(0.01)	
Deliberation, t-1				0.06
				(0.09)
Deliberation*Growth				0.02
				(0.02)
Constant	0.58**	0.51**	0.59**	0.56**
	(0.05)	(0.07)	(0.05)	(0.05)
N	432	432	432	432
R^2	0.400	0.407	0.403	0.403

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

Because in these models two factors concurrently filter the effects of economic growth, the marginal effect of growth on the dependent variable is $\partial y/\partial x = b_1 + b_2F + b_3Z$, where y represents government advantage in the legislature, x is the rate of economic growth, F is the level of free expression, Z is the level of the alternative moderator, b_1 is the baseline coefficient for economic growth in models 2.1-2.3, b_2 is the coefficient for the interaction between free expression and growth, and b_3 is the coefficient for the interaction between the second moderator and growth.

To assess the effect of these alternative explanations, Figure 5 presents the marginal effects of economic growth at different levels of Freedom of expression (in the horizontal axis) as well as at different levels of Party system institutionalization (in the first column), Free and fair elections (second column), and Deliberation (third column). Figures 5.1a, 5.2a, and 5.3a in the first row show the conditional effect of economic growth when the three alternative mediators are held at the minimum observed values. Figures 5.1b, 5.2b, and 5.3b in the second row display the effects when alternative mediators are held at their maximum values in the sample.

Figure 5. Marginal Effect of Economic Growth with Alternative Moderators (99% CI)



The results in the first row of Figure 5 show that, even under adverse conditions, economic growth only produces a significant advantage for the government if free expression is constrained. This explains why attacks against free expression are a crucial instrument in the toolkit of governments seeking to consolidate power. The second row suggests that, under very favorable conditions—strong parties, fair elections, vibrant public discourse—free expression as such becomes less relevant as a mediator. However, empirical examples of those configurations are extremely rare because these favorable scenarios naturally imply a context of free speech. It is virtually impossible to find sample support for instances of fair elections or strong deliberation without free expression. Thus, to the extent that free expression is a precondition for fair elections and vibrant deliberation, the inclusion of these controls in the model induces post-treatment bias in favor of the null hypothesis.

IV. Structure, Agency, and the Peril of Intolerant Politics

The example of Latin America in the early twenty-first century allows us to show that rapid rates of economic growth have ambiguous consequences for democratic party competition. This fact has important normative implications: irrespective of the specific conception of democracy embraced—such as liberal, participatory, majoritarian, consensus, deliberative, or egalitarian (Coppedge et al. 2011)—political competition is a necessary component of democracy and a crucial dimension of democratic quality (Altman and Pérez-Liñán 2002; Diamond 2005; Levine and Molina 2007).

The empirical evidence supports the main hypothesis advanced in this paper: when economic growth takes place in a context of free expression, incumbency advantage is transient and political pluralism is able to flourish. However, when leaders adopt an intolerant discourse and undermine independent voices, economic growth only facilitates the pursuit of a hegemonic project. This insight is confirmed by contemporary Latin American cases using different statistical estimators, and even after accounting for alternative mediators.

Although the Latin American experience provides an opportunity to leverage exogenously-driven growth to explore this hypothesis, our empirical findings are relevant to understand other cases of intolerant progress, such Hungary, Turkey, and Russia. The findings imply that, because the commodity boom receded after 2014, the ability of these governments to control the public sphere without significant repression will soon decline considerably. However, citizens will take longer to update their beliefs and challenge incumbents where governments have already undermined free speech and dismantled alternative sources of information.

Our conclusions also transcend any ideological concern for the left in Latin America. Early attempts to dichotomize between a “good” (institutional, democratic) and a “bad” (populist, authoritarian) left simply reflect the heterogeneous strategies embraced by progressive political leaders during this period (Castañeda and Morales 2008; Weyland 2009; Levitsky and

Roberts 2011; Luna and Filgueira 2009).[15] Intolerance has also being practiced by right-wing leaders such as Uribe in Colombia or Orbán in Hungary, to mention just a couple.

Perhaps the most serious implication of our findings is that the politics of intolerant progress may have long-lasting social and economic consequences. The combination of windfall revenues and innovative social policies improved social conditions for the poor throughout the region. But intolerance also undermined the quality of democratic institutions, and several studies have suggested that strong democratic competition is a precondition for sustained growth and for sustained reductions in inequality (Huber and Stephens. 2012; Padovano and Ricciuti 2008; Besley et al. 2010). This resembles an almost perfect catch-22 situation.

Why are some governments willing to embrace an intolerant discourse while many others are not? Particular structural and institutional conditions may facilitate the emergence of intolerant politics. For example, Mazzuca (2013) claimed that rentier populism prevailed where fast economic growth coincided with limited access to financial markets, and Buquet (2007) argued incumbents are more inclined to embrace exclusionary electoral rules when they represent a growing political force. However, those conditions were detrimental only where presidents had hegemonic ambitions.

15 See also (Harbers et al. 2013; Jahn 2014; Williams 2015).

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