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국제학석사학위논문

**Populism and Social Expenditure:
The case of Latin America**

포퓰리즘과 사회복지지출:
라틴아메리카 사례에 대한 연구

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Master's Thesis of International Studies

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Abstract

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This thesis paper examines the effects of populist regimes on social expenditure and different subcategories of social expenditure (education, health and social protection) using a data set of 18 Latin American countries between 1991 and 2017. Results indicate that populist regimes in Latin America are positively associated with an increase in social expenditure as percentage of GDP specially for health and education expenditure, whereas for social protection there is no statistically significant.

I argue that the constituency of populist regimes does affect the public expenditure to back specific social policies. Across the history of populism in Latin America, the constituency of populist regimes moved from labor and working class to the informal and marginalized sectors of the society, which was reflected on an increase on social expenditure specially for health and education.

Keywords: Populism, Latin America, Social Expenditure, Social policy, Constituency

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1. Introduction

There is a growing literature on theoretical and empirical studies on the roots of populism and possible explanations on how populist candidates won presidential elections, but there has been a limited number of research on the implications of this type of rule on national institutions and policy (Speed & Mannion, 2020). To contribute to the existing literature, this thesis analyzes the effects of populism on social expenditure.

Public social expenditure represents the government resources that are used to finance services and social transfers to ensure the development of human capital and guarantee the quality of life of its citizens (Huber, 2008). Whether populist leaders will result in a change in social expenditure is considered an empirical question that theory will be short to answer (Brender & Drazen, 2009; Hawkins, 2009).

This paper quantitatively accesses the impact of populist regimes on social policy measured as a percentage of Gross Domestic Product (GDP) and how it responds for its different components being education, health, and social protection.

In regards to populism, there are many approaches on how to define this phenomenon that can be framed into a particular period, political party or by the use of specific economic instruments. However, for an empirical analysis on populism limiting the definition of populism to a set of policies and definitions will limit the scope of the analysis. Therefore, for this paper, an ideational approach was adopted that has the advantage to encompass a wide range of populist leaders into a minimum

condition (Hawkins, 2009) and has been the approach adopted by other authors such as Ruth (2017) and Lee (2020).

While early research on populism and social expenditure had indicated that populist regimes are likely to spend less on human capital formation and more on social protection (Kaufman & Segura-Ubiergo, 2001), this study does not support those results and suggest that recent populist regimes have changed their social strategies.

This paper adopts a panel regression with country and year fixed effects. A data set was built on a sample of 18 Latin American countries from 1991 to 2017 including public spending, economic, political, and demographic variables obtained from different sources. I test whether a change into a populist regime induces changes in social spending and composition, as well as other political, economic, and social factors. In my results, I found that populist regimes have changed their social strategies by increasing the social expenditure specially for education and health which are positively correlated and statistically significant at 10% level, whereas social protection expenditure does not.

The remainder of the paper is organized as follows: Section 2 discusses the literature review related to the concept of populism and trends of social spending in Latin America, Section 3 describes the data and methodology for estimation, Section 4 presents the results and Section 5 the conclusion of the paper.

2. Literature Review

2.1. Populism in Latin America:

2.1.1. How to Define Populism?

There is an extensive literature on the definition of populism that can be divided into four main groups: economic, structural, political and ideational or discursive (Weyland, 2001; Mudde, 2004; Roberts, 2007; Hawkins, 2009; Rode & Revuelta, 2014; de la Torre, 2017a).

The economic approach to populism emphasized economic instruments implemented by this type of rule such as macroeconomic policies implemented which might seem it creates positive results, however, their short planning and the creation of economic instability was highly criticized (Sachs, 1989; Dornbusch & Edwards, 1991). This definition was mostly used to explain populism in Latin America from the 1930s to 1960s. Common instruments used were income redistribution and expansionary policies by ignoring the consequences that this might possess for the economy in the long term. However, this approach fell short to explain why some populist leaders in the 1980s adopted neo-liberal reforms of market-oriented policies and structural adjustments such as Carlos Menem in Argentina and Alberto Fujimori in Peru. Moreover, although recent populist leaders implemented expansionary policies, they maintained strict budget controls and did not bring an economic crisis in the country as criticized by early views (Edwards, 2010; Bittencourt, 2012).

For structural approach, it associates populism with a specific social structure which was marked during the import-substituting industrialization (ISI), where populist leaders mobilized the labor class and cross-class coalitions to support

industrialization (Germani, 1978; Oxhorn, 1998). However, this approach fell short to explain the reappearance of populist leaders after the collapse of the ISI and the limitation of defining this concept with a specific model or socio-economic phase (Barr, 2017). Furthermore, the recent wave of populist leaders gained support from the informal sector, and the traditional mobilization of labor class coalitions as stayed by the structural view, cannot be applied to the recent emergence of populist rules (Hawkins & Kaltwasser, 2017).

The political approach defines populism based on political strategies lead by charismatic leaders who are mostly outsiders and seek to control the government with an anti-elite discourse. Their support comes mostly from uninstitutionalized and unorganized followers (Weyland, 2001; Hawkins, 2009). By looking at the background of most populist leaders, they were not outsiders, but rather were involved in the political system such as Alan Garcia from Peru and Alvaro Uribe from Colombia who had previous experience working in the government (Hawkins & Kaltwasser, 2017).

Lastly, the ideational approach defines populism based on populist ideas that are behind the features projected on populist movements (Hawkins & Kaltwasser, 2017). According to Mudde (2004), populism is defined as a thin-centered ideology that sees society to be ultimately separated into two homogeneous and antagonistic groups the “pure people” and the “corrupt elite” which argues that politics should be a reflection of the *volonté générale* (general will) of the people. For populist leaders, politics is considered an instrument that reflects the general will of the “virtuous people” (Lee, 2020). Adding to this ideational approach, Hawkins (2009) analyzes populism based on its discourse which highlights some common elements and contents that distinguish populism from other political discourses. The author claims

that populism is seen as a Manichean discourse that identifies the struggle between the good and the evil. In this case, 'the good' represents the will of the people and the government must be constructed in a way that encompasses the general will. On the other hand, there is 'the evil', represented by the conspiring elite that suppresses the will of the people. The conflict is not over specific policies but against the system and existing institutions.

The first three approaches to populism: economic, structural and political have some limitations since it confines populism to a concept that cannot encompass the wide diversity and contextuality of populism (Roodujin & Pauwels, 2011). For this reason, in this paper, an ideational approach is used that presents several advantages while analyzing the effects of populism on social expenditure.

Using an ideational approach is that it reduces the definition of populism to a minimum common denominator that is not conditioned to specific economic, historical, and forms of organization, which allows the researcher to identify key attributes that are present to all cases that have been defined as populist (Lee, 2020).

Moreover, when conducting empirical analysis on populism researchers can analyze subtypes of populist regimes in different contexts that are not limited to a specific time or region (Mudde & Kaltwasser, 2012; Barr, 2017; Ruth, 2018). As a result, the number of studies on populism based on the ideational approach is on the rise (Hawkins, 2009; Hawkins & Kaltwasser, 2017; Ruth, 2018; Lee, 2020).

2.1.2. The Land of Populism: Latin America

In the last two decades, studies on populism have regained much attention from scholars with the rising appearance of this phenomenon around the world

(Kaltwasser & Taggart, 2016). However, no other region had a marked experience as Latin America (de la Torre, 2017a) where strong presence has created lasting legacies on all aspects of society (Roberts, 2007). Scholars have divided populism in Latin America into three periods: classic, neo-liberal and radical populism (de la Torre, 2017a; Campos-Herrera, 2019).

Classical populism goes from the 1930s to the 1950s. It was characterized by the presence of a charismatic leader with the support of a mobilized working-class especially dominant during the ISI. Classical populism emerged as a movement against the existing institutions which represented unequal domination of an elite excluding the vast majority of the population from politics. Central figures on classical populism were Juan and Eva Peron in Argentina and Getulio Vargas in Brazil which supported the working class and pursued nationalistic policies, industrialization, and social redistribution (Barr, 2017).

A new form of populism emerged in Latin America with the rise of neoliberalism in the 1980s and 1990s and the decline of the ISI model (Weyland, 1996, 2001). Some main figures of this paradoxical alliance between neo-liberalism and populism were Carlos Menem in Argentina, Alberto Fujimori in Peru, and Fernando Collor de Mello in Brazil. These presidents adopted neo-liberal structural adjustments rather than the traditional expansionary economic policies. Economic instability due to the debt crisis in the 1980s was accompanied by weak political institutions that failed to respond to socio-economic needs. Populist figures from this period, appealed to the unorganized urban poor and the increasing informal sector, while labor organizations were weakened by the economic crisis of the time.

At the end of the 1990s and beginning of the 2000s, a new wave of charismatic populist governments arose in Latin America linked with the radical left

such as Hugo Chavez in Venezuela, Rafael Correa in Ecuador, and Evo Morales in Bolivia (Collins, 2014). According to various authors (Weyland, 2001; de la Torre, 2013), the rise of radical populists was explained as a response to the crisis of traditional political parties and existing institutions with an increased resistance towards neoliberal policies. Radical populist leaders came into power with the promise to wipe out corruption and tackle inequality and poverty. This new wave of radical populism arose with the promise to increase participatory forms of democracy and implementation of redistributing economic policies (de la Torre, 2017b). Another commonality of populist leaders of this period is their anti-globalization sentiment, where international institutions such as the International Monetary Fund (IMF), the World Bank (WB), and the presence of the United States and all forms of multilateralism were highly criticized for taking the national sovereignty and identity of impacted countries (de la Torre, 2017b). However, they recognized the role of foreign trade since most of these countries relied on natural resources royalties which was a factor that benefited most of the region during the commodity boom in the early 2000s. These leaders had special support from the lower and urban informal sector which constitutes the vast majority in the typical Latin American society (Lee, 2020) and they are willing to support populist candidates only if their social and economic demands are met (Mazzuca, 2013).

2.1.3. Classification of Populist Leaders in Latin America

Based on the advantages of using the ideational approach to populism, the classification made by Ruth (2018) and the update made by Lee (2020) was adopted for the empirical analysis.

Ruth (2018) and Lee (2020) followed the ideational definition of Mudde (2004), in which populist regimes are coded as populist if the president in office in a specific country at a specific time was elected to executive office with a populist discourse during his/her presidential campaign (Hawkins, 2009; Doyle, 2011; Levitsky & Loxton, 2013; Houle & Kenny 2018). The advantage of this approach is that presidents are classified as populist solely based on the discourse used to get into power. Policies and subsequent decisions once they got into power are considered regime outcomes (Lee 2020).

According to Ruth (2018), the author classified populist presidents by analyzing the electoral campaign based on the literature review and articles on presidential elections and electoral systems in 18 Latin American countries from 1979 to 2014. A preliminary selection of presidents with potential populist mandates was made based their ideational approach to populism. This preliminary selection was reviewed by experts on the field and final decisions were made whether they were a populist president or not. Lee (2020) expanded the years of analyses until 2017 by using the same logic as Ruth (2018).¹

Table 1 shows the list of populist presidents from 1991 to 2017 in 18 Latin American countries. Countries such as Chile, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Uruguay never experienced a populist rule in our period of analysis.

¹ Lee (2020) added three more periods and three more presidents to the list: Alvaro Uribe from Colombia, Fernando Lugo from Paraguay, and Nicolas Maduro from Venezuela.

Table 1. List of Populist Presidents from 1991 to 2017

Country	Years	Populist President
Argentina	1991-1998	Carlos Menem
	2003-2006	Nestor Kirchner
Bolivia	2006-2017	Evo Morales
Brazil	1991	Fernando Collor de Mello
Colombia	2002-2009	Alvaro Uribe*
Dominican Republic	2000-2003	Hipolito Mejia
Ecuador	1996	Abdala Bucaram
	2003-2004	Lucio Gutierrez
	2007-2016	Rafael Correa
Nicaragua	2007- 2017	Daniel Ortega
Panama	1999-2003	Mireya Moscoso
Paraguay	2008-2011	Fernando Lugo*
Peru	1991-1999	Alberto Fujimori
	2006-2010	Alan Garcia
Venezuela	1994-1998	Rafael Caldera
	1999-2012	Hugo Chavez
	2013- 2017	Nicolas Maduro*

Source: Data set from Ruth (2017) and update made by Lee (2020)

Note. Populist presidents added by Lee (2020) are marked with a *

Most studies on the effect of populist presidents employ a dummy variable that takes the value of 1 for the populist regime and 0 for non-populist. Populism is a hard phenomenon to be considered as a dummy variable and the degree of populism

varies across countries. However, there is substantial agreement on how existing literature defines populism, and agreement among scholars exists in that the most relevant questions on populism should be analyzed empirically (Hawkins, 2009; Rooduijn & Pauwels, 2011; Lee, 2020).

2.2. Social Expenditure and Latin America

2.2.1. What is Social Expenditure? And how is composed?

Social expenditure is defined as the volume of public resources that are committed to fund social policies which can be classified based on the level of government funding and social function (health, education, social protection, environment, housing, and culture) (ECLAC, 2019). Table 2 presents the public social expenditure for 18 Latin American countries from 2000 to 2017. This data was taken from CEPALSTAT provided by Economic Commission of Latin America and the Caribbean (ECLAC).

Looking at the level of public social spending as a share of GDP indicates how governments prioritize certain sectors and functions over others. Social expenditure such as health, education, and social protection are important components for economic and human development.

In 2017, regional average social spending from central governments accounts for 11.9 percent of the GDP and it represents 52.7 percent of the total public spending. Social expenditure as a share of GDP ranged from 6.9 percent in Guatemala to the highest with 17.6 percent in Brazil.

The aggregate composition of social expenditure of Latin America as a region from 2000 to 2017 is presented in graph 1, where social protection and education occupy the largest proportion of the total social expenditure.

Table 2. Social Expanding as a Share of GDP in Latin America from 2000 to 2017²

	2000	2010	2017
LAC Total	8.6	10.5	11.9
Argentina	9.3	11.1	14.6
Bolivia	11.5	12.3	12.7
Brazil	12.5	15.0	17.6
Chile	14.5	14.8	16.4
Colombia	8.4	12.2	13.4
Costa Rica	9.1	11.9	12.5
Dominican Republic	5.8	6.3	8.5
Ecuador	3.2	8.1	9.2
El Salvador	8.0	9.3	10.0
Guatemala	6.5	8.0	6.9
Honduras	7.2	11.7	8.5
Mexico	6.3	9.6	8.8
Nicaragua	6.5	9.3	10.7
Panama	8.4	9.5	8.8
Paraguay	6.6	6.4	8.6

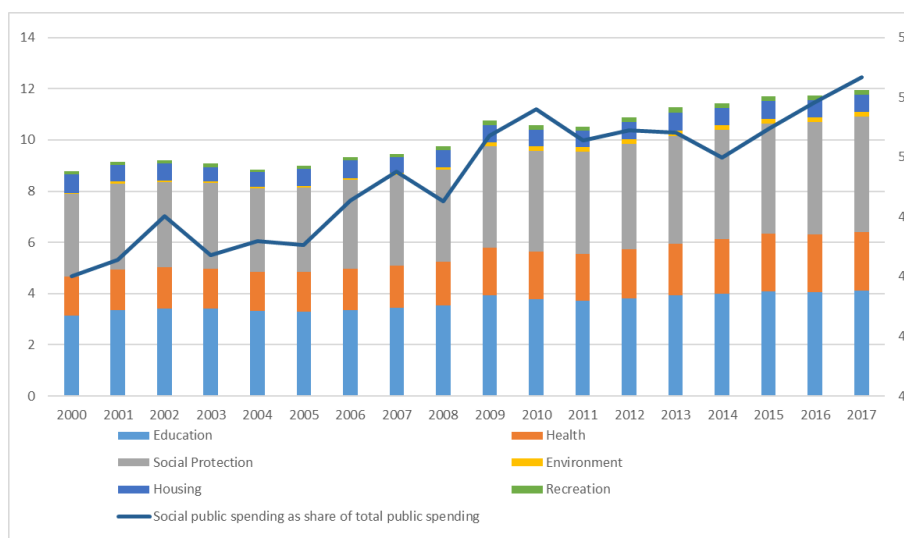
² The last data available for Venezuela is 2014, and it was added for comparison purposes.

Peru	9.1	9.5	11.4
Uruguay	11.8	12.7	16.8
Venezuela	10.8	11.6	18.8*

Source: ECLAC, 2020

The aggregate composition of social expenditure of Latin America as a region from 2000 to 2017 is presented in graph 1, where social protection and education occupy the largest proportion of the total social expenditure.

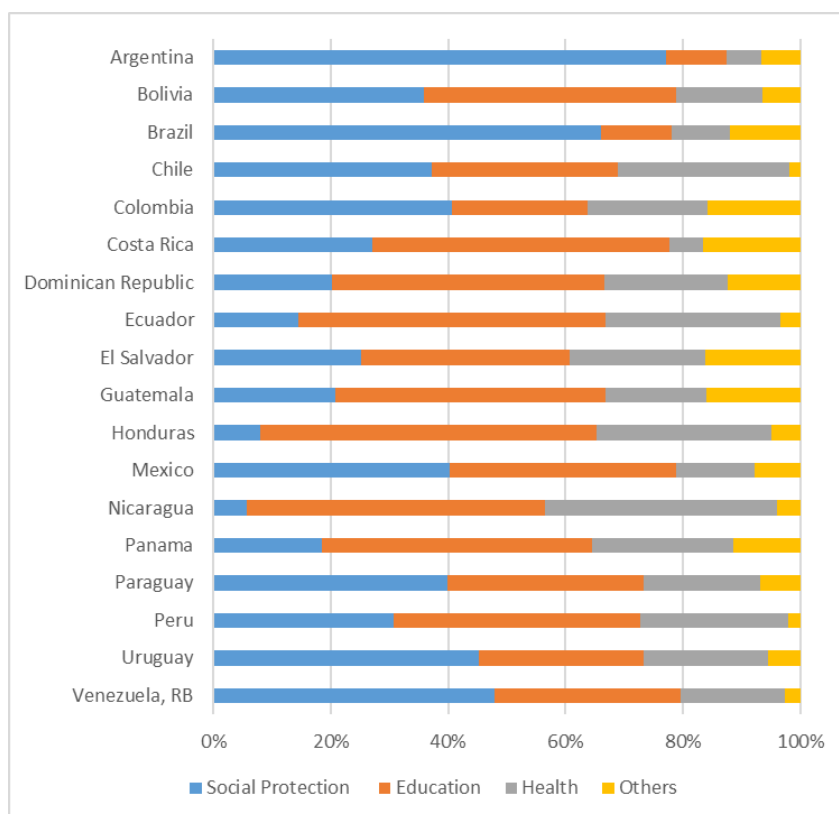
Graph 1. Composition of Social Expenditure in Latin America (2000- 2017)



Source: ECLAC, 2020

In 2017, an average of 37.9 percent of total public social spending was allocated towards social protection followed by the education sector with 34.5 percentage. The third category is health with 19.2 percentage.

Graph 2. Social expenditure composition by country in 2017³



Source: ECLAC, 2020.

Not all Latin American countries have the same social spending pattern. In graph 2 shows the composition as a total share of social expenditure by country from the most recent data. Countries with the highest social expenditure are located in South America such as Brazil (17.6%), Uruguay (16.8%), Chile (16.4%), and Argentina (14.7%) except from Ecuador (9.2%) and Paraguay (8.6%). In Central

³ The category of others in graph 2 denotes the sum of environment, housing, and recreation expenditure. For Venezuela data from 2014 was used for comparison reasons.

America, we find Costa Rica (12.5%), Nicaragua (10.7%), and El Salvador (10%) with the highest social spending. Social protection and education remain the main spending sectors in all countries.

In this thesis, I analyze the effect of populism on aggregate social spending and in three main subcategories: education, health, and social protection. These three subcategories are the ones with complete data, compared to other subcategories. The definition of each subcategory is as follows:

- **Social Protection:** It refers to public expenditure that includes disbursements destined to services and transfers to individuals or families related to sickness or disabilities, pensions, unemployment, poverty alleviation, housing, and social exclusion. This subcategory covers social policies and programs designed to protect the population from risks and promote inclusion and reduction of poverty and inequality (ECLAC, 2019). Expenditure on social protection represents the highest category of spending among Latin American countries. In the case of Argentina and Brazil, more than 50 percent of social spending is allocated for elder population-related programs such as pensions (ECLAC,2019).

- **Education:** It refers to spending used to finance education policies from different levels of schooling which ranges from pre-school to tertiary education. Research and investigation (R&D) services are also included in this subcategory(ECLAC,2019). Education is the second category with the highest spending among Latin American countries. In 2017, Costa Rica, Bolivia, and Honduras are observed to have the highest proportion dedicated to education.

- **Health expenditure:** It refers to disbursement destined to finance health services provided to individuals such as preventive as well as curative programs (ECLAC,2019). In this regard, Latin American countries are still far from the

average goal of 6 percent of GDP agreed in the Sustainable Health Agenda for the Americas 2018-2030 in 2016 by the governing board from the Pan American Health Organization (PAHO) (ECLAC, 2019).

2.3. On Populism and Social Expenditure

Populist leaders come to power with the promise to represent interests of the people against the elites, therefore I expect that public social spending and income redistribution are important instruments to mobilize the people and achieve such goals (Houle & Kenny, 2018).

Public spending reflects policy priorities of the government. Therefore, a change of government and leadership might be reflected in changes in the amount and composition of public spending (Brender & Drazen, 2009).

Traditionally, populism was characterized by its redistributive policies and social programs by protecting expenditure devoted to pension and welfare that were destined to labor unions and middle class population (Kaufman & Segura-Ubiergo, 2001). These policies were criticized for creating economic instability and market imbalances. However, in the 1990s populist regimes adopted neoliberal economic approaches and were less redistributive; and the connection between populism and social expenditure became less clear (Weyland, 2003).

Not until the last two decades, leaders with strong redistributive policies reappeared in Latin America such as Hugo Chavez in Venezuela, Rafael Correa in Ecuador, Nestor Kirchner in Argentina, and Evo Morales in Bolivia. These leaders were characterized by implementing expansionary policies towards the poor and marginalized in exchange for political votes, a relationship known as clientelism.

These leaders were benefited from the commodity boom, where most of the programs were financed from resources obtained by the expropriation of private companies and natural resources royalties (Becker, 2013). Populist leaders implemented large scale social programs on education, health care, and welfare subsidies that supported vulnerable sectors of the society including the informal sector, single mothers and farmers (Becker, 2013).

In regards of the implication of populism on social policy, Weyland (2011) presented how populist regimes had advantage and the ability to create massive programs and social policies that targeted the poor. However, programs were not well designed and were done in a rush which fell short on creating a lasting impact on society.

In this thesis, I will address the effect of populism in the context of social expenditure, with empirical research on the impact of these policies.

Kaufman and Segura-Ubiergo (2001) in their early research on populism and its influence on social expenditure stated that populist regimes during 1973 to 1997 tended to protect expenditure such as pensions and welfare transfers that most of the time benefited the majority middle income class and the preferences of trade union labor while neglecting benefits to rural and informal working sector. For education and health spending, the authors had found a negative effect under this type of regime and concluded that populism negatively impacts human capital development of the country and protects the labor and the middle class interests.

In this paper, I analyze the effect of populism on social expenditure with the more recent data from 1991 to 2017 and compare my results with conclusions driven by Kaufman and Segura-Ubiergo (2001) and if those results can still be applied to the recent group of populists.

3. Methodology

3.1. Data

A panel data of 18 Latin American countries across 1991 to 2017 was used. Country names are listed in Table A1 in the Appendix. For the analysis, a panel regression with country and time fixed effects was used. The fixed-effects model has the advantage to control for unobservable characteristics that are constant in each country but differ across countries such as institutional, geographical, cultural differences that might influence social expending levels. Moreover, the fixed-effect model contributes to avoid omitted variable bias (Cachanosky, 2020).

For populism, a dummy variable was employed which takes the value of 1 if a populist rule is present and 0 for non-populist chief executive. For the classification, I refer to the works of Ruth (2018) and Lee (2020) where the authors define populist rule when a president took office with a populist discourse during their presidential campaign. Table 1 presents the list of populist governments.

Data on social expenditure was available from the Economic Commission for Latin America and the Caribbean (ECLAC) social expenditure database. Aggregate social expenditure as a percentage of GDP and its different subcategories being health, education, and social protection were used in my analysis as a dependent variable. For developing countries, annual public spending data was available from the central government. Using social expenditure as percentage of GDP has the advantage of showing the allocation priorities of the government in the national economy.

As dependent variable I adopted social spending as percentage of GDP used in most studies. This approach has the advantage of showing the allocation priorities of the government in the national economy.

I encountered some limitations with my data since during the late 1980s in some Latin American countries, the government shifted some responsibilities such as social programs from central to local governments (Kaufman and Segura, 2008). I run a regression excluding Argentina and Brazil which are the most decentralized countries in the sample, and the results do not differ from the one with all countries.

For economic variables, the logarithm of Gross domestic product (GDP) per capita was added as control for the level of economic development and economic size of a country. Annual GDP percentage growth was used as control for the effects of economic volatility on government spending. Moreover, inflation was added since it can have impact on social spending in which inflation rises, the government is pressured to cut social spending since are the first area to be affected, and high inflation might represent a higher spending than revenue (Avelino et al., 2005). Data was derived from World Development Indicators (World Bank).

Additionally, public debt as a percentage of GDP was added as a potential constraint to domestic budget decisions. Total government expenditure was added to capture the size of the government, since bigger governments spend more than small ones. Both data was taken from ECLAC dataset.

Terms of trade were included to examine the extent to which changes in social expenditure were driven by external factors. Trade openness was measured by the sum of imports and exports on GDP and derived from World Development Indicators (World Bank).

To capture political factors, I included democracy from the Policy Score from Polity5 (2020) which ranges from more autocratic countries (-10) to more democratic countries (10).

Additionally, demographic variables such as population above age 65, were considered as an important factor that influences social spending in general. For education spending, I controlled for population below 14 years since it is expected that spending will increase or decrease depending on the school-aged cohort. I included urbanization which measures the proportion of the total population living in urban areas. A summary of these statistics can be found in Appendix 1, Table A2.

3.2. Model

The effects of populism on social expenditure were examined with a panel regression with country fixed effects of the form:

$$Y_{ct} = \beta_c + \alpha_t + \gamma \text{Populism}_{ct} + \text{controls}_{ct-1} + \epsilon_{ct}$$

Where the dependent variable Y_{ct} denotes the social expenditure over GDP collected in country c during year t or education, health and social protection expenditure over GDP depending on the model specification; Populism_{ct} is a dummy variable which value equals 1 if country c had a populist regime at times t and 0 otherwise; β_c is the country fixed effect; α_t is the year fixed effect; controls_{-1} is a vector of socio-economic control variables described below; and ϵ_{ct} is the error term.

Lagged variables were introduced for socioeconomic control variables as repressors in the specification since budget decisions for a given year depend on the previous year variables and to reduce simultaneity bias (Delavallade, 2006). Country

and year fixed effect were used to control for unobserved country and time specific effects that were rooted in historical and institutional factors.

4. Results

Results on the effect of populism on social expenditure are presented in Tables 3, and 4. Table 3 reports the results of the populist rule effects on social expenditure where estimations were based on pooled ordinary least square (1), country fixed effects (2), year fixed effects (3), and lastly country and year fixed effects (4).

The positive coefficient on the populist dummy variable throughout columns (1) to (4) from Table 3 suggests that countries governed by populist presidents are more likely to have a higher level of social expenditure than those who are not. Based on column (4) the size of the positive effect is 1.114 percentage points higher on social expenditure as share of GDP the following year for populist regimes than non-populist regimes.

Demographic is an important determinant for social expenditure, implying that countries with a higher proportion of elder population may have a larger social expenditure. Analyzing different categories of social expenditure, it was found that health expenditure is statistically significant and positively associated with the elder population.

In all four regressions, total government expenditure is an important determinant of social expenditure, where according to estimates in model 4, an increase of one percentage point in the total public expenditure as share of GDP is associated with an increase of 0.286 percentage points in social expenditure as a share of GDP in the following year. However, when spending more on public expenditure, populist regimes spend less on social expenditure than non-populist regimes.

Table 3. Effect of Populist Rule on Social Expenditure

Social expenditure as % of GDP	(1) Pooled OLS	(2) Country FE	(3) Year FE	(4) Country and Year FE
Populism	1.415** (0.490)	1.302** (0.487)	2.413** (0.792)	1.114* (0.470)
Total Gov. Expending $t-1$	0.374*** (0.0269)	0.358*** (0.0282)	0.426*** (0.0276)	0.286*** (0.0302)
GDP pc (logged) $t-1$	-0.548 (0.550)	-1.585* (0.789)	0.158 (0.274)	-5.124*** (0.935)
Growth in GDP $t-1$	0.000991 (0.0170)	0.00966 (0.0172)	-0.0194 (0.0341)	0.0267 (0.0204)
Inflation $t-1$	0.00825 (0.00627)	0.00946 (0.00630)	0.0108 (0.0105)	0.0112 (0.00658)
Public Debt $t-1$	-0.00965* (0.00386)	-0.0117** (0.00409)	-0.0124* (0.00525)	-0.0179*** (0.00437)
Democracy $t-1$	-0.170*** (0.0497)	-0.167*** (0.0500)	0.110* (0.0643)	-0.135** (0.0494)
Population > 65 $t-1$	0.613*** (0.125)	0.899*** (0.173)	-0.0947 (0.0637)	0.705*** (0.182)
Urban population $t-1$	0.0628** (0.0223)	0.0631** (0.0237)	0.0934*** (0.0183)	-0.0122 (0.0252)
Trade Openness $t-1$	-0.00648 (0.00523)	-0.0107* (0.00551)	-0.00129 (0.00433)	-0.0366*** (0.00640)
Populism x Total Gov. Expending	-0.0719** (0.0244)	-0.0637** (0.0242)	-0.167*** (0.0378)	-0.0584* (0.0232)
Constant	-0.0359 (3.940)	7.425 (5.837)	-6.834*** (1.827)	47.14*** (8.256)
Observations	381	381	381	381
R-squared	0.706	0.916	0.754	0.931

Note. Standard Errors in parentheses. * Statistically significant at 10% level, ** at 5% level and *** at 1% level.

The effect of trade openness on aggregate social expenditure, it is not clear. Based on the existing literature there are two economic openness hypothesis and its influence on social spending: compensation and efficiency (Kaufman & Segura-Ubiergo, 2001; Avelino et al., 2005). The first hypothesis states that trade will

encourage more spending on human capital formation to become more competitive in the international market (Swank, 2002; Burrier, 2016). In the other hand for the efficiency hypothesis, trade integration and globalization negatively affect social spending since fiscal revenues are influenced by business cycles and trade volatility forces to adopt conservative fiscal policies (Weyland, 2004). In our estimation, trade affects negatively social expenditure by 0.036 percentage points and its statistically significant at 1% level.

In our estimation, public debt is statistically significant and negative at a 1% level, whereas in times of debt countries are exposed to pressure to reduce expenditure. This result is consistent with previous literature like in Lora & Olivera (2007) and Huber et al. (2008) where they showed that an increasing debt to GDP ratio is associated with a decline in social expenditure, the effect being stronger for Latin American countries. The same case is for education, health, and social protection which react adversely to debt ratio as shown in Table 4.

Democracy is negatively correlated with social expenditure which means that in the case of Latin America more authoritarian governments spend more on social policies. Existing literature supports that countries with weak democracies may be able to increase expenditure on social policy towards the poor population due to its political support (Martin-Mayoral & Sastre, 2017)

Furthermore, I followed the approach of Kaufman and Segura (2001) by disaggregating social expenditure into subcategories which gives the advantage to analyze separately the effects of populism and other determinants on each category.

Table 4. Effect of Populist Rule on social expenditure subcategory

Measured as % of GDP	(1) Social Total	(2) Education	(3) Health	(4) Social Protection
Populism	1.114* (0.470)	0.593* (0.248)	0.294* (0.134)	0.412 (0.376)
Total Gov. Expending _{t-1}	0.286*** (0.0302)	0.0503** (0.0158)	0.0280** (0.00861)	0.205*** (0.0242)
GDP pc (logged) _{t-1}	-5.124*** (0.935)	0.468 (0.467)	0.0849 (0.267)	-5.489*** (0.749)
Growth in GDP _{t-1}	0.0267 (0.0204)	-0.0256* (0.0102)	-0.00717 (0.00581)	0.0540** (0.0163)
Inflation _{t-1}	0.0112* (0.00658)	-0.00920** (0.00338)	-0.00562** (0.00188)	0.0248*** (0.00527)
Democracy _{t-1}	-0.0179*** (0.00437)	-0.00119 (0.00228)	-0.000808 (0.00125)	-0.0159*** (0.00350)
Democracy _{t-1}	-0.135** (0.0494)	0.0341 (0.0252)	-0.0125 (0.0141)	-0.159*** (0.0396)
Population > 65 _{t-1}	0.705*** (0.182)		0.370*** (0.0520)	0.115 (0.146)
Urban population _{t-1}	-0.0122 (0.0252)	0.0482*** (0.0143)	-0.0433*** (0.00718)	-0.00110 (0.0202)
Trade Openness _{t-1}	-0.0366*** (0.00640)	-0.00448 (0.00326)	-0.00265 (0.00183)	-0.0291*** (0.00512)
Population < 14 _{t-1}		0.0604 (0.0390)		
Populism x Total Gov. Expending	-0.0584* (0.0232)	-0.0233 (0.0122)	-0.00766 (0.00662)	-0.0366* (0.0186)
Constant	47.14*** (8.256)	-6.591 (4.095)	1.440 (2.356)	49.16*** (6.615)
Observations	381	381	381	381
R-squared	0.931	0.905	0.910	0.946

Note. Standard Errors in parentheses. * Statistically significant at 10% level , ** at 5% level and *** at 1% level.

In Table 4, the effects of populism on social expenditure subcategories such as education, health, and social protection were analyzed. Each category of social expending subcategory contains the same control variables except from education where the older population was substituted by population below 14 years.

By looking at social expenditure subcategories, populist rule is statistically significant and positively associated with education and health and statistically significant 10% level. The size of the positive effect on education is 0.593 percentage points higher on education expenditure as share of GDP of the following year than non-populist regimes. For health, is 0.29 percentage points higher as share of GDP in the following year for populist regimes than non-populist regimes. In the case of social protection, surprisingly populist rule does not have any statistical effect on this category.

These results differ from the one reported by Kaufman and Segura-Ubiergo (2001) where the coefficient of the short-run effects of populism on education and health was negative and statistically significant at 10% level whereas for social protection was positive and statistically significant at 10% level for short-run effect.

The position of populist regimes towards social expenditure has changed compared to previous studies. Based on my results, this type of regime has experienced a big shift in its strategies in recent years. In my results, I found that populist regimes have changed their social strategies by increasing social expenditure as share of GDP, especially on health and education.

A possible explanation of this shift on social strategies can be found in the change of the profile of those who support populist leaders. The period of analysis of Kaufman and Segura-Ubiergo (2001) goes from 1973 to 1997. During the early waves of populism in Latin America, support to populist regimes came mainly from

an emerging working class. Most programs implemented by early populist regimes targeted these groups by increasing welfare and social protection benefits (Blofield, 2019) such as pension and health care entitlement to specific urban groups such as formal sectors of the economy, civil servants, and military sector (Hunter & Sugiyama 2009). In other words, in the study of Kaufman and Segura-Ubiergo (2011) populism is closely related with labor unions, which falls short in taking into account the newly relationship between newer popular rulers which social support are not based on the formal economy or the organized unions but the informal and marginalized sectors (Burrier, 2016).

However, the supporters of this kind of regime changed at end of the 1990s. The constituency of populist leaders came from the informal and low-income sectors of the society, that were neglected by the political elites (Szusterman, 2000; Burrier, 2016). Efforts to provide more social programs and policies towards the low income and poorest households of the society were more marked during populist regimes in recent years. Moreover, education and health care coverage increased for outsiders and informal sectors which composed the vast majority of the Latin American society today (Garay, 2010).

5. Conclusion

In this thesis, I analyze the effects of populism on social expenditure as a percentage of GDP and its subcategories. Based on the results during the period 1991-2017, populist rule was associated with a 1.114 percentage points higher on social expenditure as share of GDP than the following year for populist regimes than non-populist, and the most influenced categories were education and health expenditure.

In early studies of populism, Kaufman and Segura-Ubiergo (2001) stated that populist rulers spend less on human capital but more on social protection. However, in my paper, results proved to be different. Populist rule during the recent period was associated with a shift in social expenditure with a positive effect on education and health expenditure. This difference in the estimations can be explained by the fact that in early studies such as the period of analysis of Kaufman and Segura-Ubiergo (2001) the constituency of populist regimes came from labor and organized unions compared to recent populist regimes which support came mainly from the informal and unorganized sectors of the society. Populist rule from the 1990s to 2000s shifted their social policies with health and educational services to the poor (Rodriguez, 2011; Clark & Patterson, 2020).

It is important to underline that an increase in social expenditure does not imply better social outcomes. Most of the populist regimes experiences by Latin America and the presence of weak institutions and lack of checks and balances, allowed these regimes to enact in fast and massive policies that targeted groups that best supported the position of the leaders. However, these policies were not well designed and were more politicized towards groups that would ensure support to the

leader, which were inefficient and at the end failed to address social needs of society (Weyland, 2011).

Latin America still faces challenges on poverty and inequality, moreover it depicts a high percentage of the population under the informal sector which constrains fiscal legitimacy. Inefficient forms of redistribution and the design of social programs need to be addressed for better targeting the poor and delivering services (Santiso and Zoido, 2011; Weyland, 2011).

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Appendix

Table A1. List of Latin American Countries

Country Name
Argentina
Bolivia
Brazil
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Mexico
Nicaragua
Panama
Paraguay
Peru
Uruguay
Bolivarian Republic of Venezuela

Table A2. Summary Statistics

Variable	Obs.	Mean	Std. Dev.	Min.	Max.
Populist	486	0.22	0.42	0	1
Total public expenditure	407	19.62	5.45	7.72	40.58
Social expenditure	407	8.78	3.21	1.53	17.74
Education expenditure	407	3.38	1.42	0.56	7.35
Health expenditure	407	1.69	0.79	0.25	4.71
Social protection	407	3.71	2.91	0.15	13.10
GDP per capita (logged)	482	8.49	0.69	6.96	9.61
GDP growth	482	3.73	3.29	-10.89	18.29
Democracy	485	7.59	2.25	-4	10
Population >65	485	6.21	2.44	3.26	14.70
Population <14	485	32.42	5.84	20.02	45.66
Urban Population	485	69.43	14.35	40.95	95.24
Inflation	485	32.92	252.54	-26.29	4523.63
Public Debt	468	39.83	26.77	3.90	222.10
Trade Openness	482	63.02	29.97	13.75	166.70

Table A3. List of Variables and Sources

Variable	Definition	Source
Populism	Dummy variable which takes the value of 1 for the populist regime, and 0 otherwise.	Ruth (2017), Lee (2020)
Social Expenditure	Social expenditure as a percentage of GDP from central government	ECLAC
Total Public expenditure	Total public expenditure as a percentage of GDP from central government	ECLAC
Democracy (polity2)	Measured by the Democracy index (0-10) minus the Autocracy index (0-10) which shows the level of democracy in a country on a 21 scale, from -10 being the most autocratic, while 10 being the most democratic.	Polity5
GDP per capita (in log)	GDP per capita is gross domestic product divided by midyear population. Data are in constant 2010 U.S. dollars.	WDI
GDP growth	GDP growth (annual %)	WDI
Trade openness (% of GDP)	Sum of exports and imports of goods and services measured as a share of GDP.	WDI
Public Debt (% of GDP)	Central government public debt total as a percentage of GDP	ECLAC
Population < 15	Percentage of the population between 0 and 14 from total	WDI
Population > 65	Percentage of population ages 65 and above from total	WDI

Urban population	The proportion of the urban population in the whole population	WDI
Inflation	GDP deflator (annual %)	WDI

국문 초록 (Abstract in Korean)

포퓰리즘과 사회복지지출: 라틴 아메리카 사례에 대한 연구

본 연구는 1991~2017 년 라틴 아메리카 18 개국 데이터를 이용해 포퓰리즘이 사회복지지출과 세 가지 지출 하위 분류인 교육과 보건, 사회 보호(social protection)에 미치는 영향을 분석한다. 연구 결과에 따르면 라틴 아메리카의 포퓰리즘은 사회복지 지출에 긍정적인 영향을 미치는 것으로 나타났다. 특히 보건과 교육은 긍정적인 영향을 미치는 반면 사회 보호 지출 같은 경우는 통계적으로 유의미하지 않은 것으로 나타났다.

저자는 포퓰리즘 지지자들의 특징이 사회 정책을 지원하기 위한 공공 지출에 영향을 미친다고 주장한다. 라틴 아메리카 포퓰리즘의 역사를 통틀어 포퓰리즘의 선거구는 노동계급과 서민계급에서 비공식 부문, 사회의 소외계층으로 옮겨갔고, 이 선거구의 변화는 보건과 교육을 위한 사회적 지출 증가에 반영된 것으로 보인다.

주제어: 포퓰리즘, 라틴아메리카, 사회복지지출, 사회 정책, 선거구

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