

Party Systems and Redistribution in Democratic Latin America

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For much of modern history Latin America has been the most unequal region in the world, and this cycle of deep economic and social disparities has been exceptionally difficult to break away from. However, following the “third wave” of democratization, an extremely rare combination of relatively robust economic growth, unprecedented democratic stability and consolidation, and the electoral success of multiple leaders of the political left occurred in much of the region, prompting many to have an optimistic outlook for the amelioration of economic inequality. While these economic and political conditions have generally delivered positive redistributive outcomes in the aggregate, a deeper look at inequality trends within and across Latin American democracies reveals empirical realities that run counter to what prominent theories of democratic redistribution—particularly social conflict theories—would predict.

Some countries, such as Brazil, Chile, and El Salvador, have significantly curbed income inequalities, while others, such as Costa Rica and Paraguay, have experienced increases in inequality. Colombia and Costa Rica, two of the longest-standing democracies in the region, are among the largest laggards in reducing income inequality. Lastly, many democracies underwent historic changes in inequality while in others changes in inequality were minimal. These trends of redistribution and inequality in contemporary Latin America should prompt us to revisit existing theoretical explanations of democratic redistribution and return to two important questions: Why are some Latin American democracies more equal than others, and why do some redistribute more than others?

Existing theories emphasize structural and largely bottom-up approaches, stressing the establishment of democracy for enabling the lower and working classes—and their presumed strong redistributive demands—as instrumental actors in pushing for redistribution.¹ However, the establishment, and even consolidation, of democracy has not

always allowed for the effective representation of redistributive demands to be channeled into the formal political system.

I place party systems at the center of the analysis, arguing that relative levels of party system institutionalization significantly affect democratic redistribution across space and time. The institutionalization of party systems broadens the scope, and lengthens the time-horizons, of social policymaking, increasing its likelihood of affecting structural inequalities. Furthermore, institutionalized party systems are more likely to exhibit higher political competition among major parties, incentivizing political elites from across the ideological spectrum to propose and implement programmatic redistributive social policies to increase their competitiveness in closely contested elections. In contrast, less competitive inchoate party systems create incentive structures for political parties to emphasize the maintenance of within-group and narrow political support through patronage and clientelism, undermining the prospects for programmatic policy initiatives often necessary for effective redistribution.

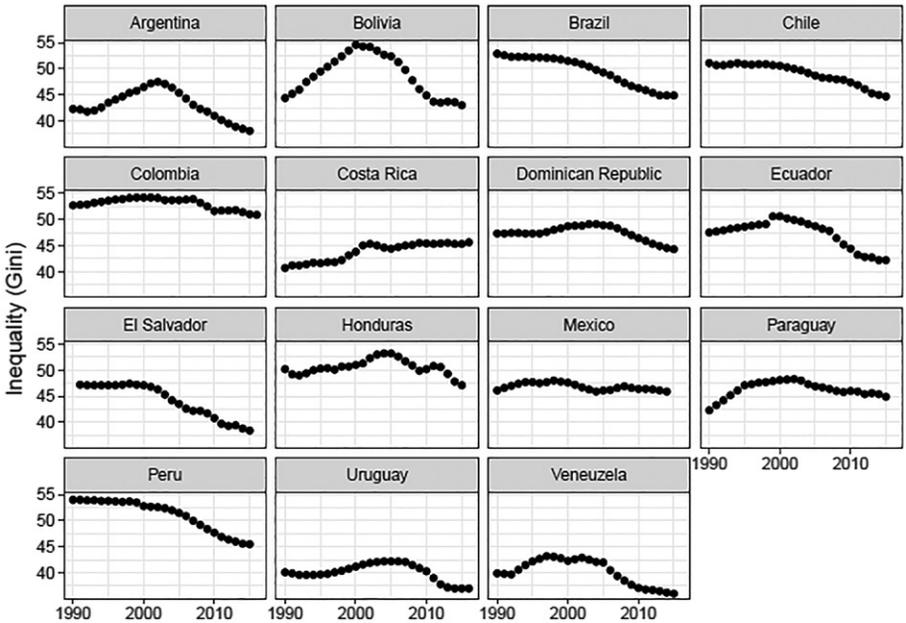
To empirically show the relationship between party systems and socioeconomic outcomes, this article draws on a time-series cross-sectional dataset of fifteen Latin American countries covering the period of 1990–2015. It finds that countries with more institutionalized party systems exhibit lower levels of inequality as well as redistribute more income than those with inchoate party systems. The analyses also lend empirical support to the power resources theory, finding a strong link between leftist party organization and lower inequality. Although, generally speaking, more democratic countries do tend to redistribute, the relationship between democracy and levels of inequality is inconsistent. Finally, to further test the external validity of the theory, it extends the analysis to sixty-five democracies across the globe, finding similar relationships across the contemporary democratic world as those in Latin America.

Given the importance of inequality and the countless pervasive effects it brings to the region of Latin America, as well as the developing and developed world writ large, understanding the political determinants of inequality cannot be understated. Although the literature on how inequality affects regime change is incredibly rich,² much less attention has been placed on how politics shape inequality in political science.³ This article takes into special consideration existing approaches for understanding the politics of inequality, while also paying homage to classical conceptualizations of political parties and party systems to build a deeper understanding of how political and representational institutions within democracies shape redistributive outcomes.

Inequality in Contemporary Latin America

While decreases in inequality across the region have indeed coincided with favorable economic and democratic conditions in Latin America since 1990, there continues to be substantial cross-national variation in the direction of change and relative levels of inequality. As Figure 1 shows, there are countries where net inequality has risen

Figure 1 Income Gini (post-tax, post-transfer) in 15 Latin American Countries, 1990–2015



Source: Standardized World Income Inequality Database (SWIID).

(Costa Rica and Paraguay), changed very little (Colombia, Dominican Republic, Mexico, and Uruguay), dropped significantly (Brazil, Chile, El Salvador, and Peru), or exhibited volatile movement in both directions (Argentina and Bolivia). Similarly, there is also variation in the relative levels of inequality across countries. For example, despite relatively minimal change in net inequality in Colombia or Uruguay, the latter exhibits significantly less inequality than the former.

Importantly, there are clear temporal trends; multiple countries experienced stagnant or increasing Gini coefficients during the early and mid-1990s, while many countries' inequality diminished during the 2000s. It is likely that broader economic factors are contributing to these changes, as redistribution has often coincided in many countries with the commodities boom of the mid to late 2000s. Yet, it is not clear that any economic factor, in particular, is driving changes in inequality across the region. In terms of growth, Colombia, Paraguay, and Uruguay experienced robust growth that translated into very little redistribution, while similar growth in Brazil and Chile has been consistently equitable. Changes to the premium of skilled labor or increases in the minimum wage have contributed to reductions in inequality in some countries,⁴ but there does not appear to be any clear evidence that these factors sufficiently explain the variation across the entire region. In turn, while I account for how economic factors may drive levels of inequality and income redistribution in the quantitative analysis, this article primarily focuses on the politics of inequality.

Party Systems, Redistribution, and Inequality

Despite widespread recognition that parties are critical to the proper functioning of democracy, much of the democratic redistribution literature places surprisingly little emphasis on party systems as a factor in shaping the socioeconomic outcomes of policy.⁵ While work has placed parties as integral actors in theories of political economy, existing theories typically assume political representation as a given or that effective representation will naturally occur sometime following the establishment of democracy. To its credit, power resources theory does place high importance on representation and political parties for initiating redistribution; however, its focus remains almost exclusively on the preeminence of representation by the political left. Democracies, particularly those in the developing world, have not always ushered in robust political representation, nor is effective representation, in terms of the advance of redistributive goals or policies, exclusive to the political left. In turn, in line with a growing literature that moves beyond strong assumptions on regime-type or partisanship,⁶ I place representational political institutions at the center of my theoretical approach, arguing that broader processes of social policy-making and economic inequality are also fundamentally affected by the underlying development and institutionalization of party systems.

Simply stated, party system institutionalization is the relative degree of party organization and stability of competition between parties within a given party system. In line with Mainwaring, Bizzarro, and Petrova, I employ a conceptualization of party system institutionalization that places high importance on interparty competition, but one that does not de-emphasize aspects of individual party organization that may or may not directly contribute to the stability of the party system as a whole.⁷ In other words, while I do not assume that electoral volatility in party systems is necessarily a function of the relative institutionalization of its constitutive parties, I do consider party institutionalization as an important and related aspect of party system institutionalization. Indeed, the theory draws on both party organization and party system stability as factors for shaping social policy-making and socioeconomic outcomes, and the measurement of party system institutionalization employed in this article recognizes interparty competition and party institutionalization as distinct, but related, phenomena that may interact with one another in complex ways.

Party System Institutionalization, Social Policy, and Inequality

I argue that the institutionalization of party systems is a crucial factor for enhancing the advance of redistributive social policy and the amelioration of inequality for three reasons: (1) a stable set of political parties increases certainty and expands policy time horizons, (2) stronger party-citizen linkages spanning heterogeneous groups increase across-group representation, broadening the scope of social policy, and (3) institutionalized party systems are more likely to usher in greater electoral competition between

major parties, providing incentives for political actors across the ideological spectrum to implement redistributive and programmatic social policy.

Longevity and consistency in the broader set of political parties enhances certainty in the policy-making process, augmenting the time horizons of decision-making among politicians.⁸ If parties perceive their role in politics as secure over the long-term, the likelihood that they will advance or implement policies that may provide political benefits well into the future is significantly higher. Given the highly structural nature of economic inequality, social policy initiatives and programs designed to initiate continuous and long-term implications are much likelier to ameliorate inequality. That does not necessarily preclude policies with shorter time horizons from occurring in institutionalized party systems: parties still politically benefit from policies that are more symbolic in nature or designed to rapidly change the status-quo. Rather, it simply broadens the potential plane of policymaking to include both short- and long-term policy initiatives. Inchoate party systems, in contrast, largely do the opposite. Inchoate party systems constrain the horizons of policymaking, as political actors in environments of uncertainty tend to primarily rely on policy strategies that offer instantaneous or quick political rewards to shore up political support, such as distributive hand-outs, patronage, or social spending increases, that are unlikely to fundamentally alter structural inequalities.

Party system institutionalization also affects the scope of social policy. Given Latin America's highly fragmented social structure and heterogeneous nature of redistributive demands,⁹ the institutionalization of political parties and party systems is integral for supplying multiple parties with the necessary organizational capacity and roots in society to effectively aggregate redistributive demands across disparate social and economic groups into the formal political system.¹⁰ Since parties are at least partially accountable to the social and economic groups they represent, more developed cross-group linkages augment the scope of social policies, as parties within institutionalized party systems seek to incorporate and cater to more diverse and heterogeneous coalitions of supporters. In contrast, due to the predominance of parties with weak organizational capacity, less defined party labels, and a lack of extensive cross-group linkages, inchoate party systems undermine the incentives for parties to formulate and implement broad social policies that encompass a large array of social groups and classes.¹¹ Rather, inchoate party systems are likely to be associated with zero-sum politics, where parties favor their more constrained constituencies and advance the interests of certain groups over others, rather than broad, inclusive, and programmatic social policy typically required for the successful alleviation of inequality.

Lastly, party system institutionalization also shapes environments of political competition, further affecting paths of social policymaking. Although the party system literature has largely treated institutionalization and competition as separate phenomena, there are theoretical and empirical reasons to treat them as interrelated. Institutionalized party systems are more likely to harbor multiple parties with durable party brands and reliable voting blocks, reducing the difference between electoral victory or defeat in any given election. Furthermore, institutionalized party systems are also more likely to possess parties with stronger party organizations, increasing barriers of entry for political

outsiders, but, more importantly, providing parties with the necessary resources to effectively compete over unattached voters during electoral campaigns and bolster inter-party competition for vote shares. Given that inchoate party systems are typically comprised of parties with weaker (or non-existent) party labels that voters cannot readily identify or develop attachment to, party-voter linkages within these systems are significantly more fluid and prone to breakdown from one election to the next, increasing the likelihood of large swings in voting patterns and consistently higher margins of victory. The relationship between party system institutionalization (PSI) and political competition is not merely theoretical; straight-forward empirical analysis shows a relationship between the two phenomena.¹²

Levels of political competition associated with the institutionalization of party systems alters the propensity of programmatic and redistributive social policymaking. Highly competitive electoral environments incentivize politicians and major parties, regardless of their respective position on the ideological spectrum, to pursue “anticipated rewards”—the electoral fruits that politicians and their parties receive from the creation of policies or programs that successfully alleviate socioeconomic problems—from voters by incorporating redistributive social policies into their platforms and policy agendas.¹³ Furthermore, particularly in the context of middle-income or developed economies, more robust political competition also increases the likelihood of principal-agent linkages and programmatic policymaking; as the difference between winning and losing becomes more marginal, political parties will seek to entice swing voters through universalistic public policies in lieu of private, clientelistic, and club goods,¹⁴ largely due to the associated upfront and high costs of the latter. In contrast, environments of low political competition reduce the probability of programmatic social policymaking¹⁵ and limit the incentives for centrist or right-wing politicians or parties to pursue redistributive social policies to attract or compete for voters. Furthermore, political parties within inchoate party systems are likely to lack the organizational capacity to maintain their existing electoral coalitions and effectively compete for unattached voters, presenting an incentive structure for parties to choose to maintain their electoral coalitions and increase voter certainty through vote-buying, clientelistic, or patronage strategies aimed at benefiting within-group individuals and loyal partisans. In turn, one should expect institutionalized party systems to exhibit higher levels of redistributive and programmatic social policymaking across the entirety of the political system, while inchoate party systems are more likely to favor highly distributive social policymaking and clientelism that are likely to lead to the persistence of inequality, as these policy behaviors tend to re-entrench existing structural inequalities rather than mitigate them.

While the theory advanced here expects a general relationship between party systems, income redistribution, and inequality, I place two important limits on the theoretical expectations of the argument. First, the theory is not equipped to precisely predict the depth nor the timing of changes in inequality. Simply stated, the study of economic inequality, which is inherently structural and complex, negates the possibility of making strict empirical claims on how inequality will change over time across cases. Indeed, doing so would require a set of largely untenable assumptions that changes in party

system behavior and social policy reform produce consistent effects on inequality. Given the innumerable strategies political actors can undertake to tackle inequalities, many with distinct time horizons, making assumptions on the rate of change in inequality as a result of changes in party system institutionalization is not possible. For example, we could expect a concerted increase in minimum wages to have a relatively rapid effect on income inequality, while restructuring primary education may produce lagged, but perhaps deeper, effects on inequality over the long-term. In turn, the theory advanced here remains relatively agnostic on how party systems affect inequality over time. I do not assume that party system institutionalization will constitute instantaneous changes to inequality, that any specific administration will have clear and attributable effects on short-term inequality levels, or that qualitative changes to the institutionalization of party systems will inherently produce consistent temporal effects on inequality.¹⁶

Second, the theory is probabilistic at each stage and does not claim primacy over other causal processes behind changes in inequality. Institutionalized party systems do not exhibit uniformity in programmatic policymaking or political competition; indeed, even some of the most institutionalized and developed party systems in Latin America (and beyond) harbor clientelistic and segmented representational linkages.¹⁷ Furthermore, I remain hesitant in making strong claims of unitary causal pathways affecting inequality across Latin America. Inequality is influenced by a plethora of political, economic, and social processes that may or may not be concurrent phenomena. Rather, I argue that party system institutionalization is a major contributing factor to broader trends of policymaking and economic inequality in Latin America, but one that potentially accounts for only a portion of redistribution among democracies.

Alternative Hypotheses

Largely predicated on the median voter model,¹⁸ social conflict theory argues that an expansion of suffrage to the previously disenfranchised and economically disadvantaged (but more populous) lower classes will allow these groups to use their greater voting power to elect redistributive-seeking political representatives. In unequal countries where the median voter has a lower income than the population's mean, lower and middle-class individuals will consistently vote for representatives that favor greater redistribution and an expansion of the welfare state. Given the voting power of the lower classes relative to the elites, it then follows that elected bodies will have a greater proportion of representatives that cater to the subordinate classes rather than the economically privileged. In turn, democracy will, over time, cater to the economically-disadvantaged, bringing about the expansion of the welfare state and reductions in inequality.¹⁹ Therefore, social conflict theory would expect that more democratic Latin American countries, as well as those exposed to democracy longer, will have a negative relationship with inequality and exhibit higher levels of income redistribution.

Power resource theory stresses the instrumental role of political organization among the lower and especially working classes for the effective advancement of redistributive

outcomes. It argues that democracy allows for the greater organization of civil society, particularly organized labor and programmatic political parties, presenting an opportunity for these organized interests to shift the balance of power towards the working classes, allowing for more effective representation and influence in government.²⁰ Only through working-class organization and the formation of strong left-wing or social democratic parties can underprivileged groups effectively promote and ensure the adoption of more equitable economic and social policies. In the context of Latin America, countries with stronger organization and representation of left-wing parties in government will implement more redistributive policies, achieving greater reductions in poverty and inequality.²¹ Empirically, power resource theory would expect that countries with stronger left-wing party organization will exhibit higher levels of income redistribution and lower levels of inequality.

Research Design

To test the theory advanced here, I follow past literature and employ quantitative time-series cross-sectional analysis.²² Considering the theory posits that relative levels of party system institutionalization affect levels of income inequality and income redistribution across time and space, time-series cross-sectional analysis is attractive here given its rigor in examining relationships both across and within cases over time. Importantly, economic inequality is a structural and relatively slow-moving phenomenon and therefore should be analyzed across time and preferably over the longest period possible given constraints on data reliability and coverage. In other words, inequality should be thought of as a trend, and taking advantage of a larger number of observations increases the amount of information, as well as the confidence, one can glean from the analyses. In turn, the unit of analysis here is country-year, which provides the most fine-grained analysis possible given national-level data availability.

The selection of time period also deserves some attention. This article tests the relationships between party systems, inequality, and redistribution in fifteen Latin American countries over the period of 1990 to 2015. The selection of the time frame is ideal for the following two main reasons: (1) greater internal validity and comparability across the independent and dependent variables and (2) data availability. The dependent variables, relative levels of redistribution and income inequality, are based on data from the Standardized World Income Inequality Database (SWIID), which constructs Gini coefficients that are standardized to Luxembourg Income Study (LIS) measures, a dataset that only began to systematically cover a reasonable number of Latin American countries in the 1990s. Furthermore, there are reasons to suggest that party systems, as well as the other independent variables, are empirically and substantively different across earlier and “third wave” democracies.²³ In turn, testing the theory advanced here, as well as the alternative theories, in third wave Latin America provides a relatively comparable within-region environment—especially in terms of macro political and economic conditions—that increases the internal validity of the variables employed here. Secondly,

considering that inequality is theorized to be affected by a significant number of social and economic factors, a focus on post-1990 Latin America provides significantly greater leverage to employ more accurate, as well as a more comprehensive, set of control variables in the statistical models.

Measurement of Inequality

For the purposes of this article, there are two primary obstacles with regard to the analysis of inequality and redistribution in the comparative domain. First, cross-national analysis of inequality raises concerns with data comparability: many inequality datasets, such as the World Income Inequality Database (WIID) or Deininger and Squire, draw on sources of microdata that utilize somewhat different methodological and sampling techniques, making the ability to draw valid inferences more difficult. Second, traditional inequality datasets do not typically differentiate between pre- and post-tax income, often rendering the measurement of income redistribution intractable.

To address both of these concerns, this article employs inequality data from the SWIID, which presents advantages in comparability and the ability to isolate income redistribution. SWIID is a standardized dataset that treats inequality as a latent variable, drawing on the higher coverage of WIID but standardizing the Gini coefficients to the LIS, often considered the gold standard of income studies.²⁴ Furthermore, SWIID also constructs two measures of Gini: pre-transfer, pre-tax Gini (often referred to as market inequality) and post-transfer, post-tax Gini (net inequality). This article employs net Gini to measure inequality. To measure the degree of redistribution, the models also include market Gini in the analyses, effectively isolating the degree to which Latin American countries redistribute income through concerted government action.²⁵

Employing SWIID data is not without some trade-offs, however. Imputation variability in the construction of the Ginis in SWIID can potentially lead to biased regression estimates.²⁶ To address these concerns, robustness checks replicate the results with WIID income inequality data. Employing WIID income inequality data as an alternative dependent variable of inequality did not significantly alter the statistical results. See the supplemental appendix for further details.

Measurement of Party System Institutionalization

The conceptualization and operationalization of party system institutionalization (hereafter PSI) has been contentious. In its original conceptualization, Mainwaring and Scully set out four constitutive, and interrelated, aspects of PSI: regularization of competition, party organization, roots in society, and legitimacy.²⁷ These four components were theorized within a familiar structure with general expectations that all four constitutive parts would roughly move together in a similar direction. However, there are theoretical reasons to suspect that these four components do not always act in accordance with one

another, as party systems can exist with high values on one component but low values on another.²⁸ Empirically, Latin America provides numerous examples of party systems with seemingly contradictory values across PSI dimensions. For example, Chile's extremely stable party system has been argued to be undergirded by political parties with relatively weak organizational linkages and roots in society,²⁹ while the moderate levels of electoral volatility in contemporary Brazil are not necessarily expected given traditionally weak political parties and party organization.

Outside of issues with internal consistency, the difficulty of measuring party organization, roots in society, and legitimacy has prompted scholars to measure a relatively thick concept through over-reliance on one quantitative indicator. Given its straight-forward computation, as well as the widespread availability of electoral data, many previous studies have employed legislative electoral volatility as the primary, or only, measure of PSI.³⁰ Yet, electoral volatility only captures broad differences in voting patterns from one election to the next, not the underlying patterns of party organization and institutionalization of parties within party systems. Given that the theory advanced here stresses party organizational depth and roots in society, in combination with stable interparty competition, as important for shaping policy and socioeconomic outcomes, a measurement strategy centered solely on electoral volatility is not sufficient.

A recent advance in the measurement of cross-national party systems is the party institutionalization index from the *Varieties of Democracy Project* (V-Dem). This measure, based on elite surveys, relies on five indicators of party institutionalization that encompass the causal mechanisms advanced in the theory.³¹ However, like the shortcomings of electoral volatility, the party institutionalization index also falls short of completely encapsulating the theorized components of PSI. More specifically, the index does not account for the degree of institutionalization among parties within a party system, or the institutionalization of the party system itself.³² In other words, the party institutionalization index captures previously difficult to measure intra-party organizational components of PSI but falls short as a comprehensive measure due to offering no account of systemic patterns of competition.

Resolving these deep-rooted issues of the conceptualization and measurement of PSI is outside the scope of this article. Rather, I employ a strategy that accommodates these recent debates in the literature and measures PSI in a relatively comprehensive and transparent manner. Indeed, the two measures highlighted above, electoral volatility and the party institutionalization index, are highly complementary, and, perhaps more importantly, each independently captures specific causal mechanisms of the theory advanced here with little overlap. Electoral volatility accounts for the broader stability of party systems, which the theory posits to drive certainty and competition in the policy-making process incentivizing social policy from across the ideological spectrum with longer time horizons. In contrast, the party institutionalization index encapsulates party organization, theorized to play an integral role in broadening the scope of social policy and aggregating societal redistributive demands. A holistic approach would employ both measures separately, independently capturing multiple components of PSI and the causal mechanisms of the theory advanced here, while also interacting them with one another

to test their combined effects on inequality and redistribution. In turn, this flexibility in measurement allows a more fine-grained empirical analysis of the causal mechanisms of the theory and does not make any strong assumptions of interrelation in its conceptualization of PSI.

Both electoral volatility and the party institutionalization index exhibit variation across cases and over time, as well as generally conform to established qualitative descriptions of Latin American party systems. Often referred to provocatively as a rare case of a “democracy without parties,”³³ Peru possesses the lowest levels of party institutionalization and highest electoral volatility scores in the dataset. In contrast, typically characterized as one of the most robust and stable party systems, Uruguay has among the highest levels of party institutionalization and lowest electoral volatility.³⁴ Both measures are also responsive to changing within-case circumstances, such as the institutionalization of party systems over time or party system collapse. The only two party systems that have demonstrated significant institutionalization during the Third Wave, Brazil and El Salvador, both show marked improvement on both measures. Conversely, where party systems have collapsed, such as in Colombia and Venezuela, electoral volatility and the party institutionalization variables exhibit abrupt changes in the expected direction.

Measurement of Other Explanatory and Control Variables

To test alternative theories of democratic redistribution, namely social conflict and power resource theories, two other independent variables are included in the analyses. Democracy is measured by the electoral democracy index from V-Dem, which best accounts for the causal mechanisms stressed in social conflict theory.³⁵ There is also literature that suggests longer exposure to democratic rule enhances redistribution and ameliorates inequality, as it may take a certain period of time for civil society and democratic institutions to develop.³⁶ Therefore, the supplemental appendix also includes analyses that employ an alternative variable that captures the longevity of democratic rule. To test power resource theory, I follow existing literature and measure the strength of the political left by the annual percentage of seats in the legislature controlled by parties of the center-left and left.³⁷ Given the predominance of presidential systems—as well as the executive branch’s ability to influence policymaking—in Latin America, I also include a dummy variable for the ideological position of the president’s party.³⁸

This article assumes that democracy, strength of left, and PSI are related, but distinct political phenomena. Democracy has been theorized as unthinkable without parties, yet democracy does not necessarily lead to the development of strong party systems, especially in Third Wave democracies.³⁹ Despite unprecedented democratic stability, many contemporary Latin American democracies have experienced the decay or outright collapse of their party systems,⁴⁰ suggesting that democracy and party system development are separate political dynamics in Latin America. Theoretically, more institutionalized party systems should contribute to the growth and stability of parties on the political left; however, there are numerous examples (e.g., Colombia, Honduras, Mexico, and

Uruguay) that historically possessed institutionalized party systems without distinctly leftist parties. Empirically, none of the main explanatory variables are strongly correlated with one another and therefore multicollinearity should not be a significant concern.⁴¹

A substantial literature has theorized the relationship between economic growth, development, and inequality.⁴² To account for differing levels of economic development between Latin American countries, the log of GDP per capita is included in the models.⁴³ Also drawn from the World Bank, I include GDP per capita annual growth to account for differing rates of economic growth. Inflation has been shown to increase inequality by disproportionately depressing wages for the poor.⁴⁴ Considering the historically high rates of inflation in Latin America, I also control for inflation.⁴⁵ Similarly, unemployment may exert downward pressure on wages and has been shown to be associated with inequality in Latin America.⁴⁶ Therefore, I also include a variable measuring relative levels of unemployment.⁴⁷

Many of the most substantial episodes of redistribution in recent Latin American history coincided with the commodities-driven economic boom of the 2000s, suggesting that favorable trade conditions may contribute to the amelioration of inequality. In a resource-rich region such as Latin America, the commodities boom has indeed been shown to be associated with reductions in levels of inequality in some countries, either through a reduction in the skills premium or increased tax revenue redistributed by the state.⁴⁸ To control for terms of trade, I also include exports as a percentage of total GDP in the analyses. Furthermore, the models also employ a full set of year dummies, which should substantially mitigate any potential economic temporal effects from biasing the results. Although exports as a percentage of total GDP, as well as the inclusion of year dummies, should account for a significant degree of any unmeasured heterogeneity with respect to the commodities boom, the supplemental appendix also includes further robustness checks employing a more precise measure of commodity exports.

Two other socioeconomic variables are also included as controls: education and life expectancy. We should expect higher levels of education to blunt inequalities, and, indeed, increases in education across populations have been shown to reduce premiums to labor and suppress levels of inequality in general across Latin America.⁴⁹ Therefore, to account for differences across countries in levels of educational attainment, a proxy for education (secondary school enrollment) is included in the analysis.⁵⁰ Finally, recent literature has shown a link between the convergence of human capital and healthcare and its effect on economic outcomes, inequality, and welfare.⁵¹ In addition, Soares finds that differences in life expectancy have a strong effect on welfare and income levels across Latin American countries.⁵² Therefore, to proxy for public healthcare infrastructure and general levels of comparative health, life expectancy is also included in the models.⁵³

Model Specifications

I employ ordinary least squares models to statistically test the political determinants of inequality and income redistribution. Preliminary statistical analysis revealed the presence of trend in the data; not surprisingly, inequality is greatly affected by previous

year(s) of Gini. Since dynamic models and lagged dependent variables in the presence of trend can introduce autoregression into the model and significantly suppress the effect of the independent variables of interest, dynamic models are not the most appropriate approach here.⁵⁴ Furthermore, although past literature recommends unit-fixed effects for the analysis of time-series cross-sectional data,⁵⁵ the stickiness of the party system and democratic institutional variables render this approach analytically difficult. Party institutionalization is slow-moving, and substantial changes, even over the course of a quarter century, are relatively exceptional within cases. Although there is over-time variation, a significant portion of the variation in the dataset is across cases. Therefore, the inclusion of unit-fixed effects has the potential to greatly subsume differences in the independent variables across units.⁵⁶ However, the exclusion of country-level fixed effects raises possible issues of endogeneity or omitted variable bias. To mitigate these issues, as well as show that the results shown here are not driven by repeated observations from select countries, I also collapse the time component of the analysis finding consistent results. The results of these robustness checks are included in the supplemental appendix.

Results

The results of regressing inequality on the independent variables are displayed in Table 1. Models 1 and 2 regress inequality on party institutionalization and electoral volatility, respectively, while Model 3 regresses inequality on the interaction between party institutionalization and electoral volatility. Models 4, 5, and 6 repeat the same process, with the exception of also controlling for pre-tax, pre-transfer Gini. All models include the full set of explanatory and control variables, as well as a full set of year dummies.

The results show strong support for the theory advanced here. As Models 1, 2, 4, and 5 show, both party institutionalization and electoral volatility have strong and statistically significant relationships with inequality and redistribution in the expected directions. Party institutionalization is negatively associated with inequality, suggesting that in Latin American countries where parties are more institutionalized, inequality is lower and income redistribution is higher. In contrast, electoral volatility is positively associated with inequality, signifying that countries with more volatile party systems are more likely to exhibit higher levels of inequality and redistribute less income. Models 3 and 6 also include interactions between party institutionalization and electoral volatility. Although precisely interpreting interaction coefficients is difficult, generally speaking, the more stable and institutionalized party systems become, the more levels of inequality decrease. That is, levels of inequality are lowest when party systems possess highly institutionalized parties and are stable from one election to the next. However, when elections are extremely volatile, the degree of party institutionalization has no significant effect on levels of inequality, suggesting that a minimum level of stability in the party system is necessary for party institutionalization to take effect on socioeconomic outcomes. For further details, predicted value plots of the interactions, as well as a more

Table 1 Political Determinants of Inequality in Latin America, 1990–2015

	(1)	(2)	(3)	(4)	(5)	(6)
Gini (Pre-tax)				0.579*** (0.040)	0.461*** (0.053)	0.486*** (0.046)
Party Institutionalization	-4.148* (1.785)		-9.274* (2.734)	-5.117*** (0.927)		-10.918*** (1.970)
Electoral Volatility		7.120** (2.159)	-9.222 (6.424)		4.847*** (1.425)	-13.654* (5.310)
Party Institutionalization*			24.429* (10.815)			26.643** (9.578)
Electoral Volatility						
Democracy	-0.898 (1.779)	2.055 (1.822)	1.177 (1.947)	-4.550*** (1.232)	-2.866* (1.397)	-3.993** (1.486)
Strength of Left	-7.527*** (1.216)	-10.130*** (1.409)	-9.280*** (1.357)	-3.833*** (0.864)	-6.157*** (1.207)	-4.889*** (0.982)
Left President	-1.045 (0.651)	-1.565* (0.718)	-1.786** (0.665)	-0.871* (0.434)	-1.175* (0.522)	-1.414** (0.453)
GDP per capita (log)	-5.499** (1.805)	-4.778* (1.406)	-4.559* (1.880)	-2.000* (0.938)	-3.910*** (1.013)	-3.269* (1.372)
Economic Growth	0.122 (0.069)	0.259** (0.081)	0.208** (0.076)	0.064 (0.047)	0.180** (0.066)	0.114* (0.056)
Exports	-0.049* (0.020)	-0.039 (0.024)	-0.074** (0.027)	0.027 (0.016)	0.018 (0.018)	-0.019 (0.019)
Inflation	0.004* (0.001)	0.004 (0.001)	0.003 (0.001)	-0.0005 (0.000)	0.001 (0.001)	0.0003 (0.001)
Unemployment	-0.016 (0.059)	0.086 (0.049)	-0.031 (0.067)	0.050 (0.041)	0.146*** (0.040)	0.007 (0.047)
Education	0.011 (0.025)	-0.005 (0.026)	0.009 (0.026)	0.025 (0.019)	0.016 (0.022)	0.031 (0.020)
Life Expectancy	0.125 (0.135)	-0.004 (0.117)	0.068 (0.141)	0.211* (0.097)	0.180 (0.098)	0.259* (0.117)
Observations	197	178	178	197	178	178
R ²	0.623	0.704	0.729	0.825	0.812	0.847
Adjusted R ²	0.543	0.634	0.659	0.787	0.765	0.806

Notes: Dependent variable is Gini (post-tax, post-transfer). Robust standard errors in parentheses. Year dummies not included in table. * $p < .05$; ** $p < .01$; *** $p < .001$.

fine-grained explanation of how party institutionalization and electoral volatility interact with one another, are provided in the supplemental appendix.

The results also provide strong empirical support for power resource theory. In all models, the strength of left variable shows a robust and statistically significant negative

relationship with inequality. Countries with stronger organization and representation from the political left possess lower levels of inequality, as well as redistribute more income, than those with weaker representation of the political left. Although less robust of a relationship, left presidency also has a negative and statistically significant relationship with inequality. In contemporary Latin America, democracy has a mixed relationship with inequality. In Models 1, 2, and 3, there is no clear relationship between democracy and inequality. However, there is a negative and statistically significant relationship between democracy and inequality when pre-tax, pre-transfer Gini is controlled for, suggesting that while democracy has no discernible effect on aggregate levels of economic inequality, it does play a positive role for income redistribution.

In terms of the control variables, only one variable, the log of GDP per capita, shows a consistent relationship across all models, exhibiting a negative and statistically significant relationship with inequality. That is, more economically developed countries in the region (i.e., those with higher incomes per capita) exhibit lower levels of inequality and redistribute income to a greater degree than less economically developed counterparts.

Testing the Relationship Outside of Latin America

Given the strong relationship between party system institutionalization and socioeconomic outcomes in Latin America, should we expect the theory to travel to other parts of the world? I argue that party systems should affect redistribution and inequality across much of the democratic world. To those ends, the remainder of the article tests the theory in a broader set of cases.

Although testing this theory outside of Latin America is certainly feasible, extending the set of cases does raise some inherent obstacles. First, including a broader array of cases potentially introduces unit heterogeneity. A primary benefit of theory-building and testing in the region of Latin America is a baseline number of cases with relatively comparable colonial histories, political systems, and roughly analogous levels of inequality. However, the inclusion of a larger subset of countries introduces across-region heterogeneity in levels of inequality. Given that inequality can be partly attributed to broader socioeconomic or geopolitical processes, contemporary levels of inequality across regions may not be entirely congruent with one another. One regional factor that affects the analysis of contemporary inequality in the democratic world is prior exposure to communist rule; the large-scale redistributive programs implemented by these regimes dramatically flattened levels of income inequality, and these effects continue to be present in contemporary times. In turn, the extension of the dataset would require attention to accounting for former communist rule.

Second, one must be mindful that certain theories may not travel well to other empirical contexts. For example, while one can be relatively certain that power resources theory has strong validity in regions such as Europe and Latin America, there are doubts of whether party formation is organized on dimensions of class, or that the traditional left-right ideological spectrum is as salient in countries throughout Africa, Asia, and

Southeast Asia.⁵⁷ In contrast, party organization and competition may align more closely on dimensions of ethnicity, religion, or clientelism in places such as Africa and Southeast Asia.⁵⁸ Therefore, both on potential constraints to the external validity of power resources theory in Africa and Asian cases, as well as obstacles to measurement, I make the conscious decision to not extend the strength of left measure to the larger dataset.

To test whether party system institutionalization affects redistribution and inequality across the democratic world, I draw on Mainwaring, Gervasoni, and España-Najera, the most extensive dataset on electoral volatility currently available.⁵⁹ The inclusion criterion for Mainwaring, Gervasoni, and España-Najera is “all countries with at least 1 million inhabitants that as of 2006 had experienced at least four consecutive lower chamber elections during which the country’s Polity score was consistently 3 or higher (including the years of the elections and all years in between).”⁶⁰ Given the domain within which this theory is situated, the inclusion criterion employed by Mainwaring, Gervasoni, and España-Najera is congruent with the analysis here. The inclusion principle does introduce potential issues of imbalance, however. Given variation on the longevity of democracy across countries, certain cases in the dataset possess significantly more electoral cycles, and hence observations, than others. To mitigate potential issues of bias, I restrict the sample to the third-wave period. Therefore, the entire sample employed here is sixty-five countries covering the period of 1990–2010.⁶¹

Table 2 shows the results of the extended dataset analyses. All variables employed in the models in Table 2 are measured identically as those in Table 1. The only exceptions are the absence of a strength of the left measure, left presidential dummy, and the inclusion of a dummy variable for past communist rule.

The results displayed in Table 3 in the Appendix show similar, but distinct, patterns compared to those in Latin America. In Models 1 and 4, party institutionalization has a robust, negative, and statistically significant relationship with inequality. These results indicate that, similar to the Latin American cases, countries with stronger and more organized political parties are more likely to possess lower levels of inequality and redistribute income to a higher degree. In contrast to Latin America, electoral volatility—when isolated in Models 2 and 5—has no clear relationship with inequality or redistribution. In other words, the stability of interparty competition alone does not appear to be driving socioeconomic outcomes across the entire democratic world. However, when electoral volatility is interacted with party institutionalization, it does produce a strong effect on inequality and redistribution. Simply stated, increases in party institutionalization, in whichever context of electoral volatility, are associated with lower levels of inequality, but the effect is especially pronounced in more stable party systems.⁶²

In contrast to the Latin American cases, there is a more consistent and robust relationship between democracy, inequality, and redistribution. In all models, with the exception of Model 3, democracy has a negative and statistically significant relationship with inequality. Countries with more democratic institutions are more likely to possess lower levels of inequality and redistribute income to a greater degree. Similar to Latin America, more economically developed countries are more likely to exhibit lower levels of inequality and redistribute income to a greater degree across the democratic world.

Table 2 Political Determinants of Inequality in 65 Democracies, 1990–2010

	(1)	(2)	(3)	(4)	(5)	(6)
Gini (Pre-tax)				0.488*** (0.030)	0.537*** (0.041)	0.484*** (0.038)
Party	-8.836*** (1.919)		-27.538*** (3.110)	-6.332*** (1.466)		-21.904*** (2.283)
Institution- alization						
Electoral		-2.354 (1,967)	-35.555*** (6.609)		2.600 (1.616)	-29,678* (4,682)
Volatility-						
Party			39.222*** (10.815)			40.020*** (9.578)
Institution- alization*						
Electoral						
Volatility						
Democracy	-4.675 (1.779)	-5.352* (1.822)	-3.332 (1.947)	-6.126*** (1.232)	-6.105* (1_397)	-5.477*. (1.486)
GDP per capita (log)	-1.388** (0.500)	-3.038*** (0.542)	-1.134* (0.551)	-2.179*** (0.362)	-3.172*** (0.364)	-1.841*** (0.385)
Economic growth	0.037 (0.070)	-0.045 (0.081)	-0.071 (0.077)	0.081 (0.056)	0.035 (0.073)	-0.017 (0.067)
Exports	-0.056*** (0.016)	-0.053** (0.019)	-0.054** (0.017)	-0.038** (0.011)	-0.022 (0.012)	-0.031* (0.012)
Inflation	0.001 (0.001)	0.009*** (0.002)	0.007*** (0.001)	0.001 (0.001)	0.004** (0.001)	0.003* (0.001)
Unemployment	0.218*** (0.041)	0.194*** (0.044)	0.139*** (0.038)	0.034 (0.040)	0.013 (0.044)	-0.023 (0.039)
Education	-0.216*** (0.041)	-0.166*** (0.048)	-0.123** (0.039)	-0.188*** (0.028)	-0.148*** (0.031)	-0.114*** (0.026)
Life	-0.665*** (0.064)	-0.578*** (0.063)	-0.710*** (0.055)	-0.399*** (0.052)	-0.314*** (0.053)	-0.438*** (0.046)
Expectancy						
Former Soviet Bloc	-9.114*** (0.770)	-10.222*** (0.981)	-8.201*** (0.995)	-8.073*** (0.548)	-9.935*** (0.746)	-8.81*** (0.758)
Observations	553	436	436	553	436	436
R ²	0.746	0.747	0.798	0.834	0.842	0.870
Adjusted R ²	0.732	0.729	0.783	0.824	0.830	0.860

Notes: Dependent variable is Gini (post-tax, post-transfer). Robust standard errors in parentheses. Year dummies not included in table. * p < .05; ** p < .01; *** p < .001.

Exports, education, and life expectancy also have consistent relationships with inequality across all models. Exports has a negative and statistically significant relationship with inequality and redistribution, suggesting that countries with larger portions of their GDP coming from exports are more likely to possess lower levels of inequality and

redistribute income. Secondary schooling enrollment is negatively associated with inequality: democracies with higher education enrollment possess lower levels of inequality and higher income redistribution. Congruent with the literature, life expectancy has a robust, negative, and statistically significant relationship with inequality. Countries with better health care, broadly construed, are more likely to exhibit lower levels of inequality and higher income redistribution. Lastly, the dummy variable for former communist rule has an extremely large, negative, and statistically significant effect on inequality. Simply stated, former Soviet Union or Soviet Bloc countries have dramatically lower levels of inequality, even decades after the fall of the USSR.

Conclusion

This article has argued, and shown empirically, that party systems—particularly their relative levels of institutionalization—are integral to democratic redistribution, shaping paths of redistribution and inequality in Latin America. There is also preliminary evidence to suggest that this theory is generalizable; stronger and more stable party systems are associated with lower levels of inequality and more income redistribution across much of the democratic world. This article has also found strong empirical support for power resource theories in Latin America, suggesting that strong representation from the partisan left, not just party systems as a whole, continues to be critical for the amelioration of inequality over time.

While the broader relationships between PSI, inequality, and income redistribution reported here are evident both in Latin America and the broader democratic world, there are some important interregional differences. For one, party systems are driving patterns of redistribution and inequality outside of Latin America, yet electoral volatility, when isolated, appears to have a more subdued or negligible effect in other parts of the world. Understanding this discrepancy at a deeper level requires further research, but it is highly probable that interregional party system development over the *longue durée* is influencing these divergent outcomes. Democracy and party system development are intricately linked in regions such as Europe,⁶³ where stable party systems were often interdependent with democratization and vice versa. Perhaps Latin America's recent history of military-led transitions that often actively undermined the development of stable party systems⁶⁴ sheds light on the greater variance of party system behavior in the region and, in turn, on their more pronounced effect on socioeconomic outcomes. Differences in historical patterns of democratization across regions may also impact democracy's prospects for redistribution. The results show that the positive effects of democratic institutions on inequality and income redistribution have more explanatory power for regions outside of Latin America. These findings should not be surprising to students of Latin American politics, as countries in the region have a long history of "locking in" political institutions designed to protect the interests of elites and hinder the redistribution of income and wealth.⁶⁵ Many of these institutions continue to persist in the present day and may actively prevent contemporary democracy's ability to ameliorate inequality.

One may contend that it is possible that the relationship between party system institutionalization and inequality is operating in the opposite causal direction. That is, relative levels of inequality may shape party system strength and stability. Indeed, research has shown that economic and inequality determinants have led to diverging patterns of party system dynamics in Eastern Europe,⁶⁶ but both the nature of economic structuration and the timing of redistribution in contemporary democratic Latin America suggest otherwise. While it is true that economic conditions and large disparities of wealth can undermine representation, it has not necessarily led to distinct patterns of party system strength or weakness among Latin American countries.⁶⁷ Staggering levels of inequality remain relatively uniform throughout Latin America, however the variation between party system institutionalization continues to be extremely high. Furthermore, redistribution during the time period analyzed in this article often took place following the stabilization of party systems in many countries. For example, there is a cohort of countries—Brazil, Chile, and El Salvador—that democratized under high inequality, experienced the institutionalization of their respective party systems in relatively quick succession, and underwent redistribution after the stability of these party systems. Therefore, both theoretically and empirically, this article stresses that party system institutionalization is driving dynamics of inequality, not the other way around.

The amelioration of inequality and redistribution continues to be illusive in Latin America, but this article stresses that inequality is not intractable. Indeed, regional inequality significantly decreased during the 2000s. However, it appears that many of the more straightforward, less costly, and “easy” approaches to redistribution—such as conditional cash transfer programs—have been exhausted in recent decades.⁶⁸ The question of whether governments will be able to assemble political coalitions capable of implementing “harder” systematic reforms such as those in education, healthcare, and tax reform remains unanswered. The theory advanced here suggests that inequality can indeed be reduced, but it is much likelier in countries that harbor institutionalized and competitive party systems. However, given the recent instability and collapse of many Latin American parties and party systems, as well as the potential backsliding of democratic rule itself, the future does not look incredibly bright for redistribution in Latin America.

NOTES

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7. Scott Mainwaring, Fernando Bizzarro, and Ana Petrova, "Party System Institutionalization, Decay, and Collapse," in Scott Mainwaring, ed., *Party Systems in Latin America: Institutionalization, Decay, and Collapse* (New York: Cambridge University Press, 2018), 17–33.

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11. Although broad coalitions have certainly been mobilized by political entrepreneurs within inchoate party systems, they are typically populist in nature, and ties between populists and voters are rarely well defined or institutionalized, as well as especially prone to breakdown or rapid dissolution. See: Kurt Weyland, "Neoliberal Populism in Latin America and Eastern Europe," *Comparative Politics*, 31 (July 1999), 379–401.

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14. Herbert Kitschelt and Steven I. Wilkinson, "Citizen-Politician Linkages: An Introduction," in Herbert Kitschelt and Steven I. Wilkinson, eds., *Patrons, Clients and Policies: Patterns of Democratic Accountability and Political Competition* (New York: Cambridge University Press, 2007), 1–49.
15. *Ibid.*
16. Although the article does not take a firm stance, theoretically, on the temporal dimension of how party systems shape socioeconomic outcomes, it is possible to empirically test these matters. To show that sequences of time are not significantly affecting the results reported in the article, I employ dynamic models with lagged dependent variables in the supplemental appendix.
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20. John D. Stephens, *The Transition from Capitalism to Socialism* (London: Palgrave Macmillan, 1979); Walter Korpi, *The Democratic Class Struggle* (London: Routledge, 1983); Huber and Stephens, 2001.
21. Huber and Stephens, 2012; Pribble.
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23. For example, early democracies in Latin America were significantly more limited in suffrage, often actively excluded left-wing parties, and possessed significantly weaker democratic institutions. For a more extensive account of differences between party systems across different democratic waves, see: Mainwaring and Zoco, 165–72.
24. This process allows both the coverage of the data to expand beyond the somewhat weak coverage of Latin American countries by the LIS, but also provides substantially higher comparability across cases. See: Frederick Solt, "The Standardized World Income Inequality Database," *Social Science Quarterly*, 97 (November 2016), 1267–81.
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30. For example, Kenneth M. Roberts and Erik Wibbels, "Party Systems and Electoral Volatility in Latin America: A Test of Economic, Institutional, and Structural Explanations," *American Political Science Review*, 93 (September 1999), 575–90; Allen Hicken and Erik Martínez Kuhonta, "Shadows from the Past: Party System Institutionalization in Asia," *Comparative Political Studies*, 44 (May 2011), 572–97.
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35. The electoral democracy index is measured through elite surveys and based on the following indicators: universal suffrage, freedom of association, freedom of expression, elected officials, and clean elections.

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38. The coding of the ideological positioning of the president's party is identical to the strength of left measure.
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62. See appendix for further details, as well as the interaction plot.

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67. Luna, 2014 finds that high inequality may promote segmented representation, yet this dynamic does not necessarily weaken the strength or institutionalization of party systems as a whole. Furthermore, historical patterns of party system development may be largely orthogonal to economic development or modernization in Latin America. See: Simon Bornschie, "Historical Polarization and Representation in South American Party Systems, 1900–1990," *British Journal of Political Science*, 49 (January 2019), 153–79.

68. Alisha C. Holland and Ben Ross Schneider, "Easy and Hard Redistribution: The Political Economy of Welfare States in Latin America," *Perspectives on Politics*, 15 (December 2017), 988–1006.

