

Merit, Luck, and the Exogenous Determinants of Government Success

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Research Agenda

Question

- Can voters distinguish merit from luck in the management of the economy?

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Empirical strategy

- Impact of exogenous factors on presidential “success” (i.e. elections and popularity)

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Empirical strategy

- Impact of exogenous factors on presidential “success” (i.e. elections and popularity)—*why Latin America?*

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Question

- Can voters distinguish merit from luck in the management of the economy?

Empirical strategy

- Impact of exogenous factors on presidential “success” (i.e. elections and popularity)

Finding

- Voters often do not distinguish merit from luck, **punishing and rewarding presidents for outcomes beyond their control**

Research Agenda

Question

- Can voters distinguish merit from luck in the management of the economy?

Empirical strategy

- Impact of exogenous factors on presidential “success” (i.e. elections and popularity)

Implications

- Broken ties between performance and reward/punishment
—waste, corruption

What do we know about economic voting?



Voters reward (punish) incumbents in good (bad) times

What do we know about economic voting?



Voters reward (punish) incumbents in good (bad) times

- Prospective or retrospective?
- Sociotropic or egotropic?
- What aspect of economic performance matters?

What do we know about economic voting?



Voters reward (punish) incumbents in good (bad) times

- Assignment of responsibility

What do we know about economic voting?



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 - Institutions

What do we know about economic voting?



Voters reward (punish) incumbents in good (bad) times

- Assignment of responsibility
 - Institutions
 - Exogenous shocks vs. policymaking

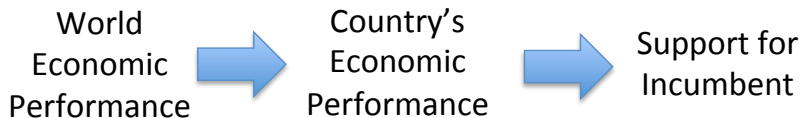
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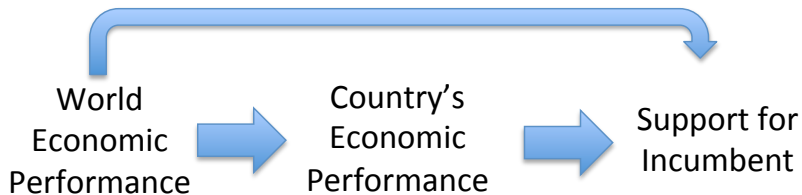
What are we saying about economic voting?



This project: The world economy matters

- Noise vs. Competence signal

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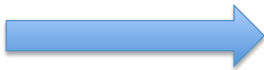


This project: The world economy matters

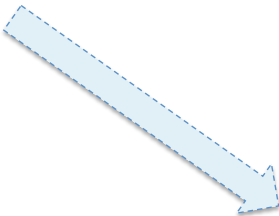
- Noise vs. Competence signal
- Can voters recognize it? If not: luck, not merit

Research Design

World
Economic
Performance



Country's
Economic
Performance



Support for
Incumbent

Empirical Strategy

Roadmap to the rest of the talk

How can we test this?



Empirical Strategy

Roadmap to the rest of the talk

How can we test this?

- Assert lack of “direct effect” of international factors on incumbent success

Empirical Strategy

Roadmap to the rest of the talk

How can we test this?

- Assert lack of “direct effect” of international factors on incumbent success
- Show impact of international factors (or lack thereof) on economic performance

Empirical Strategy

Roadmap to the rest of the talk

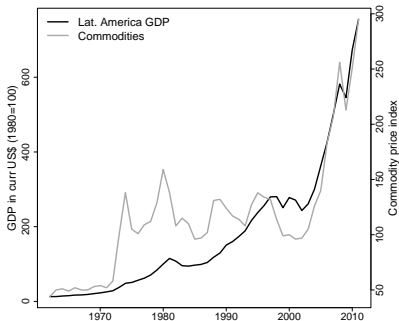
How can we test this?

- Assert lack of “direct effect” of international factors on incumbent success
- Show impact of international factors (or lack thereof) on economic performance
- Show impact of international factors (or lack thereof) on
 - Incumbent “re-election” (Part I)
 - Presidential popularity (Part II)

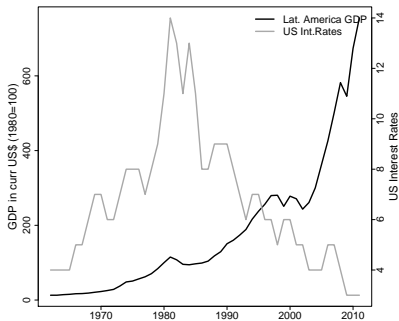
What International Economic Factors Matter?

South American countries: low-savings-commodity-exporters

Commodity Prices



US Interest Rates

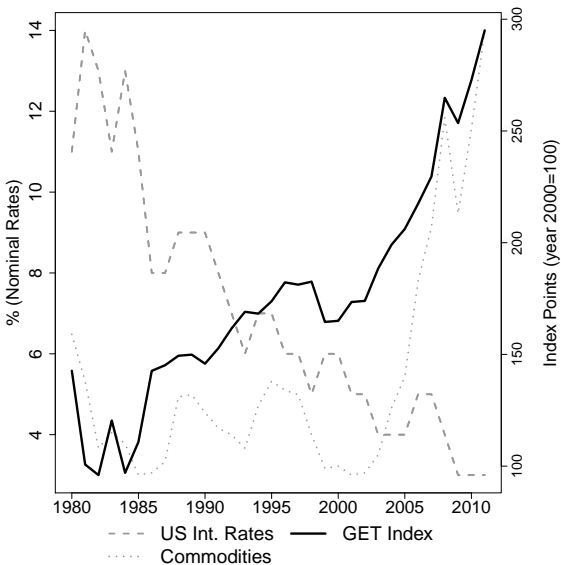


International Factors Determine Domestic Economy

	Int. Rates	log(Comm)	Joint Test	Joint p-value
Argentina	-2.39**	26.23**	21.91	0.000**
Bolivia	-1.06**	7.09**	33.38	0.000**
Paraguay	-1.21*	20.79**	47.84	0.000**
Uruguay	-1.75**	18.13**	34.92	0.000**
Venezuela	-2.36**	24.26**	13.17	0.001**
Latin America	-4.95*	103.03**	27.10	0.000**
Brazil	-1.06*	8.04*	6.17	0.046*
Chile	-2.27*	11.33*	9.07	0.011*
Colombia	-0.77	10.78**	8.45	0.015*
Ecuador	-0.81	9.71.	3.68	0.159
Peru	-0.84	12.19.	3.26	0.196
El Salvador	-1.19.	-0.09	3.07	0.216
Guatemala	-0.38	4.34	3.22	0.200
Dom. Republic	-1.01	10.01.	3.30	0.192
Costa Rica	-1.43.	3.46	3.54	0.171
Nicaragua	0.10	12.14.	3.95	0.138
Mexico	-0.40	4.44	1.45	0.484
Panama	0.11	11.42	3.54	0.170
Honduras	-0.64	2.39	1.04	0.595
United States	-0.27	-4.19.	3.67	0.160

The “Good Economic Times” Index

A measure of the world economy as seen from Lat. Am



Good Economic Times Index and GDP (1980–2011)

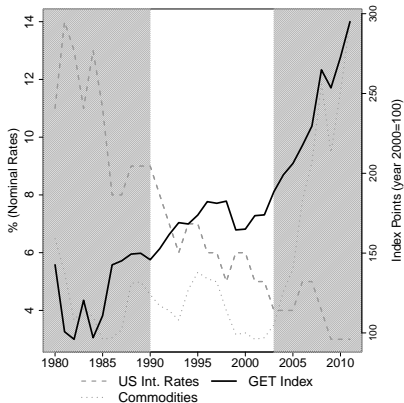
	Coefficient on GET	p-value	
Latin America	35.34	0.005 **	Determined
Argentina	9.77	<0.001**	
Bolivia	3.79	<0.001**	
Paraguay	9.05	<0.001**	
Uruguay	8.18	<0.001**	
Venezuela	9.66	0.003 **	
Brazil	5.06	0.010 *	
Colombia	4.70	0.013 *	
Chile	6.26	0.014 *	
Nicaragua	3.96	0.028 *	
Guatemala	2.09	0.038 *	
Ecuador	4.51	0.045 *	
Peru	4.56	0.067 .	
El Salvador	2.60	0.105	Not Determined
Dominican Republic	4.27	0.111	
Costa Rica	2.85	0.267	
Mexico	1.90	0.275	
Panama	2.82	0.340	
Honduras	1.13	0.597	
<i>United States</i>	<i>-1.36</i>	<i>0.240</i>	

Empirical Part I

International Determinants of Presidential Elections in Latin America

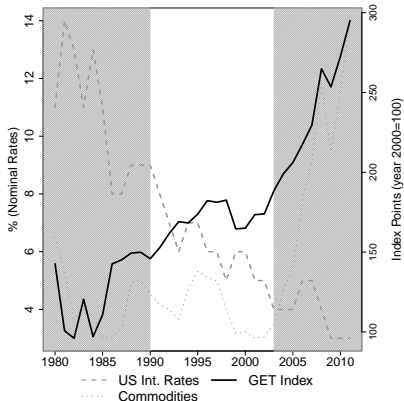
International Determinants of Presidential Elections

From Bad to Good Times...

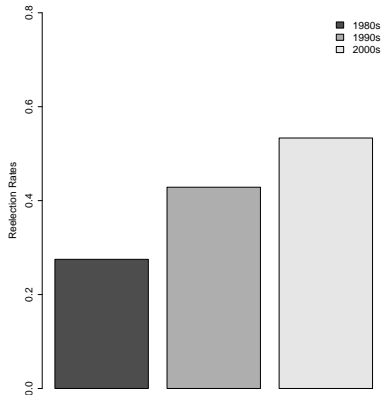


International Determinants of Presidential Elections

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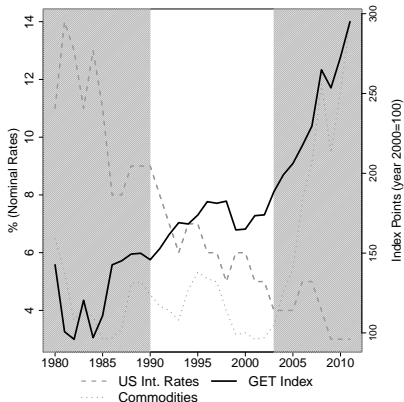


% Reelections

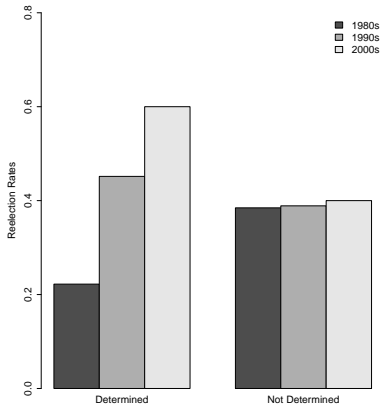


International Determinants of Presidential Elections

From Bad to Good Times...



% Reelections



International Determinants of Presidential Elections

Probit Analysis of Chances of Election

Dependent Variable

- Presidential reelection OR election of candidate supported by president
- Period: 1980–2012
- Full sample: 106 free elections (out of 120) in 18 countries
- Determined: 63 free elections in 11 countries
- Non-Determined: 44 free elections in 7 countries

International Determinants of Presidential Elections

Probit Analysis of Chances of Election

Explanatory Variable

- GET index
- Controls for partisanship and quality of governance*

International Determinants of Presidential Elections

Probit Analysis of Chances of Election

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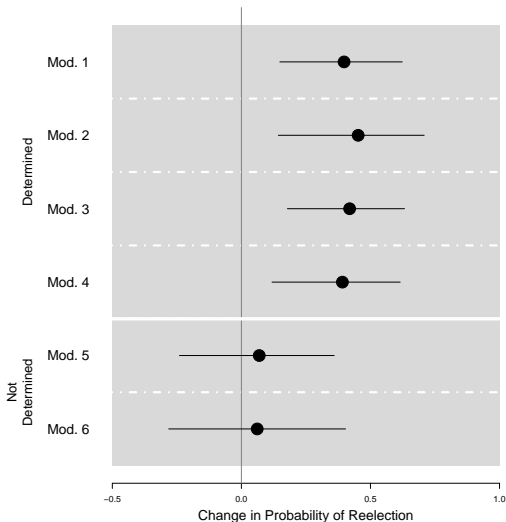
- GET index
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Dealing with the structure of the data

- Fixed effects
- Clustered SE's
- Random effects

First Differences for GET

Effects of Changing from “Bad” to “Good” Economy on Reelection



- Determined
 - Mod. 1 CI. SE
 - Mod. 2 Country FE
 - Mod. 3 Country RE
 - Mod. 4 CI. SE with Ideology
- Non-Determined
 - Mod. 5 CI. SE
 - Mod. 5 Country FE

Empirical Part II

International Determinants of Presidential Popularity in Brazil & Mexico

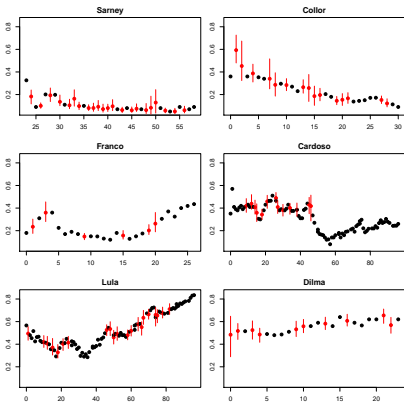
International Determinants of Presidential Popularity

Time Series Analysis of the Popularity of Presidents

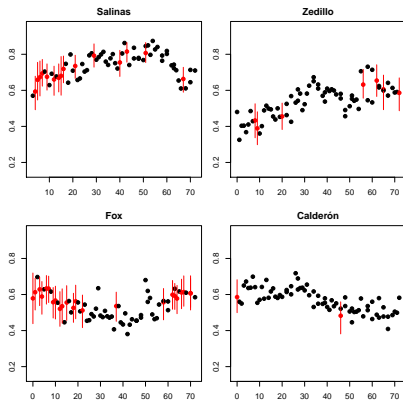
	Brazil (Determined)	Mexico (Non-Determined)
Period	Mar 1987–Dec 2012	Mar. 1989–Dec 2013
Total Months	310	290
Raw Obs.	374 (4 pollsters)	330 (4 pollsters)
Monthly Obs.	222	199
Imputed Obs.	88	91

Imputation of Dependent Variable

Brazil



Mexico



International Determinants of Presidential Popularity

Time Series Analysis of the Popularity of Brazilian Presidents

Modeling Strategy

- OLS for initial diagnostics
- Correct for time serial correlation/stationary issues
 - Lag DV (original and imputed data)
 - ARMA (imputed data)
- Examine residual autocorrelation
- Present results
 - For simplicity, only cleanest specification for each country
 - Full results in the paper, and [here](#)

International Determinants of Presidential Popularity

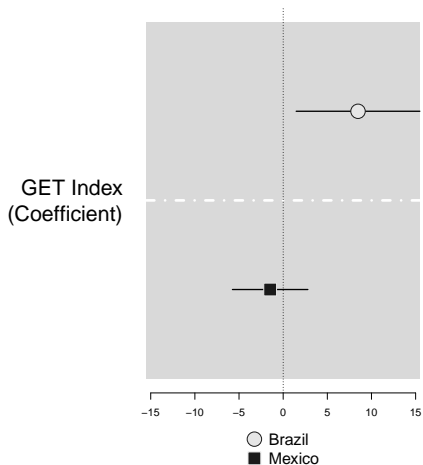
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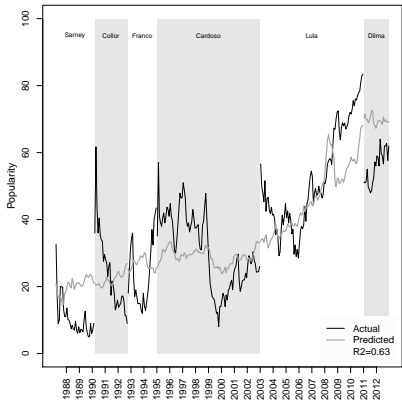
Predicting Presidential Popularity

Effects of GET in the “cleanest” specification in each country

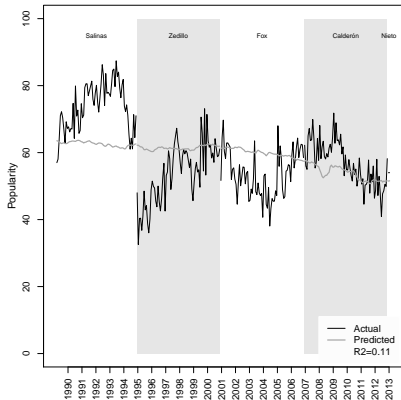


Illustrating the Effects

Brazil



Mexico



Illustrating the Effects

Unlucky Cardoso...



Illustrating the Effects

Unlucky Cardoso...



- Financial crisis, contagion
- Low commodity prices

Illustrating the Effects

Unlucky Cardoso...



- In 2002: 24% approval
- 2010 conditions: 69%

Illustrating the Effects

Unlucky Cardoso...



... and lucky Lula



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Illustrating the Effects

Unlucky Cardoso...



- In 2002: 24% approval
- 2010 conditions: 69%

... and lucky Lula



- Commodity price boom
- Low interest rates

Illustrating the Effects

Unlucky Cardoso...



- In 2002: 24% approval
- 2010 conditions: 69%

... and lucky Lula



- In 2010: 83% approval
- 2002 conditions: 34%

Punchlines

Merit or Luck?

- Voters respond to *exogenously-determined* “good” and “bad” times

Punchlines

Merit or Luck?

- Voters respond to *exogenously-determined* “good” and “bad” times
- Domestic economic factors are not needed to explain the bulk of the variation in presidential success

Implications

- Voters do not distinguish merit from luck *in countries in which luck matters*

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- Voters do not distinguish merit from luck *in countries in which luck matters*
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- Is accountability possible?
- Can information about relative performance make a difference?
 - Who can/should provide such information?
 - Relative to whom?

Book Project

Chapter 1: International Factors and Economic Performance

Chapter 2: Economic Booms, Crises and Elections

Chapter 3: Economic Booms, Crises and Presidential Popularity

Chapter 4: Globalization and the impact of the international economy

Chapter 5: The mediating effect of institutional choices

Chapter 6: Relative performance in the political discourse

Chapter 7: The role of the media

Chapter 8: What if voters had the information? An experimental approach

Conclusion: Accountability ex-post as a normative horizon

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Thanks!

Theoretical Framework

Assuming voters care about economic performance

		Int'l Factors	
		Strong	Weak
Voters Aware	Yes		
	No		

Theoretical Framework

Assuming voters care about economic performance

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Voters Aware	Yes	~ Economic Vote	
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Theoretical Framework

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Voters Aware	Yes	~ Economic Vote	Economic Vote
	No		

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Assuming voters care about economic performance

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Voters Aware	Yes	~ Economic Vote	Economic Vote
	No		Dom. Economic Vote

Theoretical Framework

Assuming voters care about economic performance

		Int'l Factors	
		Strong	Weak
Voters Aware	Yes	~ Economic Vote	Economic Vote
	No	Blind Retrospection	Dom. Economic Vote

International Determinants of Presidential Elections

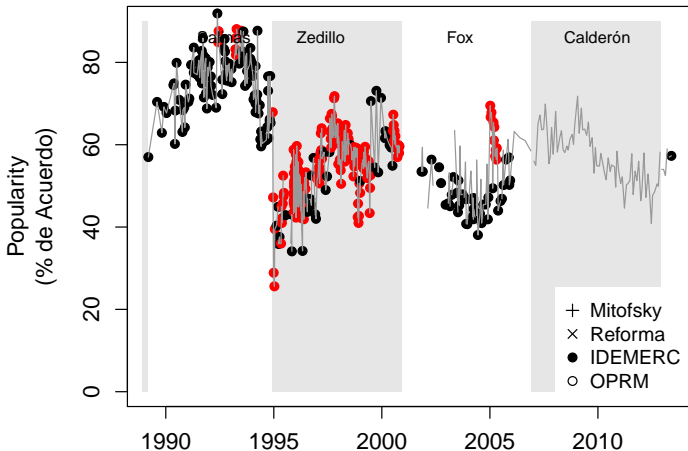
Probit Analysis of Chances of Election

Coding criteria

- Only free and fair elections (Mainwaring, Pérez-Liñan & Brink)
- Reelection and incumbent candidates
- Controversial cases
 - Multiple candidates
 - No incumbent candidate, no support for incumbent candidate
 - Support for candidate from different party
 - Military, interim and caretakers

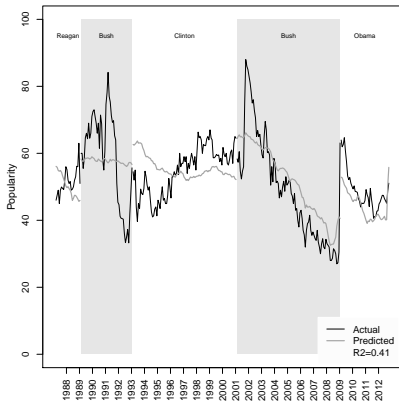
The Raw Popularity Data (Brazil)

The Raw Popularity Data (Mexico)



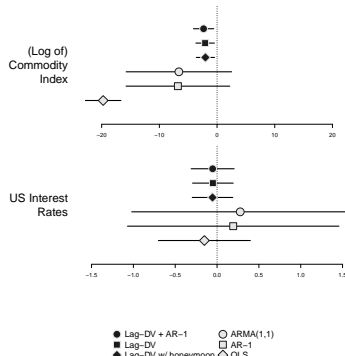
International Factors and Popularity of US Presidents

Predicting Popularity



Essentially just “time in office”

Variable Coefficients

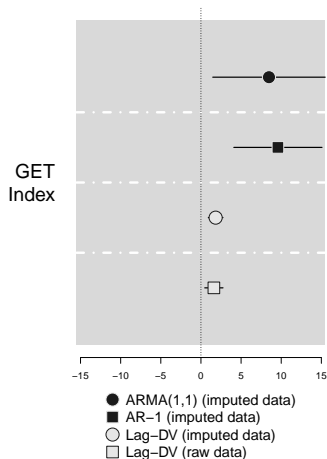


Orders of magnitude smaller!

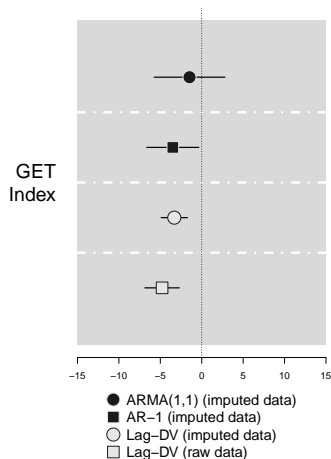
Predicting Presidential Popularity

Effects of the GET Index under different specifications

Brazil



Mexico



Simplified Results