

# Populism-What Next? A First Look at Populist Walking-Stick Economies

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# Populism-What Next? A First Look at Populist Walking-Stick Economies

## Abstract

The recent rise in populist governments has led to much work on the question “why now?”. Our work takes the next logical step by asking “what next?”. That is, given populists in power, what should we expect to be the economic consequences of populist regimes. To answer this, we characterize populist economic policies and argue that they generate an inverted J-curve effect, which we term a “walking stick” effect, in macro-level data, specifically GDP and inflation. To test this claim, we construct a unique data set on 13 Latin American countries from 1976 to 2012 and incorporate more modern and nuanced definitions of populism. Our contribution is both to test the walking stick claim and to present a novel dataset for studying the economic effects of populism. We find compelling evidence for our walking stick hypothesis in both GDP per capita and inflation, suggesting that the answer to “what next” is that we will see on average short-run booms followed by declines under populist regimes.

JEL-Codes: E390, E600, H110, N160.

Keywords: populism, Latin America, business cycle, political economy.

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## Introduction and Motivation

With the rise of populist leaders and parties in both Europe and the United States in recent years, populism has become an increasingly hot topic of research. That populism began to rise now comes as something of a surprise and the question of “why now” dominates much of the new populism research (Inglehart and Norris 2016, Judis 2016, and Rodrik 2018). While understanding the causes of rising populism, and hence “why now”, is important to understand, we are more interested in understanding where the recent rise in populism is leading and ask instead, “what’s next?”.

Our work focuses on the economic aspects of populism and makes three contributions to this growing area of research. First, we focus on what is next versus how we got here. In particular, we predict what we call a “walking stick” pattern in macro data during populist regimes. Second, we test whether economic growth and inflation under populist regimes exhibit our “walking stick” pattern or not. Third, we contribute a novel data set on populist regimes that we employ here to test the walking stick hypothesis. There are many past examples of populist regimes in a range of countries and times from which to draw lessons.

In addressing, “what next?” we draw on the fact that there are many past examples of populist regimes in a range of countries and times from which to draw lessons. In particular, we argue that effective populist governments should generate a “walking stick” pattern in key macroeconomic time series. In contrast to the well-known “J-curve” of increased long-term economic growth which is generated from a short run slowdown (often due to temporary austerity measures to reobtain macro-equilibrium), we claim that populist regimes employ a bundle of policies that generate the opposite effect in the data, an inverted J-curve, or a “walking stick”. That is, they generate a temporary expansion followed by a slowdown.

While there was some literature on the theory of populist “walking sticks”, a pattern sometimes referred to as “the populist cycle” (Sachs 1989), past work relied on anecdotal evidence and generally lacked a formal framework to take this to data more rigorously. We present a novel database on populist presidents in Latin America and use it to test for the presence of “walking sticks”. The dataset is structured as a cross-sectional and times series database of 13 Latin American economies from 1976 to 2012 that incorporates our current understanding and definitions of populism and populist regimes.

To the best of our knowledge, this paper is the first to test the walking stick hypothesis for the broadest definition of populism and to utilize the subset of populists to check the robustness of our results. We find compelling evidence that populist regimes generate a “walking stick” in GDP per capita and consumer price inflation.

## Literature Review on Populism

Throughout the 20<sup>th</sup> century, most regimes or political rules that were labeled populist were left-leaning or openly socialist. Today most regimes being called populist are right-leaning or openly nationalist. For both to be meaningfully called populist, there must be common elements in their political ideologies, worldviews and thus in the types of political and economic policies they favor.

We focus on two characteristics common enough to all populists/populist regimes<sup>1</sup> to define them as such. The first common characteristic is a worldview that is shared by all regimes generally recognized as populist and is generally the basis of their rhetorical campaigns. It is that populists define the world in terms of “us versus them” and claim to be the true representatives of “us”. Once the “us” is defined as the inside group, the worldview is completed by identifying “them” as an outside group. The outside group is generally an elite group or class that exploits or attempts to exploit the inside group (Albertazzi and McDonnell, 2008).

In this world, the populist argues that they understand the true public will (“volonté generale”), generally uniquely defined in the context of the country in question (Houle and Kenny 2016, Kaltwasser and Taggart 2016), and defend the people against the elite outsiders. This can be defending the nation against foreigners but is more often a cultural, class or political distinction that can but need not, cross national boundaries. For example, a left-leaning populist might defend the workers against elite capitalists while a right-leaning populist might defend the native population against migrant workers or any such combination of groups posing a threat to “the people”, or “us”.

An interesting corollary also seems to follow, likely because “the people” are almost always defined in contradistinction to elites. The corollary is that populists generally do not like or trust elites and that includes elite intellectuals, policy advocates and the like. As a result, populists tend to display a distrust of expertise, instead preferring simple relationships and simple solutions to problems. This matters for our research because it means that populists do not necessarily adhere to an intellectually coherent package of policies, preferring to keep it simple and “do what works”. We hope that part of our contribution is to help circumscribe populist economic policies in a meaningful way. We call them populist policy bundles.

A second common characteristic is that their political and economic policies offer short-term “protection” (Guiso et al. 2017) from perceived systemic insecurity. In the economic sphere, populists tend to promote distributive policies along with expansionary fiscal and protectionist trade policies without regard for macroeconomic constraints (Sachs 1989, Dornbusch and Edwards 1991, Guiso et al. 2017). In the political sphere, populists generally vow to abate migration flows and consolidate power to represent the true public will more effectively (Houle and Kenny 2016, Rodrik 2018, Sáenz and Bjørnskov 2018).

Most of the current literature on populism tries to explain why and when populism emerges. Doyle (2011) focuses on Latin America and, using cross-section panel data from 1996-2008, finds that distrust in public institutions drives the persistent success of populists that cast themselves as outsiders. Guiso et al. (2017) try to predict when populists emerge by modeling the demand for and supply of populism using voting data from European countries. The demand for populism seems to be based on “fear or enthusiasm” and is often driven by turnout incentives, economic insecurity, distrust, and negative sentiments towards outsiders (e.g., migrants, global financial elite, and others). The supply of populism tends to occur whenever established parties are unable to address a systemic economic or cultural security crisis.

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<sup>1</sup> We generally blur the distinction between populist leaders and populist regimes since we are only interested in studying populists who came to power and ran a government. Obviously there can be populist leaders who don't run a government but they won't appear in our data set because they also have no or little influence on policy and our interest is in studying the economic effects of populist policies. So we will generally refer to “populists” as a catch all for the leader and the governmental regime. When a more subtle distinction is important, we will make it.

Other studies analyze whether populism emerges after salient economic crises. Funke et al. (2016) find that financial crises lead to an increase in voter share for far-right parties. Stankov (2018) analyzes the effect of severe economic recessions on populism in Latin America and Europe and finds that the levels of inflation and GDP per capita after a crisis increase populist electoral support. Rodrik (2018) indicates that globalization shocks, in general, are associated with increases in populist parties all around the world. He distinguishes between European populism for which international migration is salient and Latin American populism for which distributive issues are salient.

The logical question from the emergence of populism is what comes next? This depends on what populists supply as “short-term” protections and as policies to achieve economic expansion.<sup>2</sup> Sachs (1989) explains that populists faced with high-income inequality in Latin America engage in expansionary distributive policies which lead to a balance of payment crises and inflation. Dornbusch and Edwards (1991) argue that the initial conditions Latin American populists faced was a depressed or stagnating economy coupled with income inequality. This initial condition is what leads populists to engage in redistributive policies and to generate quick economic growth that may violate the government’s intertemporal budget constraint. Most recently, DAVIS et al. (2016) model populist cycles of fiscal policy by introducing a tradeoff between the level of inequality and the level of external debt that is necessary to finance redistribution.

Several papers assess the political and economic consequences of populism. For political consequences, Houle and Kenny (2016) look at the effect Latin American populists had on democratic quality between 1982 and 2012. They found that populist governments tended to erode institutions, measured as a decrease in the rule of law, constraints on the executive, and independence of the judiciary. More generally, Huber and Schimpf (2016) found that populist governments hurt democratic quality, while populists in opposition had a positive effect.

Economic consequences have been analyzed by Bittencourt (2012b) who tests the “populist view on inflation” to examine whether the democratization process of four Latin American countries (Argentina, Bolivia, Brazil, Peru) in the late 1980s and early 1990s led to hyperinflation episodes. Rode and Revuelta (2015) show that populists erode economic institutions, as measured in the Economic Freedom of the World Index. Grier and Maynard (2015), evaluate Hugo Chavez economic performance by comparing it to a synthetic control. Their analysis shows that the increase of real per capita income is higher in the synthetic control and conclude that the economic contributions of Hugo Chavez were adverse.

Our paper is best viewed as continuing this line of work. We argue that a bundle of preferred populist economic policies generates a “walking stick” pattern in GDP and increases of inflation to high levels under a populist regime. Our contribution to the literature is that we test for this pattern over several specific populist regimes in Latin America from 1995-2012. To do this, however, we must first define populist economic policies and their effects in an empirically meaningful way.

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<sup>2</sup> Some studies show that even initially non-populist governments can offer populist policies in an environment where “us” versus “them” rhetoric is prevalent and rent-seeking opportunities for politicians occur. Acemoglu et al. (2012) model the interaction between the ideological “us” versus “them” rhetoric and offered policies. Their model shows that even incumbent politicians may choose populist policies to signal to the voter that they are not beholden to corrupt elite. In a similar vein, Matsen et al. (2014) argue that a rent-seeking incumbent president in an oil-rich economy will tend to offer oil rents to buy political support at unsustainable levels.

## The Populist Policy Bundle and The Walking Sick hypothesis

Macroeconomists often use a J-curve to describe the pattern of economic growth associated with a positive but painful reform such as a fiscal austerity program.<sup>3</sup> When austerity is introduced in a heavily indebted economy running large and persistent government budget deficits, the government tightens its fiscal belt by engaging in various policy reforms such as tax hikes and government spending cuts to generate a budget surplus and pay off debt. Economies undergoing such austerity programs generally experience a recession upon impact but eventually return to positive, and usually improved, GDP growth which generates a J-curve pattern in GDP data (Clinton et al. 2011).

It is worth noting that the most common reason governments impose austerity programs is to “regain macro balance” which usually means that the government is making the adjustments necessary to ensure intertemporal budget constraints are met. Politically it is often done because the economy has gotten so bad that either the political will emerges to take such action or an external agent like the International Monetary Fund has made austerity a condition for loans.

The fiscal restriction itself will usually cause a recession (the initial dip in the J-curve) but, when combined with quality reform, the economy emerges from the recession stronger and unleashes from the chains of crushing debt. It is worth noting that the policy-generated dip contains the elements that *cause* the subsequent boom.

The J-curve tends to be observed during the regime implementing it. This timing is likely intentional. If the recession takes too long, the government may be ousted in the coming election. This also explains the observation that there is a general reluctance on the part of democratic governments to initiate reforms (Williamson 1993) but, once implemented, there is a strong incentive to minimize the length of the painful period in the hope that growth will return before the next election.

The “walking stick”<sup>4</sup> is an inverted J-curve in every sense. It is a short-run boom, driven by policy changes, that themselves sow the seeds of the economy’s subsequent decline. The walking stick generally results from generating a temporary increase in output resulting from increased government spending, cutting taxes, or other demand-side stimuli such as expansionary monetary policy. In addition, economic freedom is reduced (Rode and Revuelta 2015).

In a macroeconomic framework, Sachs (1989) shows that monetary expansion in an economy with fixed exchange rates and capital controls leads to a short-run domestic demand expansion, real exchange rate appreciation, and higher real wages. In the long-run, however, this monetary expansion leads to trade deficits and a balance of payment crisis which in turn leads to a depreciation of the real exchange rate and a decline in real wages. Sachs considers this a common policy failure of Latin American populist regimes and terms it “the populist policy cycle” (Sachs 1989, pp. 11-14).

In Dornbusch and Edwards (1991), the walking stick has three distinct phases. The first phase exhibits growth in output, wages, and employment without problematic inflation. During the second phase, the economy runs into bottlenecks due to a lack of foreign reserves and low inventory. Populists generally

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<sup>3</sup> Note that we use the effects of an austerity package as an example that most macroeconomics will be familiar with and find uncontroversial. That being said, in terms of the modern research on this topic led by Alberto Alesina (see Alesina, Favero, and Giavazzi, 2018), our example better fits tax-based austerity than expenditure-based.

<sup>4</sup> The “walking stick” may be a new term – at least we haven’t heard it before – but it should be a familiar concept.

respond by implementing exchange rate controls and various industry protectionary measures like price controls and subsidies. The third phase is characterized by critical shortages, accelerating inflation, increasing debt, and capital flight. Populist regimes tend to collapse during this phase leading to a new government that implements orthodox stabilization policies with the help of the IMF (Dornbusch and Edwards, 1991, pp. 11-12).

In DAVIS et al. (2016), the downturn results because the government cannot commit to a policy. When external debt becomes too high (and current governments default on their debt), future governments have to consolidate debt by implementing reforms, which increases inequality according to the authors. In their model populist cycles emerge due to a continuous change between two regimes: those that induce J-Curves and those that induce walking sticks.

The specific mechanisms for the downturn may differ for each populist regime. The premise of this paper is that, in general, there are enough common elements to meaningfully think of policy bundles that populists employ and that these policy bundles lead to a long-run decline in GDP growth and an increase in inflation since populists ignore intertemporal constraints.

**TABLE 1: J-Curve and Walking Stick**

<b>J-Curve</b>		<b>Walking Stick</b>	
Short-run (SR) bust that generates accelerated long-run (LR) growth		Short-run (SR) boom that generates decelerated long-run (LR) growth (accelerated decline)	
<b>Common Causes of SR Bust</b>	<b>Effects That Cause LR Accelerated Growth</b>	<b>Common Causes of SR Boom</b>	<b>Effects That Cause LR Decelerated Growth</b>
Fiscal contraction	Reduced debt-overhang (more fiscal freedom and lower future fiscal burden)	Fiscal expansion	Less future fiscal freedom, higher debt burden
Monetary Contraction	Reduced high or medium inflation (and lower associated costs of inflation)	Monetary expansion	Higher inflation and associated costs of inflation
<b>Common Correlated Policy Effects</b>		<b>Common Correlated Policy Effects</b>	
Privatization and trade liberalization	Reallocation of economic resources to higher valued use (improved economic efficiency)	Nationalization and trade restrictions	Reallocation of economic resources away from higher valued uses (reduced economic efficiency)

Source: Authors' own construction.

Table 1 makes clear the logical connection between the J-curve and the walking stick for an economy. They are not just symmetrical graphically but are truly inversions of each other because the same economic relations underlie them both.

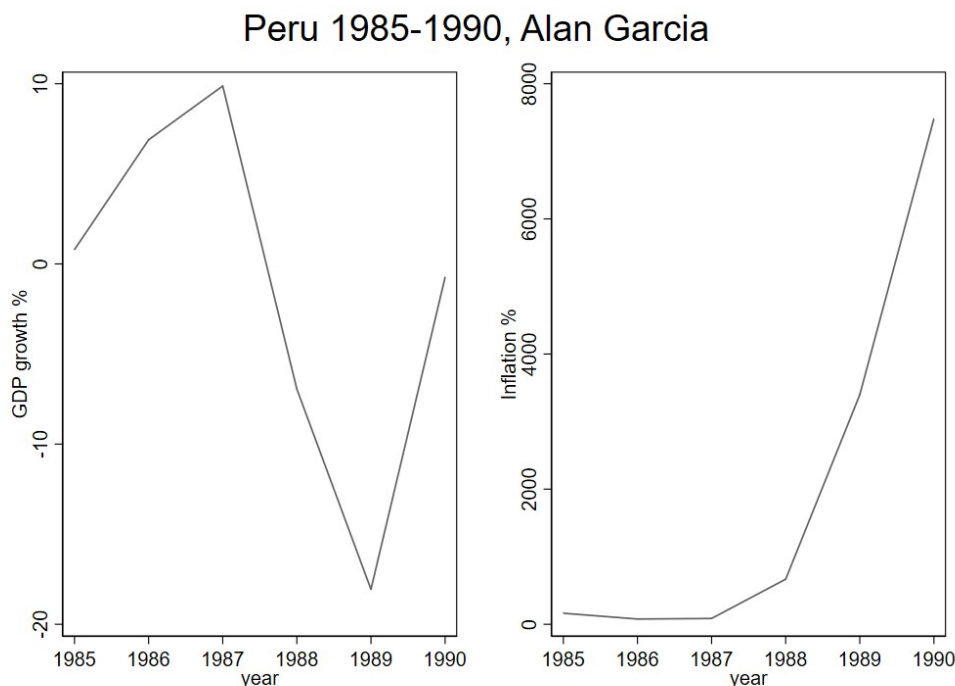
One of the clearest most cited examples of a populist regime that both employed these policies and generated a walking stick is the first Administration of Alan Garcia, Peru 1985-1990. His policy mix contained increases in public sector wages along with price and wage controls to combat inflation. Initially, real GDP per capita increased by 8.9 points in 1986 and inflation fell from triple digits to double digits.



However, over the boom period, the real exchange rate appreciated, the public-sector deficit increased, and the trade balance switched from an initial surplus to a deficit. While growth remained high throughout 1987, in 1988, the foreign exchange reserves were depleted and the economy subsequently collapsed in 1989 (Sachs 1989, Lago 1991).

The walking stick during under Garcia's rule is shown in Figure 1 to illustrate the pattern in the data we attempt to identify. The walking stick per se is seen in the "GDP growth %", left-side panel of Figure 1. The stimulus-driven expansion is seen in the early periods from 1985 to 1987/88, followed by a decline in growth rates which eventually turn negative for the 1988 to 1990 period. This generates an actual "walking stick" pattern in GDP in levels, for example. We use growth rates to identify walking sticks because it is an easier metric, especially when looking across countries, but the true walking stick presents itself in the levels of GDP, for instance. Inflation is also part of the general malaise seen later in the walking stick pattern and can be seen to reach hyperinflationary levels by the end of the Garcia period in the right-side panel of Figure 1.

**FIGURE 1: GDP Growth, Inflation under Alan Garcia**



### The methodology of Testing the Walking Stick

In order to claim that "populism" itself leads to any consistent effects in the data, the effects must transcend policy specifics which differ across regimes both geographically and temporally. This is even more likely with populists since one of the acknowledged common aspects of the populist worldview is a general distrust of intellectual elites. This anti-intellectual approach means populists do not tend to adhere to any specific economic policy, favoring instead "whatever works". We must, therefore, explain clearly our hypothesis, how we identify populists, connect populists with a bundle of policies and then those policies to economic outcomes.

To state our walking stick hypothesis more clearly, we are claiming (a) that populists on average prefer a bundle of policies characterized by nationalization, trade restrictions and more importantly fiscal and monetary expansion without regard for intertemporal aggregate constraints, and (b) that those policies generate short-run booms and long-run busts. Empirically then, given the presence of a populist in power, the probability of this policy bundle being chosen increases and, when chosen, the policy bundle generates a specific boom-bust. Therefore, the crux of our empirical test is that the existence of a populist regime increases the probability of a boom-bust pattern in the data. To test, this we must first identify populists, then tie these policy bundles to populists and finally identify boom-busts.

### Identifying Populists

Identifying populists is not entirely straightforward. To start, attributes of populism evolved with populists over time. In the early days of Latin American populism, populists like Peron were charismatic personalities supported by unorganized masses that simultaneously focused on expansionary policies, especially import substitution. In the 1970s and mainly the 1980s, populism was largely identified through economic policies such as expansionary fiscal policies and heterodox stabilization measures. Figures, such as Sarney of Brazil, were defined as populists for their economic policies even though they lacked the charisma of previous personalist leaders (Sachs 1989, Drake 1991). A subset of economic populists are socialists such as Salvadore Allende of Chile and Daniel Ortega of Nicaragua. Their inclusion into populism is problematic since they follow socialist ideals, which are characterized by a different political concept (Sachs 1989, Weyland 2001).

In the late 1980s and early 1990s, a new form of populism arose which was characterized by personality leaders with liberal economic policies. This class was referred to as 'bait-and-switchers' (Drake 1991). A prime example is Carlos Menem of Argentina, who had support from unorganized masses but implemented the policy recommendation of the Washington Consensus.

We identify populism in our data at the level presidents, which is adequate for the political structure of most Latin American countries (Rodrik 2018). We follow Rodrik's (2018) methodology by identifying populism through academic literature. If a president is considered a populist in the academic literature, we code a populist dummy to be one. Table A1 in the appendix shows all presidents we have identified as populists from 13 Latin American countries between 1975-2016. Our primary literature sources are Dornbusch and Edwards (1991), Weyland (2001), De la Torre (1997 & 2007), Doyle (2011), and Houle and Kenny (2016), Sachs (1989).

Weyland (2001) shows three approaches to defining a contested subject such as populism: the cumulative, redefined, and radial approaches. The cumulative approach defines populism as a combination of all possible attributes but requires that they hold simultaneously. The redefined approach focuses on a specific domain and disregards other attributes. The radial approach defines populism in the broadest sense, including the other two definitions. Our approach is to be as inclusive as possible and hence is equivalent to using Weyland's (2001) radial definition. This approach, by construction, encompasses any combination of our two common characteristics on populism: the ideological rhetoric of "us versus them" and short-term protection.

While the radial definition is helpful as a "catch-all", that is also its drawback. Radial definitions help decrease the chances of false negatives (Weyland 2001, p. 3) and allow us to know that our definition is not tautological to populist cycles. However, radial definitions increase the number of conflicts due to

their imprecise borders that complicate distinguishing presidents that have been identified as populist to presidents that are non-populists. Moreover, radial definitions increase false positives. We try to remedy this and test the robustness by sequentially excluding sets of populists, so our analysis is transparent to the reader.

### Connecting Populists and Policy Bundles

To tie the policy bundles to populists in a way that is independent of policy specifics, we use “guilt by association”. That is, we assume that the existence of a populist regime implies the implementation of the policy bundle described in Table 1 (two columns on the right). We then assume that the existence of a non-populist regime implies that this Table 1 policy bundle is not implemented.

Our second challenge is to identify a boom followed by a bust that is not specific to a particular policy but is tied to the effects of the policy bundle likely chosen by the populist. This is the only way to test if populists themselves and populism as such have distinct economic effects or are just political labels.

We choose two dependent variables to focus on GDP per capita and inflation. These are both easily identifiable and it is clear that whatever the specifics of the policy bundle, they should affect these two variables. GDP per capita is usually a target of populists as they are attempting to boost the economy (Dornbusch and Edwards 1991). Both fiscal and monetary expansion, especially when done in a way that ignores intertemporal budget constraints, should lead to inflation.

Since we need a prediction that applies for all populists and is independent of their policy specifics, we start with the assumption that whatever the policies implemented, they should exhibit early successes (i.e., an increase in GDP) and problems should arise later. We capture this by breaking each populist’s time in office<sup>5</sup> into a first half and a second half using a dummy, LH, that is 1 in the last half of a populist regime. This exploits our assumption that timing is chosen to minimize the potential negative effects on elections.

This defines an “early” and a “later” period that is endogenous to the length each president was in office. To make our walking stick prediction conform then, we predict that we will observe the boom during the “early” period and the bust during the “later” period.

We, therefore, have two basic empirical predictions

1.  $\hat{y}_{FH|Pop} > \hat{y}_{LH|Pop}$
2.  $\hat{\pi}_{FH|Pop} < \hat{\pi}_{LH|Pop}$

These predictions claim that the walking stick exists conditional on the regime being populist. The first one says that GDP per capita growth should be higher in the first half (FH) than in the last half (LH) of a populist regime. The second says that inflation should be the opposite (i.e., higher in the last half). By implication then, these patterns should not be observed under non-populist regimes.

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<sup>5</sup> Time in office captures the years from when a president assumed office to the year they left office. By construction, each president’s time in office implies a replacement of the incumbent. Hence, we do not look at legislature periods.

## Data

We construct a novel dataset that is a cross-sectional time-series panel for 13 Latin American countries<sup>6</sup> between 1976 and 2012. We use data from the World Statesmen (2019)<sup>7</sup> to identify the time (years) in office for each president. For partial years, we allocate a president to a given year if he was in office on January 1<sup>st</sup> of that year. To identify walking sticks, we construct a dummy variable for the second half of each president's time in office.<sup>8</sup> In this way we can distinguish the first half of time in office, when we expect to observe increased GDP growth, from the second half, when we expect to observe lower growth but increased inflation for populist presidents.

To measure output, which is our primary dependent variable, we use real GDP per capita growth in PPP (constant \$2011) from the Penn World Table (PWT) dataset mark 9.0<sup>9</sup>. Our second dependent variable is consumer price inflation in percent which we get from the World Development Indicators.

The control variables we need to include are those variables that determine growth (or inflation) and populist presidents jointly without controlling for aspects that vary with the populist policy bundle that leads to populist cycles as described above. Consequently, we do not want to control for government spending, debt, trade volume, and investment since these are the tools used by populist regimes to influence growth although there is evidence showing that they are relevant for economic growth in Latin America (Bittencourt 2012b and De Gregorio 1992).

There is evidence that unequal societies are more likely to choose populist leaders (Sachs 1989, pp. 2-5) and that the inequality itself may also affect economic growth or inflation (Albanesi 2007 and Aghion et al. 1999). We control for this by including the Gini coefficient from the World Bank's All The Ginis<sup>10</sup> data. We also include oil rents as a percentage of GDP from the World Bank Indicators as populist have been associated with using a natural resource to maintain political support ("petrol-populism") (Matsen et al. 2016).<sup>11</sup>

Populist regimes are not inherently tied to any specific legal-political institutional structure like Latin American socialism, but there is also evidence that the presence of democracy can affect growth (Aisen and Veiga 2008 and Acemoglu et al. 2014). To control for the effect of political regimes on growth more broadly we include Polity2 from the Polity IV Project (2014) as a broad indicator of regime type. Polity2 is an index ranging from -10 for the most autocratic regime to 10 for the most democratic.

Next, we construct three dummy variables as controls. Our first dummy indicates whether the predecessor government was populist or not. This is intended to control for a potentially weak economy left by a populist versus a strong economy left by a non-populist, in general accordance with our theory.

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<sup>6</sup> Argentina, Bolivia, Brazil, Chile, Columbia, Ecuador, Guatemala, Mexico, Nicaragua, Paraguay, Peru, Uruguay, Venezuela

<sup>7</sup> <http://worldstatesmen.org/>

<sup>8</sup> Note that this dummy is endogenously determined by the length of the time in office. Given that a president is longer than one year in office, every president has a last half dummy. We believe that since time in office varies greatly, the endogenous determination of the first half and last half better allows us to attribute the state of the economy to the presidents. Moreover, the endogenous determination should counteract a survival bias.

<sup>9</sup> <https://www.rug.nl/ggdc/productivity/pwt/>

<sup>10</sup> We use the November 2014 version. <http://www.worldbank.org/en/research/brief/all-the-ginis>

<sup>11</sup> We include recode missing values for Nicaragua under the Sardinista regime to zero, since Nicaragua at that time did not have oil reserves and therefore could not have revenues from oil rents as percentage of GDP.

To control for political business cycles (Shi and Svensson 2006), we include a dummy for election years using the NELDA 4.0 dataset<sup>12</sup>. Moreover, we use the Database for Political institutions to include a dummy for the political system. This dummy indicates whether an assembly – instead of the public – elects the president. Presidential election by assemblies dis-incentivize politicians to maintain cliental support.

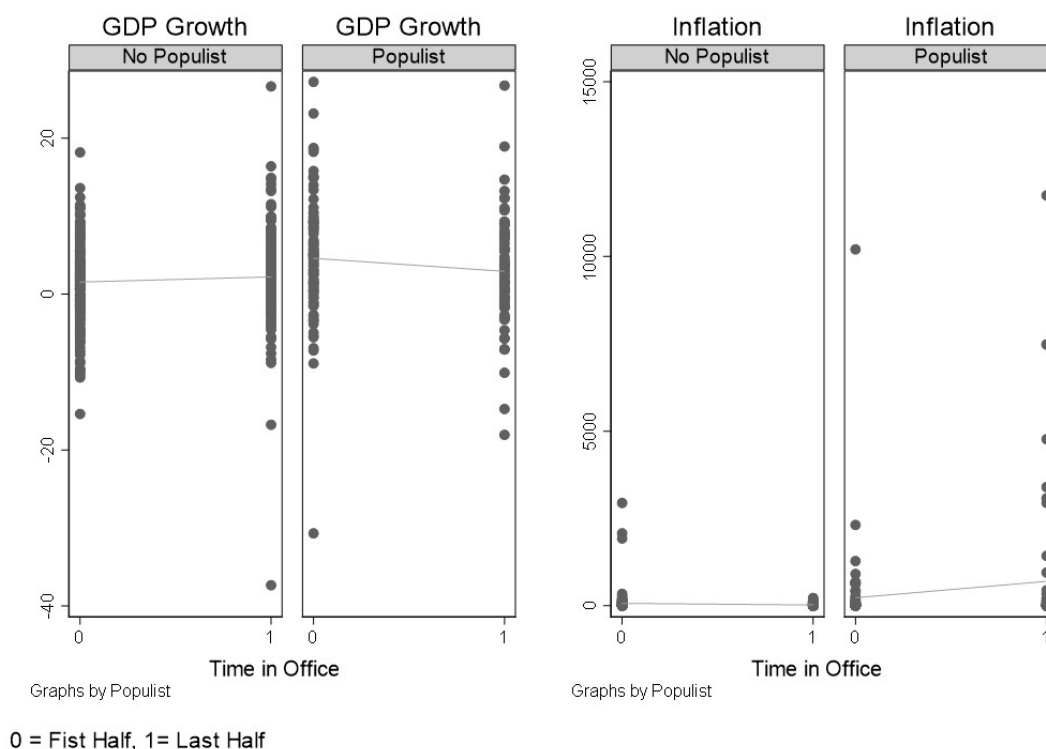
A final potentially important covariable is central bank independence. In our basic version, we do not include central bank independence. However, we may believe that central bank independence should not be included as covariable since we think that a side effect the populist policy is coercing the central bank to implement an inflationary tax when needed. We test this hypothesis in the robustness check.

### Empirical Analysis

As a first step, we explore whether any difference between populists and non-populists exists in the data at all. This is informative in itself and indicates which variables we expect to be more significant when we turn to deeper statistical analysis.

Figure 2 shows scatter plots over real per capita growth and inflation in consumer prices. Each graph shows the first versus last half of time in office (last half coded 1) for non-populists and populists. In line with our theory of the walking stick, the second half of populist time in office shows, lower growth, and higher inflation.

**FIGURE 2: GDP Growth and Inflation by Populist and Time in Office**



<sup>12</sup> National Elections Across Democracy and Autocracy. <https://nelda.co/>

Table 2 presents the summary statistics<sup>13</sup> for the graphs in Figure 2. Figure 2 patterns in both the averages and medians show that growth was lower (2.7%) in the second half of populist regimes compared to the first half (4.7%). It is also interesting to note that mean GDP growth during the first half of populist regimes is also higher than both first half (1.6%) and last half (1.7%) of non-populist regimes.

The change in mean inflation is also consistent with our theory. The first half of populist regimes exhibit mean inflation of 230.3% compared to 700.1% in the last half, as a walking stick would predict. Additionally, this is distinct for populist regimes since inflation is 69.6% and 25% for the first and second halves of non-populist regimes, respectively. These patterns hold for both medians and means. However, the mean inflation rates are higher than the median rates indicating that high inflation rates are partially driven by bursts of high inflation (outliers). It is known that all hyperinflation episodes in Latin America were under populist regimes (Hanke and Krus 2013) which appears in the data and supports our claim. The summary statistics and scatter plots show that there are some extreme values in both growth and inflation. A possible solution would be clean outliers. However, we left them in the data since the theoretical background of populist cycles emphasizes crises and extreme values for growth and inflation will contain important information for our estimation.

**TABLE 2: Descriptive Statistics by Populist and Time in Office**

Variables	Sample	Median	Mean	SD	Min	Max	Count
Growth	All	2.1	2.5	6.4	-37.4	27.2	481
	No Populist: First Half	1.6	1.5	5.2	-15.4	18.2	174
	No Populist: Last Half	1.7	2.2	6.3	-37.4	26.6	149
	Populist: First Half	4.7	4.6	7.6	-30.7	27.2	93
	Populist: Last Half	2.7	2.9	7.3	-18.1	26.7	65
Inflation	All	13.2	173.3	944.6	-1.2	11,749.60	476
	No Populist: First Half	12.5	69.6	310.5	-0.9	2,945.10	171
	No Populist: Last Half	11.6	25	34.8	-1.1	226	147
	Populist: First Half	17.1	230.3	1,092.50	0.2	10,205.00	93
	Populist: Last Half	18.9	700.1	2,069.40	-1.2	11,749.60	65

Source: Penn World Table 9.0 , World Bank Indicators

Before running our estimation, we test for panel stationarity. Although our variables are mostly growth rates or indices and should, therefore, be contained, some of the growth rates have been extreme. Following Bittencourt (2012b) we use the Im et al. (2003) test for non-stationarity in country times series which allows for heterogeneous parameters and serial correlation. The test statistic for GDP growth is -14.388 rejecting the null hypothesis that all panels contain unit roots. The panel test on unit roots for inflation is also rejected (test statistic: -8.68)

Our generic model specification is the following for GDP growth<sup>14</sup>,

<sup>13</sup> Summary statistics for the covariables can be found in the appendix in table A.2.

<sup>14</sup> Henceforth also referred to as growth.

$$Growth = \beta_{1t}Populist + \beta_{2t}LH + \beta_{3t}(Populist \times LH) + \beta_{4t}Growth_{t-1} + \delta X_{it} + \alpha_i + \alpha_t + \varepsilon_{it} ,$$

and inflation

$$Infl = \beta_{1t}Populist + \beta_{2t}LH + \beta_{3t}(Populist \times LH) + \beta_{4t}Infl_{t-1} + \delta X_{it} + \alpha_i + \alpha_t + \varepsilon_{it} ,$$

where *Growth* is real GDP per capita growth in percent, *Infl* is consumer price inflation in percent, *LH* is the dummy variable indicating the last half time in office for every president, *X* are the control variables,  $\alpha_i$  are country fixed-effects,  $\alpha_t$  are time fixed-effects, and  $\varepsilon_{it}$  are the idiosyncratic errors.

We include country fixed effects since the prevalence of populism varies over countries. While Argentina, Ecuador, and Peru elected many populists, Mexico, Guatemala, Paraguay, and Uruguay elected only a few. We also include time fixed effects because we believe that some world events, such as the rise in oil prices, the Brady Plan, the Washington consensus, and the financial crises of 2008, affected many countries in our sample simultaneously. In this way, some of the external forces that led to the collapse of emerging market economies should be controlled for (e.g., sudden stops that several Latin American countries suffered simultaneously). Since growth should be autocorrelated, we also include lags of GDP growth.

Our primary estimation method is a two-way fixed effects estimation based on Least Squares Dummy Variables (LSDV). With  $T=37^{15}$  years and  $N=13$  countries including a dynamic, endogenous regressor, two-way fixed effects estimation can lead to a Nickell (1981) bias. Judson and Owen (1999) show that even with 30 periods the Nickell bias can reach up to 20% of the true value of the coefficient of interest. Bittencourt (2012b, p. 336) argues that with 38 time periods the Nickell bias may be sufficiently reduced. A typical solution to a dynamic, endogenous dependent variable is to use the Arellano Bond (1991) estimator which is a General Method of Moments (GMM) estimation technique (Roodman 2009). However, Arellano Bond estimation relies on large  $N$  and small  $T$  samples. Since our dataset has a  $T > N$  structure, the Arellano Bond estimator will also lead to biased results (Judson and Owen 1991, p. 14). Following Judson and Owen (1991), we focus our interpretation on the LSDV estimation results as they perform better than the GMM estimator of Arellano-Bond does, but we report both results (Judson and Owen 1991, p. 13).

## Results

### GDP Growth and Time in Office Baseline Estimates

We first analyze the effect of a populist regime on real GDP growth. The regression results of the three estimation methods are reported in Table 3. All estimation methods share the same qualitative result that for the first half of time in office, populists have higher growth rates (significant at the 1% level) than non-populists, but that growth declines in the second half of time in office. The magnitude of the populist indicator is the largest in each model, implying that populism is an important factor in explaining GDP growth in Latin America. The estimates of our preferred two-way fixed effects (two-way FE) estimation method show that, compared to the first half of non-populists, the growth rate under populists in the first

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<sup>15</sup> Totaling 481 observations for all key variables except: Gini coefficient 4 missing values (2012 Venezuela, 2010-2012 Nicaragua), Inflation with 5 missing values (Brazil 1976-1980).

half of their time in office is 2.5 percentage points higher. However, growth declines under a populist regime.

**TABLE 3: Regression Results GDP Growth**

	(1)	(2)	(3)
	Country FE	Two-way FE	GMM
Populist	2.739*** [0.97,4.51]	2.488*** [0.90,4.07]	2.083*** [0.74,3.42]
LH	0.438 [-1.35,2.22]	0.435 [-1.68,2.55]	0.468 [-1.22,2.16]
Populist # LH	-1.637 [-4.61,1.34]	-1.675 [-4.50,1.15]	-2.035* [-4.28,0.21]
L.GDP growth %	0.207** [0.04,0.37]	0.175** [0.03,0.32]	0.231*** [0.14,0.32]
Oilrents %	0.616*** [0.24,1.00]	0.450** [0.08,0.82]	0.0233 [-0.06,0.11]
Gini	0.236* [-0.03,0.50]	-0.726*** [-1.01,-0.44]	-0.0216 [-0.06,0.01]
Election Year	0.784 [-0.77,2.33]	1.126 [-0.45,2.71]	1.045* [-0.15,2.24]
Predecessor Populist	0.285 [-1.31,1.88]	0.144 [-1.20,1.49]	0.205 [-0.91,1.32]
Polity2	0.0644* [-0.01,0.14]	0.0521 [-0.07,0.17]	0.0094 [-0.10,0.12]
Assembly Elected	0.683 [-0.51,1.87]	0.469 [-0.95,1.89]	0.773 [-0.28,1.82]
Adj. R <sup>2</sup>	0.16	0.31	
AR(2) <sup>a</sup>			-0.83
P-value AR(2)			0.41
Hansen <sup>b</sup>			0
P-Value Hansen			1
Observations	477	477	477

95% confidence intervals in brackets. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1. The instruments used in the GMM estimation are lagged levels (three periods) of the dependent variable and the control variables (Oil, Gini, Election Year, Predecessor Populist, Polity2, and Assembly Elected President). a Serial Correlation is a test of the hypothesis that the error term in the error term is not serially correlated (AR(2)). P-values are shown in parenthesis. b The Hanse test is a test of the over-identifying restrictions where the null hypothesis is that the instruments are not correlated with the error term.

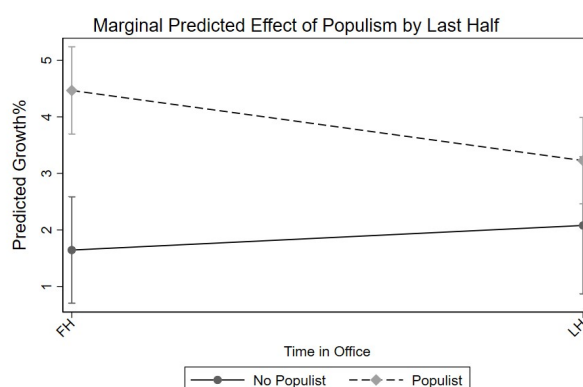
In Table 3, the interaction term between populism and the last half (LH) of time in office does not translate to the absolute differences between the first and last half growth under a populist regime. For this purpose, we calculate the predicted marginal effects of populism over time in office. Table 4 shows the predicted marginal effects by time in office as well as the p-values of the t-test on the equality of predicted margins.



**TABLE 4: Predicted Marginal Effects GDP Growth**

	(2) Two-way FE
No Populist	1.947 [1.63,2.26]
Populist	3.687 [3.03,4.35]
FH	2.556 [1.93,3.18]
LH	2.45 [1.72,3.18]
No Populist # FH	1.753 [0.75,2.76]
No Populist # LH	2.188 [0.98,3.39]
Populist # FH	4.241 [3.35,5.13]
Populist # LH	3.001 [2.02,3.98]
P-value PopulistFH=PopulistLH <sup>a</sup>	0.0627
P-value PopulistFH=NonPopulistFH <sup>a</sup>	0.00506
P-value PopulistLH=NonPopulistLH <sup>a</sup>	0.358
95% confidence intervals in brackets. Estimation method is Two-Way FE on the baseline model. <sup>a</sup> T-test on the equality of the parameters.	

Consistent with the walking-stick hypothesis, the predicted growth rate for populists is high in the first half (FH) of time in office, here 4.2 percentage points, but declines ceteris paribus to predicted 3 percentage points in the last half (LH) of time in office. The t-test on the equality of predicted margins indicates a significant difference at the 10% level. For the non-populist president, the marginal effect on growth in the first half is 1.7 percentage points and increases in the last half to 2.1 percentage points. Figure 3 illustrates these developments of predicted GDP growth of populists and non-populist over time in office.

**FIGURE 3: Predicted Marginal Effects GDP Growth**

The developments in the marginal effects of populists and non-populists on growth are in line with our hypothesis that populists create walking sticks. The margins indicate that in the first half of time in office, populists have a ceteris paribus higher marginal growth rate. However, the average predicted marginal growth rate for populists falls over the time in office.

#### Inflation and Time In Office Baseline Estimates

We next turn to the effects of a populist president on inflation. In his work to test the populist view of inflation, Bittencourt (2012a, 2012b) includes five covariates: lag of inflation, the government share of consumption, openness (ratio of exports and imports to GDP), GDP growth rate, and liquid liabilities over GDP (M3). Since we assume that populists impose a certain policy bundle, we want to include those covariates that determine populism and inflation jointly, but that do not vary with the populist policy bundle. We, therefore, choose analog covariates for our regression on inflation: lag of inflation, Gini, election year, predecessor populist, Polity2, and assembly-elected President<sup>16</sup>.

Table 5 shows the regression results for our model on inflation. Our preferred two-way fixed effects estimation indicates that compared to non-populists, that populists qualitatively show a higher inflation rate in the first half, though it is not significant at any conventional confidence level. Consistent with our hypothesis, inflation increases significantly in the last half (LH) of time in office compared to non-populists. To check the absolute differences between the groups, we predict the marginal effects of the populist regime over time in office for our preferred two-way fixed effects model. The results are summarized in Table 6 and Figure 4.

<sup>16</sup> Since the theory of Petro-Populism is based around GDP growth and we look at consumer prices, we exclude the Oilrents.

TABLE 5: Regression Results Inflation

	(1) Country FE	(2) Two-way FE	(3) GMM
Populist	247 [-163.42,657.50]	181.9 [-193.48,557.27]	122.6 [-125.69,370.92]
LH	-43.31 [-101.79,15.17]	-115.7 [-261.12,29.79]	-116.9** [-231.67,-2.15]
Populist # LH	437.4* [-78.14,952.89]	460.4** [13.76,907.05]	426.1** [64.69,787.57]
L.Inflation %	0.343*** [0.11,0.58]	0.323*** [0.10,0.54]	0.371*** [0.18,0.57]
Gini	-10.93 [-29.998.13]	-7.89 [-20.414.63]	-2.51 [-6.791.77]
Election Year	227.8** [6.764,48.93]	194.0* [-14.90,402.98]	193.7** [16.67,370.78]
Predecessor Populist	174.7 [-180.67530.03]	119.7 [-184.76424.23]	15.22 [-114.58145.02]
Polity2	3.631 [-6.93,14.20]	5.869 [-10.76,22.50]	-1.417 [-17.83,15.00]
Assembly Elected	50.11 [-80.16,180.39]	-68.77 [-513.44,375.89]	8.505 [-250.26,267.27]
Adj. R <sup>2</sup>	0.24	0.27	
AR(2)			0.92
P-value AR(2)			0.36
Hansen			0
P-Value Hansen			1
Observations	471	471	471

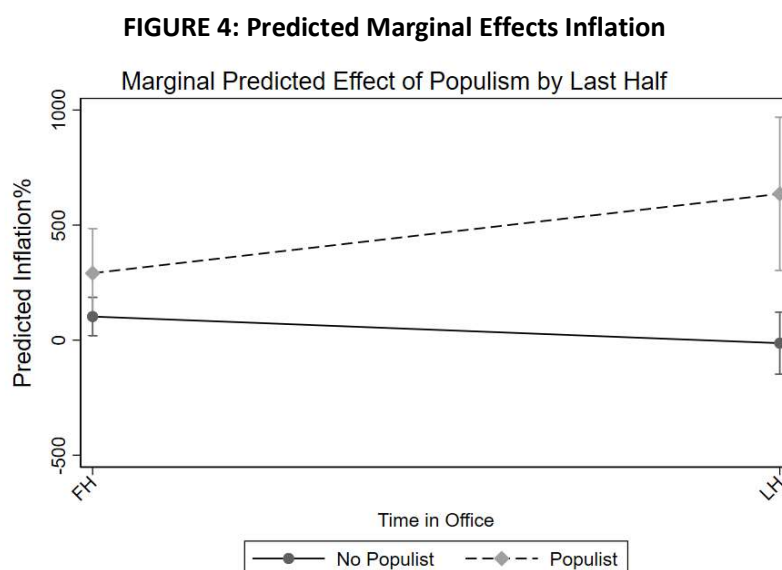
95% confidence intervals in brackets. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1. The instruments used in the GMM estimation are lagged levels (three periods) of the dependent variable and the control variables (Oil, Gini, Election Year, Predecessor Populist, Polity2, and Assembly Elected President). a Serial Correlation is a test of the hypothesis that the error term in the error term is not serially correlated (AR(2)). P-values are shown in parenthesis. b The Hansen test is a test of the over-identifying restrictions where the null hypothesis is that the instruments are not correlated with the error term.

**TABLE 6: Predicted Marginal Effects Inflation**

	(1)
	Two-way FE
No Populist	52.81 [-84.45,190.08]
Populist	441 [151.65,730.28]
FH	164.1 [99.41,228.80]
LH	199 [113.87,284.08]
No Populist # FH	104.6 [-22.74,232.00]
No Populist # LH	-11.04 [-194.74,172.66]
Populist # FH	286.5 [14.06,559.00]
Populist # LH	631.3 [203.23,1059.30]
P-value PopulistFH=PopulistLH <sup>a</sup>	0.0842
P-value PopulistFH=NonPopulistFH <sup>a</sup>	0.312
P-value PopulistLH=NonPopulistLH <sup>a</sup>	0.0341

95% confidence intervals in brackets. Estimation method is Two-Way FE on the baseline model. <sup>a</sup> T-test on the equality of the parameters.

The predicted marginal effects of inflation over time in office shows that inflation increases to 631.3 percentage points in the last half of time in office for populists, from initially 286.5 percentage points. This increase is significant at the 10% level. Compared to non-populists, predicted inflation under populists is significantly higher in the last half of time office.



The baseline analysis shows modest support for our hypotheses. The difference of the GDP growth and inflation over time in office during a populist regime is significant at the 10% level. However, for both models, the confidence bands of the parameter estimates and predicted margins are large. Large confidence bands indicate heterogeneity among the populists and therefore in the economic consequences of populists as well. The heterogeneity of economic performance is exacerbated through some extreme values. This dynamic is most salient for our model on inflation, where some paths of inflation ended in hyperinflation episodes<sup>17</sup>. Hyperinflation episodes necessarily imply a high variance of inflation rates (as seen in the large standard deviations of inflation in Table 2). Therefore, large confidence bands are not surprising.

We now turn to robustness checks of our models.

## Robustness Checks

### Populist Identification

The first robustness check is to test the robustness of our method of defining and identifying populist presidents. Since the definition of populism is a contested subject and there are a variety of ways to measure populism, we want to make sure that our results are not sensitive to our specific approach in coding populists.

We compare our index to the recently created index of Latin American populists from Sáenz and Bjørnskov (2018).<sup>18</sup> The indices are constructed by newspaper articles that refer to a president as a populist as share of all mentions of the president from English-speaking and Spanish-speaking newspaper articles<sup>19</sup>. Hence

<sup>17</sup> All hyperinflation episode according to Hanke and Krus (2013) have occurred under populist governments: Argentina 1989-1990, Brazil 1989-1990, Bolivia 1984-1985, Chile 1973, Nicaragua 1986-1991, Peru 1988, Peru 1990

<sup>18</sup> We thank Andrea Sáenz and Christian Bjørnskov for kindly sharing their data.

<sup>19</sup> English speaking newspapers include: New York Times, Washington Post, Wall Street Journal, Los Angeles Times, London Times, Telegraph, Guardian, and the Observer.

the indices run from 0 to 1 where an increase in the index denotes higher confidence that a president exhibits populist characteristics.

We then run six new models excluding a different subset of presidents<sup>20</sup> to test the robustness of our identification method. Models (1) through (4) uses the Sáenz and Bjørnskov (2018) newspaper indices as a benchmark and exclude presidents where both indices show a salient discrepancy with our coding. In models (1) and (2) we exclude presidents where both indices are at least 0.1 but our populist dummy is equal to zero, or our populist dummy is equal to one, but both newspaper indices are at zero. In models (2) and (3) we exclude presidents where both indices are at least 0.05 but our populist dummy is equal to zero, or our populist dummy is equal to one, but both newspaper indices are at zero. We also run our models by excluding populist presidents that are also considered to be socialists since these two concepts emphasize different political and economic approaches (Drake 1991, p. 38). Table 7 reports the predicted marginal effects.

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<sup>20</sup> Table A.3 in the appendix lists all presidents that have been excluded.

TABLE 7: Predicted Marginal Effects – Excluding Populists

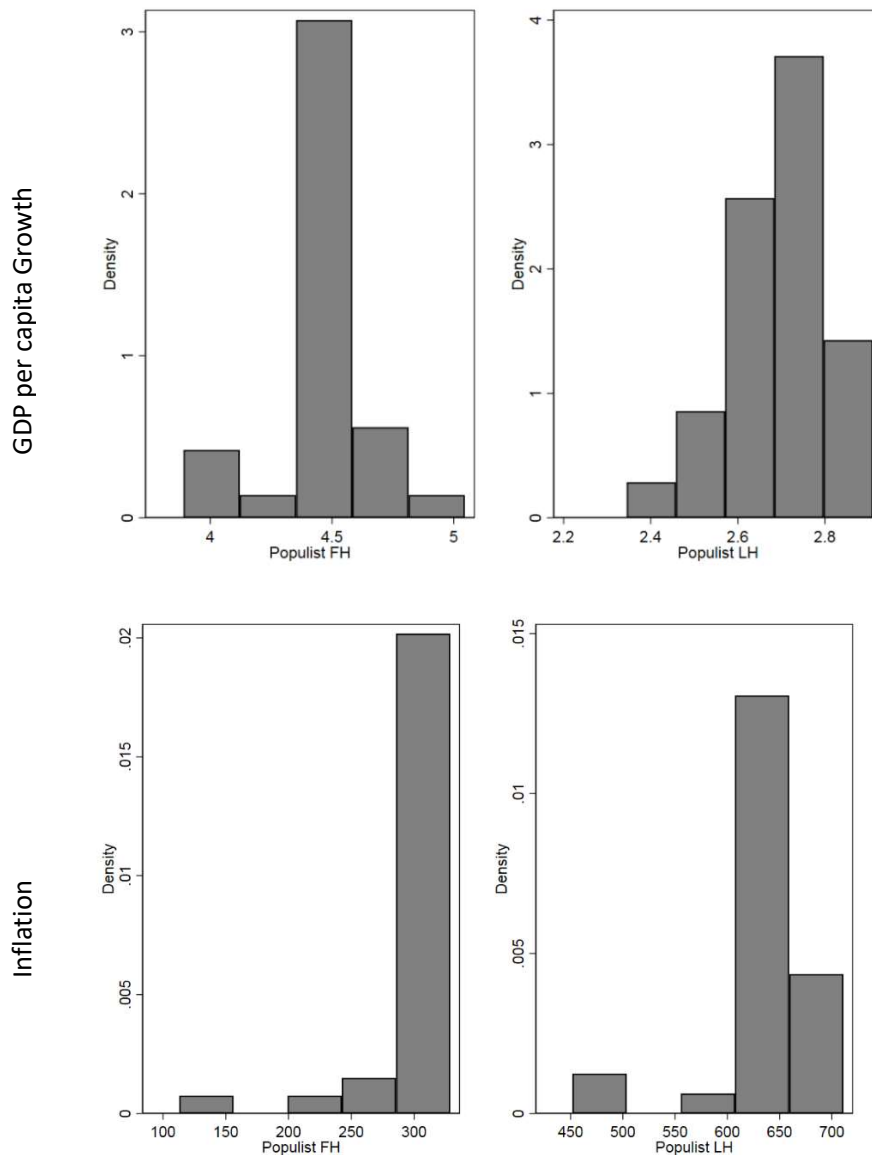
Dependent	(1) Growth	(2) Inflation	(3) Growth	(4) Inflation	(5) Growth	(6) Inflation
No Populist	2.157 [1.71,2.61]	50.81 [-106.51,208.13]	2.363 [1.77,2.96]	67.88 [-109.17,244.92]	2.098 [1.78,2.42]	61.09 [-40.87,163.04]
Populist	3.682 [2.79,4.58]	483.3 [172.70,794.00]	3.624 [2.65,4.60]	468.8 [189.72,747.93]	3.233 [2.41,4.06]	320.2 [50.38,590.08]
FH	2.841 [2.17,3.51]	177.5 [106.44,248.60]	3.142 [2.45,3.83]	188.3 [115.79,260.72]	2.466 [1.65,3.28]	109.2 [55.47,162.83]
LH	2.462 [1.70,3.23]	224.6 [132.52,316.63]	2.493 [1.71,3.27]	268.7 [173.01,364.43]	2.346 [1.39,3.30]	162.5 [96.94,228.09]
No Populist # FH	2.073 [1.03,3.12]	107.4 [-39.23,254.00]	2.411 [1.37,3.45]	121.9 [-65.70,309.45]	1.889 [0.67,3.11]	104.1 [8.30,199.89]
No Populist # LH	2.258 [0.89,3.63]	-17.97 [-230.97,195.03]	2.305 [0.74,3.87]	2.884 [-211.95,217.72]	2.348 [1.20,3.50]	9.952 [-139.86,159.77]
Populist # FH	4.351 [3.22,5.48]	312.4 [22.10,602.77]	4.31 [3.14,5.48]	291.5 [-15.29,598.31]	3.979 [3.00,4.96]	122.2 [-17.47,261.86]
Populist # LH	2.863 [1.80,3.93]	691.1 [234.41,1147.88]	2.792 [1.61,3.97]	682.2 [281.78,1082.70]	2.341 [1.14,3.54]	555.7 [90.04,1021.37]
Sample: Exclude	Indices $\geq 0.1$	Indices $\geq 0.1$	Indices $\geq 0.05$	Indices $\geq 0.05$	Socialist	Socialist
Observations	427	421	374	368	446	440
PopulistFH=PopulistLH <sup>a</sup>	0.0268	0.0736	0.0289	0.0724	0.0281	0.0305
PopulistFH=NonPopulistFH <sup>a</sup>	0.0165	0.298	0.036	0.448	0.0303	0.857
PopulistLH=NonPopulistLH <sup>a</sup>	0.554	0.0331	0.674	0.0265	0.992	0.0709

95% confidence intervals in brackets. All models are based on the two-way fixed effects estimation method. <sup>a</sup> P-Value of T-test on the equality of parameters. Model (1) and (2) exclude observations if the Populist Index of both English and Spanish newspapers by Sáenz and Bjørnskov (2018) are a) above 0.1 but populist dummy is equal to zero or b) the when both indices are zero, and our populist dummy is equal to one. Model (3) and (4) exclude observations if Populist Index of both English and Spanish newspapers by Sáenz and Bjørnskov (2018) are a) above 0.05 but populist dummy is equal to zero or b) when both indices are zero and our populist dummy, is equal to one.

While the point predictors have shifted somewhat, the decline in GDP growth and the increase in consumer price inflation for populists are still visible. The change in GDP growth and inflation over populists' time in office remains significant at the 10% level throughout all models<sup>21</sup>.

Lastly, we follow Houle and Kenny (2016) by successively excluding one populist from our population to make sure that any single populist president, which we may have wrongly identified, does not drive our results. We, therefore, rerun 32 models of our baseline estimation method and predict the marginal effects. Figure 4 shows the histogram over the 32 marginal effects for populists by time in office and hence illustrates the sensitivity of our results concerning single populist presidents. The top two panels show the results for GDP growth, and the bottom panels show the results for Inflation.

<sup>21</sup> Using our FH LH identification strategy, we use each newspaper indices. The results can be found in table A.5. and figure A.1. in the appendix. Qualitatively parameter estimates are qualitatively similar for the English Newspaper Index: The higher the populist index the lower GDP growth and the higher consumer price inflation are in the second half. However, these results are not significant and confidence interval for each estimates overlap both estimates.

**FIGURE 5: Histogram Predicted Marginal Effects GDP Growth and Inflation of Subset of Populists**

Note: Distribution of predicted marginal effects, by successively excluding one populist from the sample. Summary statistics for marginal effect Populist FH Growth: Mean (289.7), Sd (36.4), Min (113), Max (328.8). Summary statistics for marginal effect Populist LH Growth: Mean (637.5), Sd (50.5), Min (451.8), Max (711). Summary statistics for marginal effect Populist FH Inflation: Mean (4.5), Sd (0.2), Min (3.9), Max (5). Summary statistics for marginal effect Populist LH Inflation: Mean (2.7), Sd (0.1), Min (2.3), Max (2.9).

The histograms marginal predicted effects show that the marginal effects vary over the populist president samples, indicating heterogeneity in populist presidents on GDP growth and Inflation. Since the predicted marginal effects of the first half and last half of populist presidents' times in office do not intersect and match our prediction, our qualitative result is not driven by a single populist president.



### Recession Decomposition and Time Trends

We test the robustness of our baseline model concerning recessions and preexisting time trends. Populists may have been elected in times of poor economic performance. If that is the case, then this would introduce selection bias into our baseline results since populists would be chosen by the electorate to be in the office during a recession. A second possible issue would be if the increase in GDP growth or inflation is the result of a process or trend that started before the president came into office. In this section we address both these potentially confounding problems.

Table 8<sup>22</sup> shows the estimated marginal predictors of our baseline models decomposed into presidents who came into office during a recession (or one year after a recession) and presidents who did not come into office during or following a recession. A recession is defined as two consecutive years of GDP growth under 1%.

**TABLE 8: Predicted Marginal Effects – Recession Decomposition**

Dependent Variable	(1) Growth	(2) Growth	(3) Inflation	(4) Inflation
No Populist	0.448 [-1.79,2.69]	2.608 [2.20,3.02]	-57.76 [-471.69,356.18]	70.5 [-157.61,298.60]
Populist	4.482 [0.70,8.26]	3.043 [2.18,3.91]	451.8 [-203.82,1107.38]	485.6 [-26.34,997.58]
FH	2.169 [0.23,4.11]	2.731 [2.00,3.46]	77.61 [-108.50,263.71]	209 [130.37,287.72]
LH	1.665 [-0.91,4.24]	2.749 [2.01,3.49]	202.8 [-10.03,415.64]	184.4 [85.06,283.64]
No Populist # FH	0.347 [-3.02,3.72]	2.259 [0.81,3.71]	4.585 [-343.62,352.79]	133.7 [-75.44,342.93]
No Populist # LH	0.579 [-3.09,4.24]	3.032 [1.75,4.31]	-138.9 [-726.50,448.70]	-5.567 [-286.54,275.40]
Populist # FH	5.239 [1.28,9.20]	3.827 [2.58,5.07]	200.7 [-84.06,485.38]	379.2 [-206.41,964.89]
Populist # LH	3.496 [-1.00,7.99]	2.093 [0.79,3.40]	778.6 [-612.73,2170.00]	613.6 [134.78,1092.34]
Sample	Recession	No Recession	Recession	No Recession
Observations	145	332	145	326
P-value PopulistFH=PopulistLH <sup>a</sup>	0.323	0.0669	0.371	0.163
P-value PopulistFH=NonPopulistFH <sup>a</sup>	0.114	0.21	0.452	0.506
P-value PopulistLH=NonPopulistLH <sup>a</sup>	0.331	0.389	0.324	0.0917

95% confidence intervals in brackets. Estimation method is Two-Way FE on the baseline model. <sup>a</sup> T-test on the equality of the parameters. Samples are split up into presidents that came into office during a recession or the year following a recession (defined as two consecutive years of GDP per capita growth under 1%).

<sup>22</sup> The corresponding regression table can be found in the appendix (Table A.6.).

The results show that for models (1), (2), and (3), GDP growth and inflation are no longer significantly different during the first half (FH) and last half (LH) of a populist's time in office although all the trends qualitatively match our hypotheses. GDP growth is estimated to decline and inflation to rise. It is interesting to note that the point estimates for GDP growth are higher for populist presidents who came into office during a recession compared to populist presidents that came into office not during a recession. However, the confidence bands completely overlap, which indicates no statistical significance. The results indicate that the hypothesis of declining GDP growth and increasing inflation are not robust over the samples. Although the point estimates are consistent with the walking hypothesis, the difference over the samples indicates that recessions do play a role and as a whole, our results are a little less trustworthy.<sup>23</sup>

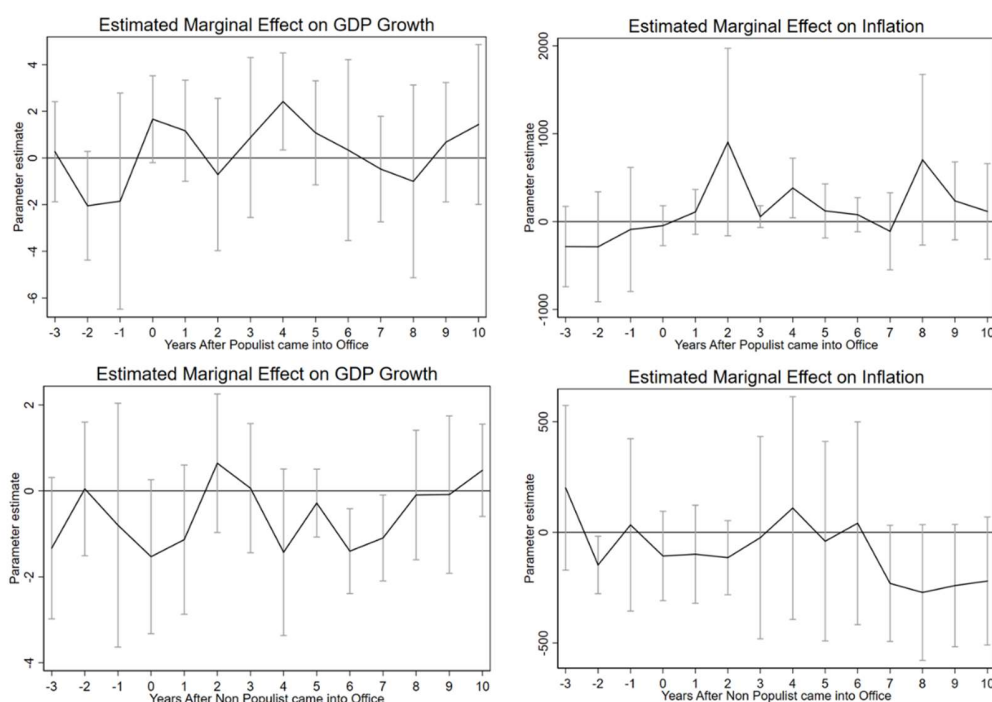
To analyze the time trends, we estimate models that predict GDP growth and inflation every year for three years before a president came into office to nine years after the president came into the office for populists and non-populists. The regression results of these models can be seen in appendix table A.8. The models are based on our two-way fixed effects baseline and include a control variable for the length of time a president spent in office<sup>24</sup>. On average, populist presidents were in office for six years (standard deviation of 3 years), and non-populists were in office for four years (standard deviation of 1.4 years). Figure 6 plots the point estimates of the growth rates three years before and nine years after a populist or non-populist assumed office.

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<sup>23</sup> The results indicate that populist presidents that came into office during a recession should be analyzed separately from populists that came into office not during a recession. Within our walking stick theory this is plausible because the populist policies will have different effects on the economy. In the context of Keynesian School of Thought, expansive fiscal policy and monetary policy (which are part of the populist policy bundle) are necessary during a recession.

<sup>24</sup> The models excludes presidents who were in office longer than 14 years and presidents that were only 1 year in office.

**FIGURE 6: Point Estimates of GDP Growth and Inflation for –3 Years and +10 Years after Assuming Office**



Note: Point estimates and 95% confidence intervals of GDP Growth Rate/Inflation Rate in Year X after Populist, Non-Populist assumed office. Estimation Method: Two-Way fixed effects with leads (3) and lags (10) including controls for the total years a president spent in office and excluding presidents whose terms were only one year or more than 15.

All four panels indicate that no time trend is salient before presidents took office. However, the point estimates show no clear trend over the time in office for either populists or non-populists. The point estimates for inflation and GDP growth are higher for populists after assuming office than for non-populists. However, the confidence bands indicate that these estimates are only significant in year four of the average president's time in office. Overall, we cannot see a walking stick for a populist.

This estimation method, however, requires that both the populists themselves are similar and also that the economic boom and bust occur at the same time for every populist after assuming office. Since our analysis includes a variety of populist policies bundles, it is not surprising that we cannot superimpose one specific trajectory onto all populist regimes and that the trajectories we observe are noisy. Furthermore, it is for this very reason that our baseline model aggregates the time in office into two periods, the first half and the second half.

#### Additional controls

Lastly, we want to check the robustness of our results by controlling for political events and political institutions. First, we control for military-political transitions by including a dummy for successful coups d'état with data from the Polity IV Project (2014). Years with a coup d'état are times of crises. Secondly, we control for the years in which multiple presidents or groups were in office for similar reasons. "Multiple

presidents in office” is defined by having more than two presidents in office in a given year or exactly two in the case of an acting or interim president. This indicator includes years in which several people held the presidential office simultaneously (such as a military junta or the Sandinista’s in Nicaragua). The Multiple Presidents indicator is constructed from the World Statesmen Database (2019). We identified 35 such instances from which 15 observations fall under years allocated to non-populists and 20 under populists. Lastly, we control for the institutional quality by including the indicator of *de jure* central bank independence by Garriga (2016)<sup>25</sup>. The existence of central bank independence is taken to mean higher quality institutions.

Table 9<sup>26</sup> shows our estimation results. Controlling for successful coups d’état and multiple presidents does not change our baseline results for both outcome variables. Model (5) includes the index of central bank independence. While inflation still increases under populist presidents during their time in office, this trend is no longer significant at any conventional significance level. Compared to our baseline result, the inflation in the first half of populist’s time in office is higher (312% compared to 286.5%). The results display a sensitivity with respect to the inclusion of central bank independence. Nevertheless, the average inflation rate for populists over the whole time in office still high compared to non-populists (455.6% versus 49.75%). Hence, although we cannot find a significant difference between the inflation rates over populist’s time in office, the central bank independence does not effectively<sup>27</sup> restrict the inflation rate as a whole for populists.

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<sup>25</sup> Missing Data for Ecuador 1975-1991.

<sup>26</sup> The corresponding regression table can be found in the appendix (Table A.8)

<sup>27</sup> The summary statistics of CBI over populism and time in office, can be seen in table A.2. in the appendix. The table shows similar CBI for all samples. This indicates that the *de jure* CBI is similar, while the *de facto* is either different over samples or ineffective to restrict inflation (which is common in developing countries (Klomp and De Haan 2010)).

**TABLE 9: Estimated Marginal Effects – Political Events and Central Bank Independence**

Dependent	(1) Growth	(2) Inflation	(3) Growth	(4) Inflation	(5) Inflation
No Populist	1.953 [1.63,2.27]	53.14 [-83.65,189.94]	1.881 [1.54,2.22]	46.32 [-106.82,199.45]	49.75 [-87.63,187.13]
Populist	3.674 [3.00,4.34]	440.3 [151.91,728.61]	3.827 [3.12,4.53]	454.5 [132.40,776.67]	455.6 [173.12,738.05]
FH	2.554 [1.94,3.17]	164 [99.81,228.14]	2.524 [1.93,3.12]	160.4 [102.03,218.78]	171.2 [103.43,238.95]
LH	2.453 [1.73,3.17]	199.1 [114.68,283.55]	2.492 [1.80,3.18]	203.7 [126.24,281.11]	200.7 [112.36,289.10]
No Populist # FH	1.755 [0.75,2.76]	104.7 [-20.87,230.35]	1.662 [0.65,2.67]	95.24 [-46.43,236.91]	101.2 [-28.00,230.49]
No Populist # LH	2.199 [1.01,3.39]	-10.43 [-194.78,173.92]	2.152 [1.00,3.30]	-13.97 [-210.18,182.24]	-13.62 [-200.58,173.35]
Populist # FH	4.229 [3.33,5.13]	285.9 [13.08,558.74]	4.33 [3.43,5.23]	294.5 [-0.57,589.66]	312 [34.08,589.90]
Populist # LH	2.986 [2.02,3.95]	630.5 [204.67,1056.24]	3.203 [2.18,4.23]	651.7 [193.18,1110.17]	632.3 [217.15,1047.36]
Additional Control	Coups	Coups	Mult. Pres.	Mult. Pres.	CBI
Observations	477	471	477	471	455
P-value PopulistFH=PopulistLH <sup>a</sup>	0.0597	0.0837	0.0821	0.072	0.109
P-value PopulistFH=NonPopulistFH <sup>a</sup>	0.00575	0.312	0.00426	0.32	0.251
P-value PopulistLH=NonPopulistLH <sup>a</sup>	0.37	0.034	0.242	0.0413	0.0302

95% confidence intervals in brackets. Estimation method is Two-Way FE on the baseline model. <sup>a</sup> T-test on the equality of the parameters.

## Conclusion

Our baseline analysis shows that real GDP growth first increases, then decreases over populist presidents' time in office while non-populist do not follow this pattern. Moreover, we can observe the reverse for consumer price inflation. Both these findings are in line with our broader walking stick hypothesis. Our robustness checks follow these results qualitatively; however, some magnitudes and significant levels vary over different models. Overall, this amounts to compelling evidence that populists generate walking sticks, which is in line with the anecdotal evidence.

Our results are also surprising: while real GDP growth falls over the populist time in office, it does not turn negative in the end. Further, our estimate for the last half for populists is not significantly different from non-populists. Combined with a higher growth rate in the first half of time in office, our estimation shows that populists perform better regarding real GDP growth than non-populists do during their time in office. While this was not one of our predictions, it is generally in line with the notion that populists overstimulate

the economy during their early periods in office. Our claim is exactly that they engage in a bundle of policies that stimulate without concern for intertemporal constraints.

Our results on the impact of the populist regime on inflation indicate that while populist presidents do not perform significantly different or better than non-populists in the last half of their time in office concerning growth, they do in terms of inflation and their better growth performance comes at the cost of high inflation. Combined with our theory, we find that the average populist president who ignores intertemporal constraints is confronted with extremely high inflation rates in the last half of his time in office. While populist presidents do tend to stimulate the economy and their presence is associated with high overall growth rates, these do not last. Overall, based on the patterns we observe in the data, especially in terms of inflation, populists leave their economies more unstable than non-populists.

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## Appendix

TABLE A.1: Summary of Radial Populists

Country	President	Years In	Years Out	Sources
Argentina	Juan Domingo Perón Sosa	1973	1976	Sachs 1989; Federico A. Sturzenegger 1991; Simon Teitel 1991; Robert R. Kaufman and Barbara Stallings 1991; Paul W. Drake 1991; Eliana Cardoso and Ann Helwege 1991; Weyland 2001; Brazdresch and Levy 1991
Argentina	Raúl Ricardo Alfonsín Foulkes	1983	1989	Robert R. Kaufman and Barbara Stallings 1991; Eliana Cardoso and Ann Helwege 1991; Roque B. Fernandez 1991; Jose De Gregorio 1991
Argentina	Carlos Saúl Menem Akil	1989	1999	Paul W. Drake 1991; William R. Cline 1991; Guido Di Tella 1991; Robert R. Kaufman and Barbara Stallings 1991; Fernandez 1991; Weyland 2001, Houle and Kenny 2018
Argentina	Néstor Carlos Kirchner Ostoic	2003	2007	Doyle 2011; Houle and Kenny 2018
Argentina	Cristina Fernández de Kirchner	2007	2015	Houle and Kenny 2018
Bolivia	Hernán Siles Zuazo	1982	1985	Sachs 1989
Bolivia	Jaime Paz Zamora	1989	1993	Paul W. Drake 1991; Guido Di Tella 1991
Bolivia	Evo Morales	2006		Doyle 2011; Houle and Kenny 2018; De la Torre 2007; Hawkins et al. 2019
Brazil	José Sarney	1985	1990	Robert R. Kaufman and Barbara Stallings 1991; Paul W. Drake 1991; Eliana Cardoso and Ann Helwege 1991; Weyland 2001; Sachs 1989; Drake 1991; de Castro and Ronci 1991
Brazil	Fernando Affonso Collor de Mello	1989	1992	Guido Di Tella 1991; Robert R. Kaufman and Barbara Stallings 1991; Weyland 2001; Eliana Cardoso and Ann Helwege 1991; Houle and Kenny 2018
Brazil	Luiz Inácio Lula da Silva	2003	2010	Kaufman and Stalling 1991
Chile	Patricio Aylwin Azócar	1990	1994	Robert R. Kaufman and Barbara Stallings 1991; Guido Di Tella 1991
Colombia	Belisario Antonio Betancur Cuartas	1982	1986	Kaufmann and Stallings 1991; Urrutia 1991
Colombia	Álvaro Uribe Vélez	2002	2010	Doyle 2011; Houle and Kenny 2018
Ecuador	Rodrigo Borja Cevallos	1988	1992	Kaufman and Stallings 1991; Comment: Paul W. Drake 1991

Ecuador	Abdalá Jaime Bucaram Ortiz	1996	1997	Weyland 2001; De la Torre 1997
Ecuador	Lucio Edwin Gutiérrez Borbua	2003	2005	Doyle 2011, Hawkins et al. 2019
Ecuador	Rafael Correa Delgado	2007	2017	De la Torre 2010; Doyle 2011; Houle and Kenny 2018
Guatemala	Otto Pérez Molina	2012	2015	Doyle 2011
Mexico	Luis Echeverría	1970	1976	Carlos Bazdresch and Santiago Levy 1991; Kaufman and Stallings 1991; Weyland 2001; D&E 1991
Mexico	Lopez Portillo	1977	1982	Carlos Bazdresch and Santiago Levy 1991; Sachs 1989
Nicaragua	Sandinistas	1979	1985	Sachs 1989; Ocampo 1991; Cardoso and Helwege 1991; Larrain and Meller 1991; Helwege 1991
Nicaragua	José Daniel Ortega Saavedra	1985	1990	Sachs 1989; Ocampo 1991; Cardoso and Helwege 1991; Larrain and Meller 1991; Helwege 1992; Hawkins et al. 2019
Paraguay	Fernando Armino Lugo Méndez	2008	2012	Doyle 2011; Houle and Kenny 2018
Peru	Fernando Belaúnde Terry	1979	1985	Kaufman and Stallings 1991; Ricardo Logo 1991; Savastano
Peru	Alan Gabriel Ludwig García Pérez	1985	1990	Sachs 1989; Weyland 2001; Drake 1991; Cardoso and Helwege 1991; Bazdresch and Levy 1991; Lago 1991; Iguiniz-Echeverria 1991
Peru	Alberto Kenya Fujimori	1990	2000	Weyland 2001; Doyle 2011; Houle and Kenny 2018; Kaufman and Stallings 1991
Peru	Alejandro Celestino Toledo Manrique	2001	2006	Houle and Kenny 2018
Peru	Alan Gabriel Ludwig García Pérez	2006	2011	Doyle 2011; Houle and Kenny 2018
Peru	Ollanta Moisés Humala Tasso	2011	2016	Doyle 2011
Venezuela	Carlos Andrés Pérez Rodríguez	1974	1978	Paul W. Drake 1991; Kaufman and Stallings 1991; Weyland 2001
Venezuela	Carlos Andrés Pérez Rodríguez	1989	1993	Paul W. Drake 1991; Kaufman and Stallings 1991; By extension: Weyland 2001
Venezuela	Rafael Caldera Rodríguez	1993	1999	Houle and Kenny 2018; Weyland (2001)
Venezuela	Hugo Rafael Chávez Frías	1999	2002	Doyle 2011; Houle and Kenny 2018; Hawkins et al. 2019
Venezuela	Hugo Rafael Chávez Frías	2002	2013	Doyle 2011; Houle and Kenny 2019; Hawkins et al. 2019

**TABLE A.2: Summary Statistics for Covariables**

Variable	Sample	Median	Mean	SD	Min	Max	Count
Gini	All	38.5	38.4	2.8	31.4	46.2	477
	No Populist: First Half	39	38.7	2.7	31.4	46.2	174
	No Populist: Last Half	38.4	38.1	2.7	31.4	46.2	149
	Populist: First Half	38.4	38.4	2.9	31.4	46.2	90
	Populist: Last Half	38	38.2	2.9	31.4	46.2	64
Oilrents	All	1.2	3	4.6	0	27	481
	No Populist: First Half	0.6	2.2	3.7	0	27	174
	No Populist: Last Half	0.7	2	3.3	0	17.2	149
	Populist: First Half	2.2	4.9	6.2	0	25.7	93
	Populist: Last Half	2.1	4.4	5.6	0	26.7	65
Polity2	All	8	4.8	5.7	-9	10	481
	No Populist: First Half	8	4.6	6.1	-9	10	174
	No Populist: Last Half	8	3.9	6.6	-9	10	149
	Populist: First Half	7	6.3	3.5	-5	9	93
	Populist: Last Half	7	5.1	4.7	-9	9	65
CBI	All	0.6	0.6	0.2	0.1	0.9	465
	No Populist: First Half	0.6	0.5	0.2	0.1	0.9	167
	No Populist: Last Half	0.6	0.5	0.2	0.1	0.9	143
	Populist: First Half	0.7	0.6	0.2	0.1	0.9	91
	Populist: Last Half	0.6	0.6	0.2	0.3	0.9	64

Source: Penn World Table 9.0, World Bank Indicators

**TABLE A.3: Excluded Presidents for Table 7**

<b>President</b>	<b>English Index</b>	<b>Spanish Index</b>	<b>Populist Dummy</b>	<b>Socialist</b>
Ángel Víctor Paz Estenssoro	0.059	0.091	0	0
Belisario Antonio Betancur Cuartas	0	0	1	0
Daniel Ortega/Government Junta of National Reconstruction (Nicaragua 1980-1985)	0.07	0.107	1	1
Dilma Vana Rousseff	0.117	0.101	0	0
Eduardo Alberto Duhalde Maldonado	0.185	0.068	0	0
Felipe de Jesús Calderón Hinojosa	0.083	0.107	0	0
Fernando de la Rúa Bruno	0.145	0.057	0	0
Fernando Henrique Silva Cardoso	0.057	0.065	0	0
Hugo Banzer Suárez	0.108	0.143	0	0
Hugo Banzer Suárez	0.108	0.143	0	0
Hugo Chavez	0.62	0.743	1	1
Jaime Ramón Lusinchi	0.084	0.115	0	0
Jaime Roldós Aguilera	0.139	0.231	0	0
Jorge Jamil Mahuad Witt	0.143	0.113	0	0
Juan Carlos María Wasmosy Monti	0.08	0.12	0	0
Juan Evo Morales	0.16	0.273	1	1
Julio María Sanguinetti Coirolo	0.05	0.099	0	0
León Esteban Febres-Cordero Ribadeneyra	0.138	0.143	0	0
Luis Alfredo Palacio González	0.136	0.129	0	0
Luiz Inácio Lula da Silva	0.158	0.056	0	0
Óscar Nicanor Duarte Frutos	0.194	0.175	0	0
Ricardo Froilán Lagos Escobar	0.214	0.333	0	0
Sixto Alfonso Durán Ballén Cordovez	0.207	0.429	0	0
Valentín Demetrio Paniagua Corazao	0.093	0.139	0	0
Verónica Michelle Bachelet Jeria	0.086	0.076	0	0

TABLE A.4: Regression Results GDP Growth by Populist Type

Dependent	(1) Growth	(2) Inflation	(3) Growth	(4) Inflation	(5) Growth	(6) Inflation
Populist	2.277** [0.50,4.06]	205 [-205.45,615.55]	1.899** [0.15,3.65]	169.6 [-302.07,641.34]	2.089** [0.24,3.94]	18.1 [-195.43,231.63]
LH	0.185 [-2.06,2.43]	-125.4 [-299.65,48.93]	-0.106 [-2.44,2.23]	-119 [-307.60,69.62]	0.458 [-1.85,2.76]	-94.14 [-233.84,45.56]
Populist # LH	-1.673 [-4.55,1.20]	504.1** [13.72,994.42]	-1.413 [-4.24,1.42]	509.7* [-19.15,1038.59]	-2.096* [-4.63,0.44]	527.7** [74.51,980.80]
L.GDP growth %	0.153** [0.01,0.30]		0.13 [-0.03,0.29]		0.301*** [0.16,0.44]	
L.Inflation %		0.317*** [0.10,0.54]		0.492*** [0.29,0.69]		0.250** [0.06,0.44]
Gini	-0.688*** [-1.01,-0.37]	-26.76 [-74.14,20.63]	-0.670*** [-1.00,-0.34]	-38.57 [-99.25,22.11]	-0.905*** [-1.35,-0.46]	-27 [-62.76,8.76]
Election Year	1.049 [-0.69,2.79]	217.6* [-5.50,440.74]	0.823 [-1.21,2.86]	216.2** [2.05,430.29]	0.66 [-0.86,2.18]	178.4* [-32.55,389.39]
Predecessor Populist	0.367 [-0.92,1.65]	149.9 [-230.33,530.14]	0.363 [-1.31,2.03]	187.5 [-322.89,697.84]	0.0699 [-0.86,1.00]	-16.23 [-165.77,133.30]
Polity2	0.0578 [-0.10,0.21]	7.102 [-10.64,24.84]	0.0753 [-0.09,0.24]	11.79 [-13.01,36.60]	0.0712 [-0.02,0.17]	10.94 [-6.22,28.11]
Assembly Elected	0.459 [-1.26,2.18]	-74.94 [-622.16,472.29]	-0.499 [-2.70,1.70]	38.55 [-537.59,614.70]	0.481 [-1.01,1.97]	-192.8 [-647.32,261.71]
Sample:						
Exclude	Indices ≥ 0.1	Indices ≥ 0.1	Indices ≥ 0.05	Indices ≥ 0.05	Socialist	Socialist
Adj. R <sup>2</sup>	0.3	0.24	0.28	0.3	0.35	0.18
Observations	427	421	374	368	446	440
Country FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES

95% confidence intervals in brackets. \* p<0.10, \*\* p<0.05, \*\*\* p<0.01. 95% confidence intervals in brackets. All models are based on the two-way fixed effects estimation method. Model (1) and (2) exclude observations if Populist Index of both english and spanish newspapers are a) above 0.1 but populist dummy is equal to zero or b) the when both indicies are zero and our populist dummy is equal to one. Model (3) and (4) exclude observations if Populist Index of both english and spanish newspapers are a) above 0.05 but populist dummy is equal to zero or b) the when both indicies are zero and our populist dummy is equal to one.

TABLE A.5: Regression Table Using the Newspaper Index

Dependent	(1) Growth	(2) Inflation	(3) Growth	(4) Inflation
English Index	7.696** [0.30,15.09]	-160.9 [-1329.57,1007.77]		
Spanish Index			3.93 [-2.17,10.03]	106 [-853.38,1065.37]
LH	-0.0251 [-1.45,1.40]	-17.51 [-246.33,211.32]	-0.17 [-1.48,1.14]	2.716 [-207.62,213.05]
LH # English Index	-1.804 [-11.45,7.84]	461.8 [-1063.98,1987.53]		
LH # Spanish Index			0.343 [-7.71,8.39]	281.2 [-979.80,1542.12]
L.GDP growth %	0.167*** [0.08,0.26]		0.176*** [0.08,0.27]	
L.Inflation %		0.338*** [0.24,0.43]		0.338*** [0.24,0.43]
Gini	-0.752*** [-1.28,-0.23]	-9.172 [-92.30,73.96]	-0.752*** [-1.28,-0.22]	-13.54 [-97.32,70.25]
Election Year	1.136 [-0.23,2.50]	199.7* [-18.36,417.70]	1.118 [-0.26,2.50]	201.4* [-18.17,420.91]
Predecessor Populist	-0.249 [-1.63,1.13]	79.72 [-143.68,303.12]	-0.278 [-1.68,1.12]	67.02 [-158.61,292.64]
Polity2	0.0745 [-0.06,0.21]	2.83 [-18.64,24.30]	0.0733 [-0.06,0.21]	3.84 [-17.86,25.54]
Assembly Elected	0.21 [-3.43,3.85]	-140.8 [-896.08,614.44]	0.258 [-3.39,3.91]	-136.2 [-891.70,619.31]
Adj. R <sup>2</sup>	0.31	0.21	0.31	0.21
Observations	470	464	470	464
Country FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES

95% confidence intervals in brackets. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .



FIGURE A.1: Predicted Margins - Using the Newspaper Index

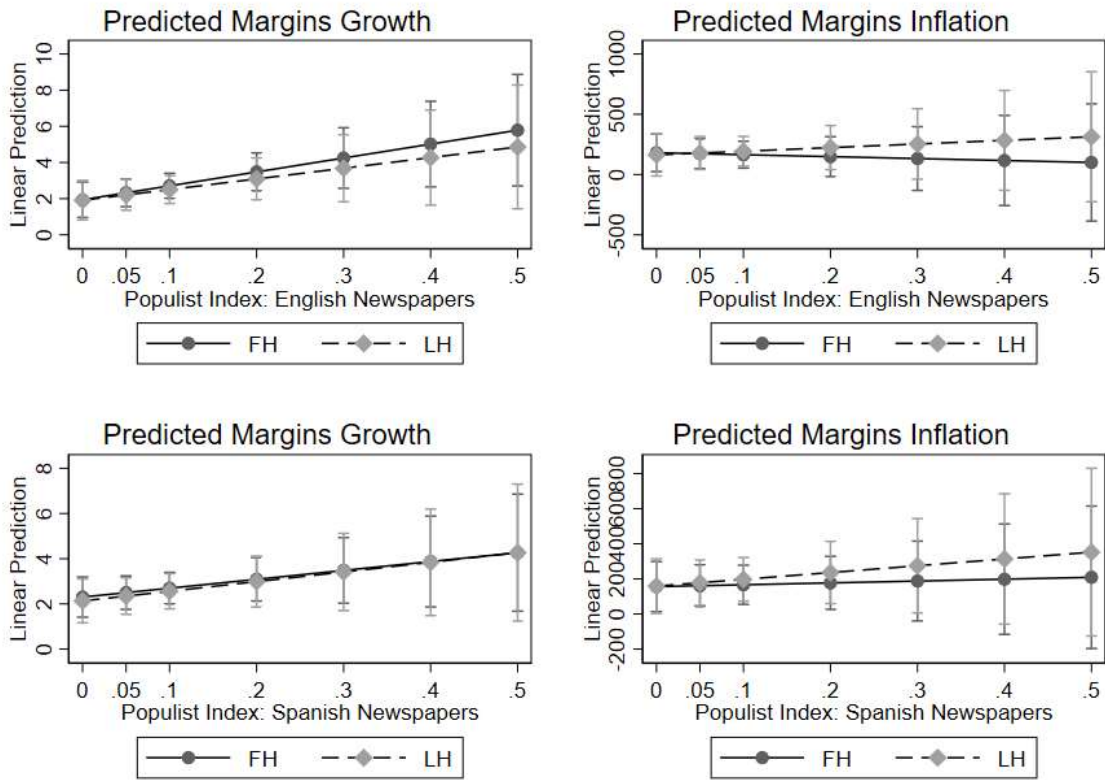


TABLE A.6: Regression Results Recession Decomposition

Dependent	(1) Growth	(2) Growth	(3) Inflation	(4) Inflation
Populist	4.892 [-1.39,11.17]	1.568 [-1.01,4.15]	196.1 [-357.60,749.75]	245.5 [-534.43,1025.43]
LH	0.231 [-5.20,5.66]	0.773 [-1.86,3.41]	-143.5 [-581.97,295.00]	-139.3 [-315.57,36.96]
Populist # LH	-1.975 [-5.67,1.72]	-2.506 [-6.73,1.71]	721.5 [-952.63,2395.55]	373.6** [22.48,724.79]
L.GDP growth %	-0.0291 [-0.30,0.24]	0.252*** [0.15,0.35]		
L.Inflation %			0.272 [-0.39,0.93]	0.319** [0.06,0.58]
Gini	1.459 [-0.42,3.34]	-0.825*** [-1.24,-0.41]	-192.2 [-569.15,184.84]	10.36 [-39.88,60.60]
Election Year	1.459 [-3.74,6.66]	0.861 [-0.98,2.70]	457.3 [-602.56,1517.12]	179.1* [-36.48,394.61]
Predecessor Populist	-1.216 [-6.01,3.58]	0.571 [-0.84,1.98]	-1.346 [-264.35,261.66]	97.71 [-257.81,453.22]
Polity2	-0.228 [-0.54,0.09]	0.0571 [-0.11,0.22]	19.56 [-41.47,80.60]	-16.91 [-43.67,9.86]
Assembly Elected	0 [0.00,0.00]	0.737 [-1.25,2.73]	0 [0.00,0.00]	-20.07 [-362.01,321.87]
Sample	Recession	No Recession	Recession	No Recession
Adj. R <sup>2</sup>	0.26	0.32	0.08	0.36
Observations	145	332	145	326
Country FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES

95% confidence intervals in brackets, \* p<0.10, \*\* p<0.05, \*\*\* p<0.01 Estimation Method: Two-Way Fixed Effects. Samples are split up into presidents that came into office during a recession (defined as two consecutive years of gdp per capita growth under 1%).

TABLE A.7: Regression Table Growth and Inflation Rate

Dependent Sample	(1) Growth Populist	(2) Inflation Populist	(3) Growth No Populist	(4) Inflation No Populist
Year 1 in Office -3 Years	0.268 [-1.88,2.41]	-283.5 [-740.72,173.68]	-1.335 [-2.98,0.31]	201.2 [-171.10,573.47]
Year 1 in Office -2 Years	-2.049* [-4.38,0.28]	-286.2 [-912.04,339.70]	0.0465 [-1.51,1.60]	-147.5** [-277.42,-17.62]
Year 1 in Office -1 Years	-1.853 [-6.49,2.78]	-89.39 [-795.54,616.76]	-0.798 [-3.63,2.04]	33.6 [-356.01,423.21]
Year 1 in Office	1.661* [-0.20,3.52]	-46.15 [-273.24,180.94]	-1.532* [-3.32,0.26]	-107.1 [-309.08,94.95]
Year 1 in Office +Year 1s	1.164 [-1.00,3.33]	109.9 [-145.29,365.04]	-1.135 [-2.87,0.60]	-98.98 [-320.48,122.52]
Year 1 in Office +2 Years	-0.71 [-3.97,2.55]	905.2* [-161.17,1971.63]	0.643 [-0.97,2.26]	-114.5 [-281.97,52.95]
Year 1 in Office +3 Years	0.874 [-2.55,4.30]	56.67 [-67.26,180.61]	0.0622 [-1.44,1.57]	-24.14 [-481.31,433.02]
Year 1 in Office +4 Years	2.420** [0.34,4.50]	382.6** [43.62,721.53]	-1.429 [-3.37,0.51]	109.6 [-393.80,613.09]
Year 1 in Office +5 Years	1.076 [-1.15,3.31]	121.6 [-186.65,429.88]	-0.284 [-1.07,0.51]	-40.41 [-491.36,410.53]
Year 1 in Office +6 Years	0.339 [-3.54,4.22]	78.9 [-115.05,272.85]	-1.402*** [-2.39,-0.41]	41.04 [-417.35,499.43]
Year 1 in Office +7 Years	-0.478 [-2.74,1.78]	-110.2 [-548.95,328.61]	-1.096** [-2.10,-0.10]	-230.9* [-493.55,31.75]
Year 1 in Office +8 Years	-1.003 [-5.13,3.13]	704.1 [-266.30,1674.60]	-0.0959 [-1.60,1.41]	-271.9* [-578.74,34.91]
Year 1 in Office +9 Years	0.676 [-1.88,3.24]	236.3 [-207.25,679.75]	-0.0872 [-1.92,1.74]	-240.7* [-517.21,35.77]
Year 1 in Office +10 Years	1.433 [-1.99,4.86]	116.1 [-427.23,659.48]	0.478 [-0.60,1.55]	-220.3 [-509.55,68.98]
L.GDP growth %	0.158* [-0.02,0.34]		0.168* [-0.02,0.35]	
L.Inflation %		0.327*** [0.12,0.53]		0.325** [0.07,0.58]
Gini	0.106 [-0.06,0.27]	7.675** [0.32,15.03]	0.140** [0.02,0.26]	5.966 [-6.76,18.70]
Election Year	1.008 [-0.42,2.44]	319 [-75.78,713.72]	0.297 [-1.38,1.97]	276.5** [70.20,482.86]
Predecessor Populist	-0.497 [-2.26,1.26]	-4.055 [-273.72,265.61]	-0.495 [-1.99,1.00]	127.2 [-138.28,392.68]
Polity2	0.169** [0.04,0.30]	-12.39 [-39.40,14.63]	0.187*** [0.06,0.32]	-8.909 [-35.12,17.31]
Assembly Elected	1.231* [-0.03,2.50]	102.4 [-535.04,739.79]	0.494 [-0.91,1.90]	42.84 [-567.59,653.28]
Length of Time in Office	0.416 [-0.20,1.03]	-56.43* [-121.05,8.20]	0.416 [-0.10,0.93]	-47.64* [-102.01,6.73]
Adj. R^2	0.42	0.3	0.42	0.25
Observations	431	425	431	425

95% confidence intervals in brackets. \* p&lt;0.10, \*\* p&lt;0.05, \*\*\* p&lt;0.01

TABLE A.8: Regression Table Political Events and CBI

Dependent	(1) Growth	(2) Inflation	(3) Growth	(4) Inflation	(5) Inflation
Populist	2.474*** [0.87,4.08]	181.2 [-193.18,555.53]	2.668*** [1.01,4.32]	199.3 [-219.39,618.01]	210.7 [-170.34,591.83]
LH	0.444 [-1.65,2.54]	-115.2 [-260.47,30.14]	0.49 [-1.56,2.54]	-109.2 [-249.64,31.23]	-114.9 [-270.81,41.08]
Populist # LH	-1.687 [-4.51,1.13]	459.7** [12.69,906.73]	-1.618 [-4.44,1.20]	466.3** [10.25,922.42]	435.1* [-18.93,889.19]
L.GDP growth %	0.176** [0.03,0.32]		0.167** [0.02,0.31]		
L.Inflation %		0.323*** [0.10,0.54]		0.321*** [0.11,0.54]	0.318*** [0.10,0.53]
Gini	0.147*** [0.05,0.25]	-4.012 [-17.04,9.02]	0.276*** [0.17,0.38]	9.848 [-11.90,31.59]	-0.681 [-13.02,11.66]
Election Year	1.187 [-0.41,2.79]	197.6* [-22.62,417.87]	1.121 [-0.45,2.69]	192.3* [-26.74,411.25]	194.7* [-13.62,402.97]
Predecessor Populist	0.106 [-1.19,1.40]	117.5 [-190.55,425.59]	-0.0793 [-1.42,1.27]	97.58 [-169.29,364.45]	116.3 [-194.66,427.35]
Polity2	0.0423 [-0.07,0.15]	5.318 [-10.27,20.91]	0.0307 [-0.10,0.16]	3.668 [-13.95,21.28]	5.665 [-12.55,23.88]
Assembly Elected	0.356 [-0.95,1.66]	-73.25 [-525.93,379.43]	0.239 [-1.08,1.56]	-78.83 [-522.65,365.00]	-55.54 [-513.60,402.52]
Coups	-1.531 [-5.06,2.00]	-87.37 [-380.42,205.67]			
Multiple Presidents			-2.331** [-4.54,-0.12]	-240.3 [-779.10,298.59]	
CBI Garriga (weighted)					-375.8 [-1058.55,307.00]
Adj. R <sup>2</sup>	0.4	0.27	0.41	0.27	0.27
Observations	477	471	477	471	455
Country FE	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES

95% confidence intervals in brackets. \* p&lt;0.10, \*\* p&lt;0.05, \*\*\* p&lt;0.01.

TABLE A.9: Predicted Margins Excluding Outliers

Dependet	(1) Growth	(2) Inflation	(3) Inflation
No Populist	2.086 [1.77,2.41]	15.72 [13.76,17.68]	43.53 [-67.77,154.82]
Populist	3.121 [2.42,3.82]	15.42 [10.53,20.31]	265.2 [23.46,506.88]
FH	2.373 [1.89,2.85]	16.18 [14.93,17.42]	122.4 [82.57,162.27]
LH	2.444 [1.86,3.03]	14.98 [13.52,16.45]	103.6 [54.70,152.56]
No Populist # FH	1.955 [1.15,2.76]	16.36 [14.07,18.65]	74.78 [-15.51,165.08]
No Populist # LH	2.247 [1.63,2.86]	14.96 [11.91,18.01]	4.797 [-151.87,161.46]
Populist # FH	3.311 [2.28,4.34]	15.74 [11.79,19.69]	224.5 [-23.94,473.02]
Populist # LH	2.887 [1.67,4.11]	15.04 [8.41,21.67]	315.5 [55.53,575.50]
Sample: Exclude Observations	Outliers 448	Outliers 396	Hyperinflation 459
P-value PopulistFH=PopulistLH <sup>a</sup>	0.607	0.729	0.225
P-value PopulistFH=NonPopulistFH <sup>a</sup>	0.0896	0.818	0.342
P-value PopulistLH=NonPopulistLH <sup>a</sup>	0.317	0.985	0.122

95% confidence intervals in brackets. Estimation method is Two-Way FE on the baseline model. <sup>a</sup> T-test on the equality of the parameters.

**TABLE A.10: Predicted Margins Including Decade Dummies and US GDP Growth**

	(1)	(2)	(3)	(4)
Dependent Variable	Growth	Inflation	Growth	Inflation
No Populist	1.947	52.81	1.947	52.81
	[1.63,2.26]	[-84.45,190.08]	[1.63,2.26]	[-84.45,190.08]
Populist	3.687	441	3.687	441
	[3.03,4.35]	[151.65,730.28]	[3.03,4.35]	[151.65,730.28]
FH	2.556	164.1	2.556	164.1
	[1.93,3.18]	[99.41,228.80]	[1.93,3.18]	[99.41,228.80]
LH	2.45	199	2.45	199
	[1.72,3.18]	[113.87,284.08]	[1.72,3.18]	[113.87,284.08]
No Populist # FH	1.753	104.6	1.753	104.6
	[0.75,2.76]	[-22.74,232.00]	[0.75,2.76]	[-22.74,232.00]
No Populist # LH	2.188	-11.04	2.188	-11.04
	[0.98,3.39]	[-194.74,172.66]	[0.98,3.39]	[-194.74,172.66]
Populist # FH	4.241	286.5	4.241	286.5
	[3.35,5.13]	[14.06,559.00]	[3.35,5.13]	[14.06,559.00]
Populist # LH	3.001	631.3	3.001	631.3
	[2.02,3.98]	[203.23,1059.30]	[2.02,3.98]	[203.23,1059.30]
Observations	477	471	477	471
Covariable Added	Decades	Decades	US GDP Growth	US GDP Growth
P-value PopulistFH=PopulistLH <sup>a</sup>	0.0627	0.0842	0.0627	0.0842
P-value PopulistFH=NonPopulistFH <sup>a</sup>	0.00506	0.312	0.00506	0.312
P-value PopulistLH=NonPopulistLH <sup>a</sup>	0.358	0.0341	0.358	0.0341

95% confidence intervals in brackets. Estimation method is Two-Way FE on the baseline model. <sup>a</sup> T-test on the equality of the parameters.