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Gastev, Juliusz

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Master's Thesis

Electoral Volatility and Party Polarization as Challenges to Democratic Stability in Latin America

Democracy in Latin America is under extraordinary strain because of polarization. This thesis aims to investigate the drivers of party polarization, focusing on electoral volatility in 18 Latin American countries from 1993-2018. Extant studies suggest that volatility influences polarization by incentivizing parties to adopt polarizing strategies to secure electoral survival. However, these studies suffer from methodological and theoretical drawbacks that I seek to overcome. By utilizing the Latin American Electoral Volatility Dataset (LAEVD), this thesis employs a more precise measure of polarization, particularly in assessing elite-driven polarization, while accounting for within-system volatility (votes transferred between existing parties), extra-system volatility (new party vote share), and additional control variables. Moreover, the theoretical underpinnings will be critically assessed and further developed, especially regarding new party entry. My results diverge from previous studies suggesting that Latin American democracies become more polarized as they age due to the entry of new (radical) parties. This reflects the persistent struggle for party systems in the region to institutionalize. As several countries have suffered pernicious consequences of polarization in recent years, avoiding democracy's demise in Latin America requires sustainable party building to solidify electoral competition and regain citizens' trust in democratic institutions.

Author: Juliusz Gastev (s3892271)

Study Program: MSc Political Science – Democracy and Representation

Supervisor: Prof. Dr. Ingrid van Biezen

Second Reader: Dr. Michael Meffert

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Introduction

Democracy in Latin America is under extraordinary strain due to political polarization. In recent years, the divisive and confrontational nature of disputes has resulted in massive protests and violent political conflicts in a number of countries (Carothers & Feldmann, 2021). Polarization in the region has been rising steadily, following global trends, even surpassing the global averages in the last decade (McCoy, 2023). This is alarming because once a certain level is reached, democracies are likely to suffer pernicious consequences. Among these are the inability of governments to implement reforms and policies, regime instability and in the worst case democratic breakdown (McCoy et al., 2018).

The consequences of polarization underscore the necessity of studying its causes and dynamics. Extant literature suggests that citizen polarization follows party polarization (Moral & Best, 2023). Investigating the drivers of the latter, Curini and Hino (2012) offer useful insights by uncovering missing links in party system polarization, namely voters and institutions, in addition to electoral systems and the number of parties. However, their sample only includes three countries from Latin America and focuses mainly on Western Europe. Similarly, Dalton (2021) tests existing theories on the causes of party polarization in 21 established democracies, none of them being Latin American. It is important to note that most democracies in Latin America cannot be classified as established but rather as “new” or “developing” since they were born out of the third wave of democracy (Huntington, 1991). According to Mainwaring and Torcal (2006), the key difference between Europe and North America is the level of institutionalization, measured in part by electoral volatility (the aggregate level of vote switches between parties from one election to the next). In Latin America, volatility is, on average, more than twice as high as in Western democracies and has remained so until today (Mainwaring et al., 2017, p. 626). This essentially means that political parties are confronted with severe uncertainty regarding their electoral survival. Hence, they must carefully decide whether to secure votes by converging to the mean voter or differentiate themselves from competitors by polarizing (Budge, 1994). In light of current developments in the region, one could assume the second option to have prevailed. However, confirming this requires empirical testing, leading to the research question of this thesis: How does electoral volatility affect party polarization in Latin America?

Previously, two studies conducted by Moraes (2015) and Moraes and Béjar (2023) have addressed this question by developing an elite-driven explanation of polarization. It holds that “parties use polarization to provide voters with unequivocal signals about their location in the policy space in contexts of high electoral volatility” (Moraes & Béjar, 2023, p. 637). However,

there are several drawbacks that I seek to overcome with this thesis. First, by utilizing the Latin American Electoral Volatility Dataset (LAEVD) from Mainwaring and Su (2021), this thesis employs a more precise measure of polarization, particularly in assessing elite-driven polarization, while accounting for within-system volatility (votes transferred between existing parties), extra-system volatility (new party vote share), and additional control variables. Moreover, the theoretical underpinnings will be critically assessed and further developed, especially regarding new party entry. Overall, my findings will make an important contribution to understanding the challenges faced by Latin American democracies today.

Contrary to the results of previous studies, I do not find sufficient statistical evidence to support the hypothesis that higher levels of total volatility lead to an increase in polarization. However, when disaggregated into the two types, it is shown that higher extra-system volatility causes polarization to rise. Having expanded the theoretical framework, it is suggested that this happens because new parties will either locate at the fringes of the political spectrum or cause existing parties to differentiate themselves from new contenders entering their ideological territory. Furthermore, this study finds that party systems in Latin America become more polarized as they age, reflecting the persistent struggle for party system institutionalization. This implies that it will require significant efforts for sustainable party building to solidify electoral competition and refuel citizens' trust in institutions, thereby stabilizing the regions' democracies.

The thesis proceeds as follows. I first present the main concepts of polarization and characteristics of Latin American party systems. Next, I proceed to the theoretical argument and the derived hypotheses, followed by the methodology, data, and empirical results. I conclude by discussing the key implications of my findings.

What is polarization and what causes it?

Polarization can be divided into two main concepts. *Ideological polarization* is defined as “the ideological or programmatic distance among the parties in the political spectrum” (Casal Bértoa & Rama, 2021, p. 1). *Affective polarization*, on the other hand, captures the extent to which citizens despise those from other political camps or out-groups (Iyengar et al., 2012). Both types of polarization can theoretically be observed at both levels. However, ideological polarization is typically perceived as occurring predominantly among elites, whereas affective polarization is viewed as more prevalent among the masses (Enders, 2021). This thesis sets out to study the causes of ideological polarization, hereafter termed *party polarization* to emphasize the subjects of the concept and to avoid confusion regarding the level of analysis.

Undoubtedly, polarization at both the party and citizen level are linked. Scholarship

often assumes a reciprocal relationship in which political parties are expected to align or change their positions with the voter distribution and citizens to form their political preferences based on the ideological cues from political parties (Adams et al., 2004; Callander & Carbajal, 2020; Downs, 1957). Recently, Moral and Best (2023) presented a comparative study investigating both potential directions, concluding that citizens' ideological polarization follows party polarization, but not the other way around.

This begs the question: if not citizen polarization, what is the cause of party polarization? Initial systematic studies have focused almost exclusively on the number of parties in a system and characteristics of the electoral systems as determinants of polarization, presenting mixed empirical findings (e.g. Andrews & Money, 2009; Dalton, 2008). A more extensive analysis is offered by Curini and Hino (2012), who investigate additional variables concerning institutional and voter-related factors. Specifically, they find that a higher effective number of parties only increases polarization when no coalition habit is present and that a higher salience of policies for voters leads parties to push for more extreme positions in order to gain support. Another important study on the subject comes from Dalton (2021). He finds polarization to be determined by proportional features of electoral systems as well as concerns about economic conditions and immigration, which is a core element of a broader cultural cleavage. It is crucial to keep in mind that these studies focus almost exclusively on established democracies in Europe.

Latin American party systems contrast starkly with those of Europe, particularly in the domains of prevailing regime type, programmatic structuration, and dominant type of linkages (Kitschelt, 2000; Lijphart & Waisman, 2018; Martínez-Gallardo et al., 2022). Most importantly, they are significantly less institutionalized than their European counterparts (Mainwaring & Torcal, 2006). Therefore, systematically investigating the drivers of polarization in this region presents a gap in the literature. Moraes (2015) and Moraes and Béjar (2023) fill this gap by providing studies tailored to the regional context. Their results show that volatility is a significant predictor of polarization in Latin America. When disaggregated into within-system volatility and extra-system volatility, Moraes and Béjar (2023) find the latter to have a larger effect on polarization than the former, confirming both of their hypotheses.

However, this study conflates several concepts of polarization by using a measurement for party polarization that aligns with that of affective polarization despite testing an elite-centered theory.¹ Moraes (2015), on the other hand, is more consistent, albeit not separately testing the effect of each type of volatility. To address this shortcoming, I will explicitly use a measurement of ideological distance between parties to assess the impact of total volatility,

within-system volatility, and extra-system volatility on party polarization. All of these variables are highly pronounced in the region, as will be described in the next section.

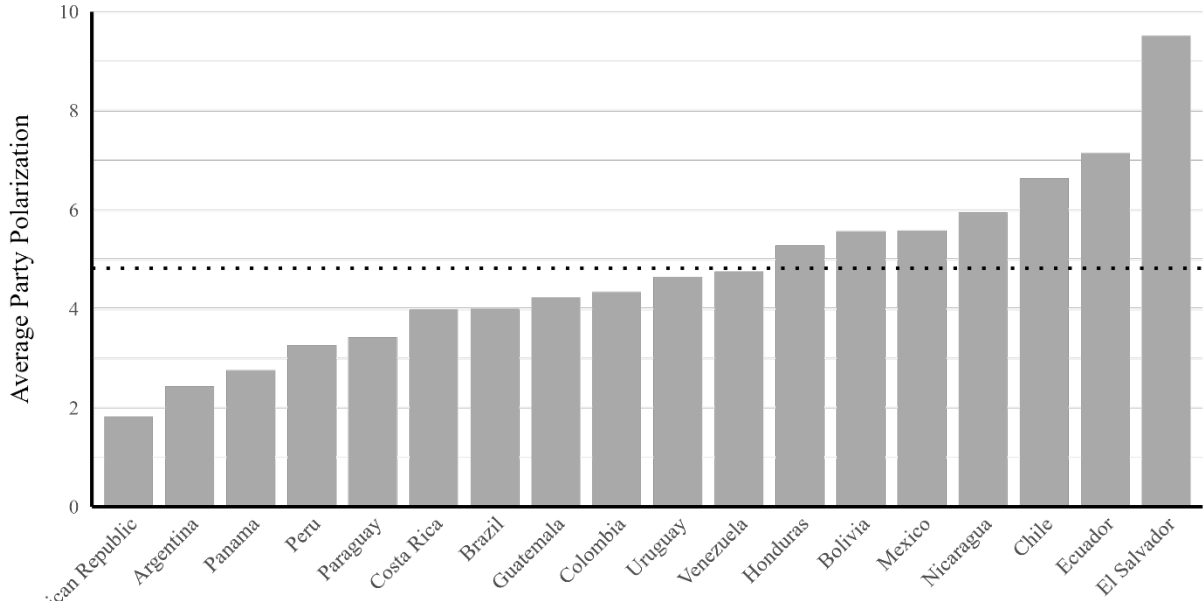
Party Systems in Latin America

Starting in 1978, the third wave of democratization had fully taken hold in Latin America by 1990. During this period, democratically elected governments had replaced authoritarian regimes virtually everywhere in the region (Hagopian & Mainwaring, 2005). The third wave was initially marked by a dual process of democratization and economic liberalization, which lasted until the mid-1990s. Surprisingly, neoliberal reforms were adopted not only by parties endorsing them, but also by populist parties violating their campaign mandates (Stokes, 2001). A political shift, famously termed Latin America's "left turn", occurred shortly after in the first decade of the 20th century. Persistent social inequalities enabled the Left to mobilize for redistribution policies and achieve considerable electoral success across the region (Levitzky & Roberts, 2011). Since then, some countries like Brazil or Argentina experienced a backlash in favor of right-wing governments, reversing previously implemented policies (Wills-Otero, 2020, p. 5). Although democracy in the region is as widespread and long-lasting than ever before, this process has been far from linear. Many countries remain plagued by political instability and rising distrust in democracy (Carothers & Feldmann, 2021; Lupu et al., 2023). Within the time period covered here, some democracies have even undergone authoritarian reversal (Honduras, Nicaragua, and Venezuela).

To get a better picture of how polarized Latin American party systems are, Figure 1 plots the average party polarization by country from 1993 to 2018, illustrating significant cross-sectional variance. Some base level of polarization can be explained by the historical origins of democratic regimes. Among the highest-ranking cases, post-civil war states like El Salvador and Nicaragua have exhibited a deep division between government and opposition since the 1990s (Mainwaring & Pérez-Liñán, 2014, Ch. 6). In contrast, Costa Rica and Colombia are enduring democracies that were established during the second wave of democracy in 1949 and 1958, respectively, and score below the mean despite having undergone substantial party system changes. A similar pattern can be observed for Argentina, Brazil, and Uruguay, which had (semi)democratic experience in the 20th century, reverted to military dictatorship and democratized again during the third wave (Mainwaring, 2018). An exception to this is Chile where parties formed along "two ideologically charged cleavages" after re-democratization (Coppedge, 1998, p. 180). The lowest-scoring country is the Dominican Republic, whose centrist party, originating under dictatorship, persistently dominated the political arena throughout a long-lasting struggle for democracy and beyond (Tillmann, 2021). Similarly, the

61-year rule of Paraguay’s main party, which began in authoritarian times, only ended in 2008 when a new coalition gained the presidency (Abente-Brun, 2009). In Panama, the presidency alternates between the authoritarian successor party and its competitor, both of which are seen as pragmatic centrist parties. Despite democratization by military intervention, the country stands out as a remarkable case of democratic stability (Loxton, 2022).

Figure 1: Average Party Polarization in Latin America, 1993-2018



Data: LAEVD by Mainwaring and Su (2021)

Decades after first democratizing, many party systems in the region remain poorly institutionalized and unstable. From 1993 to 2018, the average total volatility in Latin America was 25.40%, and the average extra-system volatility was 7.10%. In Bolivia, Peru, Ecuador, and even Venezuela, whose party system was regarded as one of the most stable ones before 1990, volatility rates have been notoriously high (33-48% on average), leading to a complete party system collapse at one point in time where all established parties were marginalized and replaced by new ones (Mainwaring, 2018; Seawright, 2012). Parties also never really took root and served more as a vehicle to advance leaders’ careers in Guatemala, a country long plagued by violent guerilla conflict (Seligson, 2005). Conversely, Mexico’s incremental democratization yielded a relatively stable, yet deeply divided three-party system (Greene & Sánchez-Talanquer, 2018). Lastly, Honduras is the country with the lowest average volatility score (9.10%) of all cases, attributable to the persistence of two traditional parties from authoritarian times. However, political stability did not follow from this, as a coup in 2009 sent the country back to military dictatorship (Ruhl, 2010). Against this backdrop of diverse

democratic pathways, it is almost unnecessary to say that making generalizable claims about the effect of volatility on polarization requires quantitative analysis. Before delving into it, the following part presents the theoretical assumptions of this thesis.

Electoral Volatility and Party Polarization

How might electoral volatility incentivize party elites to polarize? The two extant studies construct different derivations that boil down to a similar theorized mechanism. In short, highly volatile contexts increase the risk of electoral survival, incentivizing parties to deliver unequivocal signals to voters by pursuing a polarizing strategy (Moraes, 2015, p. 3; Moraes & Béjar, 2023, p. 637). In this section, I will critically review and further develop the theoretical arguments, first regarding overall volatility and second regarding the entry of new parties. The hypotheses will essentially be the same as in previous studies since it is the purpose of this thesis to retest them with a different dataset and method.

Party behavior in uncertain electoral contexts

In developing democracies, political parties face uncertainty, which is introduced in several ways. The young age of institutions make them vulnerable to frequent change, which can, in the worst case, lead to authoritarian reversal. Additionally, economic uncertainties require elites to react and adapt to possible turbulences (Lupu & Riedel, 2013). In this context, Moraes and Béjar (2023) contend that volatility is an “electoral expression of a larger setting of uncertainty” (p. 638). For political parties, high volatility rates essentially make it challenging to gauge their chances of success and increase the risk of electoral defeat (p. 639). This puts them at a crossroad: polarize or converge to the center?

In Moraes’ (2015, pp. 5-7) view, parties face two kinds of constraints when confronted with this choice. Internally, parties grapple with evaluating the costs and benefits of ideological shifts, a process that grows more complex with party longevity and adherence to formal procedures (Converse, 1969; Panebianco, 1988). Externally, parties are influenced by voter reactions to ideological shifts, with stable ideologies fostering stronger party identification and credibility over time (Downs, 1957, pp. 103-11; Lupu, 2016). Importantly, he argues that these constraints do not operate in high-volatility contexts because increased electoral risks allow parties to move more freely. This, in turn, fuels polarization because parties will send clear ideological cues to attract voters who have less fixed policy preferences. Similarly, Moraes and Béjar (2023, pp. 638-39) contend that in fluid environments policy changes increase, possibly leading to mandate violations and diluted party brands (Stokes, 2001; Lupu, 2016). A consequence is voter dealignment, which subsequently causes heightened competitiveness in

less predictable elections. This incentivizes parties to mobilize on a polarizing basis because they will not be able to send clear programmatic cues in the center to differentiate themselves from competitors. In essence, both studies claim that in highly volatile contexts, parties will choose a polarizing strategy over a converging strategy to secure electoral survival.

However, there is also literature suggesting otherwise. Given that high volatility causes electoral results to be generally unstable, Dassonneville (2018) claims that even if a party wins an election, it cannot rely on the loyalty of voters and it should therefore become more attentive to the mean voter, i.e. most likely the center. Indeed, her analysis shows that once a certain level of volatility is reached, parties are rendered more responsive to the mean voter. Knowing that the average Latin American voter is moderate and located close to the center on a left-right continuum (Arnold & Samuels, 2011; Moraes & Lujan, 2020), this would speak against the hypothesis that parties polarize in volatile contexts.

Nonetheless, it is essential for political parties in new or developing democracies to accentuate policy differences because voters face difficulties using their vote effectively when there has not been as much time to learn what parties stand for (Singer, 2016). Differentiation then contributes to mandate representation and strengthens ideological voting (Lachat, 2008). Additionally, Su (2014) shows that in the Latin American context, parties experience less volatility the more ideologically distinct they are. The incentive to differentiate is even more pronounced when parties strive for issue ownership (Wagner, 2012). Following this intuition, party systems would become more polarized over time and leave the center empty because parties of the same ideological family tend to shift their position in the same direction as their opponents in the previous election (Adams & Somer-Topcu, 2009). More empirical evidence shows that leftist parties in Latin America have attracted voters by providing clear programmatic cues regarding the direction of policies, rather than minimizing the distance to the mean voter (Moraes & Luján, 2020).

Overall, electoral volatility introduces a high level of uncertainty to the competition of parties, likely prompting them to differentiate themselves from competitors to ensure electoral survival. This leads me to test the following hypothesis:

H1: Higher levels of total volatility lead to higher levels of party polarization.

The impact of new party entry

Since democratization in Latin America, hundreds of new parties have emerged, but only a handful are considered to have undergone successful party building, whereas the vast majority disappeared instantly or shortly after their first election (Levitsky et al., 2016, p. 5). Regarding

this fluid environment, it is crucial to assess what impact the entry of new parties could have on party system polarization compared to volatility between existing parties. Because Moraes' (2015) data did not allow for differentiation between within-system volatility and extra-system volatility, he did not explicitly theorize this matter. Moraes and Béjar (2023, pp. 369-40), on the other hand, claim, based on Lupu (2016), Roberts (2013), and Seawright (2012), that newcomers will most likely signal away from the center. They provide thorough anecdotal evidence of how party systems in Venezuela, Ecuador, and Bolivia polarized after a political newcomer had won the presidency. However, they don't offer a compelling discussion as to why new parties emerge and, importantly, how they influence the behavior of existing parties.

The most basic account holds that cleavage structures of society are mirrored in the party systems (Lipset & Rokkan, 1967). Long-term changes occur as a result of weakening traditional cleavages due to dealignment or a re-articulation of political conflict along a new cleavage (Marks et al., 2021). Along these lines, it is assumed that new parties emerge in response to representational gaps and to dissatisfied voters (Harmel & Robertson, 1985; Hauss & Rayside, 1978). In spatial thinking, this means that the entry of new parties to the scene is a rational cost-benefit calculus of elites depending on if there is open policy space to be filled, new issues to be covered, and a high probability of being elected (Cox, 1997; Downs, 1957; Hug, 2001). From a more dynamic perspective, a lack of programmatic diversity and the size of a collapsed party, if it occurs, influences the ability of new parties to take root (Laroze, 2019; Zons, 2015). Furthermore, permissive institutional arrangements and a younger age of democracy are shown to foster the emergence of new parties (Tavits, 2006, 2008a).

When applying this knowledge to the Latin American context, it comes as no surprise that new parties appear frequently. As previously discussed, the region experienced significant political shifts in a matter of years, causing parties to collapse, new ones to form, and other issues to become salient. Prominent cases of radical political newcomers, as listed by Moraes and Béjar (2023, p. 639), indeed suggest that they signal away from the center, although it must be said that these successful cases only make up a small proportion of all newly emerged parties in Latin America (Mustillo, 2009, p. 323). Beyond this, systematic evidence on the positioning of new parties is scarce and ambiguous. According to Kestler et al. (2016), numerous "break-in parties" appeared in the 1980s and 1990s, characterized by their outsider appeal and rejection of the status quo, implying a more polarizing stance. Conversely, Latin America has also seen the emergence of niche parties spread across the ideological spectrum that, as a whole, are not associated with polarization (Kerneck & Wagner, 2019, p. 115). Taken together, there is some evidence to suggest that new parties will locate at the fringes of the spectrum, yet this does not

tell the full story of how they impact party systems.

The entry of new parties must also be seen as a disturbance of ongoing competitive dynamics. Specifically, a reallocation of votes to new contenders cannot be assumed to occur randomly, but rather at the expense of votes of their spatial neighbors. Existing parties, therefore, face nontrivial damage when new parties “steal” votes from them on the issues they politicize most (Tavits, 2008b). Furthermore, the sheer newness of parties encroaching on other’s ideological territory has been shown to attract voters (Sikk, 2011). There are three strategies for existing parties to react to this: By dismissing the issue of the new party, it is hoped to decrease its’ salience, thereby potentially leading to new party vote loss. Alternatively, parties can enter the competition by either accommodating the position or diverging from it (Meguid, 2005). Established parties are more likely to strive for differentiation if they suffer a significant loss of votes directly attributable to the entry of a new contender (Harmel & Svåsand, 1997).

In sum, polarization of a party system can be expected to increase when existing parties see their electoral success threatened by new parties depriving them of their vote share and chose to differentiate or when radical new competitors enter the political arena. From this, I derive the following hypothesis:

H2: The higher the level of extra-system volatility, as opposed to within-system volatility, the higher the level of party polarization.

Data, Method and Variables

The analysis is based on the Latin American Electoral Volatility Dataset (LAEVD) compiled by Mainwaring and Su (2021).² It covers 18 Latin American countries from 1932 to 2018. For my purposes, I will use the observation from 1993 onwards, the first year for universal data availability after democratization of the region. Moraes (2015) and Moraes and Béjar (2023) have included the exact same countries for similar time periods in their analysis, making my results directly comparable. Unlike Cohen et al.’s (2018) database, which was used by Moraes and Béjar (2023), the LAEVD applies different coding rules, capturing only substantial party system change. Most importantly, for a party to be classified as new, it must not have participated in any lower chamber election in the past, and changes in party names are treated as continuities from previously existing organizations. Furthermore, new coalitions or dissolutions, splits, and mergers are considered as partial continuity. The LAEVD contained almost all the variables of interest except for two. First, *district magnitude* was taken from Scartascini et al.’s (2021) Database of Political Institutions. For missing values of this variable,

I consulted various sources and based some on my own calculations.³ Second, data on *unemployment* comes from the World Bank (2020). Given the nature of my research question, the research design for my thesis is a factor-centric and large-N oriented one. Therefore, the thesis will test its hypothesis via multilevel analysis, where elections are nested within countries. Overall, my dataset contains 118 elections.

The Augmented-Dickey-Fuller (ADF) test revealed that three of my independent variables and my dependent variable were non-stationary. This issue was addressed by using the demeaned log for two of my independent variables, *GDP per capita* and *age of democracy*, nearly achieving stationarity for the former (ADF, $p=0.06$) and full stationarity for the latter (ADF, $p=0.01$). The third independent variable, *birthyear of democracy*, was transformed into a dummy variable called *old democracy* because of its nominal nature. For my dependent variable, *party polarization*, using the demeaned log solved the problem of non-stationarity. Further model diagnostics showed no issues with autocorrelation, multicollinearity, or heteroscedasticity.⁴

Dependent Variable

The dependent variable, *party polarization*, is measured according to Dalton's development (2008) and calculated based on Singer's (2016) formula.⁵ Original values range from 1.35 to 7.85, with higher numbers indicating higher polarization. I rescaled them to a range between 0 and 10 for graphing purposes. The demeaned log of party polarization, multiplied by 10 to aid interpretability, is used in the multilevel models. Usually, the Dalton (2008) index uses either citizens' perceptions of party positions or legislators' assessments of their party to determine their location in the policy space. The LAEVD, however, uses expert survey data for parties' ideological positions, thereby circumventing the criticism of directional bias put forward by Moraes and Béjar (2023, p. 641) and other scholars. Still, a weakness of this index is that the measure depends not only on party behavior but also on citizen behavior. Polarization values can change even if party positions remain constant when the distribution of votes changes because parties are weighted by their vote share. This introduces the problem of endogeneity, which I will address by including lagged versions of my three main independent variables, as described in the next section. Reverse causation can be ruled out from a theoretical and empirical point of view. In a more polarized system, switching votes is less probable because it implies bigger ideological shifts for voters, who should have developed more consistent behavior (Dejaeghere & Dassonneville, 2012; Levendusky, 2010). Furthermore, Mainwaring and Su (2021, p. 290) show that higher polarization is associated with lower volatility in Latin America.

Independent and control variables

In my analysis, there are three main independent variables: *total volatility*, *within-system volatility* and *extra-system volatility*. The first captures electoral volatility according to Pederson's (1979) index.⁵ This indicator is particularly useful to assess aggregate electoral stability or change, but it doesn't capture important dynamics of fluid party systems where new competitors repeatedly enter the competition. Therefore, disaggregating it into *within-system volatility* (the share of the votes transferred between previously existing parties) and *extra-system volatility* (the share of votes new parties received) is an advancement made by several scholars (Powell & Tucker, 2014; Mainwaring et al., 2017; Cohen et al., 2018). This is important because, as laid out above, there is reason to believe that each type of volatility influences polarization in a different way.

The problem of endogeneity arises due to the measurement of the dependent variable. Volatility can influence polarization by shifting vote distributions to the extremes without parties changing their positions or by incentivizing parties to pursue a polarizing strategy in uncertain electoral contexts. Since the aim of this thesis is to test the latter assumption, I need to isolate the effect by lagging the volatility variables. This creates a temporal separation between the cause and effect, implying that parties react to changes in volatility from past elections rather than instantaneously, which should more accurately capture the hypothesized mechanism. Lagging the variables resulted in a loss of four observations.

The first two control variables concern the institutional characteristics of a country. In Down's (1957) thinking of spatial models of party systems, a higher *effective number of parties (ENP)* is assumed to increase polarization because parties will disperse along the ideological spectrum, seeking electoral niches. Regarding the electoral system, the most basic idea is that proportional systems offer centrifugal tendencies, while majoritarian systems offer centripetal tendencies (Sartori, 1976; Cox, 1990). A measure to capture the effect of proportionality continuously instead of dichotomously is the mean *district magnitude*. The underlying logic is that a higher magnitude implies lower thresholds for securing a seat, thereby resulting in more proportional systems (Matakos et al., 2016, p. 1036).

The next set of variables controls for economic factors, namely the *GDP per capita*, the *GDP growth* rate, and the *unemployment* rate. Extant literature suggests that polarization is the result of poor economic development because voters will then blame the incumbents and vote for more extreme parties (Funke et al., 2016). So far, these are all variables that have been included in the studies by Moraes (2015) and Moraes and Béjar (2023).

Turning to the novel set of variables, *concurrent presidential elections* alongside legislative elections could mitigate polarization. Candidates and parties aspiring to win have incentives to move to the center because there can only be one winner (Curini & Hino, 2012, p. 464). Additionally, Carreras (2012) shows that two simultaneous elections create hurdles for political outsiders that could potentially polarize the system. Next, parties in more established democracies face costly constraints for programmatic change because they should have developed deep connections to voters and strong organizations. The variable *age of democracy* captures an aging effect as it changes from one electoral period to the next, whereas the variable *old democracy* is a dummy that indicates the historical period when a democracy was inaugurated (Mainwaring et al., 2017). I assume that both variables have a negative effect on polarization that is even stronger for old democracies established during the second wave of democratization (Costa Rica, Colombia, and Venezuela).

Lastly, two variables regarding the electorate are introduced. According to Curini and Hino's (2012, p. 465) "Independent Voters Hypothesis", a bigger share of *independent voters* leads to lower levels of polarization because parties will have incentives to approach these independents that tend to hold moderate positions. Based on the percentages of voters who identified with a party provided by the LAEVD, I calculated the share of independent voters as everyone who did not identify with a party. A similar logic applies to the percentage of the *indigenous population*. They tend to be floating voters because they are less connected to parties than the rest of the electorate (Madrid, 2005). However, in the last two decades, Latin America has also seen a rise of ethno-populist parties, which can be seen in Bolivia or Ecuador, making it harder to predict a causal direction for this variable (Madrid, 2008).

Since my independent variables are on largely different scales, I scaled them to have a mean of 0 and a standard deviation of 1. Consequently, the coefficients in the models represent the expected change in the dependent variable for a one standard deviation increase in the predictor variable.

Results

The results of my analysis are reported in Table 1. I ran three pairs of models where the first model tests for total volatility, and the second one disaggregates it into the two types, within-system volatility and extra-system volatility. Because Moraes and Béjar (2023) proceeded in a similar fashion, the first pair of models tests the exact same variables to allow for a direct comparison. I have also added a replication of their findings, based on the dataset the authors provided me with, in the appendix (Table A).

Strikingly, in the first pair of models (1 and 2), Model 1 indicates that total volatility

does not appear to be a significant predictor of party polarization, contrary to previous findings. Model 2 shows – again deviating from Moraes and Béjar (2023) – that only extra-system volatility has a positive and significant effect on polarization, but not both types of volatility. A one standard deviation increase of extra-system volatility increases polarization by 0.25 points. Of the remaining variables, only GDP per capita appears to be significant in Model 2, but instead of mitigating polarization, it causes an increase. However, the effect reverses and loses significance in all subsequent models. The loss of 16 observations is attributed to missing values for unemployment.

In the second pair of models (3 and 4), I incorporate additional control variables regarding democratic characteristics, followed by variables regarding the electorate in the third pair (5 and 6). Due to missing values and a lack of predictive power, I did not incorporate unemployment. As before, total volatility and within-system volatility show an insignificant effect that only slightly changes in size. The significant effect of extra-system volatility, on the other hand, grows in magnitude to 0.30 and 0.42 points for a one standard deviation increase in Models 4 and 6, respectively. Among the control variables, the ENP becomes a significant positive predictor in models testing for total volatility but loses significance once volatility is disaggregated. Surprisingly, the age of democracy is a statistically significant positive predictor across all models, meaning that with progressing age, countries become more polarized. An exception to this are old democracies that show a significant decrease in polarization, albeit only in the models testing for both types of volatility. Regarding the electorate, a bigger share of independent voters is associated with a significant decrease in polarization in Model 5 but not Model 6. This variable causes a loss of 22 observations due to missing values.

The results presented above lead me to reject Hypothesis 1, which posited that an increase in total volatility increases party polarization. However, I find substantive support for Hypothesis 2, which states that the higher the level of extra-system volatility, as opposed to within-system volatility, the higher the level of party polarization. To assess the robustness of the results, I re-estimated the models introducing the variables inflation (from LAEVD) and electoral democracy (V-Dem index from Coppedge et al., 2023) instead of unemployment and old democracy (Appendix Table B). Paraguay was identified as the most influential case across all models, far ahead of the other countries. Therefore, I also estimated models without it (Appendix Table C). The last robustness test uses OLS with random effects due to the perfect collinearity of two independent variables (Appendix Table D). The results mimic the conclusions of the multilevel models.

Table 1: Multilevel Models for Party Polarization

	1	2	3	4	5	6
Total Volatility (lagged)	0.06 (0.11)		0.11 (0.09)		0.19 (0.11)	
Within-system volatility (lagged)		-0.10 (0.10)		-0.08 (0.08)		-0.02 (0.09)
Extra-system volatility (lagged)		0.25* (0.10)		0.30*** (0.09)		0.42*** (0.11)
ENP	0.18 (0.11)	0.13 (0.11)	0.19* (0.10)	0.08 (0.09)	0.23* (0.12)	0.09 (0.11)
District magnitude	-0.13 (0.20)	-0.13 (0.21)	-0.05 (0.09)	-0.03 (0.08)	-0.08 (0.09)	-0.07 (0.08)
GDP per capita	0.17 (0.10)	0.23* (0.10)	-0.16 (0.15)	-0.03 (0.14)	-0.11 (0.16)	0.02 (0.15)
GDP growth	0.07 (0.09)	0.09 (0.09)	0.14 (0.08)	0.15 (0.08)	0.16 (0.09)	0.15 (0.09)
Unemployment	-0.13 (0.11)	-0.15 (0.11)				
Concurrent elections			-0.31 (0.20)	-0.24 (0.18)	-0.22 (0.24)	-0.16 (0.22)
Old democracy			-0.53 (0.30)	-0.79** (0.28)	-0.54 (0.39)	-0.75* (0.37)
Age of democracy			0.52*** (0.15)	0.43** (0.15)	0.58** (0.19)	0.43* (0.19)
Independent voters					-0.28* (0.13)	-0.22 (0.13)
Indigenous population					-0.05 (0.13)	-0.06 (0.13)
Constant	0.08 (0.11)	0.06 (0.12)	0.35 (0.19)	0.34* (0.16)	0.28 (0.22)	0.33 (0.21)
Country-level RI σ^2	0.07 (0.27)	0.11 (0.34)	0.62 (0.25)	0.02 (0.15)	0.11 (0.33)	0.10 (0.31)
Observations	98	98	114	114	92	92
Log Likelihood	-134.22	-131.99	-152.86	-149.33	-120.87	-116.02
Akaike Inf. Crit.	286.44	283.98	327.71	322.65	267.73	260.03
Bayesian Inf. Crit.	309.71	309.83	357.81	355.49	300.52	295.34

Note: *p<0.05; **p<0.01; ***p<0.001; Multilevel models (R: lme4) with elections as unit of analysis and country-level random intercept; Standardized coefficients and (SEs) are reported

Discussion

Contrary to both previous studies on the subject, I do not find the level of total volatility to cause a rise in polarization. Instead, and in line with Moraes and Béjar's (2023) findings, this can only be observed amid increasing extra-system volatility. Having expanded the theoretical framework behind the causal mechanism, this means that higher levels of polarization can be attributed to new radical parties entering the political arena and/or existing parties shifting their positions away from new contenders threatening their electoral success. Furthermore, Latin American democracies are shown to become more polarized as they age.

While this might seem vague at first, it resonates well with scholars' assessment of the persistent struggle for party system institutionalization in the region. As a whole, organizationally strong parties that create stable patterns of electoral competition have been rare (Mainwaring, 2018). Certainly, parties face severe environmental challenges to establish themselves in developing democracies (Levitzky et al., 2016). However, this failure can, to some degree, be attributed to bad governance. Instead of investing in party building, some politicians chose parties as personalistic vehicles (Levitt, 2012). In other cases, bait-and-switch reforms caused a destabilizing aftermath of programmatic dealignment and social unrest (Roberts, 2013). Among the Latin American electorate, "the initial euphoria evoked by democratic change has long since disappeared" (Lagos, 2001, p. 137). Despite democracy still being supported by the majority of the people as the best form of governance, a simmering discontent is spreading (Lupu et al., 2023). When observing the combination of citizen disenchantment, inchoate party systems, and the frequent emergence of new (radical) parties unfold in its dynamic over a longer period of time, polarization almost appears as a logical consequence. This is because weak party organizations and an unattached electorate are shown to enable populists to gain ground (Self & Hicken, 2018). Indeed, several Latin American countries have experienced the emergence of "polarizing populism", further fueled by the conjunction of state crisis and strong left-wing mobilizational capacities (Handlin, 2018).

To some extent, polarization can arguably be propitious for party building, but when combined with undemocratic ambitions, democracy is exceptionally imperiled (Mainwaring, 2016, p. 698). This is vividly illustrated by democratic setbacks under the presidencies of Evo Morales in Bolivia, Hugo Chávez in Venezuela, and Rafael Correa in Ecuador (Moraes & Béjar, 2023, pp. 639-41). Deterring backsliding requires institutionalized parties that reinforce the accountability of leaders and can counter-mobilize dismantling efforts (Bernhard et al., 2020). Overall, this underscores the importance of party system institutionalization in enhancing democratic stability.

Conclusion

Democracy in Latin America is as widespread and long-lasting than ever before, but it is also facing serious challenges because of polarization. Therefore, understanding its drivers merits great attention and has relevance beyond the scholarly world. In line with previous studies, I identified the high average volatility as a key characteristic of Latin American party systems, possibly contributing to party polarization. High volatility is expected to introduce severe uncertainty regarding parties' survival, prompting them to polarize in order to differentiate themselves from (new) competitors and to attract voters by providing clear ideological cues. Extant research from Moraes (2015) and Moraes and Béjar (2023) finds support for the hypotheses that an increase in volatility leads to an increase of polarization and, when disaggregated into its two parts, that higher extra-system volatility, as opposed to within-system volatility, results in surging polarization.

With this thesis, I have tested the robustness of these findings and made several important contributions. First, I bridged the gap of the two existing studies by choosing a more adequate measurement for assessing elite-driven polarization, while accounting for both types of volatility, and additional control variables. The analysis, however, would profit from using more recent data as some countries held several (polarizing) elections since data publication.⁷ Second, I have critically assessed and expanded the theoretical underpinnings of how electoral volatility might affect polarization. Specifically, I pointed to competing literature suggesting that parties converge amid high volatility and hypothesized that new parties influence polarization by triggering programmatic change of existing parties in addition to possibly locating at the fringes of the political spectrum. Investigating these dynamics more thoroughly would present an interesting research avenue. Third, I have contextualized my findings within the broader framework of party system institutionalization, thereby contributing to our understanding of challenges faced by Latin American democracies today.

My findings diverge from those of previous studies. Notably, I do not find the level of total volatility to be a significant predictor of party polarization. However, aligning with the results of Moraes and Béjar (2023), my analysis suggests that increased extra-system volatility, indicative of new party entries, causes polarization to rise. I also find Latin American democracies become more polarized as they age. Both findings reflect the persistent struggle for party systems in the region to institutionalize. The implications of this are that sustainable party building could potentially be a way out of misery by creating solid organizational structures and solidifying electoral competition. This, in turn, could refuel citizens' trust in democratic institutions, thereby shutting the door for polarizing populists. Admittedly, party

elites face severe difficulties in fulfilling these grand tasks, and it seems questionable whether everyone is dedicated to upholding the democratic norms required to achieve them. After witnessing several countries in Latin America suffer pernicious consequences of polarization in recent years, it must be hoped that the efforts of those trying to preserve democracy will succeed, ensuring that its fate does not end in demise.

Notes

1. Variable “political polarization” from V-Dem Dataset (Coppedge et al., 2023, p. 232). The exact question asked: *“Is society polarized into antagonistic political camps?”* Responses go from 0 (*Not at all. Supporters of opposing political camps generally interact in a friendly manner*) to 4 (*Yes, to a large extent. Supporters of opposing political camps generally interact in a hostile manner*). See Moraes & Béjar (2023, p. 641).
2. The dataset is available at <https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/KVUKBF>
3. Sources and calculations for district magnitude values are provided in the R-script.
4. The absence of autocorrelation is supported by Autocorrelation Function (ACF) tests, showing no significant lags and p-values larger than 0.05 for the Ljung-Box test across all models. The variance inflation factor (VIF) statistics show values between 1 and 3 for all models, indicating no problem of multicollinearity. Lastly, visual inspection of the residual plots does not show signs of heteroscedasticity.
5. It takes the mean ideology of parties weighted by its vote share subtracted from the ideology of each party. This number is then squared, weighted by vote share, and the square root is taken to estimate polarization.

$$\text{Polarization} = \sqrt{\sum_{i=0}^n V_i (LR_i - LR_{mean})^2}$$

6. Pedersen’s (1979) index: the sum of the net change in the percentage of votes gained or lost by each party from one election to the next, divided by two.
7. Upon request, I was informed that the dataset available publicly is the most recent one and that an updated version is still in progress.

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Appendix

Table A Moraes and Béjar (2023) replication (OLS with country fixed effects)

	<i>Dependent variable:</i>	
	V-Dem Polarization	
	1	2
Volatility	0.201*** (0.069)	
Stable volatility		0.119** (0.058)
Replacement volatility		0.197*** (0.073)
GDP per capita (log)	0.196 (0.155)	0.203 (0.156)
GDP growth	0.011 (0.047)	0.004 (0.048)
Unemployment	-0.107 (0.088)	-0.131 (0.093)
ENP	-0.106 (0.089)	-0.117 (0.090)
District Magnitude	0.129** (0.061)	0.137** (0.062)
Observations	94	94
R ²	0.232	0.240
Adjusted R ²	-0.020	-0.024
F Statistic	3.524*** (df = 6; 70)	3.119*** (df = 7; 69)

Note: * p<0.1; ** p<0.05; *** p<0.01; Standardized coefficients are reported and standard errors (in parentheses)

Table B Multilevel models for party polarization (changed independent variables)

	1	2	3	4	5	6
Total Volatility (lagged)	0.12 (0.09)		0.08 (0.10)		0.17 (0.12)	
Within-system volatility (lagged)		-0.05 (0.08)		-0.04 (0.09)		-0.04 (0.11)
Extra-system volatility (lagged)		0.27** (0.09)		0.24* (0.10)		0.36*** (0.11)
ENP	0.12 (0.09)	0.06 (0.09)	0.24* (0.11)	0.17 (0.11)	0.21 (0.12)	0.09 (0.13)
District Magnitude	0.02 (0.09)	0.03 (0.09)	-0.07 (0.10)	-0.05 (0.10)	-0.02 (0.11)	-0.06 (0.11)
GDP per capita	0.12 (0.09)	0.13 (0.09)	-0.19 (0.15)	-0.12 (0.15)	-0.15 (0.16)	-0.05 (0.15)
GDP Growth	0.11 (0.09)	0.13 (0.08)	0.15 (0.08)	0.16* (0.08)	0.15 (0.09)	0.15 (0.09)
<i>Inflation</i>	-0.08 (0.09)	-0.06 (0.09)	-0.003 (0.09)	0.004 (0.09)	-0.31 (0.36)	-0.11 (0.34)
Concurrent elections			-0.22 (0.21)	-0.20 (0.21)	-0.07 (0.24)	-0.03 (0.23)
<i>Electoral democracy index</i>			-0.09 (0.12)	-0.07 (0.12)	-0.06 (0.13)	-0.03 (0.13)
Age of democracy			1.00** (0.34)	0.90** (0.34)	1.02* (0.42)	0.78 (0.41)
Independent voters					-0.24 (0.14)	-0.17 (0.13)
Indigenous population					-0.04 (0.13)	-0.02 (0.13)
Constant	0.07 (0.09)	0.07 (0.08)	-0.06 (0.20)	-0.04 (0.20)	-0.16 (0.23)	-0.07 (0.23)
Country-level RI σ^2	0.00 0.00	0.00 (0.00)	0.10 (0.30)	0.10 (0.33)	0.10 (0.30)	0.11 (0.34)
Observations	114	114	114	114	92	92
Log Likelihood	-158.26	-155.97	-155.79	-154.49	-121.76	-118.39
Akaike Inf. Crit.	334.51	331.94	335.59	334.98	271.52	266.79
Bayesian Inf. Crit.	359.14	359.31	368.42	370.55	306.82	304.61

Note: * p<0.05; ** p<0.01; *** p<0.001; Multilevel models (R: lme4) with elections as unit of analysis and country-level random intercept; Standardized coefficients and (SEs) are reported

Table C: Multilevel models for party polarization (without Paraguay)

	1	2	3	4	5	6
Total Volatility (lagged)	0.03 (0.09)		0.08 (0.08)		0.12 (0.10)	
Within-system volatility (lagged)		-0.05 (0.09)		-0.05 (0.08)		-0.03 (0.09)
Extra-system volatility (lagged)		0.13 (0.09)		0.22* (0.09)		0.28* (0.11)
ENP	0.13 (0.09)	0.10 (0.09)	0.17* (0.08)	0.12 (0.08)	0.16 (0.10)	0.09 (0.10)
District Magnitude	-0.01 (0.16)	0.01 (0.16)	-0.01 (0.08)	-0.003 (0.08)	-0.01 (0.08)	-0.01 (0.08)
GDP per capita	0.16 (0.09)	0.17 (0.09)	-0.08 (0.14)	-0.02 (0.14)	-0.05 (0.14)	-0.01 (0.14)
GDP Growth	0.06 (0.09)	0.08 (0.09)	0.13 (0.08)	0.14 (0.08)	0.13 (0.09)	0.13 (0.09)
Unemployment	-0.10 (0.09)	-0.10 (0.09)				
Concurrent elections			-0.33 (0.17)	-0.30 (0.17)	-0.25 (0.21)	-0.18 (0.20)
Old democracy			-0.40 (0.12)	-0.60* (0.12)	-0.27 (0.13)	-0.43 (0.13)
Age of democracy			0.41** (0.14)	0.39** (0.14)	0.38* (0.18)	0.34 (0.18)
Independent voters					-0.17 (0.12)	-0.14 (0.14)
Indigenous population					0.03 (0.10)	0.005 (0.10)
Constant	0.02 (0.09)	0.02 (0.08)	0.27 (0.15)	0.29 (0.15)	0.25 (0.17)	0.26 (0.17)
Country-level RI σ^2	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Observations	93	93	109	109	87	87
Log Likelihood	-120.76	-121.22	-139.88	-138.93	-109.86	-108.49
Akaike Inf. Crit.	259.53	263.44	301.76	301.86	245.73	244.99
Bayesian Inf. Crit.	282.32	287.76	331.37	334.16	277.79	279.51

Note: *p<0.05; **p<0.01; ***p<0.001; Multilevel models (R: lme4) with elections as unit of analysis and country-level random intercept; Standardized coefficients and (SEs) are reported

Table D: OLS with random effects for party polarization

	1	2	3	4	5	6
Total volatility (lagged)	0.04 (0.10)		0.08 (0.09)		0.19 (0.11)	
Within-system volatility (lagged)		-0.11 (0.09)		-0.08 (0.08)		-0.01 (0.10)
Extra-system volatility (lagged)		0.21* (0.09)		0.30*** (0.09)		0.43*** (0.11)
ENP	0.12 (0.10)	0.07 (0.10)	0.14 (0.09)	0.07 (0.09)	0.23 (0.12)	0.10 (0.12)
District Magnitude	-0.08 (0.17)	-0.05 (0.17)	-0.05 (0.09)	-0.03 (0.08)	-0.08 (0.09)	-0.08 (0.08)
GDP per capita	0.14 (0.09)	0.17 (0.09)	-0.13 (0.14)	-0.02 (0.14)	-0.11 (0.15)	0.03 (0.15)
GDP growth	0.05 (0.09)	0.08 (0.09)	0.13 (0.08)	0.14 (0.08)	0.16 (0.09)	0.15 (0.09)
Unemployment	-0.13 (0.09)	-0.14 (0.09)				
Concurrent elections			-0.24 (0.18)	-0.22 (0.18)	-0.22 (0.24)	-0.17 (0.23)
Old democracy			-0.49 (0.26)	-0.78** (0.27)	-0.54 (0.39)	-0.76* (0.38)
Age of democracy			0.48** (0.15)	0.42** (0.14)	0.58** (0.19)	0.44* (0.19)
Independent voters					-0.28* (0.13)	-0.22 (0.13)
Indigenous population					-0.05 (0.13)	-0.06 (0.13)
Constant	0.09 (0.09)	0.07 (0.09)	0.29 (0.16)	0.32* (0.16)	0.28 (0.22)	0.33 (0.21)
Observations	98	98	114	114	92	92
R ²	0.08	0.15	0.17	0.25	0.19	0.31
Adjusted R ²	0.02	0.08	0.11	0.19	0.09	0.22
F Statistic	7.65	15.30*	21.38**	35.51***	18.70*	36.37***

Note: *p<0.05; **p<0.01; ***p<0.001; Standardized coefficients and (SEs) are reported

Models 1 and 2 in Table B, and all models in Table C experienced singular fit issues, making the results less reliable. Therefore, despite slight deviations in significance for my main predictors (extra-system volatility and age of democracy), I consider my results robust.