Insights Series #135

Who Supports State Ownership of Industry in the Americas?

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Key Findings:

- Wealthier individuals and those who are better educated are less likely to support state ownership of important industries.
- Believing the government is already managing the economy well is the strongest predictor of support for state ownership of industry.
- Individuals with high levels of trust in the current political system are more supportive of state ownership.
- Those who identify with the ideological left support state ownership.

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To varying degrees, people around the world associate capitalism and free-market economies with democracy.[1] Indeed, many of the world's most enduring democracies have strong capitalist economies. The success and longevity of these democracies is frequently attributed to the long-term development of a large working class through capitalism.[2] However, among the 87 countries defined as "free democracies" in the world today, a variety of mixed economic models exist.[3] Furthermore, capitalism is not exclusive to democratic systems, and, as shown below, many individuals living in democracies clamor for state-sponsored economic programs.[4]

This *Insights* report seeks to identify which individuals in the Americas are more likely to support state intervention in the economy. I focus on the following question from the 2016/17 round of AmericasBarometer survey by LAPOP in which 29,065 citizens were asked:

ROS1. The (Country) government, instead of the private sector, should own the most important enterprises and industries of the country. How much do you agree or disagree with this statement?

Respondents were asked to score their response between 1 and 7, with 1 meaning "strongly disagree" and 7 meaning "strongly agree."

Figure 1 shows the percentage of respondents in 18 Latin American countries who said they prefer state ownership to private ownership in important industries (values of 5, 6, or 7 on the 7-point scale). In no country does a majority of the population support state ownership of important industries, yet in no country is support lower than 30%. Support for state ownership of industries is highest in Argentina, at 47.3%. Similarly, at least 45% of the public in Bolivia, Peru, and the Dominican Republic also express support for state intervention in the economy. The lowest support for state ownership is found in Ecuador and Venezuela, where 30.3% and 32.5% of the public supports state intervention in important industries, respectively. The countries with the highest and lowest levels of support for state control of industries are particularly notable, since the Ecuadorean and Venezuelan governments own and regulate sub-

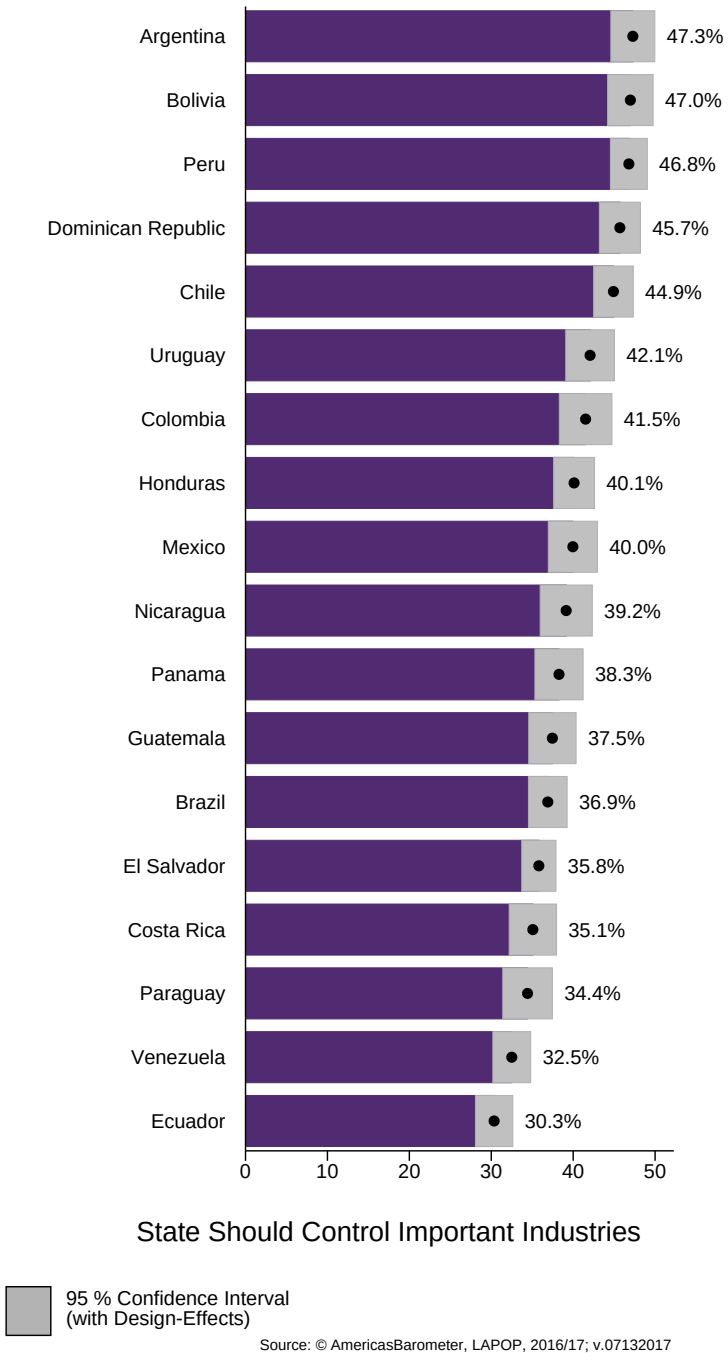

Figure 1: Support for State Control of Important Industries Across the Americas

stantial portions of the economy, while Argentine markets are generally deregulated, suggesting that people seem to want the opposite of what they have.[5]

There is significant variation between the 18 countries included in Figure 1, and differences in support for state ownership of industry do not always align with the proportion of state owned industries within each country. The remainder of this report assesses the individual factors that lead to more or less support for state ownership of industry throughout the Latin American region.

Individual Characteristics and Support for State Ownership of Important Industries

Scholars have shown that more vulnerable individuals (e.g., those with lower levels of education and less material wealth) tend to be supportive of state intervention into industry. Europeans with low household income support more interventionist government policies on average, and expect more from the state in terms of redistribution.[6] Wealthy individuals, in contrast, are generally less supportive of interventionist economic policies, preferring private ownership as a means of protecting their wealth.[7] Scholarship from post-communist Europe shows that education is also negatively correlated with support for state ownership of important industries and state-led economic development.[8]

Similarly, past reports published as part of the *Insights* series have shown that higher education levels and wealth are negatively associated with support for state ownership of key businesses.[9] From the perspective of individual self-interest, these patterns make sense: those with higher education and those who already have more wealth have more to lose from this type of government intervention. Although Corral (2009) does not find a correlation between city size and support for the government ensuring the well-being of its citizens, I expect that people in cities will be less supportive of government intervention in important industries.

This is because those who live in cities have easy access to the benefits of open markets, while people who live in rural areas may rely more on the government to provide jobs. I do not have a strong expectation on the possible impact of gender or age, but I include both in the model as control variables because different age cohorts have experienced varying levels of state intervention in the economy over time and women may interact with the economy in systematically different ways from men.

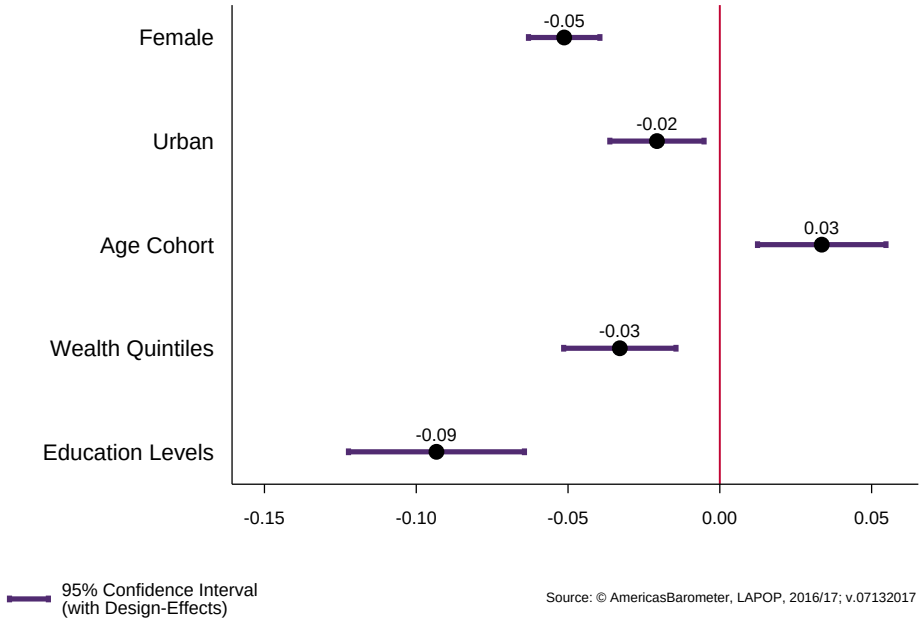

Figure 2: Demographic and Socioeconomic Predictors of Support for State Control of Important Industries

Figure 2 presents the results of a logistic regression model assessing the relationship between five socioeconomic and demographic variables with support for state ownership of important industries.[10] This variable has been recoded as an indicator variable, with "1" indicating agreement that the state should own important industries, and "0" indicating disagreement with this statement.[11] Because logit coefficients are not directly interpretable, Figure 2 shows predicted probabilities. The independent variables listed on the y-axis are education level, wealth, gender, age and urban residence.[12]

The results support the prediction that those with higher levels of education are less likely to support state ownership of important industries than individuals with no formal education. A maximal change in education is associated with a 9-percentage point decrease in the probability an individual will support state ownership. The wealthiest individuals are 3 percentage points less likely to support state ownership in important industries than are the poorest respondents, and urban residents are 2 percentage points less likely to support state ownership of important industries than their rural counterparts. While females are also less likely to support state ownership than males, older cohorts are *more* supportive of state ownership of industries than younger cohorts.[13]

Economic Perceptions, Political Ideology, and Trust in the Executive on Support for State Ownership of Important Industries

How individuals perceive their country's economic performance is likely to impact their attitudes towards state ownership. In addition, individual ideology also has been shown to predict support for state ownership of important industries.[14] Furthermore, Scholars have linked trust in the government to support for state intervention in the economy. Research shows that those who believe the state is transparent demonstrate higher levels of support for state intervention in the economy.[15] On the other hand, countries where average levels of trust in political and economic institutions are low also have low levels of support for government intervention.[16]

I expect these broader trends will hold at the individual level in Latin America. Specifically, I anticipate that individuals reporting high levels of trust in the executive, those who report having voted for the incumbent president, and those who express greater support for the system of government generally will be more likely to support state intervention into important industries, all else equal. The logic underlying this expectation

is that individuals will be more willing to give greater power over their economic future to individuals and institutions they trust to act in their best interest.

Scholars have also linked support for leftist parties and governments to economic preferences.[17] These parties have historically appealed to voters of lower classes by promoting full employment and downward economic redistribution—in part through state control of industry. Drawing from this research, I expect that individuals who believe that the national economic situation has declined and those who identify with the ideological left will be more likely to support state intervention in important industries.

I measure perceived government performance using a sociotropic measure of economic performance in the prior 12 months. My model includes dummy variables for individuals who report that the national economy has improved or gotten worse with a reference category of those who say performance has stayed the same.[18] To assess the association of individual trust in the executive with support for state intervention, I use variable **B21a**, which asks respondents, "To what extent do you trust the President/Prime Minister?" Importantly, the item refers to the *individual holding office*, and not support for the office itself.[19] I measure support for the political system using an additive index that combines five indicators of support for and pride in existing political institutions.[20] To assess whether a vote for the incumbent in the country's most recent presidential elections was associated with greater support for state ownership of industry, I created a dummy variable indicating whether the individual reported voting for the winning presidential candidate.[21] Finally, I recoded individuals' self-reported ideology to create an indicator variable for ideological preferences on the left.[22]

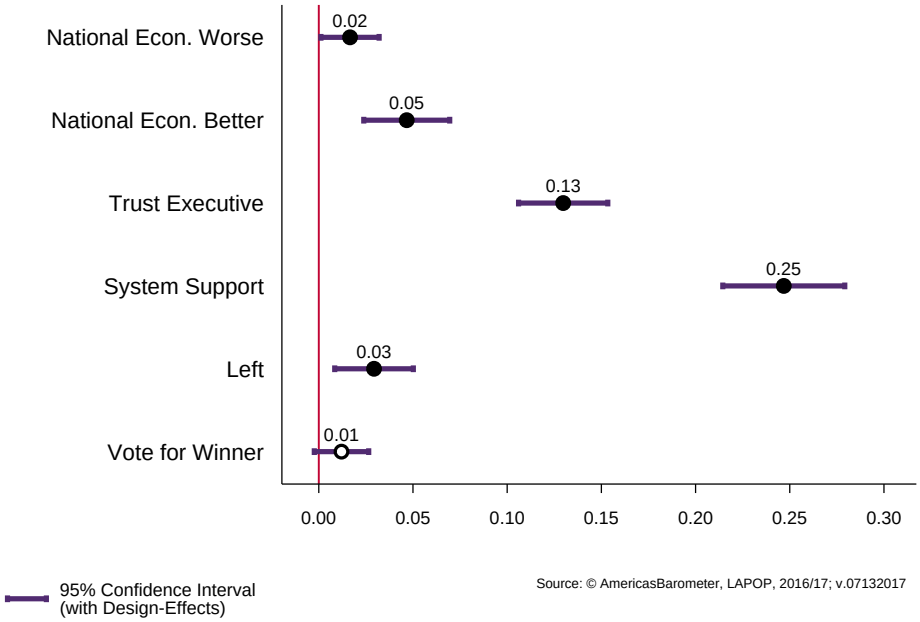

Figure 3: Political and Economic Prectictors of Support for State Control of Important Industries

Figure 3 depicts the relationship between these five independent variables and support for state intervention in important industries, also controlling for the demographic variables in Figure 2.[23] All of the independent variables analyzed here have positive relationships with the dependent variable, and four reach standard thresholds for statistical significance. Trust in the executive and support for the political system have the largest impacts on support for state intervention in important industries.[24] A maximal increase in support for the political system is associated with a 25-percentage point increase in the probability an individual will support state ownership of industry, while a maximal increase in trust in the executive is associated with a 13-percentage point increase in the dependent variable. This figure also shows that individuals who believe that the national economic situation has deteriorated are 2 percentage points more likely to support state intervention. Interestingly, those who believe that the national economic situation has *improved* in the prior 12 months are 5 percentage points more likely to

support state intervention in industry.[25] This indicates that individuals who see changes in the economy, either positive or negative, prefer state ownership of important industries, while those who see the economy in steady-state do not want changes in state policy. However, those who report voting for the winning presidential candidate are not significantly more supportive of government intervention in the economy.

Discussion

This *Insights* report analyzes some characteristics that predict individual support for state ownership of important industries. While initial analysis indicated support for state ownership is dependent on current economic conditions and recent political history of a country, this report examined the individual-level indicators.

As Figure 3 shows, the degree to which individuals trust the political system is the strongest predictor of support for government intervention in the economy in 2016/17. Additionally, trust in the President is a strong positive predictor for support for state ownership. As scholars have noted, individuals with low levels of trust in political and economic institutions tend not to support government intervention.[26] This analysis supports that claim in a different world region: Latin Americans who trust the political system and the national leader are more likely to support intervention in the economy by means of state ownership.

Consistent with other perspectives linking preferences for state ownership of industry to self-interest, I find that negative perceptions of the state of the economy are associated with support for interventionist economic policies.[27] Political ideology also has a significant effect on interventionist attitudes, with those identifying with the left more likely to support state ownership of key industries. However, however despite the importance of ideology in the world today, these relationships are much more moderate than those linking trust in the executive and in the political system, generally, to support for state ownership of industry.

The link shown here between support for the political system and support for state ownership of industry does not necessarily indicate Latin Americans' widespread preference for interventionist economic models. Rather, this suggests that individuals who support their government are more likely to accept a larger role for the state in the economy, while individuals who do not support their government will favor economic models that limit government involvement.

Notes

1. Rueschemeyer, Stephens, and Stephens (1992).

2. See, e.g., Inglehart (2003).

3. Puddington and Roylance (2017).

4. Meredith (2009); Corral (2009).

5. According to United Nations Economic Comission for Latin America and the Caribbean (ECLAC—Comisión Económica para América Latina y el Caribe), in 2015, Argentina's public expenditure reached 24.5% of its GDP while Ecuador's was 32.6% (Venezuela's was not reported). ECLAC (2018).

6. Gonthier and Matthews (2015).

7. Jæger (2006).

8. Frentzel-Zagorska and Zagorski (1993).

9. Corral (2009).

10. All results are robust to maintaining the original scale and estimating OLS regression models.

11. The 1-7 scale was recoded so that values of 1-4 take the value of "0" and 5-7 are coded here as "1."

12. Education is measured with the variable**ED.** "How many years of schooling have you completed?" Wealth is measured with the quintiles of wealth variable "**quintall**." Gender is measured with "**Q1.** "Sex [Record but do not ask]: (1) Male (2) Female Age is measured with **Q2Y.** "In what year were you born?" Respondents are then sorted into the following categories: 16 (or voting age in the respondent's country)-25, 26-35, 36-45, 56-65, and 65+. Urban residence is measured with the variable **UR.** "(1) Urban (2) Rural." All independent variables have been recoded to a 0 to 1 scale. The figure thus shows the estimated effect of a maximal change in each independent variable on the likelihood an individual will respond that she supports state ownership of industry. The coefficient for education, for example, compares those with university or higher education to those with no formal schooling at all. The black dots represent the point estimates of the likelihood of supporting state ownership associated with a maximal change in each independent variable. The bar on either side of each dot represents the 95% confidence interval for that estimate. Shorter bars indicate greater certainty about the range in which the independent variable's effect falls. When the bar falls completely on either the right or left side of the vertical "0" line it is statistically significant. Since education, wealth, urban residence and gender fall on the left side of the vertical "0" line they are negative predictors of support for state intervention in important industries. Age cohort, on the other hand, is positively associated with support for state control of industries.

13. In additional analyses, I found no evidence of non-linear relationships between these independent variables and the dependent variable.

14. Corral (2009).

15. Yahaya (1991).

16. Gonthier and Matthews (2015).

17. Jakobsen and Listhaug (2012).

18. **SOCT2**. "Do you think that the country's current economic situation is better than, the same as or worse than it was 12 months ago?"

19. This variable is recoded from its original 1-7 scale (1 indicating "not at all" and 7 indicating "a lot") to range from 0 to 1.

20. The system support index includes: **B1.** "To what extent do you think the courts in (country) guarantee a fair trial?" **B2.** "To what extent do you respect the political institutions of (country)?" **B3.** "To what extent do you think that citizens' basic rights are well protected by the political system of (country)?" **B4.** "To what extent do you feel proud of living under the political system of (country)?" **B6.** "To what extent do you think that one should support the political system of (country)?" All variables have been linearly transformed to range from 0 to 1. These variables were added together and divided by five to generate an "average" scale value. This value was then rescaled to range from 0 to 1 to create the index.

21. **VB3N.** "Who did you vote for in the last presidential election of [year]?" Individuals who did not vote for the winning candidate/incumbent were recoded as "0" while individuals who did were recoded as "1." Those who reported abstaining were also coded as "0".

22. **L1.** "Nowadays, when we speak of political leanings, we talk of those on the left and those on the right. In other words, some people sympathize more with the left and others with the right. According to the meaning that the terms "left" and "right" have for you, and thinking of your own political leanings, where would you place yourself on this scale? Tell me the number." 1-4 were recoded as "left," 5 as "center, and 6-10 as "right." Those who did not respond to the item were coded in a separate category. The variable included in the regression is coded as 1 for left and 0 for everything else (including no response).

23. Like Figure 2, Figure 3 shows predicted probabilities resulting from a logistic regression model, and depicts the estimated change in a respondent's likelihood of supporting state ownership of industries associated with a maximal change in each independent variable.

24. When trust in institutions was included on its own, the overall maximal effect of both the system support index and trust in the executive measure decreased significantly.

25. When I use individuals' perceptions of their *own* economic situation as the independent variable for economic expectations, only beliefs that individuals' personal situation has deteriorated are significantly—and, as here, positively—associated with support for state intervention in industry.

26. Gonthier and Matthews (2015); Yahaya (1991).

27. See Jakobsen and Listhaug (2012).

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