A LIBERAL VIEW

The repercussions of Populism...
The Liberal Network for Latin America is the region’s largest association of liberal organisations. It brings together political parties and think tanks committed to progress and development in their countries in order to disseminate and implement liberal principles under the banner of defending democracy, respecting human rights, upholding the rule of law and promoting the market economy – values shared by individuals who are responsible towards themselves and their society.
Politics in the age of populism

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The US Republican presidential candidate Donald Trump caused a stir in the international press when he bombastically proclaimed that undocumented immigrants from Mexico are bringing crime and insecurity to the United States, as well as vehemently demanding that a wall paid for by Mexico should be built across the length of the US-Mexico border. As a result, he has been branded a populist by his critics. Whenever a politician polarises the public debate, as in the case of Donald Trump, or makes a promise to a particular group of voters in the middle of an election campaign, their political opponents are always quick to accuse them of populism. But what is really at the heart of the political phenomenon that we call populism?

Regardless of whether their underlying political ideology is socialist or nationalist, there are a number of traits shared by the communication strategies that all populist politicians employ. Populist discourse is predicated on the strategy of including certain groups and excluding others. It creates a sense of community (inclusion) among particular groups to which the populist ascribes positive characteristics (innocence, honesty, etc.) while at the same time creating a group of common enemies who are deemed to possess negative characteristics (e.g. to be guilty of exploitation, plotting, treachery, etc.). It seeks to marginalise a particular group in society (for instance a religious, ethnic or social group such as capitalists or, in Donald Trump’s case, Mexican immigrants), blaming it for the problems and disadvantages purportedly suffered by “innocent, honest, hard-working people” at the hands of the group that exploits these qualities (exclusion). The figure of the “external enemy” is also frequently used in order to win public support for the government in its struggle against a common adversary, thereby drawing the public’s attention away from the country’s internal problems.

The bête noire in Nicolás Maduro’s speeches, for example, is always US imperialism as well as the “exploitative capitalist class” that he holds responsible for his country’s poverty, shortages of goods and exorbitant prices. Maduro is wont to completely overlook the negative impact of his own economic policies, the devastating consequences of which are analysed and critiqued by several different authors in this collection of articles.

Argentina’s Cristina Fernández follows a similar tack – she, too, includes the US, the IMF and exploitative capitalists among her enemies of choice, although she will often also throw in for good measure the “liars in the press” and the opposition, which she accuses of being undemocratic simply because it has the temerity to criticise her government. Fuelled by conflict, discord and unrelenting hatred, this discourse only serves to further polarise societies that are already fragmented. It creates an explosive cocktail where it is all too easy for everyone to end up a loser.

Its main victims are usually the most vulnerable groups in society, i.e. precisely the people who populist governments claim to stand up for. The dialectics used by populist governments to achieve their political ends are every bit as alarming as the demonisation of an imaginary enemy. Euphemisms are employed in order to disguise their authoritarian intentions. For instance, when Cristina de Kirchner talks about “democratising the legal system”, what she is really doing is imposing her government’s control over the judiciary. Her reasoning is that since the government has been democratically elected, it has a legitimate mandate to command every aspect of the public sphere. Her government is using this pretext to attack one of the fundamental principles of parliamentary democracy – the separation of powers and the independence of the judiciary.
It was under the same pretence of “giving more power to the people” and “exercising people’s power”, that Hugo Chávez introduced “communal councils” at local government level in order to weaken the position of local mayors and town councils, creating lobbying organisations elected via a parallel structure under his own control. In the official language used to describe the councils, they “allow the organised people to directly exercise the management of public policies” (Art. 2, Law of Communal Councils).

This method is employed by populist dialectics not only to transform the meaning of certain terms in the language but also to enable populist leaders to alter the very structure of the State that they are in charge of by changing the role of established institutions and even creating parallel structures.

The authoritarian leaders of the 21st century no longer carry out revolutions or stage coups d'état. Instead, they begin by taking over the reins of government through an institutionally legitimate process, only later transforming the structure of the existing institutions into an authoritarian one. Since they still need the support of the people, they manipulate their political opposition and the electoral process in such a way that eventually these serve no other purpose than to confirm them in power. There is no doubt that Latin America’s populist leaders and movements have been able to exploit public disillusionment. Some analysts argue that the phenomenon of populism in Latin America is also linked to the institutional weakness of the continent’s democracies, which are either flawed or still in the process of developing. Another point to bear in mind is the influence of the conservative and hierarchical fabric of Latin American societies, where strong, charismatic leaders are still admired.

Whilst this may be a plausible explanation for Latin America, in recent times the phenomenon of populism has also been on display in Europe. Spain and Greece are the two most prominent examples of the populist upsurge discussed in this collection of articles. The Tsipras government in Greece, which came to power on the back of the eurozone crisis, employs textbook populist tactics in its political discourse, as described in the article on Greece in this issue of “A Liberal View”. When it broke with the established tradition of dialogue that exists among the governments of the European Union, the EU’s governments initially seemed at a loss as to how to respond to this kind of behaviour. After all, the EU’s decision-making procedures, which it first began to develop in 1952, are based on dialogue and a culture of compromise-based consensus. The language of hatred and conflict, which is such a deeply ingrained part of populism, has never had any place in this code of conduct.

Tsipras' government was able to come to power thanks to the other political parties’ complete loss of credibility and the country's catastrophic economic situation (indeed, his position was strengthened still further after the elections of 21.9.2015). In this respect, there is a certain similarity with the countries of Latin America. In recent years, populist movements have also been appearing to the north of the Alps and the Pyrenees. In France, the nationalist Front National party has achieved some notable successes at recent elections. Populist political movements have also sprung up in countries such as the Netherlands and the UK.

What is going on in the developed nations of Europe? It is clear that even they are not immune to populism. Europe’s populist politicians are daring to ditch the rules of politically correct discourse and publicly proclaim the kind of views more usually heard over a pint of beer in the pub. This strategy is evidently working, as their movements continue to grow. Anxiety among certain sectors of the population about the complex problems facing the world today causes them to look for simple solutions. This is a worrying phenomenon, since there is no guarantee that countries which are democracies today will remain so tomorrow. On a more positive note, however, populist governments and politicians will always eventually bring about their own downfall as a result of the catastrophic impact of their policies. Accordingly, the examples discussed in this issue of A Liberal View reveal how the popularity of many populist leaders is already waning now that the impacts of their policies have already become or are starting to become apparent.
Germans are famed throughout the world for their teamwork, good organisation, thoroughness, hard-working nature, responsibility and efficiency. This made the shock even greater when, after the fall of the Berlin Wall, the world woke up to the fact that the socialism of the 20th century had managed to transform part of Germany into a country that was backward and mediocre. Contrary to what was claimed, East Germany was not just 25% behind its West German counterpart – in fact, its per capita GDP was barely 31% that of the Federal Republic. When the Wall came down, the Latin American Left was suddenly deprived of its point of reference. Moreover, the swiftly ensuing collapse of the Soviet Union left them without funding for their mass media propaganda and guerrilla movements. When the latter turned to drug trafficking in order to keep the money flowing, they instantly lost their aura of mystical idealism.

As a result, Latin America’s hard left began the quest for a new utopia. The solution emerged at the São Paulo Forum and was christened the “socialism of the 21st century”. Fundamentally, this involves a brand of neo-populism that advocates a new approach to achieving Marxist socialism in which the armed struggle is abandoned. It is based on Gramsci’s ideas about achieving cultural hegemony; Carl Schmidt’s division of society into friends and enemies; Paulo Freire’s “Pedagogy of the Oppressed”, that borrowed from Lacán and Freud, Wittgenstein’s philosophy of language and Piaget’s theory of pedagogy in order to manipulate and indoctrinate generations of Latin Americans; and the ideas of Ernesto Laclau, who justifies bypassing republican institutions and describes how this can be done by manipulating social demands. According to Laclau, such ruses may justifiably be employed to destroy the institutions that preserve a status quo which favours the interests of the bourgeoisie. Just as Marxist ideology formerly tried to justify bombs, kidnappings, attacks and murders, the same ideology is now being used to excuse violations of freedom of speech, the imprisonment of opponents, assaults on the legal system, lies, theft, the manipulation of public opinion and electoral fraud. It also relies on the frustration of millions of Latin Americans who have spent years suffering under the inefficiency and corruption of previous governments. This new model has proved to be a very successful means of winning elections and subsequently concentrating a huge amount of power in the hands of a single person – the leader elected and loved by “the people”. As a result, Chávez and his heir Maduro have been able to rule Venezuela with an iron fist. Correa has consolidated his position in Ecuador, as have the Sandinistas in Nicaragua, while Dilma’s government is the fourth consecutive populist government in Brazil and the Kirchners have now held power in Argentina for 12 years.

However, as with any brand of socialism, central planning of the economy and the repression of people’s liberties inevitably lead to social and economic backwardness in the countries that adopt this doctrine. It is no surprise at all that as central planning and loss of liberty have increased, the countries’ economies have deteriorated.
Latin America today is a divided continent, with two prevailing visions. The alternative to the socialist world view is a vision that is open to the rest of the world and is focused on innovation, improving education and institutions, implementing economic reforms in order to become more competitive and concluding treaties and forging alliances in order to promote trade. It is a vision shared by the Pacific Alliance countries and many Central American nations. Albeit with varying degrees of success, these countries are all managing to reduce poverty, their GDP is growing and their economies are relatively stable compared to those of the Bolivarian counterwave.

It was much harder to see the differences between the two models during the years when business was booming for the commodity producers. However, over the past year the global environment has started to become less favourable. The slowdown in China’s economic growth caused raw material prices to fall and this in turn contributed to slower growth in Latin America. Just like in Aesop’s fable, now that winter has come it is easier to see the value of the ant’s hard work compared to the grasshopper. Venezuela’s economy is collapsing – the value of the parallel dollar is 100 times that of the official dollar, the annual inflation rate is estimated at 213%, GDP is set to fall by 6.7% this year, 55% percent of the population is living in poverty and the only thing there is an abundance of is shortages of all sorts of different products: basic foodstuffs, medicines, toilet paper, tampons, condoms, nappies … the list goes on. The government continues to repress its opponents and rig the elections.

In Brazil, Dilma won last year’s elections thanks to one last public spending spree – she triumphed in all the cities where a majority of people benefit from “Bolsa Familia” handouts. But by the end of 2014, Brazil’s deficit had reached 6.4% of GDP, while inflation, which had already risen sharply to 6.4%, has now climbed still further to 9.6%. As soon as the elections were over she started implementing measures to try and sort out the government accounts.

The value of the real has fallen by 50% over the past 12 months and Dilma’s popularity ratings have plummeted to just 8% amid loud accusations of corruption and the detention of businesspeople and officials implicated in the embezzlement of funds from Petrobras. The economy is set to contract by almost 2% this year. It is still too early to say how it will all end, but things have got so bad that even Fernando Enrique Cardoso has publicly called on the president to resign so that she can avoid the ignominy of impeachment.
Further south, Argentina’s election campaign is in full swing. Taking its lead from Brazil, the government’s economic policy in the run-up to the elections was based on borrowing money from China so that it could roll out major increases in public spending, whilst continuing to support the peso’s appreciation against the dollar. This enabled it to implement a successful strategy whereby salaries rose by more than inflation over a twelve-month period and inflation rose by more than the dollar. It was thus able to maintain its position as the largest overall party during the primaries, winning 38% of the vote. The 62% of the population who voted against the government are split between two main camps, causing many observers to fear that the Kirchnerists will once again emerge victorious this coming October and November.

However, this has been achieved at a huge cost to the economy. On top of a budget deficit of around 7% of GDP, the central bank is also running an additional deficit of three percent. The 27% annual inflation rate ranks as the second or third highest in the world. An overvalued peso and high wages are affecting corporate profitability. Many agricultural products are being sold at a loss despite a very good harvest this year, while the industrial sector has been in recession for 23 months. According to a report by the Catholic University of Argentina, the number of people living in poverty has risen to 27%, although the official government figures still fail to reflect the true severity of the situation. All the signs suggest that next year Argentina will be forced to confront both its budgetary problems and its exchange rate lag, reflected in the gap between the parallel dollar exchange rate of over 15 pesos and the official rate of just 9.33. The peso will have to be devalued next year regardless of who wins the elections, while another sharp rise in poverty can also be expected. In short, the realignment of the economy will be an extremely painful process and it will become abundantly clear that the 21st century version of socialism has once again failed the entire region.

None of this is the least bit surprising. It is not possible to tackle poverty by destroying the private sector. After all, it is private enterprise and the private sector that create jobs and prosperity. Once again, socialism has proved itself to be a spectacular failure.
What was it that Evo Morales’ Movement for Socialism (MAS) promised when it came to power in Bolivia in 2006? It claimed to have discovered and be committed to implementing a new formula for developing the country and integrating its different factions into a new State capable of reflecting the nation’s diversity. This would allow it to bring stability to Bolivian politics and use this new-found strength to overcome the threats posed by aggressive capitalist powers – in short, to make Bolivia into a great nation.

For reasons of space, this article will focus solely on the economic part of the formula, which can be expressed as follows:

The State takes control of non-renewable resources (nationalisation) = the profits from these resources go to the State = this results in more public investment = this in turn results in the growth of modern public enterprises such as the State-run oil, mining and telecoms companies = this generates still more profits for the State = this leads to a rise in public spending = this boosts overall consumption in the economy and reduces poverty = this leads to a rise in consumer spending = this causes the domestic market to grow = this in turn causes modern public and private enterprises to grow, boosting the country’s overall level of industrialisation = and this has the ultimate effect of promoting Bolivia’s development.

This formula has been put into practice over the course of the past decade. Thanks to the sky-high prices of the natural resources that Bolivia is fortunate enough to possess – i.e. gas, minerals and soya – and the nationalisation of the gas industry, more than 50 billion dollars flowed into the government’s coffers over this period. This is a huge sum for an economy the size of Bolivia’s, where the total annual output was worth 8 billion dollars at the turn of the century, rising to 30 million today. As a result, both public investment and public spending have risen systematically. Billions of dollars have been poured into purchasing, supporting and creating public enterprises. Billions more have been spent on redistributive policies including cash transfers for the poorest people in society and widespread wage increases. The economy’s liquidity has resulted in an extremely low cost of borrowing and the country’s foreign currency reserves are currently equivalent to 50% of GDP, one of the highest ratios in the world. The low cost of borrowing has led to high levels of investment in the construction industry which was already benefiting from government infrastructure projects. It has also boosted imports of goods and what economists refer to as “non-tradable activities”, i.e. economic activities that do not involve competition with other countries, such as entertainment, restaurants, financial services, etc. On the other hand, exports that did not benefit from high prices have stagnated or declined and there has been no growth in domestic industry as a proportion of the economy as a whole. The abundance of
money in the country has thus mostly gone into infrastructure, services and imports. However much one may wish to criticise these changes, there can be no doubt that they serve to create jobs, albeit poor-quality ones (construction workers, shop assistants, waiters and waitresses). They also boost consumer spending and thus help to reduce poverty. Both poverty and inequality have declined significantly in Bolivia during the past decade. However, this improvement in living standards is based on precarious jobs that depend on the economy’s overall liquidity. As such, although it is enough to secure the support of huge numbers of voters for Evo Morales, it is not enough to permanently incorporate the “non-poor” into the middle classes. Nevertheless, the democratisation of consumption and the unprecedented expansion of the country’s infrastructure have led many observers to talk of a “Bolivian miracle” – Bolivia’s per capita income has, after all, risen from low to average. Some even argue that the MAS formula outlined above really is fostering the country’s development.

However, with raw material prices now falling, this model can expect to attract much more criticism. It should not be forgotten that we liberals have said right from the start that it would lead the country to disaster. We know from experience that countries behave the same way as individuals when they get rich quickly – they misspend large sums of money and are not prepared for the consequences. Accordingly, growth models based on the sale of natural resources are always doomed to failure.

In economics, this theory is referred to as “the resource curse”. There is far more evidence for this theory than there is for the opposing theory – almost always based on the solitary example of Norway – which refutes the claim that countries with a wealth of natural resources will necessarily squander the resulting revenue. An early example of this “curse” was the case of the Dutch tulip industry which came to be diagnosed as “the Dutch disease”. This diagnosis is just a sophisticated way of expressing the principle that is explained more straightforwardly above. Sudden wealth leads to money being misspent – since the country’s domestic industry is not ready to meet the hike in demand among consumers who have got rich overnight, the money is instead poured into imports and tertiary activities which, although non-productive, are nonetheless profitable as long as there are lots of consumers with money burning a hole in their pockets.

Bolivia caught the Dutch disease some years ago and its condition is now deteriorating. In order to address the falling price of their exports, its neighbours in the region are trying to make them appear cheaper by devaluing their currencies. Moreover, the dollar is rising on the global market. But because it is afflicted by the Dutch disease, Bolivia cannot devalue because it is far more dependent on imports than on domestically produced goods (and even much of what it does manufacture domestically uses imported raw materials).

It would therefore prefer the dollar to remain cheap for as long as possible, since this brings its large foreign currency reserves into play. As long as the dollar is cheap, it is possible to ensure an abundant supply of products on the market for all those consumers with money to burn. At

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the same time, it serves to avert the high inflation and shortages of goods which, as Venezuela demonstrates, are the inescapable fate of countries that concentrate on producing raw materials for export, catch the Dutch disease as a result, and neglect to manufacture enough goods for their domestic market. Compared to Venezuela, Bolivia has the advantage of fairly stable agricultural and industrial sectors that became established during the “neoliberal” years of the 1980s and 1990s. Eventually, however, the Dutch disease will end up destroying them, just like it did in Venezuela. The volume of both legal and illegal food imports keeps rising every year, since it is cheaper to buy food from abroad than to produce it at home. This would be inconceivable were it not for the easy dollars provided by the country’s natural resources.

The Bolivian economy is now so badly infected with the Dutch disease that any attempt at introducing reforms to tackle the fall in the price of its exports would be just as likely to leave it paralysed. While the doctor might prescribe a sharp devaluation, this would prompt people to start buying dollars, causing the country’s foreign currency reserves to dry up and leading to solvency problems for the banks, since 80% of their loans are to Bolivian customers. While the doctor might prescribe measures to stimulate productive activities and discourage non-productive ones – as well as to rein in the construction boom – such measures would have a negative impact on employment and growth. As a result, the Morales government will do nothing at all to tackle the current economic situation, except to cross its fingers and hope that prices recover and foreign currency starts to flow back into the country in the same quantities as before. If that happens, then the people of Bolivia will remain content, continuing to follow the “Dutch” course with Evo at the helm for as long as the good times last. But if it doesn’t happen and prices keep falling over the longer term, we will end up in exactly the same situation as Venezuela finds itself in today. There is no escaping it. We are oil and gas addicts. Forget the official propaganda that sells the government’s model as “an instrument for achieving sovereignty” – the reality is that we are now more dependent than ever before. Our future is entirely at the mercy of the oil market.

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Ecuador: The miracle that never happened

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The Earth is not flat. Nevertheless, there was a time when people were tortured for saying it wasn’t. Many great philosophers devised elaborate theories to support the idea of a flat Earth and even today there are a number of minor groups who refuse to accept that it is round, claiming instead that it is a flat disc. According to them, all that NASA’s photos of the Earth really show are the round edges of this disc. They accuse NASA of colluding with the world’s media in a global conspiracy.

Something similar is going on with socialism. The experiences of the 20th and 21st centuries clearly demonstrate that it cannot work in practice and makes no economic sense. Despite this, complex theories put forward by renowned academics – from Marx to Krugman – claim to show that it is in fact viable and some governments continue to fervently follow its principles. Under the auspices of post-Marxism, the past decade has seen several Latin American countries embrace the so-called “socialism of the 21st century”, a model instigated by the São Paulo Forum and championed by Fidel Castro and Hugo Chávez. The popularity of this model with the electorate has lent it a veneer of legitimacy and, for a few years, its apparent achievements caused quite a stir among certain European intellectuals who were moved to describe Ecuador as the “Ecuadorian miracle” and the “jaguar of Latin America”. However, the flaws of socialism in the 20th century are still apparent in its 21st century incarnation and, as time has gone by, it has once again become clear that there is no escaping the laws of economic logic.

Venezuela, until recently the country that bankrolled the promotion of the socialist franchise, is now beset by poverty, shortages and galloping inflation. Argentina also now finds itself struggling to tackle inflation and low productivity. As I will explain in the rest of this article, the outlook for Ecuador is scarcely any more promising.

Unlike Venezuela and Argentina, Ecuador’s economic performance has remained consistently good.

Its economy grew continuously between 2007 and 2014 and it was able to make major investments in infrastructure, education and health, causing many observers to distinguish its situation from that of Venezuela and Argentina. In addition, its president, Rafael Correa, is a former university lecturer who holds postgraduate degrees from foreign universities. This academic image is in stark contrast to Venezuela’s uneducated president Nicolás Maduro and serves to set him apart from his counterparts.
In spite of this, the Ecuadorian model is structurally identical to Venezuela’s insofar as it is based on increased public spending, bureaucracy, debt, State control and restrictions on private economic liberties. It is now becoming clear that this model is no longer sustainable and, as outlined below, things are starting to look increasingly bleak for Ecuador:

- During the seven years of Rafael Correa’s government, the size of the public sector has grown from 35% to 44% of GDP. According to the National Institute of Statistics and Censuses (INEC), when Rafael Correa became president in 2007 a total of 471,314 people were employed in the public sector. This figure has now risen to 672,900, while 13 new ministries and around 70 new government institutions have been created over the same period.

- Government debt has risen to almost 32 billion dollars (approximately 30% of GDP). This is equivalent to an increase of almost 200% over the past 5 years, despite the high oil revenue resulting from a sustained period of high oil prices.

- The government debt statistics do not include the loans associated with the advance sale of oil to China and, more recently, Thailand. If included, these would increase the debt/GDP ratio by around 1%.

- Following Correa’s decision to default on Ecuador’s foreign bonds soon after he came to power, Ecuador’s return to the financial markets in 2014 has come at a high cost. The country is now paying an interest rate of around 8% over a 5-year term, whereas neighbouring countries are able to obtain long-term loans at rates of less than 4%.

- The crisis affecting Ecuador’s main creditor China has curtailed the sources of funding available to the government. The government is also getting close to the maximum level of indebtedness permitted by the country’s constitution (40% of GDP).

- The overall share of private investment fell from approximately 17% in 2006 to 13% in 2013. Over the last five years, Ecuador has had one of the lowest foreign investment levels in Latin America.

- Ecuador’s country risk score doubled between 2014 and 2015 and now stands at 1,336 points.

- Savings and term deposits with private financial institutions have fallen by around 1.4 billion dollars in less than 6 months, following the announcement in early 2014 of government bills aimed at increasing inheritance tax and capital gains tax for property. This is a significant figure for an economy where the total sum of savings and term deposits is approximately 25 billion dollars.

As can be seen from the above, the socialist model based on high public spending, high government debt and a primarily State-driven economy is now facing serious questions about its sustainability. Correa’s failure to save any money during the oil boom, despite the fact that he had more revenue coming in than any president in Ecuador’s history, means that he now only
has limited resources with which to tackle the crisis. In other words, the country now has a cash flow problem.

While it is true that Ecuador’s low inflation distinguishes it from the Venezuelan or Argentinian models, this is due to dollarisation and not to the socialist government. Ecuador adopted the US dollar as its currency in 2000 in order to prevent major devaluations like the ones it experienced during the 1990s which eventually bankrupted its financial system in 1999. Although some analysts believe that the inability to print money limits the government’s room for manoeuvre, the figures clearly demonstrate that dollarisation has been a good thing for Ecuador, restoring confidence in the system following the 1999 crisis. It is thus an extremely popular policy.

At the same time, dollarisation has prevented many of the reforms that have been implemented in Venezuela and Argentina, such as different State-controlled exchange rates, and has forced the government to pursue a reasonably pragmatic macroeconomic policy. Moreover, dollarisation has ensured extremely low inflation ever since it was first adopted.

In spite of all this, Correa has made a number of critical remarks about dollarisation, causing even more unease to spread through the economy. The figures for other oil-producing countries that have their own currency, such as Russia, Venezuela and Colombia, indicate that devaluations are not an effective means of tackling the current commodity crisis.

It seems like everything is suddenly conspiring against Ecuador. Correa’s government appears to have fallen victim to Murphy’s law – or perhaps more accurately Hayek’s universal economic laws. In addition to the economic crisis, the country is bracing itself for the possibility of a volcanic eruption in the vicinity of its capital city and potential weather disruption caused by the El Niño phenomenon.

Now that the global commodity boom is over, it would appear that the good times are also coming to an end for the socialism of the 21st century governments. As a result, Ecuador is now facing one of the most serious economic scenarios in its history.

The earth will never be flat, regardless of how many famous philosophers say it is. By the same token, socialism will never work, however much it may be championed by illustrious thinkers. The socialism of the 21st century was only able to keep up the appearance of success for as long as the oil boom lasted. The so-called Ecuadorian miracle was in fact nothing more than a false prophecy.

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“Bit by bit, these populist mantras are gaining ground and pushing our societies’ intellectual and moral compasses towards the brink of an abyss containing nothing but economic destitution and a complete lack of principles.”
Since the advent of Chavismo and its socialism of the 21st century we have had more of the same, with inevitably tragic consequences. Indeed, it has been much more of the same than ever before. So much so, that it is no longer even right to call it more of the same – it is actually much, much worse.
In the 14th century, the scourge of the Black Death reduced Europe’s population to just a quarter of its former size. The physicians of the day strove in vain to ascertain the cause and mode of transmission of this disease that wrought such devastation across the Old Continent. At the time, the most popular theory was that people who had the plague breathed out certain humours produced within their bodies, infecting anyone foolhardy enough to come near them. The twin measures taken in order to try and prevent the disease thus involved burning anything that had come into contact with its victims, including their corpses, and the complete isolation of the healthy.

This image of how an action as simple as breathing condemned so many millions of people to such a terrible fate never fails to come to mind whenever I think about the populism of the 21st century in any of its various national incarnations, be it in Cuba, Venezuela, Ecuador, Spain, or of course Greece, where the model has just been endorsed by the electorate for the third time in a row. There are a number of factors that justify this comparison.

The first is the innocent way in which both diseases are transmitted. In the case of the Black Death, all it took was an act of love, charity or humanity, such as a kiss on the hand of the woman you loved, the cheek of your child or your mother’s forehead, helping an elderly person or embracing a friend. Through the corrupting influence of the disease, any of these acts could lead to ruin. Similarly, the principles of fighting poverty, caring for the elderly and educating our children that gave rise to the Welfare State in Europe have now been turned into the slogans, the magic words, bandied about by a new generation of populists in order to perpetrate their obscene seduction of people who, while decent and well-meaning, simply lack the vision to see where things are heading.

Another aspect that justifies the use of the Black Death metaphor is the speed of transmission. Quite unexpectedly, in no more than a couple of decades, the most boorish, heinous populism, lacking any semblance of intellectual rigour, has wormed its way into our streets, the conversations we have in our cafés, the discussions we have with our families, the minds of our young people, our schools, the media – in short, every aspect of our everyday lives. Bit by bit, these populist mantras are gaining ground and pushing our societies’ intellectual and moral compasses towards the brink of an abyss containing nothing but economic destitution and a complete lack of principles.

Under these circumstances, it is hardly surprising that we should now be bearing witness to the triumphant march of a corruption that seems to have been inoculated into the veins of our institutions, our politicians, our leaders and even the man in the street. It is hardly surprising to learn of the shameful acts committed by people who in all probability would behave perfectly well under different circumstances. Just as inhaling the putrid humours of the Black Death would poison your blood and internal organs, so those populist mantras end up corrupting the values of decent men and women. In this world of ours, we are shaped by our environment. So it is hardly surprising that people should think they can do whatever they like in a world where laws are designed to ensure electoral success and buy the silence of any pressure groups, where
The causes of populism’s success in Europe are by no means as much of a mystery as the origins of the Black Death were to the scientists of the day. Europe’s populists are the scions of a rehashed version of communism, conceived in two different wombs: an intellectual one and a pragmatic one.

The behaviour of the Greek electorate is akin to that of parents who spoil their children instead of bringing them up properly. When their child comes home with an abysmal school report, these parents blithely insist that “We bought him the motorbike as a reward for trying. And we're going to buy him some of those lovely Harley Davidson boots because he has promised to do better next time”. Greek society can no longer be considered an innocent victim of its evil and deceitful politicians. After witnessing Syriza’s shenanigans ever since the party came under the control of the Tsipras-Varoufakis double act and after having to sit and watch Varoufakis’ arrogant behaviour and the way in which the economist split the party down the middle, not to mention Tsipras’ concessions to the international authorities, the Greek public’s most recent endorsement of its shiny new president is open to various interpretations.

The causes of populism’s success in Europe are by no means as much of a mystery as the origins of the Black Death were to the scientists of the day. Europe’s populists are the scions of a rehashed version of communism, conceived in two different wombs: an intellectual one and a pragmatic one.

Even at the height of capitalism’s success, the developed world’s elitist universities deemed it sophisticated and clever to retain Marxist chairs and research groups. Spain’s populist leaders are also Marxist-Leninists, but rather than being Oxford-educated they studied at Madrid’s enormous, hyper-politicised Complutense University where the Department of Political Science has maintained a more than comradely relationship with Chávez and his acolytes for many years. This university, which is funded by the Spanish taxpayer, has become the headquarters of Chavismo in Spain thanks to Juan Carlos Monedero, the Political Science lecturer who is also the guiding intellectual force behind Spain’s populist Podemos party.
The pragmatic brand of communism is espoused by the anti-austerity movement known in Spain as the “indignados” (indignants) who occupied the Puerta del Sol in the centre of Madrid between 15 May and 20 June 2011. Having perceived an opportunity to promote their cause by taking advantage of young people’s disillusionment with the weakness of the conventional political parties and their despair at living in a country with 50% youth unemployment and no sign that things are about to get any better, a bunch of scattered, opportunistic populists started to coalesce at public demonstrations, eventually leading to the birth of the Podemos political party with Pablo Iglesias as its undisputed leader and Juan Carlos Monedero as its ideologue-in-chief.

Coming just four months after the party was founded in 2014, the success achieved by Podemos at the European Parliament elections surpassed even their own expectations. Their success has had two main effects. Firstly, the two main political parties (the Partido Popular or People’s Party and the Spanish Socialist Workers’ Party or PSOE) panicked and, instead of uniting in order to oppose the surge in populism, they became embroiled in incessant infighting. Secondly, the disillusioned Left rediscovered a sense of optimism and got behind Pablo Iglesias who was able to use the M.A. in Political Communication that he obtained from a private business school in Switzerland to become the darling of the media and portray himself as the saviour of a people battered by the crisis.

According to the polls, Podemos is now the third largest party in Spain. Tsipras’ victory has given the party a fresh boost, but at the time of writing it is still too early to say what the outcome of the Spanish elections in November will be. Will it be fear of the far Left or disillusionment with the established parties that wins the day? Whoever wins, the systemic problems will still remain. How can things have come to this pass? The hoax that is the famous Welfare State has failed to follow the recommended procedure for dealing with the Black Death by quarantining the healthy part of society and burning away all trace of Marxism from our institutions.

The time has come to ask ourselves whether we fought the intellectual battle as hard as we could have done and whether we communicated our views effectively and efficiently. Although intellectually liberalism rests on much stronger and more solid foundations than Marxism, we still have a lot to learn about communication from the populists as, before our very eyes, we watch them win more and more people’s hearts and minds on our television screens, in Europe as elsewhere in the world.
The people, populism and liberty in Guatemala

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Introduction

Populism can be likened to a storm that, together with corruption and vote buying, is washing away the dykes that protect the liberty of Guatemala's people against naked political ambition. But populism is not a new disease that only affects democracy in Guatemala – it is an endemic cancer that has, to a greater or lesser extent, afflicted Western democracies from the time of the ancient Greeks right up to the present day.

The roots of Guatemalan populism can thus be traced back to the political ideologies that sprang up after the English Civil War (1642-1651) and the French Revolution (1789-1794). This is where the concept of a sovereign people emerges as the myth used to legitimise their rulers, who were thus able to replace God, or the idea of God, in the mind of the public. And while it is true that the new age of Western democracy did allow people to break free from the chains of servitude, the populist discourse that accompanied it would soon pose a fresh threat to this newly won liberty.

Right from the very beginning, politicians have used populist discourse to legitimise their claim – whether genuine or otherwise – to represent the people and to silence their political opponents. Paraphrasing the American historian Edmund S. Morgan (2006) when talking about the English Civil War, the mere people is not the “real people”, and popular sovereignty must not be confounded with the unauthorised actions of unruly individuals. Accordingly, in the 17th century, Parliament and the English army came to be the sole representatives of popular sovereignty. The French historian Francois Furet also comments that, during the French Revolution, the Terror was the only means of instituting, controlling and re-establishing the omnipresence and legitimacy of the people at every level of political life.

It is populism’s ability to hijack the public discourse and use it to silence dissenting voices that makes it such a threat to civil liberties in modern democracies.

The first wave of populism in Guatemala

Guatemalan populism is by no means a unique phenomenon in Latin America. Populism sprang up in Guatemala during the first half of the 20th century, following the fall of the last liberal oligarchic government in 1944, mirroring what was happening in other parts of the region. Names such as Yrigoyen and Perón in Argentina, Calles and Cárdenas in Mexico and Haya de la Torre in Peru would thus come to rank among the region’s most famous populist leaders.
In Guatemala, populist discourse first started to be used during the presidencies of Juan José Arévalo (1945-1951) and Jacobo Arbenz (1951-1954). Just as in the English Civil War and the French Revolution, this discourse was employed in order to stir up class hatred among the people – whoever the “people” might be – and direct it against foreign capitalists and landowners. When Arbenz was sworn in as President of the Republic of Guatemala on 15 March 1951, he vented his wrath at those who dared to criticise his predecessor Arévalo: “At the same time, they tried to corrupt the minds of many Guatemalans, civilians and military alike, so that they would join the anti-democratic conspiracy being forged in order to bring down a government whose only crime was to pursue policies that brought food and freedom to the masses and protected national interests against voracious foreign financiers and those Guatemalans who receive the crumbs of their wealth”.

In this instance, “the people” were defined in political and class terms rather than racial terms. Arbenz described them as: 1) the opposite of the major national and international economic interests in the country; 2) the repository of democratic and egalitarian values in Guatemala; and 3) the companion of the revolutionary army in its struggle against tyrannical governments. This is crucial, since the first two points became part of the identity of the new political groups that sprang up during this period (1944-1954) and which continue to exist to this day. In other words, the trade unions and rural associations took up these banners and used populist discourse to enhance their popularity vis-à-vis the military regimes that ruled the country between 1954 and 1985.

**Populism and democracy: the third wave of democratisation in Guatemala**

Between 1954 and 1985, this brand of populism virtually disappeared under the military dictatorship that curbed Guatemalans’ political freedom under the pretext of combating the threat of Soviet-style socialism. However, the new democratic institutions that were established after the fall of the dictatorship once again allowed populism to become the most successful means of winning elections and an effective way of ensuring the loyalty of certain groups towards the government of the day.

For example, in order to stand for elected public office in Guatemala, the only criteria that candidates must fulfil are to be old enough, to have no current legal proceedings against them and to be of sound mind. This has resulted in a parade of comedians, former dictators, big businessmen, former members of the military, erstwhile guerrillas and people with no profession at all occupying some of the highest offices in the land. The reason is the pressure to win the support of tens and hundreds of thousands of Guatemalans who are worried about making ends meet and about the safety of their lives and belongings. You don't need to be a genius to realise that elections in Guatemala have become little more than a popularity contest – or should that be “populism contest”?

But, as pointed out by the Argentinian historian Luis Alberto Romero, populism is also a style of government that involves doling out goodies to the people. In Guatemala, this has been driven by the growth and revival of the social groups that started to organise politically after the 1940s – rural associations, trade unions and other grass-roots organisations.
In recent years, government spending on social welfare – that other manifestation of populism – grew by $142 million between 2008 and its peak in 2010. By 2015, it had reached $911 million. These figures do not include the money spent on campaigning by the political parties, which can be anywhere up to several hundred million dollars in the case of the larger parties.

The worst cost of Guatemalan populism, however, has been the way that the political parties and authorities have lost credibility with the public. In the most recent poll published by Prensa Libre (2015), one of the country’s largest newspapers, fewer than 25% of the people questioned said that they trusted members of parliament, the political parties, the trade unions and the President, whereas more than 50% said they trusted institutions such as the army or the Church.

**Political liberty in the 21st century: the challenge for democracy in Guatemala**

The mass demonstrations held between May and August 2015 against the political parties and the corruption of the Guatemalan government made it plain that the main strength of the country’s populist leaders had been the indifference of many Guatemalans towards them rather than their charismatic rhetoric or their cash handouts.

This show of anger is proof of the fact that the best way of defending political liberty is through the active and responsible participation of the country’s citizens in its public affairs. The notion that political participation is a matter of personal choice as opposed to a responsibility of every citizen has lost credibility, just like populism itself. Events have demonstrated that citizen participation in Guatemala is an indispensable requirement for protecting our republic, our democracy and our freedom.
Venezuela: Populism taken to the ultimate degree

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There is a paucity of clear data regarding the results of seven decades of ever-increasing populism in Venezuela. In the space of a decade and a half, the current incumbents have created a State-controlled exchange rate system with three official exchange rates ranging from 6.3 to 198 bolivars to the dollar, prompting the emergence of a black market rate of more than 700 bolivars to the dollar. The same government has failed to publish any official figures on inflation and consumer good shortages for more than six months, while the lack of strong institutions enabled the Supreme Court to block a legal attempt to force the publication of statistics by the Central Bank. Back in 1950, the country’s per capita GDP of $8,939 was the second highest on the continent and the fourth highest in the world. Today, the situation is either much worse or very much worse – Venezuela’s exact position in the rankings depends on which of the exchange rates is used and on the influence of the massaged, out-of-date or suppressed data that it is based on. Whichever exchange rate is used, it raises more questions than it answers.

The populists are covering up the official statistics that confirm their failure. The oil boom led to a substantial rise in “social” spending – all you had to do was throw a mango at the president, like one woman did, and you would “win” a house. However, when oil prices fell, the same “social spending” that the government had made such a big deal about was suddenly cut. Thus, the populism of years gone by and of today has created a country that is materially and morally impoverished, a country deprived of information and rife with myths, leaving the average Venezuelan unable to identify the causes of their poverty. Venezuela is afflicted by two deadly illnesses: inflation and shortages. People are forced to queue for hours to obtain rationed food and they are only even allowed to do this one day a week, that day being determined by the last number on their ID card. Meanwhile, the black market continues to grow. But the authorities are so hell-bent on hiding what is really going on that, despite all of the above, the Head of Government of the Capital District was able to declare that “there are no shortages, the people in the queues want to buy up the goods so they can resell them” – and he was even backed up by a government supporter who knew full well that neither he nor any of the ordinary people waiting in the queues were really resellers. This shows the power of the myth that sustains populism.

A brief look back at the past

Modern-day populism in Latin America differs from the populism that existed in the years between independence and the start of the 20th century. During the colonial era, there were huge differences in how rich the region’s countries were. Some Captaincy Generals, like Venezuela, were desperately poor, whilst others were able to make enormous outward displays of wealth, although in fact this wealth was concentrated in the hands of a few local political bosses (“caudillos”) who shared it out among their supporters while keeping the lion’s share for themselves. Meanwhile, the vast majority of people in this chronically ailing empire were forced to go on living in poverty. But the “wealth” of the rulers in those independent colonies and the resulting emptiness of the
public coffers are as nothing compared to the modern-day situation. Industrial capitalism caused both population numbers and living standards to increase exponentially, albeit not in Latin America. This led to a growing demand for both new and old raw materials and exotic products including tropical agricultural products. New transport and refrigeration technologies were developed and the principles of the Manchester school of liberalism were used to break down barriers to trade. As a result, between the end of the 19th and the start of the 20th century, the countries of Latin America went from being primitive fiefdoms to poor but semi-modernised States. Populism in this new era required the old caudillos to bring their act up to date, at least to some extent. Greater involvement in the international economy led to modest economic growth and public coffers that were not quite as empty as before.

In Venezuela at the start of the 20th century, the ruling caudillos of a region that was one of the leading new coffee-exporting economies ended the succession of civil wars in a state of debt as a result of spending all their money on modern arms. Juan Vicente Gómez, the last of the traditional caudillos and the first modern dictator, established the beginnings of the modern-day state of Venezuela.

The political stability and modest growth experienced under Gómez enabled the development of an oil industry that would soon come to dominate the country’s exports. The revenue from these oil exports brought wealth to the State, but the rest of society remained poor. Although the high relative competitiveness of oil and the accompanying influx of foreign currency prompted a general increase in disposable income and meant that the government had more money at its disposal, they also displaced other exports and traditional domestically produced goods, since imported consumer and capital goods were now cheaper. However, in the absence of populist tendencies during this period, the decision was taken not to devalue the currency in order to protect the industries that had become less competitive. Instead, a minimal number of targeted subsidies were employed to enable revaluation in a relatively open economy, with traditional industries being replaced by new, emerging industries that were able to compete with imports from abroad.

A little-studied “Venezuelan miracle” occurred between the 1930s and 1950s where new, small industries were able to compete successfully with imports that had become cheaper as a result of the revaluation, since there was nothing to stop them benefiting from their increased external purchasing power by importing new technologies. However, a regime that tried to implement an orderly transition from authoritarianism to a modern democratic republic between 1936 and 1945 was toppled by a growing populist movement led by a small Leninist party – it would later adopt aprista-style “social democracy” – allied with members of the military who had their own “populist” statist pretensions.
The oil bonanza

Politicised hatred took hold in Venezuela. From now on, it would be ruled by rival brands of both civilian and military populism that promoted central development planning by their respective States, bought the support of the masses with the revenue from the oil industry without necessarily increasing the tax burden on the private sector – which would become less competitive as a result of “import substitution” – and increased public spending whilst refusing to allow revaluation of the currency, despite the growing influx of foreign currency, thereby causing inflation and ultimately inflationary devaluations in order to compensate for falls in foreign revenue.

Populism is all about hatred and myths. In fiscal States, it is usually redistribution and socialism that are turned to as the “solution” to the State’s own interventionism. But the State in Venezuela is anachronistically patrimonial rather than fiscal, relying on its ownership of the country’s oil reserves and stifling any prospect of private competition. Oil was a political bonanza where the only competition was to get your hands on as much of the oil revenue as possible, making sure that no independent outsiders had the slightest chance of competing for their slice of the cake. In an economy that was increasingly dependent on this oil, politicians, intellectuals and – when it justified their privileges – even socialist entrepreneurs caused a growing population to become dependent on a limited source of revenue. While the price of oil was rising they made unsustainable spending commitments. When its price fell, the artificial nature of the boom quickly became apparent in the complete lack of competitiveness of the entities that had been protected and distorted by them, leaving them with no alternative but to cut back on their handouts. Since protectionism was politically unsustainable, inflation and devaluations would serve as short-term fixes to mitigate the impoverishment that followed every binge on high oil prices, although in the long term they would only make it worse. A classic Malthusian trap, in other words.

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Unsustainable commitments financed by inflation and devaluations are likely to result in the need for exchange rate and price controls and rationing, plunging society into material and moral poverty. And, together with violence, poverty is indeed the legacy of populism in Venezuela. Since the advent of Chavismo and its socialism of the 21st century we have had more of the same, with inevitably tragic consequences. Indeed, it has been much more of the same than ever before. So much so, that it is no longer even right to call it more of the same – it is actually much, much worse.
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