

**21<sup>st</sup> Century populism: the case of Latin America:** Many are now trying to understand the Political Economy of populism.\* Recent election results in the U.S. UK and parts of Europe caught many by surprise. As it happens Latin America has a rich history of populism, dating back a full Century and especially since the 1930s (Mexico nationalized Standard Oil in 1938, the Peron's came to power in Argentina in the late 1940s, Evita died in 1953. Chile and Peru experimented with populism during the 1970s and 1980s. The turn of the century saw the reemergence of left populism documented in South of the Border (see clips, no need to watch the entire documentary). "More recently political economy issues that emphasize the ethnic divide between Europeans and mestizos and indigenous and nonindigenous populations have been added to the new wave of populist topics in contemporary Latin America" (by A&L Chapter 6 page 147). \*Interested in a Winter research project on this topic? Let me know...

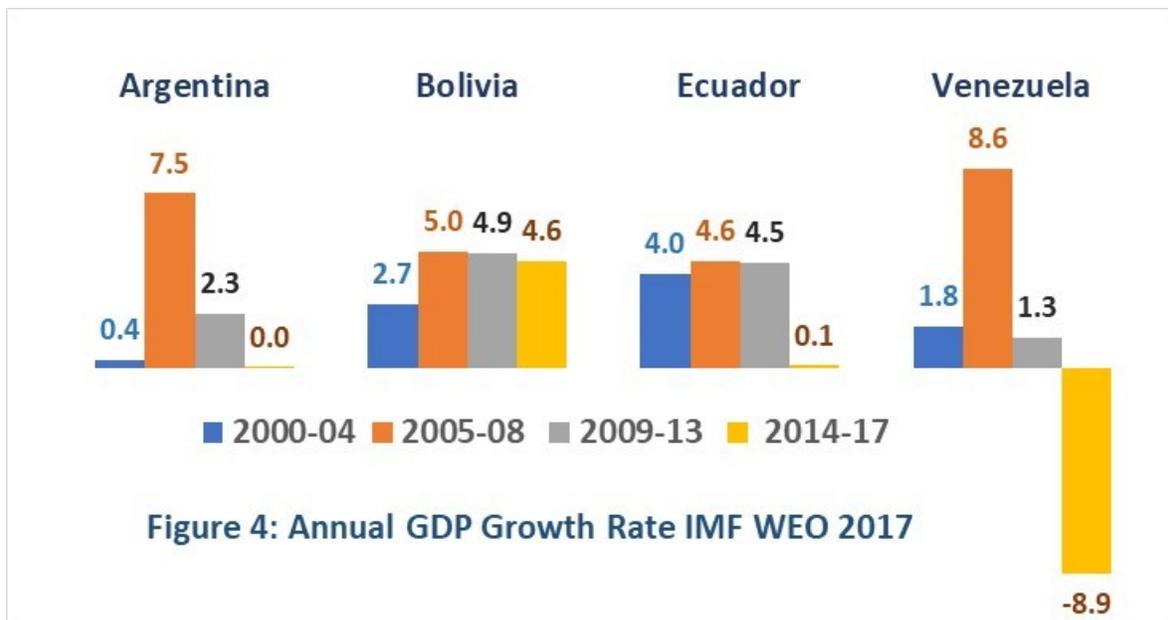
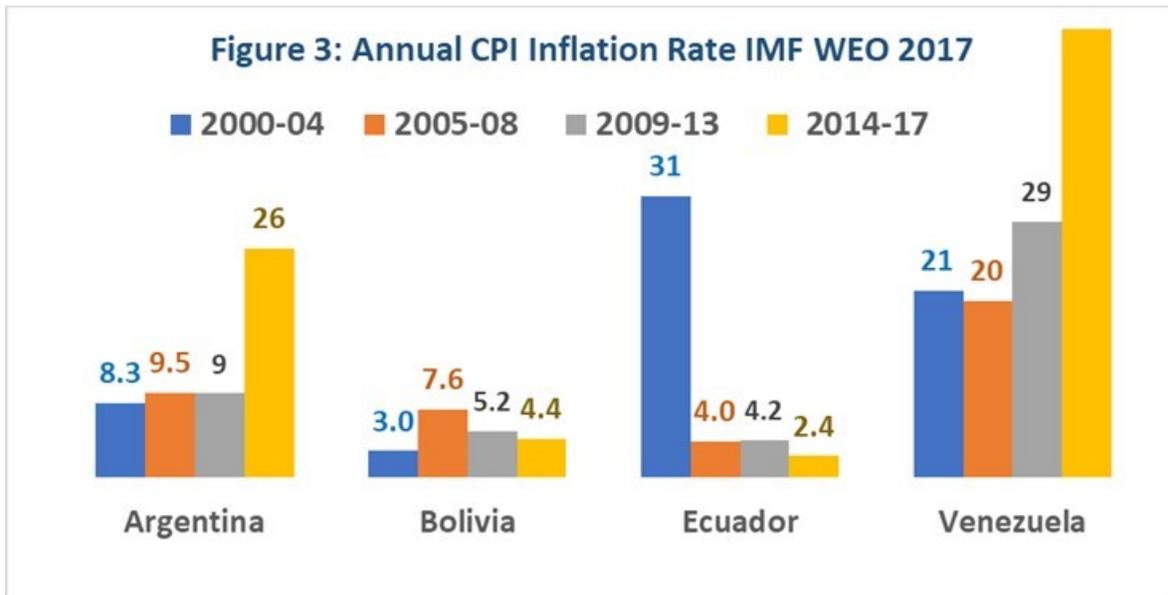
**Instructions:** HW #1 Please submit answers to LDQ 1.1 to 1.3 on Blackboard by Friday September 15<sup>th</sup> using this word file. Not the questions are in blue (you can make the font any color you want) but be sure to type your answer in a different font (color, bold whatever). See the example for 1.1 A) below, you can add more (quotes/page numbers and even pictures of Figures/Table welcome). Suggestions: Delete the Tables and Figures you do not reference before you submit your answers, leave the references, add references in any author, date google scholar format, only if you cite them (leave the references list on your answers)

**LDQ 1.1 Ethno-populism:** In [South of the Border film clips](#), Oliver Stone presents Cristina Fernández Chavez, Correa and Morales as a new generation of Latin American leaders representing previously excluded ethnic groups. and with a common animosity to the United States which has long intervened in the region, first to stop the spread of communism and more recently to stop the flow of drugs. A) What do these leaders have in common (which Stone also appreciates)? *Oliver Stone admires the willingness of Hugo Chavez and other leaders to defy the U.S. and IMF, to ignore the Washington Consensus, to nationalize instead to privatize, to make their own domestic policies targeting and protecting excluded groups (Mestizos). He feels their governments are misrepresented by mainstream media in the U.S. (Fox News for example). He admires Correa for closing a U.S. military base, and agrees with Nestor Kirchner and Chavez who argue the U.S. is after Latin America's resources...* What about Lula? What languages do Morales and Correa speak? Why does this matter? B) Writing section 6.4 eight years later 6.4 A&L have mainly nice things to say about Bolivia and Ecuador. Give some examples. Are Morales and Correa still in power? Is this good or bad? Explain. C) The most threatening ethno-populist movements seem to be outside Latin America, in the U.S. and some EU countries (the UK with Brexit, Hungary and Poland, but not France, the Netherlands, Italy or Germany...). In a recent BPEA paper (just read the abstract) Algan, et al. 2017 argue what leads to voters to support anti-immigrant ([Trump voters are vulnerable](#), but not necessarily unemployed). Given these findings, what can be done to counter ethno populist movements (hint: France, the Netherlands, Germany, Italy...).

**LDQ 1.2: Middle class students making trouble?** Nancy Birdsall, 2012 and text authors Beatriz Armendáriz (Mexico) & Felipe Larraín (Chile) welcome Latin America's rising middle class as a sign of prosperity, but fear rising expectations destabilize Latin American (students lead uprisings in Mexico, Venezuela and most recently Chile...see page 158). A) Using Chile as an example, who demand's increased access to lower costs Colleges? Why does this demand arise in a more successful economy like Chile's? Democratic Socialist President Michelle Bachelet attempted to deliver on promises for education reform, but what happened? B) Drake, 2012 claims Chile has been immune to populist leaders, but A&L Chapter 6 disagree hinting that Chile had two, one installed to fix the other (See the Commanding Heights video on the Chicago boys). Chile had a left then a right populist leader) who were they? How they change Chile's democratic institutions (see next part). C) List the Presidents of Chile since 2000 (Current President Michelle Bachelet served 8 years, shown in the photo below with the infamous Augusto Pinochet). Bachelet's 2<sup>nd</sup> term ends this year, how long was Pinochet President (dictator?). Why is Bachelet unlikely to win re-election this November 22<sup>nd</sup>? Many left populist leaders retired for similar reasons, how have Bolivia and Venezuela avoided this rotation?

**LDQ 1.3: Populism’s soft landing compared to your case study country (part C now extra credit):** Latin America latest experiment with left populist and social democratic government is winding down but not in flames (except Venezuela the justifies the worst). (A) Discuss the “three speed” Latin America Sebastian Edwards predicted in 2010, growth has slowed, but only a few countries have become stuck with one regime or another (apart from Venezuela and Cuban, now in a different category, Bolivia and Nicaragua have the same leaders, but seem to have voted for them).

(B) Edwards and Dornbusch argue “Macroeconomic Populist” experiments always crash and burn with high inflation and fueled by large budget and trade deficits. So far this only describes Venezuela. Viewing Bloomberg’s budget deficit forecasts, Chile looks headed for a fall, but these are just projections, and recently copper jumped up 40% from last year... ). Compared to Argentina, Brazil and Venezuela, Bolivia and Ecuador have high growth rates and low inflation rates (Figures 3 and 4) and poverty reduction has been sustained (Figures B-1 and E-3). Use Chapter 6 to provide an explanation of what Ecuador and Bolivia did right, and where Venezuela and Argentina may have gone wrong. Figures 3 and 4 below show average inflation GDP Growth rates 2000-04, 2005-08, 2009-13, 2014-17 (IMF projection for 2016 and 2017, Venezuela’s average inflation for 2014-17 is off the chart, 290%).



## Readings, excerpts: Middle class University students causing trouble?

The growing importance of the middle class also reflects growing numbers of educated individuals that are more reliant on stable and effective governments and the rule of law. This growing segment of the population is expected to be more supportive of growth-enhancing reforms. Moreover, recent work suggests that a parallel upward trend in the use of social media can potentially create more participation in public debates and strengthened democracy in contemporary Latin American economies.<sup>25</sup>

According to Drake 2012, Chile is one of the few Latin American countries where populism—as defined earlier by political scientists—never took hold. Economists tend to disagree, however. Larraín and Meller (1990), for example, conclude that the Allende government was a socialist-populist experiment that left an indelible imprint.

In the future, Drake (2012, 67) warns, with regard to Chile in the twenty-first century, “keeping populism at bay will likely depend on the ability of the parties to recapture their traditional strength, to re-incorporate the masses into political participation, and to re-dress the grievances of the working-class.” Drake’s predictions are likely to hold true for all of contemporary Latin America’s infant democracies.

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and it did not flourish in the 1990s, when multiparty democracy reasserted its hegemony.

In the future, as in the past, keeping populism at bay will likely depend on the ability of the parties to recapture their traditional strength, to reincorporate the masses into political participation, and to redress the grievances of those working-class Chileans neglected by the dictatorship. Through 2009, that same alliance of the center and the left of the middle class retained power behind two Socialist presidents, Ricardo Lagos (2000–2006) and Michelle Bachelet (2006–2010). Although they placed a greater emphasis on poverty reduction, they continued a social democratic, free-market approach devoid of populism.

A&L, 2017 Chapter 6 page 158:

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## References (add a reference only if you refer to it)

Algan, et al. 2017 Algan, Yann, Sergei Guriev, E Papaioannou, and E Passari (2017) The European Trust Crisis and the Rise of Populism, Draft for [Brookings Papers on Economics Activity](#), BPEA Conference Drafts, September 7-8th.  
[https://www.brookings.edu/wp-content/uploads/2017/09/4\\_alganetal.pdf](https://www.brookings.edu/wp-content/uploads/2017/09/4_alganetal.pdf)

Allison Aubrey (2017) [Global Ranking Of Happiness Has Happy News For Norway And Nicaragua](#). NPR All things Considered, Goats and Soda, March 20<sup>th</sup> 6:11pm

Bloomberg, September 8<sup>th</sup> 2017, Copper Windfall Safe with us says Chile's new Finance Minister.

Drake, P.W (2012, p.82) Chile's Populism reconsidered, 1920s to 1990s in Conniff, Michael L., ed. (2012) *Populism in Latin America*. University of Alabama Press, 2012 ([google books copy](#)) .

Edwards. Sebastian, 2010, *Left Behind: Latin America and the False Promise of Populism* by Sebastian Edwards, published by the University of Chicago Press. [pages 1-11 pdf](#)

**Table 1D: New Left Political Regimes in Latin America 2017<sup>2/</sup>**

Country, 2010	Population (millions)	President	Took Office	Effective year*	Classification <sup>2/</sup>	Cumulative yrs in power*					
						2000-2002	03-05	06-08	09-11	12-14	15-17
Argentina	41	Néstor/Cristina Kirchner	May-03	2004	Left Populist	0	2	5	8	11	15
Bolivia	10	Evo Morales	Jan-06	2007	Left Populist	0	0	2	5	8	11
Brazil	201	Lula da Silva/Rousseff	Jan-03	2004	Social Democrat	0	2	5	8	11	13
Chile	17	R. Lagos/Michelle Bachelet <sup>1/</sup>	Mar-00	2001	Social Democrat	2	5	8	10	1	3
Ecuador	15	Rafael Correa	Jan-07	2008	Left Populist	0	0	1	4	7	10
El Salvador	6.1	Mauricio Funes <sup>8/</sup>	Jun-09	2010	Social Democrat	0	0	0	2	5	8
Nicaragua	5.6	Daniel Ortega	Jan-07	2008	Left Populist	0	0	1	4	7	10
Paraguay	6.4	Fernando Lugo <sup>3/</sup>	Aug-08	2009	New left regime	0	0	0	3	4	0
Peru	29	Ollanta Moisés Humala	Jul-11	2012	Social Democrat	0	0	0	0	3	5
Uruguay	3	Tabaré Vázquez/José Mujica	Mar-05	2006	Social Democrat	0	0	3	6	9	12
Venezuela	27	Hugo Chavez	Feb-99	2000	Left Populist	3	6	9	12	15	18
Total LP	105	Share of LatAm pop:	19	2005	Left Populist	3	8	18	36	52	
Total SD	256	Share of LatAm pop:	46	2007	Social Democratic	2	7	16	27	40	
Total Pop:	361	Share of LatAm pop:	65	Cumulative effective years		5	15	34	63	92	

\*Cumulative years for each regime start one year after that government takes office (it's "effective year") because new policies take time to implement. Both Nicaragua and Ecuador elected left populist governments in 2008, the Ollanta government took power in 2011 making its effective year 2012.

1/ President Michelle Bachelet Jeria left office in March 2010, ending Concertacion's 10 year rule but was reelected in 2014.

2/ Early versions of this Table (see McLeod and Lustig, 2011) were based on the political regimes described in Arnsion and Perales (2007). After 2007 left populist governments took office in Ecuador (Rafael Correa) and Nicaragua (Daniel Ortega). As Acemoglu et al. (2010, p. 1) notes the "resurgence of populist politicians in many developing countries, especially in Latin America. Hugo Chavez in Venezuela, the Kirchners in Argentina, Evo Morales in Bolivia, Alan Garcia in Peru, and Rafael Correa in Ecuador are examples of politicians that use the rhetoric of aggressively defending the interests of the common man against the privileged elite." Similarly, Cynthia Arnsion (email correspondence, November 15<sup>th</sup> 2010) points out that while "few cases are a perfect fit" one can "safely distinguish" social democratic regimes Brazil, Chile and Uruguay where "political competition takes place within at established institutional framework" from populist regimes such as Argentina, Bolivia, Ecuador, Nicaragua and Venezuela where the "political system is 'refounded' via new constitutions that strengthen the executive at the expense of checks and balances" and where the political "discourse is highly polarizing between 'the people' and an oligarchic elite. And where "new forms of political participation are created outside traditional institutions, such as parties, and are linked to the president in corporatist fashion, the state intervenes in the economy

3/ President Fernando Armindo Lugo Méndez (2008-12) was replaced by right leaning Horacio Cartes in 2013, Cartes will not seek re-election

4/ Carlos Mauricio Funes Cartagena was President of El Salvador from 2009 to 2014

5/ José Daniel Ortega Saavedra has been President of Nicaragua since 2007

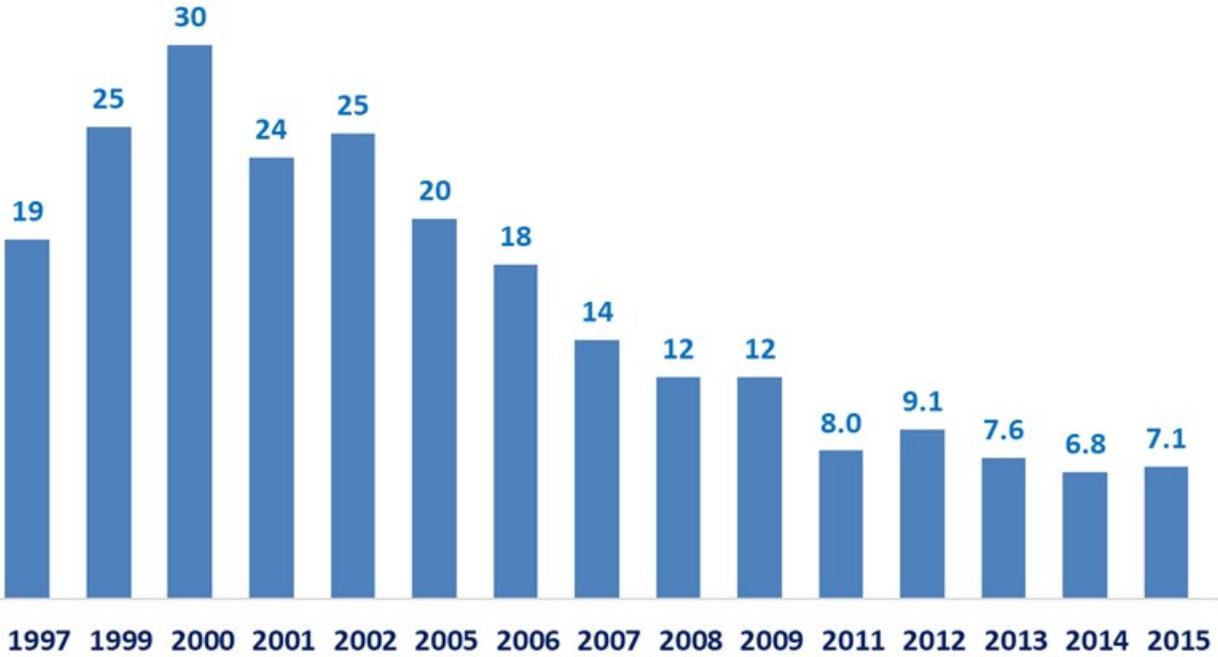
6/ Verónica Michelle Bachelet Jeria was President of Chile from 2006 to 2011 and then was reelected in March 2014.

7/ José Alberto "Pepe" Mujica Cordano, President of Uruguay a former urban guerrilla fighter with the Tupamaros succeeded Tabaré Ramón Vázquez Rosas in 2010 both Presidents were part of the leftist Frente Amplio coalition (Broad Front).

8/ Carlos Mauricio Funes Cartagena leader of the Farabundo Martí National Liberation Front (FMLN) took office in 2009

10/ Ollanta Moisés Humala Tasso became Peru's President in June 2011. In June 2016 ex World Bank Economist Pedro Pablo Kuczynski defeated Keiko Fujimori by just .2 % of the total vote (50.1%) <http://www.bbc.com/news/world-latin-america-36505027>

**Figure B-1 Bolivia \$1.9/day poverty Rate \$PPP 2011 Evo Morales took office in 2006: Bolivia achieved MDG 1**



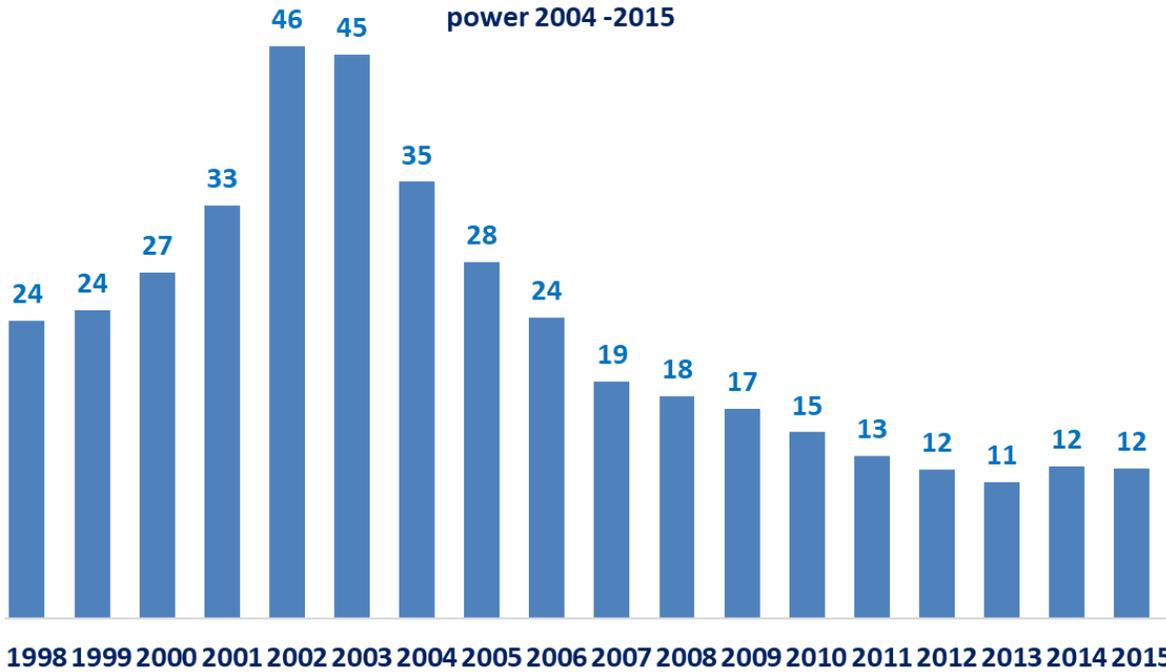
Source: Source: SEDLAC (CEDLAS and The World Bank)

**Figure E-3 Ecuador \$1.9/day poverty Rate \$PPP 2011 Rafael Correa took office in 2008: Ecuador achieved MDG 1 in 2005 and and again in 2015**



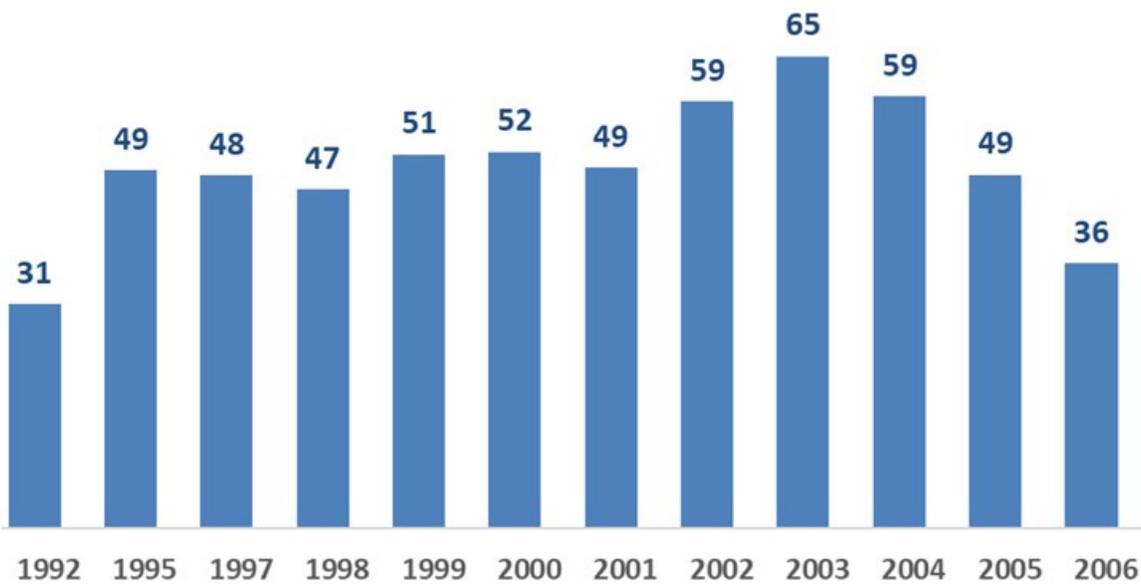
Source: Source: SEDLAC (CEDLAS and The World Bank)

**Figure P-5 Argentina Urban \$4/day poverty only \$PPP 2005 Kirchners in power 2004 -2015**



Source: Source: SEDLAC (CEDLAS and The World Bank)

**Figure V-2 Venezuela \$4/day poverty Rate \$PPP 2005 Chavez took office in 1999 reported data ends in 2006**



Source: Source: SEDLAC (CEDLAS and The World Bank)