

THE POLITICAL ECONOMY OF POST-POPULISM IN LATIN AMERICA TODAY

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SEPTEMBER 2017

THE SETTING

- Populism around the world
 - Right wing populism: Trump, Brexit, Rodrigo Duterte
 - Left wing populism: Maduro, Evo Morales, Ortega
- Counter-populism on the rise?
 - Macron in France
 - Macri in Argentina, PPK in Peru, Chile?
 - Latam could be leading the cycle, not following
- Will the counter-populist revolt last?
 - Elections in Ecuador
 - Elections in Argentina
 - A populist in Brazil? AMLO in Mexico?

IN ARGENTINA IT COULD LAST....

CAMBIEMOS BUENOS AIRES

34,19%

UNIDAD CIUDADANA

34,11%

1PAIS

15,53%

FRENTE JUSTICIALISTA

5,90%



Bullrich, Esteban



Kirchner, Cristina



Massa, Sergio



Randazzo, F.



8.395.724 votos

KIRCHNERISMO Y ALIADOS



4.756.031 votos

PJ



3.996.653 votos

MASSISMO Y ALIADOS



1.725.734 votos

IZQUIERDA



POPULISM DEFINED

What do RW and LW populism have in common?

- Standard economic definition: obtaining immediate satisfaction at the expense of long-term gain.
 - Debts, deficits, inflation
- Broader policy definition: deny tradeoffs, complexity
 - Ralf Dahrendorf: populism is simple, liberal democracy is complex
- Political definition: deny legitimacy to multiplicity of interests, pit “good” versus “bad”, doubt democracy
 - H.W Mueller: populism is a moralistic way of imagining politics
 - J. Judis: LW is populism is *dyadic*, RW *triadic*

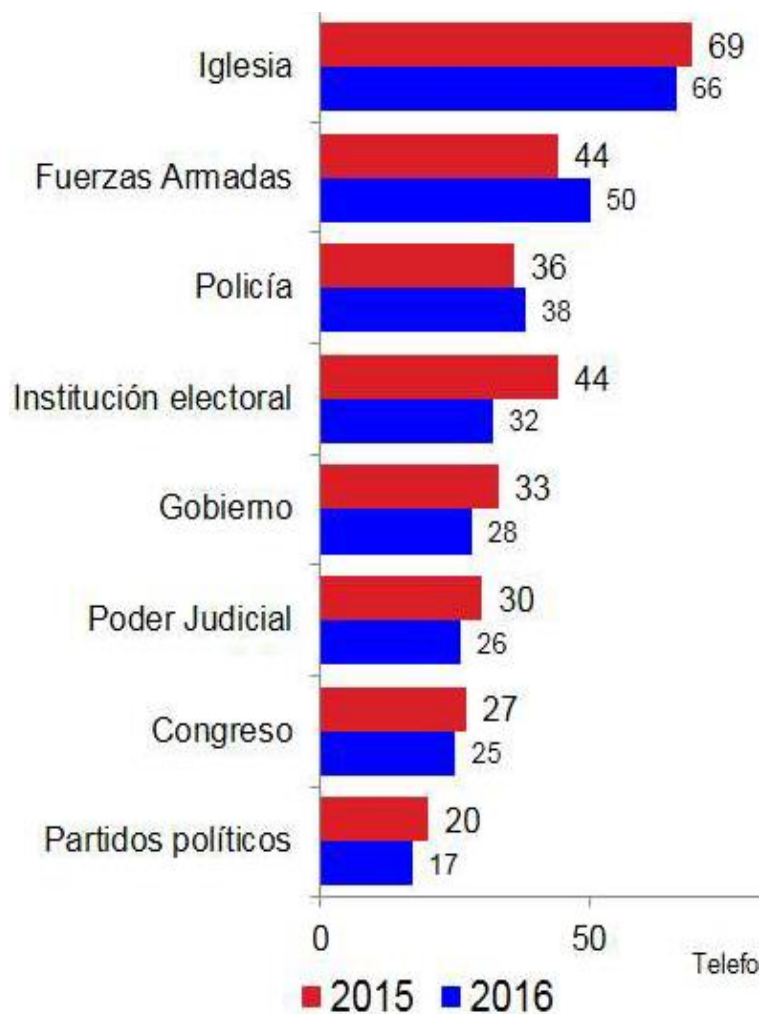
A DELICATE BALANCE

- Reasons for pessimism
 - Unloved institutions
 - Unloved elites
 - The primacy of the pocketbook
 - The *mano dura* temptation
- Reasons for optimism
 - Life is getting better
 - Little reason for nostalgia
 - Marching to open up the system, not to tear it down
 - Middle class liberalism
- Will the counter-populist revolt last?
 - I think so

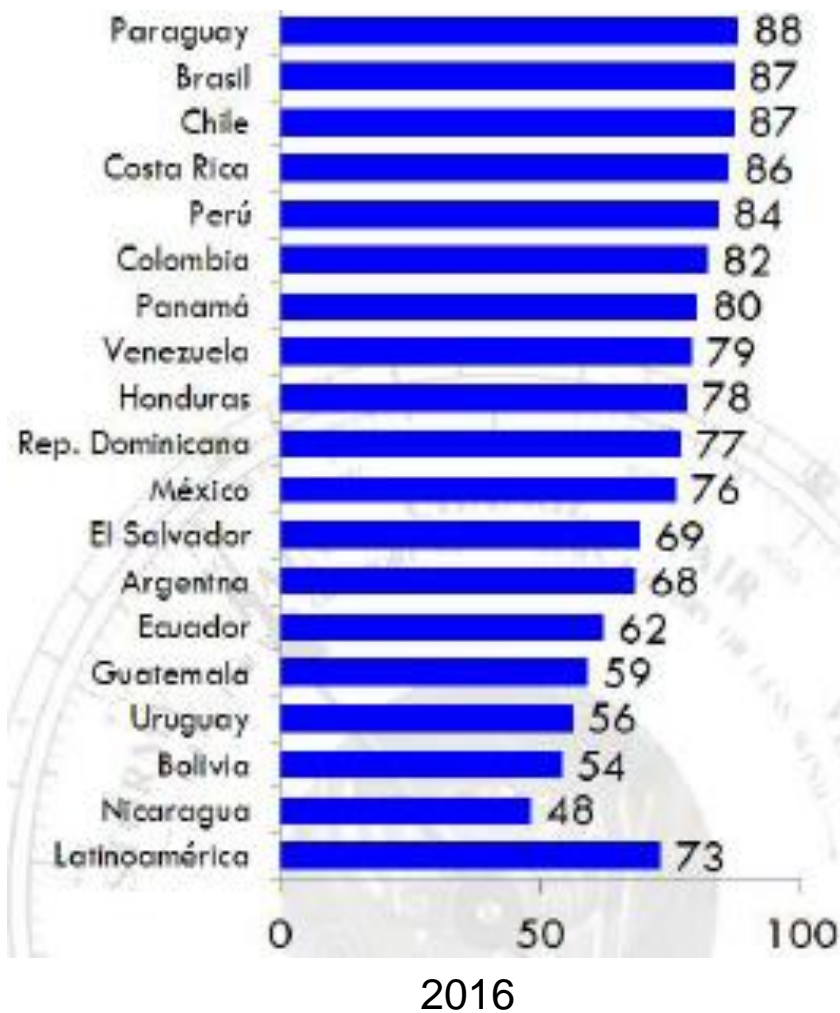
REASONS FOR PESSIMISM

UNLOVED INSTITUTIONS

I trust these institutions



Government defends the rich

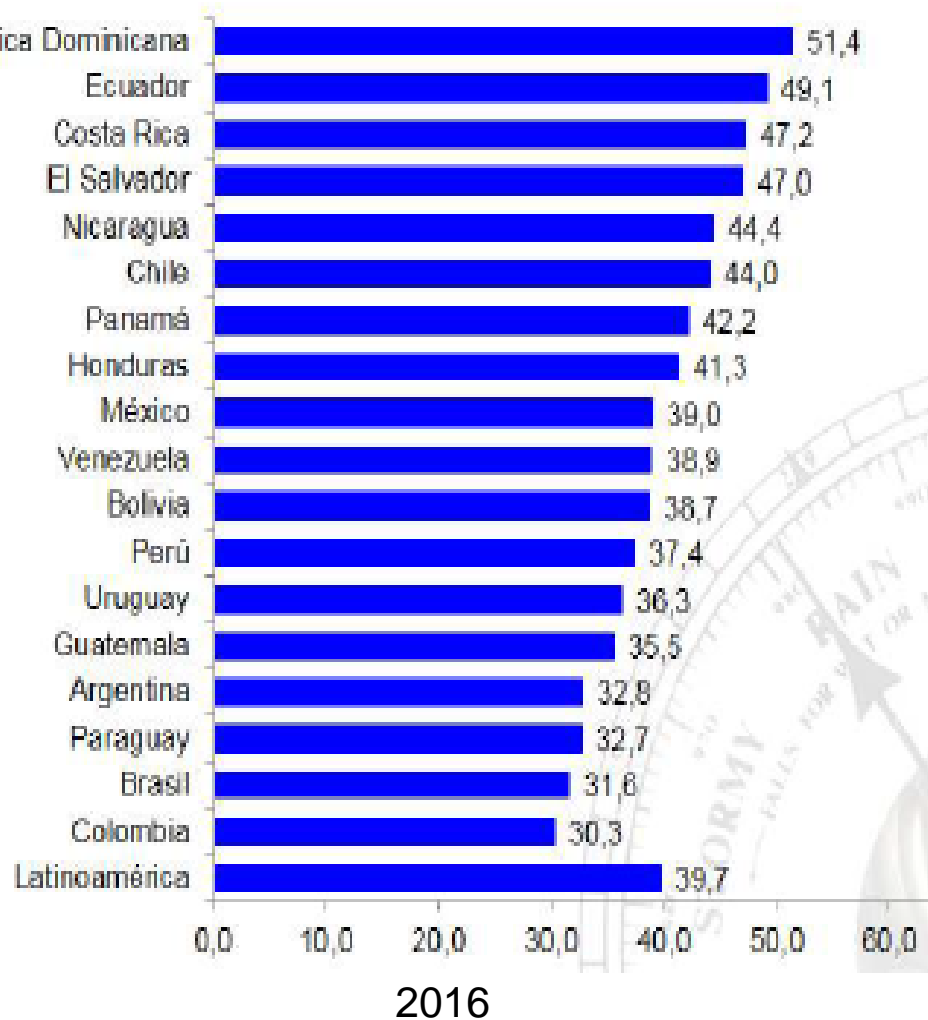


UNLOVED POLITICIANS

Politicians have lost all credibility



Share of clean politicians

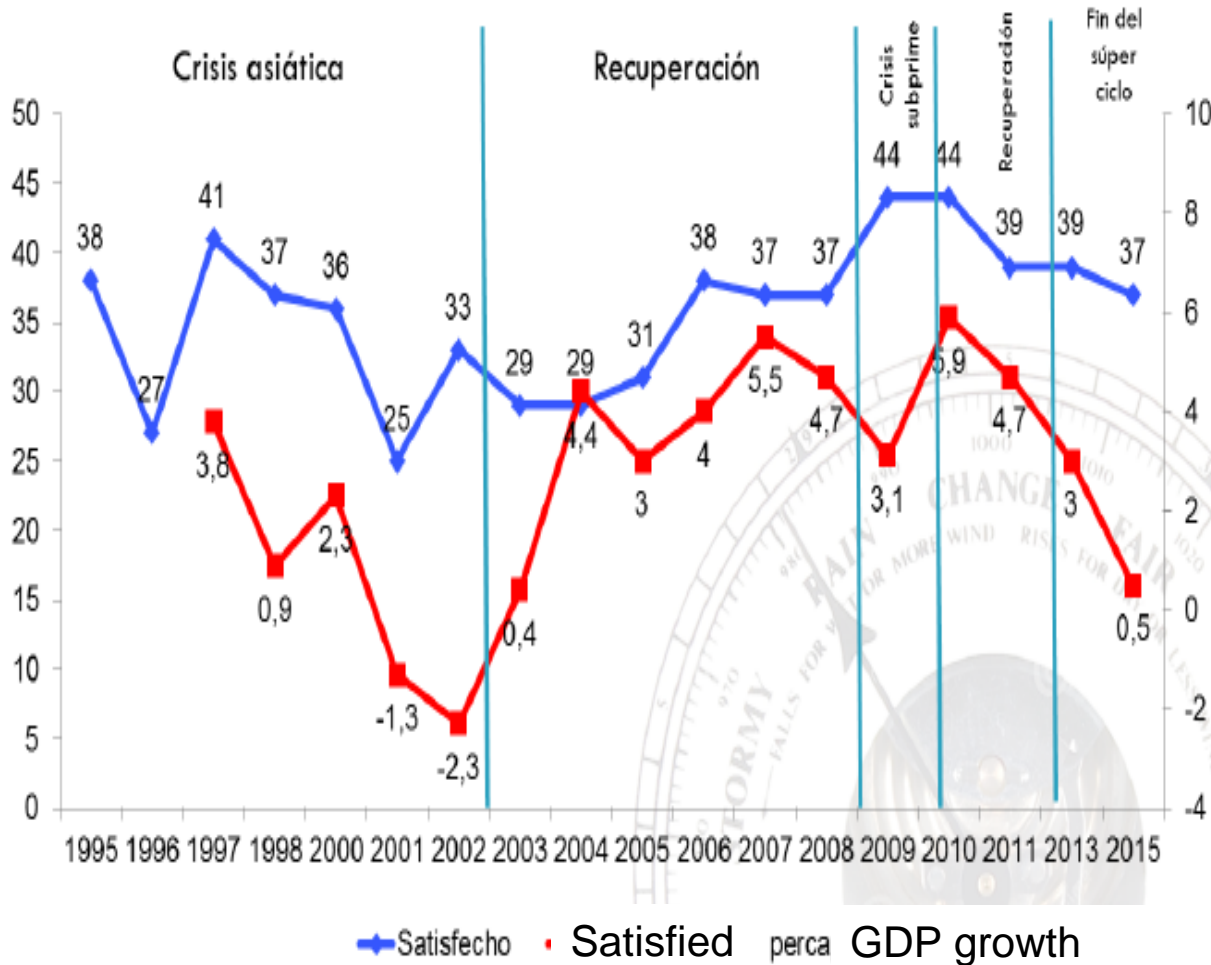


WHY THE DISLIKE OF POLITICIANS?

- Politics as a principal-agent problem
 - Voters are the principal
 - Politicians are the agent
 - Voters have plenty of reasons to fear politicians do not have their best interests in mind
- Campaign finance scandals and corruption (Brazil, Peru, Chile, Ecuador, many others)
- Business scandals and perception that politicians to little about it (Brazil, Chile, Mexico, others)
- Hereditary politics and incumbents that have overstayed their welcome (Argentina, Brazil, Chile, Mexico, many others)
- Poor economic performance and poor quality of public services (more on this below)

THE PRIMACY OF THE POCKETBOOK

Are you satisfied with democracy in your country?

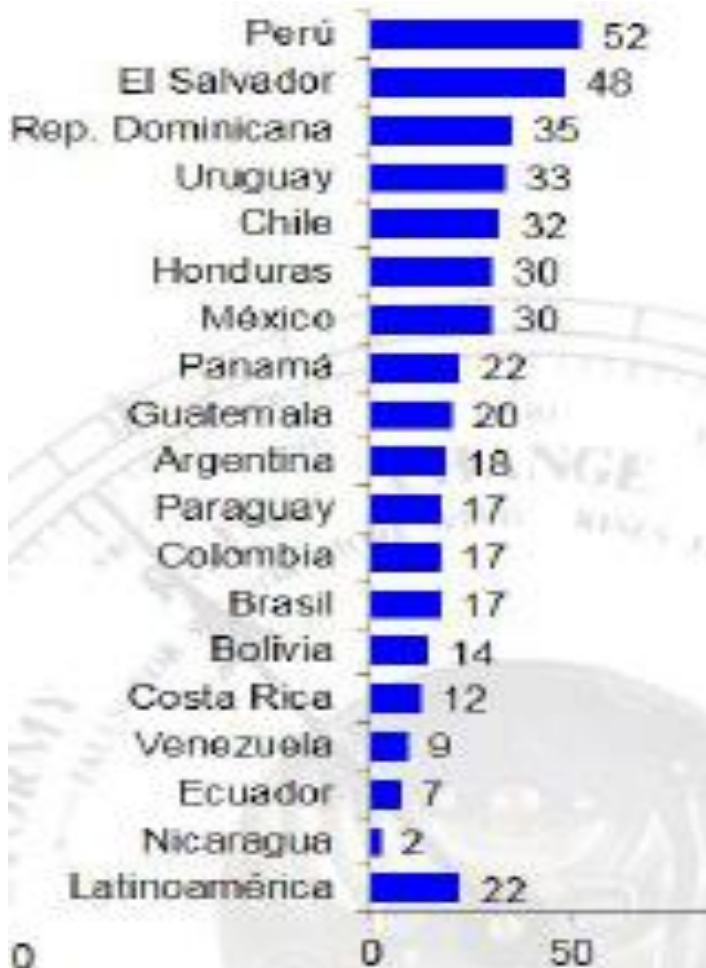


Satisfaction with democracy goes down when growth slows down

And Latam is in a slow growth period, because of weak commodity prices, among other reasons

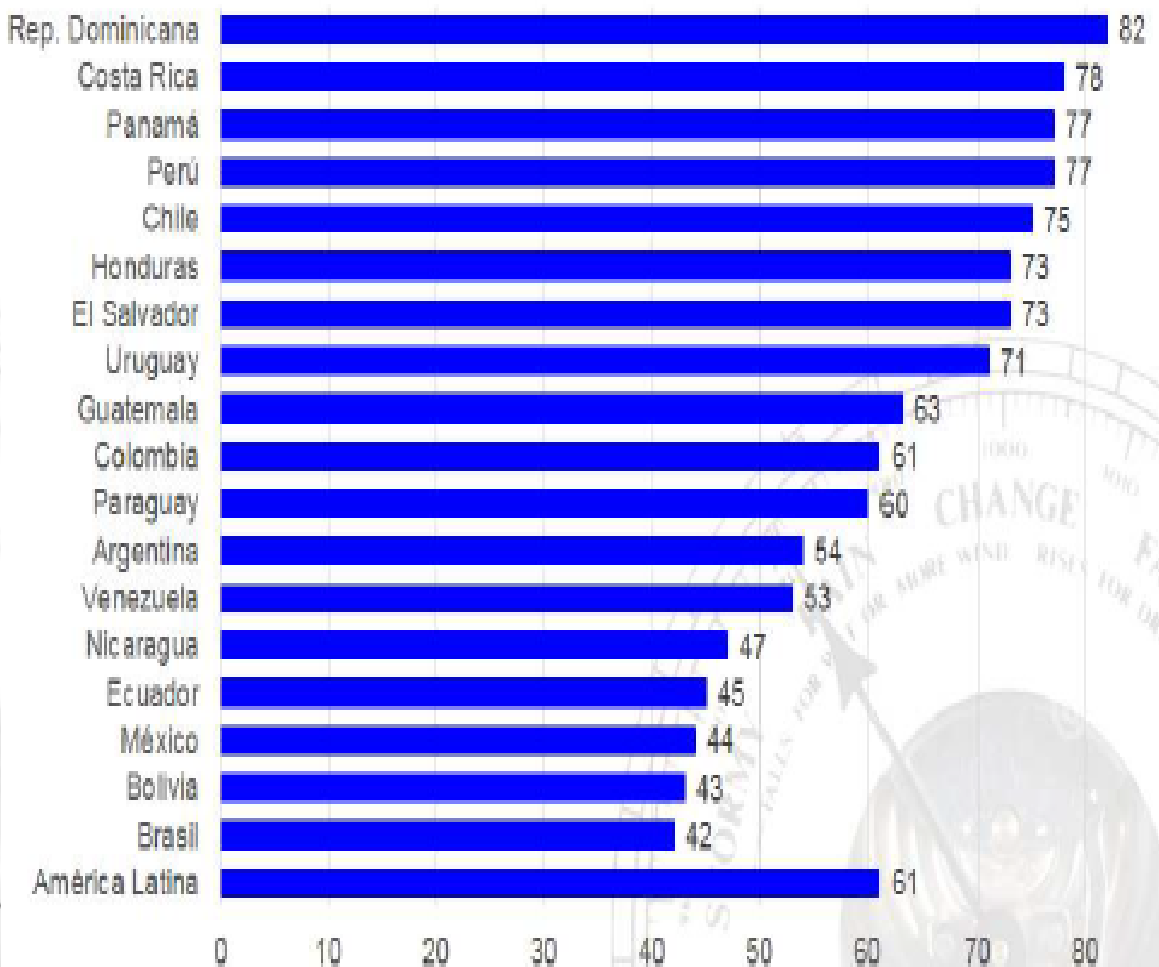
THE *MANO DURA* TEMPTATION

Crime is most important problem



2016

Mano dura is often necessary



2016

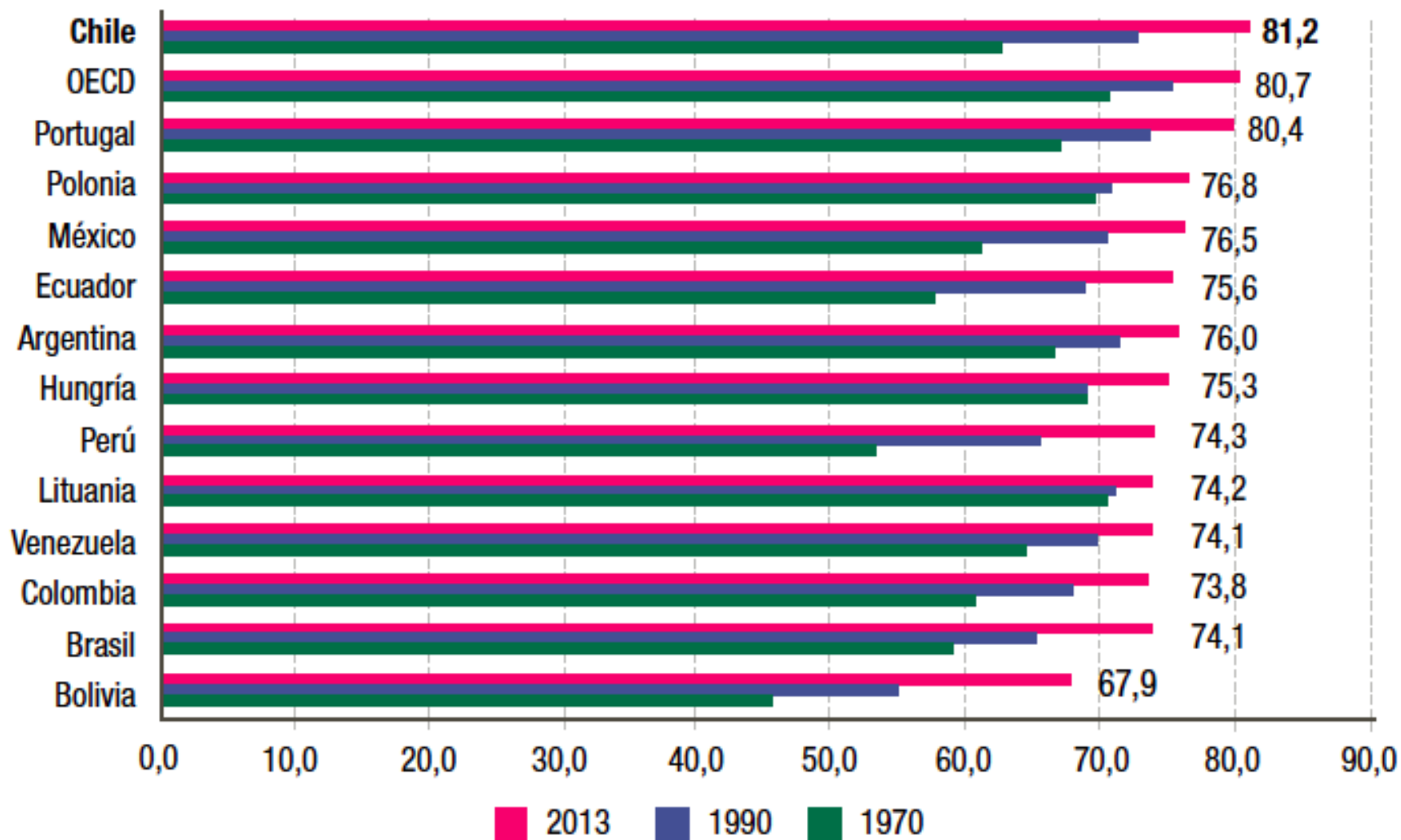
Source: Latinobarometro

REASONS FOR OPTIMISM

MAKE LATAM GREAT AGAIN?

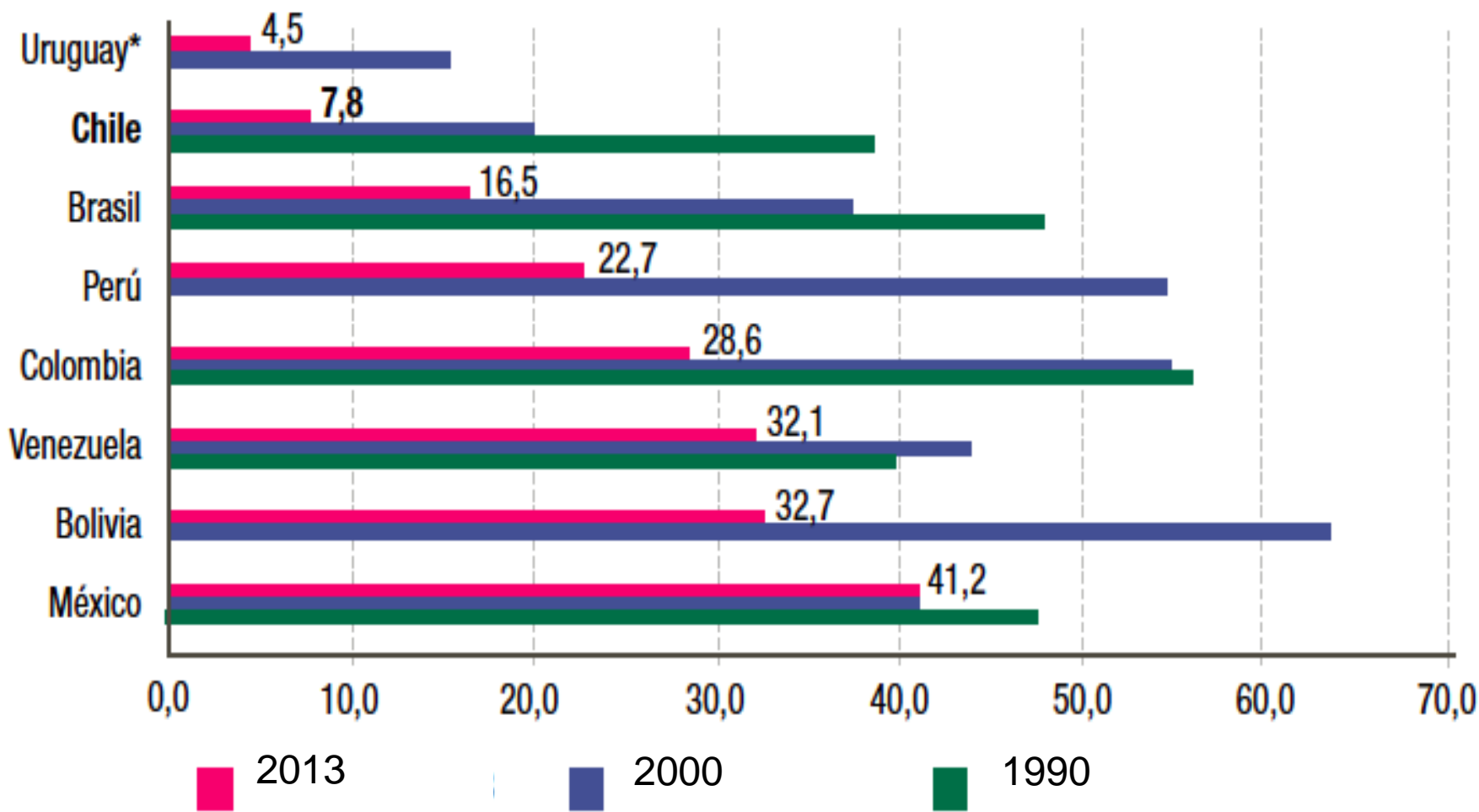
- Populism is all about nostalgia
 - Populism is a reaction: to change, uncertainty
 - Against that it offers a happy past
 - That is the strength of populism: “Hopes can be disappointed; nostalgia is irrefutable” (M. Lilla)
 - Argentine elections: hope against nostalgia
- But is nostalgia plausible in Latin America?
 - Not really
 - In USA, middle class and working class lived better 25 years ago
 - In all Latam countries save Venezuela, middle class and working class live much better today

IN LATAM LIFE EXPECTANCY IS UP...



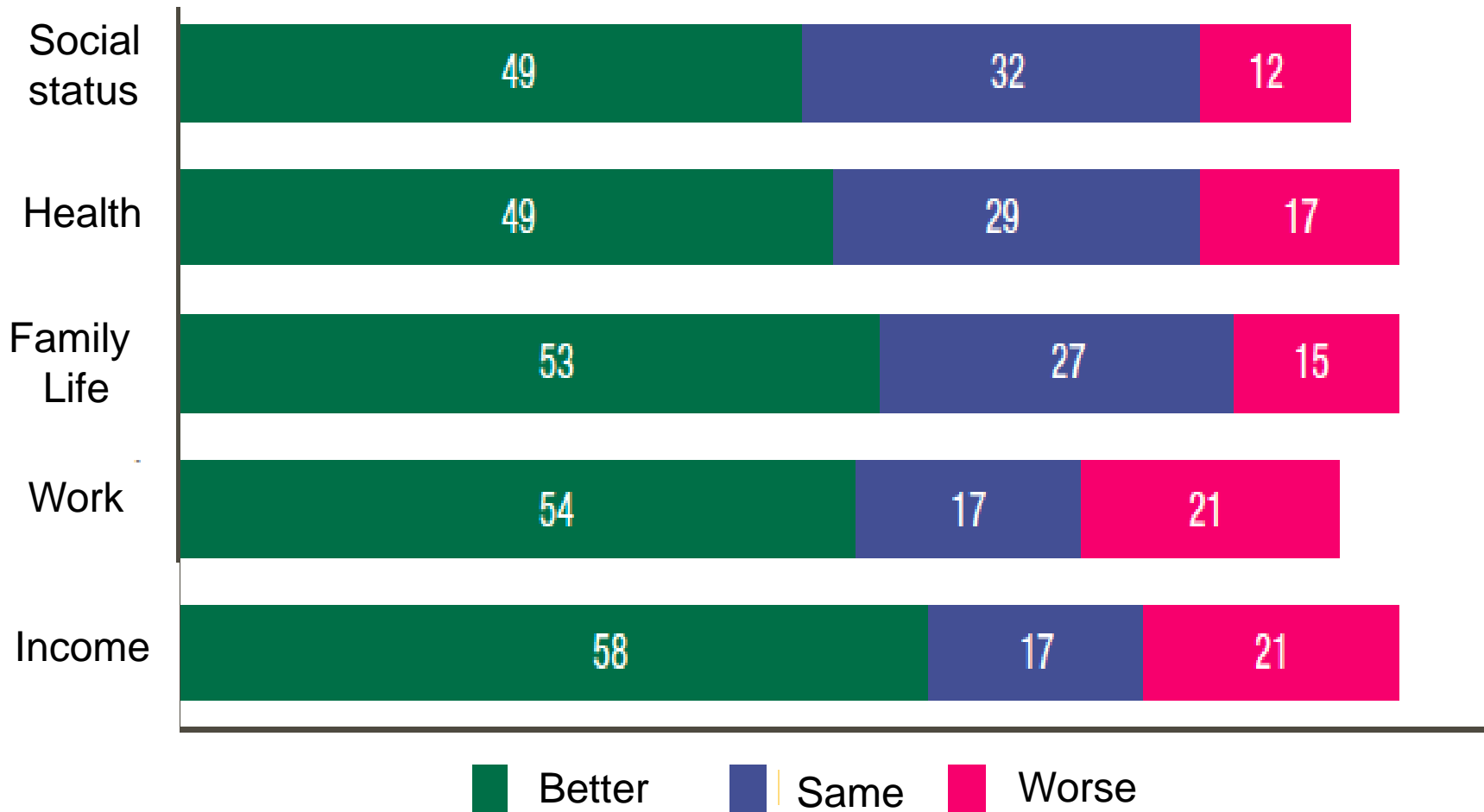
Source: World Development Indicators

WHILE POVERTY IS SHARPLY DOWN



Source: World Development Indicators

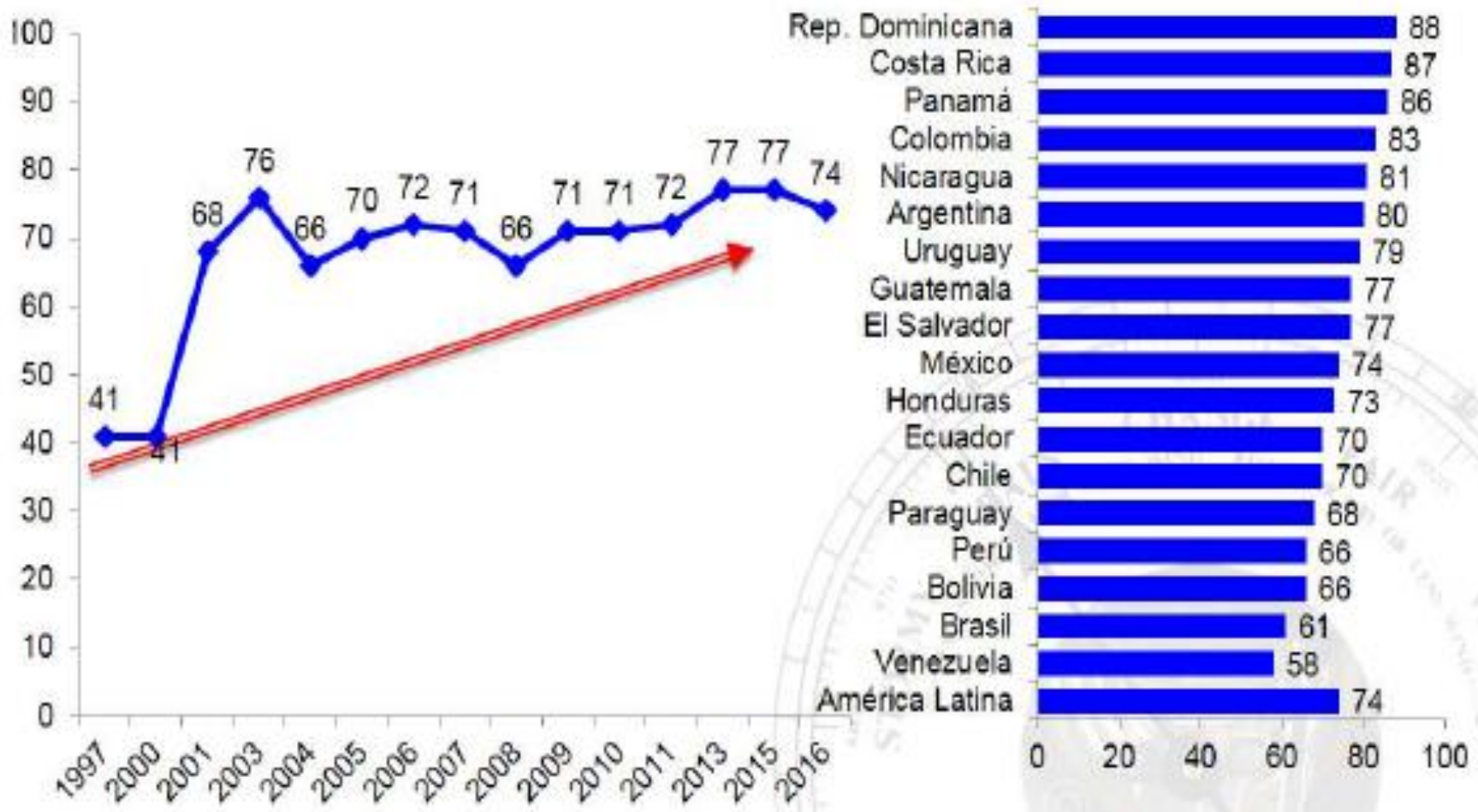
CHILEANS LIVE BETTER THAN THEIR PARENTS...



Source: Cep Chile

LIFE SEEMS TO BE GETTING BETTER

Quite satisfied with my life + very satisfied with my life



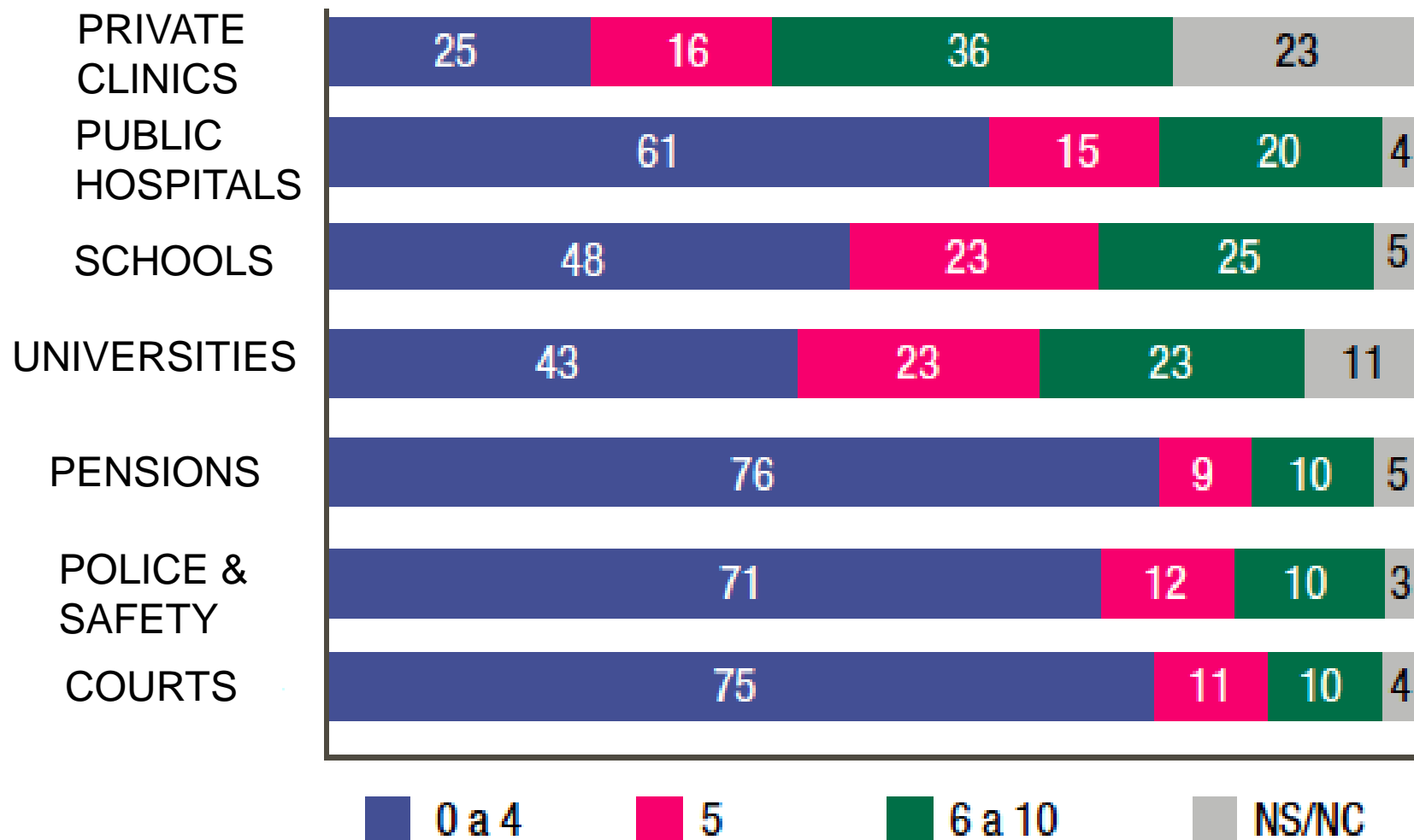
2016

Source: Latinobarometro

**IF LIFE IS FINE,
WHY ARE VOTERS
SO MAD?**

PUBLIC SERVICES ARE BAD

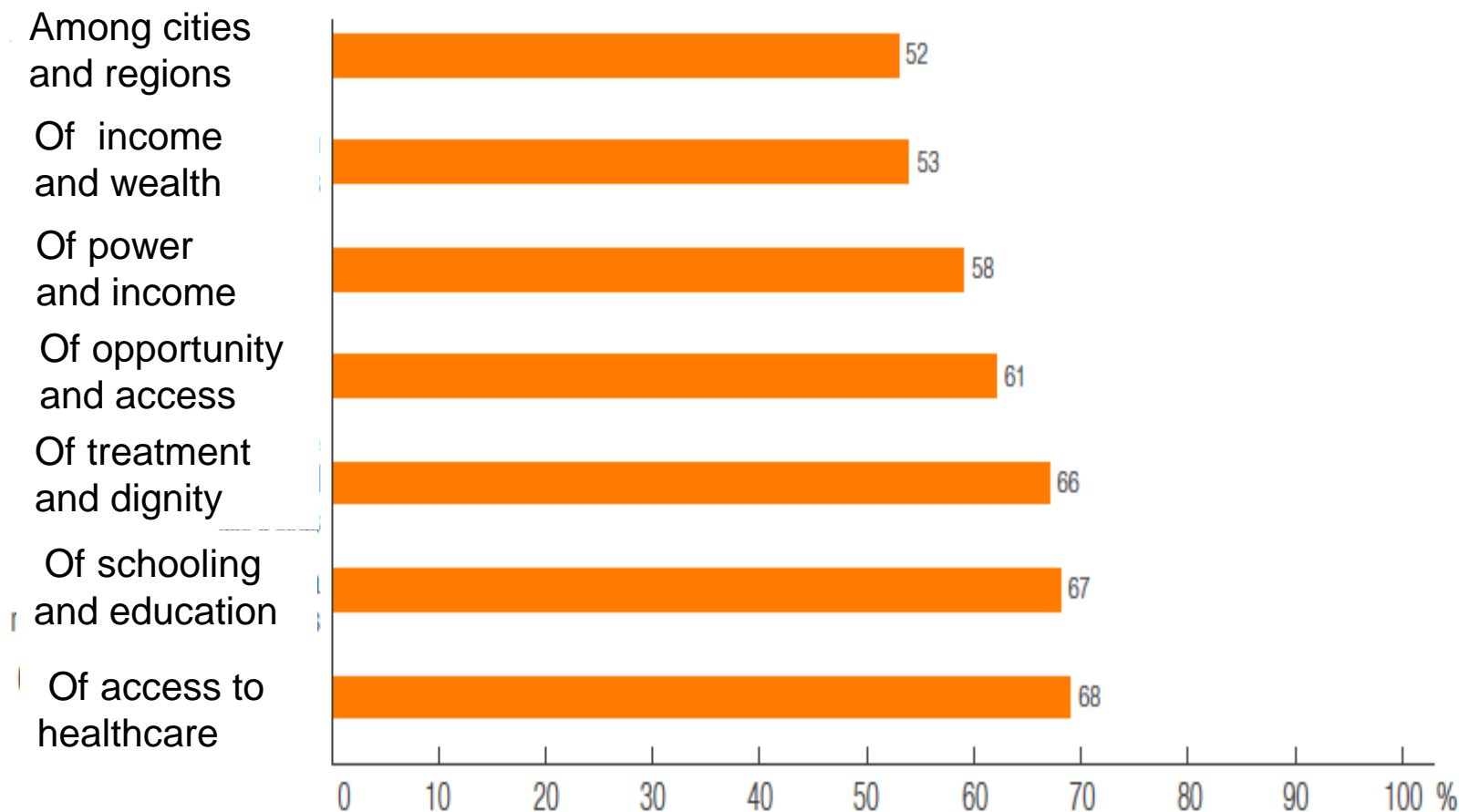
GRADE CHILEANS GIVE PUBLIC SERVICES, 1-10



Source: Cep Chile

AND DIFFERENCES IN ACCESS TO PUBLIC SERVICES UPSET PEOPLE

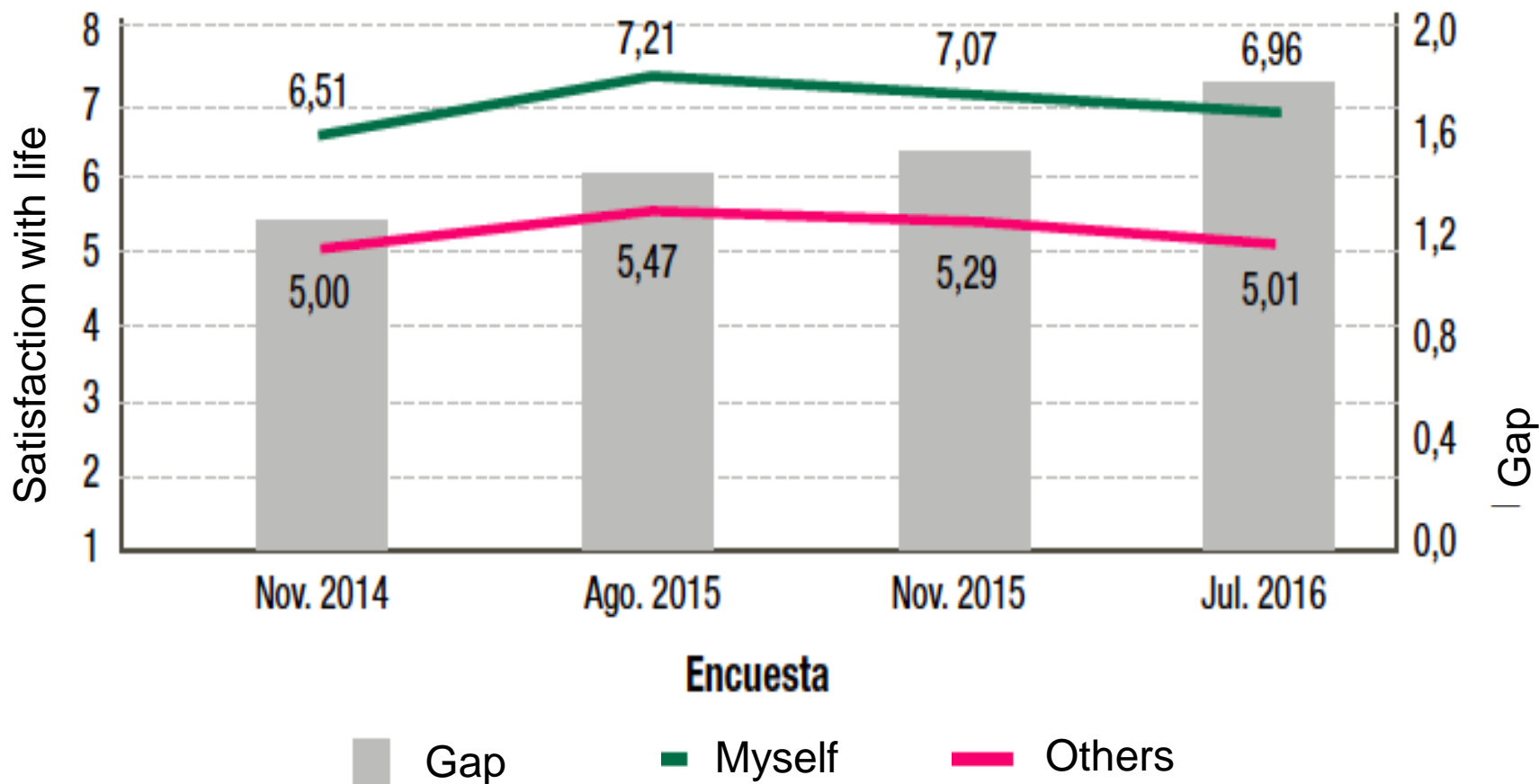
What differences do you find most upsetting?



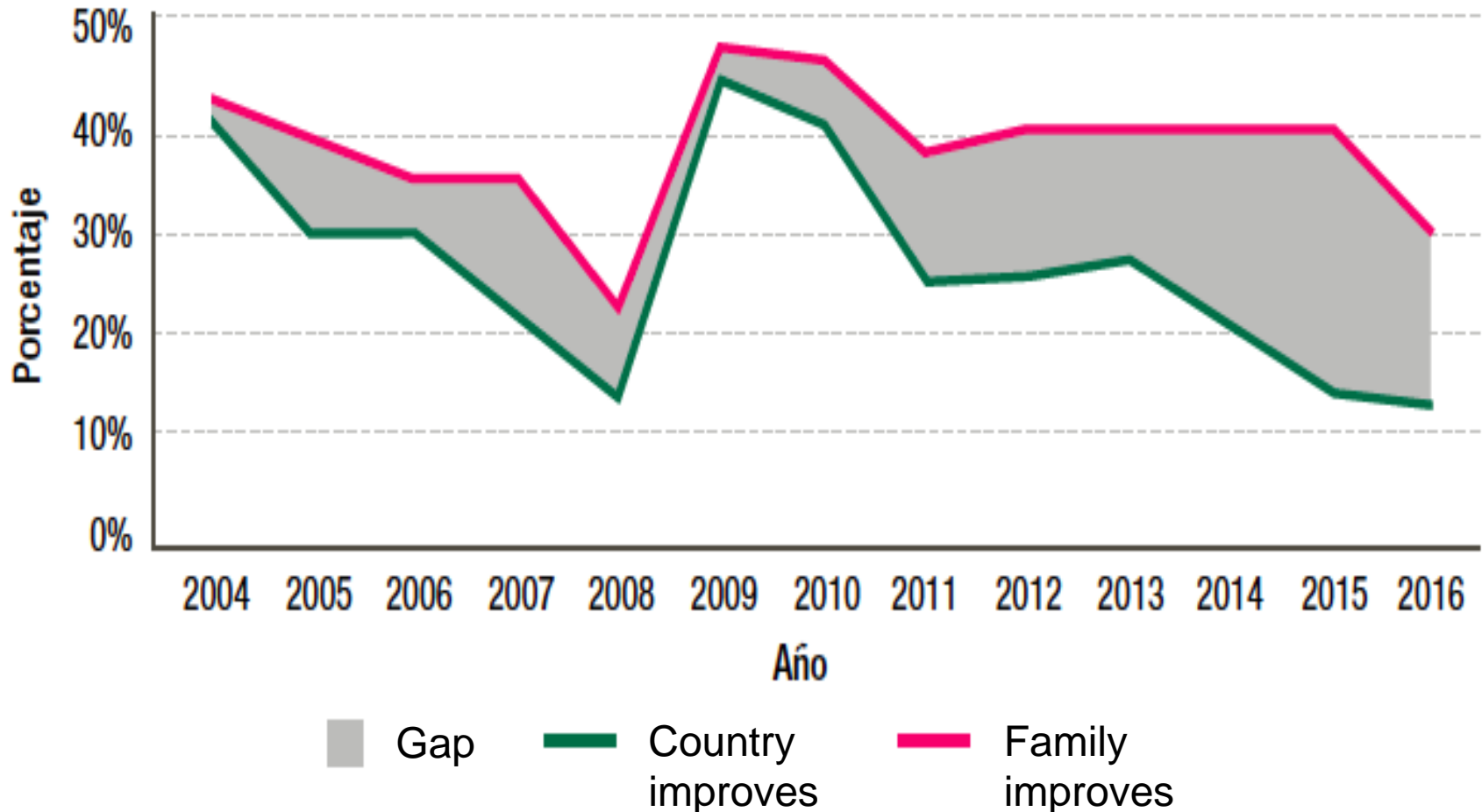
Source: UNDP

**LATIN AMERICANS
SYSTEMATICALLY FEEL
OTHERS ARE DOING
WORSE THAN THEY
THEMSELVES ARE**

MIND THE GAP: I LIVE WELL, OTHERS NOT QUITE AS WELL



CHILEAN ECONOMIC GROWTH: MY FAMILY VERSUS THE COUNTRY



Source: Cep Chile

WHY THE GAP?

- No one is quite sure
- One possibility: if lousy politicians are not entirely ruining my life....
- ...they must be ruining someone else's
- And that is what the media are telling me!
- This applies to income...
- ...and to the quality of public services.
Example: Transantiago in Chile
- Empirical evidence: gap is increasing in the level of income and exposure to media.

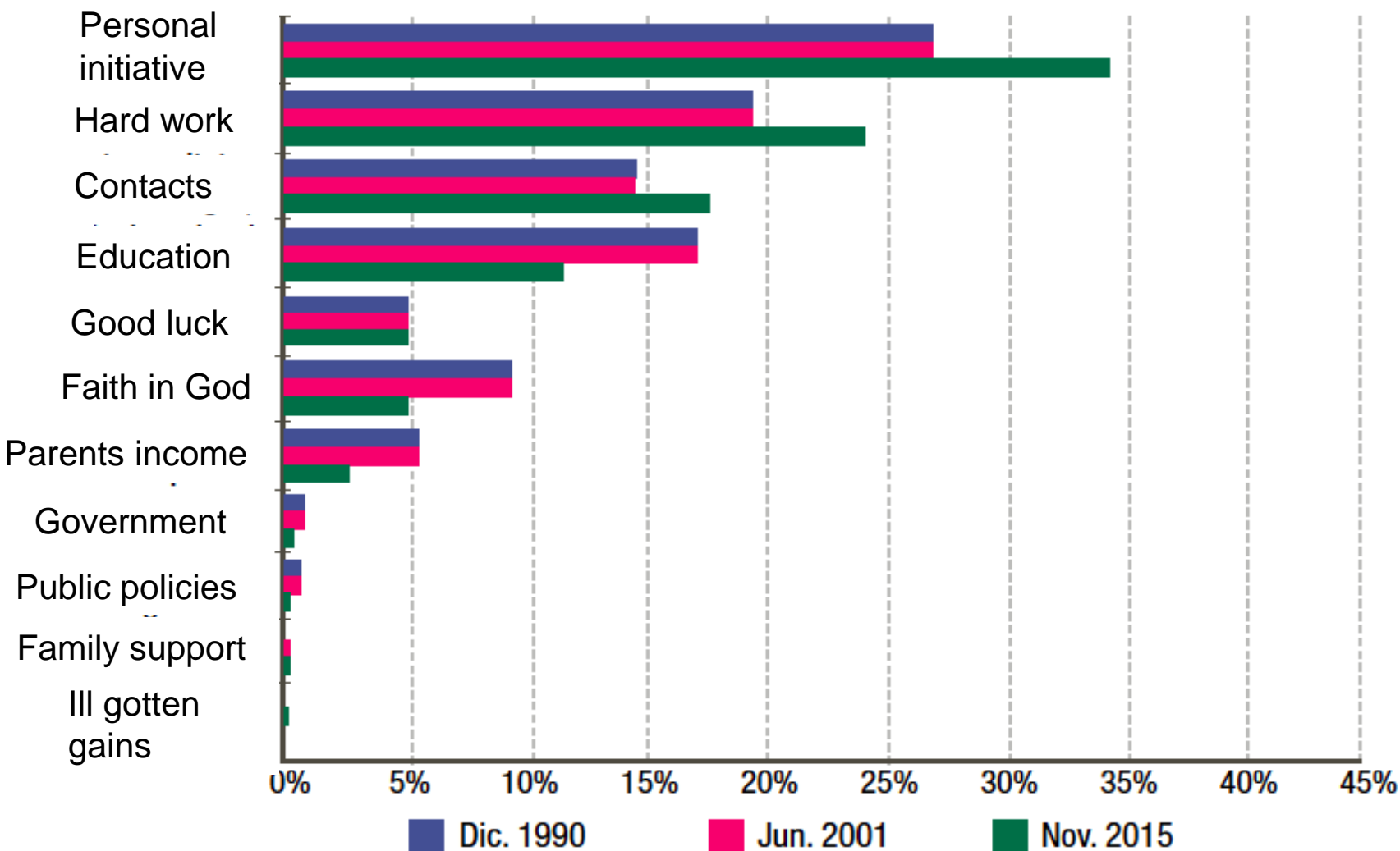
MOREOVER...
MAD VOTERS ≠ POPULISTS

WHY DO PEOPLE TAKE TO THE STREETS OR VOTE POPULIST?

- Option 1: because they want to bring down the system
- Option 2: because they want the system to let them in
- Empirical evidence suggests hypothesis 2 is more plausible than hypothesis 1
- Among the reasons for this are:
 - Past experience: populism did not yield lasting gains
 - Values: voters are individualistic, they trust their own hard work

CITIZENS TRUST THEMSELVES

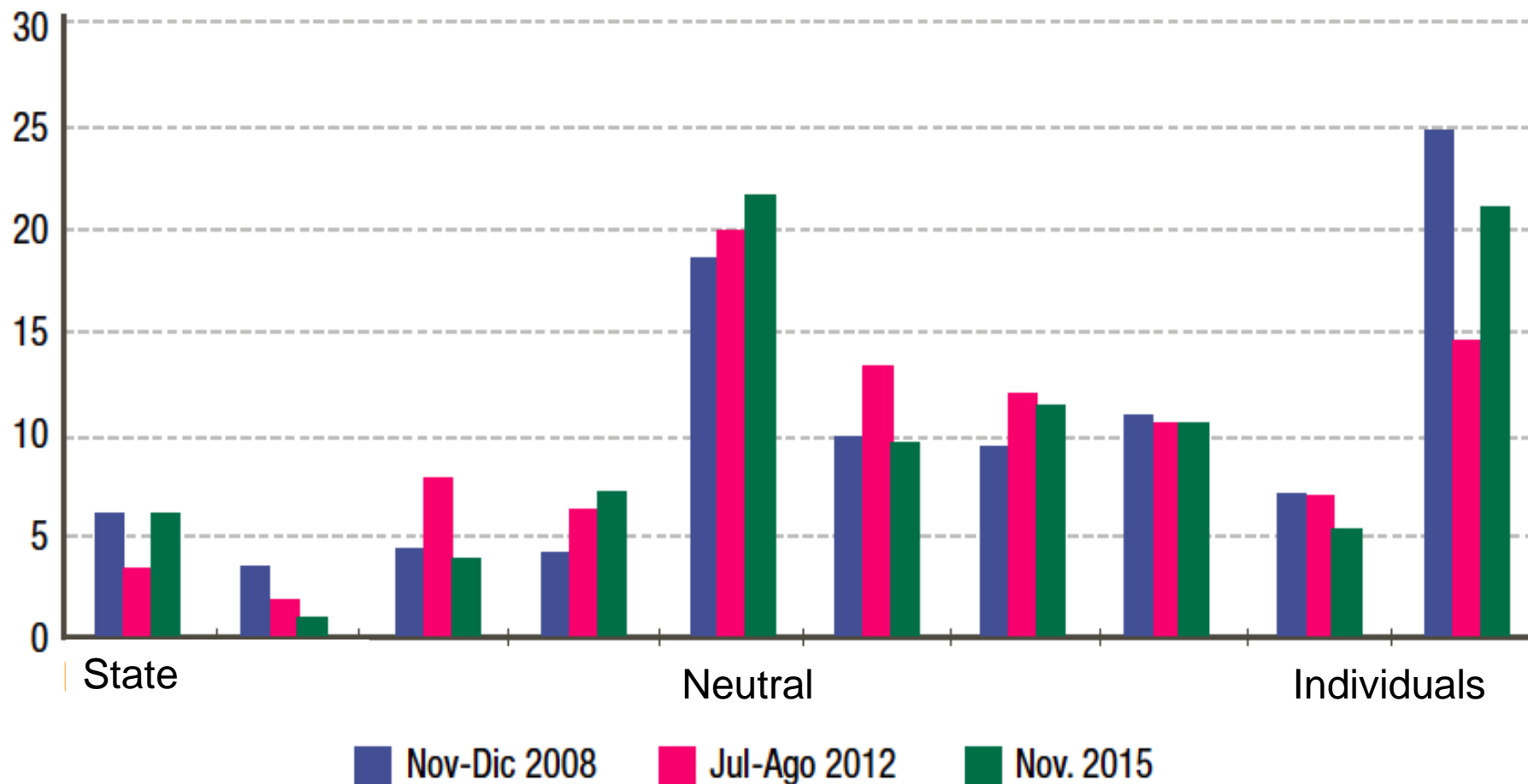
What accounts for a person's financial success?



Source: Cep Chle

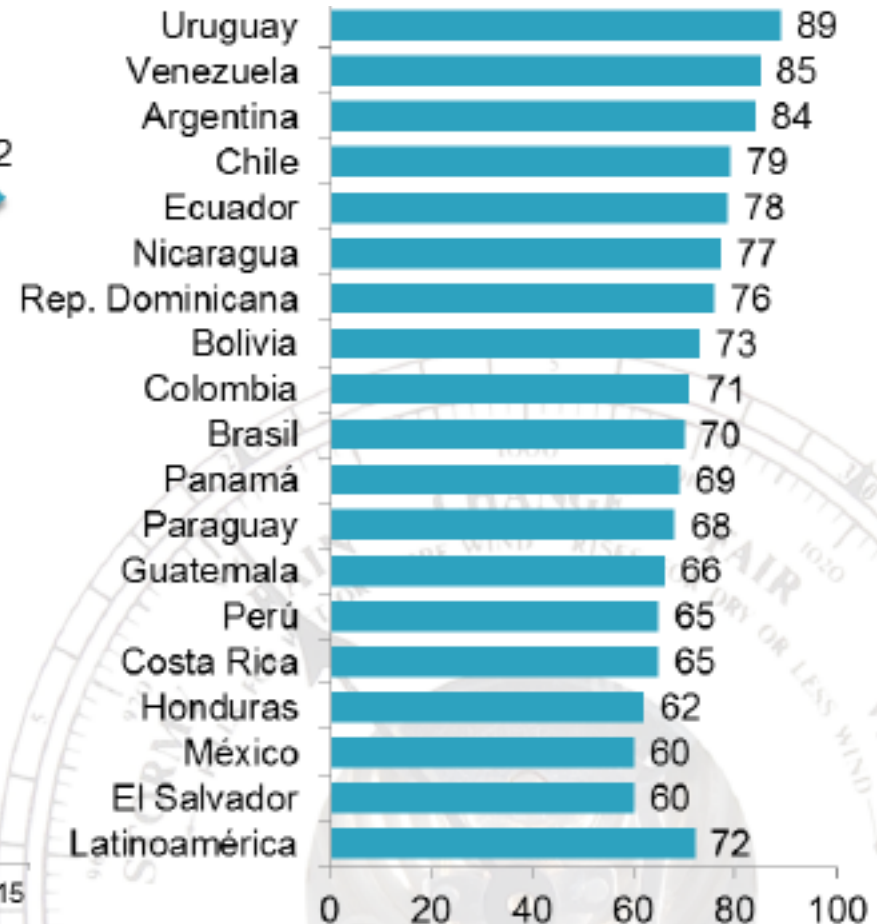
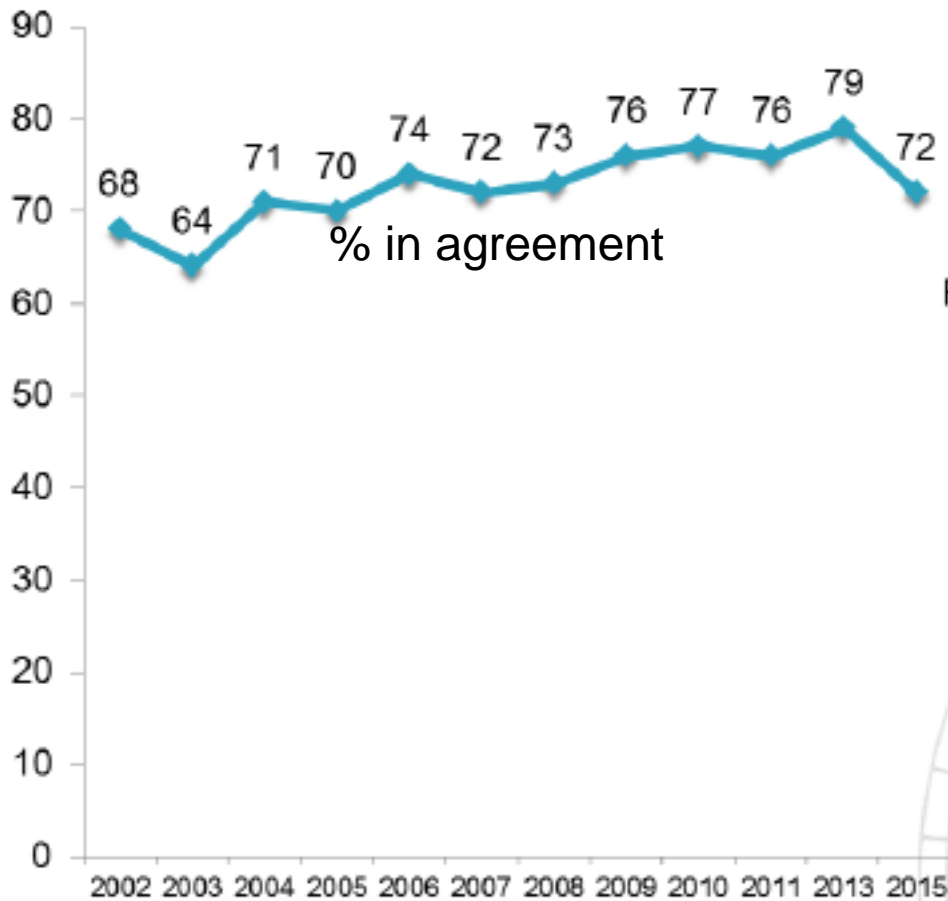
WHILE THEY MISTRUST THE STATE

Do you think the state is responsible for people's welfare, people are responsible for their own welfare, or are neutral bet. the two?



IN THE END, VOTERS ARE CHURCHILLIAN

Liberal democracy has problems, but on balance it is the best system of government. Agree or disagree?



Source: Latinobarometro

PARTING THOUGHTS

- It's the politics, stupid! The main challenge facing Latam countries today is political
- Can nations sustain the current anti-populist trend?
- Many country-specific circumstances and many differences across nations
- But there are reasons to expect the anti-populist trend will be sustained
- Because voters are more informed and more "empowered" they demand more, and faster!
- But for the same reason they have become more skeptical of populist promises that turn sour
- Key: build credible, liberal, reformist, gradualist alternative. That is what I am up nowadays