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On Latin American Populism, and Its Echoes around the World

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Most definitions of populism refer to political movements led by individuals with strong and charismatic personalities, whose rhetoric revolves around the causes and consequences of inequality. Populist leaders are nationalistic, and they confront the interests of "the people" with those of the elites, large corporations and banks, multinationals, immigrants, and other foreign institutions, including the International Monetary Fund. Populist politicians appeal directly to the masses. They tend to skip the channels of traditional political parties and often lead their own "movements"—Hugo Chávez's Movimiento Bolivariano in Venezuela is a premier example. Populist leaders regularly show ambivalence, if not open contempt, toward representative democracy and instead exhibit a streak of authoritarianism.

For a long time, populist policies were considered to be a Latin American phenomenon, pursued in places such as Argentina and Venezuela. In the past few years, however, populism has expanded beyond Latin America to countries as diverse as Italy, Russia, Hungary, Poland, Turkey, the United Kingdom, and the United States. I argue that many of the characteristics of traditional Latin American populism are also present in most recent manifestations from around the globe.

Experts across the social sciences define populism differently and, often, imprecisely. For example, sociologist Peter Worsley (1969, 245) wrote that "populism is better regarded as an emphasis, a dimension of political culture in general, not

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simply as a particular kind of overall ideological system or type of organization." Historian Edwin Williamson (1992, 347) defined populism as "the phenomenon where a politician tries to win power . . . with sweeping promises of benefits and concessions to . . . the lower classes. . . ." Political scientist Paul Drake (1982, 218) argued that populists "respond to the problems of underdevelopment . . . through ameliorative redistributive measures." More recently, political scientists Cas Mudde and Cristóbal Rovira Kaltwasser (2017, 19) have posited that populism is a "thin-centered ideology . . . which has come to the fore . . . in many different shapes. . . ." To make attempts at definitions even more complicated, populism is a pejorative term. It is usually tossed around by politicians to discredit rivals. Political theorist Ernesto Laclau (2005, 19) famously said that populism has been generally "denigrated." Almost no politicians are willing to refer to themselves as populists, or to label their political and economic platforms as populist.

Economists have tried to provide more structure to their discussion of populist policies and have offered definitions centered on the use of unsustainable policies (macro and micro) to attain redistribution. Many economists have argued that these policies end up hurting the lower classes, the group that the policies were supposed to help. In the early 1990s, Rudi Dornbusch and I defined populism as a set of economic policies aimed at redistributing income by implementing policies that violate "good economics," including budget constraints and efficiency principles (Dornbusch and Edwards 1990, 1991). According to Rodrik (2018, 196), populism refers to a set of "irresponsible, unsustainable policies that often end in disaster and hurt most the ordinary people they purportedly aim to help." The problem in making this case is that often real-world populism does not appear in "black or white," but rather in shades of gray.

I begin in the next section by making a distinction between "classical" and "new" populism. I provide basic information on 15 populist episodes in Latin America before 1990 and seven cases in the post-1990 period. I argue that all of these experiences have important similarities that can be conceptualized in a five-phases model first suggested by Dornbusch and myself. I then analyze in greater detail the experiences of Chile (1970–1973), Peru (1985–1990), Argentina (2003–2015), Venezuela (1998–present), and Ecuador (2007–2017). I argue that while the existence of "fiscal dominance" has been a key feature of classical populism, it is not necessarily at the center of new populist experiences. I end by comparing experiences from other parts of the world with those of Latin America.

"Classical" and "New" Populism in Latin America

In analyzing populist experiences in Latin America, it is useful to distinguish between "classical populism" and "new populism." Both types of regime are led by charismatic leaders with strong personalities who rely on heterodox economic policies to redistribute income. Most (but not all) cases of "classical populism" took place before 1990 and ended up with major currency crises, runaway inflation, and a collapse in real wages. In many of these classical episodes, the populist leaders rose to power using nondemocratic means, and they were frequently deposed through a coup d'état. Two examples are Argentina's Juan Domingo Perón (1946–1955) and Peru's Alan García (1985–1990). Although the Venezuelan experiment was initiated in 1998, it followed the path of classical populism.

"New populism," in contrast, refers (mostly) to post-1990 experiences that have taken place under democratic rule. These new experiments are, generally, cases of "microeconomic populism," with a focus on blanket regulations, deep protectionist policies, large expansions of the public sector, and mandated minimum wage increases to redistribute income. New populism in Latin America does not rely exclusively on money creation and has often been accompanied by new constitutions that give the government legal tools to achieve its goals. Two examples of new populism are Ecuador under Rafael Correa (2007–2017) and Bolivia under Evo Morales (2006–present). Argentina under Presidents Nestor Kirchner and Cristina Fernandez de Kirchner (2003–2015) is a mixed case that combines elements from classic and new populism.

The Phases of Classical Populism in Latin America

In 1990, Rudi Dornbusch and I developed a model to analyze the dynamic of populism in Latin America in a five-phase cycle. The analysis recognized that a range of policies—protectionism, agrarian reforms, controls and regulations, and the nationalization of large companies—were put in place by populist regimes, but the emphasis was on fiscal largesse financed by money creation as the main redistributive mechanism. In the past few years a number of authors have used and expanded this framework to investigate the surge of populism around the world (Acemoglu, Egorov, and Solin 2013; Eichengreen 2018; Rodrik 2018; Ocampo 2019).

A summary of the Dornbusch–Edwards five-phases model is as follows. During Phase 1, before the populist leader gains power, the population is deeply dissatisfied with the economy's performance. Often, the country has experienced economic stagnation or outright depression as a result of previous attempts (usually implemented under an International Monetary Fund program) at reducing inflation or recovering from a severe currency crisis. People are experiencing lower standards of living, higher prices for public services, and a high degree of inequality. Citizen frustration increases rapidly, and people are willing to try heterodox policies. In many cases frustration is channeled through the armed forces, which stage a coup d'état and put the populist leader (often an army general) in power. Once in government, populists explicitly ignore constraints on public sector expenditure and monetary expansion. Risks of deficit finance are portrayed as exaggerated. Populists argue that monetary expansions are not inflationary because there is unutilized capacity, and it is always possible to squeeze profit margins by price controls.[1]

[1] In this regard, populist policies have interesting similarities to those of Modern Monetary Theory. For example, four of the countries in this study satisfied a key requirement of Modern Monetary Theory

During Phase 2, populist policymakers may seem fully vindicated in their diagnosis and prescription. The economy reacts strongly to the aggregate demand shock: growth, real wages, and employment are high, and the populist policies appear highly successful. Price controls assure that inflation is not a problem, and shortages are alleviated through an increase in imports. The run-down of inventories and the availability of imports—financed with dwindling international reserves—accommodate demand expansion with little impact on prices.

The fiscal dimension of classical populism is marvelously captured in a letter sent in 1952 by Argentina's Juan Domingo Perón to retired Chilean General Carlos Ibañez del Campo, who had recently been elected to the presidency (Hirschman 1979, 65):

> My dear friend: Give the people, especially to the workers, all that is possible. When it seems to you that already you are giving them too much, give them more. You will see the results. Everybody will try to frighten you with the specter of an economic collapse. But all of this is a lie. There is nothing more elastic than the economy which everyone fears so much because no one understands it. . . .

Another clear statement of classical populist economic strategies is provided by economist Daniel Carbonetto, who during the mid-1980s advised Peruvian President Alan García (Carbonetto 1987, 82): "It is necessary to spend, even at the cost of a fiscal deficit, because, if this deficit transfers public resources to increased consumption of the poorest, they demand more goods and this will bring about a reduction in unit costs; thus the deficit is not inflationary, on the contrary!"

During Phase 3, the economy runs into bottlenecks as a result of expansionary demand, lack of foreign exchange, and capital flight. Black markets for foreign currency and necessities develop. Inflation increases significantly, often above an annual rate of 100 percent. Wages keep up (with a lag) thanks to government-mandated indexation. As inflation rises, the periodicity of wage adjustments increases, first to quarterly and then to monthly. The budget deficit continues to worsen as a result of pervasive subsidies to food, public services, and transportation.

Phase 4 is the prelude to collapse and is characterized by pervasive shortages, increased capital flight, and an extreme acceleration of inflation. Price controls are intensified, and shop-owners are often accused of speculating and are sent to jail. The government may seek to stabilize the economy by cutting subsidies and by devaluing the currency, but the policies are usually timid and end up in further frustration. There is talk of defaulting on the foreign debt. In spite of indexation, inflation-adjusted wages fall. The disparity between inflation (very high) and exchange rates (pegged or depreciating slowly) intensifies the extent

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in that they all had a fiat money that had to be used, by law, to pay taxes. For more discussion of this comparison, see Edwards (2019).

of real exchange rate overvaluation. Often, multiple exchange rates are put in place. Foreign currency becomes a common medium of exchange, as people ditch the domestic currency. Generalized indexation worsens the fiscal accounts, as the government wage bill increases rapidly according to the indexation formula, while tax revenues lag behind.

Phase 5 is the cleanup following the disaster. Usually an orthodox stabilization happens under a new government. More often than not, an International Monetary Fund program will be enacted, and when everything is said and done, the incomes—and in particular the incomes of the poor—will have declined to a level significantly lower than when the episode began (Edwards 2010).

In Table 1, I present information on 15 selected episodes of classical populism in Latin America prior to 1990: four from before 1960 and eleven from the 1961–1990 period. I provide information on the political leaning of the government, inflation at the beginning and at the end of the episode, and whether there was an International Monetary Fund program in force in the years prior to the accession of the populist leader to power.[2] It is important to emphasize that the sample in Table 1 does not pretend to be exhaustive or definitive; others may produce a different list. In the real world, it is not always easy to pronounce whether a government is populist or not. Episodes often have shades of gray.

Several interesting conclusions emerge from this table. First, the vast majority of the experiences correspond to leftist governments. The exceptions are in Brazil: the generals who governed between 1969 and 1973, and the center government of José Sarney from 1985 to 1990 (de Castro and Ronci 1991). Second, in every case, inflation at the end of the experiment was significantly higher than at the beginning. In six of the eleven post-1960 episodes, inflation at the end of the experiment was at or above the three-digit level, and in Peru and Nicaragua it reached hyperinflation levels. Thirteen of these cases occurred after the International Monetary Fund became operational, and in eleven out of these thirteen cases, International Monetary Fund programs preceded the arrival of the populist leader. All eleven of these programs imposed austerity and rapid fiscal retrenchment, policies that amplified the frustration of citizens and increased the appeal of the populist leader. In all eleven episodes, the International Monetary Fund program was suspended after populists attained power.

"New Populism" in Latin America after 1990

In the mid-1990s, a different type of populism began to emerge. This "new" populism still conformed broadly to the phases of the Dornbusch–Edwards model, but the exact nature of these phases was different; these new episodes added additional

[2] In Table 1, inflation at the beginning of the period is defined as the rate of growth of the consumer price index in the full year before the populist government begun. Inflation after the episode is defined as the rate of inflation either during the last year of the experiment or one year after (whichever is higher). The period used to define whether there was an International Monetary Fund program in force corresponds to two years prior to the arrival of the populist leader, or the year of arrival.

Table 1
"Classical" Populism and Inflation in Latin America: Selected Episodes, 1930–1990

Country	*Leader*	*Political persuasion*	*Beginning inflation (%)*	*Final inflation (%)*	*IMF program before arrival*
Argentina (1946–1955)	Juan Domingo Perón	Left, nationalist, capitalism of state	3.9	16.7	Pre-IMF
Brazil (1931–1945)	Getulio Vargas	Left, nationalist	−12.4	14.6	Pre-IMF
Brazil (1951–1954)	Getulio Vargas	Left, nationalist	9.2	22.6	1949, 1950, 1951
Chile (1952–1958)	Carlos Ibañez del Campo	Center left, protectionist	23.5	39.0	1948
Argentina (1973–1976)	Héctor Cámpora/Juan Domingo Perón/Isabel Perón	Left, nationalist, protectionist	58.4	176.1	1971, 1972
Brazil (1961–1963)	João Goulart	Left, nationalist	30.0	91.4	1960, 1961
Brazil (1969–1973)	Arturo Costa e Silva/ Ernesto Geisel	Right, nationalist, protectionist, anticommunist	22.0	27.6	1968
Brazil (1985–1990)	José Sarney	Center, protectionist	192.0	432.0	1983, 1984
Chile (1970–1973)	Salvador Allende	Left, Marxist, pro-Soviet, pro-Cuban	30.6	505.0	1968, 1969
Peru (1968–1980)	Juan Velasco Alvarado/ Francisco Morales Bermúdez	Left, nationalist, protectionist, pro-indigenous	9.8	75.4	1967, 1968
Peru (1985–1990)	Alan García	Left, nationalist, protectionist	110.0	7,481.7	1983, 1984
Mexico (1970–1976)	Luis Echeverría	Left, protectionist	3.4	29.1	None
Mexico (1976–1982)	José López Portillo	Left, anti–banking sector, protectionist	14.9	111.5	1976
Nicaragua (1979–1990)	Daniel Ortega	Left, Marxist, pro-Cuban, pro-Soviet	4.6	13,490	1978, 1979
Venezuela (1974–1978)	Carlos Andrés Pérez	Center left, nationalist	4.1	12.4	None

Source: Dornbusch and Edwards (1991), International Monetary Fund (IMF), World Bank.
Note: The Velasco Alvarado and Morales Bermúdez governments in Peru followed different approaches, with the former being more aggressive in implementing redistributive policies. However, for the purpose of this analysis, it seems appropriate to consider them together as one populist episode.

texture and granularity to populist experiences. In the post-1990 episodes, crises were not necessarily as abrupt and spectacular as in the past. They often were slow-simmering crises, in which unhappiness grew gradually and slowly until it passed

Table 2
Populism in Latin America: Selected Episodes, 1990–2019

Country	*Leader*	*Political persuasion*	*Beginning inflation (%)*	*Final or current inflation (%)*	*IMF program before arrival*
Argentina (2003–2015)	Nestor Kirchner/Cristina Fernandez de Kirchner	Perónist left, progressive antineoliberal	25.9	36.3	2003
Bolivia (2006–present)	Evo Morales	Movement for Socialism, antineoliberal	5.4	2.3	2003, 2004, 2005
Brazil (2019–present)	Jair Bolsonaro	Right wing, social conservative, nationalist	3.6	3.2	None
Ecuador (2007–2017)	Rafael Correa	Left nationalist, antineoliberal	2.7	−0.2	2003
Mexico (2018–present)	Andre Manuel López Obrador	Leftist, nationalistic, antineoliberal, protectionist	4.8	3.2	None
Nicaragua (2007–present)	Daniel Ortega	Left, Frente Sandinista de Liberación Nacional	9.1	4.9	2006, 2007
Venezuela (1998–present)	Hugo Chávez/Nicolas Maduro	Socialism of the XXI Century (Filo Marxist)	35.8	130,000	1996

Source: International Monetary Fund (IMF), World Bank.

some threshold. Massive corruption scandals also added to the degree of frustration and helped populists get to power. Perhaps the most important scandal is the Lava Jato–Odebrecht kickback scheme that erupted in Brazil circa 2014 and affected politicians from the left and the right throughout Latin America. Ocampo (2019) has argued for considering a "frustration gap" index when analyzing the emergence of populist regimes. This gap can grow quickly and explode, as in the case of major devaluation crises and "classical populism," or it can build up slowly. Another difference with classical cases is that in the "new populism" episodes, the final situation is not runaway inflation but rather an unsustainable accumulation of debt. However, not all post-1990 episodes conform with the "new" populism pattern: for example, Venezuela is a clear case of classical populism that has continued well into the twenty-first century.

In Table 2, I present summary information on seven selected populist episodes in Latin America since 1990. Again, this does not pretend to be an exhaustive list of populist governments. For example, I have not included Brazilian President Luiz Inácio Lula da Silva (2003–2011). Lula was concerned about income distribution, poverty alleviation, and social conditions. But his policies were carefully designed to avoid generating inflation or major macro disequilibria. Rather than governing as a populist, Lula was a representative of a group of modern left-of-center politicians in Latin America that included Ricardo Lagos and Michelle Bachelet from Chile and José Mujica and Tabaré Vásquez from Uruguay (Edwards 2010). However, Lula's involvement in the Lava Jato scandal has marred his legacy.

Table 2 helps to clarify some features of this more recent crop of populists. First, six out of the seven are left leaning; Jair Bolsonaro from Brazil is the only exception. Second, except for Venezuela, there are no major outbursts of inflation during these experiences of new populism. In fact, in Bolivia, Ecuador, and Nicaragua, inflation at the end of the period is at the low one-digit level. (Of course, it is too early to evaluate fully the cases of Mexico and Brazil.) Argentina, as noted, is a mixed case. Inflation was high at the end of President Cristina Fernandez de Kirchner's mandate but was not that much higher than when the regime (headed by her husband Nestor Kirchner) was inaugurated, or as high as end-of-period inflation in the episodes of classical populism in Table 1. Once again, the International Monetary Fund is conspicuous in the years prior to these episodes; there were programs in five of the seven cases.

An important difference between new and classical populists is their attitude toward globalization. Traditional populist leaders, from Juan Domingo Perón in Argentina to Alan García in Peru, were staunchly nationalistic; they opposed foreign investors and, in many cases, nationalized multinational firms. However, the criticisms of new populists go beyond specific foreign companies or banks. New populists, both from the left and from the right, decry globalization in broad terms. They often champion national identity and denounce the loss of cultural heritage. New populists frequently criticize multilateral organizations. In Brazil, Bolsonaro's rejection of foreign assistance in the Amazon fires of 2019 captures vividly the confrontational attitude toward internationalism and multilateralism.

Instead of relying on money creation by the central bank to redistribute income, many of the new populists have emphasized intrusive government controls and restrictions as a way of redirecting income to particular groups. For example, exchange controls were imposed in Argentina in an attempt to reduce the cost of food; foreign companies were nationalized in Bolivia, Ecuador, and Venezuela in an effort to capture profits and raise workers' salaries; contracts with foreign investors were violated in Argentina and Ecuador as a way of maintaining low prices for electricity and gas; prices were controlled at artificial levels in Argentina, Bolivia, Ecuador, and Venezuela; import tariffs were raised in Argentina and Ecuador to protect local industries; export taxes were hiked time and again in Argentina in an effort to finance social programs; and an archaic monetary system that borders on barter was promoted in Venezuela. In all of these countries, protectionism was particularly harmful in ways that went beyond traditional welfare costs measured by small triangles. It increased uncertainty and sent mixed signals that negatively affected investment and increased risk premia.

The new populists have also relied on rapid and massive increases in minimum wages and salaries of state employees to further their goals. According to the United Nations Economic Commission for Latin America, the real minimum wage was raised in Bolivia by 133 percent between 2005 and 2017; in Ecuador, it was raised by 67 percent during the Correa administration; and in Nicaragua, it was raised 75 percent between 2006 and 2017. In all of these countries, changes in public sector wages provide guidelines for private sector negotiations.

The new populists have used the legal system, including new constitutions, to further their redistributive goals. During the past two decades, new constitutions were approved in Venezuela, Ecuador, and Bolivia, and a major constitutional reform was passed in Nicaragua. All three new constitutions grant vast social rights to the people broadly, to indigenous populations, and to regions. In contrast, new constitutions have not been approved in other Latin American nations since the early 1990s. Constitutions can play an important role in determining economic outcomes, including economic performance and income distribution (Persson and Tabellini 2005). Under the "new Latin American constitutionalism," political constitutions should be changing documents, easy to amend and reform. During their expected life of around ten years, these new constitutions are supposed to help attain certain political goals. In Venezuela, the goal of the "Chávez Constitution" is to construct a political system based on the principles of "Socialism of the XXI Century." These new Latin American constitutions also add "citizens' power" and the "electoral power" to the conventional threesome of executive, legislative, and judiciary powers. In this way, this new doctrine has elevated one of the fundamental characteristics of populism—the direct appeal to the masses through plebiscites and referenda—to the constitutional level (Salamanca, Pastor, and Asensi 2004; Pastor and Dalmau 2008).

Populism, Old and New: Five Episodes

In this section, I analyze five of Latin America's best-known populist episodes: Chile during President Salvador Allende's socialist experiment (1970–1973); Peru during the first Alan García administration (1985–1990); Argentina during the administrations of Presidents Nestor Kirchner and Cristina Fernandez de Kirchner (2003–2015); Venezuela during the administrations of Presidents Hugo Chávez and Nicolas Maduro (1998–present); and Ecuador during Rafael Correa's presidency (2007–2017). Although each case is unique, the five of them share the populist pattern presented above. All five episodes ended badly: three of them with major collapses (Chile, Peru, and Venezuela), one with severe economic dislocations (Argentina), and one on a clearly unsustainable path (Ecuador).

Classical Populism in the Andes: Chile and Peru

In Tables 3 and 4, I present data for Chile and Peru for real GDP growth; fiscal balance as percentage of GDP; the rate of growth of money; inflation; and current account balance over GDP. The years of each populist episode are indicated by asterisks. The similarities are remarkable. In both cases, the initial conditions are characterized by very low (Chile) or negative (Peru) growth. To deal with this situation and to reduce inequality, the populist leader proposed a nationalistic, antiglobalization, and anti-elite redistributive program. In both cases, there were International Monetary Fund programs in place when the populist experiment was initiated. In both cases, these programs ended as soon as the new government was in place.

The "growth to bust" cycle of populism is easily detected. In Chile the economy grew at an impressive 9 percent during the first year of Salvador Allende's Unidad

Table 3
Chile, 1968–1976: Macroeconomic Indicators

	Real GDP growth (% per year)	*Public sector balance (% GDP)*	*Rate of growth of money supply (% per year)*	*Average inflation per annum (%)*	*Current account balance (% GDP)*
1968	3.6	–2.4	36.8	27.9	–2.2
1969	3.7	–1.5	43.6	29.3	–0.1
1970*	1.9	–2.9	66.2	34.9	–1.3
1971*	9.0	–11.2	135.9	22.1	–2.4
1972*	–1.2	–13.5	178.3	163.4	–4.3
1973*	–5.6	–24.6	365.0	508.1	–9.1
1974	1.0	–10.5	319.6	375.9	–3.7
1975	–12.9	–2.6	293.7	340.7	0.0
1976	3.5	–2.3	271.6	174.3	0.0

Source: Edwards and Edwards (1991); Banco Central de Chile; Larraín and Meller (1991).
Note: Asterisks refer to the populist regime years. The Allende government was inaugurated on November 4, 1970.

Table 4
Peru, 1983–1992: Macroeconomic Indicators

	Real GDP growth (% per year)	*Public sector balance (% GDP)*	*Rate of growth of money supply (% per year)*	*Average inflation per annum (%)*	*Current account balance (% GDP)*
1983	–9.3	–11.6	115.1	111.1	–6.8
1984	3.8	–7.9	142.5	110.2	–1.4
1985*	2.1	–3.7	214.9	163.4	0.3
1986*	12.1	–7.8	39.4	77.9	–5.4
1987*	7.7	–10.1	110.5	85.8	–4.3
1988*	–9.4	–11.5	568.2	667	–5.4
1989*	–13.4	–11.3	1,436.6	3,398.3	–0.5
1990*	–5.1	–8.9	7,782.5	7,481.7	–5.1
1991	2.2	–2.9	162.2	409.5	–4.5
1992	–0.5	–4.0	95.8	73.5	–5.4

Source: International Monetary Fund, except for fiscal deficit, which comes from Martinelli and Vega (2018).
Note: Asterisks refer to the populist regime years.

Popular government, and Peru experienced a surge in GDP growth to 12 percent in 1986, Alan García's first full year in office. However, good times did not last long. Chile experienced negative growth in 1972 and 1973, the second and third years of the Allende administration. In Peru, growth was negative from 1988 until the end of García's presidency.

Both episodes involved enormous fiscal expansions. In 1973, the last year of the Allende administration, the central government deficit in Chile reached almost 25 percent of GDP. When state-owned enterprises are included in the "consolidated public sector," the deficit surpasses 30 percent of GDP. In Peru, the deficit exceeded 10 percent of GDP in 1987, 1988, and 1989, before falling slightly to 8 percent of GDP in 1990.

The high deficits were financed by the central bank through rapid expansion of the money supply. Norberto García (1972, 104), one of the economists behind President Salvador Allende's economic program in Chile, explicitly wrote about the "need" to finance major fiscal expansions through money creation: "Monetary and credit policy provided the financing for fiscal expansion and the deficit. . . ." The Allende government also nationalized the banking sector as a way to facilitate the flow of credit to major public infrastructure projects and newly nationalized companies. In Peru, Alan García planned to nationalize the banking and financial sectors. However, after weeks of protests led by novelist and future Nobel Prize laureate Mario Vargas Llosa, the government gave up on the attempt. Eventually, and not surprisingly, inflation was extremely high. In Chile, it surpassed 500 percent in 1973; in Peru, inflation exceeded 7,000 percent in 1990 (Edwards and Edwards 1991; Lago 1991; Larraín and Meller 1991).

The tables also show growing external imbalances. In Chile, the current account deficit surpassed 9 percent of GDP in 1973. In Peru, one of the first measures undertaken by García was to limit payments on foreign debt to 10 percent of exports; he eventually stopped all payments to all creditors, including the International Monetary Fund. Peru's current account deficit still exceeded 5 percent of GDP in 1986 and 1988.

When these two populist regimes were replaced—in Chile through a violent coup, and in Peru through an election—the economic conditions of the poor were worse than when the experiments began. Real wages declined in Chile by 39 percent; in Peru the decline was 40 percent. Behind this brief analysis, there are, of course, complex stories and intricate political relations and disputes. In particular, in the period before 1990, the Soviet and Cuban models still seemed attractive to large segments of Latin America's society. Both Allende in Chile and García in Peru shared the ideological goal of putting in place some version of socialism.

Post-1990 Experiences: Argentina and Venezuela

Venezuela during the Hugo Chávez and Nicolas Maduro administrations and Argentina under the Kirchners are the two best-known recent populist experiences in Latin America. Although the two cases share a number of characteristics, they ended very differently. The Venezuelan populist experience, which is still ongoing, evolved into hyperinflation and total economic and political collapse, a situation that has fueled one of the most massive peacetime outmigrations of modern times. In contrast, Argentina experienced high but not runaway inflation and ended with a peaceful democratic transition in 2015 to a government led by Mauricio Macri. I discuss these two cases and compare them to Ecuador during Rafael Correa's administration, which is possibly the cleanest case of "new populism" in Latin America.

In Tables 5 and 6, I present data for Argentina and Venezuela. For Argentina I present two series on inflation: official numbers that underestimate true inflation,

Table 5
Argentina, 1999–2016: Macroeconomic Indicators

	Real GDP growth (% per year)	*Public sector balance (% GDP)*	*Rate of growth of money supply (% per year)*	*Average official inflation per annum (%)*	*Average adjusted inflation per annum (%)*	*Current account balance (% GDP)*
1999	−3.4	−3.8	0.7	−1.2	−1.2	−3.9
2000	−0.8	−3.3	−8.7	−0.9	−0.9	−3
2001	−4.4	−5.4	−20.4	−1.1	−1.1	−1.4
2002	−10.9	−2.1	143.3	25.9	25.9	7.9
2003*	8.8	1.2	59.1	13.4	13.4	5.8
2004*	9	3.5	13.1	4.4	4.4	1.8
2005*	8.9	3.2	4.3	9.6	9.6	2.5
2006*	8	1.3	46.3	10.9	10.9	2.8
2007*	9	−0.1	24.0	8.8	25.7	2.1
2008*	4.1	0.2	10.2	8.6	23.0	1.5
2009*	−5.9	−2.6	11.8	6.3	14.8	2.2
2010*	10.1	−1.4	31.1	10.5	25.7	−0.4
2011*	6	−2.7	39.0	9.8	22.5	−1
2012*	−1	−3	37.9	10.2	25.2	−0.4
2013*	2.4	−3.3	22.7	10.6	27.9	−2.1
2014*	−2.5	−4.3	22.6	22.1	38.5	−1.6
2015*	2.7	−5.8	34.9	24.2	27.8	−2.7
2016	−1.8	−6.4	31.7	36.3	40.7	−2.7

Source: International Monetary Fund, except adjusted inflation, which is from Bolsa de Comercio de Santa Fé.
Note: Asterisks refer to the populist regime years.

and an alternative series computed by independent think tanks. For Venezuela, the inflation data are incomplete, since the government stopped publishing economic statistics when inflation got completely out of hand.

In Argentina, President Nestor Kirchner came to power in May 2003 after the major currency and banking crisis of 2001–2002, which marked the end of a currency board regime that had fixed the value of the US dollar and the Argentinian peso at 1:1. During the latter part of the currency board experiment, a series of International Monetary Fund programs had imposed successive rounds of austerity. After the devaluation in early 2002, foreign debt was unilaterally restructured, imposing a 75 percent haircut on investors; unemployment skyrocketed above 20 percent; deposits were frozen; and the peso lost almost 80 percent of its value in three years. Eventually the Argentine peso lost 90 percent of its value, greatly affecting the middle classes.

In Venezuela, the populist policies of Hugo Chávez were put in place after a sequence of economic and political crises and the failure of a succession of International Monetary Fund programs. The events that gave initial impetus to the populist movement were a series of demonstrations in Caracas. On February 27, 1989, riots erupted after a rally to protest a 30 percent increase in public transportation fares.

Table 6
Venezuela, 1998–2018: Macroeconomic Indicators

	Real GDP growth (% per year)	Public sector balance (% GDP)	Rate of growth of money supply (% per year)	Average inflation per annum (%)	Current account balance (% GDP)
1998*	0.3	−4.5	7.4	35.8	−4.8
1999*	−6	0.7	21.7	23.6	2.2
2000*	3.7	4.4	33.7	16.2	10.1
2001*	3.4	−4.6	10.7	12.5	1.6
2002*	−8.9	−1.5	14.6	22.4	8
2003*	−7.8	0.2	62.4	31.1	14.1
2004*	18.3	2.5	50.0	21.7	13.8
2005*	10.3	4.1	47.4	16	17.8
2006*	9.9	−1.6	72.7	13.7	14.9
2007*	8.8	−2.8	33.9	18.7	6.1
2008*	5.3	−3.5	28.8	31.4	10.8
2009*	−3.2	−8.7	23.3	26	0.2
2010*	−1.5	−9.2	23.5	28.2	1.9
2011*	4.2	−10.6	49.2	26.1	4.9
2012*	5.6	−14.6	53.3	21.1	0.8
2013*	1.3	−14.1	58.8	43.5	2
2014*	−3.9	−16.5	—	57.3	2.3
2015*	−6.2	−17.6	—	111.8	−6.6
2016*	−16.5	−17.8	—	254.4	−1.6
2017*	−14	−31.8	—	1,087.5	2
2018*	—	—	—	130,000	—

Source: International Monetary Fund.
Note: Asterisks refer to the populist regime years.

The police were called in to control the protestors, but things got out of hand, and more than 300 demonstrators died (Edwards 2010).

In both countries, economic growth shot up during the early years of the populist regime (although 2008–2009, the period of the global financial crisis, is an exception). In both countries, and thanks to very positive terms of trade (agricultural commodities in Argentina, oil in Venezuela), the bonanza lasted for longer than in most historical populist episodes. But eventually, the combination of inflation, distortions, controls, protectionism, violations of property rights and the rule of law, and corruption scandals affected the real economy, and growth collapsed. In Venezuela, growth became negative in 2014, and has stayed negative ever since. In Argentina, growth was negative in 2012 and 2014.

In Argentina, the fiscal deficit exceeded 3 percent of GDP in 2013, when transfer programs were expanded and export tax revenues fell significantly due to declines in commodity prices. The deficit then kept growing, reaching 6.4 percent of GDP in 2016. Because Argentina was cut off from international financial markets, the central bank became a major source of government financing. Argentina's money growth exceeded 30 percent every year since 2010, reflecting strong "fiscal dominance."

The picture for Venezuela, in Table 6, shows that with the exceptions of 1998 and 2001, the early years of the "Bolivarian Revolution" were characterized by (relatively) balanced public sector finances. A very high international price of oil helped. However, once oil prices declined, the deficit shot up. It surpassed 3 percent of GDP in 2008 and increased every year since, reaching a remarkable 31 percent of GDP in 2017. Throughout, it was mostly financed by money creation.[3] Although both the central bank and the international financial organizations (International Monetary Fund, World Bank) stopped publishing official monetary data in 2013, it is estimated that by 2018 the rate of expansion of base money exceeded 5,000 percent. Not surprisingly, as inflation raged, the demand for domestic currency, the bolivar, collapsed.

The inflationary outcome was clearly different in these two experiments. While inflation in Argentina settled at around 35 percent per annum, in Venezuela it turned into one of the most ferocious hyperinflations of modern times. According to official figures, prices increased by 130,000 percent in 2018!

The evolution of real wages was also different in the two countries. According to incomplete and suspiciously optimistic figures, real wages in Venezuela declined by 21 percent between 1999 and 2013. More recent reliable data are not available, but given the hyperinflation and generalized black markets for almost every item, including food and medicines, further precipitous declines seem likely. In Argentina, in contrast, average real wages increased by 13 percent between 2002 and 2016.[4] This was the result of a combination of three factors: deeply depressed salaries at the end of the currency board period (2002); the very significant improvement in export prices during most of the episode; and the fact that although inflation was very high (it peaked at 39 percent), hyperinflation was avoided.

Populism in the Absence of Fiscal Dominance: Ecuador

In the four case studies discussed so far—Chile, Peru, Argentina, and Venezuela—an underlying reality is that the country can undertake an independent and discretionary monetary policy. In this scenario, the central bank can finance massive increases in public expenditures through a variety of channels, including purchases of debt issued by the national government, loans to subnational entities, and loans to state-owned enterprises. But what happens if monetary policy is constrained in a way that fiscal dominance is not possible? I first consider the possible constraints imposed by an independent central bank, which has not worked too well in a Latin American context. I then consider the stronger constraints on monetary policy imposed by "dollarization"—and I analyze the case of Ecuador, a country that gave up its own currency in 2000, yet pursued populist policies during the ten years that Rafael Correa was in office (2007–2017).

In theory, independent central banks constitute a first line of defense against the full populist onslaught. During the late 1980s and early 1990s, most Latin

[3] For reporting on this pattern, see *America Economía* (2010).
[4] Wage data are from the United Nations Economic Commission on Latin America.

American countries implemented reforms that granted a significant degree of independence to their central banks. Carrière-Swallow et al. (2016) constructed an index of the degree of central bank independence that goes from zero to one, with higher numbers denoting a more independent bank. In Argentina, the index rose from 0.31 to 0.83 in 1992; in Venezuela, the indicator climbed from 0.40 to 0.69 that same year. For comparison, the highest value of the index, corresponding to the central bank of Chile, is 0.85.

However, during the 2000s, three of the fourteen Latin American countries in this study reversed the reforms and significantly weakened the degree of central bank independence. These countries are Argentina, Bolivia, and Venezuela, all of which embraced populist policies. Of these, only Bolivia avoided an inflationary surge. In Argentina, a new central bank charter required the bank to promote economic development, in part by lending to small and medium-sized enterprises and to groups that had been excluded from the credit market (Banco Central de la República Argentina 2014, 2). In Venezuela, the relapse toward a "submissive" central bank took place in 2001, three years after Hugo Chávez was elected to the presidency. After that, the central bank was required to work jointly with the government in order to "achieve the highest objectives of the State and the Nation." (Carrière-Swallow et al. 2016, 6).

These cases indicate that in Latin America, having an independent central bank has not been a guarantee against populist policies. Such independence can be taken away as easily as it is granted.[5] One of the first steps taken by most populist politicians when they get to power is to weaken (or eliminate) central bank independence as part of the move toward a "fiscal dominance" regime.

A more drastic "commitment device" is giving up a domestic currency, either by "dollarizing" or by becoming a member of a monetary union led by credible central bankers. Of course, a country could decide to reintroduce its domestic money, but this "exit option" would at a minimum involve a difficult transition. Inflation in dollarized countries is significantly lower and more stable than in countries with a currency of their own (Edwards and Magendzo 2006). This is not surprising, given that dollarized nations rule out, by definition, having a discretionary monetary policy. So with inflation under control, what happens in dollarized countries when a politician with populist inclinations takes power?

The vast majority of dollarized nations (as listed, for example, in Dornbusch 2001) have not been subject to populist regimes. Ecuador, however, is an exception that provides an interesting case study of populism in the absence of fiscal dominance.

[5] Fiscal stabilization laws that impose limits on imbalances have been equally ineffective as restraining devices. In most cases, these laws require the government not to surpass certain limits for the public sector's "structural balance." However, as the history of Latin America has shown repeatedly, these types of laws can be easily altered by politicians who control the majority of the legislative power (Edwards 2010).

In early 2000, in the aftermath of a macroeconomic crisis that resulted in 100 percent inflation, debt default, and a jump in unemployment, Ecuador decided to eliminate its domestic currency, the sucre, and to adopt the US dollar as its currency. Once President Rafael Correa took office in 2007, he argued that dollarization was a "straightjacket" that prevented his administration from using central bank financing to pursue the redistributive policies that the people demanded. According to him, "very few countries in the world have committed a monetary suicide like Ecuador." Noting that Ecuador could not devalue, he compared the situation with that of neighboring countries: "Colombia devalued, Peru devalued, but we could not respond [by devaluing] . . ." (as quoted in Telesur 2016).

The crisis that catapulted Rafael Correa to power had a very important political component. In 2006, when he decided to run for president, the economy was doing relatively well. After dollarization, inflation had moved toward international levels, growth had picked up, and unemployment had declined. In contrast, Ecuador's political system was in disarray. In February 1996, after less than six months in power, President Abdalá Bucaram was deposed by congress. In 1997, Ecuador had three heads of government. In 1998, Jamil Mahuad was elected president, only to be overthrown by the military in January 2000, barely two weeks after he signed the law that dollarized Ecuador's financial and monetary systems. In 2002, new elections were held, and Lucio Gutiérrez was inaugurated as president. Three years later he was impeached by Congress and replaced by an interim head of government. This instability was in part a reflection of a deep historical rivalry between two regions and cities: Quito, the capital, in the highlands, and Guayaquil, the largest city and main port.

During 2006, Rafael Correa, who had been minister of economics for three months in 2005, founded a new political movement—Alianza País—in order to run for president. He was young, charismatic, and articulate. He was perceived as an honest, nationalistic technocrat—he has a PhD in economics from the University of Illinois—who could put an end to political instability and improve social conditions. Correa promised to convene a Constitutional Assembly and to implement policies that would distribute income in a notoriously unequal country. He also vowed to nationalize multinationals, confront the United States, lower interest rates, restructure foreign debt, raise the minimum wage, deal with the negative effects of globalization by hiking import tariffs, and implement a program to empower the country's large indigenous population. On January 15, 2007, after obtaining 57 percent of the vote in the second round of elections, he was inaugurated as president.

In Table 7, I present the evolution of the key macroeconomic indicators for Ecuador during 2005–2018. Again, the years of the populist episode are identified with asterisks. Three patterns stand out. First, the cycle that goes from boom to (severe) slowdown is present, although it is not as pronounced as in the previous four cases. In 2008, a year into Correa's rule, Ecuador's growth jumped to 6.4 percent, and it averaged 5.7 percent during 2010–2012. However, during the last three years of the Correa administration (2015–2017), growth plunged to barely 0.4 percent. This severe slowdown was partially the result of a drop in the international price of

Table 7
Ecuador, 2005–2018: Macroeconomic Indicators

	Real GDP growth (% per year)	*Public sector balance (% GDP)*	*Rate of growth of money supply (% per year)*	*Average inflation per annum (%)*	*Current account balance (% GDP)*
2005	5.3	0.4	—	2.2	1.1
2006	4.4	2.7	—	3.3	3.7
2007*	2.2	3.1	—	2.3	3.7
2008*	6.4	−3.7	—	8.4	2.9
2009*	0.6	−2.4	—	5.2	0.5
2010*	3.5	−1.1	—	3.6	−2.3
2011*	7.9	−0.6	—	4.5	−0.5
2012*	5.6	−1.7	—	5.1	−0.2
2013*	4.9	−5.8	—	2.7	−1.0
2014*	3.8	−6.4	—	3.6	−0.7
2015*	0.1	−6.7	—	4.0	−2.2
2016*	−1.2	−6.8	—	1.7	1.3
2017*	2.4	−4.0	—	0.4	−0.5
2018	1.1	−1.7	—	−0.2	−1.3

Source: International Monetary Fund; World Bank.
Note: Asterisks refer to the populist regime years.

oil (Ecuador's main export), and partially the result of the accumulation of distortions and the perception that the country was pursuing an aggressive antimarket strategy (World Bank 2016).

Second, and in contrast with the other four cases discussed above, there is no rise or explosion of inflation toward the end of the episode. Inflation was always at the one-digit level, as one would expect from a dollarized country. During the Correa administration, inflation averaged only 3.8 percent.

Third, in spite of the absence of "fiscal dominance," fiscal policy was very loose. During 2013–2017 the public sector deficit averaged 6 percent of GDP. Initially the expansive fiscal policy was financed by a large increase in the price of oil. When international oil prices declined in late 2008, Ecuador found additional fiscal space by restructuring its sovereign debt. During the years that followed, fiscal largesse was financed with loans from China and debt issued by the state-owned oil company Petroecuador. In addition, an amendment to the dollarization law allowed the central bank to use its reserves to buy some government bonds linked to specific public sector investment projects (see details below). As a result, between 2010 and 2017, the country's debt-to-GDP ratio more than doubled, from 17.6 to 43.6 percent, which is large for Latin American nations.

Immediately after inauguration, Correa decreed a large increase in the minimum wage and in public sector salaries, a common policy in every populist episode in the region. By late 2015, Ecuador had, by far, the highest minimum wage in Latin America; it was 50 percent higher than the average minimum wage across Brazil, Chile, and Colombia. Relative to income per capita, it was more than twice the average for those three countries, and 60 percent higher than in Peru, the Latin American country with the second-highest minimum wage relative to GDP (International Monetary Fund 2015).

In the years that followed, a series of controls and regulations were put in place, including higher import tariffs and duties. There were stringent controls on foreign oil companies, and foreign investors were demonized. In 2007, contracts with foreign oil companies were changed retroactively, de facto increasing the tax on oil operations, and in 2011 some oil fields were nationalized. A new constitution that enshrined a large number of rights was adopted. Between 2007 and 2017, Ecuador dropped rapidly in international rankings that measure the "quality" of economic policies, including the Fraser Institute Index of Economic Freedom and the World Bank's Doing Business Index (World Bank 2016; Fraser Institute 2019). The decline was particularly noteworthy in categories related to "business regulations" and "international trade."

In 2015, eight years after Correa was inaugurated, it looked as if Ecuador's experiment was running out of steam and the country was entering the crisis phases of populism. Public sector debt had more than doubled relative to 2010, and growth had collapsed to −1.2 percent. In mid-2015, credit rating agencies downgraded Ecuador's sovereign debt, and the International Monetary Fund issued a report arguing that the nation needed urgent fiscal rectification. Also in 2015, some perceptive analysts found that the Correa administration had used the central bank reserves, which were supposed to back the dollarized financial system, to buy government bonds. Between September 2014 and March 2015, central bank holdings of government paper went from $64 million to $1.1 billion. A second credit rating downgrade was issued in June 2017, generating a large increase in the country risk premium.

As the 2017 elections approached, many investors believed that without major policy changes, the country would face a serious crisis. An article published in the *Investor's Business Daily* (2015) was titled "The End of Dollarization in Ecuador: The Crisis Has Begun." Dollarization seemed to be at risk, and investors warned that a return to the national currency would result in chaos. In 2017, Lenín Moreno, Rafael Correa's vice president, was narrowly elected as president. To general surprise, once in office he decided to change paths and to implement a tighter fiscal policy aimed at stabilizing (and then reducing) the debt-to-GDP ratio. Also, many of the regulations of the Correa years were relaxed or eliminated. The new government was aware that price stability and dollarization were cherished by the population and, in particular, by the poor; an end to dollarization could result in an inflationary spike and in political turmoil. In addition, the Moreno administration believed that in order to revive growth it was indispensable to attract foreign investment, and that foreign companies would come only if the policies of regulation and control were replaced by market-friendly initiatives. In August 2019, a new program with the International Monetary Fund was signed.[6]

[6] This International Monetary Fund agreement immediately resulted in demonstrations by farmers.

Rafael Correa was successful in reducing inequality. Ecuador's Gini coefficient fell from 53.4 in 2006 to 44.7 in 2017 (based on World Bank data), a significant achievement not matched by any Latin American countries in modern times. For comparison, during the same period, the Gini coefficient in Chile, a country generally considered as the poster child of successful market-oriented reforms, declined from 51.5 to 46.6. In Chile, reducing inequality is considered, by both the right and the left, as an antidote to populism.

Ecuador's experience shows that total collapse, wage decline, and runaway inflation are not the unavoidable results of populist policies. Although the data clearly suggest that Ecuador was on an unsustainable path, it is only possible to speculate on what would have happened if President Moreno had not changed course in 2017. One likely outcome would have been a serious fiscal crisis, possibly similar to the one experienced in Greece after 2010. Without a currency of its own, Ecuador might then have had to engineer a large "internal devaluation," including a large public sector adjustment. As Argentina's experience with the currency board shows, that is a politically difficult exercise to implement. The main alternative would have been to accept the high transition costs of exiting from the US dollar, reintroducing the Ecuadorian sucre, and adopting the policies of classical populism.

Connections to Populism around the World: Some Historical and Recent Episodes

Of course, the term populism was not invented in Latin America, or for the Latin American countries. It originated in the United States in the early 1890s, when the People's Party was also referred to as the Populist Party.[7] The term was then used a few years later in relation to Russia's Narodniks, and the Social Credit movement in Canada.

Throughout the years, a number of US politicians have been called populists, often in a disapproving way. Two examples from the late nineteenth and early twentieth century are William Jennings Bryan and Huey Long. During Bryan's three runs for the presidency (1896, 1900, and 1908), he campaigned against the gold standard and advocated the remonetization of silver. This would have created a major increase in liquidity and a sharp decline in interest rates, helping farmers and residents in the agricultural states. Huey Long was governor of Louisiana and then a US senator until his assassination in 1934. He campaigned incessantly for the poor, supported rural workers, and unveiled a populist platform ("Share our Wealth") based on capping fortunes at $50 million and distributing any amount in excess of the cap to the poor.

[7] According to Oxford English Dictionary, "the policies of the Populists included public control of railways, limitation of private ownership of land, extension of the currency by free coinage of silver and increased issue of paper money, a graduated income tax, etc."

Recently, some scholars have argued that there are good and bad populists, and that President Franklin Delano Roosevelt is a premier representative of the good type. Rodrik (2018), for instance, has pointed out that FDR's profound economic reforms were needed to address inequalities that had lingered for decades in the United States. According to Rodrik, FDR was a benevolent "economic populist," not a "dangerous" authoritarian one.

Analyzing Roosevelt's policies to specify their populist elements is well beyond the scope of this paper. However, Rodrik (and others) may be onto something: FDR's rhetoric was at times incendiary and feisty, not very different from that of Latin American populists. He often criticized banks, trusts, and the urban elites. Throughout the campaign and his first year in office (1933), he declared time and again that his main objective was to help farmers and the poor. His June 1933 decision to restructure US debts unilaterally had a distinctive Latin American flavor. In June 1933, all US debt contracts, public and private, which for decades had been written in terms of gold, were voided and rewritten in paper dollars. Once the dollar was devalued with respect to gold in January 1934, creditors suffered large losses (over 40 percent). Similarly, in Argentina, in 2002, contracts in US dollars were unilaterally rewritten in depreciated pesos, imposing huge losses on investors and international firms that had participated in the Argentine privatization process of the 1990s (for details, see Edwards 2018).

The similarities between Latin America and other parts of the world are not confined to the past or to historical figures such as Franklin Delano Roosevelt. In the aftermath of the global financial crisis of 2008–2010, populist movements gathered force in a number of advanced countries, including in the United States. Although every case is unique, many of these episodes share some characteristics with traditional Latin American populism. The cycle begins with an accumulation of grievances and frustration, and it is fed by inequality. As in Latin America, once a populist attains power, the next step is to implement heterodox policies that, at first, appear to work and to deliver growth and social progress. The population is happy, and the populist leader seems vindicated. After some time, however, the costs of heterodoxy become apparent. Protectionism hurts consumers, excessive regulations slow investment and growth, antimigrant policies upset the labor market, excessive debt accumulation increases risk premia, and unreasonably easy money tends to feed bubbles and often results in an acceleration of inflation. In high-income countries, it is improbable that these policies will result in three-digit (or even two-digit) inflationary outbursts. A more likely outcome is that they would end up slowing growth and requiring a significant fiscal correction and policy rectification.

In the United States, in the aftermath of the subprime crisis, many felt that they had been wronged by the elites, by large companies and banks, by traditional politicians, and by foreigners, including migrants. Many citizens abhorred the bailout of banks and financial institutions after 2008. Of course, Donald Trump's rallies were not the same as Hugo Chávez's huge marches, but to many observers there were some striking similarities, including the fierce attacks and mocking of political rivals, the antiglobalization rhetoric, and the criticism of the elites and the establishment. As in Latin America, the Trump administration implemented protectionist policies. Also, as in Latin America, there have been severe denunciations of traditional institutions. Chávez criticized the Venezuelan supreme court, and then packed it; Correa was critical of Ecuador's monetary system. Before the 2016 election, Trump hinted that he might not feel bound to acknowledge the results if they went against him, something that Chávez and Maduro had declared in Venezuela. Trump disparaged the Federal Reserve—he called its policy "crazy" and "*loco*"—in a way that echoes Chávez's attacks on the independence of Venezuela's central banks. Turkey's Erdoğan also attacked his nation's central bank for not helping his government achieve its redistributive goals. Similarly, Italy's former Deputy Prime Minister Matteo Salvini's attacks on the European Union budget process resembled events in Latin America.

But the recent wave of populism in high-income countries also has some important differences from Latin American classical populism. First, while the vast majority of populists in Latin America have been leftist, populists in many recent advanced countries are right wing. Second, and more important, modern populism in the advanced nations—in the United States, the United Kingdom (Brexit), Italy, and Hungary—has been characterized by a high degree of nativism. Immigrants are blamed for crime, unemployment, and the stagnation of wages. In Latin America, in contrast, populist politicians (both classical and new) have never targeted immigrants. To be sure, they have opposed multinationals, foreign banks, the International Monetary Fund, and globalization more generally—but not foreign workers. A third important difference is that in many of the advanced episodes, the country in question (Italy, Greece) doesn't have a currency of its own and thus cannot use the central bank to finance public sector expansion. In that regard, their experiences are closer to Ecuador's than to Argentina's.

Latin America offers a number of lessons regarding populism. The first, and perhaps the most important one, is that excessive inequality and corruption are fodder for populist politicians. Populists capitalize on citizens' frustrations and offer a set of heterodox policies that are supposed to help the "little people." In that regard, comprehensive, well-designed social programs that foster inclusiveness offer the most efficient inoculation against populism. Major crises that result in large devaluations and require drastic adjustments are also behind the surge of many populist movements.

Second, populist policies come in many different flavors. Classical populism is mostly of a macroeconomic variety. But there is also a microeconomic type of populism, where excessive regulations, protectionism, market disruptions, and very high minimum and public sector wages are put in place. Although most cases of "new populism" don't end up with an inflation outburst, in the medium to longer run they require costly policy rectifications. A related takeaway is that populism is not a black-or-white phenomenon. As noted, populism has many shades of gray, which means that at times it is not straightforward to classify certain experiences as populist.

A third lesson is that even in countries with built-in restrictions on monetary policy—through independent central banks or dollarization—a populist politician will usually find ways of putting in place expansive fiscal policy and accumulate debt at an unsustainable pace (as in Ecuador). Countries that don't have a currency of their own cannot rely on exchange rate adjustments, and thus they go through very painful adjustments once debt financing runs out. In many cases there is no alternative but to call the International Monetary Fund.

Fourth, protectionism and isolationism are harmful in ways that go beyond traditional welfare costs measured by small triangles on supply and demand graphs. Protectionism increases uncertainty and sends mixed signals that increase risk premia and negatively affect investment. A number of Latin American populist leaders have recently referred to the current trade war between the United States and China to justify their nationalistic and protectionist policies.

A final lesson from Latin America has to do with the use of money creation to finance social expenditures, employment programs, income redistribution, and infrastructure initiatives. In all of the 15 populist episodes in Table 1, the country relied on the central bank to finance the growing public sector deficit. And in every one of them, the end game was a disaster, with runaway inflation and a precipitous decline in wages (Edwards 2019). A recurrent development in every one of these populist episodes is that once inflation gets to a certain level (say, mid-two digits or higher), velocity of circulation increases significantly. People still have to use domestic money to pay taxes, but it is not used for anything else. As Argentina's experience has shown again and again, when the demand for money collapses, the price level rises rapidly. Does this mean that using monetary policy to purchase government securities is always harmful? Not necessarily, as the experiences of the Federal Reserve and the European Central Bank with quantitative easing, after 2010, have shown. But an excessive and systematic reliance on money creation to finance public sector expenditure is a path fraught with dangers. The stories of the Latin American countries analyzed in this paper offer sobering cautionary tales.

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