Latin American Populism in the Twenty-First Century

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The beginning of the twenty-first century has been characterized by a renaissance of populist governments in Latin America and Europe. Like its predecessors, Latin American populism has resulted in both economic failure and institutional deterioration. The recent rise of populist governments has received some attention from political scientists, but not as much from economists. Sebastian Edwards (2010), José Ocampo (2010), Kevin Grier and Norman Maynard (2016), and Dani Rodrik (2018a, 2018b) offer some of the few studies analyzing populism from an economic viewpoint.[1] These authors study Latin America in general, Venezuela, and Argentina. Even though it is expected that populist governments produce economic and institutional deterioration, this paper explores the extent of such effects and how the observed countries perform compared to the region. We analyze five countries representative of populist governments in the early twenty-first century: Argentina, Bolivia, Ecuador, Nicaragua, and Venezuela. Even though there is no formal measure of populism, and defining populism is a difficult task, these five countries represent a consensus of what populism looks like in Latin America.[2]

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1. For studies of populism in other fields, see Riker 1988; Cardoso 2006; Abts and Rummens 2007; Cameron 2009; Weyland 2009; Comaroff 2011; Coles 2012; Rodriguez Braun 2012; Weyland, de la Torre, and Kornblith 2013; Urbinati 2015; Chesterley and Roberti 2016; de la Torre 2016, 2017b; and Guiso et al. 2017.

2. We use the countries in Latin America and the Caribbean included in the World Bank's World Governance Indicator data set (World Bank n.d.b).

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Our analysis has two limits. First, these Latin American countries can be described as living under various degrees of populism. Therefore, contrasting one populist government with another more-or-less populist government does not always offer clear results. Second, this study remains preliminary because most of the populist governments we examine are either still in office or have been replaced quite recently. However, there are two reasons why populism should receive renewed attention. First, given the number of years populist governments have been in office in these countries, a preliminary analysis is warranted, even if we cannot yet observe some of the final effects of this type of government. Future research will have to be done to analyze in more detail the ex post economic and institutional performance of populist countries. Second, some populist governments are starting to lose votes as economic problems become patent. Mauricio Macri's defeat of Cristina Krichner in Argentina in 2015 is the most outstanding case.

The next section reviews recent literature on populism. Then we specify our sample and selection of countries representative of populism, explore the institutional effects of populism on these countries' economic performance, and conclude that populism produces a marked deterioration of political and economic institutions.

The Nature of Populism

Although we can usually recognize populism when we see it, it is often challenging to precisely define it. From a political point of view, the challenge is to avoid a definition that rests on exaggerated features that are also found in nonpopulist governments, such as political mobilization, propaganda, and a charismatic leader. All of these characteristics are recognizable under populist governments but are not unique to them. Defined this way, any democratic government could be considered populist.

In economic terms, populism is usually described as a set of unsustainable policies that set undeliverable expectations about the future of the economy (Dornbusch and Edwards 1990; Kaufman and Stallings 1991; Rodriguez Braun 2012). However, although pushing aggregate demand beyond the limits imposed by aggregate supply may be an exaggerated characteristic of populism, it is not necessarily a unique feature of this type of government. For instance, the fact that populist governments in Latin America tend to produce inflation does not mean that a policy that produces inflation must come from a populist government. And although populist governments may embrace Keynesian-inspired policies, Keynesian policies are not necessarily a populist recipe (Bresser Pereria and Dell'Acqua 1991).

We can illustrate a typical unsustainable economic policy of a populist government using a simple analogy. Consider a scenario where a charismatic head of household (government leader) takes his family on an expensive luxury vacation around the world (a government policy that incentivizes consumption at the expense of investment). He finances this luxurious trip by maxing out the family's credit card (government debt) and depleting their savings account (capital and infrastructure). When the family returns home, they realize that they have depleted their savings and that the credit card payments are exorbitant. The head of the family finds a convenient scapegoat—international corporations, creditors, and so on—to blame for their new financial situation. However, reality is unavoidable, and to dodge default the family needs to make a significant adjustment to its spending (austerity policy).

This family enjoyed a short-run benefit at the expense of reducing future consumption. The head of this family embarked on a populist program and while on vacation told his family members their economic situation was improving due to his management skills. He supported his claim by showing the increase in current spending but concealed the impact that his decision would have on tomorrow's consumption. Only a partial look at this situation would support the idea that the family embarked on the right economic path. The misperception relies on confusing an increase in consumption with an increase in income. Caution should be present when observing an improvement in economic indicators under a populist government.

The twenty-first-century populist governments of Latin America follow a similar pattern to the one described by Rudiger Dornbusch and Sebastian Edwards (1990). Especially when populist governments take office after an economic crisis, they can pass off economic *recovery* as if it were growth in economic productivity. The inconsistencies of macroeconomic policy remain concealed until the output gap is closed, and inconsistencies start to show as inflation, bottleneck constraints, and capital outflows.

Kurt Weyland (2001) as well as Koen Abts and Stefan Rummens (2007) take an institutional approach to defining a populist system as a government for which the locus of power is not under the anonymous rule of law (as it would be under a republic) but centered in the vague expression "the people." This way, populism maintains the democratic vote as a means to elect government officials but changes the source of the government's legitimacy from the rule of law to a direct mandate emanating from a group with undefined members. This is a reason why Emilio Ocampo (2015b, 99) and Carlos de la Torre (2016) find parallels between Latin American populism and authoritarian systems such as fascism.

This political definition of populism sheds light on a few of its distinctive features. For instance, the political construct of "the people" allows the leader to divide the electorate between "us" (the majority) and "them" (the minority). The group "us" represents the exploited victims whom the leader is protecting and saving. The group "them" can be any category that serves the leader's political objective. It might be the oligarchy, international corporations, a powerful country (the United States), or the wealthy, for example. The use of rhetoric and semantic innuendos (for instance, to blur the difference between the terms *democracy* and *republic*) is important to achieve this goal. The ideology that the source of government's power and legitimacy comes directly from the people rather than indirectly from the rule of law explains why populist governments have the common thread of being antirepublican. A republican institution, such as a constitution, is not a device to protect the people from the government, but an obstacle in the way of fulfilling the people's rights. From a political-philosophy perspective, populism can be described as a political movement that keeps the republican form, but not its spirit. Judges and congressional representatives cease to be part of the checks and balances of power and instead become instruments of the leader's political goals. Note that under this conception, because populism's definition rests on institutional qualities, it can be compatible with governments located on either the traditional left or the traditional right of the political and social spectrum.

Following this analytical framework, Rodrik (2018a) distinguishes four types of governments: those that have political constraints, those that have economic constraints, those that have both, and those that have neither. A political populist government may not be populist in its economic policy and vice versa. Although not necessarily as explicit on this categorization as Rodrik, Weyland (1999, 2003) argues that Latin American neoliberalism is compatible with populism. However, some pushback can be presented to Weyland's neoliberal populism. At least in economics, *neoliberalism* is an elusive expression rather than a precisely defined term. Other research (Edwards 2010, chap. 4; Cachanosky 2017, chap. 4.2, for example) demonstrates that neoliberal reforms in Latin America were incomplete and inconsistently applied to the point that the neoliberal label does not properly fit. To the extent that neoliberalism is defined as the ten points in the Washington Consensus, it is clear that most Latin American countries were, in fact, not neoliberal.

The political strategies in the rise of populism in Latin America in the early twenty-first century have been the focus of recent research (Hawkins 2003; Cameron 2009; Weyland 2009; Weyland, de la Torre, and Kornblith 2013; Rhodes-Purdy 2015; de la Torre 2017a, 2017b). Some attention has also fallen on the economic effects of populism. For instance, Martin Rode and Julio Revuelta (2015) find that populist power leads to a statistically significant loss of economic freedom. They use Hawkins's index of populist rhetoric by policy leaders as a measure of populism and run a panel data analysis that shows that more-populist rhetoric coincides with a loss of one point per year in the Economic Freedom of the World Index score (developed by the Fraser Institute).[3] Grier and Maynard measure the economic loss produced by populism in Venezuela using a synthetic-control analysis, finding that, relative to the control group, per capita income fell dramatically. They conclude that "the overall economic consequences of the Chavez administration were bleak" (2016, 1, abstract).

3. It should be noted that Hawkins's index does not take into consideration populist policies actually implemented. It is based on a semantic analysis of political leaders' speeches. Some odd results arise. For Argentina, the presidency of Carlos Menem shows a higher degree of populism than the presidency of Néstor Kirchner. However, during Menem's presidency, Argentina climbed from a rank of 92 in 1990 to a rank of 37 in 2000. In the case of Néstor Kirchner, Argentina's economic-freedom rank fell from 86 in 2003 to 103 in 2007.

It should be noted that it is weak institutions that enable populist governments to take power in the first place. Once in power, populist leaders can tear down other institutional barriers (Riker 1988).

Although a full analysis exceeds the scope of this paper, it is worth mentioning two arguments that can be combined to explain the rise of populism in twenty-first-century Latin America. José García Hamilton (2006) offers an institutional analysis of the founding times of Latin American countries. His analysis fits well with the long-term effect, or path dependency, of extractive institutions described by Daron Acemoglu and James Robinson (2012). It also supports William Riker's (1988) thesis that weak institutions must already be present. In addition, Rodrik (2018b) argues that populism is an unintended consequence of globalization. Different types of populism (e.g., left or right leaning) can be explained, at least in part, by the different effects that globalization has in different countries.

Populist Governments in Latin America

We analyze five Latin American countries whose governments are considered representative of strong populist policies: Argentina (the Néstor Kirchner and Cristina Fernández de Kirchner administrations), Bolivia (Evo Morales), Ecuador (Rafael Correa and Lenin Moreno), Nicaragua (the Sandinistas), and Venezuela (Hugo Chavez and Nicolas Maduro). Table 1 summarizes the populist period for each.

The first and longest populist experience in Latin America is that of Venezuela. The only country where a populist regime is no longer in office is Argentina, whose incumbent president, Cristina Kirchner, lost the election to Mauricio Macri, leader of the Cambiemos (Let's Change) movement in late 2015. In this sense, Argentina stands out as a case where a populist government was removed through democratic elections rather than through a coup.

Even though most of our analysis is carried out in terms of percentiles in Latin America in order to capture relative performance in the region, we also show data for two nonpopulist countries to contrast the populist experiences with an alternative form of government: Chile and Colombia.

Table 1
Period of Populism by Country

Country	Start of Populism	End of Populism	Years of Populism
Argentina	2003	2015	12
Bolivia	2006	Still in office	12+
Ecuador	2007	Still in office	11+
Nicaragua	2007	Still in office	11+
Venezuela	1999	Still in office	19+

Institutional Decline

As discussed earlier, institutionally speaking, populism can be understood as a political movement that claims that its power comes from "the people" rather than from the rule of law. This source of legitimacy is the foundation of the authoritarian characteristic of populism. De jure there is a democracy and a republic, but de facto the populist leader is above the law. We evaluate the institutional quality of populist countries using the change in their percentile ranking according to the five indices in the Worldwide Governance Indicators (WGI). Table 2 shows the results.

At first sight, populist governments show mixed results in WGI percentile-ranking changes. However, large negative numbers (i.e., larger than –10) are more frequent than positive large numbers. In its percentile ranking at the worldwide level, Ecuador shows a significant increase in government effectiveness. On the other side, significant falls are observed in Nicaragua and Venezuela in control of corruption; in Venezuela in government effectiveness, regulatory quality, and voice and accountability; and in Bolivia and Venezuela in the rule of law.

If the rankings are circumscribed to the Latin American region, Ecuador shows a significant improvement in control of corruption, government efficiency, and rule of law. Ecuador is the only country that shows an improvement at both the world level and the regional level. Although falling beyond the scope of this paper, it is worth considering whether dollarization works as an institutional shield against populist movements.[4] Significant declines are observed in Nicaragua in control of corruption; in Venezuela in government efficiency and regulatory quality; in Bolivia and Venezuela in the rule of law; and in Nicaragua and Venezuela in voice and accountability.

In the Latin American region, the only two countries showing relative improvement are Argentina and Ecuador. We should note that the former has come out of a big crisis that shocked the country's institutional framework. And, as mentioned earlier, the latter is a dollarized economy that started at an already low percentile level in four out of the five indicators, leaving little room for further deterioration.

This information focuses on political and governance institutions, yet populist governments also affect economic institutions. To maintain an unsustainable economic policy, populist leaders need to resort to market interventions and regulations such as price controls. Nationalizing firms to finance fiscal deficits also reduces the sphere of economic freedom. In terms of decline of the quality of economic institutions, the pattern is obvious. Under their populist leaderships, Argentina and Venezuela, for instance, fell to the bottom ten on the Economic Freedom of the World Index ranking. Table 3 shows the change in Economic Freedom of the World percentiles at the world

4. Dollarization happens when a country uses *another* country's currency that is different from the currency common in that country's area, such as the Euro zone, where a number of countries *share* the same central bank. Panama, Ecuador, and El Salvador are three Latin American countries that use the U.S. dollar as their currency. Although the term *dollarization* refers to "dollars," it applies to any foreign currency used by any country. If Panama, for instance, were to use the Euro, it would still be a "dollarized" country.

Table 2
Change in Percentile Ranking of Governance Indicators by Country

		Control of Corruption	Government Effectiveness	Regulatory Quality	Rule of Law	Voice and Accountability
Worldwide Percentile Rank						
Argentina	2002–15	–5.7	2.6	–2.1	–3.7	3.9
Bolivia*	2005–16	2.0	–0.6	–6.3	–17.2	3.1
Ecuador*	2006–16	4.0	23.3	–2.2	–0.9	1.9
Nicaragua*	2006–16	–10.5	–0.3	2.2	0.1	–7.9
Venezuela*	1998–2016	–15.3	–11.2	–37.0	–27.5	–34.5
Average	1998–2014	–21.8	–25.1	–52.0	–34.8	–16.3
Average	2006–14	–9.2	–4.5	–10.3	–10.6	–4.7
Chile	1998–2016	–7.5	–6.2	–1.3	0.1	11.2
Colombia	1998–2016	8.1	6.2	13.4	10.3	9.5
Average	1998–2014	2.9	–1.3	6.8	7.1	9.5
Average	2006–14	–8.7	–2.1	4.3	–1.1	–1.7
Latin America Percentile Rank						
Argentina	2002–15	1.1	9.0	5.3	–1.0	2.5
Bolivia*	2005–16	8.3	2.8	–2.7	–16.7	7.5
Ecuador*	2006–16	11.2	16.7	2.8	11.1	–5.0
Nicaragua*	2006–16	–13.9	0.0	–5.5	2.8	–26.7
Venezuela*	1998–2016	–8.8	–35.5	–11.7	–17.6	–54.7
Average	1998–2014	–12.6	–34.2	–47.4	–35.9	–15.6
Average	2006–14	0.0	–4.7	–6.0	–9.0	20.0
Chile	1998–2016	–8.2	3.4	0.0	6.1	20.9
Colombia	1998–2016	12.4	11.8	51.5	12.4	21.9
Average	1998–2014	8.7	2.8	27.0	11.4	22.4
Average	2006–14	–5.9	0.4	13.7	–1.6	23.7

* Populist government is still in office.
Source: World Bank n.d.b.

and regional levels for each country during its populist period. The first year for each country is the year prior to the populist government taking office, with the exception of Venezuela, for which a start year is not available. It is worth pointing out that the populist and nonpopulist countries move in opposite directions.[5]

5. Because the start and end date for each country's populist experience is different, for Chile and Colombia we look at the period 2000– 2016 as a reference. It is worth mentioning that there is some sensitivity with respect to the year chosen as the start year. If the start year is 2006, then Chile is already at the 95.8 percentile, leaving little room for improvement. Colombia would be at the 37.5 percentile, as compared to its percentile in 2016.

Table 3
Economic Freedom of the World Percentiles

		World Ranking			Latin America Ranking		
	Period	**Beginning**	**End**	**Change**	**Beginning**	**End**	**Change**
Argentina	2002–15	36.0	3.7	−32.3	20.8	3.8	−17.0
Bolivia*	2005–16	35.0	23.6	−11.4	25.0	15.3	−9.7
Ecuador*	2006–16	19.2	4.9	−14.3	4.1	11.5	7.4
Nicaragua*	2006–16	65.7	65.8	0.1	58.3	76.9	18.6
Venezuela*	2000–2016	29.0	0.0	−29.0	8.3	0.0	−8.3
Chile	2000–2016	71.7	91.3	19.6	75.0	100.0	25.0
Colombia	2000–2016	19.3	36.0	16.7	19.3	30.7	30.7

* Populist government is still in office.
Source: Gwartney et al. 2018.

Table 4 shows how fast the decline on economic freedom at the worldwide level can be. The table assumes each country starts as the freest country in the world and then estimates how many years it would take each country to become the least-free economy in the world (assuming a total of 160 countries).

Argentina stands out as the country with the fastest yearly decline in economic freedom, while Bolivia, Ecuador, and Nicaragua show the slowest decline. In the case of Argentina, falling from the top to the bottom of the ranking will occur before a person born in the start year, 2006, turns thirty years old. In just one or two generations, a populist government can completely change a country's institutional framework. This means that a populist government that manages to stay in office long enough will see an increasing share of the electorate that has experienced neither an alternative form of

Table 4
Speed of Loss in World Rank of Economic Freedom under Populism

	Populist Period	**Start of Populism**	**End of Populism**	**Difference**	**Yearly Fall in Rank**	**Years to Fall to Bottom of Ranking**
Argentina	2002–15	77	155	–78	6.0	26.7
Bolivia*	2005–16	95	123	–28	2.8	57.1
Ecuador*	2006–16	114	127	–13	1.4	114.3
Nicaragua*	2007–16	43	54	–11	1.2	133.3
Venezuela*	2000–2016	88	160	–72	4.8	33.3

* Populist government is still in office.
Note: World ranking assumes 160 countries.
Source: Gwartney et al. 2018.

regime nor a freely functioning market economy. This lack of experience with alternative economic institutions can reduce the likelihood that voters will demand a significant institutional change. Such a country may find itself choosing between leaders who are populist merely to different degrees, but not between populist and nonpopulist leaders.

There are two reasons why Ecuador shows a slow decline in economic freedom. First, its ranking at the start of the populist regime was already quite low. Second, it shows an improvement in its ranking in 2015, escalating from 141 to 130, which reduces the overall fall in the ranking. Without this improvement in 2015, Ecuador would show a fall of 3.86 positions in the ranking per year, making it go from the top to the bottom of the list in 47.4 years.

Another reason for populist countries' sharp fall in the ranking of economic freedom in the world is that countries worldwide, in contrast, have slowly but persistently moved toward more economic freedom. Yet whereas the world showed a slight upward trend, countries with populist governments experienced a sharp downward trend. Populist leaders have adopted economic policies that have led their countries in the opposite direction from the rest of the world in terms of economic freedom.

Finally, Latin America's populist countries also experienced a loss of freedom of the press. Again, it's important to reemphasize this loss is with respect to the rest of the world and Latin America. The only country that shows an improvement is Argentina with respect to the region, but Argentina still shows a fall with respect to the rest of the world. A media industry with more freedom to criticize and investigate the government also restricts how much a populist leader can ignore the limits imposed by the rule of law. Table 5 shows the change in each country's percentile ranking with respect to freedom of the press.

Table 5
World Press Freedom Index Percentiles, World Ranking

		World Ranking			Latin American Ranking		
	Period	Beginning	End	Change	Beginning	End	Change
Argentina	2003–15	54.1	48.0	–6.1	20.0	35.2	15.2
Bolivia*	2006–16	61.2	44.5	–16.7	56.8	32.5	−24.3
Ecuador*	2007–16	54.7	28.3	–26.4	48.7	10.9	−37.8
Nicaragua*	2007–16	54.2	41.5	–12.7	46.0	29.8	−16.2
Venezuela*	1999–2016	61.7	13.7	–48.0	47.3	2.8	−44.5
Chile	2002–16	75.0	71.8	–3.2	74.3	62.2	−12.1
Colombia	2002–16	32.9	40.5	7.6	11.5	27.1	15.6

* Populist government is still in office.
Source: Freedom House 2017.

Economic Performance

A first approach to assessing the performance of a populist government is to compare the evolution of its country's gross domestic product (GDP) per capita to that of nonpopulist countries. If populism is able to increase GDP per capita growth rates more than alternative economic policies are, then the ratio of a populist country's GDP per capita to Latin America's GDP as a whole should show a significant increase.

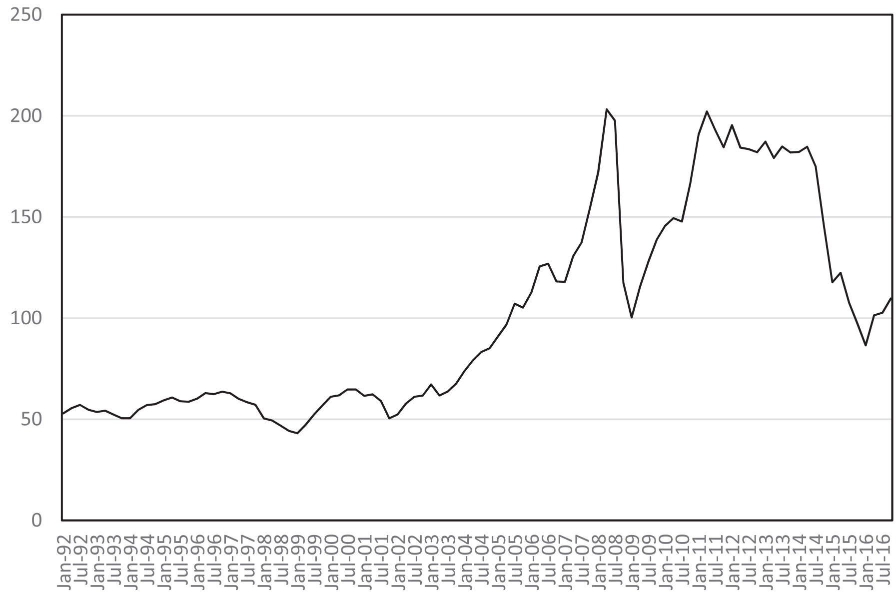
It can be argued, however, that GDP per capita is an incomplete measure of well-being. The focus on the value of output overlooks important factors, such as life expectancy and educational level. These two additions to GDP per capita are captured by the Human Development Index (HDI).[6] In turn, adjusting the HDI for income inequality results in the inequality-adjusted HDI, or IHDI.[7] It is, in principle, possible for a populist government to fall behind in the growth of income per capita but to outperform other governments in terms of life expectancy, education, and income inequality.

We should also add that the rise of populism in Latin America in the early twenty-first century coincides with the high commodity price cycle in 2002–15. High commodity prices allow a government to extract rents without having to increase taxes, which contributes to the illusion that the populist policy can drive sustainable increases in consumption. In the short-run, quality of life seems to improve. Emilio Ocampo (2015a) shows that the populist cycle in Argentina is correlated with commodity prices. Sebastián Mazzuca (2013) offers a similar argument for the region in general and pays attention to the role that oil rents play in Latin American populist countries. As the price of commodities started to fall, signs of weakness in the economy started to rise, which contributed to the election loss by Daniel Scioli, the candidate from the Kirchner movement, to Mauricio Macri and the Cambiemos coalition. Figure 1 shows the International Monetary Fund Global Price Index of All Commodities. There is a clear rise at the turn of the century that coincides with the rise of populist governments in the region.

6. The HDI is the geometric average of three variables: (1) Life Expectancy Index (LEI): $\frac{LE-20}{85-20}$; (2) Education Index (EI): $\frac{MYSE+EYSI}{2}$, where MYSE refers to the Mean Years of Schooling Index $\left(\frac{MYS}{15}\right)$, and EYS is the Expected Years of Schooling Index $\left(\frac{EYS}{18}\right)$; (3) Income Index (II): $\frac{\ln(GDPpc)-\ln(100)}{\ln(75,000)-\ln(100)}$. Therefore, $HDI=\sqrt[3]{LEI\cdot EI\cdot II}$.

7. The IHDI adjusts the three indices included in HDI for inequality before calculating the geometric average. The inequality (A_i) in each index $(i=1\ .\ .\ .\ 3)$ is estimated as $A_i=1-\frac{\sqrt[n]{x_1\cdot\ldots\cdot x_n}}{\bar{x}}$, where $x_1\ .\ .\ .\ x_n$ is the underlying distribution in each index (LEI, EI, and II) and $\bar{x}$ represents the average of each distribution. Therefore, the superscript * denotes the index is adjusted by the $IHDI=\sqrt[3]{LEI^*\ \cdot\ EI^*\ \cdot\ II^*}=\sqrt[3]{(1-A_{LEI})(1-A_{EI})(1-A_{II})}\ \cdot\ HDI$. The loss in HDI due to inequality equals $1-\sqrt[3]{(1-A_{LEI})(1-A_{EI})(1-A_{II})}$. For a more detailed discussion, see the technical notes of the Inequality-Adjusted Human Development Index (United Nations 2018).

Figure 1
Global Price Index of All Commodities



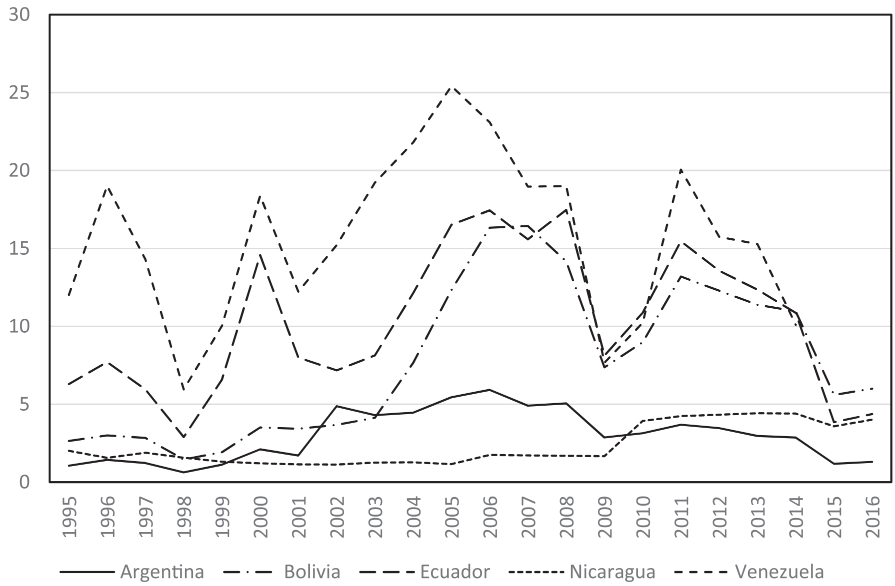
Note: Index 2005 = 100, quarterly, not seasonally adjusted.
Source: International Monetary Fund 2019.

In terms of natural resource rents (as a percentage of GDP), the effect has been positive in all populist countries with the exception of Nicaragua, which sees an increase in rents for the year 2010 (figure 2). There is an increase for most countries in the early 2000s. Note that Venezuela, Ecuador, and Bolivia show the highest values, reaching 25 percent of GDP in the case of Venezuela in 2005.

Table 6 shows the percentile rank of the five populist countries in Latin America for each of the three indicators at the beginning and end (or present day) of each country's populist experience. The GDP per capita series is adjusted for cost of living using purchasing-power parity (PPP). The initial value is the percentile rank in the year before the populist leader took office, and the last percentile rank coincides with the last year the populist leader was in office or, for countries where the government is still a populist one, the most recent data available. Table 6 shows the percentile rank as a simple way to control for the relative position of the populist country with respect to the rest of the region. Populist countries will change their rank position only if their movements are more accentuated than the movement in the rest of the region. The table also provides information for two countries that represent nonpopulist governments for contrast purposes.

It is interesting to note that Table 6 shows results less negative than would be expected from the tables shown in the institutional section. This may be due in part to

Figure 2
Total Natural Resources Rents (Percentage of GDP)



Note: Most recent data for Venezuela are from 2014.

Source: World Bank n.d.a, data set from June 11, 2010, updated April 24, 2019.

manipulation of official statistics. For instance, the only populist country with a clear increase in its PPP-adjusted GDP per capita percentile rank is Argentina. However, this increase requires two special considerations. First, Argentina's populist government took office soon after the large economic crisis of 2001. Therefore, a significant portion of the increase in output is due to economic recovery (a reduction of the output gap) rather than to economic growth (an increase in output capacity). Even so, Argentina could not have outperformed Chile or Colombia. Second, during the Kirchner administrations, the government tampered with official economic data. An unofficial and more reliable data source estimates that the yearly growth rate of economic activity from 2002 to 2012 in Argentina was 2.1 percent,[8] whereas the government data show that it was 7.1 percent for the same period.

Besides the case of Argentina, populist governments were buoyed by the positive effect of the high commodity prices, which allows for increased spending. In addition, Bolivia and Ecuador started their populist experiences with a low percentile rank, so they could fall only a bit more in the ranking. Ecuador shows no change in its percentile

8. The source for this estimation is the Indicador General de Actividad from Orlando Ferreres & Asociados, S.A. The series is deflated using official estimates of inflation (until 2007) and unofficial estimates of inflation as reported by the national congress (starting in 2007).

Table 6
GDP per Capita (PPP Adjusted), HDI, and IHDI Latin America Percentile Rank Change

		GDP per Capita (PPP Adjusted)		
	Years	**Beginning**	**End**	**Change**
Argentina (official)	2002–15	71.8	74.1	2.3
Argentina (unofficial)	2002–15	71.8	58.0	−13.8
Bolivia*	2005–17	9.3	10.0	0.7
Ecuador*	2006–17	34.3	36.6	2.3
Nicaragua*	2006–17	6.2	6.6	0.4
Venezuela (official)*	1998–2014	81.2	71.8	–9.4
Venezuela (IMF)*	1998–2017	81.2	43.3	−37.9
Chile	2002–17	78.5	90.0	11.5
Colombia	2002–17	44.1	50.0	5.9

		HDI		
	Years	Beginning	End	Change
Argentina	2003–15	96.5	96.8	0.3
Bolivia*	2006–17	15.6	18.7	3.1
Ecuador*	2007–17	37.5	53.1	15.6
Nicaragua*	2007–17	9.3	12.5	3.2
Venezuela*	1999–2017	54.1	59.3	5.2
Chile	2002–17	92.8	100.0	7.2
Colombia	2002–17	28.5	43.7	15.2

		IHDI		
	Years	Beginning	End	Change
Argentina	2010–15	87.5	100.0	12.5
Bolivia*	2010–17	4.1	16.6	12.5
Ecuador*	2010–17	62.5	54.1	−8.4
Nicaragua*	2010–17	16.6	12.5	−4.1
Venezuela*	2010–17	75.0	79.1	4.1
Chile	2002–16	91.6	100.0	8.4
Colombia	2002–16	37.5	41.6	4.1

* Populist government is still in office.
Note: Most recent data for GDP per capita for Venezuela are from 2014. IMF data for Venezuela go up to year 2017, with estimates starting in 2010.
Source: Data from World Bank n.d.a; Comberg 2012; and calculations by the authors.

ranking. In addition, as mentioned earlier, Ecuador's dollarization puts limits on the set of populist policies Rafael Correa can execute. Argentina and Venezuela are the two countries starting with the higher percentile ranks. The fall is clear in the case of Venezuela. In addition, as explained, Argentina's populist government took office after a big economic crisis and enjoyed a strong recovery.

Argentina's HDI and IHDI number should be read with care because the populist regime exaggerated the official GDP values. Both HDI and IHDI show improvements, with Ecuador (HDI) and Argentina and Bolivia (IHDI) showing the highest numbers. These indicators have the advantage of including quality-of-life measures other than GDP per capita. These two additions (life expectancy and literacy), however, are variables that change slowly over time. Some results are also conflicting. Ecuador and Nicaragua show an improvement in the HDI ranking but a fall in the IHDI ranking, which suggests that the improvement in HDI is more than countered by an increase in inequality.

In terms of inflation, populist governments also underperform the region. Table 7 shows the GDP deflator inflation rate at the beginning and end of each country's populist period. Each country's equivalent yearly inflation rate is compared with Latin America's yearly inflation rate for the same period. The only country that shows an average inflation similar to the regional average is dollarized Ecuador. Besides Ecuador,

Table 7
GDP Deflator Inflation Rates under Populism

	Years	Start of Populism	End of Populism	Difference	Yearly Inflation Rate	Yearly Inflation Rate for Latin America
Argentina (official)	2003–15	3.70	18.70	15.00	10.7	4.9
Argentina (unofficial)	2003–15	3.70	27.80	24.10	19.9	4.9
Bolivia*	2006–16	5.94	−1.75	−7.69	5.4	4.4
Ecuador*	2007–16	8.00	−0.92	−8.92	4.2	4.2
Nicaragua*	2007–16	8.23	4.08	–4.15	7.8	4.2
Venezuela*	1999–2013	18.89	35.50	16.61	25.5	5.1
Venezuela (IMF)	1999–2016	20.10	302.6	282.50	40.1	5.1
Chile	2002–16	3.86	4.22	0.36	5.0	4.7
Columbia	2002–16	6.52	2.45	–4.06	4.8	4.7

* Populist government is still in office.
Note: Inflation rates for Venezuela are missing starting in 2014.
Sources: For Argentina, starting in 2007 we use the unofficial inflation estimation reported by the National Congress. Because 2002 has a high inflation rate due to the crisis in 2001, the unofficial estimation of inflation for Argentina starts in 2003 (rather than in the year before the populist period). For the other values, GDP deflator inflation figures are from World Bank n.d.a.

Table 8
Real-Wage Index by Country

	Period	Start of Populism	End of Populism	Yearly Growth Rate
Argentina (official)	2003–10	100.0	191.3	9.7
Argentina (unofficial)	2003–10	100.0	118.9	1.4
Argentina[§]	2003–14	100.0	127.6	2.1
Bolivia*	2006–16	100.0	92.4	–0.8
Ecuador*	2007–16	n/a	n/a	n/a
Nicaragua*	2007–16	100.0	105.8	0.6
Venezuela*	1999–16	100.0	79.3	−1.6
Chile	2002–16	100.0	138.0	2.2
Columbia	2002–16	100.0	116.8	0.9

* Populist government is still in office.
§ Argentina's last data point is for 2014. Calculations made with unofficial estimations.
Sources: For Argentina, nominal wages as officially reported and unofficial estimations as reported by the National Congress. For the other countries, United Nations Economic Commission for Latin America and the Caribbean n.d. Data are not available for Ecuador.

Bolivia and Nicaragua are the only countries in which inflation rates fell. In both cases, however, the inflation rates are still higher than the regional average. Finally, the worst performer, Venezuela, is actually in a far worse situation than official numbers show. Venezuela is now suffering from a hyperinflation rate that is much faster than the 35.5 percent inflation rate for its last year in table 7. Unofficial estimates indicate an inflation rate topping one million percent for 2018 ("Venezuela" 2018).

The growth of real wages also shows poor results. Even Argentina, coming out of the crisis in 2001, had a lower rate of increase in real wages than one would expect. Again, official data in Argentina during the Kirchner administrations tell an inaccurate story. According to official numbers, real wages in Argentina increased 91.3 percent (or 9.7 percent yearly) from 2003 to 2010.[9] This (supposedly) outstanding result was achieved in two ways: fixing the prices of utilities such as energy, gas, and water and reporting a lower inflation rate than the one actually affecting the economy. If nominal wages are adjusted using unofficial (but arguably more accurate) estimates of inflation as reported by the National Congress, the growth of the real wage from 2003 to 2010 was 18.9 percent (or 1.4 percent per year), significantly lower than the 91.3 percent reported by the Kirchner governments. We should note that, similar to relative income, real wages failed to increase beyond their historical peak, which occurred prior to the crisis in 2001. Table 8 shows the evolution of real wages for each country using private estimations adjustment for Argentina.

9. The source for these data is the Latin America and the Caribbean countries 2019 database (CEPALSTAT). Information is not available starting in 2011.

Concluding Remarks

The rise of populism in Latin America in the early twenty-first century resulted from the combination of two factors: an established institutional environment that favored extractive rather than inclusive institutions and favorable international economic conditions that increased the revenues from populist rent seeking. The additional revenues allowed populist governments to remain in office for a longer period to carry out their policies. The revenues collected from high commodity prices freed populist governments from having to increase taxes (or produce inflation) quickly and sharply.

The impact of populist policies can be seen in the institutional and economic declines that took place during their tenures. This notable decline in institutional quality is not accompanied by an improvement in economic performance. For these countries, the costs associated with the decline in institutional quality that characterized their populist governments were not compensated by a clear increase in welfare for their citizens. In addition, the repeated episodes of populism in these countries suggest that international economic conditions may be a facilitating factor but not the underlying cause, which is rooted in the incentives defined by each country's institutional settings.

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