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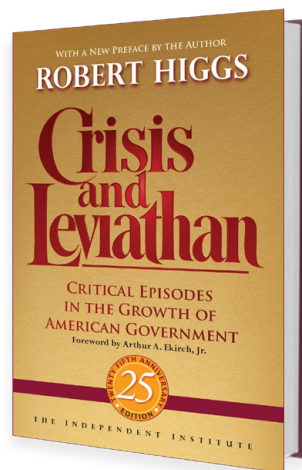
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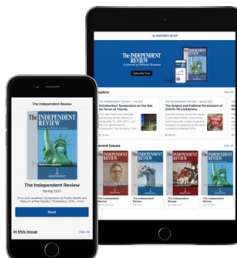
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# The Values of Free Enterprise versus the New Populism in Latin America

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CARLOS RODRÍGUEZ BRAUN

**L**ike pornography, populism is hard to define, but we know it when we see it. And what we have seen in Latin America is a succession of often unstable populist governments that face delegitimization more clearly and in shorter periods. My conjecture is that Latin American populism may enter into a new transformation in order to achieve more stability and will not seek that transformation in the more aggressively antiliberal alternatives such as Chavism and even less in dusty Castrism. It might approach liberalism,<sup>1</sup> but its doing so would be unprecedented because all types of populism have been hostile to liberty up to this day. It is sadly more likely that Latin American politics will not embrace the cause of liberty, but rather the interventionist flag of the welfare state.

Populism has shown time and again that it gives birth to expectations it cannot fulfill. In addition, its failure is visible in briefer intervals (Cammack 2000, 152), a critically damaging circumstance for populism because if something approaching a theory of populism were to be sketched out, it would stress precisely the regime's relation with time, torn as it is between its leaders' demagoguery and what Guy Hermet calls "the rash impatience of its clients" (2003, 11). This urgent time preference, dangerous for politicians and destructive for the economy, appears also when

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1. Henceforth understood in the Spanish or European classical sense.

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interventionism adopts an institutional shape, as in developed democratic countries, but with one difference: populism is linked to specific persons, sometimes bearing their names, and accordingly ties its fate to these persons' vicissitudes, habitually more convulsion than the evolution of political systems that remain broadly unaltered when the government leaders succeed one another. Populism's luck will depend on this institutional leap.

Populism's self-destructive character is so undeniable that attempts to interfere with markets in the old populist style (through nationalizations or price controls) bring discredit from public opinion. There is, accordingly, a learning process, whose consequence is that today Latin Americans value a country such as Chile, which apparently has profited from experience, more than a country such as Venezuela, and they respect more the leaders in Santiago, Bogotá, Brasília, and Mexico City than the ones in Caracas, La Paz, Managua, Buenos Aires, and Quito (Dornbusch and Edwards 1991, 12; Isern Munné 2004; Valenzuela 2006; Walker 2006, 44). Even more clearly, they have shown recently, by voting with their feet, that they appreciate Spain, to which for the first time in history they have migrated in waves. The fact that the tax burden associated with the onerous welfare state amounts at present to approximately half of gross domestic product (GDP) and did not fall below 40 percent in the years of the so-called neoliberal José María Aznar is not taken into consideration, rejected, or criticized. If such esteem diminishes in the future, it will do so not only because of taxes, but also because of the combination of higher taxes and doubts about the system's sustainability.

The fiction of neoliberalism, understood as a regime that reduces much of the state's weight and opens the way to private entrepreneurs in a market economy, held full sway also in Latin America, where some governments in the 1990s were said to have submitted to a sort of liberal populism. In this article, first I explore this liberal populism, which was more populist than liberal and did not escape classical populism's contradictions. Next I compare populism's interventionist policies with the policies followed in the democratic developed nations, which are not so different, as public opinion and academics often believe. Consideration of both misunderstandings allows me to conclude with a look at populism's transformation in Latin America in the search for more economic and political stability and at liberalism's potential to counteract the new democratic and antiliberal populist message.

## **Populism and Liberalism**

The diverse types of populism in Latin America were always statist and antiliberal (Aguinis 2005, 18; Almonte and Crespo Alcázar 2009, 26). Since its early days, populism has been interventionist, nationalist and even xenophobic, protectionist and even autarkic, as well as permanently hostile to rich countries, with paranoid fears of conspiracies—Great Britain in the nineteenth century, the United States in the twentieth. In recent years, it has rehabilitated anti-Spanishness and endeavors to trace

Latin American evils back to none other than the remote times of the conquest and colonization, even suggesting that before 1492 there was no violence on the sub-continent, no invasions, no killings, and no plundering of natural resources. Falsification of history has ranged from the divinization of the cruel primitive peoples to the distorted proximity between the native Latin Americans and Simon Bolívar or Ernesto Ché Guevara, who did not sympathize with the Aborigines—nor did the latter, to their credit, with the former.

In the 1990s, however, some Latin American leaders, in particular President Carlos Saúl Menem of Argentina, applied policies that seemed to run against the populist tradition, such as privatizing public firms and opening markets to local and foreign trade. These leaders were soon labeled neoliberals and associated with liberalism, and some liberals erroneously supported them (Gallo 1992; Rodríguez Braun 1997).

In fact, so-called neoliberalism was a false and freakish version of liberalism (Bongiovanni 2010), an opportunistic system that never abided by the main liberal principle: the limitation of power (Novaro 1996, 100). In March 1994, I, along with a small group of commentators from the Spanish press, was invited to talk with President Menem in Barcelona. I asked him two questions. First, why had he adopted liberalizing economic policies without having previously given any clue that he would adopt such a strategy? He smiled and said: “Because if I had announced such measures, nobody would have voted for me!” It should be noted that this reply is really not in the least funny because it makes liberty wholly dependent on the whims of power’s occupants or contenders.<sup>2</sup> My second question was what he thought about the notion of limits on political power as the guarantee of citizens’ freedom. He revealingly did not answer except to tell me that he did not understand what I was talking about.

More privatization and market-friendly policies are not sufficient to define a liberal government because measures operating in the opposite direction can neutralize them and because liberalism hinges not only on economics, but on institutions of various types and on a political culture and shared moral notions, as F. A. Hayek and many earlier classical-liberal thinkers have highlighted (Gallo 1992, 124–25). Those policies, then, can coincide with major expansions of coercion in terms of taxes, public expenditure, and debt, as happened under Menem and under Felipe González in Spain, another leader accused of being a neoliberal who was responsible for an unprecedented increase in the burden of government, which amounted to half the Spanish GDP.<sup>3</sup> Today, President José Luis Rodríguez Zapatero also comes with the brand of neoliberalism, even though he has increased taxes and encroached on liberties.

2. Tom Burns Marañón, also present in the meeting, asked Menem what he had learned from Perón. “Three things,” was the Machiavellian response: to know who has the information, to gather all the information, and to act by surprise.

3. For a politically correct absurdity according to which Menem restrained the state in favor of an “absolute primacy” of the market, see Méndez and Morales Aldana 2005. The early Latin American socialists had liberal ingredients; see Rodríguez Braun 2008.

Moreover, neoliberalism's counterfeit liberalism reproduced one of populism's traditional features: the craving for constitutional changes to allow providential presidents to hold the office of chief of state repeatedly. Juan Domingo Perón did so in 1949, and Latin American populists followed suit later with almost no exception: Hugo Chávez and Evo Morales modified their countries' constitutions, as did Menem, Alberto Fujimori, and even Álvaro Uribe, who was never included in the populist family and with good reason. Carlos Malamud aptly summarizes the populist notion of power, "[P]ower is forever, it is not shared or distributed" (2010, 95), and he brings up the case of Daniel Ortega, illustrative for its despotism and ridiculousness. Ortega put pressure on Nicaragua's Supreme Court to agree that the article in the Constitution that forbade successive reelection violated the candidates' human rights!

Populism tends to stand against liberal values, and in its classic form it flourished with the interventionism that spread in the 1930s, successfully personified in economics by John Maynard Keynes but present all over the world, as the rise of fascism and other variations of socialism proved (Rabello de Castro and Ronci 1991, 158; Sturzenegger 1991, 83–86). Yet populism does not conform to one clear model, and its interventionism can include liberal features, more or less intense for purely opportunistic reasons, that populism can wield precisely because of the absence of the shared liberal culture and traditions I have already mentioned (Bazdresch and Levy 1991, 228). Its argument has points in common with those of fascism and socialism, although no populism has been thoroughly socialist in the sense of advocating the end of private property and the full socialization of the means of production. On the contrary and more along the fascist lines, it usually presents itself as a system that integrates businesspersons, using adjectives such as *national*, and assigns them important political roles, starting with the corporatist tripartite "social" pacts or dialogues with government and trade unions. Given the policy of so-called inward development, the businesspeople whom populism welcomes have been as a rule protectionist, and their businesses inefficient and costly. But firms in general have not been harassed by populist policies. Federico Sturzenegger recalls that in the midst of the chaos in Argentina after 1973, the longer-lasting economy minister, who survived four presidents, was José Ber Gelbard, a businessman who presided over the employers' organization Confederación General Económica (1991, 78, 91).

Populist interventionism has been both microeconomic and macroeconomic, ranging from wage and price controls, sometimes absurdly meticulous, to the nationalization of public utilities, credit managed by the authorities, a wide span of custom duties that have reached even commercial autarky, exchange-rate overvaluation, and fiscal and monetary policies heading toward inflation and large public deficits (Cardoso and Helwege 1991, 46–47). In spite of all this interventionism, though, the populist state has not been very big in comparison with other states, and neither has its tax burden (characterized by its redistributive selectivity) because the state has tended to collect resources while punishing with special care some specific groups, discriminating politically and economically—for example, the importers or the more

competitive farmers. This stance has made it dependent on the sales to foreign markets, precisely a variable that populist policies have harmed, and so commodity-price fluctuations have accordingly had a profound effect on economic policy strategies, as in Argentina up to the present. Something similar can be said of a country so dependent on oil exports as Venezuela (Martínez 2006).

With steep cycles of boom and bust, populist policies end in blind alleys, where the measures aimed at satisfying the interests of noncompetitive capitalists and supposedly of workers encounter at least three bottlenecks: balance of payments, public finances, and price stability. If populism's arguments are theoretically weak, its credibility is damaged more severely by the systematic confirmation that its policies are unsustainable in practice. In addition, "when the short-term economic benefits that [these policies] can potentially yield are exhausted, the unavoidable correction that follows has economic costs that erode the initial economic gains; in present value terms, populist policies are welfare reducing" (Bazdresch and Levy 1991, 254–55).

As repetition of these failures eats into populism's political capital, the hypothesis of its coming demise gains plausibility. After all, it is reasonable to anticipate that the politicians' survival instinct will push them away from discredited programs that can only weaken them. We can nevertheless glimpse another hypothesis, a disquieting one for defenders of the values of free enterprise: populism may not expire but instead transform itself into a sustainable political agenda in which its interventionism will change not by diminution, but by deepening—an agenda that might solve the instability and debilitation problems that populism has faced in the past.

## Populism and Democracy

Relations between populism and democracy are usually deemed to be antithetical. Because populist politicians often enjoy electoral success but often do not respect rules and proceedings, it is said that populism "despises democracy" (Torre 2001, 178), that it "undermines, controls, and in the end subdues or cancels the institutions of liberal democracy" (Aguinis 2005, 17), or that "there is no such a thing as democratic populism" (Rabello de Castro and Ronci 1991, 157; see also Krauze 2005).

Populism's opposition to democracy is evident in that it emphasizes the role of charismatic leaders who do not need institutional intermediaries between them and the citizens because they supposedly emanate almost magically and directly from the people, whom they protect against perverse national and foreign oligarchies.<sup>4</sup> This opposition has been openly expressed, as when Perón disdained the system he labeled "demoliberal bourgeois" or when Ché Guevara spoke about what he maintained were the nearly carnal relations Fidel Castro had with the people of Cuba. It is accordingly

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4. Eduardo Posada Carbó quotes the following definition of populism by Kurt Weyland: "a political strategy through which a leader tries to achieve or exercises governmental power based upon the direct support, not a mediated or an institutionalized one, of large masses of unorganized followers" (2006, 6).

no accident that in academic discussions populism is defined as a threat to the democratic system: “Populism takes ‘government by the people, for the people’ literally and rejects all checks and balances on the popular will. Other constitutive elements of democracy—the rule of law, the division of power or respect for the rights of minorities—are rejected because they confine the people’s sovereignty” (Jagers and Walgrave 2007, 337–38).

Nonetheless, this insistence should not drive us to the conclusion that everything in populism is incompatible with democracy as we know it in the developed countries or that this democracy has no relation with populism at all. It is one thing to hold that populism is somehow cornered in a stable political system with a more or less articulated civil society (Bazdresch and Levy 1991, 256; Rabello de Castro and Ronci 1991, 151), but another thing to hold that populism must be totally absent in such a context.

Let us go back to the accustomed vagueness of populism: “Populism, thinly defined, has no political colour; it is colourless and can be of the left and of the right. It is a normal political style adopted by all kinds of politicians from all times. Populism is simply a strategy to mobilise support, it is a standard communication technique to reach out to the constituency” (Jagers and Walgrave, 2007, 323). Populism can change, as in the case of Menem, a Peronist who supported globalization and freer markets against the old nationalism of his own party, although, as already noted, he at the same time expanded the role of the state, weakened the division of power, spread corruption with the help of a friendly justice, and dabbled in hazardous monetary alchemies—all characteristically antiliberal. In addition, he preserved typical Peronist clientele networks, such as the totalitarian trade union structure, also a negation of liberalism’s opposition to privilege and arbitrariness. Opportunism and the lack of homogeneity, distinctive of populism, are intense in this case and explain how it was possible to attach the neopopulist label to Fujimori and to Menem, who privatized the same public utilities that had been nationalized during Perón’s two first terms as president after 1946. Torre points out that populism is not a transitory phenomenon, is not linked to a particular economic policy such as import substitution (and protectionism), and does not derive only from a crisis but is associated with redistributive interventionism (Torre 2001, 172, 185, 189), which is precisely the mark of policies in the more stable democracies.

Alan García’s example in Peru is likewise remarkable because the same person that applied a populist policy with unsustainable and absurd features came back years afterward with a different agenda. It is unrealistic to imagine that García would declare today, as he did in April 1990, that the culprit of inflation is terrorism (Lago 1991, 319).

As noted previously, populism has a personal component, but therein lies one of its crucial deficiencies that accounts for its political and economic instability. The consequences of its policies are more readily ascribable to an individual than are policies in a stable democracy. If populist leaders take advantage of this circumstance in the good times, they suffer for it when the going gets tough. In contrast, governments in developed countries change, but no political party has never stood seriously

against the welfare state: even in an economic crisis as deep as the present one, policymakers' proposals always hinge on reforming the welfare state rather than cutting it back substantially, let alone abandoning it.

The shameless exhibition of closeness to the people is by no means exclusive of Latin American populists (Jagers and Walgrave 2007, 322). Alberto Recarte has highlighted the many populist traits in Spanish politics (2010, 279–83). They can be spotted in all political movements, including those on the right, that in Spain and the rest of Europe call themselves “popular.” José Luis Rodríguez Zapatero and the Spanish socialists have often boasted about their solidarity with “the meek” and “the have-nots,” and the president has defined socialism as “the party that looks more like Spain.” Substituting person for party, as populism is wont to do, the message is equivalent to Alberto Fujimori's slogan “a president like you” (Torre 2001, 182).

Agreement with businesspersons, it should be remembered, is postulated by populism; generalized conflict with them, in the style of Salvador Allende, is rare (Bazdresch and Levy 1991, 224). Perón claimed to be holding a “third position” between capitalism and socialism many years before Anthony Giddens's view and similar points of view were upheld by Harold Macmillan and many other politicians in 1930s, including the fascists (Vargas Llosa 2005, 12). These middle-of-the-road standpoints have caused populism to be despised by the Left for being moderate and feared by the Right for being socialist (Calle 2006, 3). It is true that in recent decades the agreements with business, particularly in developed countries, have been different from the brazenly protectionist ones that mark populism, but the political reasoning on the necessity of the so-called social pacts is similar in all cases, albeit probably more effective in legitimizing power in nonpopulist regimes. Be that as it may, populism is prepared to carry on this type of democratic corporatist strategies, as it has done in the past in diverse contexts. In Argentina, Peronism immediately arranged interclass alliances with the protectionist industrial bourgeoisie but modified the coalitions under Menem's more open policies and revised them once again afterward during Eduardo Duhalde and the Kirchners' terms (Torre 2001, 174, 177).

The Left can back certain forms of populism, as it is presently doing with Hugo Chávez in Venezuela and Evo Morales in Bolivia and has done in the past, as with the Argentine governments of Hector Cámpora and Juan Perón in 1973, but in recent years—though without breaking loose from Chavism and its Latin American allies in Bolivia, Ecuador, and Nicaragua—it has shown increasing preference for the more stable redistributive models of Chile and Brazil. A good example is the work of Ludolfo Paramio (for a more critical and leftist view, see Sanmartino 2007). Paramio is unwilling to condemn populism “inasmuch as it introduces social and economic measures benefitting majorities,”<sup>5</sup> but the alternative against populism from the left has to solve populism's fundamental contradiction: “it can easily drift toward economic

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5. This fantasy, which also appears in earlier studies of populism from the Marxist point of view, takes antiliberalism at face value and simply assumes that less liberty is better for the people.



policies with little or no responsibility, because its priority is cliental redistribution instead of investment and the transformation of society” (2006, 72). He acknowledges the difficulty stemming from the fact that populism in Latin America enjoys more victories at the polls than the Left does, which explains why the Left has more weight currently in the places where it already had a relevant presence (Chile, Brazil, Uruguay) and fittingly underlines the redistributive key in a context of political stability and economic growth.<sup>6</sup> This key does not exclude the Right in the least, as shown by all advanced democracies and today in Latin America by Sebastian Piñera’s government in Chile. What it does exclude is the promotion of the values of the market economy and free enterprise.

On the basis of a stable and institutionalized redistribution, populism can change and overcome its deficiencies in a democratic context where demagoguery is left behind or more likely integrated, if not welcome, in a political system with clientelism but no populism, as Miguel Urrutia describes Colombia (1991, 374; see also Rabello de Castro and Ronci 1991, 151). Mexico has also been considered institutionally protected against populism (Aguilar Rivera 2006, 41). Guy Hermet says that no respectable politician will confess to being a populist, “but all of them resort to a certain measure of populism to be elected, and our democratic institutions get the essence of their legitimacy from deeply populist statements” (2003, 6, 14).<sup>7</sup> Other elements of populism, which may be considered “a form of political culture rather than the crystallization of an ideological process” (Bartra 2008, 50), may also survive, including the personalization of government, the demonization of opposition, the hypertrophy of the executive branch, the undermining of checks and balances, and the urgency of showing laudable and visible results in the short run. Paraphrasing Constant, we can think of a populism of the ancients and another of the moderns or of a carnivorous and a vegetarian Left, the second alternatives being apparently preferable (Mendoza 2008).

I am not speaking here of a transition from interventionism to liberty, but from one interventionism to another, more stable one. From the political standpoint, the calls for prizes and punishments would change; they would not charge in favor of excluded workers and against oligarchic minorities or in favor of national/small firms against foreign/large firms. In a developed democracy, some large identifiable groups are openly excluded—those that do not organize and resist oppression, such as taxpayers, consumers, smokers, and so forth. This consideration explains the political success of foreign aid: the public can distinguish clearly the millions of needy poor in other latitudes and accepts taxation supposedly for their benefit. Interventionist politics similarly finds new objects of solicitude (homosexuals, women, the environment)

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6. Carlos Malamud points out that these countries had institutions and a political system that prevented the Left from drifting toward populism (2006, 48).

7. At the recent Buenos Aires meeting of the Mont Pelerin Society in 2011, Sebastián Edwards remembered the leftist ecologist German politician Daniel Cohn-Bendit, who reproached a conservative member of the European Parliament by saying, “You are just like Hugo Chávez!”

and imposes coercion with a populist-like rhetoric, such as “extension of rights,” spreading the costs of their measures across a growing but, at least until now, less resistant middle class of taxpayers.

From the economic point of view, we would see more governments worrying about public deficits and inflation and adopting policies that do not interfere in the price mechanism or market-based resource allocation in contrast to classical populist policies “that implicitly or explicitly disregard resource constraints, the informational content of prices, and the reaction of agents to the incentive structure and attempt to replace markets by direct government allocations” (Bazdresch and Levy 1991, 228). A service economy does not accommodate old populism’s interventions, import-substitution industrialization, with another productive sector (agriculture) being victimized. In Argentina, President Cristina Fernández de Kirchner tried to do something of the kind recently with unsatisfactory results.

We may witness the passage from a populism hostile to globalization to a populism integrated and diffused into the welfare state, with freedom of trade but great fiscal pressure—apparently demanded by the citizens—that can culminate, as in Europe, in redistribution that is no longer made occasionally and arbitrarily through wage policies or the political manipulation of relative prices, including the exchange rate, but through public expenditure, whose end result disconcerts politicians, pundits, and the media, as if societies with exorbitant taxes and minute salaries, such as the present ones with millions of *mileuristas* (thousand-euro earners), were inconceivable.

Such a transition will be not be easy, nor is it inevitable. On the contrary, it will be difficult to accomplish because Latin American countries suffer legal and institutional weaknesses that hinder the functioning of any normal state, let alone a welfare state. The latter is something more than a package of expenditures, redistribution, and taxes: it is a new model of state, based on an interventionist tradition and a political culture that shifts the liberal vision in regard to such essential notions as law, justice, and citizenship. All this is not easily transferred from one continent to another. Nonetheless, Latin America is prone to such a transition—for three reasons, which have to do with economy, politics, and values.

Developed countries are rich not because they have large states; they have large states because they are rich. For the first time in many years, most of Latin America has gone through a lengthy period of economic growth and has been able even to get around the crisis that has had a much greater impact on almost all of the First World. In the political field, a circumstance unheard of in decades stands out: the generalization of democracy, which separates the region from other emerging countries that have exhibited remarkable economic dynamism. Perhaps more important, new values and consensuses that approach the ones in the developed world are spreading through Latin American political culture. In the attitudes toward economic policy, it is now usual to stress that citizens object gradually less to the market economy and more to the measures linked with old populism, such as extended protectionism, exploding public deficits, and rampant inflation. The bizarre maneuvers made by Argentina’s

authorities to hide the true evolution of prices illustrate the last point. In the political realm, we can point out the vast acceptance of democracy and even the open requirements for more public intervention, both in its redistributive dimension and in the classic dimension of physical safety, as evident in recent years in Mexico and Brazil. In many Latin American countries, the fact that the tax collection is not high is considered noticeably problematic, and the lamentations regarding this matter are regularly associated with the high levels of poverty and inequality, but never with a tax burden that is already high. When the latter fact is admitted, commentators normally add that it is so only for the unfortunate ones who pay taxes; the widespread fantasy is that taxes might be lower if evasion and the underground economy were curtailed. It is likewise customary to proclaim that in Latin America “there is no state,” an unwarranted assumption that is never celebrated and always regretted by writers who compare Latin America with the major countries of the world.

The possible new stage—interventionist, redistributive, and stable—might be sustainable and overcome the obstacles that populist arbitrariness sets up against economic development as its policies undermine certainty and thus end by killing the geese that lay the golden eggs. This seemingly moderate and nonrevolutionary possibility is defended in Latin America as an obvious best. Half a century ago respectable academics and politician members of the Alliance for Progress were asking for the violation of property rights through land reforms, even while being financed by American foundations or American taxpayers. In a similar manner, equally balanced intellectuals and policymakers now put forward “genuine redistribution programs,” claiming that “the need for genuine redistribution and economic growth in Latin America is acute. . . . [E]xtreme poverty persists as a result of inequitable income distribution” (Cardoso and Helwege 1991, 47, 59, 65); “the demise of socialism need not mark the end of serious efforts to redistribute income. Income distribution in Latin America remains very inequitable relative to the rest of the world” (Ocampo 1991, 363–64). The solution in this view will not be liberalism, but a combination of the opening up of markets and more social expenditure—once again a third way, “a better equilibrium between market and state, between the public and private sectors” (Barnechea 2005, 19).

Even such a well-known liberal as Arnold C. Harberger, a staunch detractor of populism, has written: “[L]eft-of-center governments have, in fact, run some quite good economic policies in recent years: Spain under González, France under Mitterrand” (1991, 365). But those administrations left much to be desired and were criticized by many other liberals. Shortly after those words were published, Felipe González’s governments in Spain produced a soaring unemployment rate and exploding public expenditures, which would reach almost 25 percent of the labor force and 50 percent of GDP, respectively. When a liberal such as Harberger labels the economic policies of such a government “quite good,” we may well fear that the values of free enterprise are in for a great deal of trouble because the policies he applauds had appreciable antiliberal ingredients. However, those who implemented them were not—sigh of relief—populists.

Alejandro Bongiovanni maintains that populism is not theoretically definable because it is a trick, a *modus operandi* that can serve any purpose by appealing to the people in order to justify “intruding on liberty, property and the respect for contracts, brandishing fictions such as the common good, the security of the nation and other sophisms” (2007, 19–21, 23, 26). For this same reason, however, we cannot rule out the possibility that populism may surmount its interventionist inefficiencies as far as the promotion of economic growth is concerned and adopt the form of an institutionalized redistribution system politically acclaimed at least since the United Nations 1948 Universal Declaration of Human Rights and present in nearly all the constitutions of the world.

In the new populism, personalistic and charismatic leaders will be replaced by the welfare state, gaining greater legitimacy to stabilize, deepen, and prolong coercion. Indices of economic freedom would celebrate Latin America’s commercial openness, its diminished microeconomic interventionism, its greater legal security, its reduced public deficit, its moderate inflation rate, and the absence of abrupt and significant oscillations in exchange rates. They would only add, as a sad footnote, that in this idyllic landscape that looks so much like Europe, middle-class Latin Americans have also ended up paying taxes that look much like Europe’s.

## Conclusions

We have seen that populism is essentially antiliberal. We have also explored a conjecture about how populism might come to be integrated into a stable, interventionist democracy—a development that analysts have considered a contradiction in terms, but one that is not unthinkable. The transition of classic Latin American populism to a new stage under a welfare state, however, is not something that liberals should welcome; indeed, it would be a step backward and entail a strengthening of coercion. Eliminating massive nationalizations and exhaustive price controls but otherwise expanding the state’s size and scope would be clearly pernicious to the values of free enterprise: more time will be required to unmask the new forms of deception than to lay bare the nature of the old, clumsy populism.

Much worry about the public deficit, for example, can go hand in hand with a pronounced increase in expenditures and taxes in both democratic and undemocratic regimes: ruthless dictators have sometimes respected balanced-budget prescriptions. The manipulation of people’s values by a democratic state can be thoroughgoing but also more subtle than in other systems; to give only two examples, we can consider education and business associations, the first turned into a propaganda mechanism and the second changed into government’s *de facto* and at times very enthusiastic partner.

The values of free enterprise, impeded by populism’s traditional interventionism, might be even more deftly and profoundly obstructed by modern democratic regimes with a consolidated welfare state. What can be done, then, in the new setting that poses a more daunting threat to liberal values than old populism did?

As Marxism recommends, we might take advantage of the system's contradictions. If populism becomes more thoroughly democratic, it will not be able to silence opponents' voices with the rage and cruelty of the past. This difference will obstruct even populists such as Chávez who are especially bold in their raids against freedom of the press. It is unthinkable that the well-known conflict between the Kirchners and some important media groups of Argentina will end in the direct confiscation or elimination of a major medium of communication with no explanation and with no overwhelming political setbacks on short notice, as when Perón shut down the newspaper *La Prensa* in 1951. If room for some opposition remains, liberals will be able to denounce the encroachments on freedom with less risk than they bore under classical populism. This latitude will also be helpful in countries where the more personalistic and less institutional populism lingers on: liberals will have fewer impediments to criticizing the incompatibilities of populism's messages and its policies as well as its incompetence in fulfilling its promises, the dreadful practical consequences of its interventionism, its corruption, its abuse of power, its clientelism, its sectarianism, its cult of personality, and all of the ridiculous and grotesque features that always characterize it. Liberal critics will not have to fear so much the regime's recourse to violence through the patronization of the so-called social movements, which are never controlled, let alone crushed, if they support the government or share its ideology in whole or in part.

As Latin American politics evolves toward normal democracy, liberals may grasp the advantage of pointing out other contradictions—namely, those that afflict the welfare state in the more advanced economies. The present economic crisis has called into serious question the supposed paradise of the welfare state. That state's supporters have argued once again that responsibility for the catastrophe rests with liberty. They have done the same in previous crises and have always suggested tax increases in order to deal with the situation. However, because the tax burden is in every period of turbulence heavier than in the previous ones, the economy's sustainability is weakened by the combination of more taxes and more limited benefits (Lal 2002, 248). Liberals can emphasize the problems that welfare states face in developed countries to counteract the appeal of institutionalized populism: interventionism's unintended consequences can serve as a warning, even if daring to point them out has costs.

A final question pertains to popularity: Can liberalism be popular without being populist in any of the versions of populism we have considered? The matter lies not, as we have seen, in populism's adoption of (mainly economic) liberal features, something it can accomplish without being really liberal. Speaking of liberal nationalism or liberal socialism likewise betrays a misunderstanding because all these cases refer to theories, regimes, or political styles that show variable opportunism but systematic anti-individualism. Liberal democracy's universal tendency toward expansion of political and legal coercion means that the same stricture applies to it. The combination of liberalism with any of the three leads to vaporous mixtures in which, as in all third ways, anything is possible except liberty.

Bryan Caplan (2006) says that liberal populism is possible but not probable: it was last seen in the tax revolt of the late 1970s and early 1980s and has vanished ever since. He is not surprised by this poor showing because “the man in the street has little sympathy for libertarian policies.” It is interesting to reflect on the possibility that liberals might defend their values as a genuine representation of what is good for the people with the same success that antiliberal populists enjoy, but without lies. To attain this goal, of course, it is not necessary to form an alliance with populism, something that would demand a sacrifice of principles, though it can always be sadly countered that the one Latin American leader who did not sacrifice his liberal principles, Mario Vargas Llosa, lost the presidential election in Perú to the populist Fujimori (Gallo 1992, 127).

With regard to positive proposals for action, popular liberalism confronts the two problems indicated by Ross Douthat in his analysis of the Tea Party’s liberal possibilities:

First, which is something Tim [Timothy P. Carney] gets into in the book [Obamanomics: How Barack Obama Is Bankrupting You and Enriching His Wall Street Friends, Corporate Lobbyists, and Union Bosses], is that Democrats may be becoming America’s other party of business, but the idea of taking sides against corporate America is still foreign to many Republicans. The second problem—a deeper and longer term problem for partisans of limited government—is that the most successful arguments that are being made by conservatives against the Obama administration’s proposals tend to be defenses of middle-class entitlements. . . . [I]n fact, the free-market party in America oscillates wildly between sweeping denunciations of big government, on the one hand, and support for existing middle-class entitlements on the other. So, in the long run, even if some particular victories on regulatory fronts are won, if you look at the trajectory of government spending and government power in the United States . . . it’s all driven by entitlements. There’s a great danger that the Tea Party movement, libertarian populism, and so forth could win some short-term battles, but use tactics that cause them to lose the larger war. (Douthat, Reinhardt, and Carney 2010, 12)

Joseph Stromberg adds: “Outright demagoguery will likely fail—for example, the Tea Parties now cynically hijacked by Republicans. Those gatherings suggest how unintelligent populism can serve its ostensible enemies. An intelligent populism rooted in real American traditions might be another matter. Whether such a populism exists or can exist is an open question” (2010, 7).

Open question, indeed. It is not at all clear that an intelligent populism is possible and not contradictory because populism rests on manipulation of the masses, something not exactly dear to the hearts of America’s Founding Fathers. As far as the

Tea Party is concerned, its liberal facets are clear, but hostility to government is not sufficient to define liberalism, and neither is the defense of property or the claims for less public expenditure or less taxes. Populists, socialists, nationalists, and conservatives can in a more or less occasional or opportunistic manner advocate for some liberal ideas—generally economic and never systematic—leaving completely aside individualism and tolerance, among other things. In the kingdom of the halfway houses, many odd results can be seen, even the courting of liberals by proponents of trends of thought that require them to be everything except what they are.

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