

Democracy under Threat

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From Illiberalism to Populism

The Ideological Causes of the Latin American Failure

Axel Kaiser

Institutions cannot survive in a country if people do not believe in them.

In Latin America, there is a lack of trust in institutions and that is
one of the reasons why our nations fail.

—Mario Vargas Llosa

In no other region in the world has populism¹ been more pervasive than in Latin America. Without any doubt, this malaise has been one of the main reasons for the region's relative backwardness. Despite some progress, the difficulty in creating what has been called 'inclusive institutions'² has led Latin American countries to fail in achieving levels of prosperity comparable with their northern neighbours. While the United States and Canada have had political stability, democracy, and sustained progress over time, authoritarianism, nationalism, corruption, and disastrous economic policies have characterized Latin American history for over a century. A variety of explanations have been offered for the Latin American failure.

One reason, however, has been often overlooked despite its plausibility. In 1981, when asked by the Chilean Newspaper *El Mercurio* about the different economic performances of Latin America and the United States, Nobel laureate economist and philosopher Friedrich Hayek argued that the reason for the gap lay in the different intellectual traditions followed in both regions. According to Hayek, while the United States had remained 'faithful to the old English tradition' of limited government, in South America, 'people sought to imitate the French democratic tradition', which aimed at giving 'maximum powers to government'.³ Interestingly enough, a century earlier, Juan Bautista Alberdi, the father of the Argentinian constitution and one of Latin America's most renowned intellectuals, had made the same case. According to Alberdi, in the Anglo-Saxon world, people did not expect the government to make them happy or prosperous. Instead, their success was based on the liberty of individuals.⁴ Alberdi went on to argue that owing to the influence of the French intellectual tradition of thinkers such as Rousseau, Latin Americans had a culture of 'omnipotent governments' that intervened 'in everything' because the people expected them to solve all their problems.⁵

It is worth noting that in their assessment of the French and American intellectual traditions, Alberdi and Hayek were not far from Alexis de Tocqueville, who argued that the excessive faith in the role of government was a distinctive feature of the French culture. In the United States, wrote Tocqueville, people associated in order to solve public problems having learnt 'from birth' that they must rely upon themselves 'to combat the ills and obstacles of life'.⁶ In France on the other hand, people demanded government intervention in order to achieve the same end.⁷

Ideas and Institutions

The Hayek-Alberdi approach to the relative failure of Latin America in achieving prosperity and stability points to a factor that has been crucial in defining institutional arrangements throughout history: the role of ideas and ideologies. When Nobel laureate writer and former Peruvian

presidential candidate Mario Vargas Llosa argued that one of the reasons why Latin America failed was that people did not trust institutions because they were corrupt, he was only partially right.⁸ It is culture that sustains inclusive and honest institutions more than the other way around. In other words, progress requires a widespread ethical system that supports the institutional framework that enables it. The modern world itself, with its technological, economic, and democratic achievements, cannot be correctly understood without taking into account the role of ideas. Economist Deidre McCloskey has pointed out that it was ideas—and not capital or institutions—that sparked the industrial revolution, leading to what she called ‘The Great Enrichment’. In McCloskey’s words, ‘what led to our automobiles and voting rights ... were the fresh ideas that flowed from liberalism’ of the sort exposed by Adam Smith.⁹

Thus, the nature of the change that created modernity was not material but ideological. Specifically, the idea of ‘liberal equality’, according to which all people have the same dignity and therefore the same fundamental rights, led to the development of increasingly inclusive institutions both in the economic and political fields. Contrary to the Robinson-Acemoglu¹⁰ assumption that institutions such as property rights alone explain success or failure, McCloskey argued that property rights or any inclusive institution cannot endure without a generalized ethic that promotes it.¹¹ In other words, ideas about the importance and fairness of such institutions must be generally shared, otherwise they will disappear. This point had been made much earlier by John Stuart Mill, who wrote that ‘opinion is in itself one of the greatest active social forces’ in defining government institutions, adding that ‘one person with a belief is a social power equal to ninety-nine who have only interests’.¹²

Neoclassical economists, however, have largely ignored the role of ideologies in the development of institutions, both formal and informal. As Nobel laureate economist Douglass North pointed out, ‘economics has little to say about ideology and even less to say about how it affects choices and economic performance’.¹³ According to North, this is a grave mistake, especially when it comes to explaining why some nations fail to achieve

development. Ideologies like communism, explained North, are ‘organized belief systems frequently having their origins in religions which make prescriptive demands on human behavior.’¹⁴ Insofar as ideologies entail a prescriptive component they ‘affect people’s perception about the fairness or justice of the institutions of a political economic system.’¹⁵ Universidad Francisco Marroquín professor Wayne Leighton and Western Carolina University professor Edward Lopez have developed a model of political change that contributes to complement North’s approach. In their model, the prevailing ideas are largely but not wholly defined by intellectuals. They then have an impact on what Hayek called ‘the second hand dealers of ideas’—artists, historians, journalists, etc.—who in turn have influence on the climate of public opinion. Finally, the climate of opinion creates the common beliefs about the role of government and the market. Thus, according to this theoretical framework, ‘as ideas shift...they exert pressure on institutions.’¹⁶

The Development of Extractive Institutions

There is little doubt that in Latin America populism has nurtured itself from illiberal intellectual traditions that have favoured the development of extractive institutions.¹⁷ As North argued, in the Latin American case, the widely held beliefs embodied in the informal constraints of European and American societies that account for the existence of flexible institutions and their success are not to be found.¹⁸

Juan Domingo Perón, the most emblematic figure in the history of Latin American populism, is a case in point. In 1951 Perón created the Escuela Superior Peronista (ESP) an educational institution with the aim of spreading the Peronist doctrine among the population. Like Alberdi, General Perón thought that ideas were crucial for defining the institutional framework of a country. The ESP’s role, he said, was to ‘develop and to keep the doctrine updated’ in order to ‘indoctrinate and unify the masses.’¹⁹ Whether the ESP was successful or not in achieving its end, there is no doubt that Peronism became a dominant social, intellectual,

and political force in Argentina. And the results of this illiberal doctrine were disastrous. As Pulitzer-winning economist Daniel Yergin and Duke adjunct professor Joseph Stanislaw put it: 'Building on the pre-war popularity of fascist ideas, Peron turned Argentina into a corporatist country, with powerful organized interest groups—big business, labor unions, military, farmers—that negotiated with the state and with each other for position and resource.'²⁰

Other emblematic ideologies favouring government intervention and extractive institutions during the twentieth century were the famous import substitution industrialization (ISI) and dependency theories. According to these doctrines, Latin America was a victim of exploitive international capitalist relations. Therefore, it had to cut itself off international free trade and move towards a more socialistic and protectionist type of development model. To be sure, protectionism was fashionable not just in Latin America, but while developed nations after the Second World War moved towards free trade, Latin America followed the opposite direction. Under the leadership of Argentinian economist Raul Prebisch, the United Nations Economic Commission for Latin America (ECLA) based in Santiago, Chile, spread ideas such as the dependency theory and the ISI becoming extremely influential over intellectuals and over the region's economic policies until the 1980s.²¹ Ultimately, ECLA's statist policies not only failed in creating prosperity, but also played into the hands of politicians and demagogues, who used doctrines such as the dependency theory as an excuse to blame their own economic failure on external factors.²²

Illiberal doctrines have also been the defining characteristic of Latin American philosophy for a long time. The Stanford Encyclopedia of Philosophy notes that 'Latin America has had a long and notable history of receptivity to socialist thought'. Moreover, 'the popularity of the Marxist perspective has made possible its increasing institutionalization and its widespread impact on virtually all active philosophical approaches in Latin America.'²³ When in his classic essay *Del buen salvaje al buen revolucionario*, Venezuelan intellectual Carlos Rangel observed that in the United States, the ideas of John Locke had become as popular and influential as the ideas

of Marx and Lenin in the 'Third World', he was thinking particularly about the damage that socialist philosophies had done in Latin America.²⁴ It is not a surprising fact, however, that socialism in its diverse manifestations should become so influential in Latin America for much of the twentieth century, and that even today it remains a powerful force of institutional change. As Alberdi noted, the belief that the government should solve most problems in society was and arguably still is a central feature of the Latin American culture.

The Redemption of the Masses

This view, reinforced by intellectuals and the media on a daily basis, has certainly contributed to the widespread notion that a *caudillo* or a redeemer,²⁵ once in power, can and should elevate the masses to a better standard of living.²⁶ It has also provided a political and ethical justification for countless revolutions, whether violent or not, that have found their most idiosyncratic expression in the creation of new constitutions that undermine political stability and legal predictability.

Statesman and political thinker Edmund Burke denounced this idea of the social order being recreated at will as dangerous in his attack on the French Revolution. Institutions, he suggested, evolve over time and are the result of a complex process of knowledge accumulation. Therefore, he wrote, 'it is with infinite caution that any man ought to venture upon pulling down an edifice which has answered in any tolerable degree for ages the common purposes of society, or on building it up again, without having models and patterns of approved utility before his eyes.'²⁷

In Latin America, Burke's warning went unheard. Constitutions are seen as the panacea for solving all kinds of social problems while usually becoming instruments for the concentration of power in the hands of the leader. On average, Latin America has had more constitutions than any other continent, including Africa. The four countries in the world that have had more than 20 constitutions throughout their history are all in Latin America: Dominican Republic (32), Venezuela, (26), Haiti (24), and Ecuador (20).

In Europe, France (16) is by far the country that most closely resembles Latin America's convoluted constitutional history.²⁸

Again, the contrast with the North American experience could not be greater. Though it was a colony of an overseas power, the United States managed to create political order and inclusive institutions with only one constitution throughout its entire history. This divergent development confirms once again the importance of ideologies in containing the malaise of populism and caudillism. As North and Weingast explained, a shared belief system about the legitimate ends of government and the extent of citizens' rights is crucial for creating political order and prosperity. Without a liberal type of 'social consensus' that makes the commitments made by the state credible, there are no limits to the power that can be exerted by the rulers.²⁹

In Latin America, the rise of what has been called '21st century socialism' provides a clear indication that such a social consensus is not to be found in many countries. Virtually all the countries that fell into the hands of caudillos who claimed to represent this new label of socialism created new constitutions with the aim of increasing their own power.

A crucial difference with previous socialist revolutions is that 21st century socialism prevailed through democratic means and not by resorting to violence. That made the intellectual battle a decisive battle. Marta Harnecker, an old icon of socialist thinking in the region and an adviser to Hugo Chávez and Fidel Castro, best expressed this idea when she wrote that in order for 21st century socialism to work, it had to 'win over the hearts and minds of the people', which could only be achieved by spreading 'new values and ideas'.³⁰ Evo Morales' vice president and main adviser Álvaro García Linera goes even further when he argues that 'the victory of the left in Latin America' had been the result of 'a process of mobilization in the cultural and ideological spheres as well as in the social and organizational spheres'.³¹

For Linera, the theories of Marxist intellectual Antonio Gramsci, who coined the term 'cultural hegemony' had to become part of any socialist strategy. Along the same lines, Chavez' adviser and co-founder of the

Spanish political party Podemos, Juan Carlos Monedero, argued that 'the notion of Gramsci's organic intellectual' was at the heart of 21st century socialism.³² At this point it is worth remembering that the central premise of Gramsci's thinking is that people are not mainly ruled by material forces but by ideas.³³ It is up to the intellectuals, said Gramsci, to legitimize an existing order or to change the cultural hegemony with the aim of eroding its popular acceptance.

As can be seen, this view coincides with the model of political change presented by Leighton and Lopez and is not that far from North's approach to institutional change. In Latin America the efforts to revive socialist ideas that led to a new era of populism were not confined to books. A new socialist hegemony was one of central goals of the famous Sao Paulo Forum (SPF), which took place for the first time in Brazil in 1990 and has held an annual meeting ever since. The event was a joint initiative of Fidel Castro and Ignacio Lula Da Silva and brought together the most important left-wing political parties and organizations in the region. In the conclusions of the SPF, the participants declared that they sought to 'revive left wing and socialist thinking' after the collapse of the Berlin wall in order to defeat 'neoliberalism' and capitalism.³⁴

Despite recent backlashes experienced by 21st century socialists such as Cristina Kirchner, Nicolás Maduro, and Evo Morales, it could be argued that the SPF had an enormous success. As a 2012 paper analysing the SPF put it, 'never has the Latin American left been so strong as it is right now, and never had it grown so fast and successfully as in the last two decades.'³⁵ The re-emergence of left-wing populism and caudillism in Latin America after the co-ordinated efforts of the SPF seems to be more than a coincidence. Even if it was, there is little doubt that 21st century socialists are actively engaged in an ideological battle to make their authoritarian projects more acceptable.

To be sure, other factors such as the rise in commodity prices were decisive for sustaining the populist agenda. But ideas and cultural hegemony were no less important. As Ernesto Laclau, one of the main theoreticians of populism, explained, material needs alone do not suffice in articulating

a populist movement. The logic of ‘people versus elites’ only emerges as a political force capable of producing real change when a discourse arises that articulates them and unifies them in a ‘stable system of signification.’³⁶

In other words, ideas, language, and hegemony are the defining components of any populist movement. Latin American populism has always found fuel in ideas, values, and ideologies that have contributed to create and reinforce a largely illiberal culture. That being the case, the only way to overcome the constant threat of populism is by making the ideas of an open society so popular that they become part of the Latin American cultural heritage. Only then will institutions emerge that create the incentives for achieving economic prosperity, the rule of law, and stable democracies.

Notes

1. Mudde and Rovira Kaltwasser define populism as a ‘thin centered ideology’ that views the interests of a ‘pure people’ as opposed to those of a ‘corrupt elite.’ Populism argues that politics should be an expression of the ‘general will’ and that a leader who is capable and willing to represent it should rule. In Latin America, populist leaders have typically been anti free market, engaging in unsustainable economic policies as well as in political reforms and practices that undermine the rule of law. See Cas Mudde and Cristóbal Rovira Kaltwasser, *Populism, A Very Short Introduction* (New York: Oxford University Press, 2017), p. 6.
2. According to Acemoglu and Robinson, ‘inclusive economic institutions...are those that allow and encourage participation by the great mass of people in economic activities that make best use of their talents and skills and that enable individuals to make the choices they wish. To be inclusive they must feature secure private property, an unbiased system of law and a provision of public services that provides a level playing field in which people can exchange and contract; it also must permit the entry of new businesses and allow people to choose their careers.’ Extractive institutions, on the other hand, are ‘designed to extract income and wealth from one subset of society to the benefit of a different subset.’ Thus, extractive economic institutions benefit the elites at the expense of society, while extractive political institutions enable the same elites to ‘structure future political institutions and their evolution.’ See Daron

- Acemoglu and James A. Robinson, *Why Nations Fail*, (London: Profile Books, 2013), pp. 74, 81.
3. Cited in *El Mercurio*, 12 April 1981, p. 8–9, available at <http://www.economicthought.net/blog/wp-content/uploads/2011/12/LibertyCleanOfImpuritiesInterviewWithFVonHayekChile1981.pdf> (viewed on 26 December 2016). It is crucial to note at this point that even if it is true that for much of the nineteenth century liberalism was an influential philosophy in Latin America, it was not the Anglo-Saxon type of liberalism, with its scepticism about the role of government and its confidence in the spontaneous order, that was influential but the French liberal and positivist traditions, with their faith in the role of government as the engine of progress. In the words of Josef Kunz, after replacing Spanish influence 'French influence dominated all Latin America in all cultural fields from the end of the nineteenth century'. Rousseau's naturalistic rationalism was dominant at the time and was only replaced by August Comte's positivism and the idea that progress should be engineered by the state. In all countries, this top-down approach became the most influential philosophy between 1875 and 1925. See: J. L. Kunz, 'Contemporary Latin-American Philosophy of Law: A Survey', *The American Journal of Comparative Law*, 3(2), 1954, p. 212.
 4. Juan Baptista Alberdi, *La omnipotencia del estado es la negación de la libertad individual* (Washington: Cato Institute, 2003), available at <http://www.elcato.org/publicaciones/ensayos/ens-2003-01-31.pdf> (viewed on 26 November 2016).
 5. Alberdi, *La omnipotencia del estado es la negación de la libertad individual*.
 6. Alexis de Tocqueville, *Democracy in America and Two Essays on America* (London: Penguin, 2003), p. 220.
 7. de Tocqueville, *Democracy in America and Two Essays on America*, p. 599.
 8. Mario Vargas Llosa, '¿Por qué fracasa América Latina?', *Cato Policy Report*, January/February, 2003, available at <http://www.elcato.org/publicaciones/ensayos/ens-2003-02-07.pdf> (viewed on 28 November 2016).
 9. Deirdre N. McCloskey, *Bourgeois Equality* (Chicago: Chicago University Press, 2016), p. 15.
 10. James Robinson is a professor at the Harris School of Public Policy at the University of Chicago. Daron Acemoglu is the Elizabeth and James Killian Professor of Economics at the Massachusetts Institute of Technology (MIT).

In their approach to the differences in economic performance among nations they apply the theory known as New Institutional Economics.

11. McCloskey, *Bourgeois Equality*, p. 23.
12. John Stuart Mill, *The Collected Works of John Stuart Mill, Volume XIX - Essays on Politics and Society, Part 2* (Toronto: University of Toronto Press, 1985), p. 57.
13. Douglas North, 'Ideology and Political/Economic Institutions', *Cato Journal*, 8 (1), 1988, p. 15.
14. Douglas North, *Understanding the Process of Economic Change*, (Princeton: Princeton University Press, 2005), p. 4.
15. North, 'Ideology and Political/Economic Institutions', p. 15.
16. Wayne Lighton, and Edward Lopez, *Madmen, Intellectuals and Academic Scribblers* (Stanford: Stanford University Press, 2013), p. 133.
17. I use the term 'illiberalism' along the lines of what journalist Fareed Zakaria called 'illiberal democracies'. In this paper it refers mainly to a culture based on ideas that do not support the development of institutions that create limits to the power of the state in order to guarantee basic civil rights and economic freedom. See Fareed Zakaria, 'The rise of illiberal democracies', *Foreign Affairs*, 1997, (6): 78.
18. North, *Understanding the Process of Economic Change*, p. 78.
19. Juan Domingo Perón, *Conducción Política* (Buenos Aires: Instituto Nacional «Juan Domingo Perón» de Estudios e Investigaciones Históricas, Sociales y Políticas, 2006), p. 6, available at <http://www.jdperon.gov.ar/institucional/cuadernos/Cuadernillo11.pdf> (viewed on 26 November 2016).
20. Daniel Yergin and Joseph Stanislaw, *The commanding heights: the battle for the world economy* (New York: Simon & Schuster, 2002), p. 240.
21. Emanuel Adler, *The Power of Ideology: The Quest for Technological Autonomy in Argentina and Brazil* (Los Angeles: California University Press, 1987), p. 95.
22. Over the last decades these interventionist views have been replaced by more modern economic doctrines. In many Latin American countries, however, this line of analysis still exerts enormous influence. See Hal Brands, *Latin America's Cold War* (Cambridge: Harvard University Press, 2010), p. 93.
23. Stanford University, 'Latin American Philosophy', *Stanford Encyclopedia of Philosophy*, 2013, available at <http://plato.stanford.edu/entries/latin-american-philosophy/#LatAmePhiIde> (viewed on 22 November 2016).

24. Carlos Rangel, *Del buen salvaje al buen revolucionario* (Caracas: Monte Ávila Editores, 1982), p. 50.
25. 'Redeemer' is a term coined by Mexican historian Enrique Krauze. It refers to a charismatic figure that seeks out power with the aim of liberating society from its moral and social miseries. Power is given a theological meaning and the leader is seen as a sort of messiah or hero who is supported with religious fervour by large sectors of society. According to Krauze, especially in the twentieth century, redeemers partly derived their popularity from the widespread Latin-American myth that progress and even history itself is the achievement of great, powerful men rather than the result of institutions and abstract rules that create limits to the arbitrary power of the rulers. Redeemers have usually been caudillos of one sort or another. See Enrique Krauze, *Redentores: ideas y poder en América Latina* (Mexico City: Debate, 2011).
26. In nineteenth-century Spanish America, caudillos were mostly military men with personal following who mobilized their support through linkages of patronage and personal connections. Usually they did not seek to change the existing social hierarchies but rather promised to put an end to what they denounced as tyrannical and immoral governments. They lacked institutional leadership, attracted devotion, from their followers and were 'charismatic' in Max Weber's sense of the term, i.e., they possessed personal qualities in virtue of which they were treated as if they were endowed with superhuman or supernatural powers. See John Charles Chasteen, 'Making Sense of Caudillos and Revolutions in 19th century Latin America', John Charles Chasteen and Joseph S. Tulchin (eds), *Problems in Modern Latin American History, A Reader* (Lanham: SR Books, 1994), pp. 37–9.

In the case of twentieth-century left-wing populism, caudillos presented themselves as liberators of the oppressed masses and as founders of a new social, economic, and political order that would bring an end to exploitation and misery. Arguably, the most emblematic caudillo has been Ernesto Che Guevara, who sought to spread the socialist revolution throughout Latin America. In more recent times, caudillos like Hugo Chávez in Venezuela and populist rulers like Evo Morales in Bolivia, Rafael Correa in Ecuador, and Daniel Ortega in Nicaragua have managed to use the existing democratic structures in order to achieve power and concentrate it in their own hands.

27. Edmund Burke, *Reflections on the Revolution in France* (New York: Oxford University Press, 2009), p. 61.
28. José Luís Cordeiro, 'Constitutions around the World: A View from Latin America', *Institute of Developing Economies Discussion Papers*, (164), 2008, pp. 6–7, available at <http://www.ide.go.jp/English/Publish/Download/Dp/pdf/164.pdf> (viewed on 27 November 2016).
29. Douglas North, William Summerhill, and Barry Weingast, 'Order, Disorder and Economic Change: Latin America vs. North America', Bruce Bueno de Mesquita and Hilton Root (eds), *Governing for Prosperity* (New Haven: Yale University Press, 2000), p. 42.
30. Marta Harnecker, 'A la conquista de una nueva hegemonía', *Rebellion*, 2012, p. 20, available at <http://www.rebellion.org/docs/158421.pdf> (viewed on 27 November 2016).
31. Foro de Sao Paulo, 'Discurso Álvaro García', *XX Encuentro del Foro de Sao Paulo*, 28, August 2014, available at <http://forodesaopaulo.org/discurso-inaugural-de-alvaro-garcia-linera-en-el-xx-encuentro-del-foro-de-sao-paulo/> (viewed on 27 November 2016).
32. Juan Carlos Monedero and Haiman El Troudi, *Empresas de producción social: instrumento para el socialismo del siglo XXI* (Caracas: Centro Internacional Miranda, 2006), p. 19.
33. Thomas R. Bates, 'Gramsci and the Theory of Hegemony', *Journal of the History of Ideas*, 36 (2), 1975, p. 351.
34. Foro de Sao Paulo, 'La clausura del XX Encuentro del FSP', *XX Encuentro del Foro de Sao Paulo*, 16 September 2014, available at <http://forodesaopaulo.org/discurso-del-dr-jose-ramon-balaguer-en-la-clausura-del-xx-encuentro-del-fsp/> (viewed on 27 November 2016).
35. Bruno de Paula Castanho e Silva, 'The Sao Paulo Forum and the Development of Latin American Regional Integration', *XXII World Congress of Political Science*, 8–12 July 2012, p. 2, available at http://paperroom.ipsa.org/papers/paper_11763.pdf (viewed on 25 November 2016).
36. Ernesto Laclau, *La razón populista*. (Buenos Aires: Fondo de Cultura Económica, 2005), p. 99.