There are many widely used voices and definition of populism, left and right, North and South… a common denominator is a strong charismatic, popular leader who appeals directly to a poor or disenfranchised constituency to rise up against the powers that be, often outside the confines of existing political parties, urban capitalists in the United States, rural Hacienda owners in Latin America, or U.S. Multinationals in the most recent LatAm incarnation.

-American populism: William Jennings Bryan1* “Cross of Gold Speech” "They tell us that the great cities are in favor of the gold standard. We reply that our great cities rest upon our broad and great prairies. Burn down your cities and leave our farms, and your cities will spring up again as if by magic; but destroy our farms, and the grass will grow in the streets of every city of the country." Jennings Bryan closed with the admonition, "you shall not press upon the bow of labor this crown of thorns, you shall not crucify mankind upon a cross of gold."

-European Populism: From New York Times, September 7th “Prime Minister Mario Monti, a respected economist, had been pushing for a European Central Bank program as a safety net. But he is loath to accept the terms that might now be required because of their potential to choke off economic growth and because of Italy’s own complicated political scene. The country’s ruling political parties, which support Mr. Monti for now, are rapidly losing popularity to anti-euro populist forces as national elections approach next spring.”

1* Note, my in class interpretation of the Wonderful Wizard of OZ as a populist fairy tale—William Jennings Bryan is the cowardly lion, is widely shared by Economists, but disputed by literary historians... also OZ may not refer to NY, but it may also the abbreviation for ounce as in ounce of gold, thus the yellow brick road and the wicked witches of North and East—big business—could all be a coincidence... )
Two varieties of Latin American Populism² (one political, one economic?)

Classical Populism


The cruel irony of macroeconomic populism: “For us ‘economic populism’ is an approach to economics that emphasizes growth and income redistribution and deemphasizes the risks of inflation and deficit finance, external constraints, and the reaction of economic agents to aggressive nonmarket policies. The purpose in setting out this paradigm is not a righteous assertion of conservative economics, but rather a warning that populist policies do ultimately fail; and when they fail it is always at a frightening cost to the very groups that were supposed to be favored.”

The Populist Cycle: From Euphoria to Regret (copied from Kindle ed. Edwards Chapter 8, not sure of page...see citation Kindle creates automatically below)

Most traditional populist experiences in Latin America have been characterized by a predictable four-stage cycle. In the first phase, populist policymakers are fully vindicated in their diagnosis and prescription: growth, real wages, and employment are high, and their policies appear to be highly successful. Generalized price controls assure that inflation is not a problem, and shortages are alleviated by imports. The depletion of inventories and the availability of imports-usually financed by using international reserves or suspending external debt payments-accommodate expansion of demand with little impact on inflation.

During the second phase the economy runs into bottlenecks, partly as a consequence of expansionary demand and partly because of a growing lack of foreign exchange. At this point currency devaluation, exchange control, protectionism, and allowing prices to reflect the true scarcity of goods become necessary, and an increasing black market for foreign exchange develops. Inflation increases significantly, but wages stay up thanks to automatic adjustment mechanisms or government-mandated increases. The budget deficit worsens tremendously as a result of pervasive subsidies on basic goods-including food,

In Latin America, populism traditionally refers to a particular type of political regime—pioneered by Juan and Eva Peron in Argentina and Lázaro Cárdenas in Mexico and Getulio Vargas in Brazil. More recently, the term “economic populism” has been linked to a particular set of economic policies—nationalization (especially of natural resource based industries) protectionism, budget deficits and inflation that often leads to a currency crisis.

To distinguish between these varieties of populism, Cardoso and Helwege (1992) distinguish classical populism—that is a strong leader with a base of support in the enfranchised urban sector—from economic populism—the willingness of government to pursue economic policies that lead to large trade and budget deficits often ending with a currency crisis. The classical variety stresses the political dynamic of Latin American populism, the second the economic policies of excess public spending and demand simulation that populist regimes often pursue. According to Cardoso and Helwege, Peron, Cardenas, Vargas and Velasco all fit the populist political mold—but did not necessarily violate budget constraints at every turn. In fact, some of these leaders presided over, or set the stage for, long periods of sustained growth. Garcia (Peru), Allende (Chile) and Ortega (Nicaragua), on the other hand, pushed the limits of government spending to provide jobs and social benefits to their working class constituencies (Ortega and Garcia were fighting guerilla wars). However, this last group does not fit the political definition of Latin populists—Allende and Ortega were socialists for example.


For us “economic populism” is an approach to economics that emphasizes growth and income redistribution and deemphasizes the risks of inflation and deficit finance, external constraints, and the reaction of economic agents to aggressive nonmarket policies.2 The purpose in setting out this paradigm is not a righteous assertion of conservative economics, but rather a warning that populist policies do ultimately fail; and when they fail it is always at a frightening cost to the very groups that were supposed to be favored.
In other words, some classical populist political regimes respected budget constraints, while “economic populism” or overspending that leads to crises has been pursued by many non-populist governments. The canonical classical populist Juan Peron of Argentina illustrates this distinction—he pursue both political and economic populism from 1946 to 1950, but then when reserves fell he went to the IMF and a major economic crisis ensued ([BBC Timeline](https://www.bbc.com/australianuclearhistory) or a more detailed [Wikipedia timeline](https://en.wikipedia.org/wiki/Peronism))

The two come together when the policies needed to maintain political support in urban areas, which often involves redistributing income from the rural, landowning oligarchy to the populist’s urban constituents also lead to crisis.

What are the mechanisms populist regimes typically use to redistribute income and spur industrialization?

- **Public spending on social programs** aimed at urban industry and unions—example, Peron instituted social security and minimum wages for urban workers. The rural sector pays higher prices and taxes, but benefits less from these programs.

- **Protection of urban industry** via tariffs and quotas and overvalued or multiple exchange rates combined with price ceilings on domestic agricultural products (to keep food prices low for urban workers). A strong real exchange rate is a tax on rural exporters of traded goods (e.g., Argentine wheat producers)

- **Use of public revenues to nationalize** (purchase at market value?) key industries (YPF in Argentina, PDVSA in Venezuela, These firms are then run as state-owned enterprises (SOEs) or sold to local owners at favorable prices—as Mexican banks were in the early 1990s. For example Peron bought Argentina’s railroads from their British owners $634 million,
while Cardenas bought Mexico’s petroleum industry from Standard Oil in 1939.

Populist Economic Cycles: some examples
- Lázaro Cárdenas: Mexico 1934-40
  *Nationalized oil industry—created PEMEX*
- Getulio Vargas: Brazil 1945-58
- Juan Peron: Argentina 1946-49
- Juan Velasco – Peru 1968-75

1. Higher real wages and spending on social programs:

Populist regimes often begin with high reserves and favorable terms of trade. Then for political ends, government tries to redistribute income away from large rural exporters—Latifundia—and toward urban workers and new capitalists. They raise the minimum wage, and impose tariffs to protect local producers.

2. Protectionism, inflation and real exchange rate appreciation:

Raising wages causes inflation, rising tariffs and a real exchange rate appreciation; public budget Deficits may play a role as well. But wages rise and labor share of GDP tends to rise. Growth may be very rapid in this stage.

3. A Rising Trade Deficit Depletes Reserves, the Fx rate depreciates, sometimes sharply, leading to every more inflation:

This stage is often triggered or exacerbated by a fall in export prices. Public spending on social programs is then financed by printing money, rather than by drawing down reserves.

4. Nationalism and Urban Political base are common corollaries—classical populist regimes nationalized many natural resource industries, railroads, etc. with compensation to owners. Most social benefits and protection against imports oriented toward the urban middle class.
Examples:

Lázaro Cárdenas: Mexico 1934-40 Nationalized oil industry—PEMEX
Brazil: Getulio Vargas: 1945-58
Peru: Juan Velasco 1968-75 – promised agrarian reform, but then kept farm prices low, making farming less profitable.

**Juan & Evita Peron:** 1946-49: Juan was Secretary of Labor 1943-45 came to power in 1946, Evita died in 1952, but remains loved in Argentina, and immortalized by the Musical (Waltz for Eva and Che, 1996 or Don’t cry for me Argentina)
- Appealed to the “descamisados”
- Real wages rose 25% in 1947 and 24% in 1948
- Labor’s share rose from 42% in 1946 to 52% in 1950
- Food prices kept low, exports fell 1946-49 but wheat prices were high.
- Bought railroads from Britain for $643 million—a high price.
- Inflation rose to 31% in 1949, called in the IMF.
- Falling food prices after 1951 brought retrenchment and “stabilization”
1. Point out populist economic policies by definition are unsustainable? But this argument is circular, how do we know when a government is left populist… (see Arnson and Perales, 2007 on politics).

2. Using Adjusted National Savings, Lerouze et al., 2011, explore two hypotheses:

   \[H1 = \text{Leftist governments perform better in terms of human development and economic growth but these positive effects dissipate over time}\]

   \[H2 = \text{Leftist governments perform worse in terms of macroeconomic sustainability}\]

3. They try to find object way to classify governments in Latin America, use many governance indicators and these three criteri, first define left wing governments,
   a. Party name of the President in power
   b. Description of party on Wikipedia and other internet sources
   c. Checked against World Bank DPI (Execrlc) classification
   In case of a tie the following rules are applied until a winning category is found
   d. International umbrella organization membership (Socialist International etc.)
   e. Preferences regarding greater or less state control of the economy (the standard leftright scale)
   d. The Center category is here understood as a middle ground that combines elements of both the left and the right. This means that we do not consider Peron in Argentina, Cardoso in Brazil or any of the PRI Presidents in Mexico to be leftists, but rather centrists.
The following characteristics to identify the ‘Radical Left’ governments,

1) Radical left party name (communist, maoist etc.)
2) Refusal of IMF agreement once in office
3) Nationalization of a significant part of an industry

A radical left-wing government is one that meets any of the above. (see Letouze et al. page 14)