

Abstract

Left populism in Bolivia: economic policies and consequences

Juan Antonio Morales
Professor, Catholic University of Bolivia
Visiting professor, University of Namur

Since the assumption of Evo Morales to the presidency, Bolivia has embarked itself in an almost full reversal of the so-called “neoliberal” model, that is, the model that emphasizes market reliance, free trade and capital flows. The expression left populism is used for the counter-reforms to dismantle the neoliberal model with state-led growth, inward development, protectionism and emphasis on redistribution at the expense of efficiency. The rejection of the neoliberal model is accompanied by loud stridency. President Hugo Chavez of Venezuela set the tone against the neoliberal model and other countries in the region, including Bolivia, have followed suit. They are the left populists. More theoretically, left populism would be the set of policies to the left of the median voter to signal differences with the previous “rightist” governments (Acemoglu, Egorov and Sonin, 2011). The objective of differentiation dominates any other policy objective. The great stridency of the politics of the left populists affects the expectations of the private sector. Yet, left populists can be pragmatic sometimes and their deeds lag their words.

Left populism is not new in Latin America. It was followed by many governments in the past century (Vargas in Brazil since 1940, Peron in Argentina in the 1940s and 1950s, Velasco Alvarado in Peru in the 1970s). Their economic hallmark was fiscal profligacy. All these experiences ended in macroeconomic catastrophes. The left populists of the 21st century, in difference with their predecessors, are more careful, at least on surface, with the management of the fiscal accounts.

The policies of interfering with markets should have penalized growth. But, rather paradoxically, this has not been the case. Bolivia is exhibiting nowadays probably the best macroeconomic results since its creation in the 19th century. The absence of fiscal and balance of payments constraints to growth is explained to a large extent by the huge and long lasting windfall of an export-commodity boom. The question is how lasting will be the current rise in income, given the rather obvious vulnerabilities. Are the good results caused by the extraordinarily favorable external conditions? Or are they caused by the left populist policies? If the latter be the case, this would oblige to revise what we know on economic development.