

The Rise and Fall of the Harmonious Relationship Between Neopopulism and Neoliberalism in Latin America

Populism is, as Kurt Weyland and Kenneth Roberts¹ emphasize, a heavily contested concept, especially in Latin American literature. When the Latin American region started to embrace market reforms by the 1980s, populism was thought to have ceased. However, new populist movements have evolved which has re-opened the debate about the meaning of populism and how it interacts politically and economically. It has resulted in a redefinition of populism as solely a political concept, which leaves open for more empirical research on the socioeconomic factors. This new populism, labeled neopopulism, can in fact embrace market liberalism which is labeled neoliberalism.² I am using contemporary neopopulism as a political concept to analyze and characterize the economic policies of Peru and Argentina starting from the time period of 1989, and contrasting it with the economic policies of Venezuela from 1999. In this paper I will first contradict established theories that depict ‘populism’ and ‘liberalism’ as polar opposites, especially as demonstrated with Peruvian President Alberto Ken'ya Fujimori and Argentinean President Carlos Saúl Menem; secondly, I will discuss the gradual weakening of this compatible relationship; and lastly, I will demonstrate how the end of neoliberalism prompted another reemergence of populism, but perhaps in a different form.

First and foremost, populism in a general sense involves a charismatic leader and has a lot to do with discourse, rhetoric and symbolism. It is a top down approach by a dominant personality coupled with a low level of institutionalization.³ There is a lack of firm commitment

to ideologies but there is the promise of immediate satisfaction of social demands. Populism can be characterized more as a movement rather than party organization but it survives on the distinction of friend versus foe. But in order to demonstrate the differences between classical populism and neopopulism, a brief background is needed. The following framework demonstrates the transformation of populism.

Classical populism emerged in Latin America during the 1930s and 1940s out of negative attitudes towards liberal democratic institutions and liberal capitalism (Walker 2008).

Interestingly, one can see similar attitudes in Europe during this time with the emergence of Nazism, fascism, and Stalinism. This can be contrasted with the emergence of corporatism and populism in Latin America which set itself against the rule of the landed aristocracy, and rejected foreign control of natural resources and national economies (Walker 2008). It was the masses, the urban workers, and the people from below that became the defining feature of this movement by being attracted to charismatic leaders, whether military or civilian, who intentionally wanted to attract followers who might have been excluded from the mainstream of development. Social Scientists traditionally associate classical populism with policies pursued by Juan Perón in Argentina between 1946 and 1949, by Getúlio Vargas in Brazil after 1945, by Lázaro Cárdenas in Mexico between 1934 and 1940, and by Juan Velasco Alvarado in Peru between 1968 and 1975 (Cardoso 1991, 46). These classical populists had their primary following among urban workers and the provincial lower middle class (Epstein 1992, 12).

Although authoritarianism was a defining feature of Latin American populism in the 1940s, most classical populists hoped to reform the system by delivering economic growth based on state-led import-substitution industrialization (ISI). This economic policy is based on the idea that countries should attempt to reduce its foreign dependency by domestically producing

industrialized products since most Latin American countries imported all of these industrialized goods. At the time, ISI was the pragmatic answer to the problems following the Great Depression. Cardoso and Helwege note that ISI played an important role in Latin American growth rates which averaged more than 5 percent per year between 1950 and 1980 (Cardoso 1991, 47). However, ISI led to overvalued exchange rates, reduced agriculture production, reduced wages for rural producers⁴, and not enough export revenue for the government subsidies on the industrialization process. In most cases, this deficit⁵ eventually led to inflation.

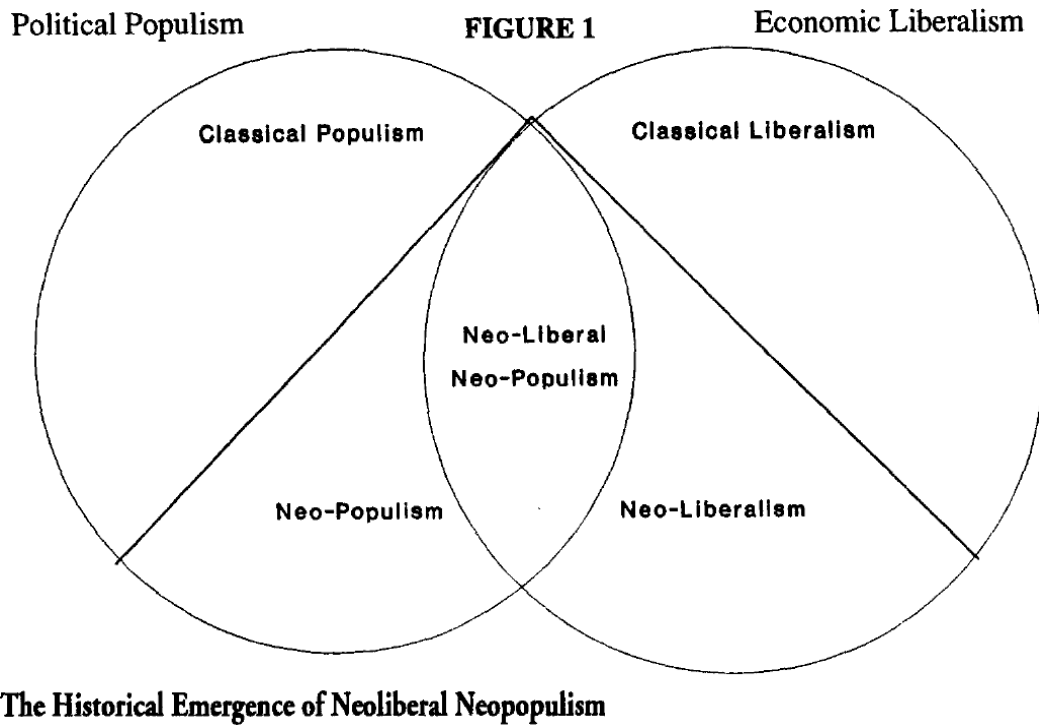
The early 20th century in Latin America can be described as having socioeconomic modernization/industrialization and suffrage reform. But when the ISI model collapsed in the 1980s, it created a region-wide debt crisis as well as inflationary pressures that bankrupted these states. For example, the Peruvian economy experienced foreign exchange constraints and government deficits which led to hyperinflation, the collapse of real wages, and a 25 percent contraction of the Peruvian economy (Roberts 1995). Fujimori and Menem both inherited an economy with four-digit hyperinflation during a prolonged recession. A new economic development model was urgently needed and many Latin Americans held the view that liberalism could offer a way out of this predicament. In some instances, a violent overthrow of the government was needed in order to usher in this new economic policy. The ones hurt most from hyperinflation included the poorest sector of the population so these victims of hyperinflation accepted the risky shock therapy programs prescribed by Fujimori and Menem. In summation, failed macroeconomic attempts by classical populists paved the way for neoliberal economic reforms.

While adding onto the macroeconomic failures, the early 20th century reforms created tensions between expanded voting rights, deepening economic insecurity, and a declining social

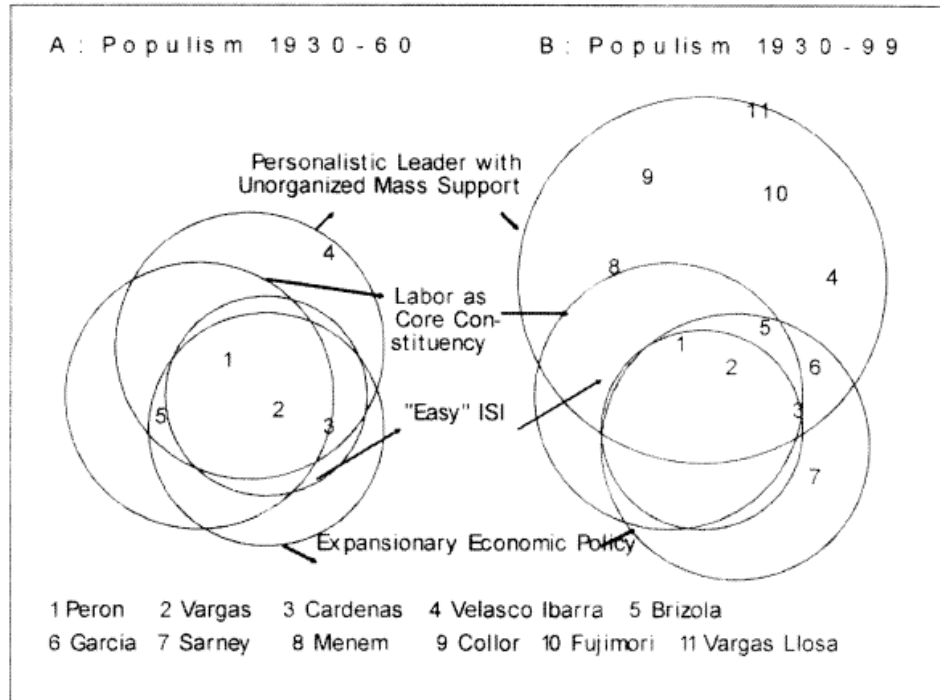
citizenship which wreaked havoc on the mass-based party-labor blocs that had been forged during the ISI era (Roberts 2007). As the Peruvian and Argentinean cases show, there was a weakening of institutions and a breakdown of organized labor and political parties during the economic upheaval of the debt crisis. The “exhaustion” of ISI strategies after the 1950s eroded the material foundations for multi-class coalitions, hence accentuating class conflicts (Roberts 1995). A public opinion survey provided evidence of declining partisan identification with only 21.9% of Latin Americans expressing confidence in political parties (Roberts 2007). A more dramatic study conducted in Peru in March of 1992 showed that only 12 percent of Peruvians expressed confidence in political parties (Roberts 1995). Similarly, neoliberal adjustments have further weakened labor unions and other organized groups. By 1991 in Peru the level of unionization had fallen by one-third to 12 percent of the workforce while over half of the population in Lima worked in the informal sector (Roberts 1995). In Argentina, Menem created a schism between the Peronist labor union CGT⁶ (Smith 1992, 44) while battling many labor strikes throughout his presidency. Nevertheless, this combination of the breakdown of organized labor, the debt crisis, and a decline in confidence of political parties, led to the rise of a new form of populism—neopopulism.

Ironically, as classical populism emerges during a time of anti-liberal capitalism, contemporary neopopulism appears in the midst of a democratization wave in Latin America. However, most literature identifies populism, in the general sense, as synonymous with non-liberal economic policies. Many scholars, especially Marxist-inspired scholars, assume that neoliberalism violates popular interests and is therefore exclusionary and profoundly unpopular. They refuse to call presidents such as Menem and Fujimori populists and those who do are accused of “conceptual stretching” (Weyland 2001). Other scholars of different persuasions

acknowledge that Presidents Menem and Fujimori were indeed charismatic leaders who achieved widespread popular approval, even during reelection in 1995. They both sustained their governments through support from the masses so this qualifies them as populists, in the general sense. As Figure 1 illustrates, the emergence of this new combination is labeled neoliberal neopopulism as it has emerged in the 1990s.



This new marriage of political populism and economic liberalism is seen as overlapping in the center of the chart in order to show their compatibility. Figure 2 demonstrates the historical evolution of Latin American populism. It shows that none of the ‘new leaders’ characterize all of the earlier attributes of populism.



1. Brazilian president José Sarney (1985-1990) is classified as an economic populist by Jeffrey Sachs. *Social Conflict and Populist Policies in Latin America* (Cambridge, Mass.: National Bureau of Economic Research, 1989), pp. 20-22, but he was not a personalistic leader who based his government on organized mass support and therefore does not fall under the political definition of populism.

Nevertheless, the Peruvian and Argentinean cases demonstrate how neopopulism can complement and reinforce neoliberalism.

Neopopulism and its Compatible Coexistence with Neoliberalism

The urgent needs created by a deep debt crisis in the 1980s made neopopulism and neoliberalism compatible. Below, this reciprocal relationship is demonstrated by using contemporary neopopulism as a political concept to analyze and characterize the economic policies of Peru, Argentina and briefly Venezuela. By only defining neopopulism as a political concept can I then investigate its relationship to diverse economic policies since it does not presume that there is a particular set of economic instruments associated with populism⁷ and neopopulism.

During their reign as president, Fujimori and Menem both used political populism to impose economic liberalism, and in turn used economic liberalism to strengthen their populist

leadership (Weyland, 1996). This harmonious relationship is as follows. First and foremost, neoliberals and neopopulists both need centralized power. Their strategy of exercising power comes from a top-down approach since neopopulists use their mass support to occupy the government and neoliberals need the concentrated power of the presidency to break the resistance of groups who have benefited from state intervention (Weyland, 1996). “In contemporary Latin America, the transition to full-fledged market economies does not emerge through pressure from society, including businesses, but mainly via imposition by a strong state.” So while neoliberalism in theory tries to reduce state involvement in the market, neoliberals paradoxically rely on the state to push through reform against opposition. This reciprocal relationship also gives neopopulists justification for pushing neoliberal reform in spite of protests from the opposition. This rationale seems to be initially accepted by international financial institutions since Fujimori and Menem receive funding from the International Monetary Fund (IMF), World Bank and Inter-American Development Bank (IDB).

Second, neoliberals and neopopulists both try to attract the victims of the ISI model. Since both Fujimori and Menem were elected during a recession with hyperinflation, they both found broad support among the victims of the crisis which were usually the unorganized poor. They both appealed directly to the unorganized masses of people by running on the platform of being political outsiders. Peruvian airwaves and newspapers were abundant with images of Fujimori often wearing an Indian poncho and woolen cap visiting remote Andean communities or urban shantytowns passing out calendars with his photo (Carrión 2006, 12). Similarly, due to lasting Peronist loyalties among the downtrodden, Menem has almost always found stronger approval among the poorest Argentines than among better-off sectors (Weyland 1996). Like classical populists, neopopulists wanted to incorporate a heterogeneous mass of people who have

remained excluded from the mainstream of development (Drake 1982, 236). Populism has always had a ‘friend’ versus ‘foe’ aspect. Instead of the classical populist rhetoric of ‘the people’ versus ‘the oligarchy,’ it became ‘the people’ versus the ‘political class.’ The political class is comprised of established politicians and political parties, as well as any organized interest group in the public domain (Roberts 1995). Neoliberals therefore hoped that neopopulist attacks on the political class of established politicians would clear the path for sweeping market-oriented reform (Weyland 1996). In sum, neoliberals and neopopulists have always found their mass support from the poor and the informal sector by creating a new enemy out of the former established political class of elites.

The third factor to this harmonious relationship is the shared belief that neoliberals and neopopulists both dislike an organized civil society and dislike elites who are seen as “rent seekers.” In the case of Peru and Argentina, the unorganized informal sector outnumbers the organized civil society. Decade’s earlier, classical populists were not able to draw support from the rural poor because landed elites kept them under tight clientelist control (Drake 1982, 231) yet capitalist modernization of agriculture has eroded elite control in the countryside. Furthermore, with the recent break up of party-labor blocs, Fujimori and Menem targeted both urban and rural informal sectors. The informal sector includes unorganized mass groups of people who have remained outside national level organizations.⁸ Since the informal sector has originally remained excluded from influence on the state, neopopulists and neoliberals see them as having not engaged in “rent seeking” (Weyland 1996). During classical populism, rent seekers would ask favors of the state in order to extract uncompensated value in order to advance their own interests instead of contributing to productivity.

As for organized civil society, they were the ones who benefited the most from the ISI model and had clientelistic relations with classical populists. However, neopopulists saw them as less susceptible to populist appeal and therefore were often weary of these established organizations. Similarly, neoliberals saw these established organizations as rent seekers who limited competition in the market. According to Barzelay, rent seeking is rampant in the region's "politicized market economies" (Barzelay 1986) so it was imperative to avoid it. As neopopulists wanted to protect against the selfish elites by winning the votes of the masses, neoliberalism wanted to protect the equilibrium of the market against rent seekers.

Lastly, neoliberals and neopopulists both have weakened democratic institutions by centralizing power. Since neoliberals need the concentrated influence of neopopulists, both have bent and weakened the checks and balances that could have constrained them. They have relied strongly on their decree powers to enact market-oriented reforms. "Neopopulists leaders have not only capitalized on the decline of established representative institutions, they also accelerated it with their verbal attacks on parties and labor movements for being undemocratic, corrupt, and self interested bastions of a failed status quo" (Roberts 2007). In the Peruvian case, Fujimori dissolved parliament, and in the Argentine case, Menem packed the Supreme Court with Menem supporters (Vacs 1994). Further examples include both presidents ruling by decree and concentrating power in their hands. In Peru, it "capitalized on the delegitimizing of institutions that had failed to contain the Shining Path insurgency or redress a deepening economic crisis" (Roberts 1995). There seems to be a tradeoff between populist personalization and strong institutions. Neopopulists leaders usually end up bypassing the institutions of representative government since their 'face' is essentially the 'face of government.'

Scholars did not expect neopopulism and neoliberalism to coexist, let alone coexist in such a reciprocal relationship. One theory put forward by Paul Drake, in order to undermine this harmonious relationship, is the ‘bait-and-switch’ interpretation. “Politicians in Latin America’s new, weakly institutionalized democracies use populist electoral tactics to gather support among the masses and win power; yet upon assuming office, pressures from domestic elites and international economic forces compel them to adopt tough market-oriented measure that diverge radically from their campaign promises” (Drake 1991, 36). Although this theory is half true since Fujimori and Menem did not run and get elected on a neoliberal platform, Fujimori and Menem did in fact continue to use populist strategies while enacting neoliberal reforms which resulted in the re-election of both in 1995. Furthermore, institutional structures are too weak to guarantee a president’s power so populist leaders would never run the risk of betraying their mass base after taking office (Weyland 1996). Even after their election, Fujimori and Menem both used the same political populism strategy that got them elected in the first place. While there was a shift in their economic policy, there was a continuity of their populist style and strategy. They kept basing their government with a top-down yet direct approach to their unorganized mass base, the informal sector, while bypassing established parties and institutional rules (Weyland 2003). These presidents remained political populists while enacting neoliberal reform.

A second theory that tries to undermine the coexistence of neopopulism and neoliberalism is the idea that classical populism is inclusionary and neopopulism is exclusionary. “Classical populism went hand in hand with social democratization, that is, the incorporation of previously excluded sectors of the population into political and social life” (Weyland 2003). For instance, Perón, Vargas and Cárdenas stimulated the formation of trade unions, extended social

benefits to workers, and mobilized sectors that had played a marginal role previously (Weyland 2003). By contrast, neopopulist such as Fujimori and Menem are thought to have demobilized the masses and concentrate wealth in the hands of the few. However, classical populism was not as inclusionary because it did not mobilize all sectors. As previously mentioned, classical populists were unable to mobilize the rural poor due to the presence of “landed elites” who controlled the countryside. Therefore, most classical populists only focused on the urban sectors. And in urban areas, they privileged the working and lower middle class in the formal sector instead of the informal sector (Weyland 2003). In fact, the economic policies of classical populists may well have hurt the material well being of many poorer people (Cardoso 1991). Therefore, critics who propose this theory have overestimated the extent of classical populism being inclusionary. Furthermore, they have underestimated the inclusionary features of neoliberal populism. Fujimori’s political rise depended on the effort of newly emerging sectors of population to achieve greater social and political participation (Weyland 2003). These newly emerging sectors, and much of Fujimori’s mass base, came from the rural poor and informal sector. He also won the overwhelming majority of dark-skinned Peruvians of indigenous ancestry. As for Menem, he promoted people who would not have risen under other governments such as ‘hillbillies’ from La Rioja, which seemed out of place in Buenos Aires (Epstein 1992). Lastly, both Fujimori and Menem disproportionately promoted women into governance in order to overcome barriers of discrimination. (Weyland 2003). In sum, neoliberal neopopulists were inclusionary since they brought in the informal sector that was ignored by the classical populists.

The Peruvian and Argentine cases demonstrate how neopopulism can complement and reinforce neoliberalism. (Other authors have also used the example of the populist Fernando

Coller in Brazil.) However, populism in general is not seen as very sustainable so one must continue to trace the fluid movement of this concept. In this case, once the debt crisis of the 1980s became a distant memory, the reciprocal relationship between neoliberalism and neopopulism started to weaken since neopopulists could not address all the problems that started to creep up with long-term neoliberal reform.

The Weakening Relationship of Neoliberalism and Neopopulism

After a dramatic period of hyperinflation, Fujimori and Menem were able to reign in on the high levels of inflation and bring them back to normal. However, as neoliberalism fixed the hyperinflation crisis, neopopulists started to lose influence. Once the worry of inflation started to wear off, citizens started to expect more and focused their attention on problems like poverty and unemployment. Budget strictness of neoliberalism hindered employment and the long-term funding of targeted social programs became unsustainable. Furthermore, the economic model of neoliberalism generated growth but not employment. “When one out of every five workers in Lima is a street vendor, it is hardly surprising that jobs are a more salient concern for most individuals than public works projects” (Roberts 1995). As Menem left office, unemployment climbed to over fourteen percent (Epstein 1992). In sum, neoliberalism and neopopulism became compatible during the initial stages of shock therapy⁹ and market reform but diverged when neoliberalism started to overshadow neopopulism.

Following the implosion of the Fujimori regime in 2000, Alan García returned and pulled APRA, the mass party founded by populist leader Haya De la Torre, back into the mainstream by focusing on viable alternatives to the failed neoliberal reforms. Similarly, Néstor Kirchner of Argentina brought back the Peronist part to its nationalist roots following the financial collapse

of the neoliberal experiment implemented by Menem. This highlights the current resistance to market liberalization in Latin America.

What's Next?

One could argue that the economic success of neoliberalism weakened neopopulism. The failure of this compatible relationship can be demonstrated with the most obvious of populists—Hugo Chávez. Hugo Chávez was elected on a platform that was aimed at redistributing the benefits of Venezuela's oil wealth to the lower socio-economic groups by using it to fund programs such as health care and education. Chávez further highlights the distinctions between political and economic conceptualizations of populism. The election of Chávez in 1998 symbolized the revival of populism's historic nationalist and anti-market rhetoric (Wilpert 2007, 3). Whereas Fujimori attacked party and labor organizations that obstructed market reforms, Chávez challenged those that supported them (Ellner 2003). One can argue that although neopopulism originated from the “right”, nowadays it has shifted to the “left” since neoliberal reforms do not seem to be working in Latin America.

Chávez is a populist in that he is a charismatic leader whose identification with the masses prevails over any form of institutional constraint. Jose Vicente Rangel who has been the vice president of the republic, minister of defense and minister of foreign affairs, describes what Chávez represents in terms of Venezuelan democracy: “If there is any power represented by Chávez, it is the power of the people, which means that Chávez is above institutions because he is the embodiment of the people.” (Walker 2008, 7). Lately, there has been talk of categorizing Chávez as moving from neopopulism to radical populism. “On May 8 [2005] El Nuevo Diario published a special report, written by Roberto Collado in Washington, about the US government's position on what are referred to as ‘radical populist’ governments and political

organizations in Latin America. It quoted a US military official of the Southern Command of the US army who classified "movements that undermine democracy in Latin America." Besides labeling Venezuelan President Hugo Chávez by this new category, President George Bush, Jr. would categorize Cuban President Fidel Castro and Nicaraguan President Daniel Ortega as radical populists.

Although populism has been depicted as producing unsustainable governments and only short-term economic improvements, populism has been a crucial strand of Latin American politics for about a century now. In Latin America, "popular sectors are most likely to deposit their confidence in powerful men of action, in national 'saviors' who promise to sweep away the detritus of the past and usher in a new social order" (Roberts 1995). The examples of classical populism, neopopulism, and 'Chavismo'¹⁰ populism demonstrate the viability of the concept of populism no matter the current economic model of the time. The presidency of Fujimori and Menem demonstrated how populism, in the general sense, should only be used as a political concept since it is not pegged to one specific economic model. Nevertheless, more empirical research in populism as solely a political concept is needed.

NOTES

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² Also known as the Washington Consensus.

³ A lack of strong democratic institutions.

⁴ The distributive agenda of populism called for an increase in urban incomes at the expense of rural producers (Cardoso 1991, 49).

⁵ Foreign debt.

⁶ Confederación General del Trabajo de la República Argentina.

⁷ Usually populism is equated with expansionist or redistributive economic policies although this view is narrow and too restrictive.

⁸ One example of national organizations is labor unions.

⁹ Fujishock and Menemism (*The Economist*).

¹⁰ Sometimes labeled radical populism

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