

Think Tanks and Populism.

An insight from a struggling Venezuela

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Hello. I am not eloquent enough to express my gratitude for this invitation properly. The Liberty Forum is an opportunity to enhance not just the ideas and convictions about Liberty, but a chance to strengthen the ties with friends who always inspire me.

Populism is a growing menace to the cause of Freedom. In October, I had the chance to be in Bogota, in a Liberty Fund seminar to study this political malpractice. Additionally, the Venezuelan think tank I represent, CEDICE LIBERTAD, member of Fundacion Internacional para la Libertad promoted the book: *El Estallido del Populismo* (In English, *The Blow of Populism*). In the foreword to this book, Mr. Mario Vargas Llosa, Literature Nobel Prize, considers the worrying fact that populist practices have extended in the developed world. Even though it has been considered as an illness of the emerging markets, with immature democracies and institutions, it is surprising we are talking about Populism in the US and Western Europe.

Populism does not have enough contents or ideas to be considered even as an ideology. It is a way to make politics. The populist style oversimplifies reality, and identifies external enemies responsible of bad performance on economics and social affairs. Instead of inviting to self-criticism and proposing solutions, populist distrust immigrants, foreign countries, international trade and global institutions. Isolation is the core of the populist creed.

Moreover, populism relies on the charisma and interpretation of reality of a leader, a *caudillo*, with a bombastic speech promoting confrontation and pointing fingers: anyone who has a different vision about the social problems is an enemy, according to the populist messiah. Populist leaders dismiss traditional institutions, which are seen as obstacles to implement policies that consider unquestionable.

Populism makes democracy weak. A democracy defends minorities and gives equal voice and legitimacy to every citizen. For populists, those labeled as enemies or antipatriotic are not considered citizens. However, populist leaders keep the external forms and rituals of democracy, and they take advantage of the problems of the voting system. Indeed, different kinds of elections are abundant under populist regimes, as they are the instruments to legitimate the assault to democracy itself.

A defense against populist practices comes from the institutional framework. In developed economies and democracies, populists do not have immediate access to absolute power, as there are institutional contentions and lines they may not easily cross. However, the populist rhetoric may hurt these social references. In populist regimes, respected principles of separation of powers, rule of law, property rights and freedom of speech are under continuous attack, in speech and action.

The best opposition to the populist style comes from every individual. Populism appeals to the mass: ethnic groups, social classes, regions parties or any group or flag that dissolves

individual thinking and identity. Therefore, the cause of freedom during populist dark times will survive as long as it rescues the individual from the herding behavior.

Why does populism attract people, including those who are smart and clever? This is a painful question for me. In Venezuela, we have suffered the consequences of populism since 1998. I have witnessed how it has invaded not just the big spaces of social life, at streets and media, but also the personal environment of freedom. I have seen families divided, just because some members support the populist leader and others do not. I have been surprised about people I considered respectable and serious that have embraced the cause of the *caudillo*. In Venezuela, we may have this kind of surprises everyday: educated people who justify the destruction of democracy using the vacuum of rhetoric.

We may find easy explanations for these shifts of attitude. Populism generates winners and losers, and transforms most of the society just in a victim. An economic analysis of populism will say it exists because its supporters get some improvement, even small, that justifies their loyalty. Indeed, this improvement may be an intangible one. Populism exploits resentment, and it gives a collective identity to some groups who feel themselves exploited by others. Thus, this sentiment of "restored dignity" shall be included in calculations.

However, these small benefits are not enough to balance the social losses, in terms of productivity, growth and property rights. Hugest gains tend to go to bureaucrats and friends of the populist authorities. As a social technology, populism is neither efficient nor fair. Its opportunity cost is too high.

Other disciplines may provide a good explanation about the devaluation of freedom and democracy that populism generates. I must refer to a book of 1947 reprinted in Colombia in July: *The Fear of Freedom*. Its author may not sound as common as Hayek, Mises, Rand or other "usual suspects" we usually mention in these events: it was written by Eric Fromm, after the nightmares of Nazism, Fascism and World War II.

In his analysis, Fromm considers that freedom demands some positive orientation from individuals, or they may resign from its benefits. Freedom may scare people, because it gives an independency and a responsibility that may be a burdensome weight for some tempers. This may explain why some people decide to transfer this privilege of Liberty to some way of dependency or submission. The gregarious anonymity that populism provides may be helpful under this uncertainty and fear of freedom.

In the foreword of the Spanish reprint of this book, Italian sociologist Gino Germani explains that the stability and expansion of democracy relies in the capability of self-government of every citizen and warns about the *evasion of freedom* by citizens. Populism would be one of those mechanisms of evasion.

I guess the key service that think tanks may provide against Populism relies in the word "think". When individuals renounce thinking about themselves and society, they open their minds and hearts to the dizzy and violent rhetoric of populist speeches. No ethics or moral behavior may be expected from those renouncing judgement. Hannah Arendt gave us a warning about this, when she studied the logic of the Nazi bureaucrat. If citizens have

access to information and have the tools to process it, we may expect better decisions from them. Populism does not resist the truth that relies in facts.

In the case of Venezuela, CEDICE LIBERTAD has been fighting populism and statism since its very start, in 1984. Our most recent efforts include research, with an Audit of Economic Freedom support by Atlas Network and Fraser Institute, in our country that revealed our weaknesses as a nation in most spheres: property rights, international trade, fiscal and monetary policies, regulations on job markets, enterprises and banking, among other problems.

In CEDICE LIBERTAD, we promote free market ideas among journalists, who are seminal opinion makers at their newspapers, but also in students and even younger audiences.

It is difficult to put in a few words the suffering Venezuela is going through. It may be seen as a laboratory of how populism may destroy a society and how populists, once they get power, consolidate it by any means.

These last two decades have been a cataclysm. Most of our sons and daughters, among about 2 millions Venezuelans, have left their homeland, after the upheaval of authoritarianism, violence and policies inspired by the Cuban regime of the Castro brothers.

Recently, divergences among opposition parties have strengthen the populist Government, which has recurrently used elections to consolidate dictatorship. A gang took government institutions and the whole society is kidnapped. The arbitrage between regulated and black market prices has enriched many, who prefer giving up their freedom in exchange of easy money. Accusations of corruption, drug trafficking and abuse of power by the Venezuelan Government are well known in the media. The exhibition of conspicuous and luxury consumption is almost as irritating as the massive lack of food, medicines and public services.

The effort, hard work, entrepreneurship, education and discipline required by a market economy are too demanding for some people. It has also been difficult to handle the restrictions that law imposes to our irrationality and egoism: free riding has been an easier option.

The monopoly of the oil industry, controlled by the Government, is the epicenter of these corrupted individual and social values. Our situation is a case of study for those economists that talk about the *Natural Resource Curse*. Venezuela, with some of the biggest oil and natural gas reserves in the world, lacks reserves of morality and proper management in its politicians and associates.

I do not come here to complain or cry. I still believe ideas are more powerful than populist regimes. I am convinced we still have the capabilities to leave behind this long nightmare. Venezuela is not a lost case. As long as one individual decides to embrace the risks and benefits of freedom, the cause we defend in CEDICE LIBERTAD will be alive.

Thank you kindly