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Populism in Ecuador, here to stay (for now)

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The so-called “Citizen’s Revolution” led by Rafael Correa —the populist president in power since 2007— demolished what was left of the rule of law in Ecuador and established an authoritarian government. Ecuador’s elections on April 2nd gave its people the chance to end Correa’s regime peacefully. Nevertheless, populism will continue, because despite credible claims of fraud, the National Electoral Council declared Lenin Moreno as a victor by a slim margin.

As the economy grew during Correa’s regime, the destruction of institutions did not seem to matter to an overwhelming majority of Ecuadorian voters.

For example, freedom of expression was progressively limited. The government seized various television networks, radios, a newspaper and several magazines and then went on to create a public TV channel, radio and two state owned newspapers. These function as explicit outposts of the government’s party propaganda and together, they constitute the largest media conglomerate in the country.

The attacks against the independent press intensified with the approval of the Communications Law in 2013, which has become nothing more than a weapon used by the government to punish journalists.

On the economic front, Ecuador went through the classic populist cycle, experiencing a period of euphoria followed by depression. Some might think Ecuador’s depression wasn’t as bad as Argentina or Venezuela’s because Correa’s team was more sensible. But most of the difference can be attributed to the fact that Correa’s ability to drag down the economy was—and still is—severely limited by dollarization. Ecuador has used the American dollar since 2000, so it does not have exchange rate risk, inflation is no longer a problem, and its politicians cannot monetize government spending.

But dollarization cannot solve all economic problems, and it is not a vaccine against other evils of populism. In fact, Correa has always regarded dollarization as a nuisance.

Ecuador's recent second oil boom puts things into perspective. Adjusting for inflation and for population, Ecuadorians received during the first oil boom between 1973 and 1982 on average an income of \$203 per year per capita. That number rose to \$353 during the second oil boom, coinciding with Correa's government. This means that the second boom was 73% greater in real terms.

Yet without all the government paraphernalia and without an oil bonanza, average economic growth was greater between 2000 and 2006 (4.2%) than during Correa's government between 2007 and 2016 (3.3%). In the same period before Correa's presidency, poverty fell by 26.8 percentage points. Compared with Correa's first seven years in power, poverty rate fell at a much slower rate of 11.1 percentage points, even despite the oil boom.

Moreover, the economy functioned better in the pre-“Citizen's Revolution” period. Several presidential administrations worked to reduce the public debt from 76.7 percent of GDP in 2000 to 28.8% in 2006, and to operate with a much more frugal government. That changed with Correa; between 2006 and 2017 the public debt grew from 28.8% of GDP to 39.1%. As a consequence, Correa's government since 2014 has spent more on servicing the public debt than it does on education and health together.

So much for populism. In the seven-year period immediately before the second oil boom, government spending averaged 23.7% of the economy. That percentage nearly doubled to 40.4% by 2016. According to CORDES, a think tank based in Quito, the number of government employees increased by 56% between 2007 and 2015, and their average wage increased by 78%. A real “Bureaucratic Revolution.”

Over the last decade, Correa's government managed the incredible feat of leading Ecuador into a recession even despite extraordinarily positive economic tailwinds. Now, flooded with corruption scandals that implicate even the highest officials in the administration, the government's reaction has been to deny everything and shove its dirt under the carpet.

It is not that there was no corruption before, but Correa's government is the first time in Ecuador's history that such a large amount of resources and power have been concentrated in one government for such a long time. Lenin Moreno is not a lighter version of Correa, but rather a placeholder for Correa's goal of remaining in power behind the scenes and, eventually, returning to the presidency.

Elections are not enough to secure a free society. They were used in Ecuador over the past decade to build an authoritarian government. This past weekend, Ecuadorian voters had the singular opportunity to correct that mistake in a peaceful way. With an electoral authority that lacks credibility—a recent poll suggests almost 60% of Ecuadorians thought there would be a fraud or that it was highly probable—Mr. Moreno's government will begin lacking legitimacy and will probably suffer more due to corruption scandals that implicate even the highest officials in his administration. With Correa's continuity in power through Moreno, the authoritarian model will stay and the economic decline will continue.

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