INFLATION IN LATIN AMERICA: COMPARATIVE STUDY OF LEFTIST AND RIGHTIST GOVERNMENTS

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DEFINITION
Inflation is the substantial increase over time in the general level of prices for goods and services in a country.

BACKGROUND
• Long history of macroeconomic populism dating back to early 20th century.
• Populist cycles are characterized by key assumptions by charismatic leaders who have prioritized income redistribution.
• The lack of ability to make income tax laws effectively leaves the region at the mercy of world commodity price fluctuations.
• Inverse proportional relationship between leftist governments and democracy.

ABSTRACT
This comparative research presents inflation in Latin America between Leftist and rightist Governments. This sample result consists in analyzing the current situation of Venezuela and Nicaragua, in contrast, with Chile and Costa Rica.

LEFT GOVERNMENT APPLIED POLICIES
- Initially, redistributive policies launched by populist leaders lead to enhanced growth and employment. However, these regimes soon end up with monetized fiscal deficits, triggering exceedingly high inflation rates.
- Characterized by anti-imperialist ideology.
- Venezuela under Hugo Chavez started the new revolutionary populist wave. Also known as “Pink Tide”, it started the turn towards left-wing governments in Latin America, straying away from the neoliberal economic model.

RIGHT GOVERNMENT APPLIED POLICIES
- Three main ways: ideological, sociological and organizational.
- Control of power (economic and political) depends on ability to exert sufficient influence.
- The historical trajectory of the right since independence demonstrates pursuit of the interests of the elite.
- Sociologically, it can be understood through their component constituencies, which are the subordinate and dominant classes.

COMPARATIVE INFLATION DATA

<table>
<thead>
<tr>
<th>Year</th>
<th>Costa Rica</th>
<th>Chile</th>
<th>Nicaragua</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1.7%</td>
<td>2.5%</td>
<td>5.8%</td>
</tr>
<tr>
<td>2010</td>
<td>2.0%</td>
<td>2.4%</td>
<td>8.4%</td>
</tr>
<tr>
<td>2002</td>
<td>2.3%</td>
<td>2.5%</td>
<td>2.7%</td>
</tr>
</tbody>
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In summary, the solution to a more stable economy is through democracy. Democratizing the state also involves two elements: transparency and responsiveness. Improving transparency entails that the state’s deliberations and actions are more public, and that corruption and clientelism are reduced if not eliminated.

REFERENCES