The Populist Strategy: A Behavioral Economic Analysis
Focused Upon the Case of Venezuela

Jose Luis Ventura-Medina

ANNALS of the University of Bucharest
Philosophy Series

Vol. LXIX, no. 1, 2020
pp. 69 – 82.
Abstract

In this paper we propose an interpretation of populism as seen from the viewpoint of cognitive biases. Our argument is grounded on the idea that political disaffection and cognitive biases supported by a rhetoric that seeks to manipulate and lead citizens towards group polarization leads to populism. We initially present the common elements of populism and subsequently provide a view on two strategic objectives of populism in the 21st century. Then we argue that these two strategic objectives are closely related to disaffection and untruths. On this basis we consider how cognitive biases, as considered in behavioral economics, support populist strategies that consist of generating informational cascades and group polarization.

Keywords: Populism, untruths, biases, informational cascades, group polarization.

An initial framework

When we speak about populism it is important to clarify firstly what we mean by it, its geographical and historical perspectives and the theoretical approaches associated with it. The term populism is difficult to define because it is not a political theory per se but rather it can be understood as an ideology or a political approach (Di Tella 2010). However, in this work, we define populism as a form of political strategy. Therefore, it is important firstly to establish key elements

---

1 Complutense University of Madrid. Email: <josventu@ucm.es>
associated with populism in wider contexts before arguing in favor of populism as a political strategy.

Historically populism has been a phenomenon studied from different ideological perspectives in many parts of the world. Although at present populism is a phenomenon that also presents itself in first world countries, in this work we are interested in the Latin-American perspective of populism and more specifically the Venezuelan case. There is abundant work dealing with Latin-American cases of populism such as the seminal works by (Di Tella 2010) and (Laclau 2007) who have dedicated special attention to the Argentinian case. In the Venezuelan case there are very few references to populism in the philosophical and political literature (Davila 2000; Corrales & Penfold 2015). Often it is thought to be a phenomenon arising in 1999 with the election of Chávez to the presidency. However, we share the wider view of (Davila 2000) who affirms that the Venezuelan case is a clear example of a populist democracy. In this sense, Venezuelan populism can be understood as a movement that has fluctuated between high and low levels throughout Venezuela’s democratic history. Thus, within the democratic history of the country we can find three periods; firstly, the emergence of populism, which coincides with the October revolution or triennium of the Democratic Action Party (AD) in 1945-48, that began with a military civic coup d’etat, followed by the decline of populism, which occurs during the democratic period of 1958-98 marked by the Punto Fijo pact and, finally its resurgence, that occurs with the arrival of Chávez to power in 1999. I further add to this a fourth period: that of the decline of Venezuelan populism, which coincides with the collapse of Venezuelan oil revenues, that began in 2014. Furthermore, I will add that although the resurgence (during the third period) occurred in a democratic scenario with Chávez as a civilian president (in 1999), the entire infrastructure of power since then has been underlain by the military control of power. It is also possible to assert that “the history of Venezuelan democracy is fraught with a tension between the civil and the military” (Trinkunas 2011) including in Chavez’s government. However, it is also possible to identify the Chávez’s regime as a form of hybrid government (Corrales & Penfold 2015).
It is pertinent also to clarify the theoretical approaches to populism. In this work I propose an interpretation of populism, which differs from the descriptive (Canovan 1981, 2005), functionalist (Di Tella 2010), theoretical and psychoanalytic (Laclau 2007), cultural (Beasley-Murray 2010) or speech analysis based interpretations (Hawkins 2003, Hawkins 2010). The interpretation of populism discussed here is based on the developments in Behavioral Economics (BE) by (Ariely 2012), (Camerer, Loewenstein & Rabin 2011), (Sharot 2011) and (Sunstein 2000, 2002, 2006, 2009, 2011) that consider heuristics and biases. Populist phenomena such as the one that resurfaced in Venezuela in 1999, which involved a significant amount of institutional change, cannot be explained from a traditional perspective, that is, from the perspective of classical rationality. Hence, we propose another interpretation of Venezuelan populism. The traditional rational interpretation holds that in every democratic political process voters make rational and informed choices, even more so in an informed society (Popkin 1994). However, we believe, as (Caplan 2008) proposes, that one of the greatest difficulties that must confront any political system are popular myths, irrational beliefs and personal prejudices held by the majority of voters. Based on Caplan’s proposal and making use of the developments of BE, we propose that voters continually choose politicians who either share their prejudices or pretend to share them, leading to bad policies in response to popular demand, as (Sunstein 2009) holds. Thus, contrary to the idea of (Popkin 1994), which considers that in every democratic political process voters make rational and informed choices, even more so in an information based society, we believe as (Caplan 2008) that one of the greatest difficulties that must confront any political system are popular myths, irrational beliefs and personal prejudices held by the majority of voters. Based on Caplan’s proposal, and making use of the developments of BE, we suggest that voters continually choose politicians who either share their prejudices or pretend to share them, leading to bad policies in response to popular demands created by the politicians. The persuasive rhetoric used in these cases makes use of some of the psychological principles of influence, as described by (Cialdini 2009), focusing on citizens’ biases by feeding them with fallacies. Thus, what are initially democracies, such as the case of
Venezuela, end up being hybrid forms of governments in which populism makes use of false beliefs that grow ever stronger through more false beliefs. Then, once in power the government creates the institutional and organizational structures and mechanisms that will meet the demands and expectations supported by the citizens and guided by populism. This in turn transforms these structures into specific organizations that attend to every one of these demands as (Villacañas Berlanga 2015) has pointed out. We add to this that although each of these organizations has a specific purpose the real objective is common to all populist organizations, namely, nurturing the polarization of groups. Once a polarized group is constituted these can be automatically integrated into the hegemonic political group.

The common elements of populism

Populism has some fundamental features that different interpreters discuss. Here, we argue that there are at least four common elements and two conditions in populism. The first common element is the definition of the term “people” and the legitimacy of power centered around them. The key factor is how to understand an empty referent or a fiction, such as “people”, which is a key problem for democracies. As (Lefort & Thompson 1986) have pointed out, the issue is how to implement a power emanating from fiction. The second common element is that populism develops in a partially polarized society and is consolidated in a deeply polarized society. This is due to the economic crises, supported by the gap between rich and poor, that precedes the populist processes. However, at the same time an important institutional crisis, that emerges from an unsatisfied social demand that cannot be met institutionally, is needed or as (Villacañas Berlanga 2015) has said: “an unmet social demand is required”. It is when this social demand becomes a claim that cannot be addressed institutionally that a crisis begins to take shape. This seems to be the case when the “unmet social demand” is compounded by an economic crisis that increases the gap separating the institutional system and the population. The third common element is the use of a persuasive rhetoric that misleads and
converts these elements with lack of meaning into elements of political differentiation. For this purpose, it is necessary to appeal to all the possible argumentative tools including the use of fallacies and biases. The fourth common element is a charismatic leadership, which is the subject of the rhetoric of manipulation. The leader with his/her rhetoric must give content to the elements that have none (i.e. *flatus vocis*), feeding the “dislocation” that allows to establish the social differentiation between “them” the enemy, and “we” the friends, henceforth dividing the society into two groups: the powerful and the helpless or underdog.

Additional to these characteristic elements there are two temporal conditions. The distinction made by (Laclau 2007) between populism as the mode of opposition and populism as a form of government, that we will call here ‘Before’ and ‘After’ winning the election conditions respectively. In the ‘Before’ condition, we will see clearly how populism operates with a rhetoric that overemphasizes social demands, the purpose of which is not to influence but to manipulate, and in its role of opposition it can begin by establishing exaggerated demands, promoting claims that begin laying the foundations of a great institutional crisis. An example of this, in the Venezuelan case, is the claims generated from the presidential campaigns regarding university study opportunities for the people. It is a claim that is a prima facie “fair”, but that is distorted by an egalitarian myth according to which everybody must have university degrees. This reduced the educational system to universities, concentrating all the demand in this specific sector and neglecting others (i.e. compulsory education). In other words, the populist rhetoric in the ‘Before’ conditions builds a demand and tries to drive it. In the ‘After’ condition the key elements are the creation of new structures or mechanisms by which the demands of the ‘Before’ condition can be addressed. However, when these new structures or mechanisms fail to address or satisfy the demands or expectations generated ‘Before’ the elections then the failure is attributed to the ‘old regime’ hence leading to the justifiable creation of ‘new institutions’ that can be controlled directly by the government. It is important to note that this institutional fragility has its origin in the creation of institutions and organizations that attend only to the needs of groups or to specific emerging situations. This will be discussed in more detail later when we
examine the development of constitutionalism and institutional changes. The point to emphasize from this is that the populist strategy focuses on the institutional crisis and acts by setting up an opinion matrix from which informational cascades propagate resulting in group polarization.

The populist strategy of the 21st century socialism

Venezuela is a nation with a significant republican, federalist and presidential tradition. Its political history has passed between extremes, between liberalism and totalitarianism. The populist strategy of socialism of the 21st century reflects that transition, since it went from a republican attempt to a form of totalitarianism. The republican approach began in February 1999 with the election of Chavéz and was marked by both constitutional and institutional changes, until the V World Social Forum in Porto Alegre in 2005, where Chavéz declared Venezuela to be a socialist state. This fact marks the definitive turn towards totalitarianism, since the necessary institutional changes had already taken place and all political institutions were in the control of the government. Consequently, if we consider some strategic objectives of populism it is important to mention at least the following two.

With the arrival of Chávez to power in 1999, a reform of the constitution was promoted to reform the Republic and give way to the “V Republic” (“Fifth Republic”). The objective of the government was to create a new constitution, with the “apparent” purpose of creating a new political agreement and overturning the “Punto Fijo” pact. In this first strategic objective the government talks of reaching a third political way that involves the private and the public sectors as well as the workers. In this first stage there is no talk about 21st century socialism. However, the real objective was to change the structure of the state by eliminating checks and balances. This change in structure, not yet apparent at the time of the constitutional reform, would provide a mechanism of obedience to the new state. In principle, this “new country” project was promoted by various political sectors giving an appearance of independence from the government but once the structure of the state was changed and trusted individuals were assigned to different political
institutions, nobody would act against the interests of Chávez. With the new constitution came the approval of several important laws that were difficult both to accept by citizens and to implement by political organizations. In summary, the change in the structure of the state is a way to take control of political power.

The second strategic objective is to deflect any opposition by controlling the media, either closing, censoring or opening new “independent” channels of communication that promoted the political project. In order to avoid negative publicity, mechanisms of control and pressure had been imposed on the media: dissent could now be suppressed in the name of The National Telecommunications Commission (CONATEL). The time was then ripe to talk about 21st century socialism, even though the new constitution did not contemplate the word “socialism”. It was possible to reduce any opposition by eliminating plurality. Under these conditions it was possibly to take society to the extremes and carry out the final process of group polarization, separating the loyal from the opponents or so called “puny” (escualidos in Spanish).

Disaffection and lying

The development of the populist strategy requires certain conditions and one of these elements can be political disaffection. Political disaffection can be understood as the separation of citizens exacerbated by broken promises made by politicians, as has been pointed out by (Bobbio 1991). Although not all disaffection should be understood in a negative sense, normally citizens identify mistruths with politics. In this interpretation we generally transfer responsibility to the politician, who has deceived the people. This is a traditional interpretation, made by (Laclau 2007), for whom populism as a hegemonic project must educate citizens while treating them as fools. We agree with (Beasley-Murray 2010) that citizens already know and understand that all politicians lie. However, our interpretation is that, although as citizens we know that politicians lie, we do accept and tolerate it because we suffer from what (Ariely 2012) had called tolerance to lying or the fudge factor.
For instance, Bill Clinton is commonly remembered as saying: “I did not have sexual relations with that woman”. However, this had no impact, as demonstrated by the fact that even though it was proven to be a lie, Clinton did not lose popularity. The same occurred in the case of the Bolivarian revolution with Chávez. When Chávez was a presidential candidate in 1998 he said that Cuba was a dictatorship but by 2002 Fidel was his brother and Cuba was a democracy because they had elections there. In Chávez’s last campaign in 2012 he said that he was already cured from cancer and a few months later he died. Like Clinton, Chávez also lied and did not lose popular support either. What these examples show is that we find lies in any form of politics, not only in populism, but not political disaffection.

Capitalizing on cognitive biases

Here we show how political populism exploits cognitive biases as considered in BE to keep the political agenda. The biases examined, such as loss aversion, optimistic, assimilation and media biases, are only part of a wider set of biases and here provides a basis to demonstrate how they are used to generate informational cascades and group polarization in populist strategies.

Loss aversion bias

A different way of confronting the subject of lies is by understanding that lying is an inherent part of human nature. We are familiar with lies because we do not like the naked truth. We do not like it when people tell us that we are not as smart or handsome as we believe. Likewise, nobody wants to hear when the government is talking about budget cuts that diminish our welfare state. This is due to the bias of loss aversion. Moreover, as (Ariely 2012) had said, we try to see ourselves as honest persons but at the same time we try to obtain more for less even by means of cheating. This conflict makes us have a “cognitive flexibility that allows us to benefit from cheating when we do it only a little bit”
and that is called the fudge factor (Ariely 2012). This is what happens, for instance, when we say white lies to a family member who suffers from a terminal illness. If we think that the consequences of our action will not cause harm, then the fudge factor increases. Therefore, “if we increased the psychological distance between a dishonest act and its consequences the fudge factor would increase”.

The Bolivarian revolution has been undermined by cases of corruption in which dishonest individuals have been rewarded with a new political position. In populist politics, loyalty to the project is more important than the honesty of those who support it. We have many examples to show it but perhaps the first one that comes to memory is the case of Dr. Carlos Genatios, Minister of Science and Technology (1999-2001), who was appointed against his will as the “sole authority” of the Vargas state (i.e. Governor General) after the tragedy of December 1999 where around 30,000 people died due to torrential rain and flash floods. Dr Genatios left the government in 2001 because he was more concerned with the following normatives and regulations than with the political interests of the new alliances with China or Belarus. Another example that can be cited is that of General Raul Salazar, Defense Minister in 1999, who criticized Chávez’s use and abuse of the military uniform. General Salazar was replaced by a civilian, which only led to a partial change, as in 2002 the faithful General Lucas Rincón was appointed as Defense Minister. This marks a return to the scheme of the loyal military, clearly demonstrated by perhaps the most significant example with General Vladimir Padrino López, who has been Defense Minister since 2014 despite the fact that his retirement is well overdue. The problem here is that when dishonesty becomes a state policy, the moral deterioration of citizenship becomes deeper.

However, let us return to the ‘Before’ conditions, when there is a crisis -and the conditions for the emergence of populism exists- and we as citizens tend to think that ‘things are so bad that it cannot get any worse’. This idea can be interpreted from at least three possible viewpoints: from a pessimistic or negative perspective “everything is wrong”, from a neutral perspective “things could not be worse” (i.e. in the worst case everything will remain the same) and from an optimistic
perspective hoping that the change is for good. 80% of the population seems to have this optimistic personal inclination (Sharot 2011).

**Optimistic bias**

At this point, the distance between ordinary citizens and professional politicians makes us turn our gaze to those who are not ‘properly political’ as is the case of a military man like Chávez in Venezuela, a businessman like Trump in the United States or an academic like Pablo Iglesias in Spain. These are perfect examples of irreverent charismatics. Being charismatic is not in itself enough to progress their agenda, it is also necessary to rely on the biases of the citizens such as the optimistic inclination or optimistic bias.

There is a clear distinction between optimistic and pessimistic views. Nonetheless although the pessimist believes that “everything is wrong”, at the same time they might suspect that “things cannot be worse”. This then means that even a pessimist may be inclined to assume that ‘magical’ solutions as proposed by a typical charismatic leader might just be possible, and thereby tend towards optimism.

The optimistic bias as (Sharot 2011) claims “is our tendency to overestimate our likelihood of experiencing good events in our lives and underestimate our likelihood of experiencing bad events”. Examples of optimistic bias are marriage and the possibility of developing cancer. Most people think that their marriage will not fail and that cancer is very far away from their lives. Although Sharot’s study is developed based on individuals and not on groups, our natural tendency is to develop certain affiliations to those political proposals that address our beliefs or those that serve as models. Therefore, either by choice or guided by the informational cascade of those who have influence over us, in either case we suffer from that optimistic bias that gives us hope for political change for the better. This optimistic bias implies the existence of ‘magical solutions’ which may be centered around the abilities of a charismatic populist leader. This is why the majority support populist leaders. As (Sunstein 2011) said: “People do not process information in a neutral way. Their preconceptions affect their reactions”. Although this
refers to individuals, when we move into a group posture, this seems to be marked by a tendency towards radicalization.

**Assimilation biased**

If we do not have formed opinions, we tend to assimilate those of people who are related to us and who have a more formed opinion. However, there is no automatic assimilation, the ideas of others can be assimilated or rejected. Studies (Sunstein 2006) seem to indicate that when we are in an informational cascade, the natural tendency is to assimilate this opinion, even if it is false.

In the ‘Before’ condition the question is about forming opinions and making use of informational cascades aiming to lead to group polarization which is achieved through biased assimilation.

What we call biased assimilation is:

> “The simple idea is that people process information in a way that fits with their own predilections.” (Sunstein 2011)

The way we process information depends on our emotions and our previous beliefs, so if we initially accepted a false rumor it is because we act according to our beliefs and emotions. With a biased assimilation even “balanced information will lead people to a stronger belief in a rumor even if it is false” (Sunstein 2011). We tend to accept information that is in accordance with our belief and reject that which is contrary to our emotional states and beliefs.

**Media Biases**

One of the purposes of populism is to gain control of the institutions or establish an institutional design that allows the institutions to function as a political operator. In that sense, political control of the media is crucial. This is so due to the importance of the media as generators of information and rumors, especially those that are related to interest of
the state. If we accept false rumors, which proliferate in all forms of state and possibly more so in the populist state, we have to accept also that many of them are generated for emotional purposes, either to produce fear or disgust among citizens. These rumor processes can be given, as (Sunstein 2011) argues, in at least two ways, namely, as informational cascades or as group polarization. This is the importance of media control; to establish informational cascades and group polarization by an institutional design that allows them to function as a political operator and a propaganda medium.

**Informational Cascades and Group polarization**

Cascades occur because each of us tends to rely on what other people think and do. If most of the people we know believe a rumor, we tend to believe it too. Lacking information of our own, we accept the views of others. When the rumor involves a topic on which we know nothing, we are especially likely to believe it. A cascade occurs when a group of early movers say or do something, and other people follow their signal.

Group polarization occurs when we join a group with whom we share beliefs or emotions. If we do not have a clear opinion about an issue, one way to adjust to the group is to accept the idea of the majority and even to exaggerate it. All this leads the group to move towards the extremes (Sunstein, 2009). One way to understand this is to see how the incorporation of a false rumor works. If the rumor is contrary to our beliefs and interests, then we reject it outright. For instance, when we receive news about the dishonest acts of a relative or friend that we know, our natural tendency is to reject it if we believe in the integrity of that person. However, if the rumor corresponds to some belief and feeling, we tend to believe it. Moreover, when we share it with a group of interest, we tend to exaggerate it, taking it to the extreme.

Once the biases have been operated by the populist politician on the population, the next step is to work on the polarization of groups, which is obtained once multiple and varied institutions and organizations are developed. This account of the Venezuelan institutional model has allowed us to see how the institutional and organizational mechanisms
were set up to try to meet the proposed demands. Once each of the specific needs was addressed, the polarization of groups and adhesion to the new hegemonic group of popular power was achieved simultaneously.

**Conclusion**

This work has considered a brief interpretation of populism from the point of view of behavioral economics. From the beginning, the populist version of 21st century socialism has been underpinned by propaganda in which divisive rhetoric stands out. It has been highlighted that this version of populism is a movement that helps the disadvantaged against the power of the economic elites, dividing society among the poor, the people, who must be attended to and protected; against the oligarchy, the powerful and heartless. So, to support the Bolivarian revolution is to support the destitute, while to oppose it is to be an enemy of the political “ideology”. In other words, if you’re not with me you’re against me. There are no half measures, only extremes.

However, it is not just rhetoric that encourages polarization. Facts such as the use of food rationing cards and financial support for motherhood, that are only provided to those who support the regime, show that if public support is not given to the Bolivarian revolution, you will not have access at all to protectionist public policies, especially those that have to do with obtaining aid and in particular food. In other words, it is a totalitarian policy that punishes dissent and does not tolerate criticism. Those who do not support the regime are ignored and even tortured.

In such a scenario what is left to the “citizen” is to comply with the requirements of the regime or to flee from it, but in no case will they be able to participate constructively. Those who are still “supporting” the regime will have to feed the informational cascades by participating in government sponsored propaganda events. Citizens’ participation in such events is reduced to an instrument of propaganda. Only then can these citizens obtain their food parcel and deny the reality of those citizens ‘disloyal’ to the government who cannot. Realities and extremes thereby come together.
REFERENCES


