Project Syndicate

Overcoming Political Short-Termism in Latin America

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WASHINGTON, DC – Long before he became a leading theologian, Saint Augustine famously appealed to God: "Lord, grant me chastity and continence – but not yet."
It is an entreaty one can imagine governments in Latin America and the Caribbean (LAC) uttering. They know that their policymaking and planning must become more consistent and predictable. They recognize that their failure to implement lasting, credible reforms in areas ranging from taxation to pensions to education discourages investment and contributes to some of the world's most anemic GDP and productivity growth. But, like the young Augustine, they lack the conviction or courage to do so.

Chronic short-termism by policymakers is not confined to Latin America and the Caribbean, or even to developing regions. Short election cycles tempt politicians everywhere to sacrifice long-term goals in favor of constituents' immediate demands. But LAC populations are particularly distrustful that their governments will do the right thing. And for good reason: political parties in the region are often too weak to uphold programmatic agreements or impose political discipline, and an entrenched tradition of pork-barrel politics impedes long-term planning.

This helps to explain why, over the last decade, LAC countries have invested an average of just 2.8% of their GDP in infrastructure – half the level in Asia. As a result, LAC lags behind all other regions (except Sub-Saharan Africa) in infrastructure quality, with many countries suffering from crumbling roads, unsafe drinking water, and blackouts.

Even when governments address these problems, their successors often erase their efforts, like footprints in the sand. For example, Colombia has implemented tax reforms more than 20 times since 1990 – one reform every 18 months, on average. This has deterred potential investors, who cannot predict their likely liabilities, and tax revenues have not risen significantly.

Similarly, 11 LAC countries passed pension reforms in 1980-2005, with some moving to private individual accounts, only to partly reverse course in 2008-10, then implement yet more reforms – all without ever delivering the strong pension systems that are needed. Other countries have failed to enact significant pension reforms at all. Across the region, a huge number of informal-sector workers – accounting for more than half the work force – still lack pension coverage, while others depend on grossly inadequate "non-contributory" pension schemes.
The same is true of education. "We can almost say that a new reform is introduced by each new president, or each new minister of education, in each country," observed a group of Latin American experts in a 2018 study.

To escape the yoke of political short-termism, LAC countries should embrace a bold solution: national autonomous institutions tasked with designing and implementing long-term, evidence-based policies in key development areas, such as infrastructure, pensions, and education. These institutions should be staffed with independent experts who are appointed to terms that are longer than election cycles and insulated from political pressures.

To be sure, several countries, within and outside the region, have already established independent bodies to offer evidence-based advice on long-term policy challenges. But these institutions – including the National Productivity Commission of Chile, the Australian Productivity Commission, Infrastructure Australia, and the United Kingdom's National Infrastructure Commission – serve largely in an advisory capacity. They recommend policies, but lack the authority to implement them.

By contrast, the institutions that are needed in LAC would have the power to design and directly implement policies. Their decisions would be binding – the government could not override them – to ensure that long-term strategic objectives are consistently pursued, regardless of political shifts or short-term pressures, including from powerful special-interest groups.

Of course, such institutions would have to be designed with the utmost care, to guarantee their independence, accountability, and legitimacy. But the potential benefits far outweigh the risks and challenges. By creating credible institutions that are empowered to make decisions that serve the long-term interest of society, countries can restore public trust in government and create the conditions for a more prosperous, equitable, and sustainable future.

There is some precedent for this. During the 1980s, some Latin American central banks, under government pressure, printed vast amounts of money to finance fiscal spending, including bailouts of crisis-stricken financial sectors. High and persistent inflation followed. So, in the 1990s and the early 2000s, many countries created transparent and autonomous central banks staffed by knowledgeable experts and led by independent board members. In some cases, central-bank independence was guaranteed in the national constitution. The technocratic institutions that emerged helped keep inflation low and stable in the ensuing years in almost all LAC countries, including in the face of recent inflationary shocks, such as the COVID-19 pandemic and the Ukraine war.

Fiscal rules are another institutional mechanism that promotes long-term economic stability. Clear limits on government spending and borrowing strengthen budgetary discipline, keep public finances on a sound footing, prevent the accumulation of unsustainable debt, and increase overall resilience.

Independent development-oriented institutions offer a democratic means of insulating core economic and development decisions from immediate political pressures. They could thus make all the difference in areas where Latin America and the Caribbean have lagged in recent decades – a period characterized by ideological swings and deepening political polarization.

When Augustine eventually realized that he could no longer postpone important changes, he became among the most influential thinkers in the history of Christianity. Governments in Latin America and the Caribbean must follow his example, not by following God, but by laying the groundwork for long-term stability and prosperity after decades of dissipation.

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