

Money & Solidarity in Latin America w/ Andrés Arauz

By [Scott Ferguson](#), [William Saas](#) (Posted Feb 01, 2023)

[Political EconomyAmericas](#), [Ecuador](#), [Latin America](#)
[Money on the Left](#)
[EpisodesFeatured](#)

Money on the Left is joined by Andrés Arauz, recent candidate for the Ecuadorian presidency, heterodox economist, and outspoken advocate for the creation of the “Sur.” The Sur is a complementary currency for use in intra-Latin American trade and cooperation. Dismissed by *New York Times* blogger, Paul Krugman, as a “terrible idea,” Brazilian President Lula De Silva’s proposal for development of the Sur as a tool for encouraging economic and political integration between Latin American countries has stoked the imaginations of progressive leftists within and beyond the region. As he makes clear in our conversation, Arauz is among those who see in the Sur urgent opportunities to build plurinational solidarities among countries like Ecuador, Colombia, Brazil, and Peru, as well as to diminish the hegemony of the U.S. dollar and financial institutions over Latin American economies and politics. Arauz offers an astute and defamiliarizing perspective on the Sur for anyone who may be committed to or uncertain about the political economic potentials of a SUR-driven future for the Latin American Left.

In our dialog, we speak with Arauz about his time serving as director of the Ecuadorian Central Bank. Remaking an orthodox organization with heterodox tools, he not only oversaw the Central Bank’s transition from a neoliberal handmaiden for corporate interests to a robust public institution in Ecuador’s complex “dollarized” economy, but also empowered and secured the country’s network of local credit unions by integrating them into the Central Bank’s federal payment system.

Andrés Arauz on Center for Economic and Policy Research

(CEPR): <https://www.cepr.net/staff-member/andres-arauz/>

Visit our Patreon page here: <https://www.patreon.com/MoLsuperstructure>

Music by Nahneen Kula: www.nahneenkula.com

Transcript

The following was transcribed by Mike Lewis and has been lightly edited for clarity.

Billy Saas: Andrés Arauz, welcome to *Money On The Left*.

Andrés Arauz: Thank you very much for having me. I'm excited to be here. I've been following your work for the last few months and years, and I'm happy to be here.

Billy Saas: Oh, that's exciting to hear. We're excited to have you here with us, especially now, because these are some pretty historic times in Latin America with six now (very recently, seven) of the most populous countries, including for the first time Colombia, run by leaders with progressive left politics. How would you characterize this moment and its importance for the future of the region?

Andrés Arauz: Well, this is a very exciting moment for progressives, especially people in Latin America that already lived through the first pink wave, the first progressive tide in the region. Of course, now there's a bit more maturity in the progressive space, in general, and I think we have learned a few lessons. One of the most important issues that we have learned is the importance of regional integration. Right? So we know that one country by itself will not change the world. One country by itself will not change the major dynamics of the world system, or come out, in a sustainable way, out of poverty and transform its economy, its industrial base, and so on. We know that that can only be achieved with a regional plan or integration. And I think that has definitely been incorporated into the left's agenda. That's why this is a critical moment in history, because now we see that President Lula, who just arrived to power only 10 days ago in Brazil, and has already faced the first putsch attempt, has said that regional integration, specifically with South American countries, is one of his key priorities in his foreign policy. So this is exciting for us, with the leadership of Lula, of course, the situation in the region changes completely. We see that the sort of extra regional forces like the US have also taken note of this shift towards the left, and that has implications for the entire region. Hopefully, we will overcome all these putsch attempts and violent threats against progressive forces. And this can be not just a reaction, a resistance in opposition to the forces of Empire, the forces of Neocolonialism that threaten progressive politics all over the region, but that we are able to actually build something. And I think the monetary, the financial issue is definitely something that we can achieve in a short timespan. Because of the electoral dynamics in the region, I would like to insist that for Latin America and progressive politicians and those who are leading the countries, we don't have an infinite timespan. We have a very limited window of opportunity, which is exactly this year, 2023. If we go beyond that, it will probably be much more difficult, because of the domestic political junctures, the correlation forces, and so on. So I think this year is the year of hard, hard work, and to put things in order and get them rolling.

Scott Ferguson: So how would you understand Ecuador's place in this particular historical moment? And I'm wondering, in your experience, taking advantage of this particular historical opening, how have you pursued speaking about money and public financing from a heterodox point of view and communicating that to everyday people?

Andrés Arauz: Okay, so let's begin with Ecuador's role in all of this. Ecuador, unfortunately, right now is headed by the antithesis of progressive money with policy, which is a banker. A neoliberal billionaire banker, who has completely sided with the IMF in their conventional, and old school, and effectively-demonstrated false and incorrect policy advising and policymaking, and he's leading the country into a major economic crisis. The country of Ecuador is probably the country that has least recovered after the pandemic. So it hasn't grown, really, because of very restrictive monetary policy and fiscal policy, in general. He is promoting capital flight as part of the government policy. Just yesterday, or I don't know when this will air, but very, very recently, he just announced that he will scrap the money outflow tax that we have in Ecuador. It has been there for a while. So that will promote capital outflow. But the thing is, his main line of business as a banker is actually to own an offshore bank based in an offshore center in Panama, whose approximately between 80 to 85% of all deposits actually come from rich Ecuadorians. So it really is very messed up for any country, in general. But for my country, it actually hurts, you know? When you have a president whose main line of business is to actually promote capital flight to his offshore bank based in Panama. And of course, all the policy is changed to fit his line of business. And it's actually quite absurd, but also a bit disgusting, because he has not quit the bank, he has not put his shares into a blind trust or whatever. No, he has been explicit about holding his property, and that's very sad. Also, because if you extrapolate this or you zoom out a bit, you'll see that this is the type of character that will oppose a proactive role that has always been Ecuador's foreign policy, except for this government, to be a part of a regional force. To be part of a regional bloc. So he will most likely oppose all these initiatives, and it is very sad because until very recently, Ecuador was the capital of UNASUR: it was the head seat of the headquarters of the South American Union. The former President Moreno, who betrayed his program, and now Lasso, have resigned, have renounced the fact that Ecuador was the Capital of South America, the city of Quito. Fortunately, on the other hand, Ecuador's population is markedly progressive. So in the last elections, where I ran, Ecuador's population voted around 70% for progressive parliamentarians. The presidential result was not exactly the same: I lost by just a bit. But the parliament is overwhelmingly progressive with social democrats, with progressives with what we call

the indigenous movement of plurinational national forces. They are over two thirds of the parliament. And the population, in general, is fairly progressive, as well. So this means that sooner rather than later, Ecuador's population will step up, will start exerting their democratic rights, and will probably have a changeover in the administration. It is very unlikely that the current president would be reelected. And we will have a progressive government in place to align themselves with the regional integration project. You also asked me about how to approach heterodox money and heterodox economic policy in this context, and I have several hats that I wear all the time. In the context of my own country, I am predominantly a political actor within my country. Ever since the election two years ago, I am now seen as a political player, so it's a chance to be in the media quite a bit. It's a chance for my social networks to have plenty of followers, and it's important to try to relay the message adequately. I tried to share my knowledge in very lay terms and with fairly easy vocabulary, but mainly showing contrasts. I think that's been a very effective way of communicating to people, to large segments of the population by contrasting either policy recommendations or policies from orthodox money, monetary policy or in general economic policy, with what can come about with a heterodox approach. That's my hat that I use within Ecuador, but outside of the country, I have, perhaps, still more of an academic hat on. I use my knowledge to communicate to specialists and specialized media, to those, perhaps, that are monitoring the international financial institutions, in general, and try to use that sort of language to reiterate and to insist on my academic credentials, which I think is also important in terms of legitimacy building. That's more or less what I do. I work in several spaces, always around issues related to money and technology. I'm pretty happy in that space and trying to change the world with my knowledge, my brain power, with the networks that I can try to build. Hopefully, we can also leverage that to further develop and transform my own country.

Billy Saas: As you're doing this communication work, are there any other thinkers who model the kind of communication that you aspire to? And then under the broad banner of heterodox economics, are there any schools or perspectives that you find yourself more consistently drawing on?

Andrés Arauz: I haven't had any specific person in mind in terms of how to model the communication. I have been exposed to many leaders and to many economic thinkers. I can't deny the incredible and important role model that, for example, Rafael Correa has been in terms of economic policy communication. He used to have a weekly radio program where he explained the economic policy and government policy to the entire population. It was a program that lasted between two and four hours every Saturday.

And then, of course, making issues easy and communicating them to people using PowerPoint slides and so on was also, I think, something that did not only affect me, but it was a style of communication that everyone in my country got to be familiar with. In terms of economic thinking, though, I definitely recognize the influence of many Latin American economists that have been around ever since Raul Prebisch; structuralists and dependency theory thinkers. More recently, I think the influence of Post-Keynesians has been very explicit in my economic thought and practice. I would say that I would ascribe to the broader Post-Keynesianism, and then there are many smaller groups within that broad school, and I like to gather elements from all of them. I have really grown to like some of the main elements gathered by the separatists, the French separatists school with some Italians in there as well. My PhD work includes a lot of their work, as well. Specifically, Augusto Graziani because I specialized in payments systems, and in money dynamics, and the role of banks, and so on. And I like to consider that as well. But also, and this is perhaps something that is related to more of Latin American context, is what I call the Solidarity Economy school; *economia solidaria* in Spanish. The Solidarity Economy is very important in our region because we are a late comer to industrialization. We're a late comer to capitalism, itself. We've been under basically feudal economies well into the last century, the 20th century. Solidarity Economy is important because it is a way of including those who were excluded by the capitalist system. If you analyze my country, or my neighbors, between 70 and 80% of the working age population is not a formal worker. They're not under a capital-work relationship. They are basically survivors in a system where they have to find a way to survive every single day. That doesn't fit into any neat economic theory, so Solidarity Economy tries to say: okay, what can we do as people that have been excluded from the system? Let's save each other. Let's cooperate. Let's build community. Let's build a cooperative economic system where we can recognize that we are partially excluded from capital and capitalism, but we have to talk to capital and capitalism. We're partially excluded from the state, but we have to interact with the state, as well. We are divorced from our own realities because we have to survive. We also have to work together. We have to become cooperatives, we have to get together into associations. Even though we're not a union, or a Workers Union, we have to come together so that we can negotiate in better terms with the forces that be. Solidarity Economy, I think, has a very important and marked influence in how I think about development. Yeah, there are probably many more that I'm missing right now, but definitely some of these that I've mentioned.

Scott Ferguson: When you ran for and nearly won the presidency of Ecuador in 2021, the press liked to note that you would have been the youngest president in the country's history. But we find it just as remarkable, if not more remarkable, that you already served as Director of Ecuador's central bank when you were just 24. How did this situation come about? What drew you to that work in monetary policy in the first place?

Andrés Arauz: I would have to definitely mention my Masters thesis director Pedro Paez Perez. He was a very important person in my early stages of professional development. I actually got my Bachelor of Science degree at the University of Michigan Ann Arbor in both math and economics, and then I went back to Ecuador and started doing a Masters in Ecuador. The order is usually the opposite: people get a local degree, and then they get a Masters abroad. I did it the other way around. Actually, it was very, very helpful because when I enrolled at FLACSO, which is a Latin American university that has offices in different parts of the region, in my case Ecuador, all my professors were going to become ministers of finance, planning, development, central banking, and so on. My thesis director, Pedro Pais, had been a central bank researcher, so when he became Minister of Economic Policy, I became his advisor. I was actually 22 when I was advisor to the Economic Policy Minister. I was in charge of what we called the new financial architecture, which is basically proposing a transformation of the domestic financial system, but we were also working on transforming the South American financial system and their institutions. I worked with him on a lot of those issues, and I got to know the central bank from the outside. I was an advisor to the ministry, but most of my work had to do with the central bank. So I was able to criticize it all the time and to push them to make changes and so on. It's important to mention that before all of this, I had worked at the central bank. I was a statistician at the balance of payments statistics area, and my job allowed me to see the individual transactions of money that went in and out of the country. I got to see names of people, names of companies, and that knowledge has always been valuable to me because when an economist goes and finds the statistics, you see a bunch of numbers, you see a bunch of aggregates, you try to build a story in general terms, in general concepts. Well, when I see statistics, and when I see these numbers, I don't see general stories and general concepts. I see people. I see the companies. I know their behavior. I know their patterns. I know exactly who we're talking about because of that experience that I had failed more than 15 years ago. So that's definitely a plus when you build the policy, when you know what makes up the statistics, and how much of it is also just hot air and how much is actually rigorous

statistics building. I always thought that statistics, and therefore accounting, were absolutely crucial if you really want to do rigorous economic analysis. That's also why I sometimes laugh when I see colleagues putting out all these nice, econometric models and using numbers as if they were some sort of physics and hard science when a bunch of these statistics are absolutely made up and have very strong deficiencies, or very large, significant deficiencies. I've actually written quite a bit about problems about monetary and balance of payments statistics. Anyway, to come back, I was an advisor to the Economic Policy Ministry, and we had a major issue because the central bank of Ecuador had been ran, perhaps over two decades, by the most conservative, Orthodox people in the country, and with clear links to the more powerful bankers. So in 2008, under Correa's government, we had a new constitution of Ecuador, which was a very interesting process of democratization of lawmaking. We had thousands and thousands of people propose amendments, and changes, and wording, and so on, for the Constitution. And eventually, I really think it's a piece of artwork, the Ecuadorian constitution. It is very progressive, it is forward looking, and one of the things that the Constitution did was to change the nature of the central bank. It said that the central bank would no longer be independent. It will no longer be autonomous, that it would be democratically accountable to democratic forces, and therefore be part of the executive branch. Now, we're also a dollarized country, but with a non-independent central bank, that was run as a branch, effectively, of the executive government, and the President was a PhD economist. Okay, so this was a very particular moment in time. And if that guy wanted to have the central bank also comply with the new constitutional mandates, which also changed for the central bank. For example, we have financial inclusion as a constitutional objective, not just inflation or whatever. You have a list of constitutional mandates for the central bank. You wouldn't find anybody in the central bank staff that would even understand much less so be aligned with the new constitutional objectives. So since I had a monetary background and I specialized in those issues, and I knew the central bank both from the inside, and the outside, because I had been able to live within its framework, but also to criticize it from the outside. I became the general banking director, which is basically the one in charge of the central bank's operations. It was a very happy moment for me because I was fairly young, but I already, perhaps, could be considered an expert in central banking affairs. And I knew the workings of the payment system, the reserve management areas, the international payment systems, and financial institutions. I knew accounting very well, and it's key to know that if you're running a central bank. And I had the correct political orientation as to what were the key

transformations that I had to achieve within the central bank, so as to instead of destroying the institution, leveraging the institution to fulfill these new constitutional roles. So I had a key role there in transforming the central bank into what it still is today, even though we now have, again, a conservative government. But because we had very important changes in place, even in the culture of the central bank, I think it's difficult for them to revert all of that. So that's how it all came about. It's a really nice story, and I think it's not easily replicable elsewhere in the world, unfortunately, but there are many things that on the margin can be done to use an immense power that any central bank has in any society to democratize that society, to democratize its economies.

Music Break – “This is Not America” by Residente

Billy Saas: So moving from critic of the central bank's activities to someone who's effectively directing them, were there things that you learned or surprises that you encountered in your new position on the inside? Did anybody take your place as the critic from the outside? And what was that criticism of your work like?

Andrés Arauz: Well, to be honest, no. There was no strong criticism at the time because, like I said, we were moving really fast.

Billy Saas: Yeah.

Andrés Arauz: This academia in Ecuador had been dominated by neoliberal thought by neoclassics and no real thought about heterodox monetary policy, and so on. The payment system was something that was completely out of the discussion, out of the debate. None of that. The central bank's proactive role in the economy had been forgotten for the last 20 or 30 years, and so on. So the people in academia, even the right wing academia, had no idea what we were doing. They looked at the balance sheets, and they just couldn't figure it out. They didn't even know how to read the balance sheets, because they had excluded that sort of training for a long time. So the first few years, there was really no criticism, not because they didn't feel like something was wrong, but because they didn't know what to do about it. We had also kicked out the IMF and the World Bank from our country. We had expelled the World Bank from Ecuador. The IMF was still in the country; they used to occupy a large office at the central bank, and they didn't pay rent. So we said, “no, if you don't pay rent, you get kicked out of the building.” And of course, they didn't have as much access to what was going on within the central bank, either. So there was really nothing that they could do or say during that time because we were making changes in the plumbing of the system. We were working on, for example, democratizing the payment system by something so simple as retrofitting the telecommunications

requirements for connecting to the payment system, and for making a light version of the software available for credit unions. In Ecuador, we had over 600 credit unions that were operating, but were not included in the payment system. So they weren't able to offer the same kinds of financial services, transactional services, payments of government wages, and so on, like big banks were able to. So just by democratizing the payment system, we had a revolution at the base of the pyramid where rural credit unions all of a sudden became a major force in the economic system. These guys were part of the Solidarity Economy, so they had another value system in there as well. Not just capitalist banks, right? Just by democratizing the payment system—something that we did out of the mainstream or the media's radar—we were able to make major changes. Now, when did they start to pick up when they, by then, I mean basically right wing academics, opposition pundits, and so on, was when we started the launch of what we call the mobile money system. Ecuador was the first central bank digital currency. Now it's a fad. But we did this 10 years ago, and the project started in 2009. So this is like 15 years, 14 years ago. We changed the regulations so that citizens, any citizen, all they had to have was a national identification number, so their ID, and that was the only requirement to open an account at the central bank. A central bank digital currency, we called it mobile money then. It was designed in such a way that was perhaps another tenant of my way of thinking about technology, its appropriate technologies, rather than vanguard technologies, or the latest thing. You need to make technology appropriate to people's needs, not to just...

Scott Ferguson: Disrupt.

Andrés Arauz: Right, so we had this mobile money that would work with the most basic feature phone, without the need of having a smartphone, without the need of having a data plan. All you needed to do was dial a shortcode, and you will get access to an entire system to transact. And that's when the right wing opposition started to criticize. I had been out of the central bank by the time it actually launched, but that's when they started to pick up on some of the major issues. In part, because one of the main people that they recruited was a former central bank guy, who then went to work for the private bankers association, and is now working at the IMF. So this person is perhaps the only one that was able to educate the right wing as to what was actually happening. And now it's only about 10 or 14 years later, writing about what we did in 2009, 2010, and 2011 with a critical perspective. I think it took them a while to understand what was going on. People, when they think about a dollarized country, they usually say, "you lost your monetary policy, and you're screwed," and so on. That's not true because when we went into the central bank, and when I was an

advisor at the Economic Policy Ministry, we said look, sure an Orthodox dollarization removes all of those tools and possibilities and policies and you just sort of quit and say: I renounce everything and let the markets dominate. But in a heterodox dollarization, it forces you to be creative. You will have an advantage, which is that you have a stable unit of account, which is actually a challenge for many developing countries that try to apply heterodox economic policy. You get these devaluations, depreciations, people lose faith in the currency because of the pundits and the markets react quickly. But when you have a dollarized economy and a stable unit of account, you can be a bit more creative without worrying about these speculative attacks, because they have nothing to attack. So then you really start to play with actual issues that depend on credit creation, and the role of banks in society, and the workings of the payment system, and the velocity of circulation of money, and how the securities market operates. You can be more creative without worrying about issues like speculative attacks. For example, we have a neighboring country, Colombia. President Petro is also an economist. He's pursuing a heterodox policy. But of course, the speculative attacks against the Colombian currency are there, and you have an Orthodox central bank that is not aiding or helping or contributing in that same heterodox orientation. So it's much more difficult to be heterodox when you don't have all the pieces aligned.

Scott Ferguson: So do you still have a critique of dollarization, despite having a more nuanced, creative, heterodox, experimental approach to moving and creating institutions, and developing forms within a dollarized country?

Andrés Arauz: Absolutely. Yeah, I'm critical. First, we have to understand that there are many dollarizations, right? I'm critical, absolutely, of dollar hegemony, for example. So this is geopolitical. This is a colonial thing. The south does not have to use a New York or Miami account to make payments between Uruguay and Peru. Why, right? So dollar hegemony, and the fact that dollar hegemony contributes to imperialist measures like economic sanctions, unilateral coercive measures that are destroying entire countries. Furthermore, if you put dollar hegemony together with transactional systems such as SWIFT that are a global monopoly, and if you cut them off SWIFT, you are also effectively cutting them off. And it's basically being weaponized. Money as a weapon, and the plumbing of the system used as a weapon, I'm absolutely critical of dollar hegemony. I will continue to be so, and I will try to build alternatives because I don't think the world has to subject itself to one country's currency. I think that it has to be a global system, and that means going towards a more democratic, multilaterally-based economic monetary system. Just like it was dreamt decades ago,

almost 100 years ago, by key thinkers such as Keynes: you have the Bancor, a global monetary asset. Of course, there are key power players. We cannot deny that, but let's have a more balanced approach. Now, that's one issue that has to do with dollarization. For example, dollarization of international transactions, of international trade, and so on. Then there's the issue of domestic economies and adopting the dollar for domestic means of payments. Like I said, one thing is the dollar as a unit of account. Another is the dollar as the actual physical means of payment that people use on the street. I think that even if you're dollarized de jure like my country is, it's best to try to replace the physical dollar used for means of payment domestically with electronic means of payment, and keep the physical dollars as international reserves for the current international system that requires that you use the US dollar. That way you free up dollars that you're using for domestic payments that you don't really need to better import equipment, technology, and resources that you don't have available in your own country. So I think there are nuances to all of this. And while I'm a critic of dollar hegemony, I think we have to recognize that until that changes, the dollar plays a key role in Latin America, and basically 99% of international transactions in the region. Many domestic prices in the region are pegged to the dollar de facto like real estate, in cars, of course imported technology, and then that sort of creeps into the rest of the prices in the economies. So the dollar is there. Now, how do you optimize that? How do you gain degrees of freedom? How do you get some policy space, a bit of sovereignty in that context, is what it's all about. And that is independent of whether you're a de jure dollarized country, or just a normal market economy with a domestic currency. But that has to comply with the rules of dollar hegemony. So I think there are many similarities in both approaches, and I think you can be a critic, and as well, be a proactive thinker, and policymaker, in that context.

Billy Saas: So you are making the best of the situation, working in the dollarized economy, but it clearly was not the case, when Ecuador's economy became dollarized, that they had these sort of advantages in mind. So can you talk a little bit about, you've been a critic before of President Jamil Mahuad's decision, the administration's decision in Ecuador, in 2000, and into 2001, to give up the Sucre and adopt the dollar as the state currency. Could you sort of tell us, what was their motive as you understand it? And why was that a particularly bad idea for Ecuador at the time?

Andrés Arauz: It was a bad idea because it was a conspiracy. Now that Mahuad just came out with a book, and there are people that are doing a bunch of research. Marco Naranjo has also come out and said this was a conspiracy. He was the one guy who

was planning dollarization five years before. You have declassified reports from the United States government saying that they actively pursued the dollarization of several economies in Latin America. It is not a coincidence that Ecuador accepted a US military base in Manta in 1999, and Ecuador was dollarized in the year 2000. There were only four months between both decisions., and, unless you believe in fairy tales, that's fairly easy to link up in terms of the international political economy. Now, Mahuad was a terrible president, predominantly for what he did to the people of Ecuador. He was bankrolled and financed by bankers. He put bankers in the ministries, in the central bank, and everywhere. Private bankers, who did not quit their jobs as bankers while they were being government bureaucrats at the same time. So just plenty of conflict of interest, nasty policies, and so on. He started basically bailing out banks when the crisis came, which was not an accident. Again, crises are not natural disasters in the sense that there's an unforeseen circumstance. Financial crises are anthropogenic in nature; they are manmade, they are engineered, if you will. And there is enough research into financial crises, especially from Hyman Minsky, and all of his disciples, and people that have studied him, we know how crises come about, and how they play out, and then how they eventually get resolved. So instead of preventing the crisis, instead of solving the crisis, Mahuad basically started pumping all this amount of money for the bankers, but at the same time, didn't close the capital account or didn't put exchange restrictions. So what the bankers immediately did was they got all this bailout money in Sucre and they literally just went through the revolving door of the central bank and came back with the Sucre and bought Dollars. Now if overnight, you have this increase of demand for dollars because of the huge supply of Sucre, that without any exchange rate restrictions, without any capital account restrictions, of course, you're going to have a devaluation, depreciation of the local currency immediately. But this is not something that requires a genius mindset. This is sort of very, very basic. And they did it anyway to purposely weaken the local currency and justify the dollarization measure, which had been in the workings for quite a bit. So now, Mahuad 24 years later is trying to come out and say, "Oh, look, I wanted a dollarized economy. Look what would have happened if the Sucre kept devaluating," and so on. But they did it on purpose. It's not like it was an accident, and he cured the illness. It is that they created this crisis to justify the measure, so they weren't thinking about the creative uses of dollarization. They had no idea about the actual workings of the dollarized economy or the balance sheet logic that you can apply. They were working on, basically, assumptions that you would renounce monetary policy, and that it would be a hard restriction on fiscal policy, as well. Basically, they

said, if you have dollars, then the central bank cannot lend to the government anymore. And then, we'll starve the beast, and then we'll justify our privatization program, and so on. It was very purposely a neoliberal agenda. The law of dollarization was written, not in Ecuador. It was written in DC at the IMF, and then sent via fax to Ecuador to be copied and implemented. It's a very long story, the story of how dollarization was implemented. But they didn't see that we were going to be smart enough to find loopholes and creativities and creative solutions to that. For example, and I will mention this quickly, but starting in 2009, the central bank of Ecuador started to lend to the government, even though we're dollarized. This completely blew their minds because it was like, "Isn't dollarization supposed to forbid the central bank from creating money out of thin air?" No! You can still create dollars, right? You can still create dollars on a central bank's ledger. They are just accounting dollars, right? Of course, you can't go and print physical dollars, but you can still create dollars on the ledger, and then have them be transacted in the domestic economy. Sure, that creates an issue then later with a balance of payments, international reserves, but then you have to have a proactive balance of payments policy, like any developing countries should, in fact.

Scott Ferguson: Isn't this the case with Eurodollars, as well?

Andrés Arauz: Yeah, I mean, that's exactly. The thing is, when it's private banks doing it, nobody has an issue with them creating dollars in their banks, and in the ledgers. That's how offshore dollar banking systems also work, in general. I use the term "xenodollars" to be more etymologically correct. But yeah, that's exactly how it works. What they didn't like is that now a state institution, which was the central bank, was doing exactly the same, perhaps with even more care, with more oversight, with clearly defined parameters under a democratically accountable system than what private banks were doing, which was creating Ecuadorian dollars when they lent. That's definitely something they didn't have in mind in the year 2000. When the economy was dollarized, there was a huge crisis in terms of prices. Relative prices just got really messed up over the next year or so. Many economic activities became non-competitive overnight, and Ecuador could have collapsed, even as a country, except for one thing, which was that the crisis of the late 90s and dollarization created a mass migration of millions of Ecuadorians. We lost almost 15% of the population that went to live in the States, in Spain, and Italy, and then started sending remittances home. So it was this hard currency that was coming from abroad that basically saved the country from catastrophe.

Scott Ferguson: You've been a vocal advocate for the development of a regional currency in South America called the S-U-R, the Sur. And this currency would be used instead of dollars in international cooperation and trade. Could you share with our listeners a little bit about the Sur currency and what its adoption will mean for member countries like Ecuador.

Andrés Arauz: So the Sur is actually an initiative by President Lula, by former presidential and now Minister of Finance, Fernando Haddad, and his team. The Sur is not a currency like the Euro that wants to replace the national currencies. That's something that I have to insist from the start: it is not a currency intended to replace national currencies. It's a complementary currency. It's a regional complementary currency that wants to contribute to the dynamics of intra-regional trade. Okay. So, right now a country like Argentina, in order to buy staples or equipment from Brazil, has to have Dollars in their reserves, and then it has to transfer those dollars to a Brazilian bank in order to get the equipment, the machine, or whatever, from Brazil. Why? Why? Then, of course, the logic of that is that the dollars aren't in suitcases or wherever. The dollars are just accounts in US banks abroad. The dynamic of that is creating institutionalized capital flight because you have to have a liquidity pool, a bunch of money basically deposited abroad, that you cannot use for your developmental needs. So, by having the Sur, we're basically setting up a payment system with a regional unit of account, the Sur. We have to still talk about how we're going to value it, but most likely, it will be pegged to the SDR, the Special Drawing Right. And the Sur will avoid having to require US dollars for these international transfers, for these intra-regional international transfers. We can just use this unit of account for our purposes. Again, it does not resemble the Euro in the sense that it replaces national currency. More likely it resembles, even though I don't like to use this example that much, the European Currency Unit, the ECU, which was an ancestor of the Euro. So you have a unit of account composed of a basket of currencies whose idea is: let's avoid using an extra regional currency for inter regional trade. I think that will definitely create some flexibility and policy space for countries so that they can free up some of their reserves, and use those for technology and equipment that's not available within the region; stuff that we may need to import from the US, Europe, or Asia. At first glance, it does not seem so ambitious. I am proposing to the working group that we start with a bit more ambition, which is allowing payments in Sur from any bank account in the region—twenty other bank accounts in the region—in real time, like the Brazilian Pix payment system is working. We already have the technology. We don't really have to make anything up. All we have to do is connect the softwares, and

the pointers, and the parameters, and we can get that rolling overnight. Why is this very important? Because in South America when people think about regional integration, sometimes they think it's a thing about politicians, and presidential summits, and they gather once a year, all the flags are put together and they hug each other, and so on. But we need to make this very tangible and to build regional integration in such a way that it's actually existing in people's lives. And the way to do that is, I think, by making a democratic payment system where you can actually make transfers within the region, denominated in Sur in real time. That will be a big, big competitive leap compared to the legacy system, dollar based, SWIFT-based system that runs today.

Billy Saas: That's super helpful. Thinking a little bit more in terms of on the ground in Ecuador, there have been major indigenous uprisings over the last several years, indeed going back to the 1990s. Then, there was recently a call this past week by the Confederation of Indigenous Nationalities of Ecuador, or CONAIE, for more protests after one of their leaders, the chairman of CONAIE was arrested and detained. The CONAIE endorsed your candidacy and 2021, and I imagine you might like to have that endorsement again. Could you talk to us a little bit about your vision for the newly created Sur, and a reinvigorated Unasur, and how those will serve and advance the interests of Ecuador's indigenous peoples? So thinking about on the ground, in material terms, how does this complimentary currency improve the lives of Ecuador's indigenous?

Andrés Arauz: First, CONAIE is an organization that I really respect. I think they have decades of political organization and work. They were, unfortunately after 2003 specifically, infiltrated and contaminated by different intelligence agencies—Local, neighboring, and foreign intelligence agencies—to try to break it apart because it was becoming a very powerful force, and they clearly had a left wing agenda. During the left wing progressive government of Correa, there was a lot of tension with CONAIE, but during my candidacy, we were able to find common ground, and to admit some of the historical mistakes that progressive forces had made, which allowed these foreign interests to penetrate such a valuable movement. Now, I didn't have the endorsement of the entire CONAIE. I had the endorsement of the President of the CONAIE at the time, and let's just say good relations with the rest. But specifically with the Amazonian indigenous peoples of Ecuador, which is the Confeniae. This year, we had protests in 2022 over several issues, among them, importantly, the price of gasoline and fuel. Of course, there was a packet or package of agreements that the government reached with CONAIE, but the government has, of course, continued their

neoliberal agenda, because that's what a private banker is there to do. There will probably be more protests. Now with the government, Lasso's rampant banking corruption will probably come out in 2023, and we'll see a change there. So that's what's happening in Ecuador. In Ecuador, what has always been my proposal is we need to build what's called the historical block, which is reiterating the same forces that supported the new constitution of Ecuador in 2008. That sort of waned over time. We need to rebuild that and have that be strong again. So that involves an agreement, a political, social, and economic agreement with the indigenous movement and the Citizens' Revolution which is the political space that I belong to. Now, the Unasur that is now in zombie status, but will not be for long because in the next few days, we'll see Unasur have a rebirth, especially with Lula's leadership. One of the reasons that I think Unasur failed—and I want to emphasize this is my perspective—was because it did not have a material or tangible effect on people's lives. It remained as a general idea that was mostly around political circles. It was not a culturally ingrained concept. I see that Unasur cannot just be an integration of politicians or of states, it needs to be an integration of the peoples. And I use that term on purpose. The peoples of South America need to perceive that this thing is actually something that is useful to them. I think the way of doing that is, first, having the Sur allow all these transfers like I mentioned, in real time, denominated in the unit of account, which will be a thing that would materially impact trade in the region. You will get businesses, small, medium, and so on, to support this. You would also have an education pillar that would allow for students to have an exchange program; a year long exchange program in any of the countries in the region, both high school students and university students. That would also make it very concrete. The third thing is the thing that Evo Morales, former President of Bolivia has started, which is called Runasur. Runa, in other indigenous languages, means person or lay man, and it is, of course, a reference to an indigenous integration of the South. I think we have a key opportunity there in terms of the urgent needs for climate change, biodiversity, and above all, the respect of indigenous peoples. So I think that also will be a key pillar in strengthening the integration of the peoples. Hopefully, that can also become an integration of social movements. Why not, instead of having 12 different workers unions, for example, in a specific economic sector, just have a regional workers union with 12 chapters, or with local chapters. Just like a big organization, because transnational companies all work in that way; they operate in different countries, but they all respond to the logic of the headquarters. This is what we should do in terms of workers unions, women's movements, students movements, indigenous peoples, and in general, the organizations that respond to the

majority of people and our capital. So hopefully, not Unasur per se, because it's more institutional space, but Runasur, which is the space of lay people, can also have a political union going forward. That's why it's important for the indigenous peoples of Ecuador to support that initiative, as well.

Scott Ferguson: Are there critics of these complementary currency systems, either on the right or left or center? And if there are, what do you say in response to them?

Andrés Arauz: Yeah, of course there are critics. People that think and believe that we should always just comply with the dollar hegemony and base all of our economy on the needs of US interests, and who are happy to have their double residence in Miami and another Latin American country. Unfortunately, this sounds caricature-esque, but this is what it is. Bolsonaro was a supposed nationalist and supposed Brazilian Jersey fan. Even before leaving the presidency, he went to live in Orlando, Florida and put on the Mickey Mouse hat. I don't know if you saw it, but he also wore the US Soccer Jersey.

Scott Ferguson: Oh yeah, we saw.

Andrés Arauz: I mean for Latin Americans who are football fans, and we just had Argentina win the World Cup, it's really symbolic. It's pretty bad. That shows how these fascist nationalisms in Latin America say that Latin American Integration is bad, but somehow wearing the US Soccer jersey is good. It makes no sense whatsoever, but this is how they think. This is what's in their mind. And that's also where their wallets are, and what their bank accounts are, and where the property is. Lasso has 140 properties in Broward County and Miami Dade County, in Florida, so this is who they are. The elites, unfortunately, are more Miami-based than Latin American-based, and we will have to face that struggle, show these contrasts, and make that transformation happen.

Scott Ferguson: Yeah, it's a big middle finger. What about the center left and left? Because I think we've come up against many critics and oppositional forces, whether it's in the British Labour movement, British Labour economists, or left wing media folks and activist in the United States who are not thinking with Post-Keynesian theories of endogenous money, are really thinking in these old fashioned, even classical hydraulic models of finite money redistribution. Do you come up against those kinds of criticisms from center left and left interlocutors?

Andrés Arauz: Yeah, unfortunately, there is not enough education as to how money works. You have covered this extensively in the past, and yeah, we all have to face not just a radical idea, but then we have to also deconstruct the previous theoretical assumptions that even our peers or comrades are having in their day to day. A logic of

understanding policymaking, or economics, or money to sort of rebuild from scratch and say, “Okay, now forget everything you know about this and let’s start all over.” Yeah, there’s that. Fortunately, I think, the pandemic and then before that the financial crisis, were lessons in what is scarcity? What is scarce money? What is money, where does it come from, and so on. Now, it’s very easy to point to that. All you have to do is show a graph or even show examples. It’s much easier than before. You know what else, actually? The crypto space, even though it doesn’t understand or doesn’t want to understand endogenous money, has at least opened the minds of people in terms of the discussion about money. So what they have done is popularize the issue of money to the point where now people are just more open minded, in general. And that’s also important, and it has also been key in opening the doors for these heterodox approaches, endogenous money, MMT, Post-Keynesianism, and so on. I think, also in academic circles, you’ve had key people and gatekeepers admit to the fact that that is how money works. The famous Bank of England paper, and so on, and we’re getting there. I still think we still have a lot of work to do in terms of how the formal education system talks about money and textbooks and stuff. If you go to a classic Econ 102, an introductory course in university, you still get brainwashed with other kinds of things. We still have to do a lot in terms of the curriculum and universities, especially in developing countries, which need to know this more. But I think we’ve definitely gone forward a lot, including with center and center left people in the region. That, by the way, the Post-Keynesians are pretty strong in Brazil, and that’s also a big one.

Billy Saas: Awesome, I think one other area of concern for some people who might be interested in the Sur but worried is: what happens when the political tides change again? Hopefully they don’t ever, right? But say the Sur is built, implemented, and the gains of the left are lost over the next several years. Could the Sur not be weaponized against the countries in the region? What do you say to those folks who might have that kind of concern?

Andrés Arauz: So my approach to policy making is, of course, planning. When I want to make these major transformations, such as when I was in the central bank or in other spaces, like the developing ministry, planning is central. Improvisation is bad. You need to plan. You need to make a short, medium, long term plan. You need to have the risks involved in there as well as plan for the risks, as well. And then something that most technocrats forget is, what those of us that have a bit of Marxist influence, is the correlation of forces. So how is the political economy? What’s the political economy for this? It’s thinking about sustainability in terms of political economy. Is

this going to be reversible or not? Right? So that's when we start having some implementation issues with some peers and colleagues on the left, because we just assume that we're going to have power, and we'll keep power forever, or for a very long time, and then people just get used to this somehow or another. That's not how it works. We need to make sure that the political economy of this is sustainable over time so that the forces, the political and economic forces, sustain it over time. Like the example that I gave you with the credit unions, I can't imagine Lasso, the banker, President of Ecuador, even after coming to the central bank, trying to turn off the switch, which disconnects 600 credit unions from the payment system. He will get sort of a massive push back and strikes, and it won't happen, right? So we need to achieve that point of irreversibility in terms of the political economy, but also in terms of the usage of the system. So if three or four people use the system, whatever, they'll disconnect it, and that's it. But if you get many people using it, this is why I think it should be part of the regional payment system and get businesses, small and medium enterprises specifically, using the Sur payment system. We need to have a dynamic sector. We need to have even capitalist forces support the system saying: this is much cheaper than using the dollar-based SWIFT system. And have that incentive in place, as well. We need to sort of create incumbents that will defend the system, even when the left wing politicians are out of the game. That's the kind of process building that we need to achieve, both in terms of the Sur and the Unasur. That's why the economic pillar has to be in place, as well, and not just the other pillars of integration that happened in the past, such as the military union, or the health union, or the democracy union, or whatever. All of those can be stripped away as soon as the politicians are gone. When you have the fabric of society, an economic and productive fabric, that needs the regional system, then it'll keep moving forward and it'll become the incumbent. It will become a long lasting, sustainable project.

Scott Ferguson: In December, you published a significant report for the Center for Economic and Policy Research (CEPR) titled "Putting Climate At The Core of IMF Governance." To close out our conversation, would you mind giving our listeners a sense for what you are arguing for in that project?

Andrés Arauz: Well, first, I'm really thankful to CEPR for opening the doors to my contributions, to my thoughts, to whatever I can do to coincide in terms of our priorities in an economic and policy arena. I've been studying the IMF for over a decade now. I've seen the IMF face to face, and I'm strongly versed with some of its policymaking, which strongly coincided with some of their issues like SDRs. I think

SDRs are a very important instrument that, even though they're not perfect, we should continue to push for them.

Billy Saas: Special Drawing Rights, could you say just a little bit about the Special Drawing Rights?

Andrés Arauz: SDRs, or Special Drawing Rights, are international money, international currency, that is created out of thin air. It's endogenous money. And it's political money: it was created as an international treaty to replace gold and the US Dollar as a reserve asset in the 60s. So it's the thing that mostly resembles an international currency even though in the SDR basket, the US dollar has a large weight, like 40%, or something like that. It's okay because it will have to recognize the realities of world power players. And hopefully one day, the Sur will be part of the SDR basket. That's actually something that I am proposing should be one of the long term objectives of the Sur. We've been working with CEPR on promoting SDR use. Also with other organizations such as Latindadd, the Latin American Network of Economic Justice. Other organizations around the world like Oxfam, Arab Watch, and so on. Really, a large coalition has been built in civil society, and people who think and propose economic policy issues use SDRs beyond the narrow monetary reserve asset quality of them. I wrote a handbook for Latindadd saying, look: SDRs can actually become an instrument of fiscal policy. Then, that opens the door for central bank–Ministry of Finance coordination even though it's taboo that many want to hide and not speak about until after the pandemic. Anyway, I really like SDRs, and I want to keep exploring and writing and mainstreaming them. But this other thing, this paper on putting climate at the core of IMF governance comes about because I started to read a lot of greenwashing from the IMF, especially in the RST, the Resilience and Sustainability Trust. They put out a climate strategy, and so on and so forth. Most of it is, unfortunately, sort of greenwashing: just basically saying that they're going to work on climate issues, but not really incorporating that into the main logic of the functioning of the monetary system like they could. For example, they don't mention the fact of the Petrodollar, the exorbitant privilege of the dollar issuer that can acquire extrasomatic energy needs from Petrostates just by printing their own money versus the rest of the world, and how that relates to historic CO2 emissions on behalf of the United States. So there are many issues that are systemic in terms of the relationship between climate and money that the IMF is not even touching with a stick. I thought that it would be interesting to say: well, if you're serious about climate change, if you're serious about having systemic structural change with regards to the climate, let's talk about how IMF governance has an incidence in that. I don't know if

you've seen this, but the Bridgetown agenda, which is basically being promoted by Prime Minister Mia Mottley of Barbados. She's saying we need more SDRs so we can invest those SDRs in climate because if we just wait for the rich countries to give us money, that'll never happen. Poor countries don't have money on their own to do this, because you need hard currency. The next best thing to hard currency are SDRs, and they can be created out of thin air. Hey! We have the money to invest in fighting climate change. Let's do it. And of course, then the rich countries are saying: hahaha, no, maybe later, let's think about it... And they pretend not to hear. That all could happen if the IMF governance system could change a little bit. Right now, at the IMF, there is only one country that has veto power over the decision to create more SDRs, and that country is the United States. You can have veto power with 15% of the vote, and the United States has 17%. So you need to change that. You need to have more weight for developing countries, and especially for the countries that are vulnerable to climate change because they are the ones most desperate to actually make things change and make things happen. So in this paper, with my co-authors, we propose changing the formula of how the IMF voting share is distributed. How the votes are allocated within the IMF, among the different countries. All we do is very simple. There's a formula with five variables: GDP, reserves, openness, amount of trade, and so on. And they have a weird variable called variability of capital flows. I have these five variables, and sure the biggest countries get the biggest voting share, but we just add one more variable, which is historic CO2 emissions. We say keep the same variables and divide the openness variable by the cumulative, historic CO2 emissions of that country so that we can include their degree of responsibility to climate change as part of the IMF form. We use non-ambiguous, objective metrics published by the Potsdam Institute for Climate to measure the country's contribution to climate change via cumulative CO2 emissions. Of course, as you would expect, the United States voting share at the IMF falls from 17% to somewhere like 6%. China's also falls significantly to somewhere like 6%. Rich countries, in general, all fall significantly, and developing countries, in general, increase their voting share significantly, especially small island developing states. So those that risk being destroyed, those at risk of disappearing from rising sea levels, are actually the ones that increase the most, from around 2% to around 20% of IMF voting share. That would have a significant impact on the entire monetary system, the practices of IMF lending, the logic of power within the institution, and they would actually have a transformational impact on how the world, how the planet, deals with climate change. The IMF is a powerful institution with a trillion dollars of lending power. That's not counting how much money it can create via

the SDRs, and it's not counting the influence that it has over financial markets, and not counting the influence that it has over local policymakers in terms of the ideas of money, the ideas of policymaking, the ideas of fiscal management, monetary policy, and so on. I think if we start from the core, then we can have far reaching effects. Of course, I'm not naive to think "oh, wow, how could we not think of this and have the US accept this change overnight?" That's not gonna happen. But at least we're putting the discussion forward so that we can understand the true magnitude of this reality.

Billy Saas: We will, of course, link to that on CEPR and your other work there. Andrés Arauz, it has been an absolute pleasure talking with you. Thank you so much for joining us on *Money On The Left*.

Andrés Arauz: Thank you all! I hope we get another chance to share some more stories about CDBC's and what's happening in that space, as well. I'm quite involved in that area, as well. I'm advising a tech company called Nym on that issue. I would also like to talk about creating unions, financial inclusion in the solidarity sector and the role that money plays there. So yeah, in general, I'd love to share this on another occasion with you and it's been a pleasure talking to you all.

* Thanks to the *Money on the Left* production team: William Saas (audio editor), Mike Lewis (transcription), & Emily Reynolds of [The Buffalo Institute for Contemporary Art](#) (graphic art)

About Scott Ferguson

Scott Ferguson ([@videotroph](#)) is associate professor of Film & Media Studies in the Department of Humanities & Cultural Studies at the University of South Florida. He co-directs the Modern Money Network Humanities Division and hosts the Money on the Left podcast. His book *Declarations of Dependence: Money, Aesthetics, and the Politics of Care* was published by University of Nebraska Press in 2018.

About William Saas

William Saas ([@bilysaas](#)) is assistant professor of rhetoric in the Department of Communication Studies at Louisiana State University. He is also a Research Scholar for the Global Institute for Sustainable Prosperity, co-director of The Modern Money Network Humanities Division, and host of the Money on the Left podcast. His current academic work mobilizes and develops neochartalism as a theoretical framework for radical cultural, political, and rhetorical critique. He has authored or coauthored articles in *Advances in the History of Rhetoric*, *Dollars & Sense*, *Quarterly Journal of Speech*, *Rhetoric & Public Affairs*, *symplokê*, and *Western Journal of Communication*.

[Featured](#)

Danish lecturer got sacked after not conforming on the war in Ukraine

Radio silence concerning United States President Franklin Roosevelt's repudiation of
debts