

Open Letter from 40+ Economists Regarding Ecuador and the Dollar

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*Not only has leading presidential candidate **Andrés Arauz** emphasized that he is committed to maintaining the dollar as the national currency, he and his party have a long track record of taking strong measures to make sure that dollarization did not come under threat.*

As economists, we share a general concern when economic issues are widely misunderstood in political debates that can determine policy, sometimes with lasting consequences. This appears to be a problem in Ecuador at the moment, in the heat of an election campaign.

Media [reports](#) have repeated, without any evidence, false allegations about the economic program of one of the presidential candidates. Andrés Arauz, a former minister and Director General of the Central Bank who is currently leading in most polls, has been accused of seeking to abandon the country’s current use of the dollar as its national currency. There is no evidence that he or his political party would do anything at all in this direction.

A transition from the dollar back to a national currency would be costly and involve risks that would be exacerbated by the current dire and precarious economic situation. This false allegation is clearly an attempt to scare voters, and indeed those promoting it have warned of a resulting economic collapse if the dollar is abandoned.

In fact, not only has Arauz [emphasized](#) that he is committed to maintaining the dollar as the national currency, he and his party have a long track record of taking strong measures to make sure that dollarization did not come under threat. These included [reforms](#) which kept billions of dollars within Ecuador, such as taxing capital leaving the country, financial regulation—including regulations on foreign banks within the country—increased accountability of the Central Bank; and other reforms and policies that kept the economy stable and avoided crises for the 10 years of the Rafael Correa presidency (2007 to 2017).

These policies and reforms prevented even the slightest threat to Ecuador’s commitment to the dollar, even when Ecuador was hit hard by the world recession of 2009, as well as other severe external shocks including a collapse of oil prices in 2014, and steep falls in remittances.

As a result of this prudent economic management, the economy did very well during the Correa years, and the gains were widely distributed. Income per person rose by 20 percent and poverty fell by more than 38 percent from 2006 to 2017. The Gini coefficient for net household income (which measures inequality) fell by almost 15 percent between 2006 and 2017. During these years, social spending [more than doubled](#) as a percent of GDP. Much of this went to [healthcare and education](#), with enrollment rates in secondary education [increasing](#) 26 percent; the number of people treated in public hospitals [rose](#) by 56 percent.

Ironically, it is some of Arauz's opponents who are proposing measures that could put Ecuador's dollarization at risk, by doing away with the necessary financial regulation. Guillermo Lasso—Arauz's main competitor—has [called for the elimination of capital controls](#), which would make the country vulnerable to balance of payments crises that could threaten the dollar's place as Ecuador's currency.

In contrast to the previous presidency, the economy under the current government has run into serious trouble. GDP is estimated by the IMF to be over [10 percent lower](#) in 2020 than it was in 2017. Of course, much of this was a result of the Covid-19 pandemic, but a large part of these losses were a result of bad decisions. GDP per capita fell 1.5 percent from 2017 to 2019, even before the Covid-19 crisis hit. And in 2019, the government signed [an IMF agreement](#) committing to a fiscal tightening of 5 percent of GDP over the next three years.

Some of the required spending cuts provoked widespread protests, which were met with serious [repression](#). This repression, which left at least 9 dead and over 1500 injured, was investigated by the United Nations Office of the High Commissioner for Human Rights, which [called for further investigations](#) into numerous reports of "unnecessary and disproportionate use of force" by security forces. Indigenous groups were especially affected, with Ecuador's largest indigenous organization [filing a lawsuit](#) against the Ecuadorian government for alleged "crimes against humanity."

Another false economic claim has been promoted in the current election cycle: that the Correa government ran up an unsustainable debt which the current government had to reduce. In fact, the Correa government left office with a debt of 45 percent of GDP. Under the current government, Ecuador's debt [increased](#) to 69 percent of GDP.

Voters need to have accurate information about the most important issues, including economic issues, that are facing the country when they choose a government. In the United States, we have seen the dangers of misinformation multiplied to dangerous levels during the past four years. We hope that Ecuador can avoid these kinds of problems in its upcoming election.

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