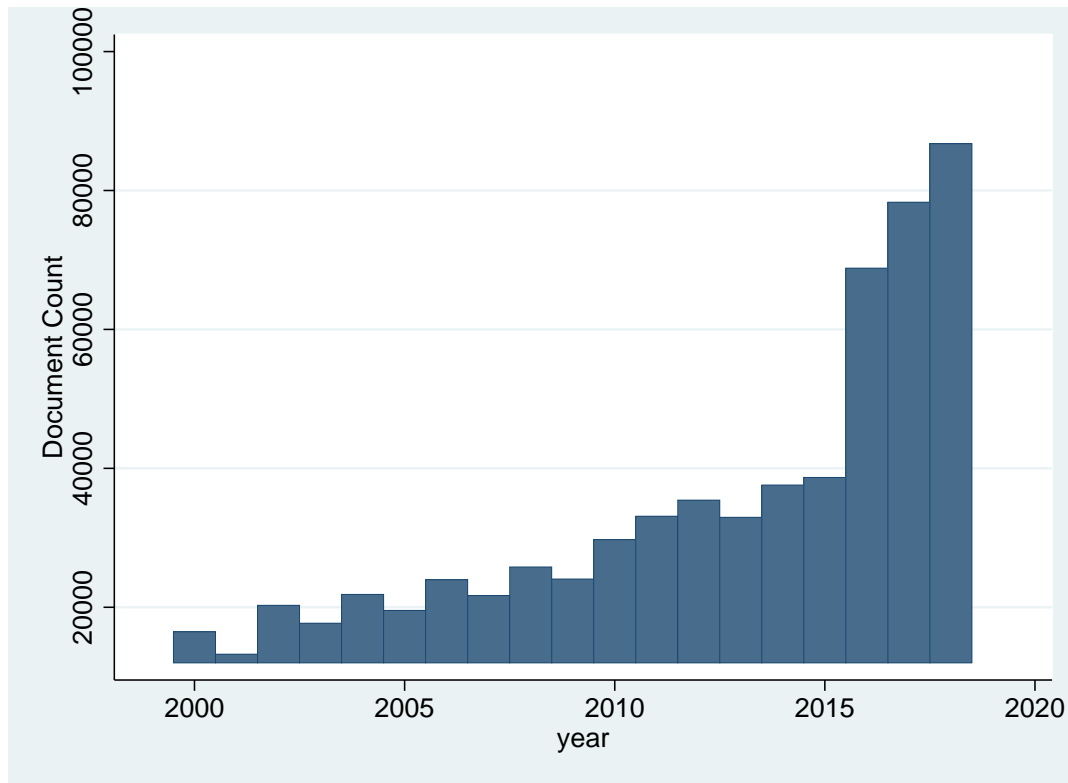


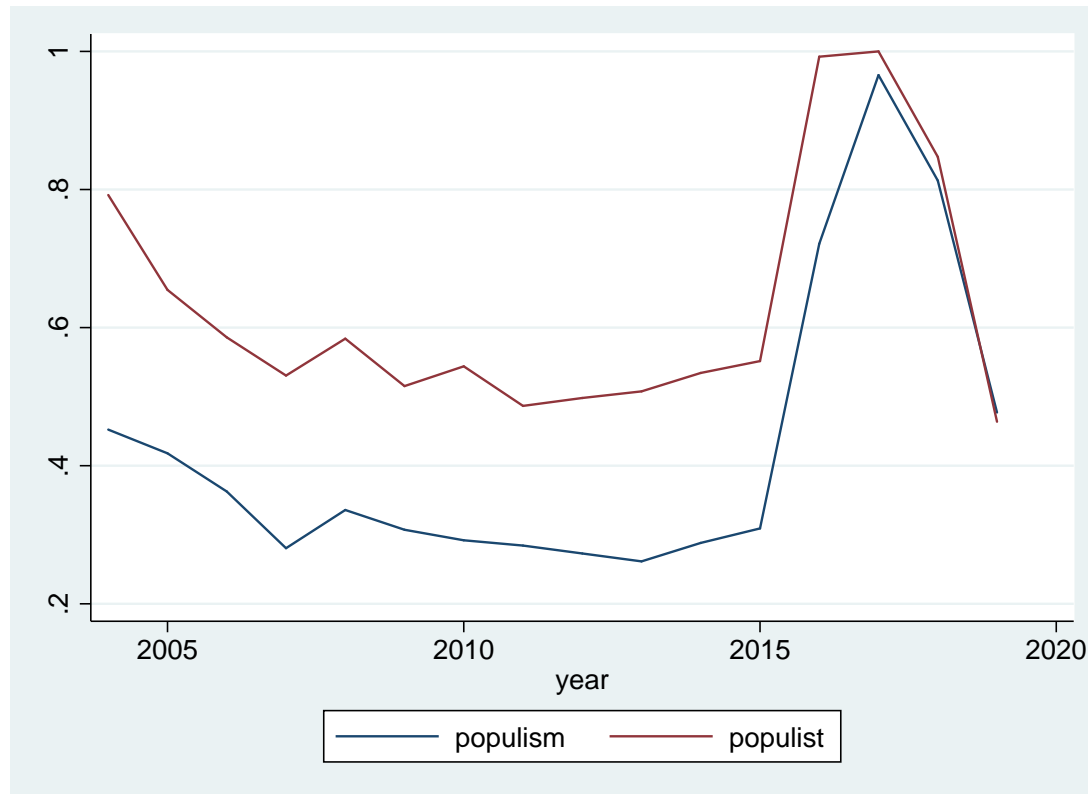
Political economy of populism

Sergei Guriev and Elias Papaioannou

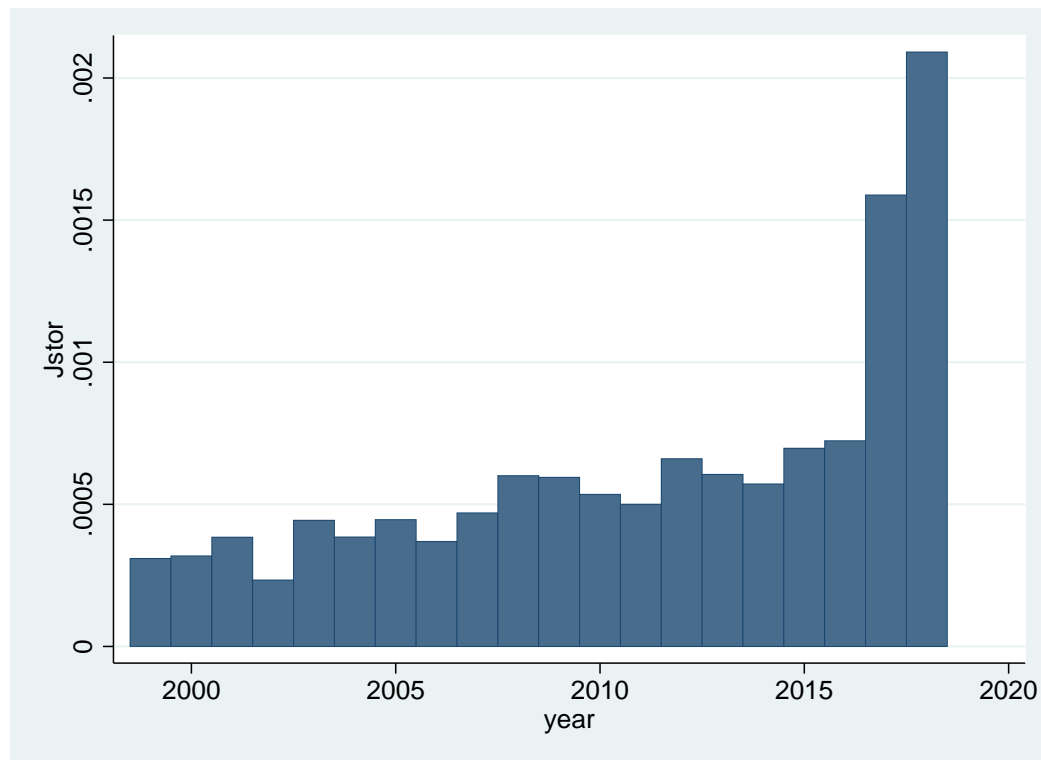
Media coverage: count of news articles with “populism” or “populist”, Factiva



Google searches jumped in 2016-17



Even academics pay attention (with one year delay): Share of research papers in JSTOR with “populism” or “populist”



Four questions on the recent rise of populism

1. What is populism, how to define it and how to quantify its rise?
2. What are the drivers of the recent rise of populism:
 - cultural or economic, or driven by interaction by culture and economics?
 - caused by the revolution in information and communications technologies?
 - driven by secular trends or by one-off even such as the recent crisis?
3. What are the implications of the rise of populism?
4. Is the recent rise of populism a problem and if it is, what should be done about it?

Defining populism

What is populism?

- Mueller: Is everyone [... that “we” do not like ...] a populist?
- Eichengreen refers to Justice Stewart’s definition of pornography: “I know it when I see it.”
- (Liberal democratic) elites seem to label “populists” all politicians that challenge their policies
 - Referring to the suffering/will of the people
 - And offering “simple” solutions

Standard definition in economics

Dornbusch and Edwards (1991)

“The Macroeconomics of Populism in Latin America”:

“approach to economics that emphasizes growth and income redistribution and deemphasizes the risks of inflation and deficit finance, external constraints and the reaction of economic agents to aggressive non-market policies.”

- Left-wing populism
- Unsustainable macroeconomic policy (or unsustainable promises)
- Still around today in some countries
 - Including Europe (Greece, Spain)

Modern populism is better described by definitions from political science

Mudde (2004), Mudde and Rovira Kaltwasser (2013, 2017):

- Populism considers society to be ultimately separated into two homogeneous and antagonistic groups: the “pure people” and the “corrupt elite”.
 - The people are homogenous
- The people’s “purity” by definition justifies the “popular will” as the only moral source of political power.

They emphasize that populism is a “thin-centered ideology”

- Does not really say what needs to be done – just how the political system should work

Mueller 2016: Three properties of populists

Populism is a “moralistic imagination of politics”

1. Against elites

- Morality angle: populists claim that elites are corrupt/immoral

2. Anti-pluralist

- “Homogenous” people
- Against checks and balances

3. Identity politics

- Only some people are real people
- Although not all identity politics is populism

Norris and Inglehart 2018

Populism is a “style of discourse”:

- Answers the question who should rule
 - People rather than elites
 - Elites have no legitimacy
 - The only source of political and moral authority is the “people”
- Silent on what’s to be done

Norris and Inglehart’s book focuses on “authoritarian populists”

- Are there democratic populists? Progressive populists?

Authoritarian angle?

- Eichengreen: “political movement with anti-elite, *authoritarian* and nativist tendencies”
- Norris and Inglehart: modern *authoritarian populists* emphasize
 - Provision of security (against economic and non-economic risks)
 - Conformity with tradition (importance of identity)
 - Strong leaders

Strong leaders?

- “Only **he** can represent **us**”

This is a puzzle:

- Populism claims to focus on democratizing politics, taking control back from the elites
 - Is against delegating power to the elites
- But often is reincarnated as the need for a strong leader to overcome the resistance of the elites and impose the general will of the people
 - This leader often comes from the elite, not from the people
- May be explained by the preference for simplicity – one trusted person to represent the masses, not many faceless elite members
 - May be related to the rise of new communication technologies

Relationship between “economists’ definition” and “political scientists’ definition”

1. Economists:
 - non-sustainable policies (irresponsible promises, demagoguery)
2. Political scientists:
 - Anti-elitism (pure people vs. corrupt elite) and
 - Anti-pluralism (homogenous people)

Are these related?

- Yes, as (2) implies that populists want to remove checks and balances
 - Checks and balances are important not only for political liberalism (protecting individual rights and minorities) but also for economic growth (economic institutions: property rights protection, contract enforcement, competition) hence (1)

Measuring Populism

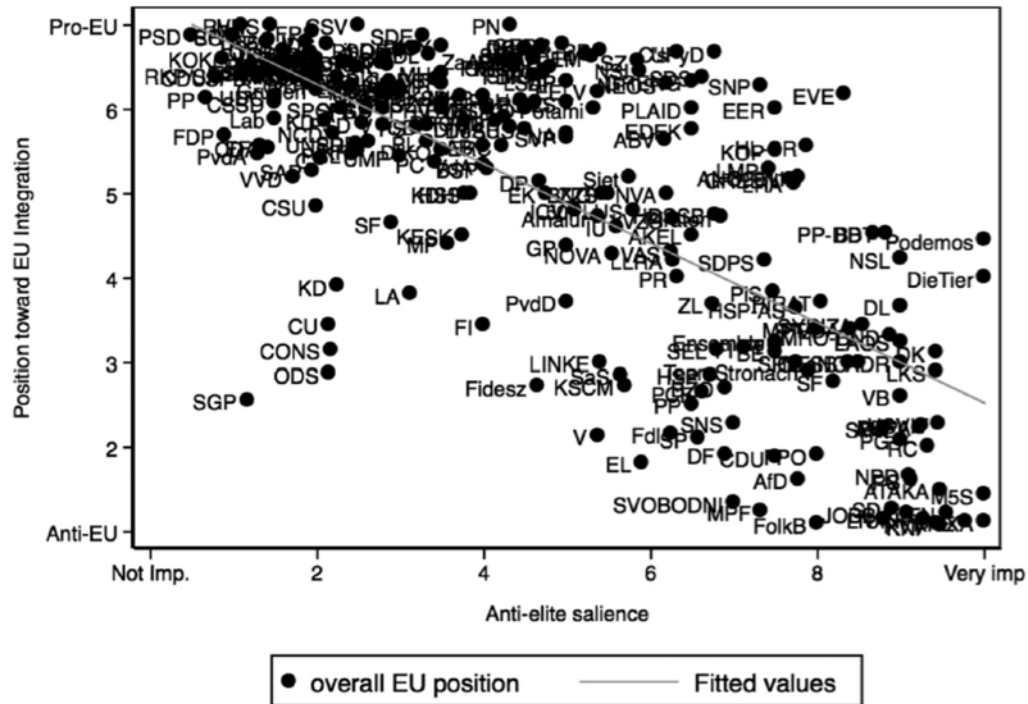
Quantifying the recent rise of populism

- How to classify populist parties?
 - Binary/continuous?
- Share of votes or share of seats?
- Sample of countries?
 - How to handle parliamentary vs. presidential regimes?
 - How to calculate global/European weighted average?
- Time period?
- How to handle emergence/disappearance of countries?
 - How to handle coalitions/party groups?

Measuring populism: party classifications

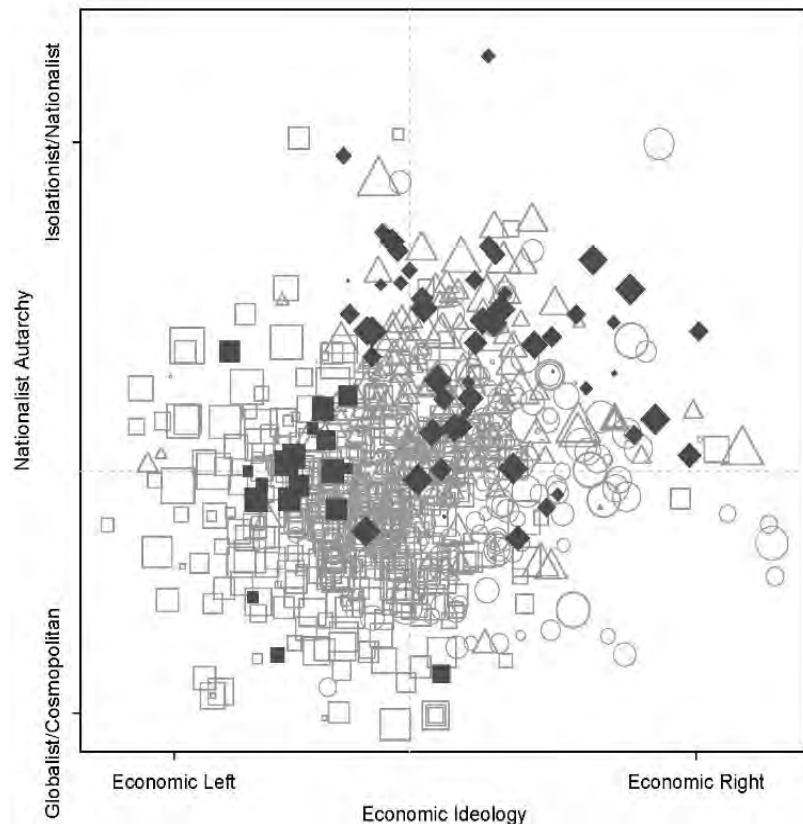
- Van Kessel's list of populist parties in Europe
 - 31 countries (EU-28 + Norway, Switzerland, Iceland)
 - Uses Mudde's definition
 - Classifies parties in 2000-13 elections, finds 51 populist parties
- Chapel Hill's Expert Survey (chesdata.eu)
 - 337 political scientists working on Europe
 - positioning of 268 parties on political ideology, European integration, and various policies, continuous score
 - 31 countries (EU-28 + Norway, Switzerland, Turkey)
- CHES 2014 (and 2017 and recently 2019) included questions on salience in parties' manifestos of populist statements:
 - salience of anti-establishment and anti-elite rhetoric
 - salience of reducing political corruption
- "Guardian project": www.popu-list.org 82 parties in 31 countries (since 1998)

CHES 2014: populism and euroskepticism



Source: Polk et al. 2017

Colantone and Stanig (2019).

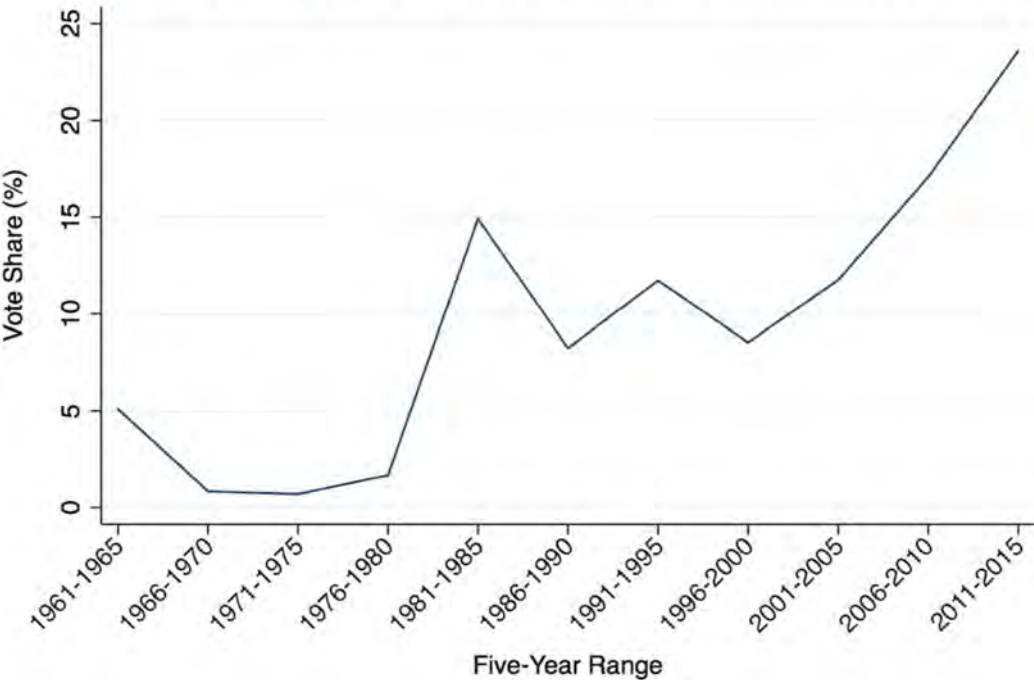


- Each data point is one party in one election between 1985 and 2015.
- Triangles refer to Christian-democratic parties; hollow squares are communist, socialist, and green parties; hollow dots are liberal and conservative parties; solid squares are populist left parties; solid diamonds are radical-right parties.
- The size of each symbol is proportional to (log) national vote share.
- Countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the UK.

The recent rise

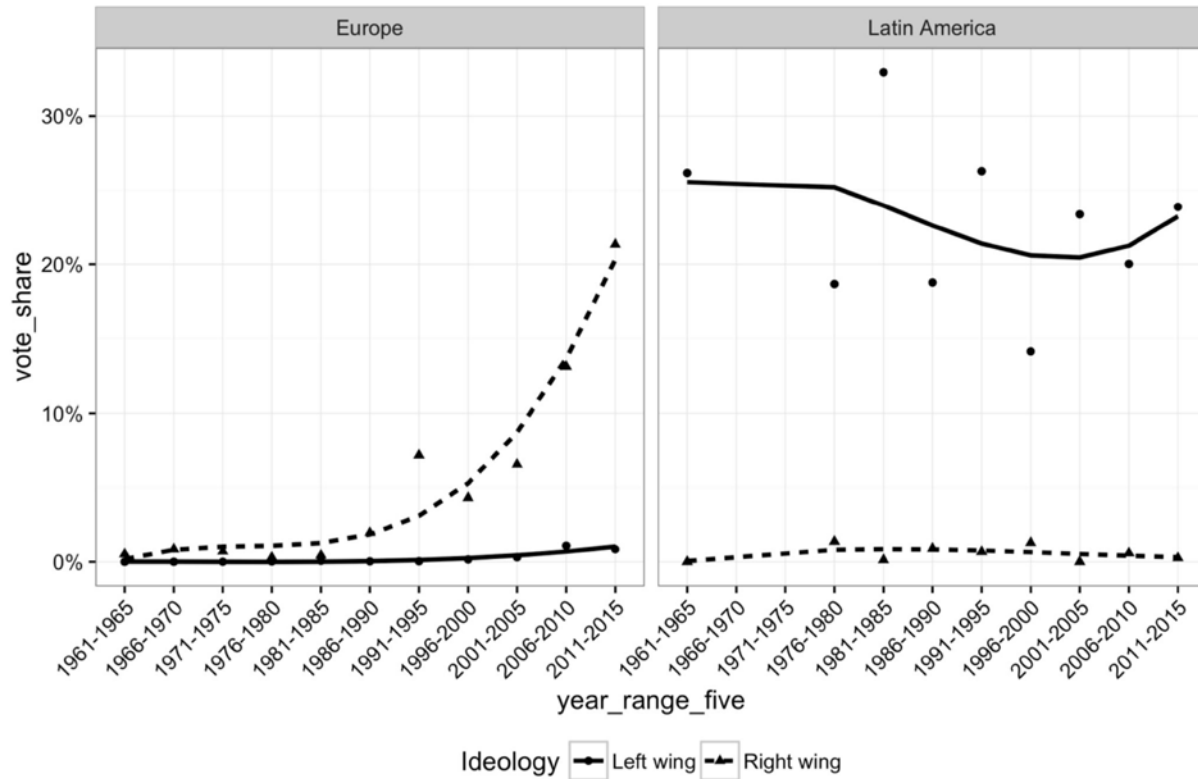
Global rise of populism

Support for populist parties over time among countries with at least one populist party



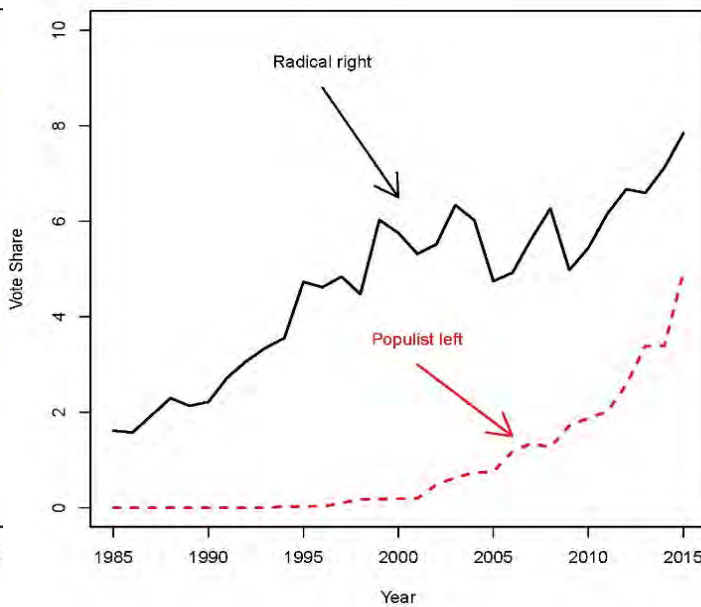
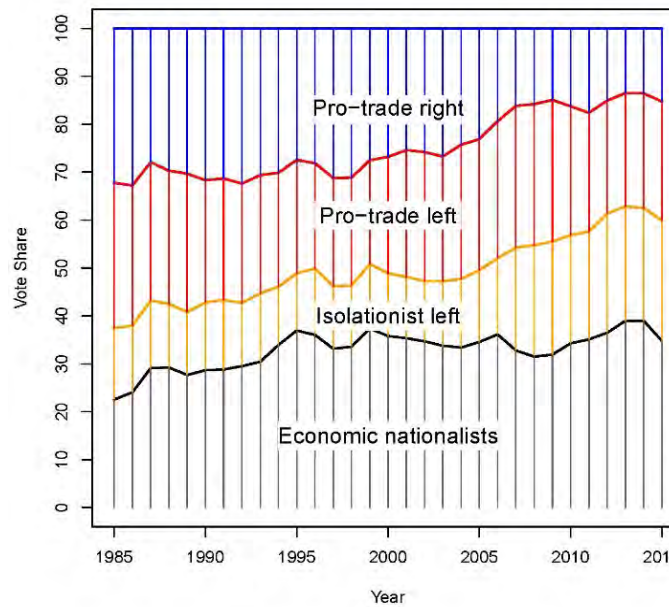
Source: Rodrik 2018

Europe vs. Latin America



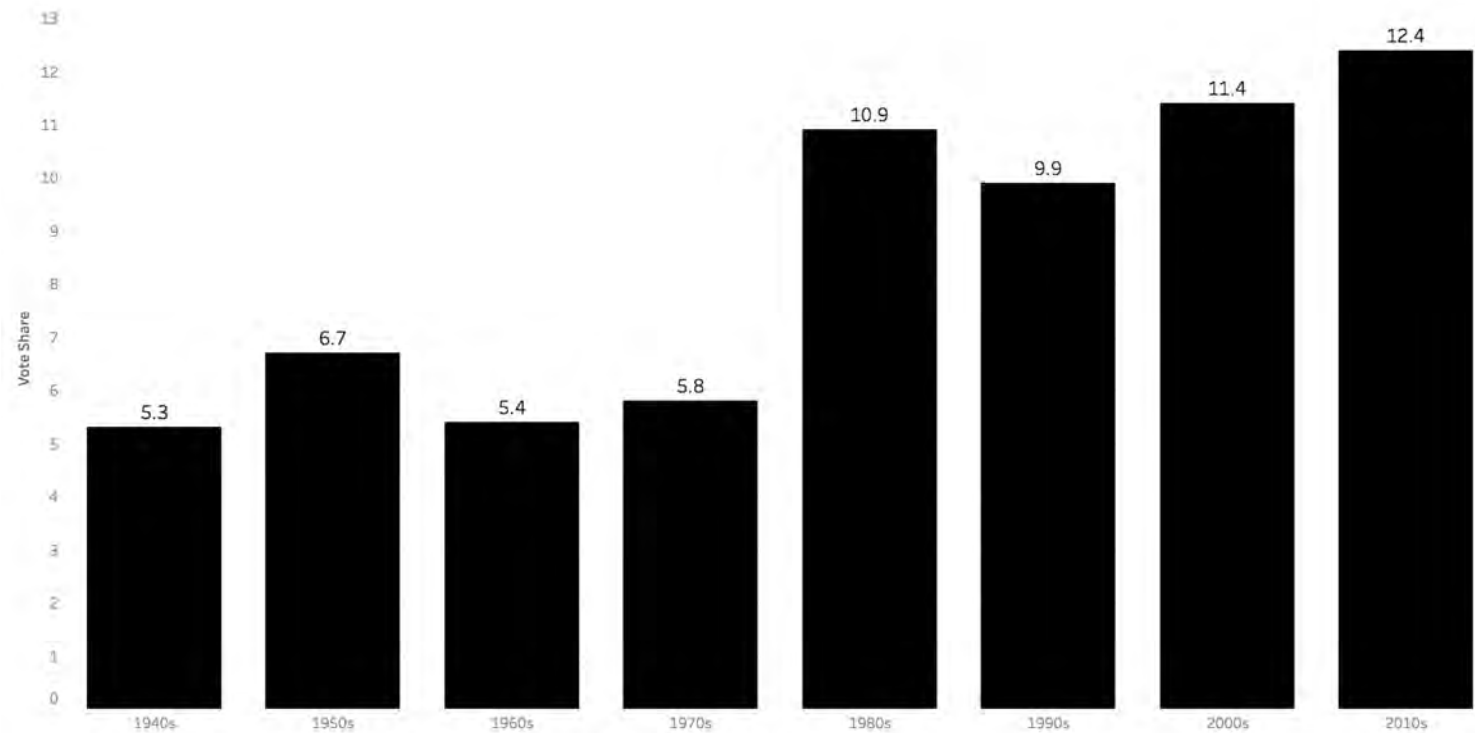
Source: Rodrik 2018

Europe (15 countries)



Source: Colantone and Stanig (2019)

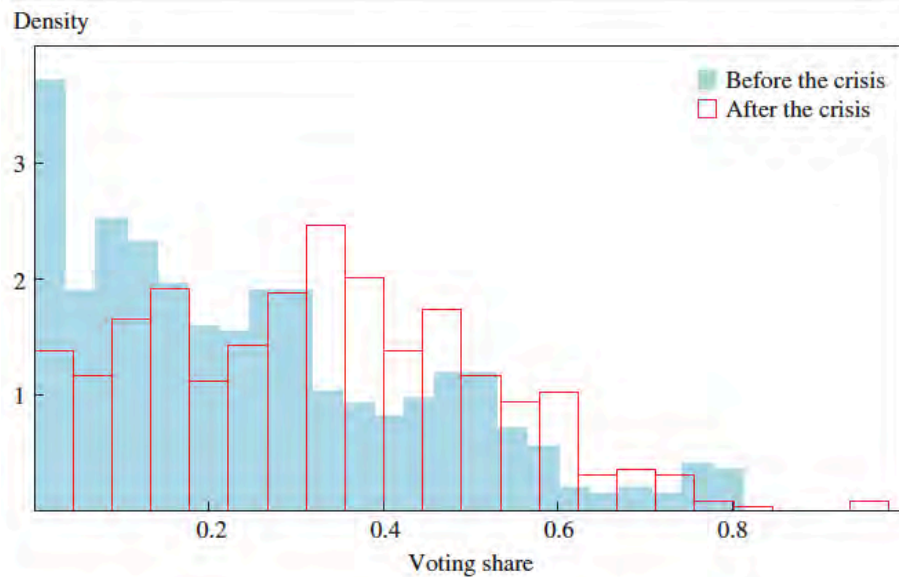
Vote share for populist parties in Western societies, 1946-2017



Sources: Norris and Inglehart. 2018. Holger Döring and Philip Manow. 2016. Parliaments and governments database (ParlGov): <http://www.parl.gov.org/> ; IFES Elections Guide. <http://www.electionguide.org/>

Europe: subnational regions

Figure 2. The Distribution of Voting for Antiestablishment Parties before and after the Crisis^a

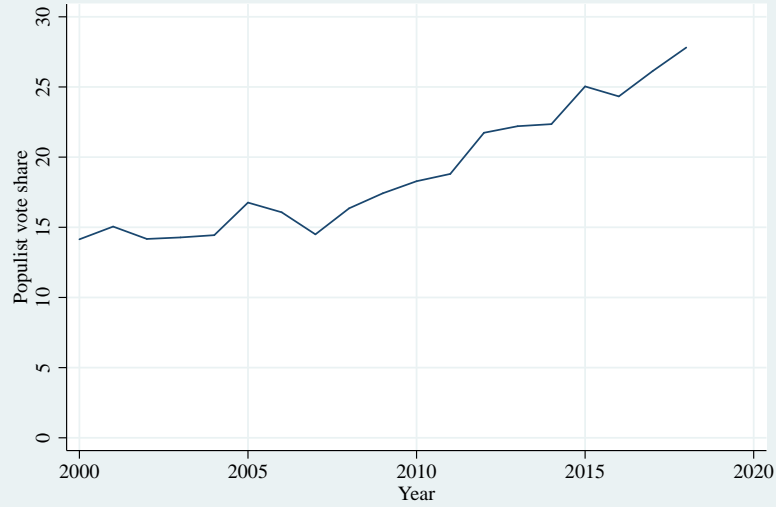


Sources: Country-specific electoral archives; Chapel Hill Expert Survey; authors' calculations.

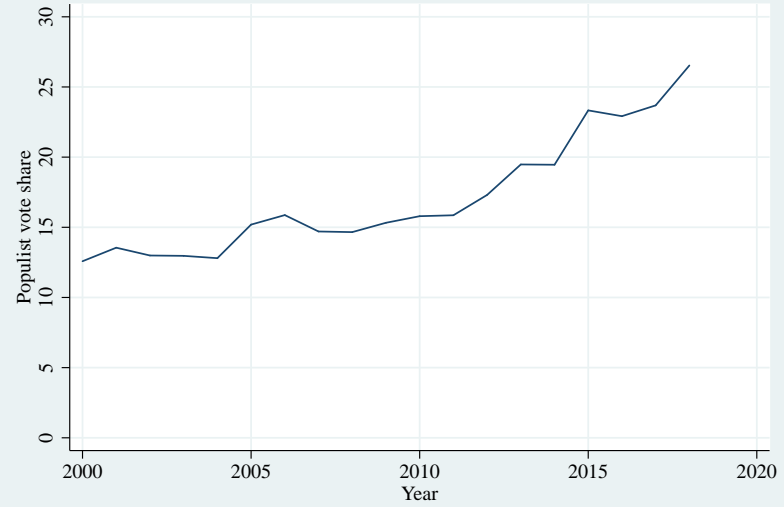
a. The sample includes 26 European countries at the NUTS 2 level of aggregation.

Source: Algan, Guriev, Papaïouannou, Passari (2017)

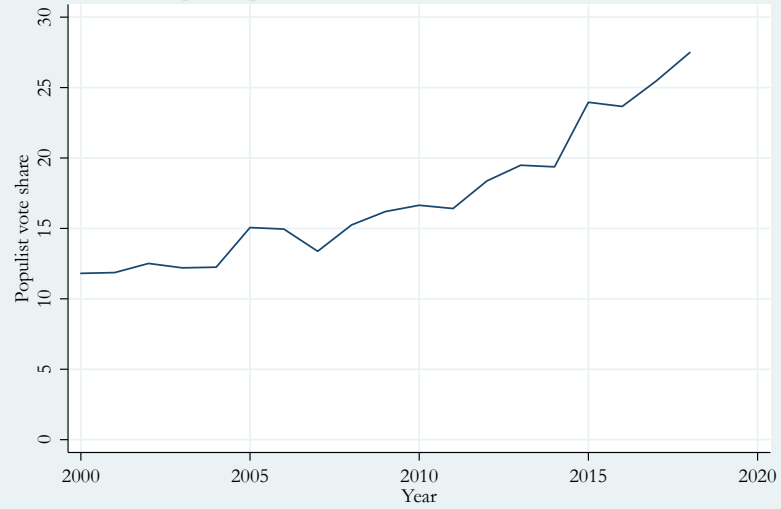
Populist party classification: Algan et al. 2017



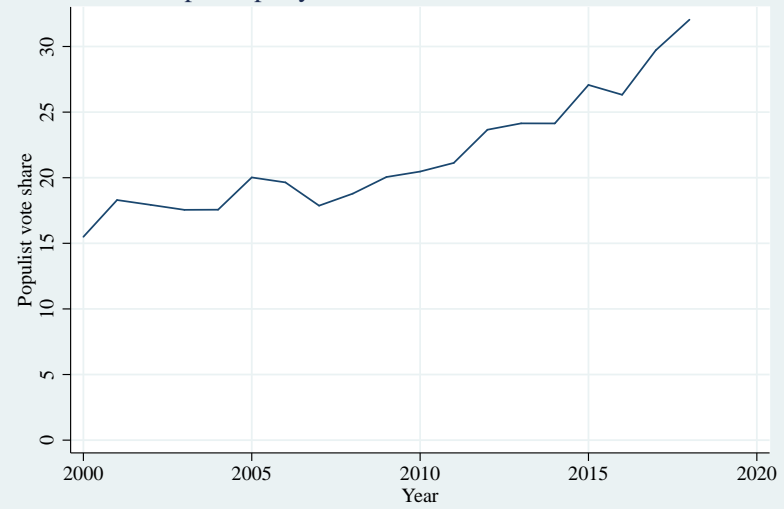
Populist party classification: Timbro



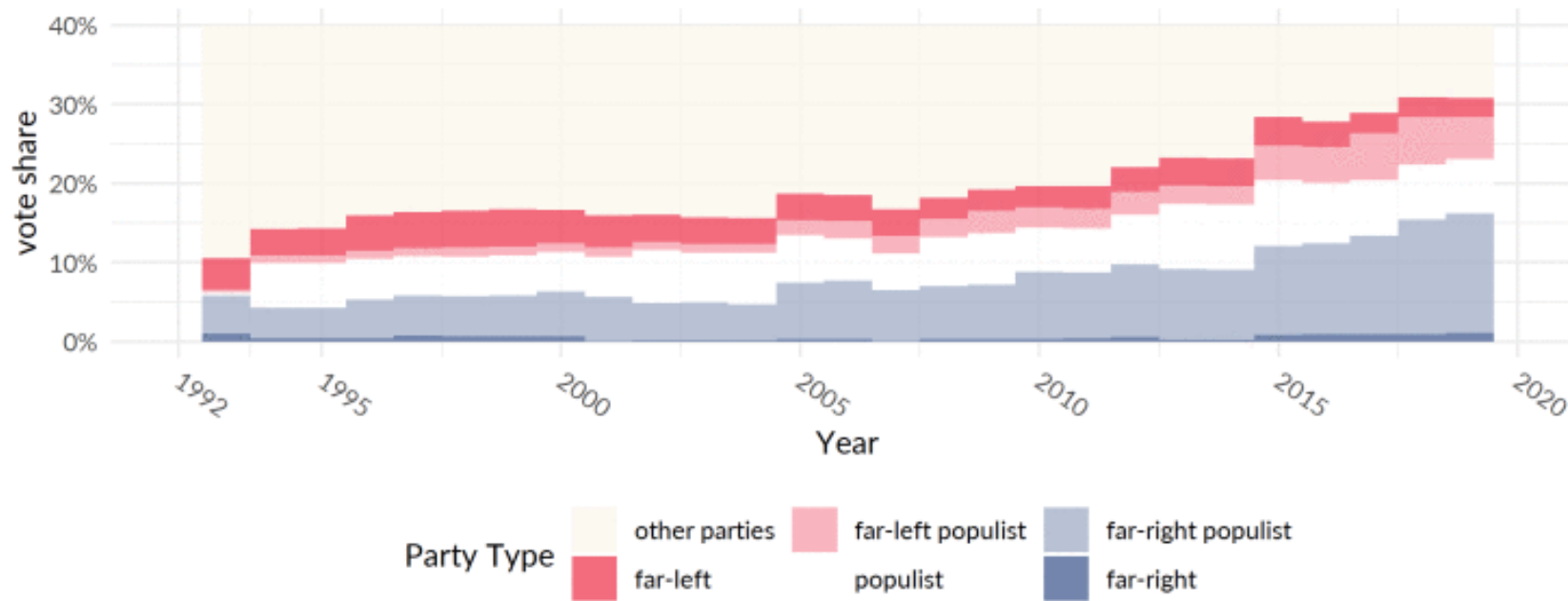
Populist party classification: Rooduijn et al. 2019



Populist party classification: Guriev et al. 2019



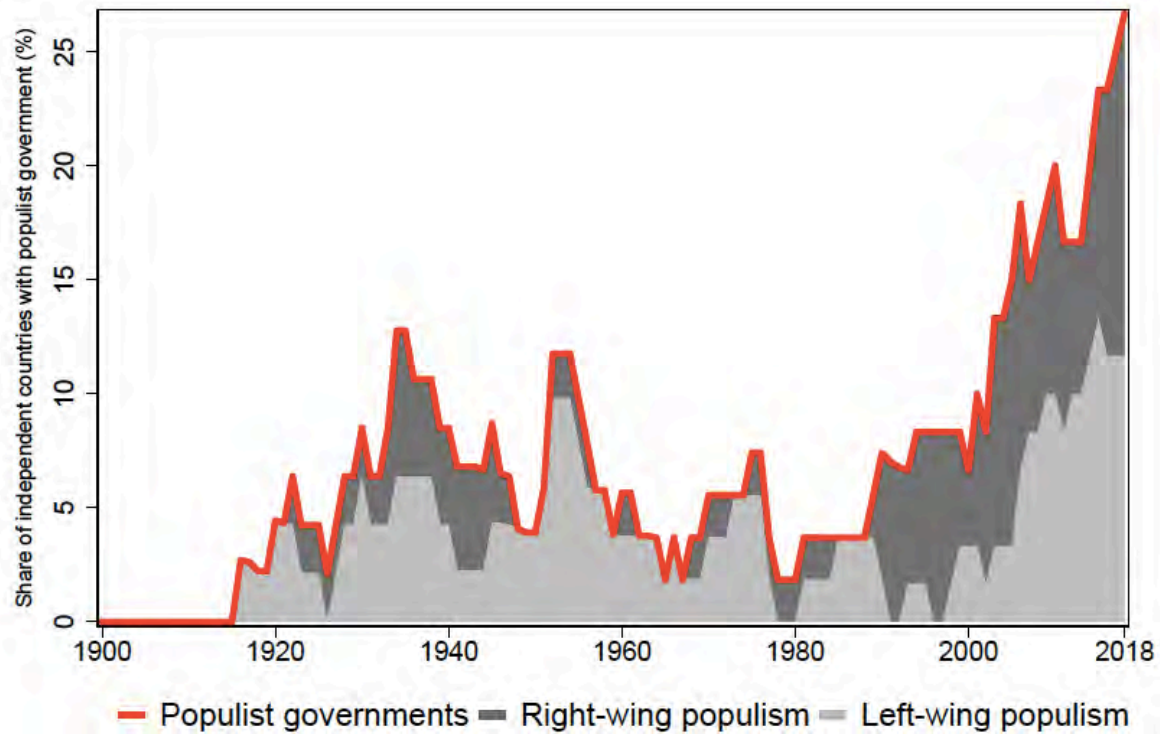
The PopuList project:



Takeaways from various sources

- Substantial rise of populism in advanced economies in the 21 century
- About 10 percentage points in terms of voting share
- The rise is mostly due the rise of the (authoritarian) right-wing populists rather than the left-wing populists

Share of populists in power (60 large countries accounting for 95% global GDP)



Source: Funke, Schularick, Trebesch (2020)

Drivers of the recent rise of populism

Why populism? Why now?

- Economic factors
 - Secular trends: globalization and technological change
 - Recent global crisis
 - If populism is really driven by economic shocks only, solutions do exist
- Non-economic factors
 - Culture: cultural backlash against the silent revolution
 - Culture: immigration and identity
 - Communications technology

Economic drivers

- Globalization
 - Promotes growth
 - But creates both winners and losers
 - Gains are broadly distributed, losses are concentrated and thus large per capita
 - Many national governments fail to compensate losers
- Technological progress
 - Promotes growth but also creates both winners and losers
 - Impact is less abrupt and concentrated
 - Gains often accrue to superrich
- Global crisis
 - Originates elsewhere
 - Unless governments protect the losers, substantial economic pain

Globalization and automation result in job polarization

Labor market polarization

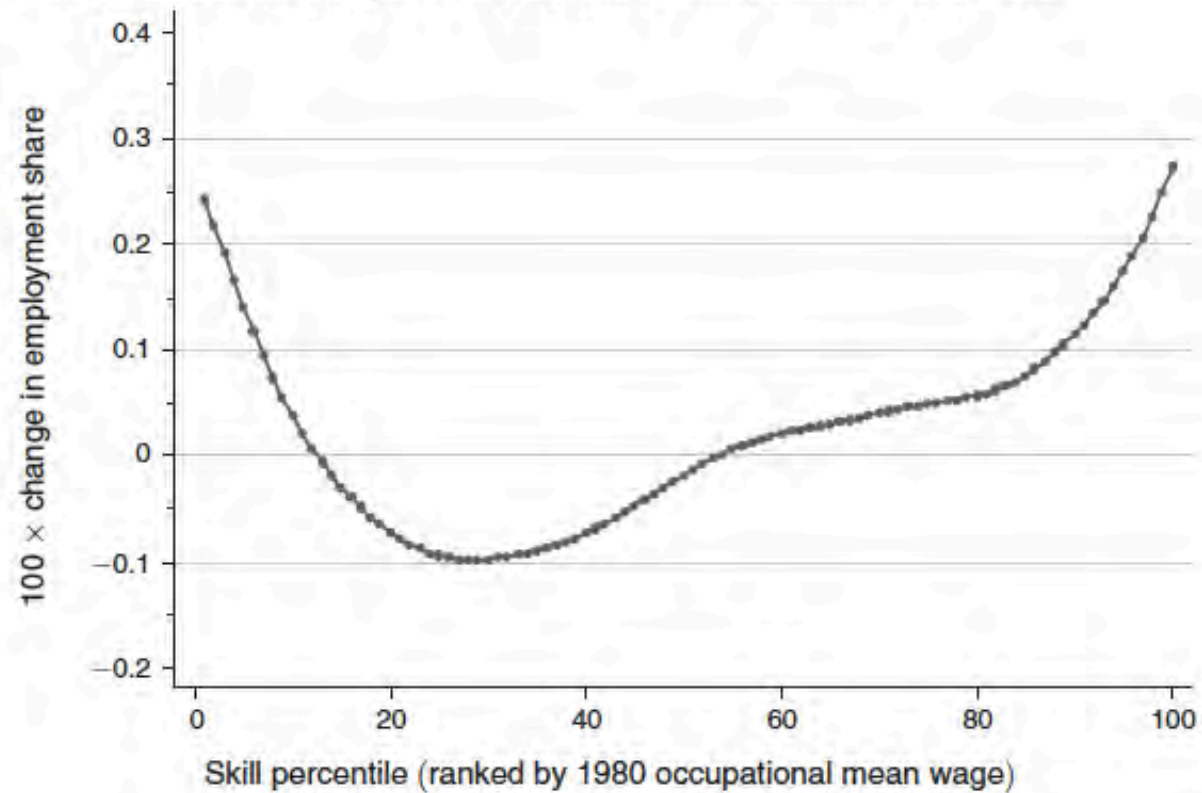
- New jobs are created in low-skilled services or high-skilled services
- The middle “routine” jobs are eliminated
 - Due to off-shoring and automation

Labor market dislocations have political implications

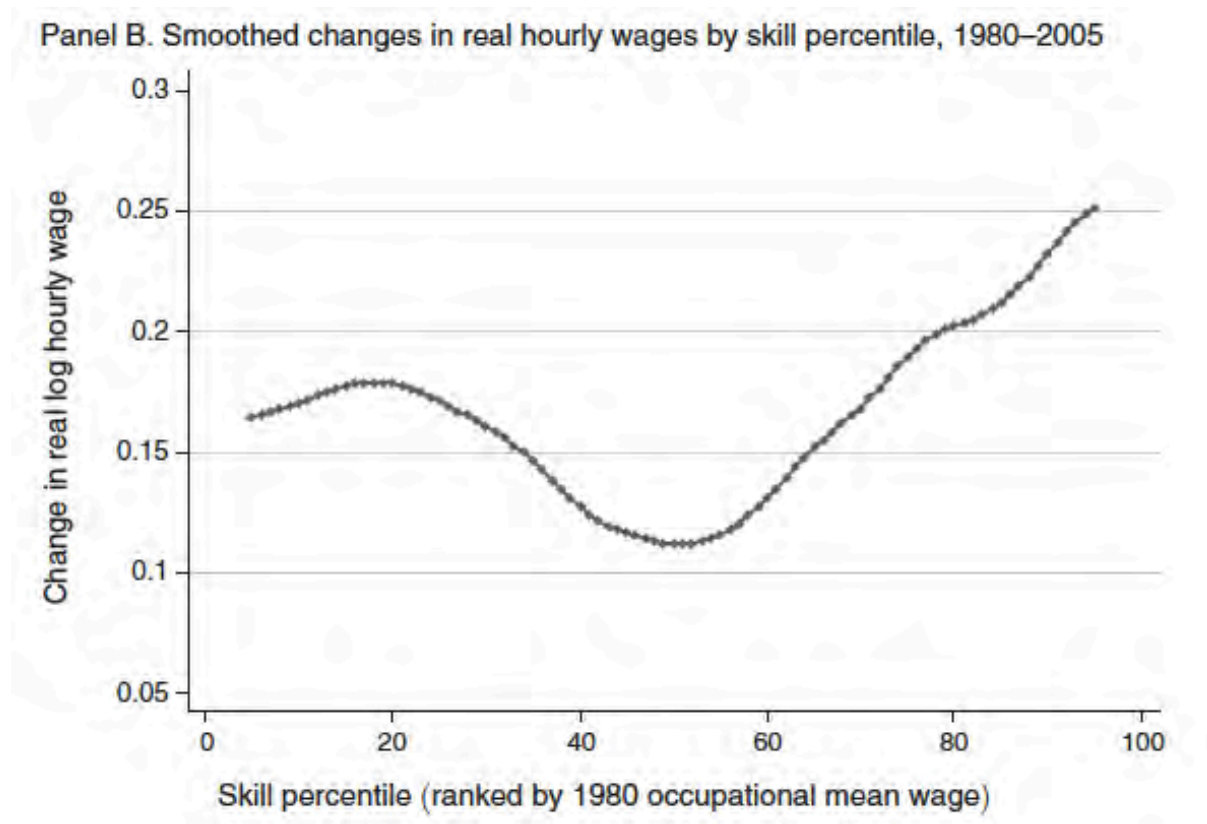
- Evidence on globalization:
 - US: Autor and Dorn (2013)
 - Europe: Goos, Manning, Solomons (2014)
- Evidence on automation:
 - Frey, Berger and Chen (2018):
 - Anelli, Colantone and Stanig (2019)

Job polarization in the US: employment

Panel A. Smoothed changes in employment by skill percentile, 1980–2005



Job polarization in the US: wages



Job polarization in Europe

	4 lowest paying occupations		9 middling occupations		8 highest paying occupations	
	Employment share in 1993 (in percent)	Percentage point change 1993-2010	Employment share in 1993 (in percent)	Percentage point change 1993-2010	Employment share in 1993 (in percent)	Percentage point change 1993-2010
Austria	21.82	6.36	51.61	-10.44	26.57	4.08
Belgium	17.49	3.00	48.50	-12.07	34.01	9.08
Denmark	24.09	1.73	39.70	-10.30	36.21	8.56
Finland	20.24	-1.50	39.69	-10.60	40.06	12.10
France	19.92	4.19	46.69	-8.60	33.39	4.41
Germany	20.71	2.37	48.03	-6.74	31.26	4.37
Greece	21.66	4.81	47.81	-10.65	30.54	5.84
Ireland	21.13	3.68	48.21	-14.85	30.66	11.17
Italy	27.01	6.06	51.04	-10.59	21.94	4.53
Luxembourg	21.70	-2.38	49.91	-10.76	28.40	13.15
Netherlands	16.78	1.99	37.90	-7.56	45.33	5.57
Norway	22.85	4.73	38.82	-8.47	38.34	3.74
Portugal	25.75	0.73	47.46	-4.86	26.78	4.13
Spain	28.02	1.01	48.67	-11.95	23.30	10.93
Sweden	21.82	1.52	41.98	-9.55	36.20	8.03
UK	16.88	4.17	43.64	-10.94	39.49	6.77

Occupations ranked by mean European wage	ISCO code	Average employment share in 1993 (in percent)	Percentage point change 1993-2010	RTI	Offshorability	Within	Between
High-paying occupations		31.67	5.62	-0.72	-0.12	3.11	2.51
Corporate managers	12	5.65	0.59	-0.75	-0.32	0.49	0.10
Physical, mathematical and engineering professionals	21	2.93	1.36	-0.82	1.05	1.11	0.25
Life science and health professionals	22	2.01	0.57	-1.00	-0.76	0.23	0.34
Other professionals	24	2.79	1.38	-0.73	0.21	0.67	0.71
Managers of small enterprises	13	4.16	0.17	-1.52	-0.63	-0.03	0.19
Physical, mathematical and engineering associate professions	31	4.44	0.21	-0.40	-0.12	0.22	-0.01
Other associate professionals	34	7.24	0.79	-0.44	0.10	0.27	0.53
Life science and health associate professionals	32	2.45	0.55	-0.33	-0.75	0.14	0.41
Middling occupations		46.75	-9.27	0.69	0.24	-4.77	-4.50
Stationary plant and related operators	81	1.70	-0.25	0.32	1.59	0.06	-0.31
Metal, machinery and related trade work	72	8.78	-2.08	0.46	-0.45	-0.81	-1.26
Drivers and mobile plant operators	83	5.03	-0.48	-1.50	-1.00	-0.11	-0.38
Office clerks	41	10.60	-2.06	2.24	0.40	-2.34	0.28
Precision, handicraft, craft printing and related trade workers	73	1.45	-0.54	1.59	1.66	-0.30	-0.24
Extraction and building trades workers	71	7.35	-0.64	-0.19	-0.93	0.39	-1.03
Customer service clerks	42	2.13	0.06	1.41	-0.25	-0.14	0.20
Machine operators and assemblers	82	5.99	-1.63	0.49	2.35	-0.56	-1.07
Other craft and related trade workers	74	3.72	-1.66	1.24	1.15	-0.96	-0.69
Low-paying occupations		21.56	3.65	-0.08	-0.84	1.66	1.99
Laborers in mining, construction, manufacturing and transport	93	4.26	-0.55	0.45	-0.66	0.01	-0.55
Personal and protective service workers	51	6.86	2.36	-0.60	-0.94	0.65	1.71
Models, salespersons and demonstrators	52	6.06	-0.11	0.05	-0.89	0.29	-0.40
Sales and service elementary occupations	91	4.38	1.95	0.03	-0.81	0.72	1.23

Impact of Chinese imports on US jobs

Autor, Dorn, Hansen (2016)

- Trade shock:
 - After China's accession to WTO, fast growth of Chinese imports into the US
- Study local labor markets (“commuting zones”) and occupations
 - Those subject to competition with China lose jobs and living standards
- Compare two CZs in 2000-2007, at 25th and 75th percentile of exposure to Chinese import growth:
 - Differential 4.5 percent fall in the number of manufacturing employees
 - 0.8 percentage point larger reduction in the employment to population rate
 - 0.8 percent larger decline in mean log weekly earnings
 - 2-3.5 and larger increases in per capita unemployment, disability, and income assistance transfer benefits

China Trade Shock and political outcomes: US

- Autor et al. (2017) study the impact of China trade shock on the political outcomes at the US commuting zone level
 - Instrument the rise by Chinese imports in the US by the rise in other OECD countries
- Presidential election in 2016
 - 1 one percentage point increase of imports from China since 2000 caused additional 1.7 percentage point vote for Donald Trump in 2016.
 - The average increase in China imports was 1.2 per cent
 - If the increase in China imports were half as large, the 2016 election's outcome would be different

China Trade Shock and political outcomes: Europe

- Similar analysis by Colantone and Stanig for Europe
 - NUTS-2 subnational regions in Europe (and a separate paper on Brexit)
 - Self-reported individual data on voting from the European Social Survey (ESS) in 15 Western European countries for 1988-2007
- One standard deviation (133 euros per worker) of the rise in Chinese imports implies an increase in self-reported support for extreme right parties by around 1.7 percentage points.
- This is not small given the average vote share of these parties in this period was 5%.

Automation and populism: US

Frey, Berger and Chen (2018):

- Impact of automation on the outcome of 2016 presidential elections
 - Use data on industrial robots at the commuting zone level as a measure of exposure to automation
 - Control for Romney 2012 vote share
 - Instrument: exposure to robots in the same industries in other countries
- Find that one standard deviation (5 percentage points) increase in the share of routine jobs is associated with an increase in the voting share of Trump in 2016 by from 3 to 10 percentage points

Automation and populism: Europe

Anelli, Colantone and Stanig (2019)

- Study 192 European subnational regions
 - Use change in robots per worker
 - Instrument automation by automation in other countries
 - Use 1990-2016 election results (83 elections)
 - Also use European Social Survey
- One standard deviation increase in exposure to robotization leads to an increase by 1.8 percentage points in support for the radical right parties.

Impact of the crisis

Great Recession

- First major economic crisis originating from advanced economies since the Great Depression
- Global crisis was short – due to the coordinated G20 response
 - Unlike Great Depression
 - Easier to time and study
- Was longer and more painful in some European countries/regions – due to policy mistakes
 - Hence additional analysis of political and economic outcomes in Europe

Stephenson and Wolfers 2011

- Impact of the Great Recession on trust in institutions
- Both US and cross-country evidence
- Use changes in unemployment as a measure of the extent of the crisis
- Use local data (US states)

Panel A. Gallup Trust in Institutions data (1972–2010)

Dependent variable: Percent who have either “a great deal” or “quite a lot” of confidence in:

	Congress	Banks	Big business	Supreme Court	Newspapers
β : Unemployment rate	-0.89** (0.38)	-2.67*** (0.94)	-0.77 (0.56)	-0.83 (0.51)	-0.84** (0.37)

Panel B. General Social Survey, Confidence in Institutions (1972–2008)

Dependent variable: Percent who have “a great deal” of confidence in the people running:

	Congress	Banks and financial institutions	Major companies	US Supreme Court	The press
β : Unemployment rate	-1.36*** (0.37)	-1.62* (0.93)	-1.46** (0.65)	-0.63 (0.37)	-0.39 (0.51)

Panel C. Gallup Trust and Honesty data (1976–2010)

Dependent variable: Percent who rate the honesty and ethical standards of people in each field as above average:

	Congressmen	Bankers	Business executives	Journalists
β : Unemployment rate	-1.11*** (0.37)	-1.40* (0.68)	-1.23*** (0.33)	0.45 (0.41)

TABLE 3—CONFIDENCE IN INSTITUTIONS AND STATE-SPECIFIC BUSINESS CYCLES

Panel A. Gallup Trust in Institutions data (1972–2010)

Dependent variable: I (“a great deal” or “quite a lot” of confidence) in:

	Congress	Banks	Big business	Supreme Court	Newspapers
β : Unemployment rate	–0.23 (0.29)	–0.06 (0.43)	–0.74*** (0.27)	–0.07 (0.30)	0.25 (0.34)

Panel B. General Social Survey, Confidence in Institutions (1972–2008)

Dependent variable: I (“a great deal” of confidence in the people running):

	Congress	Banks and financial institutions	Major companies	US Supreme Court	The press
β : Unemployment rate	–0.09 (0.24)	–1.10*** (0.22)	–0.56** (0.29)	0.11 (0.34)	–0.04 (0.25)

Panel C. Gallup Trust and Honesty data (1976–2010)

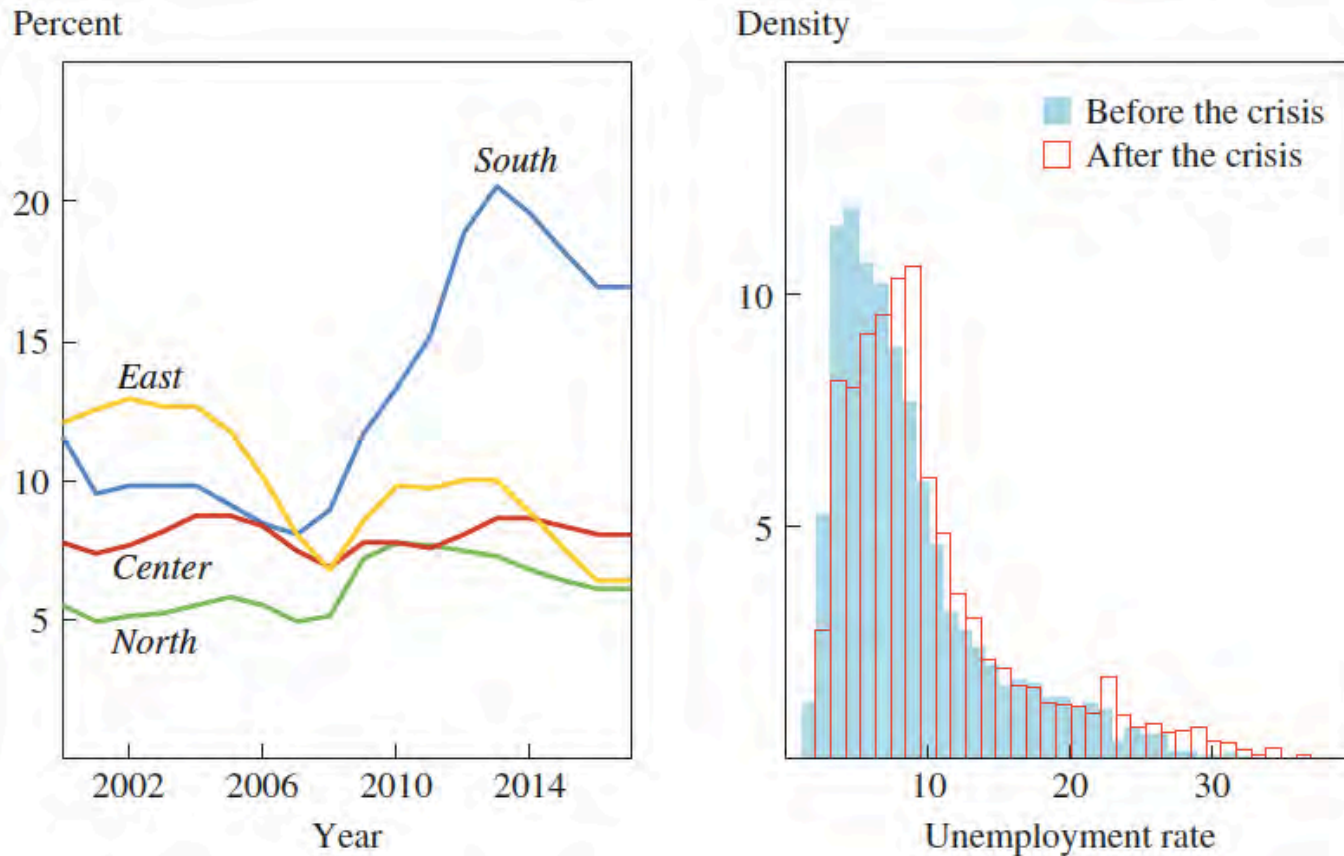
Dependent variable: I (the honesty and ethical standards of people in each field as above average) in:

	Congressmen	Bankers	Business executives	Journalists
β : Unemployment rate	–1.41** (0.20)	–0.16 (0.35)	–0.44 (0.36)	0.93*** (0.29)

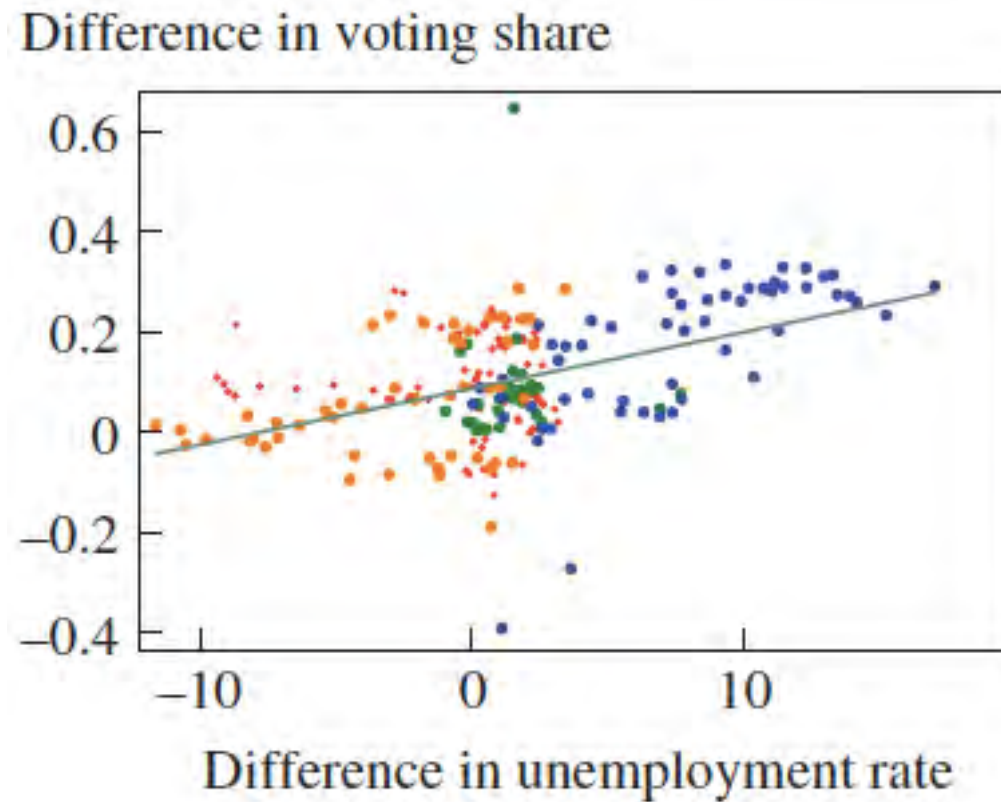
Crisis in Europe

- The increase in European unemployment during the crisis was indeed substantial – from 7 percent in 2007 to 11 percent in 2013
 - But very different between and within countries
- Algan et al 2017:
 - 220 NUTS-2 regions in 26 countries in 2000-17.
 - Substantial magnitudes: 1 percentage point increase in *regional* unemployment rate implies 1 percentage point increase in populist vote share.
 - Impact of regional unemployment is much larger than that of individual unemployment
 - Accompanied by substantial decline in trust towards European and national political institutions
 - No impact on trust to police, UN, or other people

Unemployment spike in European regions



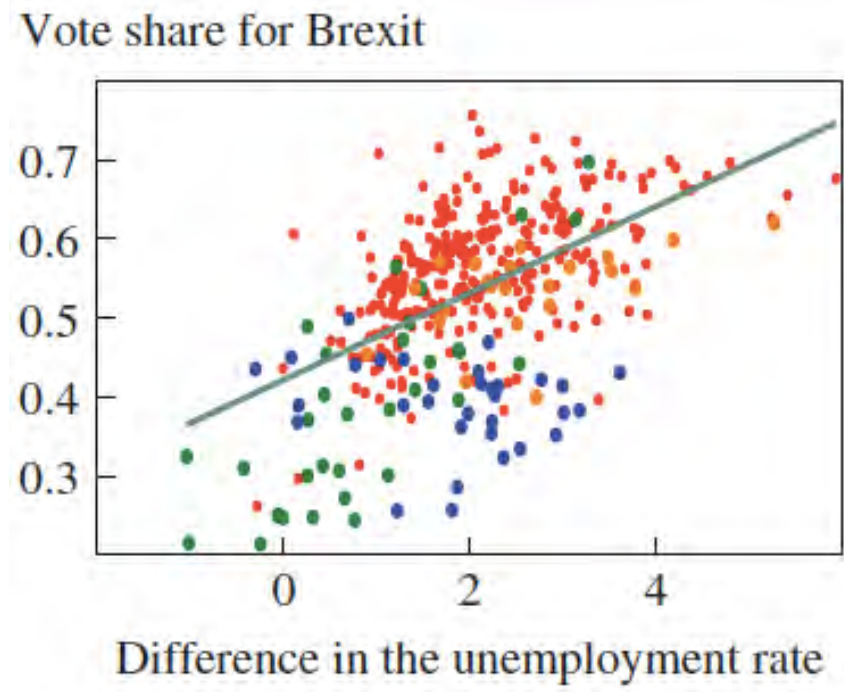
Changes in unemployment and changes in populist vote



Isolating the causal effect of the crisis

- There may be other potential time-varying factors that drive both unemployment and populism
 - Use an instrumental variable approach
 - Use the pre-crisis structure of the regional economy
 - If a region specializes in real estate and construction before the crisis, it is likely to be hit harder during the crisis hence experiencing a larger increase in unemployment.
- The causal effect of increase in unemployment on the rise of populism:
 - The impact of increase in unemployment (due to pre-crisis structure of economy) is even larger:
 - Each percentage point increase in unemployment rate causes at least 2 percentage point increase in populist vote share

Same for Brexit Referendum



Data for 380 electoral districts

- England
- London
- Scotland
- Wales

Other studies of Brexit vote

Becker et al. (2017) study 380 districts

- Find no evidence of the impact of exposure to immigration and trade
- What matters is age, education, income and unemployment
 - And the extent of the fiscal cuts
- Also study French vote for Marine Le Pen and find similar results

The role of austerity: Fetzner (2019) on Brexit

- Uses heterogeneity in the extent of fiscal cuts across UK
- Uses an array of data including individual-level surveys

Fetzer: welfare cuts and support for Leave

Table 5: Support for Leave among individuals exposed to any of the three welfare reform measures studied

	(1)	(2)	(3)	(4)	(5)	(6)
<i>Leave</i>						
Benefit cut ϕ	0.184 (0.011)	0.092 (0.011)	0.084 (0.011)	0.070 (0.011)	0.075 (0.013)	0.103 (0.022)
Local authority districts	379	379	379	379	379	377
Observations	30971	30353	30328	29964	23339	13141
District FE	x	x	x	x	x	x
Qualifications & Age FE		x	x	x	x	x
Economic Activity Status FE			x	x	x	x
Income Decile FE				x	x	x
Health conditions					x	x
Socio-economic status & Employment Sector FE						x

Sweden

Why increase in the vote share of Swedish Democrats (SD)?

- Dal Bo, Finan, Folke, Persson, and Rickne (2019).
“Economic losers and political winners: Sweden's radical right.”
 - Reforms of the welfare state in mid 2000s
 - Gap between “insiders” and “outsiders”
 - Outsiders badly hit in the crisis – hence SD rise post-crisis
- Dehdari, S. (2019). “Economic Distress and Support for Radical Right Parties – Evidence from Sweden.”
 - Similar results – unemployment among low-skilled explains 1/3 of the SD rise
 - (Low-skilled) immigration matters as well!

Recent rise of populism:
Non-economic explanations

Potential cultural explanations

- Norris and Inglehart: silent revolution and cultural backlash
- Immigration and identity
- Immigration and security
- Emigration and identity

Why now?

- Refugee crisis?
- Interaction of culture/identity and economics?
 - Left-behind individuals and communities
 - Economic shocks activate identity issues

Intentional activation of identity issues without economic shocks

- Ochsner and Roesel (2018): Austrian radical right and anti-Muslim sentiment
 - Activating memories of the Ottoman Sieges of Vienna
- Under Haider, FPO was not islamophobic
- Strache takes over FPO in 2005 and uses anti-Turkish and anti-Muslim slogans in political campaigning
 - Referring to the Sieges of Vienna in 16th and 17th centuries
- This strategy works delivering stronger anti-Muslim sentiment and higher FPO vote shares in localities pillaged by Turks during the Sieges

FIGURE 1: SHARE OF POPULATION WHICH DOES NOT WANT A MUSLIM AS NEIGHBOR

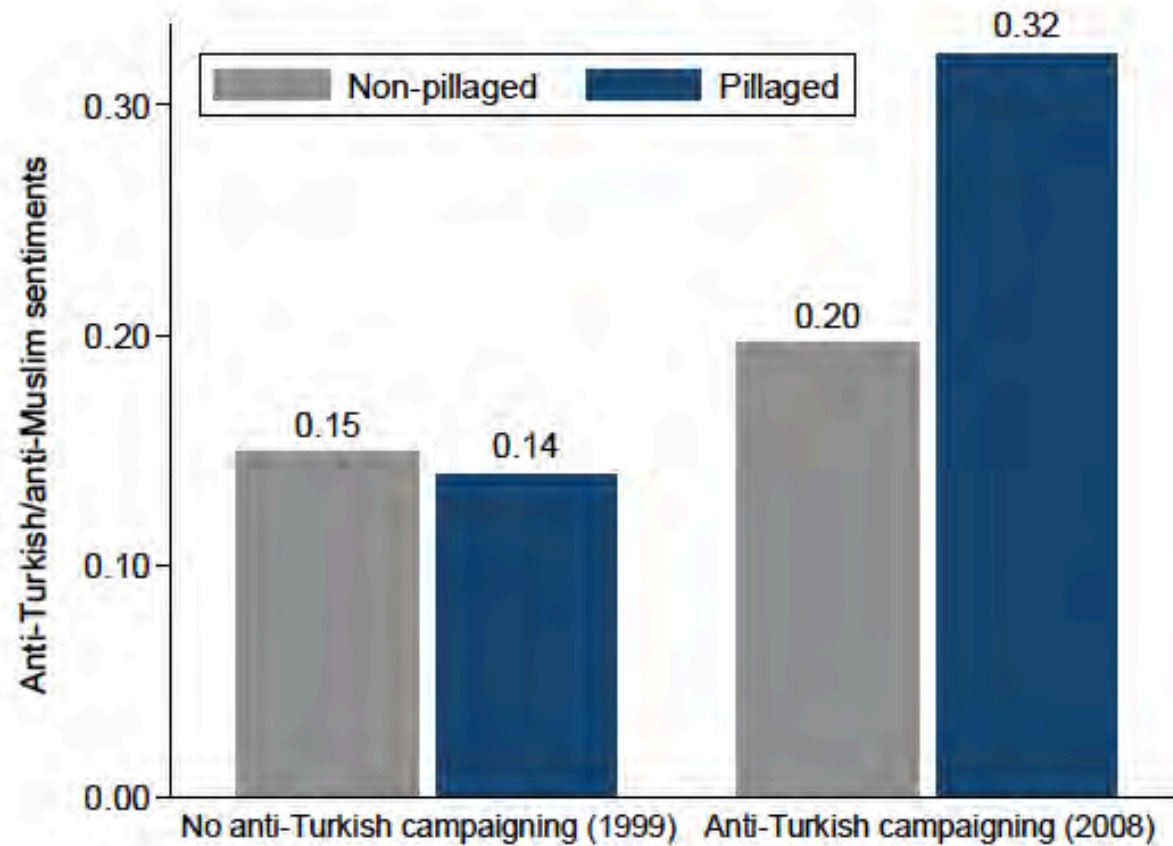
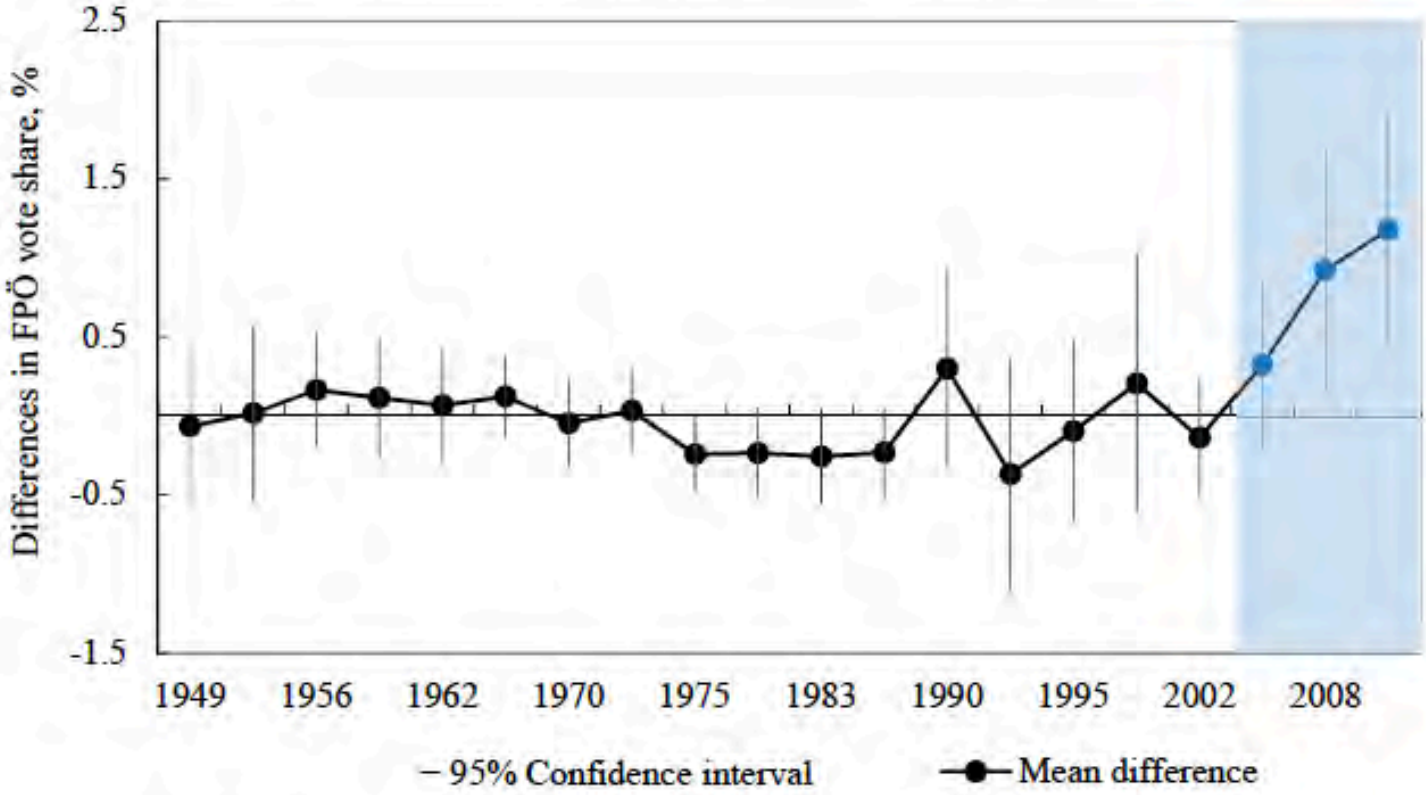


FIGURE 5: FPÖ VOTE SHARE MEAN DIFFERENCES (PILLAGED VS. NON-PILLAGED MUNICIPALITIES)



Identity and beliefs: a general theory

Shayo (2009, 2020), Grossman and Helpman (2018), Gennaioli and Tabellini (2018) use social identity theory (Tajfel and Turner 1979)

- Social identification as a cognitive process of self-categorization
- Perceive self as an exemplary member of a group
 - In the most salient dimension
 - Contrast between groups in salient dimensions
- Beliefs are distorted alongside the salient dimensions
 - Hence increased (actual and perceived) polarization of beliefs and political attitudes

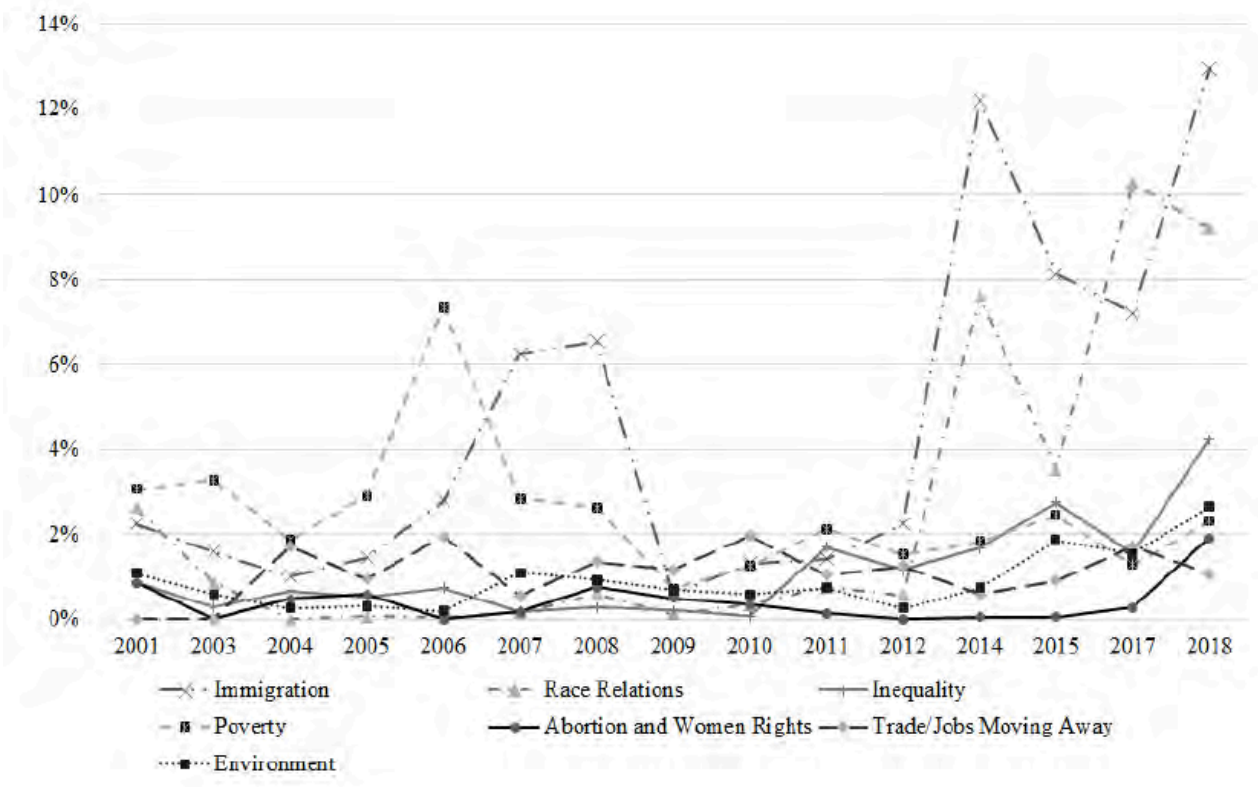
Identity and beliefs: 2-dimensional political conflict

- Consider (i) left-right (redistribution) and (ii) liberal-conservative cleavages
 - Four groups (2x2)
- Voters identify based on culture (rather than income) if
 - Cultural conflict more important for individual welfare
 - Group contrast in culture larger than in income
- If this takes place, we should observe
 - Greater polarization along the cultural dimension
 - Switch from income-based to culture-based identity

Identity and beliefs: 3-dimensional political conflict

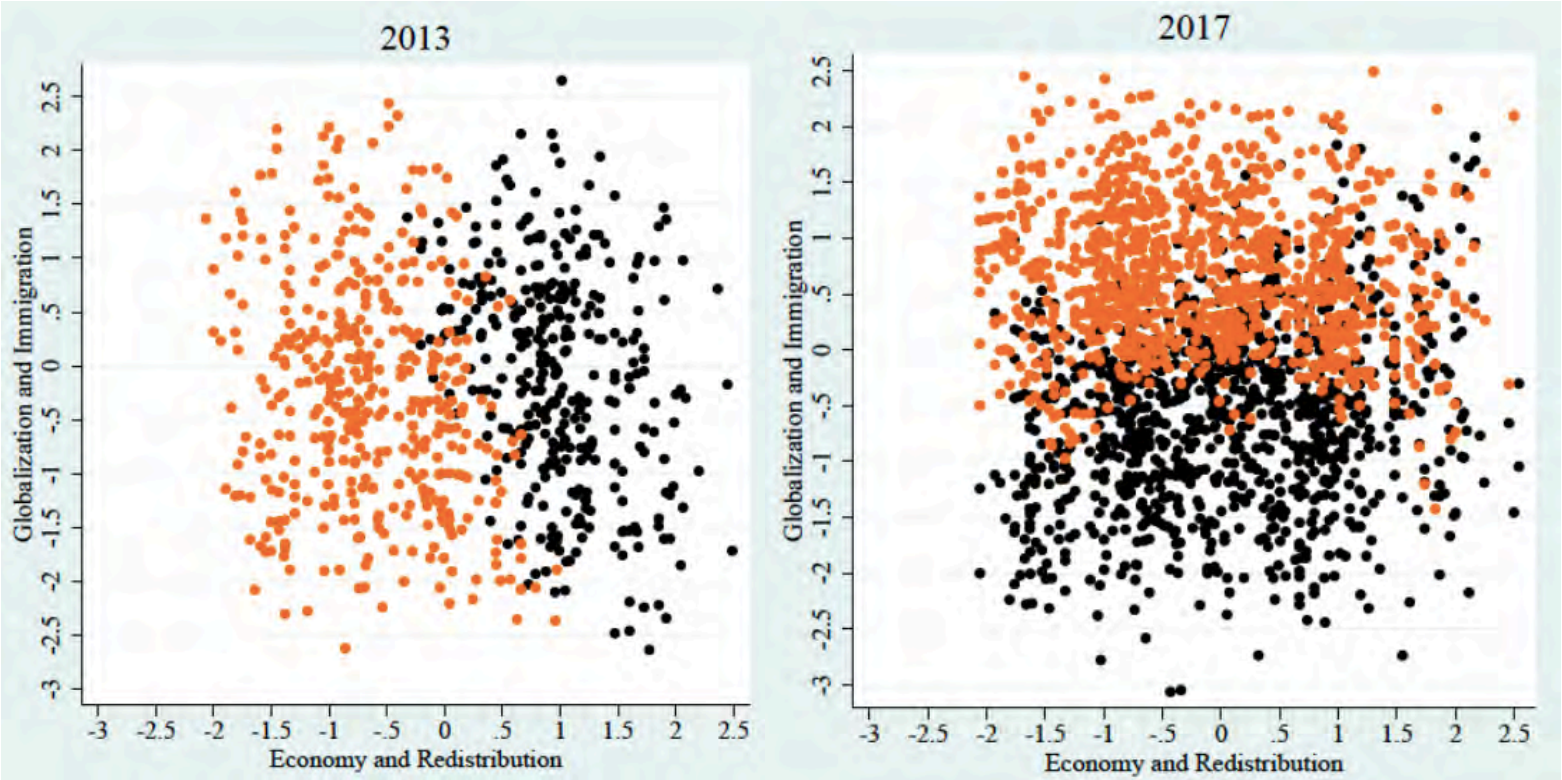
- Consider (i) left-right (redistribution), (ii) liberal-conservative, and (iii) pro-anti-globalization cleavages
 - Positions on the latter two are likely to be correlated
- Trade/immigration/automation shocks hit socially conservative voters
 - Class-based identity is crowded out by culture and globalization
 - Salience of import/immigration reduces demand for redistribution
 - Switch to the shift from left-right to liberal-conservative and open-closed identity and further polarization along these dimensions

Most important problem facing the country (US)



Source: Pew

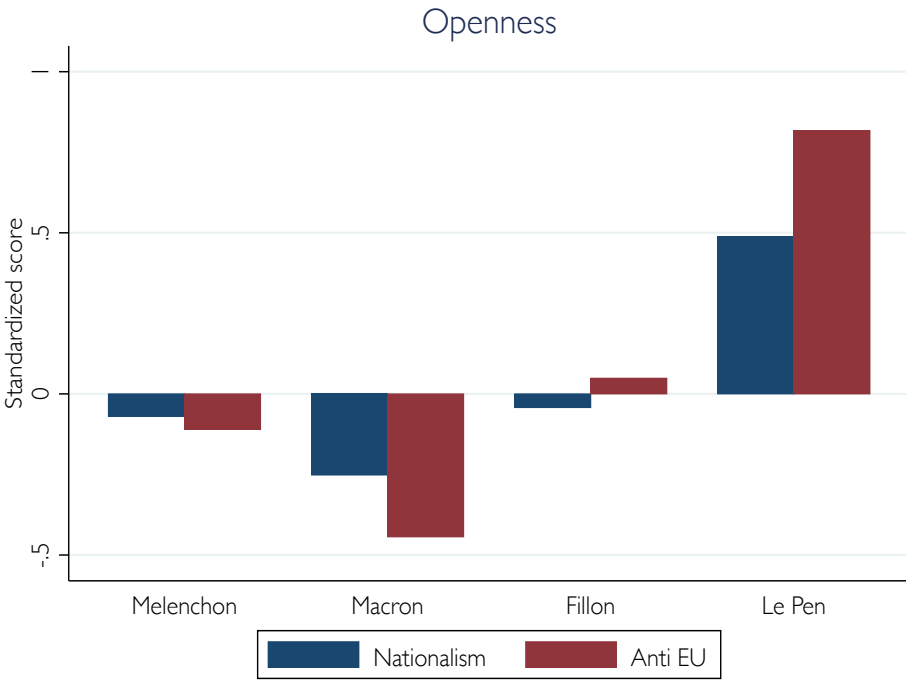
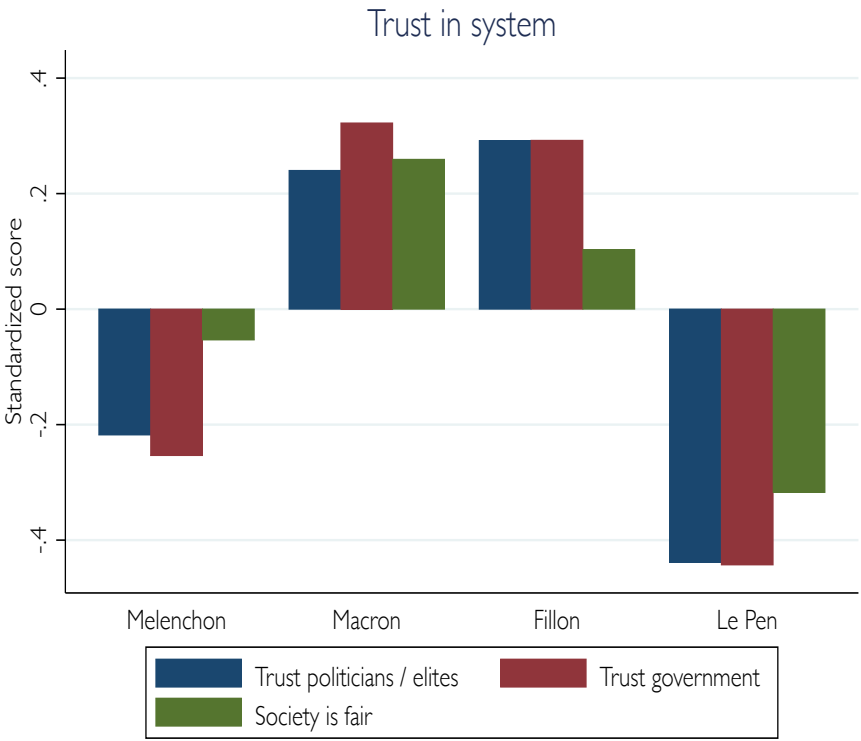
France 2013 vs 2017



Populism in France

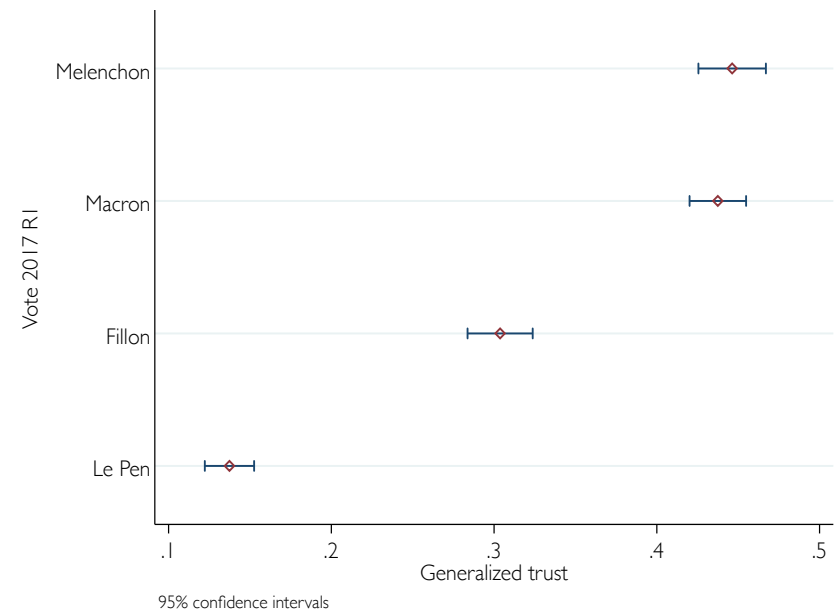
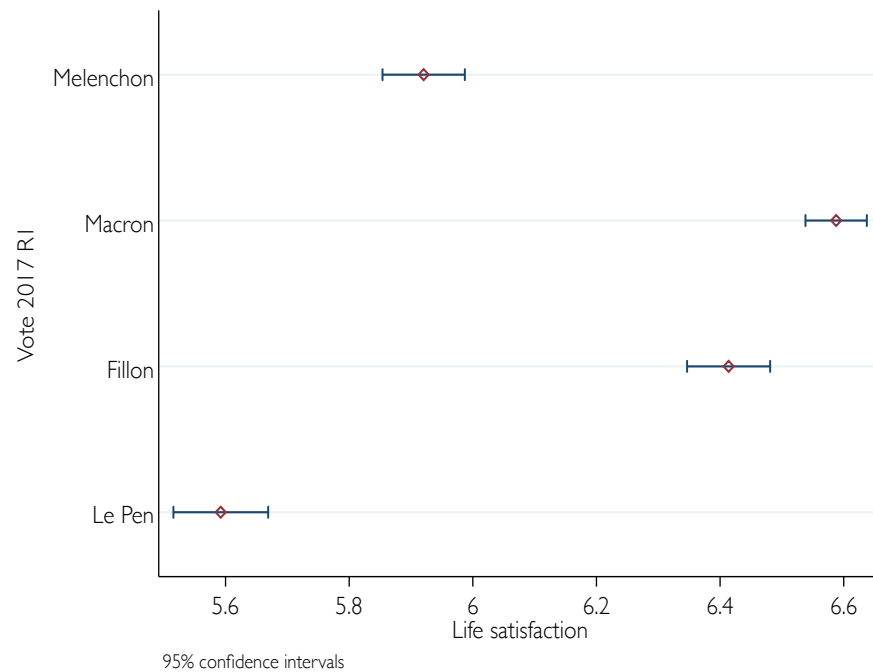
- Unique dataset (CEVIPOF)
- France has strong extreme left and extreme right parties
 - Each 20% in 2017 presidential election
- Algan, Beasley, Cohen, Foucault (2019)
 - Collapse of left-right axis
 - Why are MLP supporters against redistribution if they are poorer than Macron's voters?
 - MLP supporters distrust the system
- Relevant for understanding Trump voters

Economic vs. cultural divide

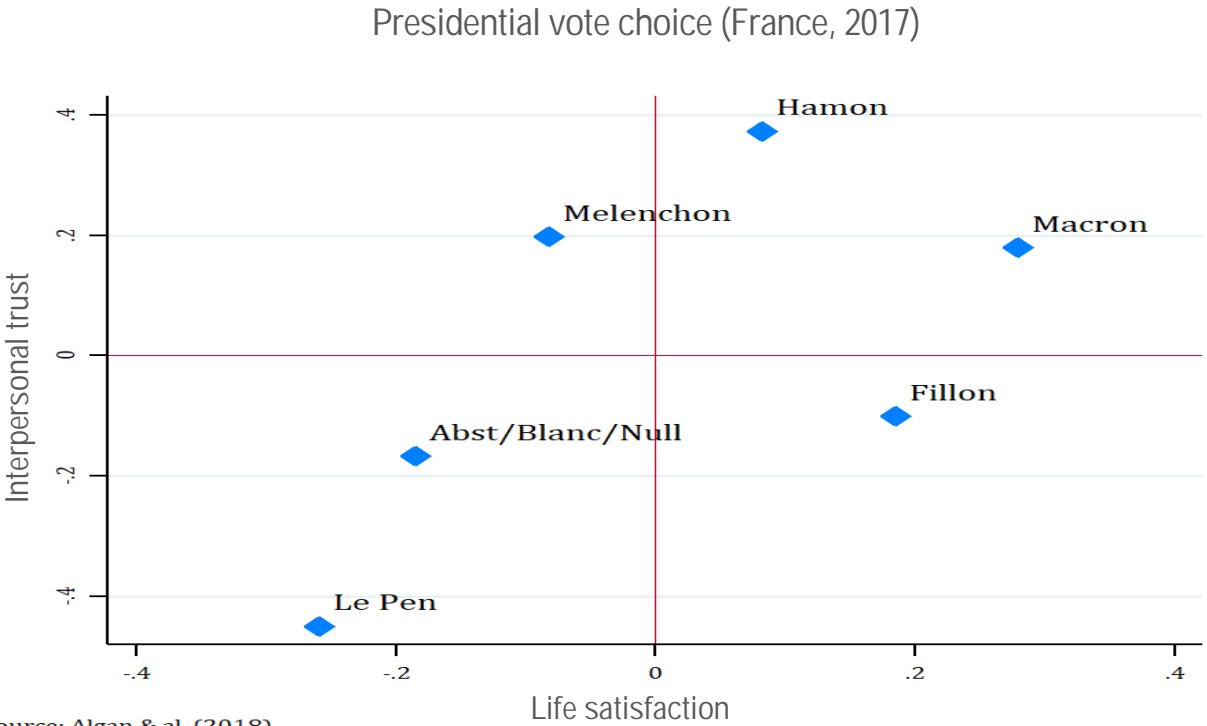


Life satisfaction and trust

Strongest dimensions for 2017 election



Politics of two (new) axes



Evidence on immigration and populist vote

Immigration and populist voting

Fear of losing the national identity vs. "contact hypothesis" (Allport 1954)

- How to identify the causal impact of immigration on populist vote? Two approaches
 - Use random or quasi-random allocation of immigrants/refugees to communities
 - Use the pre-existing migrant networks within the host country to predict where the new wave is to settle
- Dustmann et al. (2016): Denmark 1986-98
 - Immigration led to higher vote for anti-immigrant parties (except the largest cities)
 - In small municipalities, each percentage point increase in immigrant share of population led 1-2 percent increase in anti-immigrant vote
 - In large cities, 1.5-3 percentage point *decline* in anti-immigrant vote

Immigration and populist voting

- Mayda, Peri, Steingrass: US 1990-2010
 - Increase in immigration has a significant and negative impact on the Republican vote share
 - The impact depends on the immigrants' skills
 - Skilled immigration decreases Republican vote
 - Each percentage point of immigrant share results in -0.7 change in Republican vote share
 - Low-skilled immigration increases Republican vote
 - Each percentage point of immigrant share results in +1.8 change in Republican vote share
- Barone et al. (2016): Italy, 2001-08, positive impact on Berlusconi vote
 - Each percentage point increase in share of immigrant leads to 1.3 percentage point increase in vote share
- Edo et al. (2017): France, 1988-2017
 - Each percentage point increase in share of immigrant leads to 2 percentage point increase in far-right vote share
- Halla et al. (2017): Austria, 1988-2017,
 - Each percentage point increase in share of immigrant leads to 0.2 percentage point increase in FPO vote

Immigration and populist voting: recent evidence

- Steinmayr (2018) Austria, 2015 election
 - Assignment of refugees *reduced* FPO vote share by 3.5 percentage points
 - Share of refugees in population was most 1.5 percent
 - But exposure to transit routes increase FPO share
- Vertier and Viskanic (2019) France, resettlement of “Calais Jungle”
 - Exposure to refugees reduced Marine Le Pen 2017 vote share
 - Average municipality received 1.7 refugee per 100 natives
 - Once the share of refugees exceeded 3-4 percent, further increase in share of refugees increase MLP’s vote share

Immigration and populist voting: recent evidence

- Dinas et al. (2017): Greek islands, 2015
 - On average 2.5 refugees per native
 - Very strong positive impact of share of refugees on the Golden Dawn's vote share
- Becker and Fetzer (2016): East European migrants in the UK after 2004
 - 3 percent of UK labour force
 - Strong positive impact on UKIP support
 - Explains about 2 percentage points of UKIP's vote share

Emigration and populist vote in Central and Eastern Europe

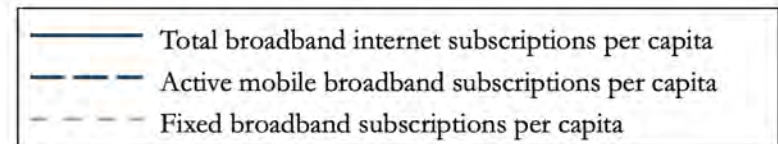
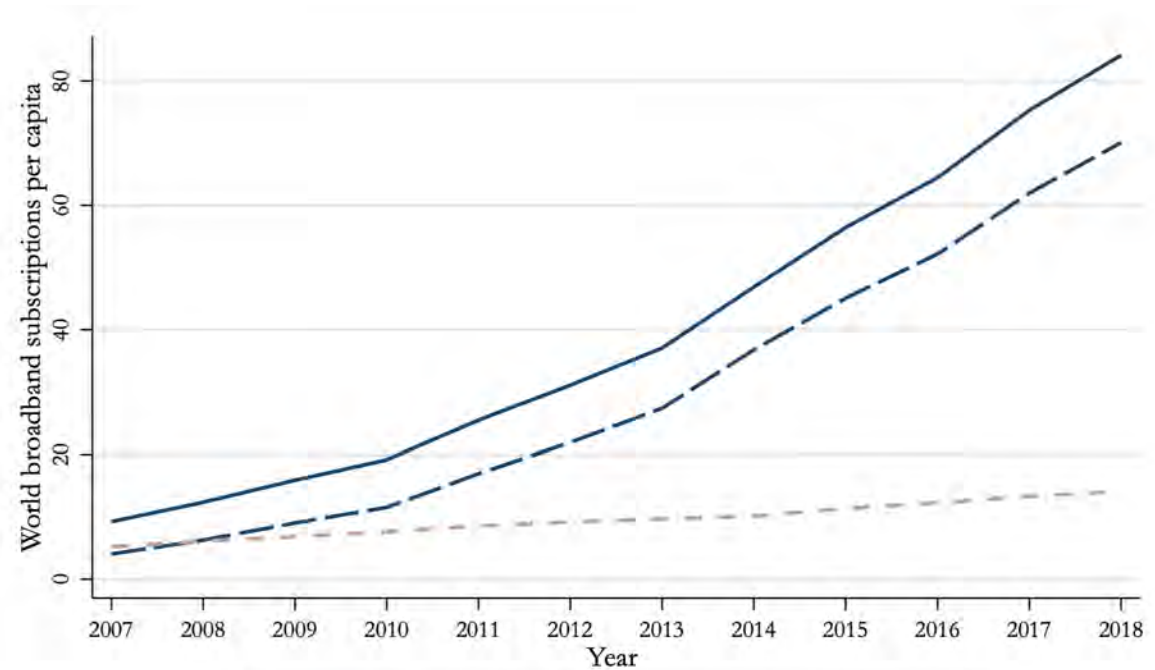
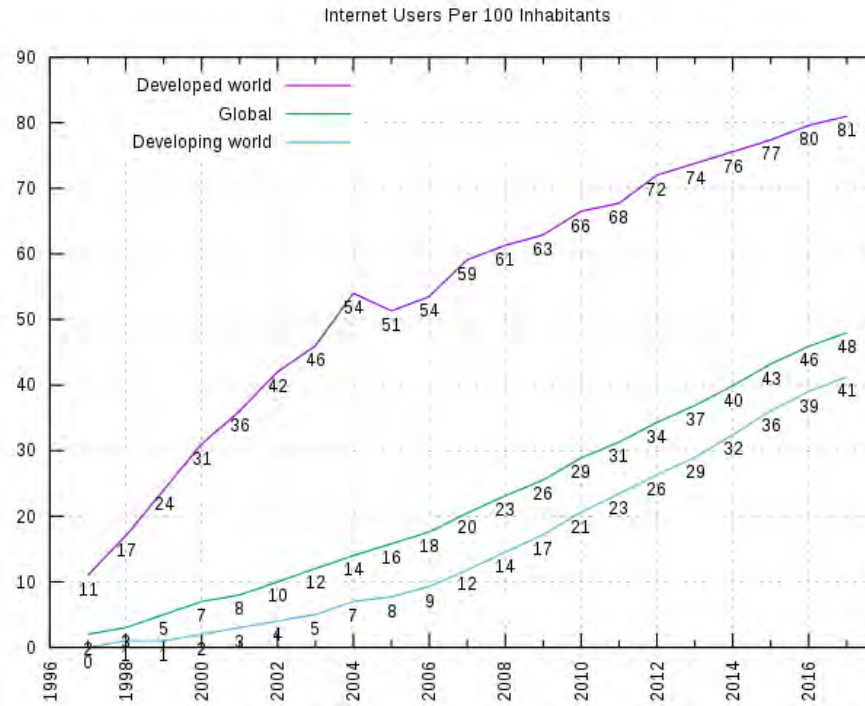
- Migration from East to West raises identity concerns in the East
 - Ageing and shrinking population
- Much discussion regarding the impact of emigration on the rise of populism in the Central and Eastern Europe
 - But not yet quantitative evidence (EBRD Transition Report 2018-19)

Immigration and populist voting: takeaways

- Evidence is mixed
- Small increases in immigration are likely to decrease populist vote shares
- Large increases in immigration are likely to increase populist vote shares
- Skill composition of migrants/refugees also matters

New Communication Technologies and Populism

Internet, broadband, and mobile broadband



Source: ITU

Politics 2.0: The story of M5S

Campante, Durante, and Sobbrío (2018)

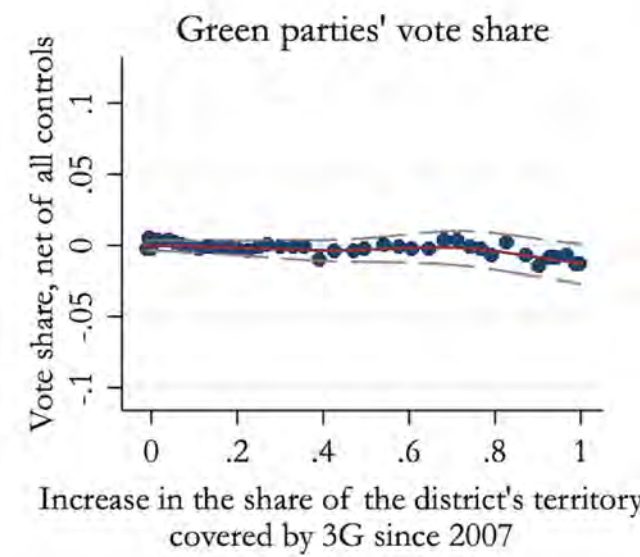
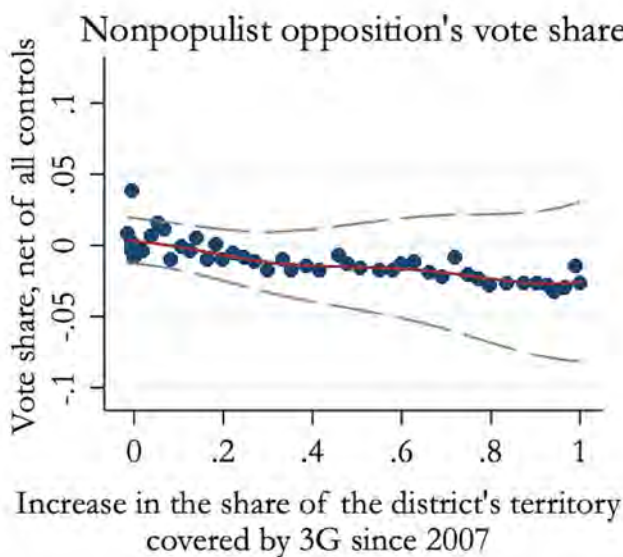
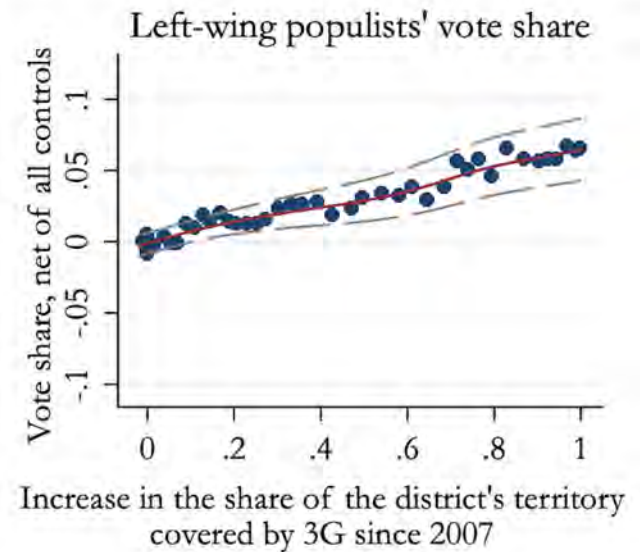
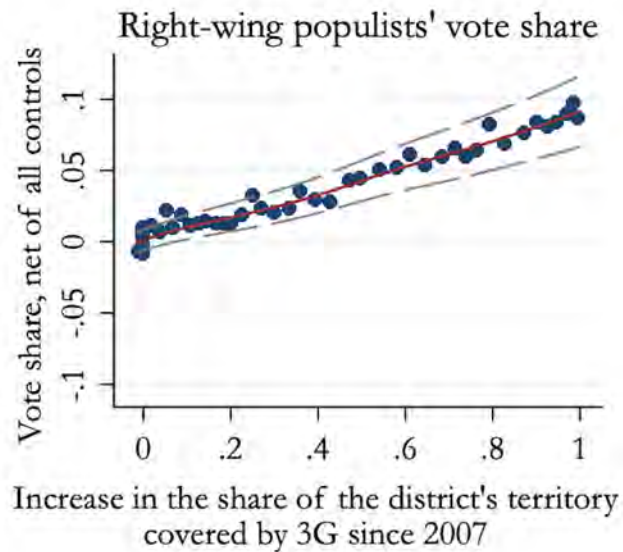
“Politics 2.0: The Multifaceted Effect of Broadband Internet on Political Participation”

- Expansion of broadband (ADSL) technology across Italian municipalities in 2005-11
 - Italy: newspapers/TV controlled by government or politically connected groups
- Is broadband rollout exogenous?
 - Use pre-existing voice technology as a predictor – measure a cost of connecting the municipality to broadband
- Main results:
 - First (2006-08) internet brings about “exit” – turnout declines by 7 percentage points
 - Then, “exit” is reversed – turnout bounces back by 2013
 - Then, it is transformed into the anti-establishment “voice” – voting for M5S and 2009 and 2011 referenda

Guriev, Melnikov, Zhuravskaya (2020)

Mobile Broadband Internet and Populism

- Use data on populist vote shares in Europe
 - Classify into left-wing, right-wing, and other
 - Use Green parties and nonpopulist opposition as a placebo
- 33 countries, 102 elections, 398 subnational regions, and
- 1,250 election-region pairs.
- Time period: 2007 - 2018



Populists in power

What do populists do when they do come to power?

- Left-wing Latin American populists:
 - Dornbusch and Edwards (1991): macroeconomic mismanagement
 - Similar recent developments in Venezuela, Bolivia, Ecuador
- Recent rise of populism is mostly different:
 - Brexit
 - Trump
 - European populists: Hungary, Greece, Poland, Italy,
 - European neighborhood: Russia, Turkey
 - Modern right-wing Latin American populists: Bolsonaro

Economic vs. political populism

- Rodrik 2018 “Is populism necessarily bad economics?”
- Distinguish between economic and political populism
 - Both are about removing “restraints” (checks and balances)
 - Political populists remove political restraints → undermine democracy
 - This is always dangerous
 - Economic populists remove *economic* restraints
 - This may undermine investment climate
 - However, in some cases – when economic policy serves special interests – anti-elite economic policy may be good
 - For example, FDR

Political populism

Mueller's unholy trinity

- State colonization
- Mass clientelism
- Discriminatory legalism
 - “For my friends everything, for my enemies the law”

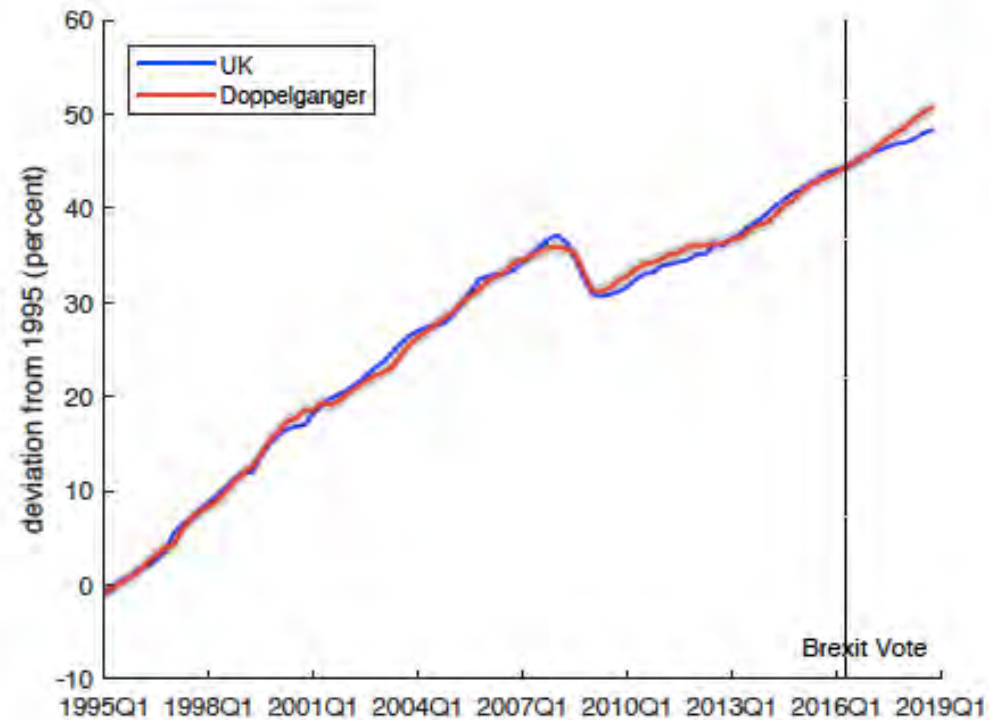
Economic performance of populists

- How to measure?
 - Consider Brexit: a perfect natural experiment
 - Need to compare the actual economic performance to a counterfactual
 - What UK economy would have been without Brexit (“Remain”)
- How to construct a counterfactual?
 - Synthetic control method
 - Construct a “doppelganger” – a weighted average of similar economies
 - Choose weights that make the doppelganger’s behavior in the past (before 2016 referendum) most similar to UK economy’s
- Compare post-referendum performance of UK and of doppelganger

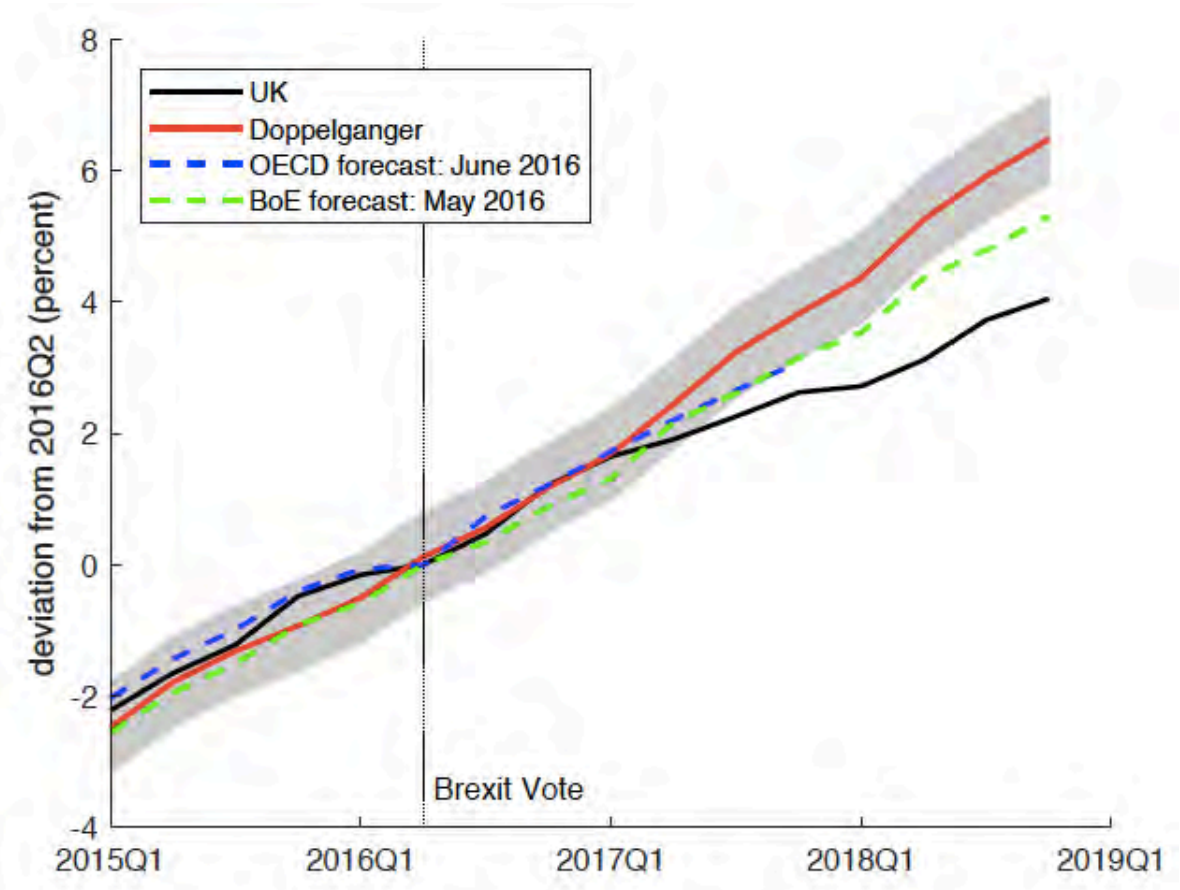
Born, Mueller, Schularick and Sedlacek 2019

- Construct the doppelganger for the UK economy:
 - Use 23 OECD countries
 - Choose weights based on 1995Q1–2016Q2
- Compare performance in 2016Q3-2018Q4
- Results: 1.7-2.5 percent GDP in these 1.5 years

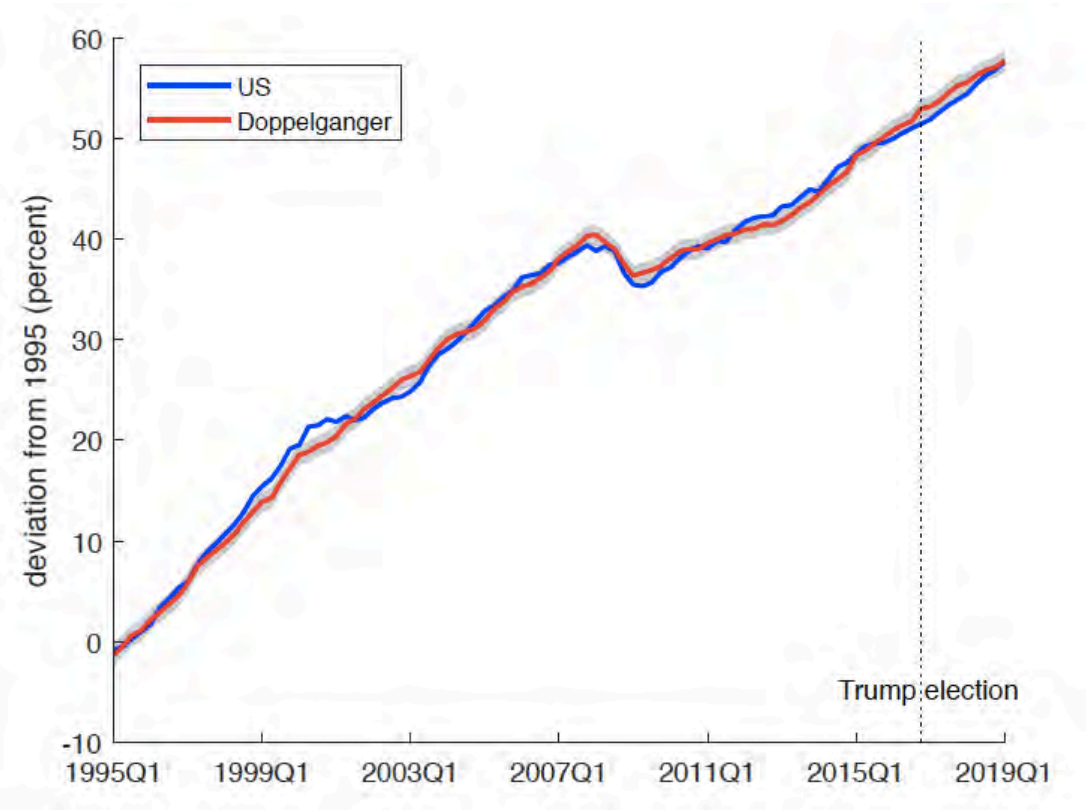
Actual performance vs. the doppelganger



UK: actual performance, doppelganger and forecasts



US: negligible effect of Trump on GDP growth (before 2020)



European populists in power

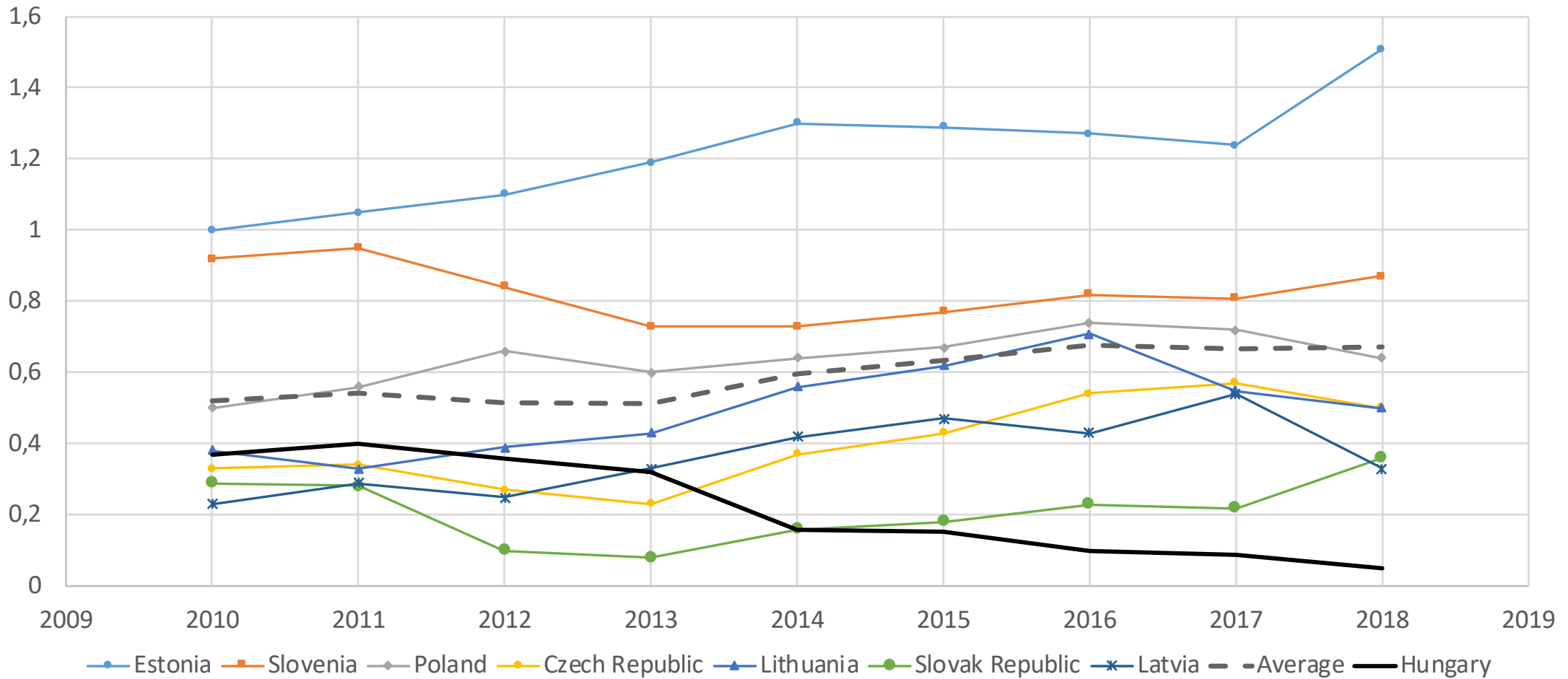
- Greece: SYRIZA takes over in 2015
 - Implements required painful reforms
 - Economy begins to grow, Greece exits the bailout program in 2018
 - Yet, SYRIZA loses in 2019
- Hungary: the return of FIDESZ to power in 2010
 - Additional victories in 2014 and 2018
 - No striking economic successes
 - Increased corruption
 - Subversion of democratic institutions and rule of law
- Poland: the return to PiS to power in 2015 (and the subsequent victor in 2019)
 - Consistent attempts to undermine political freedoms and rule of law
 - Generally successful economically, expected to win the Oct 2019 elections
 - Many tailwinds:
 - Strong fundamentals built by previous governments
 - Influx of cheap skilled labor from Ukraine

Corruption in Hungary

World Bank's Worldwide Governance Indicators

- In other Central European and Baltic countries corruption has declined in 2010-18
- Hungary:
 - In 2010, Hungary was a median Central European/Baltic country
 - In 2018, it was behind the regions' both mean and median by 0.5 global standard deviations – and close to a global average level of corruption
(Very unusual for a high income country)!

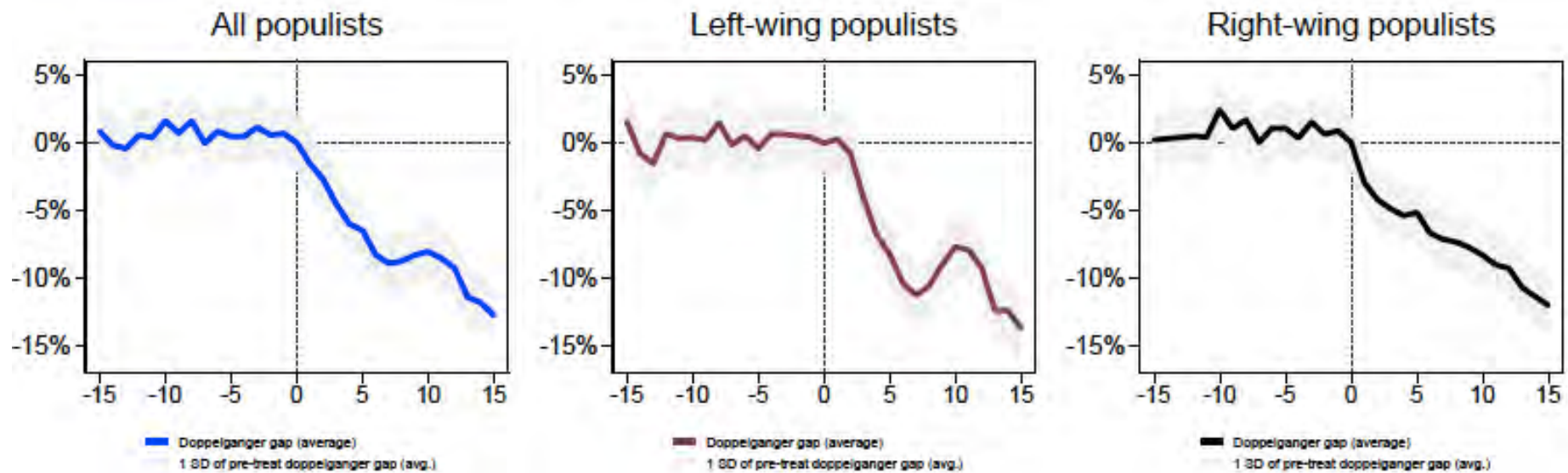
Control of corruption



Funke, Schularick, Trebesch (2020)

- 60 large countries (95% global GDP) in 1900-2018 (50 populist governments)
- Populists in power: after 15 years GDP is lower by 10% relative to counterfactual
 - No decline in inequality
 - Rising protectionism
 - Decline in quality of institutions (courts, media freedom)
 - Populists are unlikely to exit after losing elections

Similar results for both left-wing and right-wing populists



GDP vs doppelganger before and after populists coming to power

Source: Funke, Schularick, Trebesch (2020)

Conclusions

Four questions on the recent rise of populism

1. [What is populism, how to define it and how to quantify its rise?](#)
 - Minimal definition: anti-elite + anti-pluralism
2. [What are the drivers of the recent rise of populism?](#)
 - Strong evidence for economic factors (globalization, automation and crisis)
 - Strong evidence for the role of internet
 - Less conclusive evidence for culture and role of immigration
 - Possibly, economic shocks/insecurity trigger cultural divides
3. [Populists in power?](#)
 - Mostly underperform except for
 - Trump: no net impact
 - Poland: strong performance but may have been driven by other factors
4. What should be done?

Populism in historical perspective

History of populism

- Chartists in early-Victorian Britain?
- Russia: Narodniki?
- US Populist Revolt
- Latin America: Getulio Vargas, Peron, 1970-90s
- France: Poujadism

Russia's Narodniki

- Narodniki literally means “populists”
 - Peasants as “pure people”
 - Intellectuals “going to the people”
- Lenin's view:
 - Decembrists (1825) “woke up Herzen” who started “revolutionary agitation and brought Narodniki to life
 - Strongly disagreed with Herzen/Narodniki/SRs (Socialist Revolutionaries)
 - Lenin's Bolsheviks (Social Democrats' “Majority” faction) bet on workers not peasants to support revolutions
- Herzen as a intellectual predecessor of American agrarian Populist Party
- But Eichengreen does not classify Narodniki as populists

The Populist Revolt in the US

- People's Party ("the Populists") formed in 1891
 - William Jennings Bryan at DNC 1896 "You shall not crucify mankind upon a cross of gold."
 - Gold standard represented the first wave of globalization 1870-1913
 - Parallels to the "China import shock" and the recent Euro Crisis
 - "Free silver" and "Greenbackers"
 - Wizard of Oz: Dorothy with silver shoes, Scarecrow, Tin Woodman, Cowardly Lion, Yellow Brick Road to the Emerald City
- Anti-trust movement against financial and railroad monopolies
 - Robber barons and the "Iron Heel" of the oligarchy/plutocracy
- Anti-immigrant movement:
 - Against Eastern Europeans and Asians
- Not anti-science

Policy response: Progressive policies

- Teddy Roosevelt: anti-trust regulation
- Woodrow Wilson: (progressive) income tax
- FDR: abandon Gold Standard and introduce social safety nets
 - New Deal helped FDR withstand populist pressure of Huey Long and Father Coughlin