

The recent rise of populism and the future of democracy

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*Based on "Political Economy of Populism" (with Elias Papaioannou), Journal of Economic Literature Sep 2022 and
"Spin Dictators" (with Daniel Treisman), Princeton University Press 2022.*

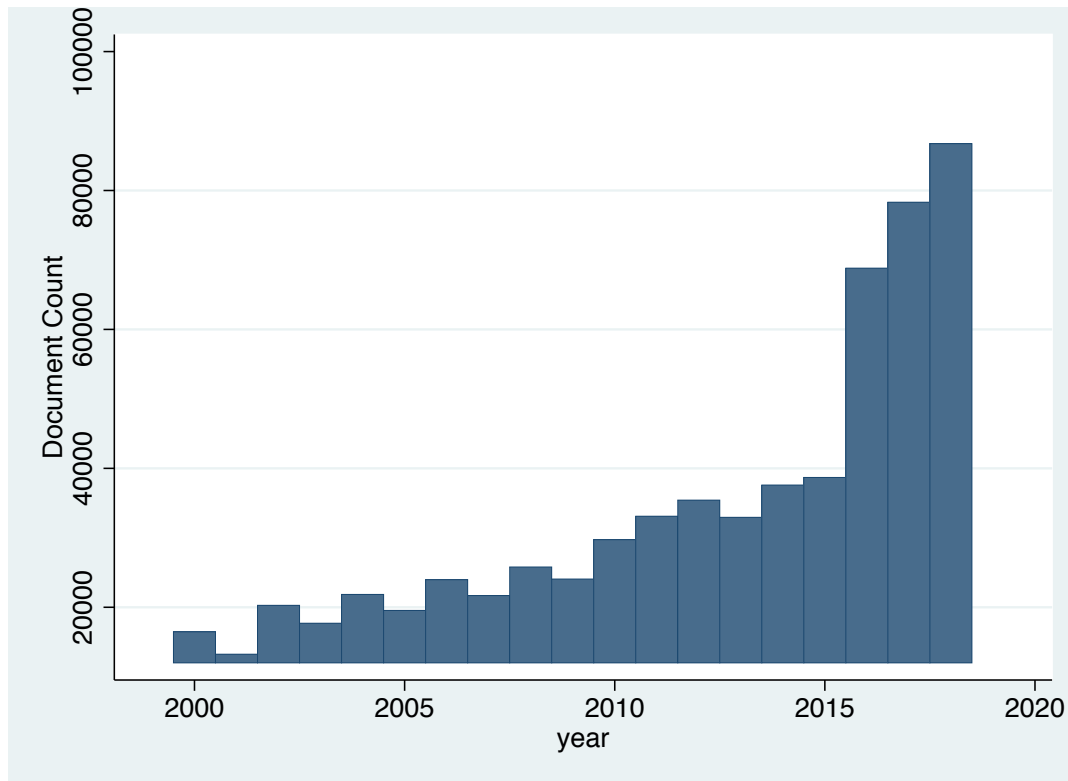
Two major challengers to democracy in recent decades: populists and autocrats

- Why now?
 - And why at the same time?
- How dangerous?
- Are they similar or different?
- What should we do?

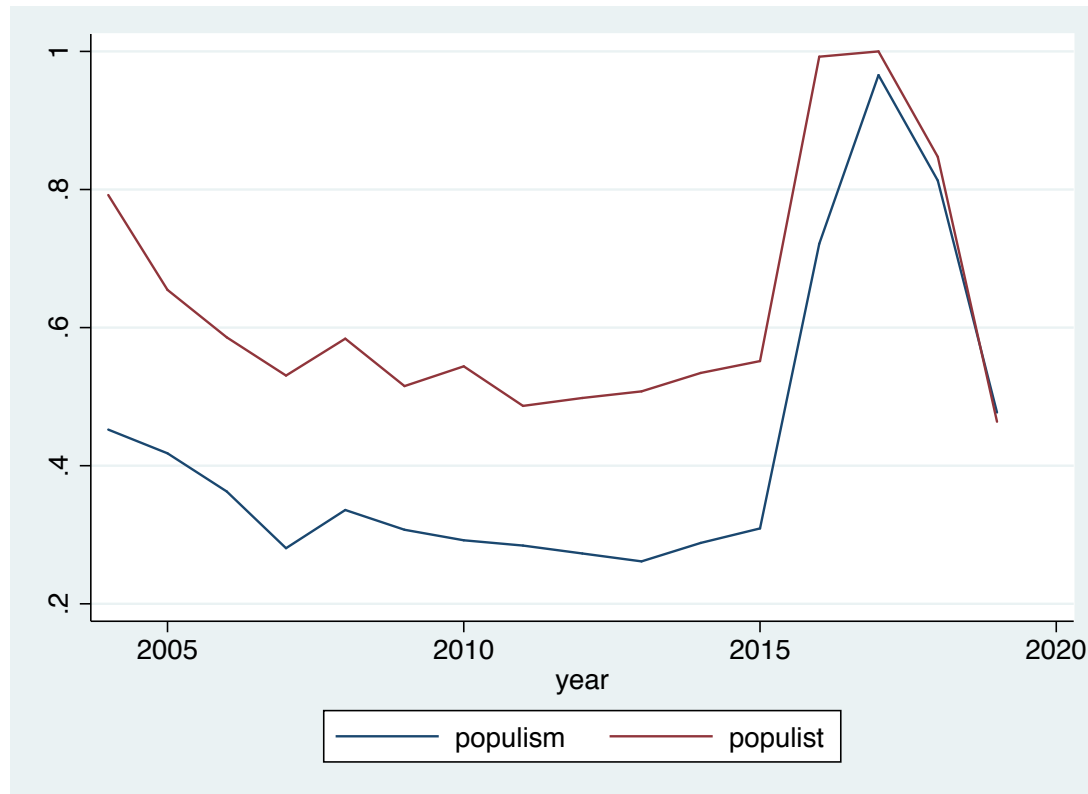
Four questions on the recent rise of populism

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?

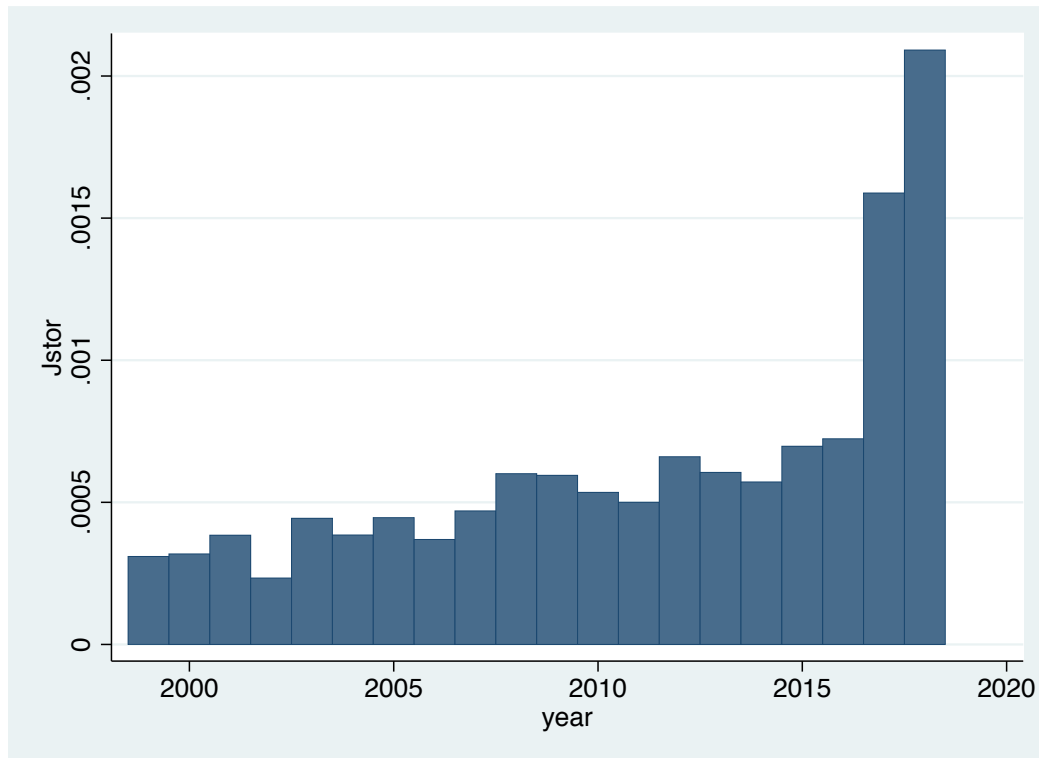
Media coverage: count of news articles with “populism” or “populist”, Factiva



Google searches jumped in 2016-17



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



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

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)

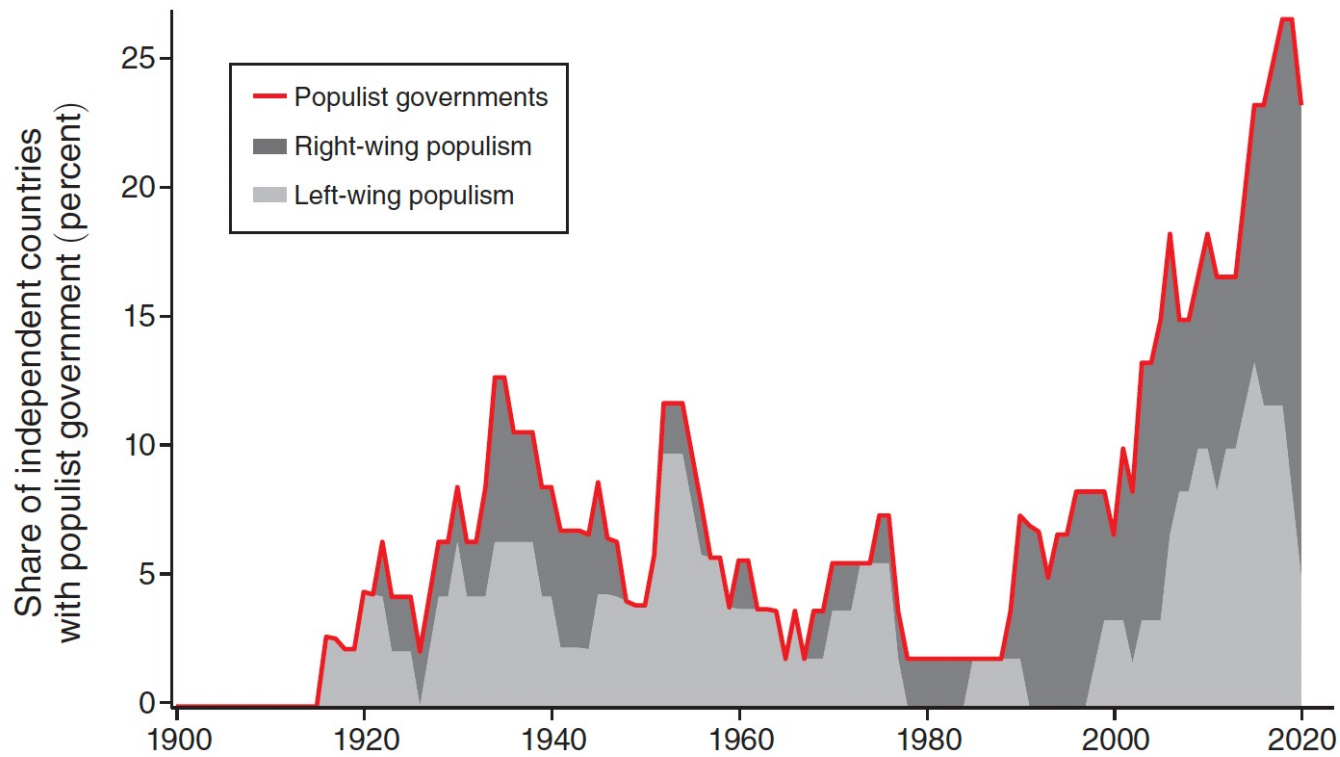
Are these related?

- 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)

Unprecedented rise of populism?

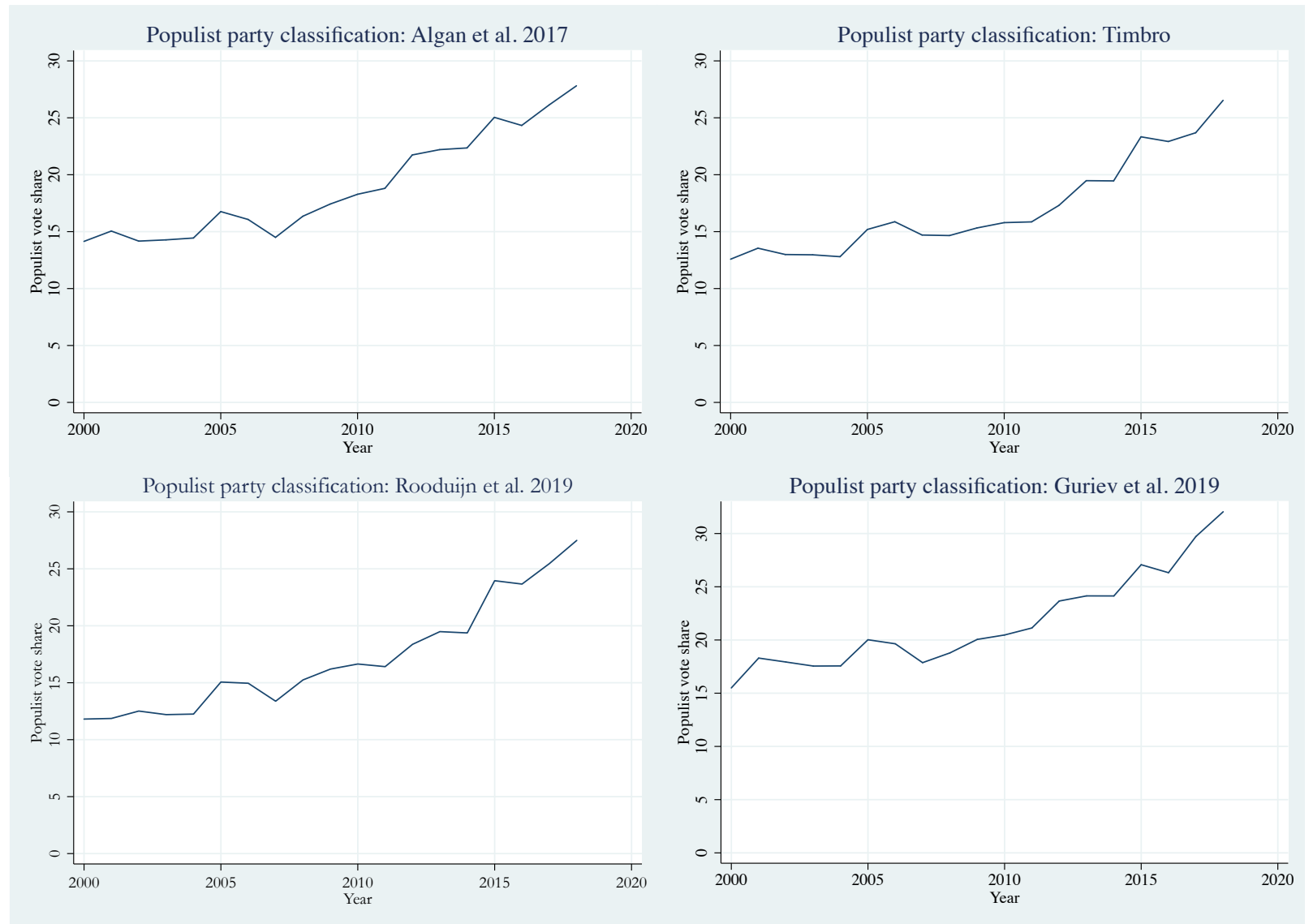
- Substantial rise of populism in advanced economies in the 21 century
- About 10-15 percentage points in terms of voting share
- The rise is mostly due the rise of the (authoritarian) right-wing populists rather than the left-wing populists

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



Source: Funke, Schularick, Trebesch (2023)

Populist vote share in Europe



Drivers of the recent rise of populism

Why populism? Why now?

- Economic factors
 - Secular trends: globalization and technological change
 - The global financial 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

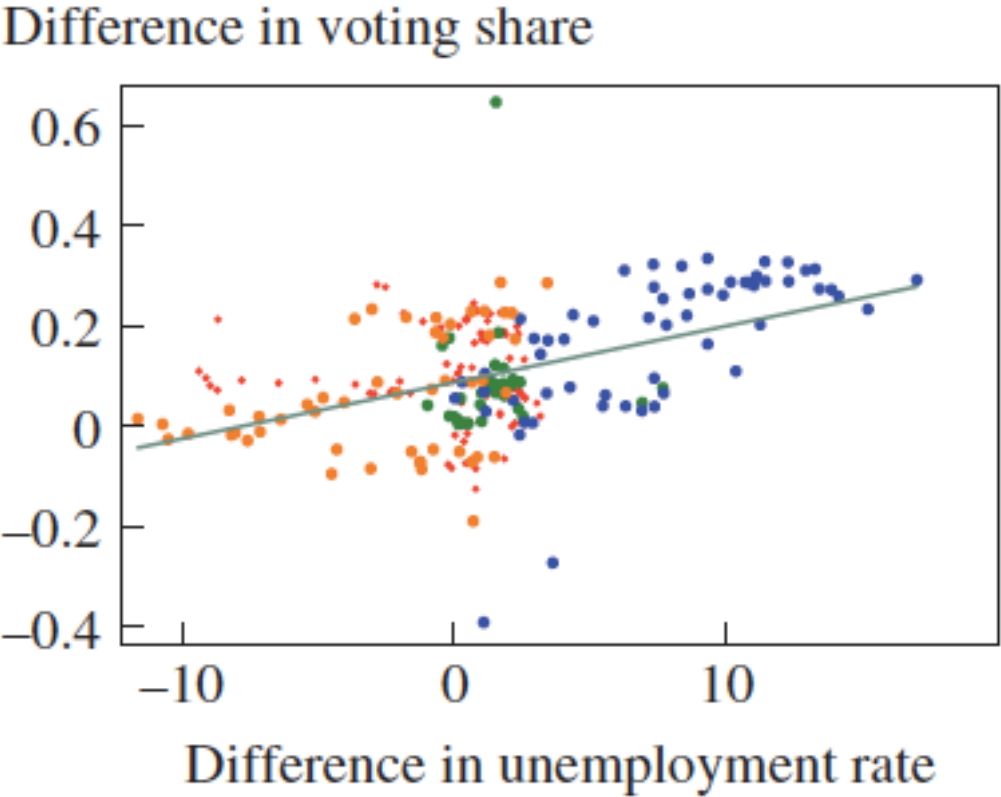
Economic drivers

- 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 financial crisis
 - Originates elsewhere
 - Unless governments protect the losers, substantial economic pain

Crisis in Europe

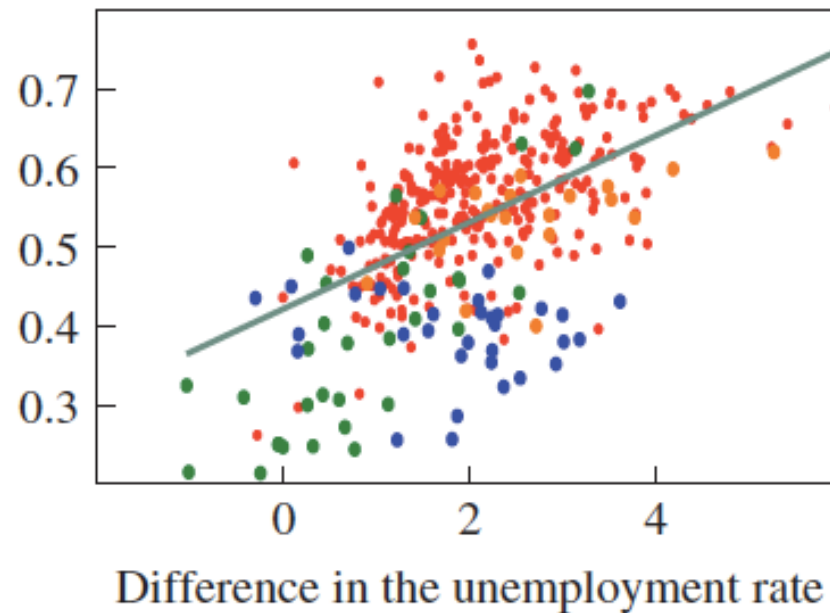
- The increase in European unemployment during the crisis was indeed substantial – from 7 percent in 2007 to 11 percent in 2013
 - But very different between and within countries
- Algan et al 2017:
 - 220 NUTS-2 regions in 26 countries in 2000-17.
 - Substantial magnitudes: 1 percentage point increase 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

Changes in unemployment and changes in populist vote share



Same for Brexit Referendum

Vote share for Brexit



Data for 380 electoral districts

● England ● London ● Scotland ● Wales

Recent rise of populism:
Non-economic explanations

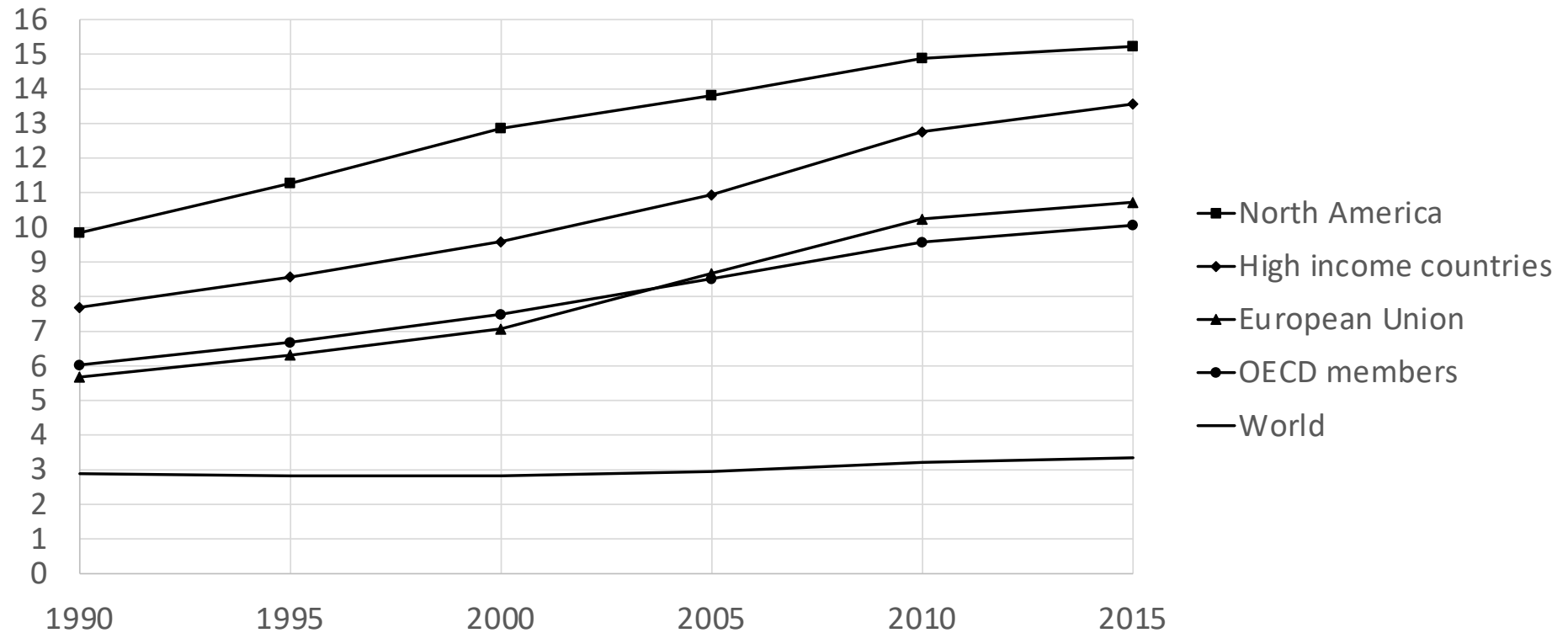
Potential cultural explanations

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

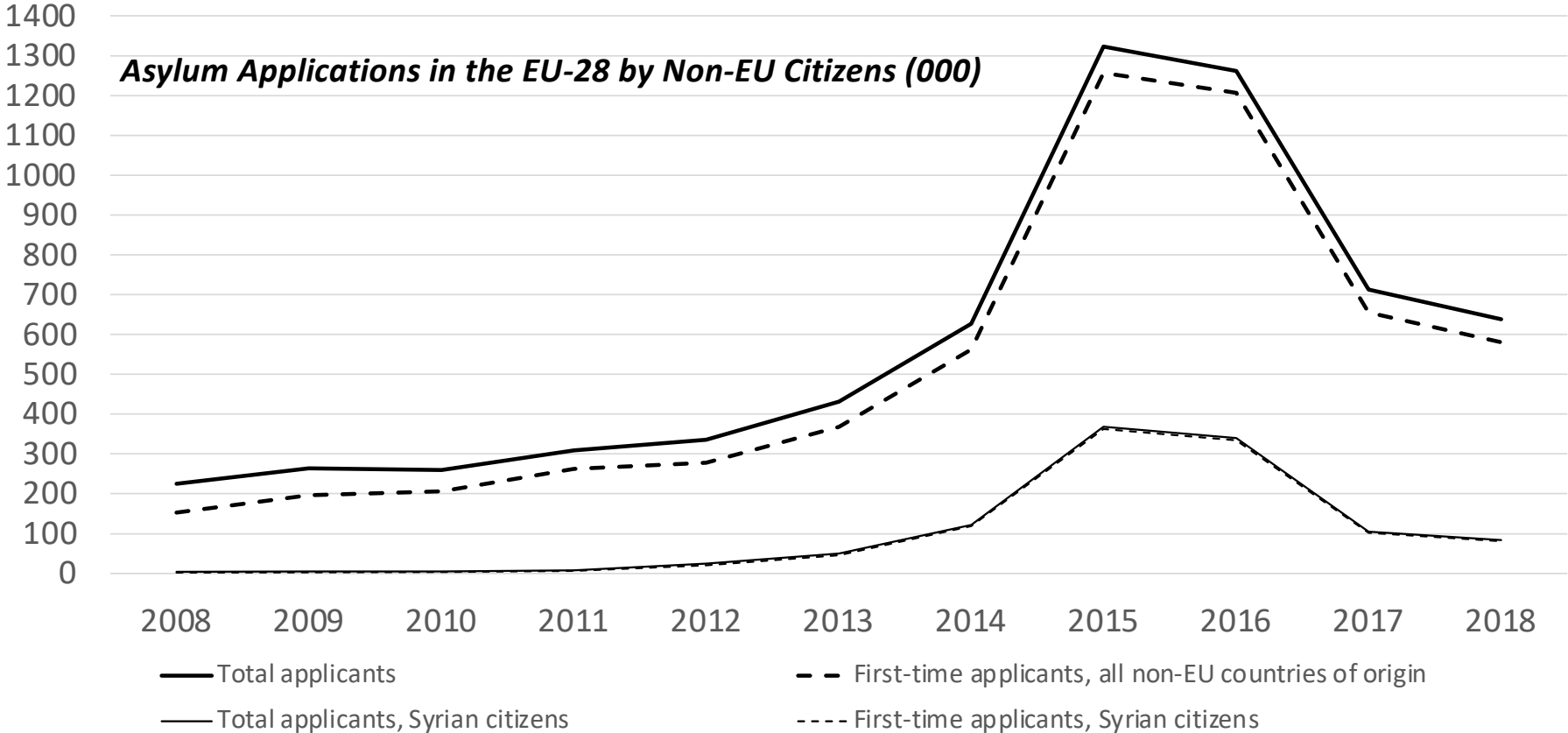
Why now?

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

Substantial growth of immigration in advanced economies



One-off shock of the 2015 refugee crisis



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

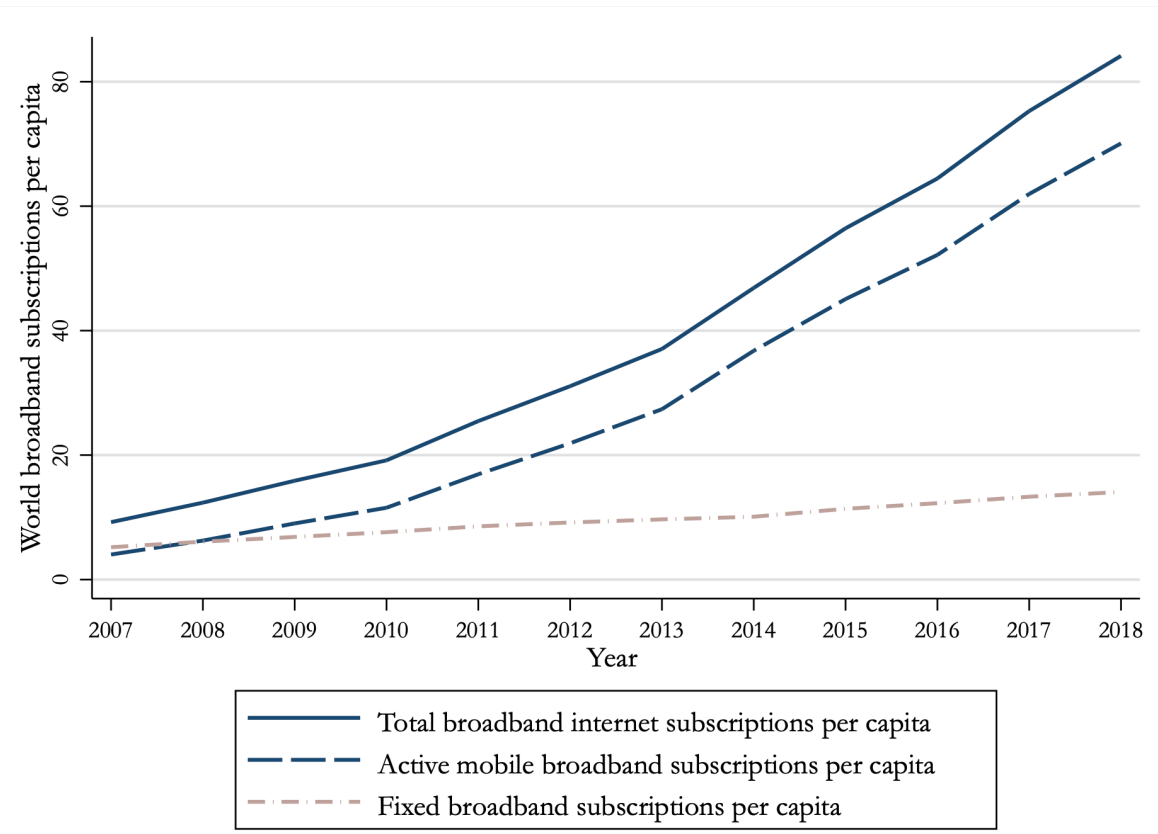
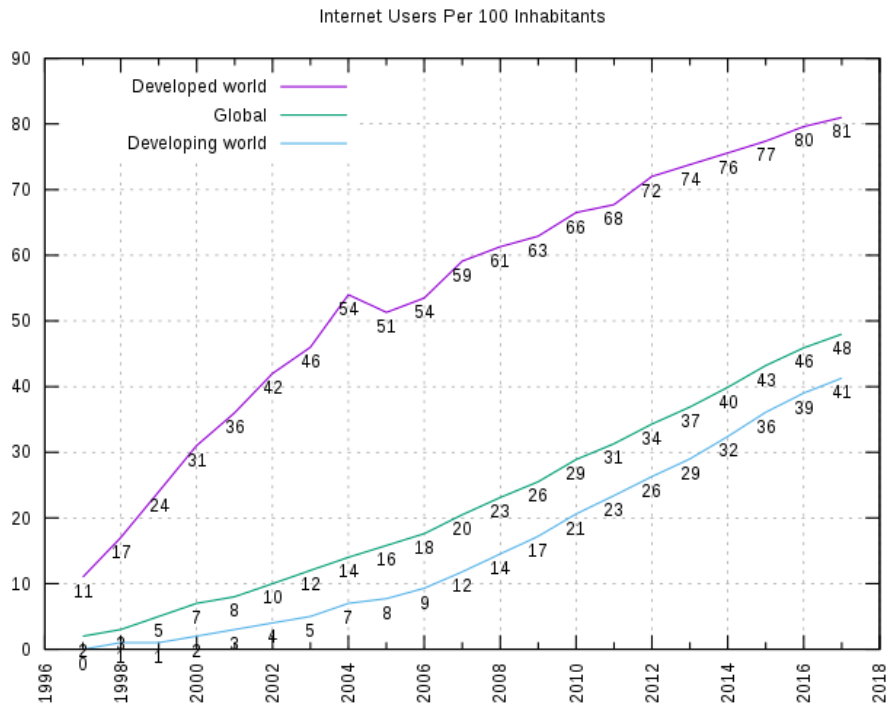
- Dinas et al. (2017): Greek islands, 2015
 - On average 2.5 refugees per native
 - Very strong positive impact of share of refugees on the Golden Dawn's vote share
- Becker and Fetzer (2016): East European migrants in the UK after 2004
 - 3 percent of UK labour force
 - Strong positive impact on UKIP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

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



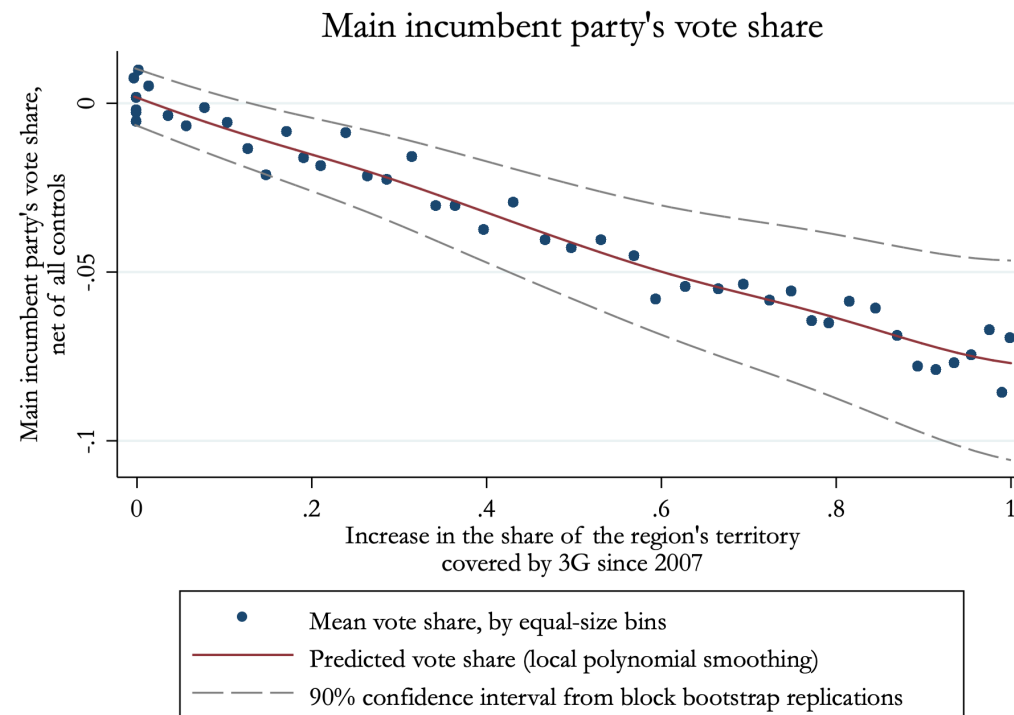
Source: ITU

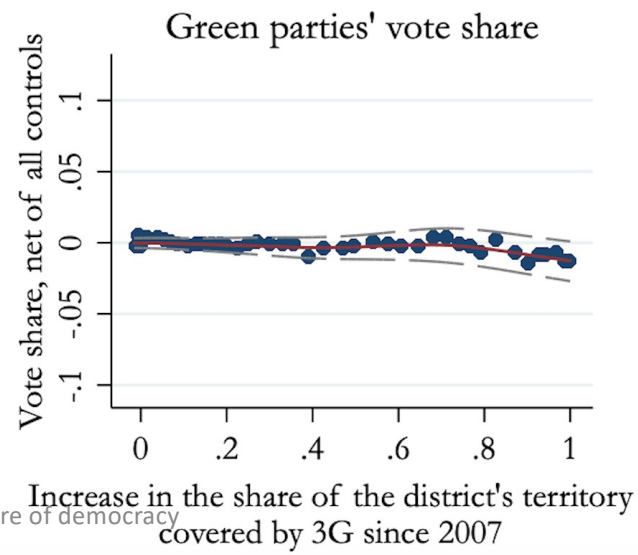
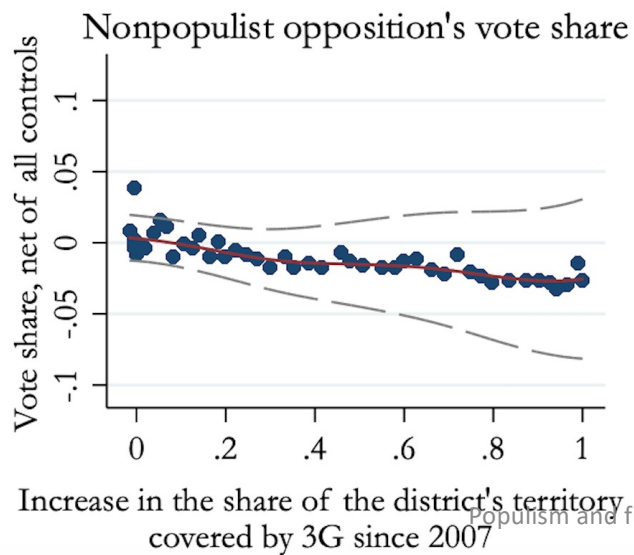
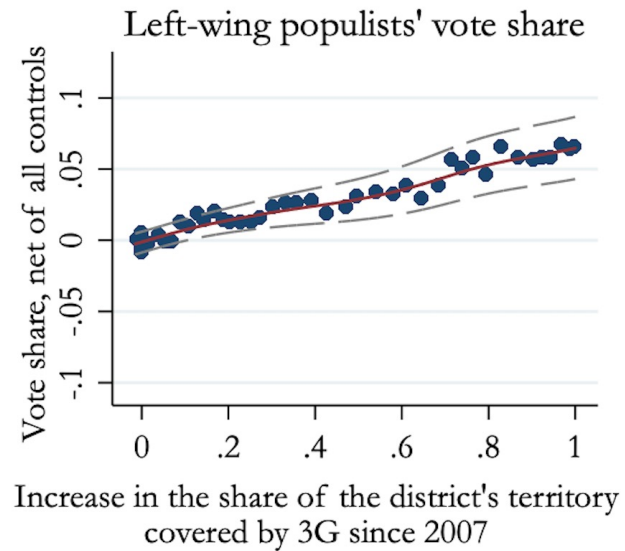
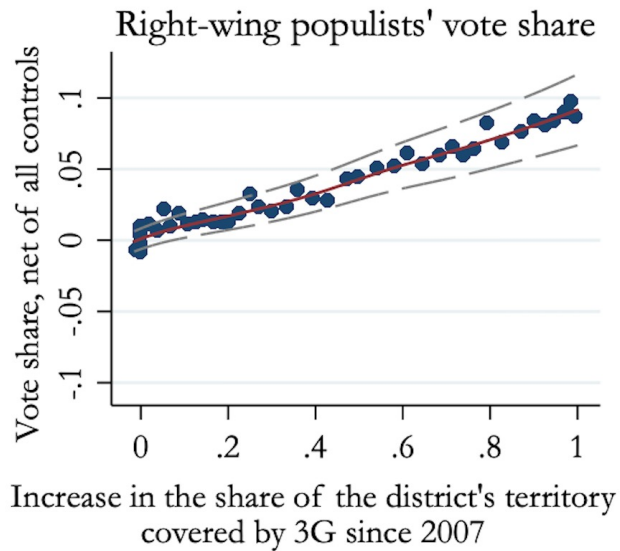
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Guriev, Melnikov, Zhuravskaya (2021) Mobile Broadband Internet and Populism

- 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

Arrival of mobile broadband hurts the vote share of incumbents





Why would social media help populists?

- The mechanism behind the effect on populist opposition is unclear and could be both coincidental and causal
 - The timing of the 3G expansion could have coincided with the time when the populist message resonated with voters
- It could also be that some opposition political messages are better suited to the format of social media
 - Populist messages may be simpler, and thus, better suited for a short and catchy communication
 - For instance, the Green parties' narrative is more complex, asking voters to take responsibility for the planet
- Or the anti-elite politicians new a new communications technology which is not controlled by the incumbents
- More research needed to understand this
- Importantly, populist incumbents are hurt by the criticism of the government online as much as other incumbents

Populists in power

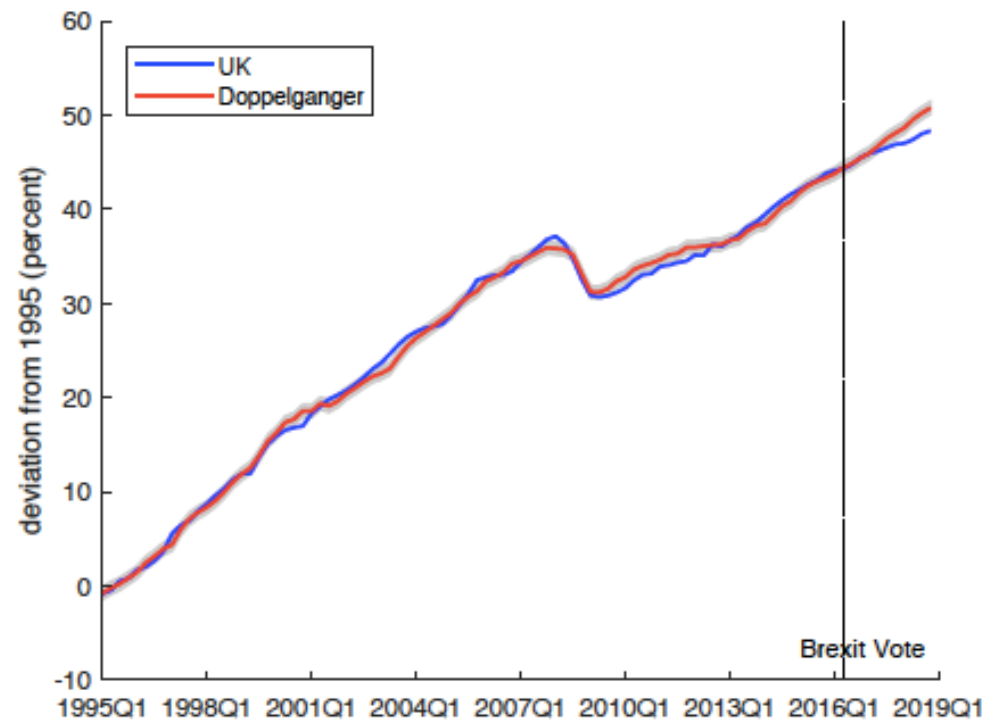
What do populists do when they do come to power?

- 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, potentially Milei

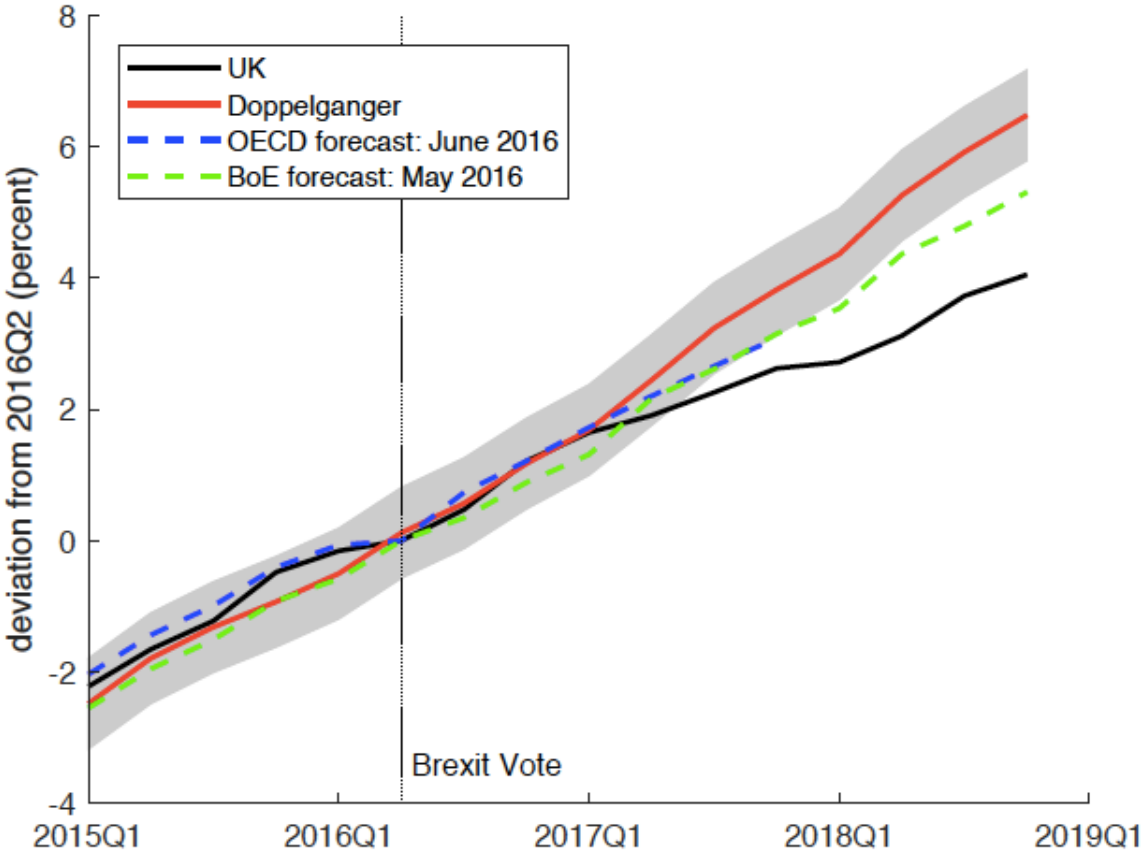
Economic performance of populists

- 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

Actual performance vs. the doppelganger



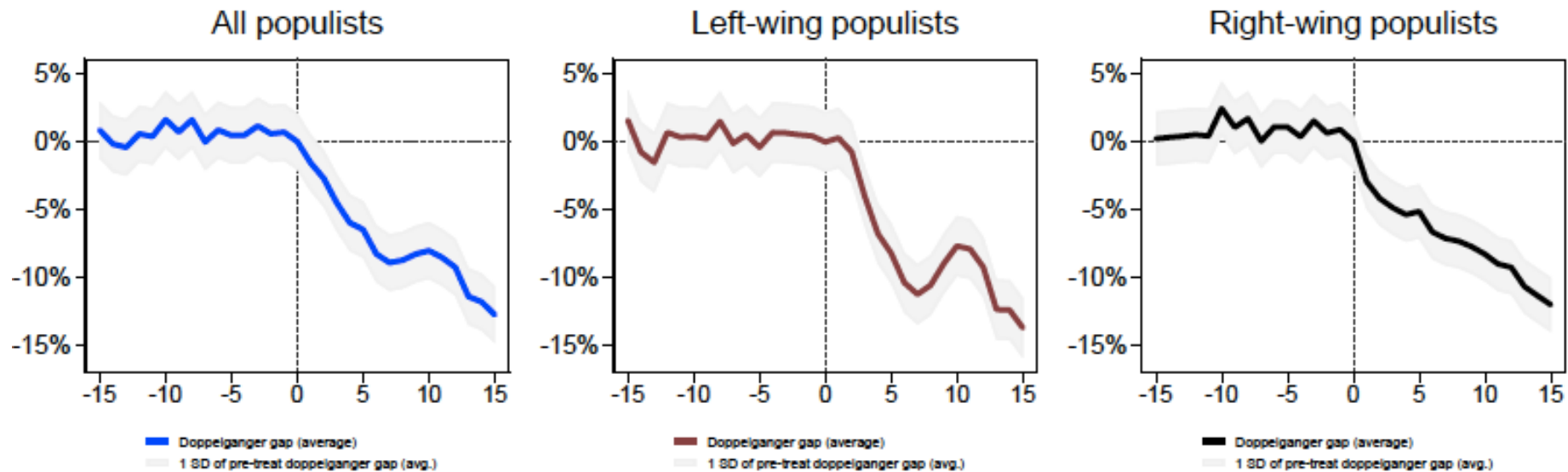
UK: actual performance, doppelganger and forecasts



Funke, Schularick, Trebesch (2023)

- 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 doppelgänger before and after populists coming to power

Source: Funke, Schularick, Trebesch (2023)

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 before 2020
 - Poland: strong performance but may have been driven by other factors
4. What should be done?

What is the relationship between populists and autocrats / spin dictators?

Many similarities but:

- Not all populists are authoritarian
 - E.g. Syriza
- And even those who want to become autocrats, fail to
 - E.g. Berlusconi and Trump
- Not all spin dictators are populists
 - E.g. Lee Kuan Yew or Putin

Populism and the future of democracy

- The recent rise of populism is driven by important socio-economic factors
- There is much less research on solutions
 - Redistribution helps
 - E.g. Albanese, Barone, de Blasio
 - Huge difference between post-crisis austerity vs. policy response to Covid
 - Experimentation with institutional innovation
 - Deliberative democracy can help address the “Paradox of Democratic Leader”
 - Regulate social media
 - Digital Services Act