Economic populism: From a macroeconomic perspective to a micro view

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Structure

1. Background

2. The classical concept of economic populism, and its criticism

3. Populism in political science: finding the building blocs for reconceptualising economic populism

4. An attempt to redefine economic populism

5. The classical and the new version compared

6. Future research
Background

Populism has become a general phenomenon by now

A privileged area of interest of political scientists?

- “analysts should... remain skeptical of any association of populism with economic policy” (Aslanidis 2017: 266)
- “populism should not be defined on the basis of a specific type of economic policies” (Rovira Kaltwasser, Taggart, Ochoa Espejo and Ostiguy 2017: 14)
- “there is no such thing as ‘economic populism’” (Rovira Kaltwasser 2019: 3).

Economists do not really feel addressed, though...
On the demand side...

Intensification of international trade: Autor, Dorn, Hanson and Majlesi (2017), and Jensen, Quinn and Weymouth (2016), Colantone and Stanig (2017)

Economic crises: Mian, Sufi and Trebbi (2012)


On the supply side...

... there is hardly any attempt at reconceptualising economic populism in the profession

Though, economists had the lead role in defining the phenomenon
The classical concept of economic populism

“economic populism is an 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 nonmarket policies” (Dornbusch and Edwards 1991: 10)

- Initial conditions
- Neglect of macroeconomic constraints
- The populist policy package
- The dreadful consequences
Context (matters)

The dual problem of underdevelopment and highly unequal income distribution in Latin American countries
  ◦ late-comer status

Populism as a unique strategy of capital accumulation (Vilas 1992)

Antagonistic social and economic conflict
  ◦ Economic policy was conceived in permanent distributional conflicts amongst classes, sectors, regions and ethnicities (Sachs 1989)
Criticism

Changing nature of Latin American policy-making
- A newly born marriage between neoliberal economic policy and political populism (Roberts 1995, Weyland 1999)

Lack of comparability and generalisability
- New cases in Europe and the US (esp. right-wing exclusionary populism)

Highly normative concept by identifying populism based upon its self-destructive, fatalist characteristics
- Bad economics

Irrelevance
<table>
<thead>
<tr>
<th>Country</th>
<th>Starting year</th>
<th>General government balance</th>
<th>Public debt</th>
<th>Inflation</th>
<th>Current account balance</th>
<th>REER</th>
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<td>Czech Republic</td>
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Lessons to be learnt from political science

(1) Political strategy (Weyland 2001)

(2) Ideology (Mudde 2004)
Populism

The pure people versus the corrupt elite

“Politics is about respecting popular sovereignty \textit{at any cost}”

At any cost...

Cost: a loss in (allocational) efficiency

“at any cost”: a Pareto inferior situation, where the aim of reallocating resources through the reshaping of the rules, procedures and institutions of an economy is not simply to redistribute income or other sorts of benefits to a favoured group of the society but also, and possibly more importantly, explicitly hurting the disfavoured (the other) party.
Economic populism is then the following:

In the name of the general will of the people, institutions are altered by incumbents so that the economic position of the other party (elite) is explicitly hurt while the position of the pure people might be improved.
Economic populism as loss in efficiency
<table>
<thead>
<tr>
<th>Category</th>
<th>Classical version</th>
<th>A possible reinterpretation</th>
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<tbody>
<tr>
<td>Initial conditions</td>
<td>Stagnation, recession; Extremely unequal income distribution</td>
<td>Economic insecurity – mostly in relation to (economic) globalisation</td>
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<td>Neglecting constraints</td>
<td>Macroeconomic sustainability disregarded</td>
<td>Ignoring institutional constraints of economic decision-making; Pareto principle neglected</td>
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<td>The populist economic policy package</td>
<td>Reactivation and redistribution; Expansionary policies; Import substitution industrialisation etc.</td>
<td>Microeconomic re-regulation (incl. ownership, conditions for market entry etc.) (Unilaterally) changing the terms and conditions of contracts etc.</td>
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<td>Failures in consequences</td>
<td>Spiralling economic crisis; Economic and political collapse/chaos</td>
<td>Loss in allocational efficiency (Emphasising short term benefits only, while hiding long-term costs)</td>
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Future research

Stressing the relevance of reconceptualising economic populism

◦ “the impact of populist [economic] initiatives launched immediately prior to elections” (Srinivasan 2014)

Testing empirically the relevance of the new definition

Mostly in the form of case studies (esp. in Hungary and Poland)

◦ The alteration of institutions and its consequences
◦ Challenge of quantifying loss in efficiency
Thank you for your kind attention!

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