

POPREBEL

Economic populism: From a macroeconomic perspective to a micro view

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Structure

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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)

Economic inequality: Franko and Witko (2018)

Deficit of trust in (political) institutions: Algan et al (2017), Dustman et al (2017)

Economic insecurity: Guiso et al (2017)

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

Country	Starting year	General government balance	Public debt	Inflation	Current account balance	REER
Austria*	2017	Green	Green	Green	Green	Green
Bulgaria	2009	Green	Green	Green	Green	Green
Czech Republic	2017	Green	Green	Green	Green	Green
Denmark*	2017	Green	Green	Green	Green	Green
Greece	2015	Green	Green	Green	Green	Green
Hungary	2010	Green	Green	Green	Green	Green
Poland	2015	Green	Green	Green	Green	Green
Slovakia	2006	Yellow	Yellow	Green	Green	Green
		Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
Bolivia	2006	Green	Green	Green	Yellow	Red
Nicaragua	2007	Green	Green	Green	Yellow	Green
Panama	2009	Green	Green	Green	Red	Green
Venezuela	1999	Red	Red	Red	Red	Red
		Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
USA	2017	Green	Green	Green	Green	Red

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 *at any cost*”

- Mudde and Rovira Kaltwasser (2018), Rovira Kaltwasser (2019)

At any cost...

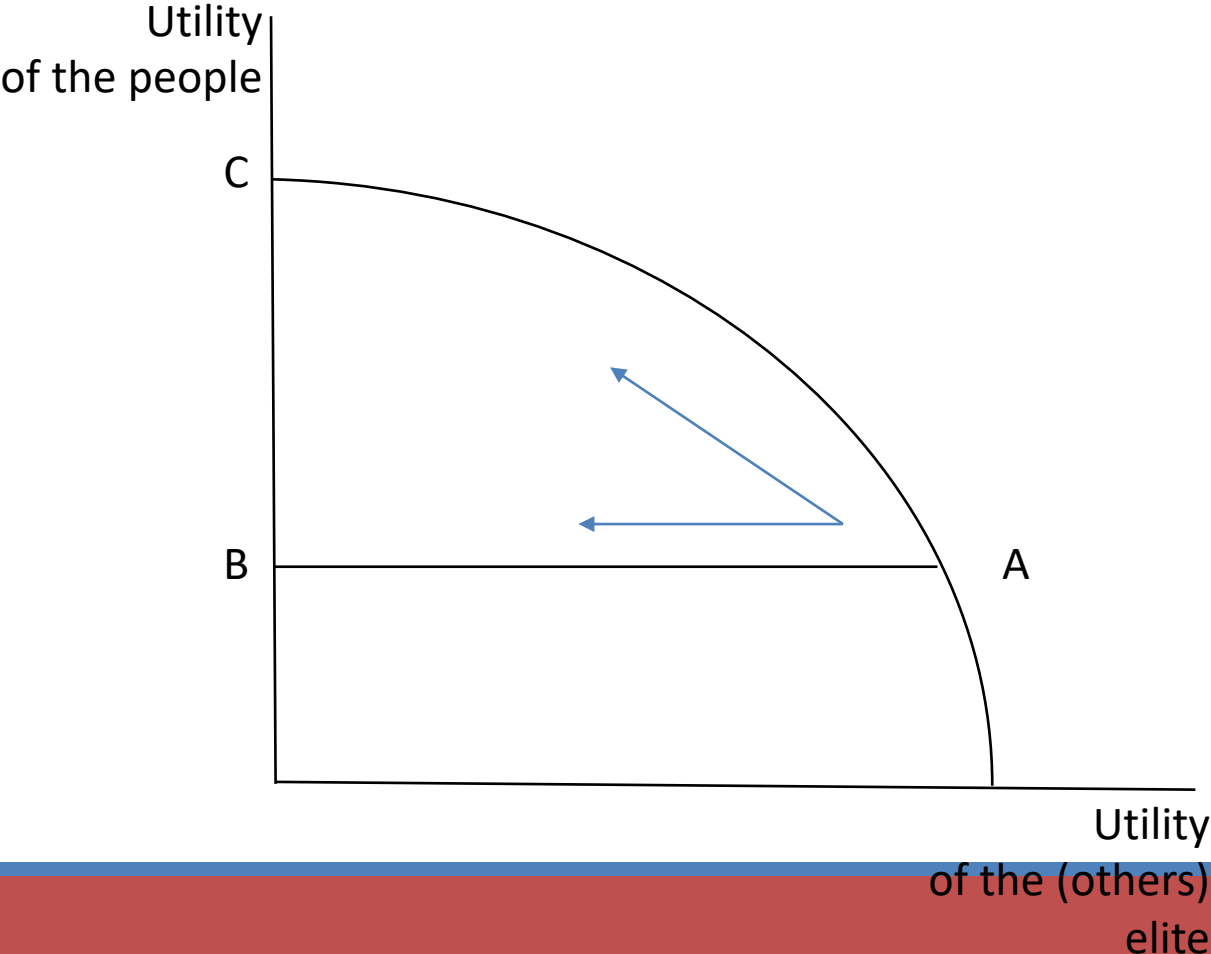
Cost: a loss in (allocational) efficiency

“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



	Classical version	A possible reinterpretation
Initial conditions	Stagnation, recession; Extremely unequal income distribution	Economic insecurity – mostly in relation to (economic) globalisation
Neglecting constraints	Macroeconomic sustainability disregarded	Ignoring institutional constraints of economic decision-making; Pareto principle neglected
The populist economic policy package	Reactivation and redistribution; Expansionary policies; Import substitution industrialisation etc.	Microeconomic re-regulation (incl. ownership, conditions for market entry etc.) (Unilaterally) changing the terms and conditions of contracts etc.
Failures in consequences	Spiralling economic crisis; Economic and political collapse/chaos	Loss in allocational efficiency (Emphasising short term benefits only, while hiding long-term costs)

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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