

The Political Economy of Populism[†]

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We synthesize the literature on the recent rise of populism. First, we discuss definitions and present descriptive evidence on the recent increase in support for populists. Second, we cover the historical evolution of populist regimes since the late nineteenth century. Third, we discuss the role of secular economic factors related to cross-border trade and automation. Fourth, we review studies on the role of the 2008–09 global financial crisis and subsequent austerity, connect them to historical work covering the Great Depression, and discuss likely mechanisms. Fifth, we discuss studies on identity politics, trust, and cultural backlash. Sixth, we discuss economic and cultural consequences of growth in immigration and the recent refugee crisis. We also discuss the gap between perceptions and reality regarding immigration. Seventh, we review studies on the impact of the internet and social media. Eighth, we discuss the literature on the implications of populism’s recent rise. We conclude outlining avenues for further research. (JEL D72, E32, G01, J15, N30, N40, Z13)

1. Introduction

The specter of populism is haunting the West.¹ A few years ago, populism was regarded mostly as a Latin American phenomenon (Dornbusch and Edwards 1991). Nowadays, populism is spreading globally, reaching countries previously considered

immune to it, such as Germany and Sweden. Many argue that the wave of authoritarian populism poses an existential threat to the liberal world order, democracy, open markets, protection of minorities, civil liberties, and constitutional checks and balances. Even if one does not embrace such

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¹The first time the famous Karl Marx and Friedrich Engels quote “A specter is haunting Europe—the specter of Communism” was rephrased as the opening sentence in a study of populism was probably in Ionescu and Gellner (1969, p. 1). More recently, it was also used by Müller (2016, ch. 1) and Algan et al. (2017).

an extreme view, there are evident cracks in the system's foundations. Since Brexit, the European Union has lost a member, while an increasing number of Europeans view the union with skepticism.² Voters are questioning the merits of globalization, protectionism is on the rise, and attacks on experts and the mainstream media are increasingly common. Hate crimes against immigrants and minorities, often fueled by populists, are also rising.

At the first glance, these patterns look striking, given the historically unprecedented levels of prosperity and security after World War II and the fall of the Berlin Wall (see Rosling, Rosling, and Rosling Rönnlund 2018; Pinker 2018). On the other hand, they are worrisome, as they are contemporaneous with rising within-country inequality (Atkinson, Piketty, and Saez 2011), stagnating social mobility (Chetty et al. 2017), falling confidence in core democratic institutions (Mounk 2018), and political polarization (Klein 2020).

The rise of populism around the world has been swift and synchronized. Its upswing became apparent with the global economic crisis. The year 2010 marked the rise of the Tea Party movement in the United States (US). That same year, Victor Orban took power in Hungary, advocating the paradigm of *illiberal democracy*. The appeal of populist parties has only grown since then. In 2014, populists did well in the European Parliament elections, securing the top spot in France (National Front) and the United Kingdom (United Kingdom Independence Party, UKIP). In early 2015, a strange coalition between SYRIZA, a radical-left party, and Independent Greeks, a nationalist, conspiracy-theory-espousing, far-right party,

took power in Greece. Employing aggressive anti-institution and anti-media rhetoric, the coalition threatened to take the country out of the euro area. In 2015, Poland's Law and Justice Party came to power, initiating a period of attacks on the judicial system, media, and minorities. In 2016, populism reached its apogee, with Brexit and the election of Donald Trump in the United States. Even in countries where populists failed to take over, they substantially increased their support. In 2017, the National Front's leader, Le Pen, entered the second round of the French presidential election, and the far-right Alternative for Germany (AfD) party won seats in Germany's Bundestag for the first time. Italy was next; in 2018, right-wing Lega Nord (Northern League), which used to advocate for the secession of Italy's northern regions, formed a coalition with Movimento 5 Stelle (M5S, the Five-Star Movement), another populist party. While some populist leaders have mishandled the ongoing coronavirus pandemic, it is unclear whether this failure will lower their appeal. Even though Donald Trump lost the 2020 US presidential election, he obtained roughly 47 percent of the vote, receiving more votes in absolute terms than in 2016.

Emerging markets have followed suit. In addition to the traditional left-wing populist movements of Hugo Chavez and Nicolás Maduro in Venezuela, Rafael Correa in Ecuador, and Evo Morales in Bolivia, all of which focused on inequality and redistribution, there has been a surge of authoritarian far-right populism, represented by Jair Bolsonaro in Brazil and Rodrigo Duterte in the Philippines. Leaders like Recep Tayyip Erdoğan in Turkey and Narendra Modi in India have been increasingly relying on nationalism, attacking religious and ethnic minorities, and subverting and/or bypassing constitutional checks and balances.

Figure 1 illustrates the salience of populism as a topic in the news media. There is a

²See, for example, the letter signed by 30 intellectuals to EU leaders on the existential threat that populism poses to the European Union. Signatories include Milan Kundera, Orhan Pamuk, Salman Rushdie, Mario Vargas Llosa, and Bernard-Henri Lévy ("Europe is coming apart before our eyes," January 21, 2019).

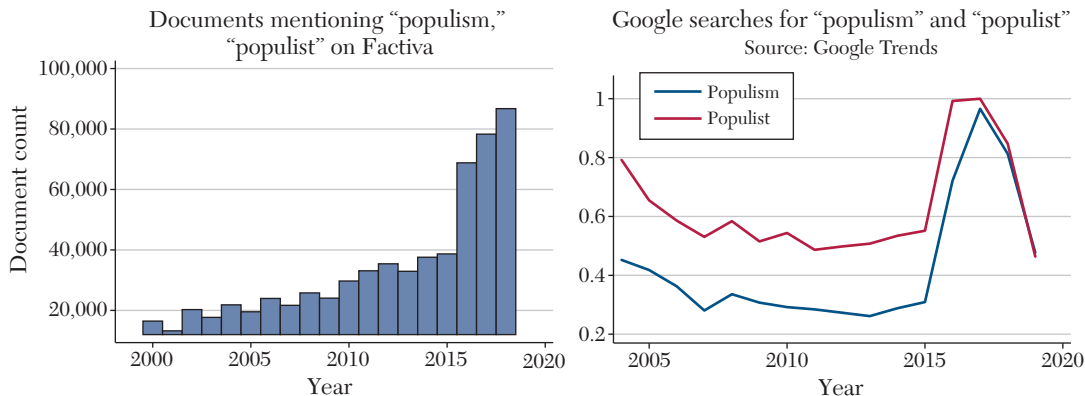


Figure 1. Mentions of Populism over Time in the News and Google Searches

Notes: Google searches are relative and are normalized to the share of “populism” in 2017. We use global data for searches in the English language only.

steady rise from 2000 to 2015; in 2016, the number of documents doubles; then growth (albeit slower) continues. Google Trends shows a somewhat similar curve, peaking in 2016 (see the right-hand panel in figure 1). In 2018 and 2019, interest reverts to pre-2016 levels, most likely because by now, people have a clearer view of the issue.

Before 2016, academics paid relatively little attention to populism. As populism has spread, research has shifted into high gear (figure 2). Employing various approaches, numerous researchers in economics, political science, and sociology aim to identify the correlates, origins, and implications of populism. Meanwhile, we’ve also seen a proliferation of general-audience books on the topic (e.g., Judis 2016, Müller 2016, Mudde and Rovira Kaltwasser 2017, Eichengreen 2018, Eatwell and Goodwin 2018, Norris and Inglehart 2019, De Vries and Hobolt 2020).³

³In addition, Acemoglu and Robinson (2019) and Levitsky and Ziblatt (2018) discuss generally the role of institutional and cultural features in sustaining liberty, democracy, and development.

Given the recent surge of research and the public’s growing interest, we believe it is time to summarize the main takeaways. Our review centers around four sets of questions:

1. What is populism? What are its key characteristics? How can we quantify its evolution?
2. What are the main drivers of its recent (and past) rise? Are they mostly economic or cultural? Or is it the interaction between economic and cultural drivers that matters? In particular,
 - (a) What is the role of secular trends related to industrial decline, such as trade globalization and automation?
 - (b) Is populism an offspring of the recent (2008–09) global financial and economic crisis? And what is the role of austerity that many countries implemented shortly after the crisis?
 - (c) Is there a cultural backlash? How do social capital, identity, and morality matter?

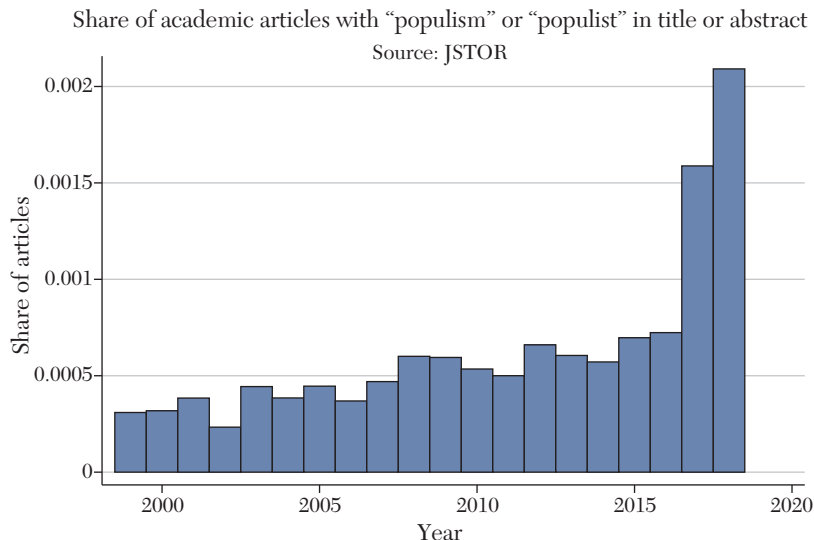


Figure 2. Mentions of Populism over Time in Academic Research

- (d) What is the role of immigration?
- (e) Has the expansion of the internet and social media platforms contributed to the rise of populism?
3. What are populism’s implications for growth, inequality, institutions, and beliefs? What do populists do once in power? Do they stick to their promises, or do they pivot?
 4. If the recent rise of populism is a problem, what can societies do about it?

Two caveats are in order. First, the quantity and quality of research is uneven across these questions; for example, dozens of empirical works explore the role of trade and that of the 2008–09 crisis, but few so far focus on austerity or welfare-state policies. Likewise, most recent research is empirical; theoretical research on the recent rise of populism is limited. There is virtually no empirical research on the effectiveness of specific policy solutions. Second, to identify

causal relationships, most recent empirical studies focus on a single driver of populism. In reality, different drivers are likely to interact with each other; for example, cultural factors may be activated by economic shocks.

Our survey starts with a discussion of definitions and core features of populism (section 2). Section 3 provides an overview of the history of populism and its recent resurgence. In section 4, we review evidence on the role of secular economic trends, focusing on cross-border trade, and technological progress. Section 5 is devoted to studies on the role of the global financial crisis and austerity. In section 6, we review evidence on the cultural backlash and identity politics; in addition to empirical work, we also discuss the emerging theoretical literature. In section 7, we discuss the roles of immigration and the recent refugee crisis. Section 8 reviews papers on the role of the internet and social media. Section 9 looks at evidence on the impact of populists in power and other implications of the recent rise of populism; we briefly discuss the fast-growing literature

on the relationship between the rise of populism and responses to COVID-19. In section 10, we conclude and outline avenues for further research.

2. *Definitions and Core Features of Populism*

Populism is not easy to define; it comes in vintages and is continuously evolving. Populists include different personalities (e.g., Erdoğan, Duterte, Trump, Chavez) who embrace different ideologies (radical left and extreme right; pro-church, like Poland's Law and Justice Party, and anti-church, like the Dutch Party of Freedom). Populists often claim they're not populists, further complicating their categorization.

In public debate, it is often assumed that it is clear who the populists are; Eichengreen (2018) describes this view by rephrasing US Supreme Court Justice Potter Stewart's definition of pornography: "*I know it when I see it.*" However, to quantify and analyze the recent rise of populism, we should employ an operational definition, as there is always a temptation to use the populist label for "everyone we do not like."

2.1 *Definitions*

Our preferred definition of populism is the one introduced by Cas Mudde. Mudde (2004, 2007) and Mudde and Rovira Kaltwasser (2017) define populism as a "*thin-centered ideology*" that considers society to be ultimately separated into two homogenous, antagonistic groups: "*the pure people*" and "*the corrupt elite*." This definition has several implications. First, it does not entail any socioeconomic priorities. Populism is about the pure people's moral superiority over the elites and, therefore, people's moral right to govern. "Thin-centeredness" means that populists have heterogeneous objectives. Extending this argument, populism is not an ideology, but a theory of society (Bonikowski

et al. 2019). Second, the two groups' homogeneity leaves no room for pluralism, protection of minorities, or diversity of opinions. Third, the anti-elite aspect implies that populists can bypass or suppress checks and balances, as they are considered tools of corrupt elites. Although Mudde's definition does not explicitly refer to antidemocratic or nativist aspects, it does imply that populism is incompatible with liberal democracy.

Plus Identity.—Other definitions of populism add more features—thus becoming special cases of Mudde's definition. Müller (2016) concurs with the anti-elite and anti-pluralism aspects, but appends *identity politics*, as populists need to define who the "real" people are. Identity can take many forms: race, ethnicity, religion; it may also expand to citizen nation.

Plus Authoritarianism.—Eichengreen's (2018) definition shares the anti-elite and nativist (i.e., identity) angles, adding *authoritarianism*, as populism goes hand in hand with the weakening of checks and balances on the executive, attacks on minorities, and violence. His definition is close to that of Norris and Inglehart (2019), who define authoritarian-populism as a philosophy and style of governance that blends two sets of ideas:

1. Populists typically adopt a rhetorical language and governing style, which challenges the authority of establishment elites. Legitimacy, in this view, flows from popular sovereignty and vox populi, over-riding minority rights, constitutional checks-and-balances, and decision-making by elected representatives.
2. Authoritarian parties and leaders adopt policy positions which endorse the values of tough security against threats

from outsiders, xenophobic nationalism rather than cosmopolitanism, strict adherence to conventional moral norms, and intolerance of multiculturalism. This orientation prioritizes the values of tribal conformity, collective security, and loyalty to standard-bearers defending the group.

Economic Populism.—These definitions differ substantially from the one that has been used in economics until recently. As formulated by Dornbusch and Edwards (1991), populism is “an approach to economics that emphasizes growth and income redistribution and de-emphasizes the risks of inflation and deficit finance, external constraints and the reaction of economic agents to aggressive nonmarket policies.” This definition described well the pro-redistribution Latin American populist movements dating back to Juan Peron in Argentina and Getúlio Vargas in Brazil. This vintage has not disappeared, as the recent examples of Nestor and Christina Kirchner, Chavez, Morales, and Correa illustrate. But this paradigm has not been very successful electorally in Western economies, except for SYRIZA in Greece.⁴

The recent rise of populism has mostly brought about politicians with a very different agenda: nationalistic, focusing on identity and morality rather than on economics—and mostly originating from the far-right. We thus find Mudde’s “anti-elite and anti-pluralism” definition more suitable and generic, as it captures both traditional and modern vintages. Moreover, many modern populists have avoided the basic monetary and fiscal policy mistakes that characterized Latin American populism (Rodrik 2018b).⁵

⁴Other left-wing populists include the Podemos Party in Spain, Bernie Sanders in the United States, and Jean-Luc Mélenchon in France.

⁵For example, while Erdogan and Vladimir Putin started off with an anti-elite agenda, their economic policies in the early years were sustainable and even successful.

Yet, because all populists dislike checks and balances, the weakening of institutions (e.g., property rights protection, executive constraints, and contract enforcement by the independent judiciary) will result in lower investment, misallocation, and slower growth.⁶

Taking Stock.—There is no consensus in the literature on what populism is. However, Mudde’s definition, based on two essential features—anti-elitism and anti-pluralism—provides the most general description of populism. Other modern definitions that add nativism, authoritarianism, attachment to tradition, and oversimplification of solutions to difficult problems are eventually special cases of Mudde’s.⁷

2.2 *Populist Agenda and Communication Style*

We now apply Mudde’s definition to describe the main features of modern populism.

- (i) *No clear common ideology.* Populism is a “thin-centered” ideology, or even a nonideology, a style of political discourse. Left-wing populists support redistribution while right-wing populists oppose it. Left-wing populist parties are usually secular, while the far right (most but not all, see

They would therefore qualify as populists under Mudde’s definition, but not under Dornbusch and Edwards’s.

⁶On the importance of institutions on economic development, see Acemoglu, Johnson, and Robinson (2005) and Acemoglu and Robinson (2012).

⁷Mudde’s definition is probably the broadest possible one. Dropping either anti-elitism or anti-pluralism would result in including politicians who are not populist. For example, anti-elitism is a property of any democratic movement that strives to bring about change and fight corruption, be it anti-communists in 1980s Eastern Europe or former US President Barack Obama (Gurri 2018). Nor does anti-pluralism alone suffice, as it would include regimes with elites sowing ethnic and religious divisions. Neither of these alone is usually considered populist.

Minkenbergh 2018) places Christianity at the center of their political agenda. Most right-wing populists are culturally conservative, but some, like Geert Wilders in the Netherlands, have a liberal position on gender and LGBT rights.

- (ii) *Anti-elite and anti-expert sentiment.* The specific types of elites that populists target often include center-right and center-left parties that have alternated in power in recent decades in the West, judges, unelected technocrats running central banks, independent regulatory agencies and international organizations, mainstream media, national and international NGOs, and corporate lobbyists. Anti-elite sentiment naturally extends to rejecting experts, who are allegedly not objective, having been co-opted by the elites to justify the status quo. Left-wing populists usually suspect that experts are paid by corporate interests, while right-wing populists emphasize the links between experts and unelected cosmopolitan elites. In either case, populist leaders accuse experts of failing to offer fair solutions on pressing issues such as automation, trade, and immigration.

The anti-expert narrative is also related to populists' suspicious attitude toward science. Populists often support anti-vaccination movements and deny the anthropogenic view of global warming as an "elite conspiracy" or simply a "hoax." As the climate agenda is formulated by scientists, anti-expert politicians cannot pursue it in a consistent way. Not surprisingly, there are no green populist parties. Anti-elite and anti-science sentiments drive certain politicians to be open about and even proud

of making factually incorrect statements. In 2016, Newt Gingrich told CNN's Alisyn Camerota (who said, contrary to Gingrich's insistence, that data showed that violent crime in the United States was falling) that "as a political candidate, I'll go with how people feel, and I'll let you go with the theoreticians." In 2019, US Congresswoman Alexandria Ocasio-Cortez, when confronted by Anderson Cooper on CBS about a misstatement, said, "I think that there's a lot of people more concerned about being precisely, factually, and semantically correct than about being morally right."

- (iii) *Anti-globalization and anti-EU angle.* The anti-elite sentiment extends to the opposition to globalization and supranational institutions that are considered to be "elite projects" detached from normal people. The anti-globalization and anti-EU angle is often (though not always) associated with nativism and identity politics. The "open versus closed" cleavage replaces the conventional left-right divide as the main dimension of political conflict (De Vries 2018, Algan et al. 2018); anti-globalization bias helps explain how extreme left and extreme right populists now join forces to defend a parochial agenda against the mainstream center, which represents markets and globalization. For example, in Europe, both the extreme left and the extreme right oppose the European Union: the radical and communist left for the EU's pro-market agenda; the extreme right for its interventionism, redistribution, and suppression of national identities. Both claim that "Brussels" does not represent ordinary people.

(iv) *Anti-pluralism and authoritarian angle.* Because populists treat the “moral” people as homogeneous, they reject the need for democratic checks and balances. Since all people are similar to each other, politics can be reduced to a single leader representing the whole people. There is little—if any—need for parliaments, independent agencies (including central banks), and media; these institutions serve the elite and obstruct people’s direct rule. The choice of judges should be based on “morality” and ideology rather than competence and independence. The simplification of governance enables the need for a “strong leader.” This has happened in both autocratic or hybrid regimes (e.g., Russia, Turkey, Brazil, and Venezuela) with relatively low levels of democratic capital (Persson and Tabellini 2009) and in established democracies (e.g., Italy, Hungary, and the United States).⁸

(v) *Communication style.* The nature of populist politics implies distinctive patterns of communication:

—Simplicity of message. Populists fit complex economic and security issues into Twitter feeds or

even single tweets. Trump often discusses NATO policy via Twitter, while the Brexiteers bypass the complexity of UK–Europe relations with “we want our country back” slogans. As the choices are moral—“with us” or “against the people”—there is no need for nuance. Sophisticated arguments and discussions about trade-offs must involve experts, who are not supposed to be trusted.

—Aggressive style. As populists discuss security and identity, they raise the stakes. The debate is no longer about tax rates or welfare-state policies; instead, it is about the quintessential survival of the nation. This warlike situation entails aggressive tactics and controversial messages, often labeling opponents as “enemies of the people.” For example, Nigel Farage argued that “parliament will start to fear the electorate and gosh they need to.”

—Social media. The internet has played a major role in the rise of many populist leaders, including Beppe Grillo and the Five-Star Movement in Italy (Campante, Durante, and Sobbrío 2018). The fact that Donald Trump’s main communication tool is Twitter is not a coincidence. This is not the first time in history populists have used new communication technology to circumvent mainstream media gatekeeping. However, as we discuss in section 8, certain features of modern online media make them especially conducive to the dissemination of populist narratives.

⁸Not all populists are authoritarian, nor are all strong leaders populist. Guriev and Treisman (2019) identify many “informational autocrats” (including the pioneer of informational autocracy, Lee Kuan Yew, in Singapore) who are not populist. Furthermore, while there have been and still are anti-elitist and anti-pluralist dictators who rely on repression, they are not generally classified as populists; their legitimacy relies on fear rather than populist discourse. Anti-elitist dictatorships are uncommon. Geddes, Wright, and Frantz (2018) classify dictatorships into military, party, and personalistic. By definition, the military and party dictatorships reflect the corresponding elites. Among personalistic regimes, monarchies cannot be anti-elitist as well.

3. History

In this section, we discuss the evolution of populism in the twentieth century and present evidence on its rise since 2000.

3.1 Historical Precedents

Arguably, the first populist party in the modern sense of the term was the late nineteenth-century American People's Party (also known as the Populist Party), which had an anti-elite and anti-globalization agenda.⁹ Its leader, William Jennings Bryan, said in 1896, "You shall not crucify mankind upon a cross of gold." The first wave of globalization, from 1870 to 1913, marched forward due to reduced transportation costs (after the spread of steamboats and railroads) and other technological improvements (in energy and medicine), while the gold standard facilitated cross-border financial and trade flows.¹⁰ The People's Party also fought against corruption and abuse of market power by the trusts that dominated steel, oil, railroads, and other crucial sectors.¹¹ The People's Party

⁹It is tempting to refer to Russian *narodniki* in the 1860s and '70s as the first populists—*narodniki* literally means populists in Russian. However, as Eichengreen (2018) argues correctly, this is a misleading parallel. *Narodniki*—representatives of the intelligentsia—indeed focused on "going to the people," as peasants, who constituted the vast majority of the Russian empire's population, were presumably the source of moral values superior to the upper classes. Peasants, however, viewed *narodniki* with suspicion and even hostility, because *narodniki*'s understanding of peasant life was disconnected from reality.

¹⁰*The Wizard of Oz* eloquently portrays Populists' fight against the gold standard; the Populist team includes Bryan (the Cowardly Lion), farmers (the Scarecrow), workers and miners (the Tin Woodsman), and Dorothy, with the silver shoes, traipsing over the Yellow Brick (i.e., golden) Road. "Free Silver" was an important part of the populist agenda, which sought to move away from the gold standard to bimetallic money. Free coinage of silver would result in higher inflation, which would facilitate achieving one of the populists' main goals: reducing the real value of farmers' debt burden.

¹¹Eichengreen et al. (2019) explore the correlates of Populist votes in the 1896 US presidential election. Bryan did well in areas with high mortgage rates, low railroad penetration, and a considerable decline in crop prices in

also objected to the influx of immigration from Asia and Eastern Europe. Although the movement included Black Populists, the vast majority of the Populists supported segregation and believed in Caucasian supremacy (Kazin 1998; Postel 2007). On the other hand, Populists supported women's voting rights and access to jobs. They also believed in the importance of education and science as the drivers of progress. The antitrust and anti-corruption concerns of the Populists were not only legitimate but also benefited the US economy and society, as Theodore Roosevelt and the Progressives endorsed them, implementing a bold reform agenda in the early twentieth century (Rodrik 2018a).

Fascism, a vastly different type of populism, emerged after World War I, alongside communism and other radical movements. It spiked with the Great Depression, when far-right parties took control throughout Europe via coups, elections, and civil violence. According to Capoccia (2005), there were 24 fully democratic countries in Europe in 1920, but only 11 in 1939. Germany, Italy, Spain, and Greece, among others, moved from democratic rule to fascism. The extreme right gained ground even in countries that stayed democratic, such as the United Kingdom and France. Rodrik (2018a), among others, attributes the United States' unwillingness to endorse far-right nationalism and xenophobia in the 1930s to Franklin Delano Roosevelt's New Deal policies, which preempted populist leaders such as Huey Long and Father Charles Coughlin. Eco (1995) identifies 14 common features of fascist regimes, which include distrust of intellectuals and a fear of diversity. Eco's (1995) definition of "Ur-Fascism" has many other properties, some of which are recognizable in modern populist movements, like

the earlier years. Postel (2007) attributes the post-1896 decline of the Populist movement to the increase in global agricultural prices.

the cult of tradition, brute force, and victimhood. Yet some features—such as the use of doublethink and newspeak—are no longer relevant.¹² Gradually, populism moved to Latin America, where it effectively came to define the region's economic, social, and political development. Populist leaders such as Juan Peron, Getúlio Vargas, Lázaro Cárdenas, and José Velasco Ibarra advocated quick-and-easy solutions for reducing their countries' high levels of inequality (which originated in colonialism and early industrialization). Their redistribution policies were disastrous: subsidies and transfers were financed via deficits monetized by the central banks, leading to recurrent macroeconomic crises. The studies collected by Dornbusch and Edwards (1991) on the origins and the aftermath of populist policies in Argentina, Brazil, Chile, Peru, Mexico, and Nicaragua identify the following common features: inflation, capital outflow, devaluations, pervasive shortages, and decline in real wages despite populists' message that they would serve the interests of the people (see also Edwards 2019).¹³

¹²Rydgren (2018) compares today's far right to the "fascist minimum," which consists of three elements: (i) the rebirth myth, (ii) populist ultranationalism, and (iii) the myth of decadence. He argues that the second element is prominent among modern right-wing populists; the third one less so, and the first one virtually absent—the radical right's narrative nowadays is to restore the glorious past rather than create a "new society." Yet, while new far-right movements differ from the fascist ones of the 1930s, it is hard to make a watertight demarcation between the two.

¹³Acemoglu, Egorov, and Sonin (2013) explore Latin American populism theoretically, asking why populists propose policies noticeably to the left of the median voter's ideal point. They consider a signaling model in an environment with weak institutions; after elections, right-wing elites may capture elected politicians. To distinguish themselves from corruptible politicians, honest candidates choose left-wing policies. The unscrupulous politicians also announce left-wing policies ex ante to portray themselves as honest, then shift to the right ex post in exchange for bribes. The model's attractive feature is that while it uses left-wing populism as an inspiration, it integrates the anti-elite nature of the populist agenda, demonstrating the link between Mudde's and Dornbusch and Edwards's defini-

3.2 *Recent Trends*

Even with a given definition of populism, quantifying the recent rise of populism is not an obvious task, as there are several reasonable proxy measures: the presence of populists in government (as senior or junior members in a coalition); populists' vote share in the latest elections; the populists' share of seats in national or European parliaments; survey-based measures of voter attitudes to populist ideas, parties, and ideology; and politicians' values and ideology as reflected in their speeches.¹⁴ These measures are correlated, but are not exactly the same. For example, different electoral systems imply a nonlinear association between vote shares, shares of seats, and membership in the ruling coalition.

Funke, Schularick, and Trebesch (2020) focus on populists in power across 60 countries that account for more than 95 percent of global GDP. They show that the recent rise of populism has been unprecedented in history (figure 3): in 2018, populists ran the government in 16 countries (26 percent of their sample). The number of left-wing (right-wing) populists in power increased from 2 (2) at the turn of the twenty-first century to 7 (9) by 2018.

tions. The fact that the populists propose policies left of the median voter in equilibrium stems from the ex post political capture by right-wing elites. Acemoglu, Egorov, and Sonin (2013) further show that if there is potential ex post collusion with left-wing elites, then right-wing populism can emerge in equilibrium. Furthermore, if there is potential for capture by both left- and right-wing elites, there will be both types of populists with stronger reelection chances for the one opposing the more influential elites. Matsen, Natvik, and Torvik (2016) apply this model to resource-rich countries and describe "petro-populism," where populists overspend resource rents at the expense of future generations (rather than sacrificing macroeconomic stability with fiscal deficits or slowing growth by imposing higher taxes).

¹⁴Castanho Silva et al. (2019) reveal various inconsistencies of cross-country proxies of populist attitudes. Wuttke, Schimpf, and Schoen (2020) discuss conceptual challenges of measuring populism and propose operational ways to compare survey-based measures across countries.

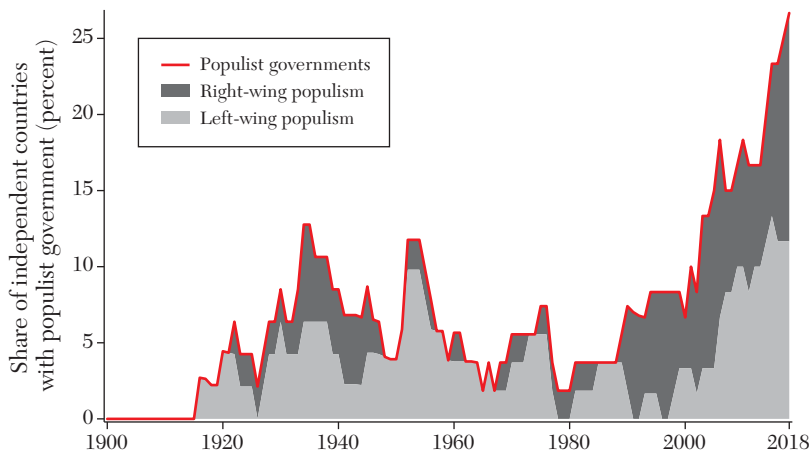


Figure 3. Left-Wing and Right-Wing Populists in Power since 1900

Source: Funke, Schularick, and Trebesch (2020), figure 1. The sample comprises 60 large countries.

Figure 4 presents the five-year average vote shares for left-wing versus right-wing populist parties using Rodrik's (2018a) classification; he defines populist as:

loosely as those [parties], which pursue an electoral strategy of emphasizing cleavages between an in-group and an out-group. Parties are coded as populist in the dataset if they are labeled as such in the academic or journalistic literature at some point in their history and fit this definition.

His sample includes 19 countries in Europe and Latin America. The rise of populism in Europe in the twenty-first century reflects the increasing popularity of right-wing nationalistic parties, such as the UKIP, the National Front, Golden Dawn, Sweden Democrats, and Jobbik. The level of support for populism in Latin America is stable; there, populism mostly focuses on redistribution; far-right populism is virtually absent, though Jair Bolsonaro's recent rise may signal a change (Rodrik's data end before Bolsonaro's election).

In figure 5, we consider four alternative classifications of populist parties and produce a population-weighted annual average populist vote share in Europe from 2000 to 2018 (using the latest election).¹⁵ All classifications show steady growth of populist vote shares in the 2000s and a surge after 2010. The populist vote share roughly doubles from 10–15 percentage points in 2000 to 25–30 percentage points in 2018.

While most studies rely on binary classifications of populist parties, there are also finer measures for a continuous “degree of populism.” The Chapel Hill expert survey (CHES), an ongoing project of the University

¹⁵The respective country samples are (i) Algan et al. (2017)—EU-28 excluding Croatia, Latvia, Lithuania, Luxembourg, and Malta plus Iceland, Norway, and Switzerland; (ii) Gurieva, Melnikov, and Zhuravskaya (2021)—EU-28 excluding Ireland and Malta plus Norway, Switzerland, Montenegro, and Northern Macedonia; (iii) Timbro—EU-28 plus Iceland, Norway, Switzerland, Montenegro, and Serbia; (iv) Rooduijn et al. (2019)—EU-28 plus Iceland, Norway, and Switzerland. This classification follows Van Kessel (2015), which however stops in 2013.

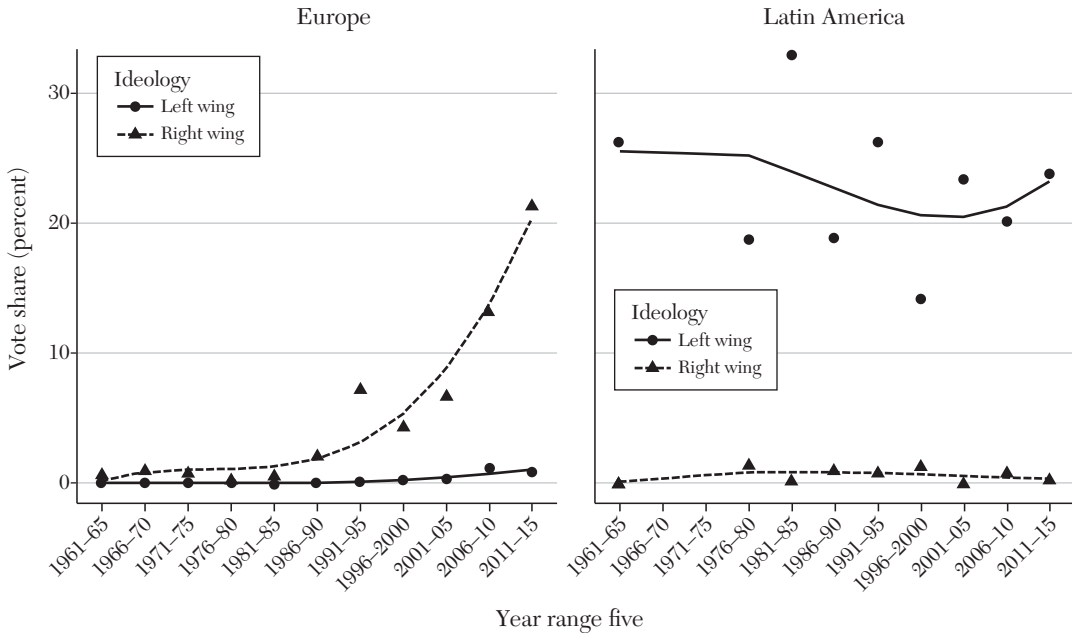


Figure 4. Left-Wing and Right-Wing Populists in Europe and Latin America

Source: Rodrik (2018a), figure 4. The sample includes only countries with at least one populist party in their history.

of North Carolina at Chapel Hill's Center for European Studies, regularly surveys leading scholars of European politics. In 2014, the CHES included two questions on the "salience of antiestablishment and anti-elite rhetoric" and the "salience of reducing political corruption" in the public stance of each European party. Three hundred thirty-seven experts provided salience scores (on a 0–10 scale) for 268 parties in 31 countries (EU-28 plus Norway, Switzerland, and Turkey). CHES (2014), therefore, provides a comprehensive cross-sectional mapping of populism in Europe when populism was gaining momentum (see Polk et al. 2017). CHES posed these questions again in 2017 (but only for 14 European countries) and again in 2019 for 31 countries. Figure 6

compares the anti-elite scores in 2014 and 2019 for the 206 political parties covered in both surveys. While some parties have become much more antiestablishment (e.g., Poland's PiS and Hungary's FIDECZ), the intensity of parties' anti-elite sentiment has declined slightly (from 4.5 to 4.0). However, one should not interpret this decline as evidence of lower support for populism. First, populist parties' vote share has increased.¹⁶ Second, there has been substantial entry and exit of parties. According to CHES,

¹⁶We have calculated the vote-share-weighted populism score in each of the 14 countries present in both the 2014 and 2017 CHES surveys and then averaged across countries (weighted by population). This weighted average anti-elite score increased from 3.7 to 4.8 between 2014 and 2017.

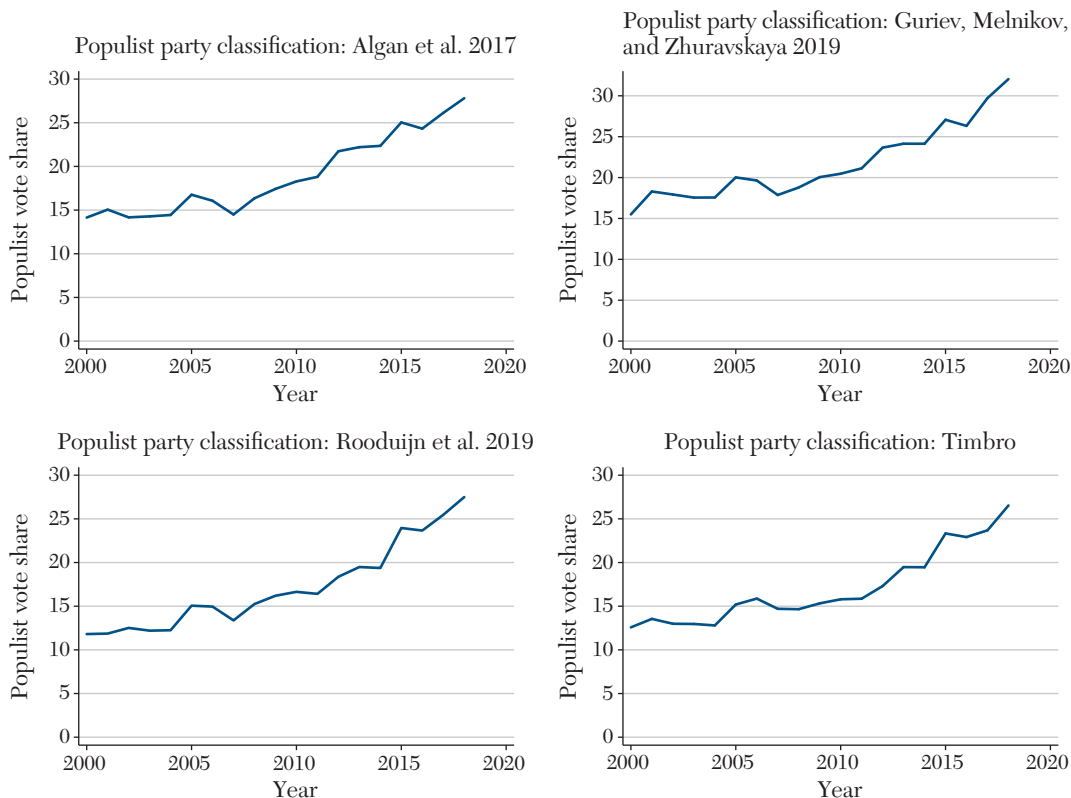


Figure 5. Evolution of Populists' Vote Share in Europe

Sources: Algan et al. (2017); Guriev, Melnikov, and Zhuravskaya (2021); Rooduijn et al. (2019); populismindex.com (accessed October 1, 2019).

both exiting and entering parties are disproportionately populist. In 2019, CHES included 71 parties that did not exist in 2014; their mean anti-elite salience is 5.6 (the difference in anti-elite salience between the new and the old parties is statistically significant). Bakker et al. (2020b) also document a similar relationship between new and old parties on Euroscepticism.

The CHES's continuous measure of populism is highly correlated with binary classifications of populist parties. For example, in 2019, the average anti-elite salience

score for parties classified as populist by Rooduijn et al. (2019) was 7.4; for those they did not classify as populists, the score was only 3.9. The difference is highly statistically significant. For Guriev, Melnikov, and Zhuravskaya's classification, the respective numbers are 6.9 and 3.7; for Timbro's, 7.4 and 3.5; for van Kessel's, 7.0 and 4.1. All these differences are statistically significant, with t -statistics ranging from 6 to 13.

Brigham Young University's "Team Populism" (Lewis et al. 2019) has also produced a continuous index of populism

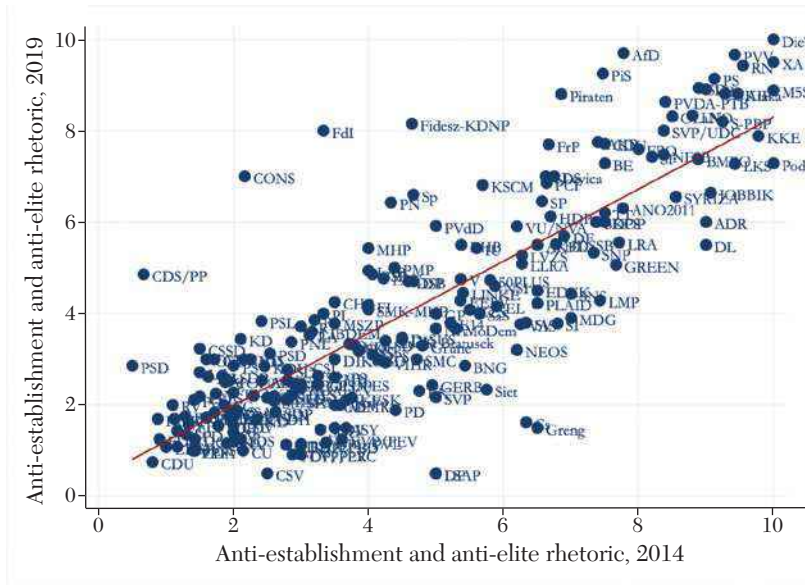


Figure 6. The Salience of European Political Parties' Anti-Elite Rhetoric in 2014 and 2019

Notes: The figure depicts the salience of antiestablishment and anti-elite rhetoric in 2014 and 2019 for 206 European political parties present in both the 2014 and the 2019 CHES surveys. The straight line: linear fit ($R^2 = 0.68$).

Sources: Chapel Hill Expert Survey (Bakker et al. 2020a), authors' calculations.

ranging from zero to two, studying leaders' speeches.¹⁷ Chavez gets (almost) the maximum score, 1.9, followed by his successor, Maduro; Morales and Erdogan notched a 1.5 and 1.6, respectively. Orban, Silvio Berlusconi, and Trump score around 0.8–0.9. Angela Merkel and Tony Blair get the minimum scores, 0 and 0.1, respectively. From 2000 to 2018, the average score

across 40 countries doubled from 0.2 to 0.4. In Europe, the average increased from 0.14 to 0.24. As the index ranges from 0 to 1, this change roughly translates into a 10 percentage-point increase.

Taking Stock.—Various attempts to classify populists and to quantify their rise deliver a similar message¹⁸: in the twenty-first century, there has been a rise in populist support by 10–15 percentage points of the vote, effectively doubling populists' vote share. This rise took place mostly in advanced

¹⁷ Team Populism's Global Populism Database was commissioned by the *Guardian*. The dataset includes the EU-28 minus Belgium, Cyprus, Denmark, Estonia, Finland, Ireland, Lithuania, Luxembourg, Malta, and Slovenia plus Norway, Argentina, Bolivia, Brazil, Mexico, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Paraguay, Peru, Venezuela, the United States, India, Russia, and Turkey. See also Gennaro, Lecce, and Morelli (2019) for a similar speech-based measure of populism.

¹⁸See also the "Varieties of Democracy" (Lührmann et al. 2020) database and report that assess party position across various policies (e.g., liberalism, political pluralism, immigration, religion). The recently released dataset also includes classifications of populism and anti-elite rhetoric.

economies and mostly stems from the rise of nationalist, right-wing, and authoritarian populist parties.

4. *Economic Drivers: Secular Trends*

In this section, we consider the role of trade globalization and automation in the rise of populism. Both globalization and automation have allegedly contributed to deindustrialization of advanced economies in recent decades. The formerly manufacturing-based communities provided a fertile ground for populists (see Frieden 2019). Trump did well in the Rust Belt,¹⁹ support for Brexit concentrated in manufacturing towns in the Midlands, and Le Pen's National Front did very well in deindustrializing areas. Using data from 63,417 electoral districts across all EU countries in the 2019 Elections for the European Parliament, Dijkstra, Poelman, and Rodríguez-Pose (2020) show that voting for anti-EU parties is considerably higher in areas of industrial decline. Broz, Frieden, and Weymouth (2021) show that urban centers' specialization in services shielded them from the populist wave that spread in rural and suburban communities in the United States and Western Europe.

Growing competition from imports from low-wage countries, such as China and Vietnam, and increased automation of low/middle-skilled jobs have contributed to stagnation of real wages of noncollege graduates and rising inequality in advanced economies. These shocks have been particularly salient in manufacturing. Figure 7, taken from Pierce and Schott (2016), provides a stark illustration of these two phenomena in the United States. In roughly ten years, from the late 1990s until the crisis in 2008, US manufacturing lost a staggering six million jobs, a

third of its workforce. Automation's impact is evident: while employment fell, the total value added doubled (from 800 billion to 1.6 trillion). The "China import shock" is also apparent: the decline in employment accelerated in the early 2000s when China joined the World Trade Organization (WTO).

While globalization and technological progress are separate forces, they reinforce each other. Technology reduces transportation costs facilitating cross-border commerce. Improvements in information and communication technology (ICT) also promote trade in both services and goods, allowing for better inventory management and cheaper cross-border marketing. In turn, the integration of goods and services markets accelerates technological progress, as the potential access to a larger market incentivizes investments in research and development (R&D) and the adoption of new technologies.

We first discuss the major trends in trade and technology over the past decades and review studies of their impact on advanced economies' labor markets. Then, we go through the evidence on their role in the rise of populism as well as their influence on trust, values, and beliefs. As the literatures on trade and technology employ similar empirical designs, we discuss methodological details in section 4.1 on trade and then only briefly refer to this discussion in section 4.2 on technology.

4.1 *Trade*

4.1.1 *Patterns*

Cross-border trade has grown steadily around the globe since the late 1980s, when tariffs, quotas, and non-trade barriers fell considerably. World Bank data suggest that the ratio of global trade to GDP rose from below 40 percent in the 1980s to an unprecedented 61 percent in 2008. After a slight decline during the global financial crisis, this

¹⁹Preliminary tabulations of the 2020 US Presidential Election show that Trump's support in suburban areas of industrial decline has remained robust.

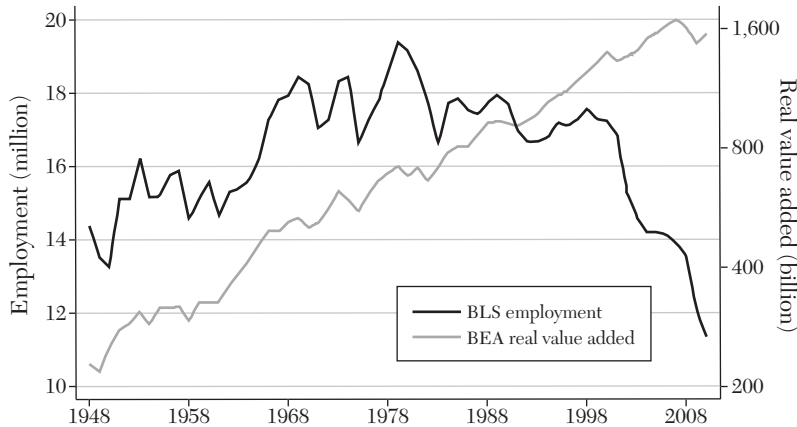


Figure 7. US Manufacturing Employment and Value Added

Source: Pierce and Schott (2016), figure 3.

Notes: BLS is the Bureau of Labor Statistics. BEA is the Bureau of Economic Analysis.

ratio now hovers around 60 percent—more than double the level half a century ago. Trade growth was especially fast in emerging economies. In 1985, high-income countries accounted for more than 80 percent of world exports of goods and services; in 2015, this share was 61 percent (Pavcnik 2017). Among emerging markets, China accounts for more than half of the increase—its exports grew from 1 percent of world exports in 1985 to 12 percent in 2015. The rise of Chinese exports has been especially stark since the early 2000s, when China joined the World Trade Organization (WTO), contributing crucially to the “commodity supercycle” of 2001–07. Other low-wage countries, such as India and Vietnam, have also expanded their exports of finished and intermediate goods.

4.1.2 *Winners and Losers*

Neoclassical trade theory, based on technological differences (Ricardo) or differences in factor proportions (Heckscher–Ohlin), suggests that globalization increases aggregate output, but there are winners and losers. High-skilled workers in rich

(human-capital abundant) countries as well as low-skilled workers in poor (human-capital scarce) countries benefit from market integration. While low- and middle-skilled workers in advanced economies may benefit from cheaper (imported) goods and “aggregate demand” effects, their jobs are at risk, as the production of goods with low human-capital intensity shifts to low-wage countries. Middle-skilled jobs are especially vulnerable, as their higher wages (relative to the low-skilled jobs) create stronger incentives for outsourcing and offshoring. Also, low-skilled jobs usually involve manual services and thus require presence in the country. In line with this framework, globalization is a major contributor to *job polarization* in advanced economies and increased inequality.²⁰ If social safety nets do not counter the

²⁰ Autor and Dorn (2013) sort US occupations by skills and show that from 1980 to 2005 the employment share declined for jobs from the fifteenth to the fifty-fifth percentile; the highest decline was for the twenty-fifth percentile (10 percentage points). They also show that middle-skilled occupations experienced the slowest growth in real wages. Goos, Manning, and Salomons (2014) show that in Europe,

adverse impact of trade, an anti-globalization constituency may emerge. Populist politicians gain support by condemning the principal beneficiaries of globalization—highly educated elites residing in metropolitan areas who produce knowledge-intensive services (banking, consulting, software) that industrial countries export. Part of the anti-European Union rhetoric is also related to trade integration—against the “unelected, amorphous, and bureaucratic” European Commission that enforces the single market. Pastor and Veronesi (2020) establish theoretically that globalization spurs populism when voters dislike inequality. The authors also present cross-country correlations between inequality, trade deficits, and protectionist attitudes.

4.1.3 *The China Shock in Advanced Economies’ Labor Markets*

The share of US imports from low-wage producing countries almost doubled over the 2000–2007 period (15 percent to 28 percent), with China accounting for 89 percent of this growth (Autor, Dorn, and Hanson 2013). A large body of research suggests that a non-negligible portion of manufacturing’s decline is attributable to the China shock, which started in the early to mid-1990s and accelerated in the early 2000s. Acemoglu et al. (2016); Bernard, Jensen, and Schott (2006); and Pierce and Schott (2016) document that increased exposure to import competition from low-wage countries is associated with the closure of manufacturing plants and a sizable drop in employment in industries that faced the largest declines in Chinese import tariffs.²¹ For example, Autor

et al. (2014) compare observationally similar workers across industries from 1992 to 2007; they show that in sectors exposed to higher import penetration from China, workers earned lower wages and there was greater job churning.

In an influential paper, Autor, Dorn, and Hanson (2013) assess the impact of the China shock on US local labor markets. The starting point of their analysis is the calculation of the shock at the level of commuting zones (CZ). ΔIP_{τ}^c is the product of the growth of Chinese imports at the national level at a given industry (i) over a given time period (τ) and employment share of industry i in a commuting zone c , summed across industries:

$$\Delta IP_{\tau}^c = \sum_i \left(\frac{L_{i,t}^c}{L_t^c} \frac{\Delta M_{i,\tau}^{US}}{L_{i,t}^{US}} \right).$$

Here, $\Delta M_{i,\tau}^{US}$ is the share of US imports from China in industry i over period τ and $L_{i,t}^{US}$ is total US employment in this industry at the beginning of period t .

To identify the causal effect of rising Chinese imports on the US labor market, the authors use industry-level data on the growth of Chinese exports to eight other high-income countries, $\Delta M_{i,\tau}^{other}$. Thus, they construct the following instrument for ΔIP_{τ}^c (to account for anticipation effects, they lag all employment variables by ten years):

$$(1) \Delta IP_{\tau}^{c,other} = \sum_i \left(\frac{L_{i,t-10}^c}{L_{t-10}^c} \frac{\Delta M_{i,\tau}^{other}}{L_{i,t-10}^{US}} \right).$$

They find that CZs with a higher share of industries affected by the increased penetration of Chinese imports experienced a significant drop in manufacturing employment.

the “middling” occupations’ share of employment declined by 9.3 percentage points from 1993 to 2010, while the share of low-wage and high-wage occupations increased 3.7 and 5.6 percentage points, respectively.

²¹Caliendo, Dvorkin, and Parro (2019) calibrate a dynamic trade model with spatially distinct labor markets subject to varying exposure to international trade, labor

and goods mobility frictions, and input-output linkages. They estimate that the China shock has contributed to a loss of half a million jobs in the United States, approximately 16 percent of the overall decline from 2000 to 2007.

Affected areas did not see an increase in employment in services, mining, and agriculture. The population was stable, indicating little emigration. Hence, unemployment and nonparticipation in the labor force increased considerably. Employment decreases went hand in hand with falling wages, which were only modestly compensated by transfers (see Autor et al. 2014).

The China shock is not purely economic; it is also related to poorer health, inferior marriage outcomes, unstable mental health, increased use of opioids, and deaths of despair (Colantone, Crinò, and Ogliari 2019; Hummels, Munch, and Xiang 2016; Pierce and Schott 2020; Autor, Dorn, and Hanson 2019; Case and Deaton 2020).

The growing research on the local labor-market impact of the China shock in other industrial countries reaches similar conclusions. For example, Malgouyres (2017a) estimates that the average increase in Chinese import competition between 2001 and 2007—approximately \$1,000 per worker—across French local labor markets caused a fall in regional manufacturing employment growth of about 6 percentage points. There is an adverse spillover effect on the local service sector, implying local multiplier effects that may amplify resentment. Likewise, Dauth, Findeisen, and Suedekum (2014); Dippel et al. (2018); and Marin (2018) find that increased imports from China since the late 1990s and Eastern Europe since the late 1980s go hand in hand with falling wages and employment across German regions.

4.1.4 *The Political Implications of Trade Shocks in the United States*

Early Correlational Studies.—Margalit (2011) regresses the change in the county-level Republican vote share between the 1996 and 2004 elections on the percentage of workers hurt by trade, proxied by petitions filed at the Department of Labor's Trade Adjustment and Assistance division.

US firms filed 22,287 such applications during this period, representing 2,110,310 employees. Most applications listed import competition (43 percent) and offshoring (42 percent) as the main reasons. “Electronic components and accessories” and “men's and boys' furnishing, work clothing, and allied garments” were the most affected industries. The correlational analysis conditions on the unemployment levels and changes, racial composition, and employment characteristics. A 1 percentage-point increase in the share of a county's workforce loss due to competition with imports costs the incumbent president 0.15 percentage points, twice as large as the drop due to other job losses (such as domestic competition).

Jensen, Quinn, and Weymouth (2017) examine the impact of trade on the US presidential elections from 1992 to 2012, distinguishing between trade in manufacturing and services. The United States is a net exporter of services. Its exports of services have expanded in recent decades; in 2016, they accounted for a third of total US exports. Because services are R&D-intensive, comparative advantage logic suggests US gains. The analysis associates the incumbent vote share's change with employment interacted with indicators for tradable high-wage manufacturing, tradable low-wage manufacturing, tradable high-wage services, and tradable low-wage services (the omitted categories were non-tradable manufacturing and services). Incumbents fare worse in counties experiencing a drop in low-wage manufacturing employment but perform better when employment rises in high-wage manufacturing and service sectors. While these estimates do not necessarily point to a causal relationship, they suggest both electoral gains and losses driven by trade in line with trade theory.

Causal Estimates.—Autor et al. (2020) study the political implications of increased competition from China in the United States,

examining political alignment and actual voting (using the instrument for China shock similar to (1)). Their analysis establishes the following important regularities. First, the China shock has affected TV news viewership; Fox News's share increased considerably in CZs exposed to the China shock at the expense of CNN and, to a lesser extent, MSNBC. Second, the China shock has moved Americans to the right, as reflected by the Pew ideology score. The impact is heterogeneous; the correlation between the penetration of Chinese imports and right-wing ideology is strong across CZs with a sizable White population, but absent in areas with large Hispanic and African American communities. Third, Chinese import penetration increases both left-wing and right-wing campaign contributions; there is no correlation with moderate donors' contributions. Trade shocks therefore partly explain the rising polarization of US politics, a trend that started in the 1980s.

The electoral implications of the China shock are as follows. First, Chinese import competition is associated with higher turnout. Second, while the China shock helped Democratic candidates in CZs that have been strongholds of *either* party, in competitive congressional districts the shock benefited the Republicans. (Competitive districts are those where neither party obtained more than 55 percent of the vote; there are 129 "safe" Democratic districts, 124 "safe" Republican districts, and 179 competitive ones; the analysis covers 432 electoral districts in the US mainland.) As a consequence, congressional districts with greater exposure to Chinese imports were more likely to elect a Republican to congress. This pattern did not emerge after China's WTO accession and the dramatic rise of Chinese imports to the United States; it arose after the 2010 congressional elections that brought many Tea Party Republicans to the House of Representatives, and it has since persisted.

Third, the impact is strong in districts that had a majority non-Hispanic White population in 2000; it is weak and statistically indistinguishable from zero in other districts.

Autor et al. (2020) also examine the impact of rising trade exposure on the ideology of elected representatives. Districts facing a higher penetration of Chinese imports were much more likely to elect a conservative Republican—at the expense of moderate Democrats and, to a lesser extent, of moderate Republicans. Conservative candidates benefited from the China shock considerably more in counties with White majorities. In contrast, in minority non-Hispanic White districts exposed to the China shock, liberal Democrats fared better, at the expense of moderate Democrats.

Finally, Autor et al. (2020) explore the role of the China shock on the change in Republican vote share between the 2000 presidential election (George W. Bush versus Al Gore) and the 2008 election (Barack Obama versus John McCain), and between the elections of 2000 and 2016 (Donald Trump versus Hillary Clinton). Rising import competition from China is associated with a significant increase in the vote share of *both* McCain in 2008 and Trump in 2016. The estimates imply that the Republican two-party vote share rose by approximately 1 percentage point for an interquartile range of Chinese imports' penetration. The gains are substantial, especially taking into account the "winner takes all" structure of the Electoral College system.

Feigenbaum and Hall (2015) show that politicians from districts experiencing a rise in Chinese imports are more likely to vote for protectionist legislation; this pattern is stronger in competitive districts. There is not much of an impact on other kinds of legislation. A \$1,000 increase in import penetration per worker results in a 0.7 percent fall in the likelihood that the district's representative casts a "right-leaning" or "free-trade" vote in

Congress, according to the trade score from the Political Institutions and Public Choice (PIPC) Roll-Call Database, and a 2.1 percentage-point decrease in the probability that the district's representative casts a "free-trade" vote according to the Cato score, which looks only at the most salient trade bills.

Che et al. (2020) use 1992–2016 data to explore the role of granting permanent normal trade relations (PNTR) status to China in late 2000, both on US congressional elections and on legislative activity of elected representatives. PNTR had differential sectoral effects. As industrial production is unevenly allocated across regions, the exposure of US countries to the impact of PNTR was also differentiated. The analysis establishes two main results. First, difference-in-difference specifications suggest that counties with greater exposure to Chinese competition experience relative increases in the vote share of Democrats in the early 2000s (compared to the 1990s). However, this shift toward Democrats disappeared after 2010; the authors explain this change by the rise of the Tea Party in 2010. Second, analyzing close elections, they find that after the implementation of the PNTR, Democratic members of the House were more likely to vote for trade-restricting legislation—as well as legislation providing economic assistance to those hurt by trade. This effect also disappeared after the Tea Party's electoral success. Since 2010, congressional Democrats and Republicans from PNTR-affected districts have converged in their voting on trade. Jointly, these results suggest that the Republican Party's policy change on trade (due to the rise of Tea Party) paid off.

4.1.5 *Europe: Subnational Regions*

Chinese exports to other advanced economies have also grown substantially. Autor et al. (2014) estimate that imports from China in Australia, New Zealand, Japan,

Switzerland, Denmark, Germany, Spain, and Finland increased from \$28.2 billion in 1991–92 to \$262.8 billion in 2007. Colantone and Stanig (2018b) explore the impact of Chinese imports across 15 Western European countries from 1988 to 2007. They construct proxies of the Chinese import shock across 198 NUTS-2 regions,²² interacting the share of sectoral employment in the 1990s in a given region with the country-wide increase in Chinese imports per industry, instrumented with this industry's exports to the United States. They combine vote shares with information on parties' platforms on traditional morality, law and order, protectionism, nationalism, and the European Union from the Comparative Manifestos Project (Volkens et al. 2016). Exposure to Chinese imports goes hand in hand with voting for nationalist, far-right, and anti-EU parties. A one standard-deviation increase in import competition from China increases the vote share of nationalist-right parties by 1.7 percentage points, a considerable magnitude, as far-right parties' vote share in the 1990s was about 5 percent. The biggest winners are far-right parties that blend nationalism with a protectionist manifesto. The losers are pro-trade left parties; there is no association between the trade shock proxy and the vote share of protectionist left and mainstream left or right parties. Individual survey data suggest that these patterns apply generally, as there is not much heterogeneity on employment status (employed, retired) and sector.

4.1.6 *Europe: Country Studies*

United Kingdom.—Manufacturing imports from China as a share of total UK

²²The nomenclature of territorial units for statistics (NUTS) is the EU-wide nomenclature of (subnational) territorial units. There are 104 NUTS-1 regions (3 to 7 million inhabitants), 281 NUTS-2 regions (0.8 to 3 million), and 1348 NUTS-3 regions (150,000 to 800,000 inhabitants) each.

manufacturing imports rose from about 1 percent in the late 1980s to 8.6 percent in 2007, while total manufacturing imports doubled in real terms. Colantone and Stanig (2018a) explore the role of Chinese import penetration in the June 2016 referendum to *leave* or *remain* in the European Union. The referendum epitomized populism, reflecting most of its salient features. First, the debate was portrayed as standoff between ordinary people and elites; conservative MP and leader of the “leave” camp, Michael Gove, argued on TV that “the people in this country have had enough of experts.” Second, the leave campaign was built on nationalism; its major slogan was “We want our country back.” Third, the leave campaign used misleading statements and outright lies (for example, about refugees and immigrants, and about UK contributions to the European Union); it offered simplistic solutions to complex issues.

Colantone and Stanig (2018a) construct regional trade-shock measures, multiplying the increase in Chinese imports in a given industry with employment shares across districts in 1989. The Chinese import penetration was, on average, €320 per worker, but it varied considerably across 167 NUTS-3 regions, from €60 in Camden and the City of London to €750 in Leicester. Then the authors link the “leave” vote share—high in the Midlands and Northern England and low in London and the main metropolitan areas—with the penetration of Chinese imports, instrumented with the US analog. A one standard-deviation increase in the Chinese import shock in the same macro-region (Wales, England, Scotland) yields a 2 percentage-point increase in the share of “leave” (figure 8); the China shock explains a seventh of the variation in the leave vote.

Becker, Fetzer, and Novy (2017) show that trade with European countries (proxied with the share of value-added in UK

NUTS-2 regions attributed to consumption and investment demand in the European Union) is also a robust correlate of the leave vote (see also Springford et al. 2016).²³

Germany.—Dippel et al. (2018) study the political implications of rising exposure to trade across 322 German regions (*Landkreise*) from 1987 to 2009, looking at the role of Eastern European imports that increased following the fall of the Iron Curtain, and of Chinese imports that rose from 1998 to 2009. For each shock, they construct a shift-share instrument interacting import increases in Germany with pre-shock industrial specialization across districts; to account for Germany-specific conditions, they instrument German industry-level imports and exports with their analogs in Australia, Canada, Japan, Norway, New Zealand, Sweden, Singapore, and the United Kingdom. They find, first, that the increases in *net* exposure to trade are associated with adverse effects on manufacturing wages and employment.²⁴ Second, trade competition increases support for fringe extreme-right parties. A one standard-deviation increase in trade exposure (1,372 euros per worker) boosts extreme-right parties’ vote share by 0.12 percentage points. Third, the authors examine the role of the China shock on the vote share of the Alternative for Germany (AfD) party. AfD was established during the European crisis;

²³Trade integration with the EU is highest in East Yorkshire and Northern Lincolnshire, Cumbria, Leicestershire, Rutland, and Northamptonshire (over 14 percent), manufacturing areas that import and export final and intermediate goods to Europe. EU integration is lowest in Inner London, North East Scotland, Eastern Scotland, and the highlands and islands (around 4 percent).

²⁴Autor, Dorn, and Hanson (2013, 2019) and Autor et al. (2014) focus on gross imports from China in the United States and consider net import change only in the sensitivity analysis. However, German imports from low-wage countries and German exports to these countries are more balanced than in the United States and are positively correlated across countries (Dauth, Findeisen, and Suedekum 2014).

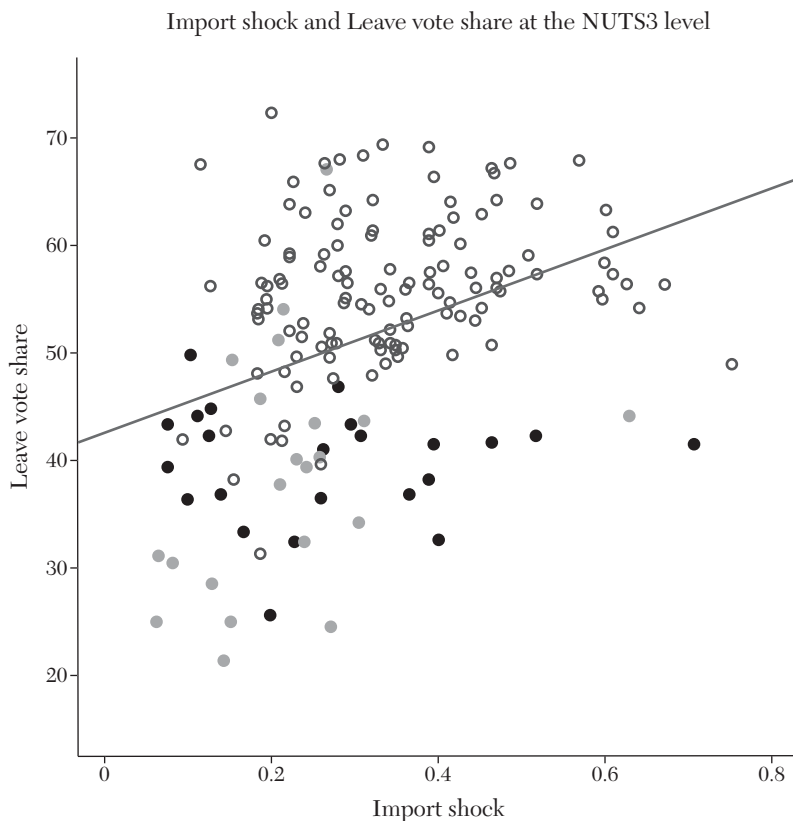


Figure 8. Import Shock and 2016 Leave Vote Share at the NUTS3 Level

Notes: Black dots are the NUTS3 regions of Scotland; gray dots are the NUTS3 regions of London, the hollow dots are the remaining NUTS3 regions of England and Wales. The gray solid line is the least-squares fit on the whole sample.

Source: Colantone and Stanig (2018a), figure 4.

it initially focused on criticizing the bailouts of Greece and Portugal. It quickly moved to the far right. There is a significant relationship between trade competition and voting for AfD that is gaining ground in regions where voters were already moving toward the far right. Fourth, the authors describe a countervailing effect of increased exports, a finding consistent with trade theory that has immediate policy implications, as exports can mitigate adverse impacts due to import

penetration from low-wage countries. Fifth, the German Socioeconomic Panel data analysis shows that these patterns stem mostly from manufacturing workers with no college education.

Italy.—Barone and Kreuter (2019) and Caselli, Fracasso, and Traverso (2020) explore the electoral impact of the China shock in Italy. China's rise in the world markets had an especially large impact on the Italian

economy, which specialized in apparel, textiles, leather, and furniture—industries increasingly dominated by China. Both papers follow the identification approach of Autor, Dorn, and Hanson (2013). Analyzing 8,000 Italian municipalities, Barone and Kreuter (2019) find that a one standard-deviation increase in the annual change of imports from China (about 145 dollars per worker in 2000 prices) is associated with a shift in populist vote share of 0.4 percentage points—about a third of its mean value and a tenth of its standard-deviation. It is the far-right nationalistic parties—rather than the radical-left ones—that benefit. Caselli, Fracasso, and Traverso (2020) find similar results across 600 labor-market areas. In contrast to Autor et al. (2020), Barone and Kreuter (2019) find that increased trade exposure is associated with lower turnout and a higher share of invalid ballots (though electoral participation is higher in Italy than in the United States).

France.—Malgouyres (2017b) examines the impact of competition from low-wage countries on the vote share of the National Front, whose popularity expanded under the leadership of Le Pen. Malgouyres employs the shift-share identification strategy of Autor, Dorn, and Hanson (2013) and Autor et al. (2020). The analysis spans 3500 districts from 1995 to 2012. There is a statistically significant but economically small impact of import competition on voting for the National Front: a one standard-deviation (1,000 USD per worker) increase in imports leads to an increase in the National Front vote share by 0.7 of a standard deviation (0.4 percentage points). This effect increases over time (and the paper does not include the 2017 presidential elections, where Le Pen secured 21.3 percent in the first round and 33.9 percent in the second round). Le Pen’s strategy to move the National Front’s manifesto away from the free market toward

redistributive and protectionist policies seems to have paid off (Ivaldi and Lanzone 2016).²⁵

4.2 *Technological Progress*

4.2.1 *The Argument*

Technology has transformed labor relations, employment, and wages. Many tasks have become routine, and automation has replaced millions of jobs. As the Fourth Industrial Revolution is marching forward, artificial intelligence, Big Data, machine learning, and robotization penetrate every industry. The International Federation of Robotics estimates that in 2009 there were around 6 million industrial robots globally; in 2017, there were 381 million. The 2022 forecast is for 700 million.

Technological progress and innovation are engines of growth. However, as with trade, there are winners and losers. The winners have mostly been high-skilled “knowledge workers,” whose abstract jobs complement new technology, while the losers have been the low- and middle-skilled workers whose routine jobs are easier to automate. Autor (2014); Acemoglu and Autor (2011); and Harrison, McLaren, and McMillan (2011) review the large body of research showing that the rising education premium explains a non-negligible part of the recent increase in inequality (outside the very top).

The main empirical strategy for identifying the impact of technology on populism is similar to the one employed in the literature on trade. Most authors rely on the International Federation of Robotics (IFR), which collects data on industrial robots from the robots’ producers and then reports them

²⁵Le Pen has tried to distance the party from its racist origins. At the end of 2011, the National Front withdrew from the far-right Alliance of European National Movements and joined the somewhat more moderate European Alliance for Freedom in the European Parliament.

by industry-country-year. By definition, these data cannot measure job-displacing technologies that are not related to industrial robots, like software.

Another popular approach relies on occupation-specific *routine task intensity* (RTI). Autor and Dorn (2013); Autor, Dorn, and Hanson (2015); and Goos, Manning, and Salomons (2014) use data on routine, manual, and abstract task inputs for each occupation from the *Dictionary of Occupational Titles* (DOT). The RTI index is the log routine task input per occupation minus the log manual and abstract task inputs. Compared to the industrial robot data, the RTI index provides a more nuanced view, as it helps distinguish jobs with differential vulnerability to automation within the same sector.

4.2.2 *Historical Precedents*

The political and social implications of automation have been recognized at least since the mid-nineteenth century. Marx and Engels (1848) viewed revolutions in the modes of production and exchange as transforming “the whole relations of society,” leading naturally to political change. John Maynard Keynes and Wassily Leontief worried about the political consequences of “technological unemployment.” Eichengreen (2018) and Frey, Berger, and Chen (2018) discuss the Luddite movement, which violently opposed the spread of machines in the textile factories in England. The Luddites rioted, broke the machines, and burned factories (see Hobsbawm 1952, for an insightful overview).

Caprettini and Voth (2020) study another important historical case of violent opposition against automation: the “Captain Swing” riots in 1830s England and Wales. They show that replacing hand-threshing with mechanical threshing machines led to riots that, in turn, played a major role in the extension of the franchise (Aidt and Franck 2015). Threshing machines increased productivity

per worker by a factor of 10. As threshing was rural workers’ most important income source during the winter months, the introduction of this labor-saving technology led to deprivation and fueled unrest (Hobsbawm and Rudé 1969). In the second half of 1830, more than 3,000 riots erupted across 45 counties. There is a strong correlation between the presence of a machine and riots. To identify the causal effect of new technology on unrest, the authors use soil suitability for grain as an instrument for the adoption of threshing machines. There were neither pre-trends in riots nor significant differences in socioeconomic characteristics between regions with “suitable” and “unsuitable” soil. A new machine translated into 6.5 more riots. This effect is muted in areas proximate to manufacturing hubs, as those provided alternative employment opportunities. On the contrary, in enclosed areas where such opportunities were limited, the correlation between threshing machines and riots was strong. These results are related to the modern debate on the urban–rural differentials in the recent rise of populism.

4.2.3 *Automation and the Recent Rise of Populism*

United States.—Frey, Berger, and Chen (2018) analyze the political impact of vulnerability to automation in the United States. Their starting point is Acemoglu and Restrepo’s (2020) mapping of industrial robots’ penetration across CZs from 1993 to 2007. As shown in figure 9, there is substantial geographical heterogeneity. The empirical exercise associates changes between the 2012 and 2016 presidential elections to changes in robot exposure. The authors extract the historical component of industrial specialization using sectorial employment shares in 1980 and use robot penetration in ten European countries to instrument for its US analog. The two-stage least squares (2SLS) specification (figure 10) suggests

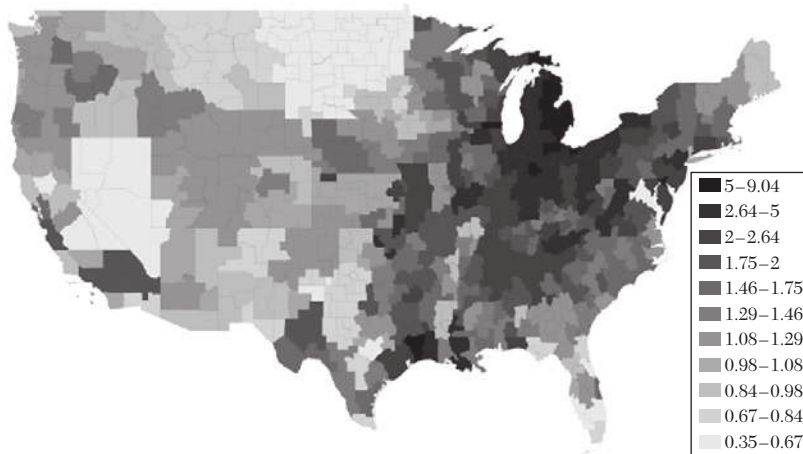


Figure 9. Geographic Distribution of Exposure to Robots, 1993–2007

Note: The figure depicts the increase in number of robots per thousand workers from 1993 to 2007.

Source: Acemoglu and Restrepo (2020), figure 4.

that a one standard-deviation (5 percentage point) increase in the share of jobs vulnerable to robotization is associated with a 0.2 standard-deviation increase in the vote share for Trump. They then conduct a simple counterfactual analysis that predicts the votes for Trump and Hillary Clinton in nine swing states had the impact of the robots been 10 percent, 75 percent, or 90 percent lower. Wisconsin would have gone for Clinton had the impact of robots been just 10 percent lower than actual; yet for Michigan and Pennsylvania to turn Democratic, automation's impact would have had to be 25 percent of actual.

Petrova et al. (2022) also find an effect of CZs' automation, instrumented by EU automation exposure, and voting for Republicans in 2016, controlling for preexisting voting behavior. Voting for Trump was most pronounced in places with the most significant drop in expected lifetime income. Low-skilled workers, most likely to vote for Trump, experienced the largest deterioration

in future career opportunities, rather than expected wage distribution, consistent with the idea of forward-looking, rather than backward-looking, voters.

Europe.—Anelli, Colantone, and Stanig (2019) carry out a similar analysis across 192 subnational NUTS-2 regions in 14 European countries from 1993 to 2016. They calculate time-varying regional exposure to automation by interacting industrial specialization with changes across 11 industries in the use of robots in each country. A one standard-deviation increase in regional exposure to automation increases the support for far-right nationalist parties by 1 percentage point. (The average vote share of these parties was about 6 percentage points.) Far-right parties' gains come at the expense of pro-trade left and liberal-right parties.

A parallel study by Im et al. (2019) correlates voting and automation using the European Social Survey (ESS) data (rounds 6, 7, and 8) across 11 European countries. The results are similar. The likelihood of

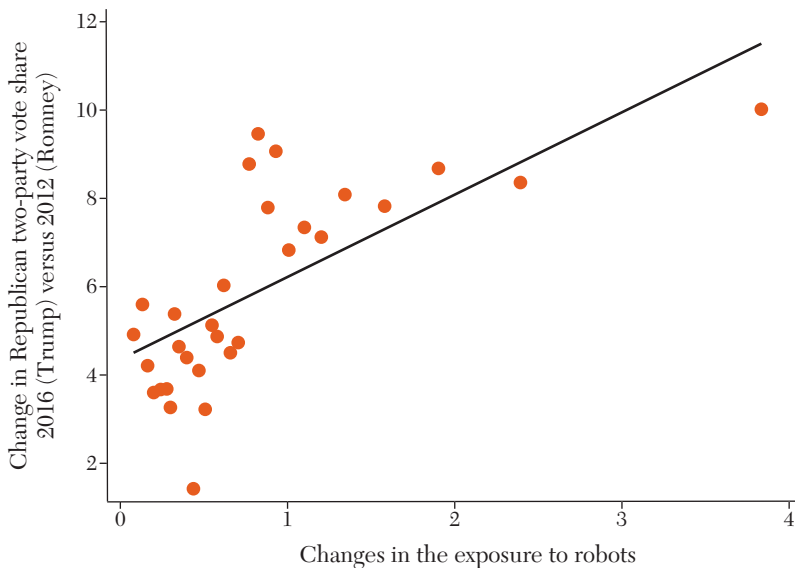


Figure 10. Exposure to Robots and the Vote for Trump

Notes: Nonparametric county-level relationship with 30 equal-size bins. The straight line: a fitted ordinary least squares (OLS) regression based on the underlying data.

Source: Frey, Berger, and Chen (2018), figure 1.

voting for radical-right parties is considerably higher for occupations affected by automation. The far-right's gains mostly come at the expense of mainstream right-wing parties. The correlation between automation and voting for the far right is especially strong for individuals reporting (very) low income security.²⁶

²⁶Recent studies also examine automation's impact on policy preferences. Thewissen and Rueda (2019) explore the impact of RTI on preferences for redistribution across 17 European countries using ESS data from 2002 to 2012. The correlation is statistically significant, though the magnitude is moderate. A one standard-deviation increase in RTI raises redistribution preferences by 0.05, roughly comparable to the impact of a one standard-deviation change in education or offshoring.

United Kingdom.—Gallego, Kurer, and Schöll (2018) examine the impact of digitization on voting. They combine the British Household Panel Study and the Understanding Society Survey with industry investment in information, communication, and technology (ICT) from the EU-KLEMS database. The correlation between ICT investment and wages is significantly positive for college-educated workers but negative for their noncollege-educated counterparts. Moreover, in industries with above-average ICT investment, workers with higher education are more likely to vote for incumbents (especially the Tories).

4.3 Summary

Substantial evidence points to the impact of trade and automation on advanced

economies' labor markets, which in turn gives rise to dissatisfaction with the status quo and to the increased support for populists. The integration of China into the world economy has had a differential impact on local labor markets. Communities specializing in labor-intensive manufacturing have lost jobs, as multinationals moved operations offshore and upgraded technology; many smaller producers have been forced to shut down. Limited internal migration has led to rising unemployment, falling labor-force participation, depressed wages of noncollege graduates, and an overall feeling of decline.

The China shock explains only about 20 percent of the recent decline of employment in US manufacturing, but it has had major political implications. Voters in the communities exposed to the shock have, on average, moved to the right. The US evidence suggests a shift toward conservative (Republican) candidates at the expense of free-trade Republicans and Democrats. This shift is especially strong in non-Hispanic White communities, hinting that economic grievances may interact with deeper cultural and social ones. The evidence on Brexit is similar; leave votes—and support for UKIP—have been high where manufacturing has declined, while the rich, cosmopolitan, metropolitan areas (that have benefitted from globalization) have been overwhelmingly against the UK leaving the European Union. The detailed, country-level studies in Germany, France, and Italy, and pan-European analyses of subnational regions, also evince a link between exposure to Chinese imports and support for antiestablishment populist parties, especially those on the right. The main losers are moderate, liberal, and pro-trade left (Social Democratic) parties, whose electoral power has declined substantially. Interestingly, radical-left and communist parties have not benefited, although many affected communities have been strongholds of the left.

These findings raise obvious questions: Why now? And why nationalist and right-wing populists—rather than their pro-redistribution left-wing counterparts? The studies we discuss in the next two sections shed some light on these issues.

5. *The Role of the 2008–09 Global Crisis*

In this section, we examine the impact of economic crises on populism. First, we present the argument. Second, we review contemporary and historical studies linking crises to the rise of populism as well as values and attitudes. Third, we discuss studies focusing on austerity policies that often follow major economic downturns.

5.1 *The Argument*

As we show in the section 3.2, the recent rise of populism took place during and shortly after the 2008–09 global financial crisis. Many nonmainstream parties in the European periphery capitalized on the deep recessions, often aggravated by austerity. In Greece, the radical-left SYRIZA and the far-right Independent Greeks ran on anti-establishment platforms, demonizing “old” politicians and the European Commission. Golden Dawn, a neo-Nazi party at the fringe of Greece's political system, received 7 percent of the vote in the 2012 elections. The rise of Podemos in Spain also took place at a time of crisis and austerity.

An old argument in political science asserts that voters punish incumbents when the economy is weak (e.g., Kinder and Kiewiet 1981; Lewis-Beck and Stegmaier 2000; Lewis-Beck, Nadeau, and Elias 2008) and that sharp output contractions drive political turnover (Frieden et al. 2017). For example, tabulating cross-country data for 16 Western European countries over the 1970s and 1980s, Jackman and Volpert (1996) show that economic downturns push voters toward far-right parties.

The global financial crisis of 2008–09 was the deepest since the Great Depression across both developed and developing countries.²⁷ In Greece, GDP fell by 25 percent, and unemployment reached 30 percent. In Spain, unemployment exceeded 20 percent, while in the United States, it doubled to 10 percent. Beyond the intensity of the crisis, four crucial factors may also have contributed to the rise of populism. First, with center-right and center-left mainstream parties in power before the crisis, it was easier for populist leaders to put the blame on the mainstream political players. Second, popular resentment of bank bailouts has provided populists the opportunity to claim that bankers, connected with old parties, got away with their mistakes (or alleged crimes). Third, in countries that implemented austerity policies after the crisis, the weakening of social safety nets led to a pervasive feeling of unfairness. Fourth, austerity is often part of economic adjustment programs imposed by supranational institutions (the International Monetary Fund (IMF) and the European Union). This has allowed populists to run on anti-globalization and anti-EU platforms. While mainstream politicians could blame the crisis itself on the faults of the US financial system, austerity policies were a conscious choice of national or supranational elites—naturally resulting in an anti-elite backlash.

²⁷ In contrast to globalization, which has mostly affected the political landscape of advanced economies, the crisis affected developing countries as well. The evidence we discuss refers to both developed and developing countries. More work has been published on developed economies: first, due to data availability and, second, because populism is mostly a feature of democracies that are, on average, more prosperous.

5.2 *Crisis and Populism: The Evidence*

5.2.1 *Historical Evidence from 140 Years of Crises*

Funke, Schularick, and Trebesch (2016) contrast the political aftermath of major financial crises with ordinary recessions, studying 827 general elections across 20 advanced economies from 1870 to 2014. The before-versus-after analysis reveals that financial crises are followed by a significant increase in the vote share of far-right parties. In contrast, radical-left parties do not benefit. Far-right parties also gain in the aftermath of ordinary recessions. Moreover, crises are followed by increased political fractionalization, as the number of parties represented in parliament increases considerably. At the same time, strikes, violent riots, street protests, and anti-government demonstrations also rise.

5.2.2 *Historical Evidence from the Great Depression*

The 2008–09 global financial crisis has evoked comparisons with the Great Depression, in particular because the latter contributed to the rise of totalitarianism in the 1930s (e.g., Payne 1995, Berg-Schlosser and Mitchell 2000).

Global Evidence.—De Bromhead, Eichengreen, and O'Rourke (2013) examine the impact of the Great Depression on the rise of right-wing and other anti-establishment parties (communist and secessionist) from 1919 to 1939. Using data from 171 elections in 28 countries, they show that economic performance over the past years (or cumulatively since the crisis onset) is a robust correlate of the electoral success of extreme-right parties. This correlation is strong in new—rather than established—democracies, suggesting that democratic capital may shield countries from extremism (see Persson and Tabellini 2009).

Germany.—Doerr et al. (forthcoming) study the rise of the Nazi party in Germany, whose vote share increased from 2.6 percent in 1928 to 43.9 percent in 1933, a five-year span during which the country lost 40 percent of its output. They examine the 1931 banking crisis, triggered by the collapse of Danatbank, one of Germany's four largest universal banks, led by prominent Jewish banker Jakob Goldschmidt. This crisis contributed to the rise of the Nazis by amplifying the impact of the Great Depression and allowing Nazis to blame Jews. The authors merge firm-bank data with city-level incomes to assess how exposure to Danatbank and another failed lender, Dresdner, affected voting for NSDAP (the National Socialist German Workers' Party, the Nazis). A one standard-deviation fall in city income caused by the banks' collapse leads to a 4.3 percentage-point increase in the NSDAP vote share—around 20 percent of the average increase from 1930 to 1933. In contrast, a one standard-deviation income drop unrelated to the exposure to Danatbank and Dresdner increased NSDAP vote share by 1.1 percentage points. The link between the banking crisis and the rise of the Nazi vote is especially strong in cities with a history of anti-Semitism, proxied either by voting for anti-Semitic parties before World War I or by pogroms during Medieval times (see Voigtlander and Voth 2012). Anti-Semitism related to the Danatbank collapse persisted after the Nazi's electoral victory: cities more exposed to the bank's failure saw more deportations of Jewish citizens to concentration camps and more attacks on synagogues and Jewish-owned property.

China.—Braggion, Manconi, and Zhu (2020) examine the effects of the 1933 banking crisis in China triggered by the massive US silver purchasing program. Because China was on the silver standard at that

point, the purchases of silver by the US cut Chinese banks' lending capacity. The authors exploit variation in Chinese firms' exposure to Chinese banks with different silver reserves that were differentially impacted by US policies. Firms exposed to banks with lower silver reserves (which cut lending more) experienced a disproportionately large increase in labor unrest and rise of Communist cells. While this study does not connect banking supply shocks to actual voting, it shows that adverse credit conditions fuel both unrest and the popularity of anti-regime movements.

5.2.3 *The Recent Crisis in Europe* (2009–13)

Algan et al. (2017) examine the impact of the recent crisis on voting for antiestablishment parties and trust in institutions, exploiting within-region variation across 220 regions in 26 European countries from 2000 to 2016. The first part of the analysis documents a strong link between increases in unemployment and voting for nonmainstream parties. Figure 11 illustrates these patterns. The magnitudes are substantial: A 1 percentage-point increase in unemployment is associated with a 1 percentage-point increase in the populist vote. The correlation is strongest in Southern Europe, but is also present in the east and the center. In the south, unemployment goes hand in hand with voting for radical-left parties with a redistributive agenda (e.g., Podemos, SYRIZA). But in the European "core" and in Eastern Europe, unemployment correlates with far-right party voting, as citizens turn their backs toward communist and far-left parties.

In an "out-of-sample" test, the authors show that before-versus-after the crisis changes in regional unemployment—rather than unemployment *levels*—in British electoral districts are strong correlates of the Brexit vote (figure 12).

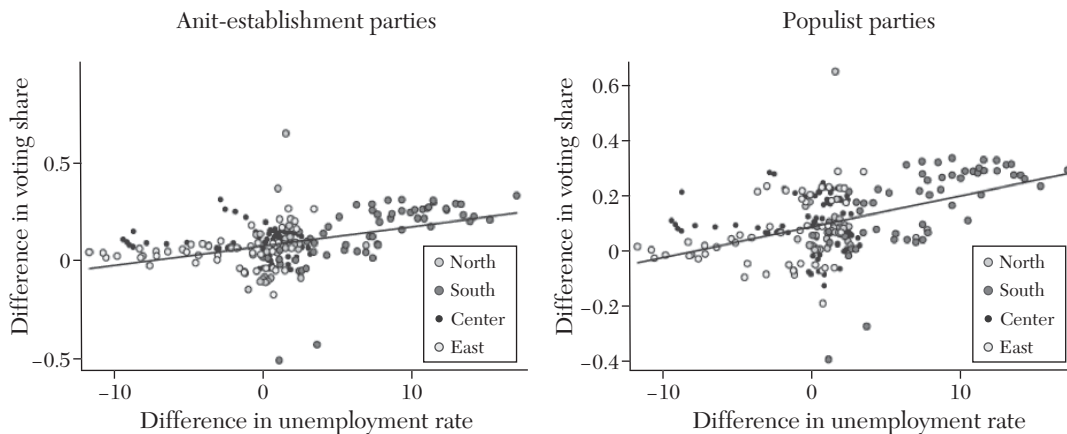


Figure 11. Change in Unemployment and Change in Populist Vote Share in European Regions

Source: Algan et al. (2017), figure 4.

To identify the causal effects, Algan et al. (2017) extract the component of the regional change in unemployment predicted by the precrisis share of construction in the regional economy. Construction and real estate played an important role in the financial bubble's buildup and thus the shock of the crisis. The precrisis share of construction in the regional economy correlates positively with the increase in unemployment during the crisis (the first stage) and with the increase in the populist vote (the reduced form). The same applies to the Brexit vote. The construction–unemployment–voting nexus does not seem to reflect other time-varying regional variables, such as immigration, corruption, or education. The second-stage instrumental variable estimates confirm that the impact of the increase in the regional change in unemployment on the populist vote is causal.

The authors also analyze ESS data on Europeans' beliefs and attitudes. Increases in regional unemployment map into significant declines in confidence in national and European political institutions. Unemployment does not correlate with

distrust in the police or the United Nations. There is a negative impact on generalized social trust (trust in other people), but the effect is small in magnitude and often statistically insignificant. The changes in regional unemployment do not correlate with respondents' self-identification on the traditional left-right axis. Despite the emergence of new political parties, respondents in the crisis-hit regions are more likely to report that *no party* is close to them.

Algan et al. (2017) also examine the impact of unemployment on beliefs regarding European integration. On average, changes in unemployment correlate neither with changes in the view that the European Union has gone too far nor with attitudes that EU unification should proceed. But this average non-result masks an important heterogeneity: In the south, higher unemployment maps with aspirations for deeper integration; in the north and the center, respondents in crisis-hit regions believe the European project has gone too far.

Lechler (2019) also connects regional employment shocks to anti-EU sentiment,

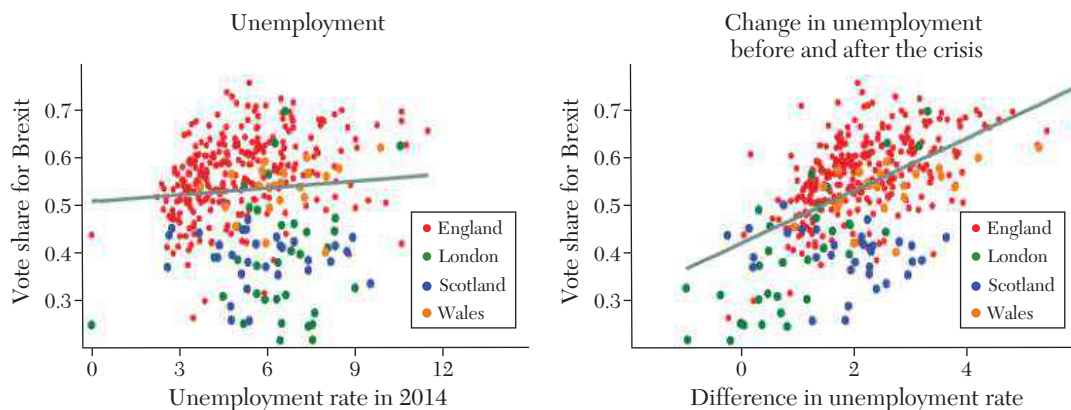


Figure 12. Change in Unemployment and Brexit Vote in British Electoral Districts

Source: Algan et al. (2017), figure 6.

using both voting data and survey data from Eurobarometer on 260 European NUTS-2 regions over the past two decades. For causality, the author uses a “Bartik”-style instrument for the change in regional employment rates. Her results are similar to those of Algan et al. (2017) in terms of both signs and magnitudes.

Dustmann et al. (2017) use ESS data to document a robust negative relationship between populist voting and trust in national and European parliaments. They also show that regional GDP and unemployment are significant correlates of political trust. A 1 percentage-point increase in local unemployment explains a 4.2 percentage-point fall in trust in the European Parliament and a 22.8 percentage-point decline in trust in national parliaments. Conversely, a 1 percent decrease in GDP per capita explains 3.2 percent of the decline in trust in the European Parliament and 20.1 percent of the reduction of trust in national parliaments. Finally, they show that adverse economic conditions correlate with a higher vote share of parties with an anti-EU agenda.

Guiso et al. (2020) also use ESS data to study the drivers of populism across Europe. First, they show that economic insecurity, proxied by individual responses on employment status, income difficulties, and exposure to globalization, is a significant predictor of populist votes. Second, they use pan-European (ESS) and Italian individual-level panel data to show that economic stress also affects views on immigration, political trust, and nativist beliefs. Third, they show that economic insecurity leads to a sizable decrease in turnout among traditional mainstream-party voters. The turnout channel is quantitatively large, explaining more than a third of the change in the intentions to vote for populist parties.

The ESS-based results above are consistent with the studies using Eurobarometer data. Guiso et al. (2019) present cross-country correlations between economic insecurity, political distrust (dissatisfaction with democracy, nationalism, Euroscepticism), and populist voting that are much stronger across eurozone member countries compared to other EU nations. The authors argue that

this heterogeneity reflects two mechanisms. First, the “policy straitjacket” effect stresses the much-constrained policy space of eurozone countries on fiscal and monetary policy. Second, the “relocation” effect related to firms’ response to competitive pressure from abroad (related to trade globalization) is more pronounced for the eurozone sub-national regions. Foster and Frieden (2017) also use Eurobarometer and show that the relationship between economic stress and political distrust is especially strong in highly indebted countries.

5.2.4 *Country Studies*

Sweden.—Dehdari (2020) studies the role of economic insecurity and unemployment on the rise of the far-right Sweden Democrats party using granular data of layoff notices spanning 5,668 electoral precincts. The author uses a Bartik-style instrument, using an interaction between the sectorial composition of local economy and nationwide industry-specific layoff trends. He then constructs predicted layoffs for each precinct, looking separately across high-skilled (those with college education) and low-skilled workers, further distinguishing between natives and foreign-born residents. Yearly layoffs are below 25,000 in 2005–06; they increase to 40,000 in 2008. In 2009, they reach 100,000, including 70,000 layoffs of low-skilled workers. Unemployment notices among native low-skilled workers predict a right-wing populist vote. The magnitudes are large: for each two laid-off low-skilled natives Sweden Democrats gains an additional vote. These estimates imply that layoffs of low-skilled natives explain roughly a third of the total increase in voting for Sweden Democrats. Layoffs among foreign-born low-skilled workers are unrelated to far-right voting, most likely because Sweden Democrats’ anti-immigration ideology repulses them. Layoffs among high-skilled workers, especially foreign-born ones, is negatively related

to Sweden Democrats’ vote share. The effect driven by the layoffs of low-skilled natives dominates: in net terms, it explains about 20 percent of the total increase in far-right voting. The relationship between unemployment notices among low-skilled natives and far-right voting is especially strong in areas with many low-skilled immigrants, suggesting that the impact of economic distress may interact with that of immigration.

Netherlands.—Gidron and Mijs (2019) study the impact of the crisis on political preferences in the Netherlands, using microdata from the Longitudinal Internet Studies for the Social Sciences, which traced 5,000 Dutch households from 2007 to 2015. Including individual fixed effects allows examining whether changes in income and employment relate to changes in political preferences. The loss of income raises sympathy for the left-wing Socialist Party and support for redistribution; however, the magnitudes are small and the correlations are significant only among middle-income citizens. Income loss also increases support for Geert Wilders’ far-right Party for Freedom, but this correlation is present only among low-income individuals.

United States.—Besides a stark increase in unemployment, the crisis has also resulted in loss of access to credit. Antoniadou and Calomiris (2020) study the impact of the crisis-driven credit supply shocks on the 2008 US presidential election, which took place during a massive contraction of private credit (including for mortgages). The Republican candidate, McCain, performed worse in counties with sizable mortgage-market contractions. This correlation is stronger in nine swing states, though the estimates suggest that Obama would have won almost all of them even in the absence of the mortgage-market contraction (with the exception of North Carolina, where Obama’s winning

margin was only 0.3 percent, or 15,000 votes). In the 2012 presidential election, Obama, then the incumbent, lost in counties with high mortgage delinquencies. When the authors look at the boom phase of the housing market and mortgage origination (1996–2004), they do not detect any association between credit supply and voting. Voters punish incumbents in crisis times, but do not reward them in good times.

Van Straelen (2018) explores the link between crisis-induced swings in housing wealth—US households' largest asset—and political donations from around 1 million Americans. He compares households within the same zip code subject to differential housing price shocks and finds that from 2000 to 2014, a one standard deviation yearly decrease in house prices is associated with a 22 percent increase in polarization of donations; the effect is even stronger in the crisis years (30 percent).

Garro (2021) links the state-level business cycle to polarization in state legislative chambers, measured as the differences between the median ideological scores of the Democratic and Republican representatives. Garro instruments the state output growth with world oil prices interacted with the state's oil production. The within-state specifications suggest that downturns are associated with increased political polarization, a pattern driven by first-time Republican candidates; the latter are more likely to be conservative if elected in periods of economic hardship. Furthermore, in these periods, contributions from individuals favoring more extreme candidates also rise.

Hungary.—The role of household debt in the rise of polarization and populism is not limited to the United States. Gyöngyösi and Verner (2022) connect a crisis-driven increase in household debt to the rise of populism in Hungary. Household debt soared from less than 3 percent of GDP

in 2000 to 30 percent in mid-2008; two-thirds of household debt was denominated in Swiss francs. Thus, when the forint lost a quarter of its value during the crisis, the political impact was substantial. The vote share of the far-right Jobbik (Movement for a Better Hungary) rose from 2.2 percent in 2006 to 16.7 percent in the 2010 parliamentary elections. Gyöngyösi and Verner (2022) calculate foreign-currency household loans across postal codes in September 2008 and show that Jobbik's vote share increased considerably in high-exposure areas. The shock persisted, with Jobbik's popularity continuing to surge in devaluation-hit communities. Jobbik's gains came at the expense of the center-left party that ruled Hungary from 2002 to 2010. Foreign-currency debt exposure accounted for around 20 percent of the overall rise in the far-right vote share. Orban, a leader of the once moderately right-wing FIDESZ party, moved the party to the far right and won the 2010 elections on a populist agenda.

Poland.—Ahlquist, Copelovitch, and Walter (2020) look at Poland, where the Law and Justice Party (PiS) has challenged the country's relationship with the European Union and attacked core democratic institutions. The nationalist PiS secured a narrow parliamentary majority in the October 2015 elections, getting 235 out of 460 seats with a 38 percent vote share. A major campaign issue was the treatment of approximately 575,000 households that had Swiss-franc-denominated mortgages; the stock of these mortgages was about 8 percent of GDP. These households suffered significant losses after the Swiss National Bank unexpectedly decided in January 2015 to let the franc appreciate. As trade and financial links between Poland and Switzerland are thin, the authors isolate a clean exogenous shock, unrelated to Polish government policies. During the campaign, parties took

different views on the issue. Both the left-wing Democratic Left Alliance and right-wing PiS advocated generous bailouts. PiS emphasized the fact that the creditors were subsidiaries of international banks. The ruling center-right Civic Platform (Platforma Obywatelska) party offered a middle-ground adjustment: borrowers and banks would share costs equally. The liberal Modern (Nowoczesna) Party did not see any need for government intervention. Ahlquist, Copelovitch, and Walter (2020) run surveys and experiments just before the elections. Polish voters with foreign-currency-denominated loans favored generous bailout policies and were more likely to vote for PiS; this was not the case for the respondents without Swiss-franc-denominated loans.

Brazil.—Barros and Santos Silva (2019) examine the impact of Brazil's deep 2014–18 recession on the success of right-wing populist Bolsonaro, who won the 2018 presidential election. On average, the association between regional employment shocks and voting for Bolsonaro is weak and statistically indistinguishable from zero. This non-result, however, masks substantial heterogeneity. Bolsonaro gained considerably in regions where the downturn hit males' jobs (due to regional industrial specialization). In contrast, in areas where the crisis hit mostly women's employment, Bolsonaro lost. These findings may be interpreted as evidence of the interaction between economic shocks and cultural factors. During the campaign, Bolsonaro made many misogynistic, homophobic, and racist comments. Not surprisingly, he won 54 percent of male votes but only 41 percent of female votes in the runoff. There was no evidence of a gender gap in Brazil's earlier elections.

5.3 *Austerity*

In many countries, the recent crisis was followed by fiscal austerity. While some countries,

most notably the United States and China, implemented large fiscal expansion programs in 2008–10, the repricing of global risk, the cost of bank bailouts, and high debt made it impossible for many countries to increase government spending and mitigate the shock of the crisis. In sharp contrast to Keynesian prescriptions, many countries slashed public spending and raised taxes. Austerity was especially painful in the European periphery. The European Union and IMF bailouts for Ireland, Portugal, Greece, and Cyprus came with strict conditionality of fiscal tightening. The debate on the macroeconomic consequences of such abrupt and large fiscal consolidations continues (e.g., see Alesina, Favero, and Giavazzi 2018).

Postcrisis austerity may have contributed to the rise of populism for at least two reasons. First, deprived households may radicalize, expressing dissatisfaction with the political system. Unlike the shock of the global crisis per se, which may be exogenous and not the responsibility of the national elites, the response to the crisis—including austerity—is carried out by the elites. Populists therefore can blame the elites for the social cost of austerity. Resentment may be especially strong when the welfare state buffers are weak and when fiscal cuts target social safety nets.²⁸ Second, because in many countries austerity was part of economic-adjustment programs imposed by international organizations (EU or IMF), it was easier for nationalists to blame global elites and their local collaborators.

5.3.1 *Historical Evidence*

Distinguishing the impact of austerity from that of the crisis is challenging.²⁹

²⁸ Kaplanoglou, Rapanos, and Bardakas (2015) show the correlation between the success of fiscal consolidations and various proxies of the fairness of welfare-state systems in the OECD countries from 1971 to 2009.

²⁹ The descriptive literature on the political implications of austerity does not provide a clear picture. Tabulating

Nevertheless, a couple of innovative recent papers isolate the effects of idiosyncratic aspects of austerity.

Galofré-Vilà et al. (2020) examine austerity's contribution to the rise of the Nazi party in Germany. In 1930–32, Chancellor Henrich Brüning's centrist government implemented a drastic fiscal consolidation program. The program included higher tax rates and major spending cuts across all main budget categories. The authors associate the results of the 1930, 1932, and 1933 elections with the impact of austerity across cities and districts. To identify the causal effect of austerity, the authors use local-level variation in pre-austerity shares of spending in various categories combined with the nationally imposed spending cuts, conditioning on unemployment, wages, and output. They find that a one standard-deviation increase in austerity causes a 2 to 5 percentage-point increase in Nazi vote share. The most important determinants of the increase in Nazi vote share were the cuts in housing and health. Austerity's contribution to the rise of the Nazis was comparable to that of unemployment.

Similarly, Voigtländer and Voth (2021) show that the construction of the Autobahn network, undertaken by Hitler once he was in office, further raised the popularity of

the Nazi party—exactly because this project reversed austerity and restored national pride.

5.3.2 Contemporary Evidence

United Kingdom.—Fetzer (2019) studies the impact of the 2012–15 welfare-state cuts on the rise of UKIP, the UK's far-right, anti-EU party that took off after 2010. During this period, the United Kingdom was not in a recession; its GDP per capita was growing 1.5 percent to 2.5 percent per year. The May 2010 parliamentary elections brought to power a coalition of Conservatives and Liberal Democrats led by Conservative Prime Minister David Cameron. Then the government implemented a series of austerity measures, including large budget cuts in education and welfare protection and a freeze on public health-care spending. Because pension spending was unaffected, austerity had a harsher impact on working-age citizens than it did on retirees. Government spending on unemployment, housing, disability-related benefits, and social allowances fell by around 15 percent in real terms. Some districts experienced cuts over 40 percent. The poorest areas, whose citizens rely most heavily on social welfare, were hit especially hard. Drawing on earlier work by Beatty and Fothergill (2013), Fetzer (2019) shows that the Welfare Reform Act of 2012 cost, on average, £440 for every working-age citizen, ranging from £177 in the City of London to £914 in Blackpool. For every £1 reduction in spending, local income fell by around £2.5, suggesting that the cuts did not generate intended savings for the government coffers.³⁰

Fetzer (2019) also runs district-level difference-in-difference specifications linking

data from 19 OECD countries from 1971 to 2008. Alesina, Carloni, and Lecce (2013) find no evidence that governments that implemented large fiscal-consolidation plans were voted out of office. Similarly, Arias and Stasavage (2019) fail to detect a systematic within-country correlation between expenditure cuts and leader turnover across 32 countries from 1870 to 2011. Ponticelli and Voth (2020) examine the within-country correlation between fiscal policy shocks and political instability (riots, demonstrations, general strikes, assassinations, and attempted revolutions) across 24 European countries from 1919 to 2008. Small to moderate public-expenditure cuts (less than 3 percent of GDP) do not correlate with any aspect of instability. However, cuts over 3 percent, and especially 5 percent, triple, on average, political instability (mostly riots and demonstrations). Tax hikes do not correlate significantly with political unrest.

³⁰See Chodorow-Reich (2019) for an overview of local multiplier studies; across many settings, yield multipliers are around 2.

UKIP vote share to austerity. He finds that austerity increased UKIP vote share by 3.5 to 11.9 percentage points. Given the close link between voting for UKIP and voting for Brexit, back-of-the-envelope calculations suggest that “leave” support in the 2016 referendum would have been 6 to 8 percentage points lower. Because the UKIP vote, if anything, understates “leave” support, the results suggest that without the austerity, the outcome of the referendum would have been for the United Kingdom to remain in the European Union. While one should interpret these extrapolations with caution, the magnitudes are sizable and the implications are profound. Finally, the author analyzes individual-level data on 40,000 households from the Understanding Society Study. He finds that Britons exposed to the welfare cuts moved to UKIP shortly after the implementation of austerity; subsequently, these households voted for leave. Moreover, they were more likely to report that they “do not have a say in government policy,” that their “vote is unlikely to make a difference,” and that “public officials do not care.”

Fetzer, Sen, and Souza (2020) quantify the political impact of another austerity measure of Cameron’s government: the reduction of housing allowances for low-income renting families. This policy impacted about 1 million households (3.5 percent of all households and around 22 percent of renting households); the cuts amounted to around £470 per year per household. Exploiting quasi-exogenous variation in the cut, the authors find that the policy resulted in more individual insolvencies, increased evictions, and higher homelessness. The savings were limited, as the policy doubled the costs of council housing (which assists homeless people). The policy had important electoral implications. In the affected communities, electoral registration and turnout in elections (and the Brexit referendum) declined considerably. A one standard

deviation higher district-level exposure to the cut is associated with a 2 percentage point higher support for leave. The lower turnout played an important role: polls suggest that among those who did not vote, support for “remain” outnumbered support for “leave” by a 2:1 ratio.

Sweden.—Dal Bó et al. (2019) examine the impact of austerity on the rise of the far right in Sweden. In 2006, the newly elected center-right government implemented a flagship “make work pay” program. Spending for sick leaves, disability insurance, and unemployment benefits was cut substantially. The new legislation made it harder to claim allowances; 235,000 workers had to leave unemployment insurance (around 8 percent of all covered). The reform included tax cuts on labor income; these cuts were implemented over five years and brought a person at Sweden’s median income about 10 percent more disposable income. The authors distinguish between three sets of workers: (i) “secure insiders,” who benefited from the tax cuts and were shielded from the most adverse effects of the crisis; (ii) “outsiders” with unstable or no jobs, who were hit the hardest by the weakening of the welfare state; (iii) “vulnerable insiders,” who had a job but were employed in sectors subject to intense competition from low-wage producing countries and automation.

The authors then examine the implications of the reform and macroeconomic shocks for support of far-right parties. Controlling for municipality fixed effects, they find a significant correlation between the welfare cuts and voting for Sweden Democrats, whose vote share rose from less than 2.9 percent in 2006 to 12.9 percent in 2014 (and 17.5 percent in 2018).

The correlation between austerity and the rise of the far right is significant, even controlling for the direct impact of the crisis. A one standard deviation higher share of vulnerable insiders led to a 2.5 percentage point

higher vote share for Sweden Democrats. Moreover, a one standard-deviation increase in the income gap between insiders and outsiders was associated with a 1 percentage point higher vote share for the far right. Why didn't voters return to the mainstream-left Social Democratic Party, which had ruled Sweden for most of the past eight decades and favored an active welfare state? The authors address this question using a unique dataset that covers all local politicians and provides information on their income, occupation, and family background. They show that the politicians from the parties (on both the left and the right) are much more likely to be secure insiders, while Sweden Democrat politicians are more likely to be outsiders and vulnerable insiders. The latter are especially likely to represent Sweden Democrats in austerity-hit districts, suggesting that the populist party strategy chooses its candidates for local elections.

5.3.3 *Redistribution*

The importance of austerity for the rise of populism implies the need for empirical work assessing the role of redistributive policies in countering populism.³¹ A recent paper by Caprettini, Casaburi, and Venturini (2019) examines the electoral impact of a flagship redistributive policy of Italy's Christian Democratic party after WWII. The policy aimed at slowing the rise of communism by redistributing land in specific areas. Employing a panel spatial-regression discontinuity design, the authors compare voting dynamics just inside and outside the policy's boundaries. The Christian Democrats' vote share rose sharply and immediately in towns experiencing redistribution. The

effects were substantial. In the first post-reform elections, the Christian Democrats gained 4 percentage points (the mean in the nontreated areas was 35 percent). These gains were mirrored by the losses of the Communist Party. The gains persisted for 40 years. The authors show that people in treated areas vividly recalled the reform many years later. Moreover, evidence shows that Christian Democrats continued investing in these areas once the benefits started to wane. Little evidence exists on differences in beliefs and norms. While we need more case studies, these results hint that the broad redistribution policies that many European countries implemented after the World War II have contributed to the consolidation of democracy and protection from radicalism.

Albanese, Barone, and de Blasio (2022) study a more recent episode of redistribution. They examine the impact of EU transfers to Italian municipalities from 2007 to 2013. Using regression discontinuity design, they show that eligibility for these EU transfers reduces the populist vote in the 2013 election by about 3 percentage points.

5.4 *Summary*

Adverse economic shocks, like the Great Recession of 2008–09 and the subsequent 2010–12 crisis in the European periphery, provided fertile ground for populist leaders. The evidence on the political implications of these crises is in line with the takeaways from research on the Great Depression—interest in which has naturally increased in recent years. However, some important questions remain open. First, most studies are “reduced form” and do not pin down the exact channels driving the relationship between crisis and populism. But the few studies that do pin it down point to the importance of the impact of the crisis on attitudes and beliefs, especially on trust in political institutions. Second, it is not clear why nationalist, far-right parties gain the most,

³¹On the impact of redistribution on the reelection of incumbents, see, among others, Zucco (2013); Manacorda, Miguel, and Vigorito (2011) and Bechtel and Hainmueller (2011). These studies show nontrivial electoral gains that are, however, short lived.

while redistribution-oriented left-leaning parties are less successful. This pattern implies the need to study the noneconomic forces; we discuss this research in the next section. Third, a handful of studies explore the role of redistribution and social safety nets in protecting societies from populist leaders. As the world prepares for the post-COVID-19 era, it is important to assess the impact of the size and structure of the welfare state on social cohesion and populism.

6. *Identity, Status, and Culture*

Cross-border trade, automation, crisis, and austerity may not fully explain the rise of populism (Margalit 2019). In recent years, the populist narrative is evidently related to cultural aspects such as identity, political distrust, and nationalism. In this section, we discuss the noneconomic explanations of populism. First, we describe the main arguments related to cultural backlash, social capital, and other noneconomic factors. Second, we review the empirical evidence. Third, we discuss theoretical research on the role of cultural factors and on the interaction between cultural and economic factors.

6.1 *The Argument*

People care deeply about nonmonetary factors such as identity, fairness, morality, equality, and status (see Alesina and Angeletos 2005, Bénabou and Tirole 2006, Di Tella and MacCulloch 2009, Enke 2020, and Guriev 2018, among many others). The rise of populism may be driven by perceptions that elites neglect these important issues.

Cultural Backlash.—Norris and Inglehart (2019) argue that the rise of populism reflects the rejection of “progressive” values, preferences, and beliefs that “liberal elites” promoted during the past several decades’

“Silent Revolution.”³² The empowerment of women, support for underprivileged ethnic, racial, and religious groups, the protection of minorities, and cultural globalization have transformed societies. This, however, has made formerly “dominant” groups (e.g., White men) feel endangered and isolated and fear that their identity is under attack. It may not be surprising, therefore, that people with traditional values support populists who promise to fight the expansion of liberal values and political correctness (see Fukuyama 2018, and Noury and Roland 2020).

Ideology.—Mukand and Rodrik (2018) highlight the role of ideas in political economy. They distinguish two broad sets of political ideas: “worldview politics” and “identity politics.” Worldview politics tries to shape voters’ views on the links between policies and outcomes. Identity politics focuses on changing voters’ perceptions of who they are. By discussing pride and victimhood, identity politicians influence voters’ choice of their group identity. In the authors’ framework, these two kinds of ideational politics reinforce each other, which helps explain why low-income voters may support a right-wing politician who advocates less redistribution.

Religion.—The far-right, nationalist vintage of contemporary populism is often linked to religion. PiS and FIDESZ claim that their main goal is to protect Christian values. Trump has tweeted “We want God” and gets photographed in churches holding the Holy Bible. The effort of (populist) politicians to appeal to religious conservatives is not new. The populists of the US People’s Party placed religion at the core of their agenda. Besides being fierce churchgoers,

³²Inglehart (1971) introduced the Silent Revolution concept, arguing that post-World War II economic growth would bring an intergenerational shift toward postmaterialist values.

populists drew on Methodist networks, had a strong anti-Catholic ideology, and argued that their movement was a “cooperative crusade.” Dehanas and Shterin (2019) and Marzouki, McDonnell, and Roy (2016) provide a collection of case studies on right-wing populist parties seeking to mobilize religious conservatives.

We can distinguish various channels linking religion and populism. First, populists use religion to shape group identity. Religion markers appeal to populists’ division of society into moral people and corrupt elites: “we, the pure and righteous, and they, the impure and undeserving.” This grouping relates to Brubaker’s *Christianism* idea, which relates Christianity to belonging rather than believing. In addition, Oliver and Wood (2014) show that support for ideological conspiracy theories, which is especially strong for ultra-conservative voters, is strongly correlated with an attraction to Manichean narratives. Second, there is an analogy between the worldview of some religions and the populist leader’s messianic self-image—related to modern populism’s anti-pluralism. Third, religiosity may be correlated with the anti-science views supported by many populists. Bénabou, Ticchi, and Vindigni (2015, 2020) document the relationship between religious views and church attendance, on one hand, and skeptical attitudes toward science, technology, and innovation, on the other.

Moral Values.—Sandel (2005) and other political philosophers emphasize morality, arguing that successful politicians embrace values that voters care about, like loyalty. As we discuss below, Enke (2020) provides compelling evidence that the rise of populism is related to the gradual shift of Americans’ moral values away from universalist and toward communal ones.

Status Loss—In her influential analysis of the 2016 US presidential election, Mutz

(2018) argues that Trump supporters were not driven by “pocketbook” concerns but rather by the threat to their status within the society—and to US global dominance. Trump was successfully conveying the message of reestablishing past status hierarchies. This argument sounds plausible, as the recent wave of populism goes hand in hand with the rise of traditional values and nationalism rather than promises of large-scale redistribution.

Social Capital.—A distinct cultural explanation focuses on the role of social capital, civicness, and trust. Algan et al. (2018), Boeri et al. (2018), and Giuliano and Wacziarg (2020) argue that social capital helps cope with economic shocks; thus, it may slow the spread of populist views.³³ Social connectedness has declined in recent decades. As Putnam (2000) puts it, Americans have increasingly been “Bowling Alone” and the importance of loneliness for supporting the politics of intolerance dates back at least to Hannah Arendt. Deteriorating social capital and alienation make the “left-behind” stressed, isolated, and more likely to blame the “elites.”

6.2 *Empirical Evidence*

6.2.1 *Identity and Cultural Backlash*

Identifying the causal impact of culture on the recent rise of populism is challenging. Almost by definition, cultural factors are persistent over time. It is, therefore, unclear why they have suddenly risen to prominence in recent years. Proponents of cultural explanations put forward two alternative theories: “culture *plus* economics” and “culture *times*

³³Algan and Cahuc (2014); Durlauf and Fafchamps (2005); and Guiso, Sapienza, and Zingales (2011) provide detailed surveys of research on social/civic capital. Alesina and Giuliano (2015) and Fernández (2011) review the literature on culture and institutions and culture and economic performance, respectively.

economics” (Gidron and Hall 2017, refer to them as “additive” and “interactive”).

The culture-plus-economics view suggests that slow-moving cultural features enabled the gradual rise of anti-liberal values, political distrust, and nationalism, empowering populism. Economic insecurity related to automation, cross-border trade, and the crisis added a relatively minor contribution. Margalit (2019) argues that economic explanations have “outcome significance” but not “explanatory significance,” while the opposite holds for cultural aspects. He argues that economic reasons account for a few percentage-point increase of the vote share of UKIP (and Brexit) or Trump. At the margin, these economics-driven additional votes may be decisive. For example, empirical studies suggest that trade globalization, the crisis, and austerity have shaped the Brexit referendum outcome. However, even if the economic factors explain jointly 10 percentage points (a generous assessment), deeper cultural—and perhaps historical—factors must explain the remaining 42 percentage points of leave’s 52 percent vote share.³⁴ Likewise, economic factors explain a relatively small portion of populism-related individual attitudes and beliefs (Gidron and Hall 2017). Norris and Inglehart (2019) document correlations consistent with the culture-plus-economics view. In their pooled regressions using ESS, economic and cultural factors both correlate with populist voting and attitudes. Although cultural proxies have a higher explanatory power, repeated cross-sectional tabulations do not allow for a causal interpretation.

The culture-times-economics view asserts that recent economic shocks *triggered* dissatisfaction with the status quo, leading to

(re)emergence of identity politics alongside preexisting cultural fault lines. Economic and cultural factors reinforce each other. Providing descriptive evidence, Inglehart and Norris (2017) argue that economic considerations are instrumental in the timing of the cultural backlash. Elites benefited disproportionately in the past several decades, while median wages stagnated. Rising inequality activated the backlash against the Silent Revolution, leading to a “Silent Revolution in Reverse.”

Cerrato, Ferrara, and Ruggieri’s (2018) analysis of the US presidential elections in 2008, 2012, and 2016 supports the culture-times-economics view. The China shock triggers an anti-immigration and anti-minorities backlash, which bolsters support for conservative anti-trade Republicans (as Che et al. 2020 document for the post-2010 period). CZs with higher import penetration express more negative attitudes toward Asians, Hispanics, and Muslims (but not African Americans). The economic shock triggers identity issues, boosting populism. Textual analysis of candidate speeches reveals that Trump was the only Republican candidate who was more protectionist than his Democratic opponent; Trump was also the most anti-immigration candidate among all his Republican predecessors. Autor et al. (2020) also support the economics-times-culture view: the China shock boosts Trump and conservative Republicans’ support *only* in CZs with (non-Hispanic) White majorities. Colantone and Stanig (2018c) produce similar evidence for Europe. Respondents in regions hit hard by Chinese imports are less supportive of democratic institutions and less likely to hold liberal values; in these regions, respondents favor strong leaders and express concerns about immigrants’ cultural impact.

The extreme version of the culture-times-economics view implies that cultural factors fuel support for populism only if

³⁴There is an important counterargument to Margalit’s (2019) logic. He ascribes all time-persistent variation to cultural factors, although part of persistent variation may be due to (slow-changing) economic factors. In most empirical analyses of the economic drivers of populism, (regional) fixed effects absorb slow-moving economic factors.

activated by economic shocks. This is not always the case: populists sometimes manage to take advantage of preexisting cultural divides, even without any economic dislocations. The story of the Austrian Freedom Party (FPÖ) is illustrative (Ochsner and Roesel 2019). Until a leadership change in 2005, FPÖ had used neither anti-Turkish nor anti-Muslim rhetoric. The new FPÖ leader, Heinz-Christian Strache, brought the Ottoman sieges of Vienna in 1529 and 1683 to public memory. Before 2005, there were no significant differences in anti-Muslim sentiment in Austrian municipalities that were pillaged during the sieges versus non-pillaged ones. By 2008, 32 percent of respondents in pillaged municipalities said they did not want to have a Muslim neighbor—only 20 percent in nonpillaged municipalities said so. The resulting increase in FPÖ's vote share was not dramatic—1 to 2 percentage points (in the 2008 general election, FPÖ received 18 percent), partly because the center-right party, ÖVP, also adopted anti-immigration rhetoric and managed to expropriate the “Vienna siege” gain from the FPÖ. In the 2017 election, ÖVP did better—by 1 percentage point—in pillaged villages (at the expense of FPÖ).

Similarly, Cantoni, Hagemester, and Westcott (2019) document a significant correlation between AfD vote share in Germany's 2017 elections and the vote share of the Nazis in the 1933 elections. The correlation is statistically indistinguishable from zero in the 2013 elections, when the party had not yet moved to the far right. There is no evidence that the history of anti-Semitism interacts with unemployment or trade shocks.

6.2.2 *Moral Values*

Enke (2020) examines the demand for and supply of moral values in recent US presidential elections. Building on insights from psychology (namely, the moral foundations

theory), the author develops a scalar measure of the relative importance of “universalist” versus “communal” values, then uses this measure to evaluate the moral values of both voters and politicians (based on textual analysis of their speeches). Universalist values, like justice, individual rights, impartial fairness, and avoidance of externalities share the key characteristic that they apply no matter the context or identity of the people involved. Communal or particularist moral values, like loyalty, betrayal, respect, and tradition, are tied to certain relationships or groups.

The textual analysis of the speeches in the US Congress between World War II and 2016 demonstrates the divergence of the two parties' moral appeal since the 1960s, with Democrats increasingly stressing universalist moral concepts. The textual analysis of 2016 presidential candidates' speeches shows that Trump's moral language is the most communal of all candidates, including his rivals in the Republican primaries. The author shows that the difference in moral language between the 2016 Republican and Democratic presidential candidates is striking compared to earlier presidential elections. Enke also uses a self-implemented nationally representative survey of 4,000 voters to analyze the association between individual morality and voting. The respondents' relative importance of universalist versus communal values correlates negatively with (i) voting for Trump, rather than Clinton, in the presidential election; (ii) the difference in the propensity to vote for Trump as compared to Romney and McCain; and (iii) voting for Trump in the Republican primaries. These correlations remain significant when Enke controls for a rich set of individual characteristics and county fixed effects. Similar patterns apply across counties. Moral values explain a larger fraction of voting variation than socioeconomic factors such as income, crime, redistribution preferences, and religiosity. Finally, Republicans

fare better in counties that have become more communal from 2008 to 2016. (During this period, Americans have become more communal on average, especially in rural areas.)

6.2.3 *Loss of Status*

Mutz (2018) studies the 2016 US presidential election using cross-sectional voting data and a nationally representative panel of voters, surveyed in October 2012 and October 2016. The latter helps the author identify voters switching from Obama to Trump. She argues that switchers are mostly concerned with the threat of loss of status, with economic hardship playing a secondary role. However, tabulating the same data, Morgan (2018) argues that economic explanations are at least as important as those related to the threat of status loss. The first difference between Mutz (2018) and Morgan (2018) regards the interpretation of international trade: Morgan views it as primarily economic, Mutz as social. The surveys suggest that in 2016, US voters were slightly more anti-trade and *pro*-immigration than in 2012; both changes are in the 0.3–0.4 range on a 1–7 scale (Mutz 2018). The anti-trade shift is strong for Republican voters, with no change among Democrats.³⁵ As Morgan (2018) shows, the change in economic attitudes (including trade) accounts for two-thirds of the total explained variation in the switch. The second difference regards education, which captures both income and social status. Mutz (2018) focuses on the “education gradient,” the additional votes

³⁵The *pro*-immigration shift is recorded among Democrats and Republicans both (but is stronger among Democrats). The support for inclusive immigration policy is not inconsistent with Norris and Inglehart’s (2019) silent-revolution conjecture. Young cohorts are more likely to adopt liberal values, increasing support for immigration. This may contribute to the cultural backlash if older generations maintain traditional values.

Trump received among Americans without a bachelor’s degree relative to those with a degree. Among all voters, the education gradient is 20 percentage points—of which 14 are explained by economic factors (once trade is reclassified as an economic factor).

Gidron and Hall (2017) also examine the loss of status using data covering 15 developed countries from the International Social Survey Program (ISSP). They argue that subjective social status (self-reported placement on a ten-point social ladder) is a *channel* through which economic and social factors affect populism. The correlation analysis shows that individuals with lower subjective social status are more likely to vote for the populist right. However, as the data come from repeated cross-sections, it is hard to produce a rigorous evaluation of the relative contribution of economic and cultural drivers. The authors speculate that economic and cultural issues are likely to interact rather than to add up.

6.2.4 *Social Capital*

The rise of populism goes hand in hand with a crisis of trust. Algan et al. (2017) show that regional unemployment shocks increase both distrust in political institutions and support for populists. Using ESS data, Boeri et al. (2018) find a negative correlation between membership in civic associations and voting for populist parties, controlling for respondents’ economic situation (see also Dustmann et al. 2017).³⁶ The correlation is significant both before and after the crisis, but it is stronger after 2008, most likely because social capital helps to cope with the crisis. Likewise, Giuliano and Wacziarg (2020) document a negative correlation between social capital (measured either by

³⁶Papaioannou (2020) presents correlations between populist voting and distrust toward institutions, which he interprets via the lens of Besley’s (2020) model on the coevolution of civicness and state capacity.

density of memberships in civic, religious, and sports organizations or by generalized trust) and support for Trump in 2016.

Algan et al. (2018) use a monthly panel of 17,000 French voters to study the role of social capital in the 2017 presidential election, where both extreme left (Mélenchon) and extreme right (Le Pen) candidates did well. Voters with low interpersonal trust were more likely to vote for Le Pen. In contrast, Mélenchon voters had high levels of trust—similar to those of the voters for Emmanuel Macron and somewhat higher than those of François Fillon voters. While Le Pen and Mélenchon voters have similarly low levels of income and life satisfaction, they differ greatly in their preferences toward redistribution: Mélenchon voters strongly support redistribution, Le Pen voters reject it.³⁷ The authors link preferences for redistribution to the large differences in social capital (trust): Le Pen voters do not trust others and therefore, do not want the state to fix injustices. Algan et al.'s (2018) findings suggest that the overall populist vote is related to the economic shocks, but its split between extreme-left and far-right parties reflects deeper cultural traits.

Like other cultural factors, social capital is persistent. It is not surprising, therefore, that studies using administrative and survey data produce correlational evidence. To identify causal effects, economists rely on

³⁷While Le Pen's National Front favored redistribution much less than other parties, it has been shifting to the left in economic terms. Ivaldi (2015) analyzes the National Front's manifestos since the 1980s and finds that in 2007–12 the party became less economically liberal, more economically egalitarian, and more supportive of welfare policies. Ivaldi explains this shift by attempting to attract the median voter after the global economic crisis—somewhat consistent with the culture-times-economics view. See also De Koster, Achterberg, and Van der Waal (2013) and Schumacher and Van Kersbergen (2016) for an analysis of the populist right's opportunistic transition from *welfare populism* ("the poor do not deserve support") to *welfare chauvinism* ("the natives deserve more support but immigrants do not").

randomized experiments with informational treatments that affect political social trust. Di Tella, Dubra, and Lagomarsino (2016) run randomized controlled experiments to study the role of trust in government and business on redistribution preferences in the United States. Distrust in government is inversely related to redistribution preferences, a pattern that may explain the rise of far-right populism. Alesina, Stantcheva, and Teso (2018) show that a substantial share of low-trust Republican voters believes that the government should play no role in mitigating falling intergenerational mobility. Kuziemko et al. (2015) show that low trust could explain the somewhat paradoxical result that while many voters care about inequality, they are skeptical about government policies to tackle it.

6.3 *Theoretical Explorations*

As the recent reincarnation of populism hinges on identity rather than on redistribution, the traditional median-voter approach to modeling political conflict between the left and the right needs to be revisited. Recent theoretical research on populism departs from the classical paradigm (Acemoglu, Egorov, and Sonin 2013), adding models of social identity and multidimensional political calculus. Economic theory is increasingly drawing on political science and social and cognitive psychology (in particular, Tajfel's (1974) social-identity theory and Turner et al.'s (1987) self-categorization theory). Identity has been discussed by economists at least since Akerlof and Kranton (2000, 2010), but now this work is taking a central role in political economy (Shayo 2020, surveys this literature).

Recent research recognizes that individuals have several identities (e.g., gender, race, occupation, region, religion) and, therefore, can choose which identity to prioritize. Shayo (2009) models this choice as a trade-off between gains from group status in society

and costs of joining the group related to distance from the other members of the group. Therefore, the formation of social identity is endogenous to economic factors. This creates a two-way relationship: economic shocks affect the choice of identity; in turn, identity affects voting and political change, shaping economic policy. While Shayo (2009) initially applied this framework to redistributive taxation, Grossman and Helpman (2021) use it to understand trade policy. A change in the economic environment (e.g., terms of trade) may bring a discrete shift in people's self-identification as "workers" against the "elites" and a resulting discrete increase in protectionism. Starting with heterogeneity by skills, they show how endogenous identity may result in polarization (of low-skilled workers against high-skilled elites) and the rise of populism.

Gennaioli and Tabellini (2019) develop a model with endogenous social identities, adding multiple political cleavages (economic left versus economic right, open versus closed, culturally liberal versus conservative).³⁸ The authors emphasize that social identity reflects the salience of the issue that may change due to economic shocks and allow for identity-based cognitive biases.³⁹ Under some conditions, a political equilibrium emerges where the left–right divide is replaced by a liberal–conservative or an open–closed one. They also show how identity politics results in polarization of beliefs and of voting. This is similar to Karakas and Mitra (2018), who apply identity politics theory to immigration policy. Voters filter information through the lens of their identities—which results in polarization. Levy, Razin, and Young (2022) assume

that some citizens hold oversimplified views of reality (ignoring certain relevant facts). Although their world view is incorrect, they occasionally win elections against rational citizens in a dynamic citizen-candidate model with learning. Once in power, the citizens with a misspecified model choose extreme and ineffective policies. Besley and Persson (2019) consider a dynamic setup, where voters' beliefs change over time—which results in endogenous party/group formation. The main drivers of change are economic outcomes and the salience of the noneconomic dimension (for example, preferences about immigration).

Bordalo, Tabellini, and Yang (2020) show that beliefs and views held by Republicans and Democrats are not very dissimilar, yet voters exaggerate these differences, especially on issues that individuals consider more important. The authors then develop a salience theory of stereotypes that explains (perceived) ideological polarization and populism. They further show that distortions on social beliefs and values became more salient after the fall of the Iron Curtain, which shifted Americans away from external threats. The reverse happened after 9/11—the terrorist attack in New York City switched people's attention back to foreign affairs.

Cultural issues related to identity, and cognitive biases are certainly essential for understanding modern populism. Nonetheless, Buisseret and Van Weelden (2020) show that populist challengers to the establishment may emerge even in a traditional voting model with multiple dimensions of preferences. They consider two parties organized around left–right cleavage, but there is also a division within each party along the open–closed axis. The distribution of voters' preferences is uncertain. The two-dimensional nature of political conflict creates an opportunity for an outside politician to run, either as a third-party challenger (an equilibrium when the electorate is not too polarized)

³⁸Grossman and Helpman (2021) also consider a model extension with a second dimension of identity based on race/ethnicity.

³⁹This approach follows the salience paradigm developed by Bordalo, Gennaioli, and Shleifer (2012, 2013, 2016).

or in an internal primary (if polarization is high). The outsider creates a significant challenge for party elites. While the elites prefer an establishment candidate, they understand that blocking an outsider from a primary may result in a third-party challenge with the outsider who would draw anti-globalist voters from both the left and the right. This result is similar to Besley and Persson (2019), where a new anti-immigration party emerges when economic polarization is not too high. In Agranov, Eilat, and Sonin (2020), high inequality results in the breakdown of trust between the public and the elite: the public knows that the elite is better informed but prefers to ignore the elite's proposals.

6.4 Summary

Many cultural explanations of the recent rise of populism seem plausible. Yet, well-identified empirical analysis is scant. By definition, culture is persistent; it is therefore hard to identify causal relationships, explaining the role of culture in the fast growth of populist appeal in recent years. Theoretical work has successfully modeled interactions between culture, economics, and support of populism, but testing these relationships empirically is hard. We expect more work in this area, as economists are increasingly studying culture to explain politico-economic phenomena and as the use of insights from social psychology and other neighboring disciplines is becoming more common.

7. Immigration

In this section, we turn to the roles of immigration and the recent refugee crisis. Immigration is an economic and cultural issue; populist leaders have exploited both angles. We first discuss the main immigration patterns and summarize the key takeaways regarding its impact on labor markets. Second, we review studies documenting large discrepancies between reality and people's

perception of immigrants' share, origin, and education. Gaps between perception and reality are crucial for understanding the rise of populists, who skillfully take advantage of stereotypes and further distort people's views. Third, we discuss studies exploring the impact of immigration and refugees on support for populism.

7.1 Patterns

Immigration is a top agenda issue of today's populists. Some argue that immigrants take away jobs from native workers and suppress their wages. Others say that immigrants do not work and rely on the host country's generous welfare system. Many claim that immigrants' values and social norms are incompatible with those of the host country, posing an existential threat to its identity and culture.

Immigration has always been a sensitive issue. Its salience, though, has increased in recent decades. While the share of international migrants in the world population has increased only slightly, from 2.9 percent in 1990 to 3.3 percent in 2015, advanced economies have experienced much faster growth (see figure 13). The share of international migrants as a share of population in OECD (high-income) countries has increased from 6 percent (8 percent) in 1990 to 10 percent (14 percent) in 2015; in North America, it has risen from 10 percent to 15 percent and in the EU from 6 percent to 11 percent.

Growth of cross-border migration reflects both "push" (supply) and "pull" (demand) factors. Industrial countries face demographic challenges; therefore, attracting working-age population may be economically beneficial and help sustain "pay-as-you-go" pension systems. The increase in supply reflects declining costs of cross-border migration. Transportation costs are falling, as are information asymmetries. Furthermore, contrary to conventional wisdom, income growth in sending countries also fosters migration, as the relationship

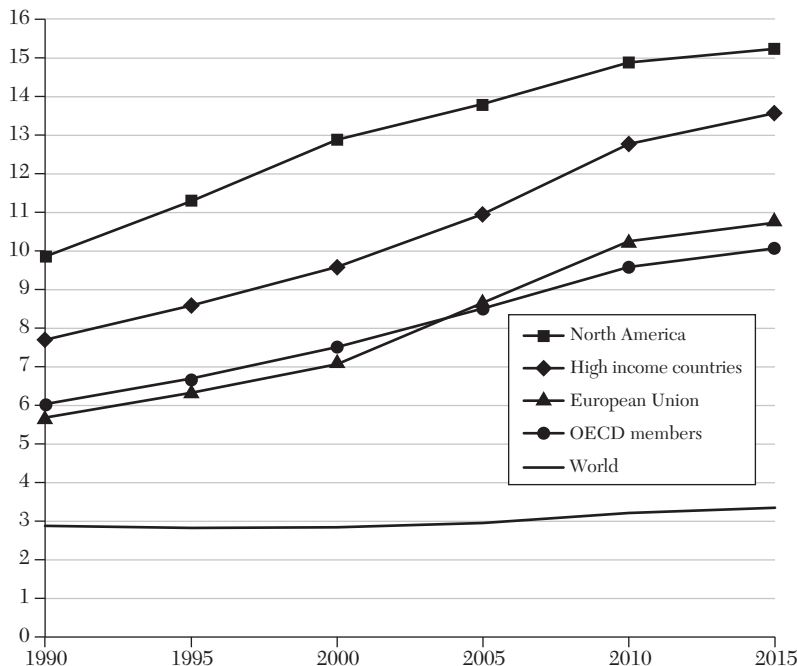


Figure 13. International Migrant Stock, as a Percentage of Population

Note: International migrant stock is the number of people born in a country other than that in which they live, including refugees.

Source: UN Population Division.

between development and emigration is nonlinear (e.g., Docquier, Peri, and Ruysen 2014; Dao et al. 2018). As sending countries move from low- to middle-income, a greater share of their population has means to cover the migration costs.

In Europe, this secular growth of immigration has been complemented by the acute shock of the 2015–16 Syrian refugee crisis (see figure 14). The number of Syrian refugees in Europe is small—relative to both the EU population and to the total number of Syrian refugees and internally displaced persons. However, the abrupt spike in 2015 placed the refugee crisis at the center of political debate. For example,

despite only a handful of Syrian refugees reaching the United Kingdom, this issue was very salient during the Brexit referendum campaign.

Extensive research has been conducted on the economic effects of immigration on wages, employment, innovation, and productivity. The evidence implies that immigration's aggregate economic impact on receiving countries/regions/communities is likely to be positive (Peri 2016). On the other hand, immigration creates both winners and losers. If immigrants directly compete in the labor market with specific groups of native workers, the latter suffer (Borjas 2014). This suggests

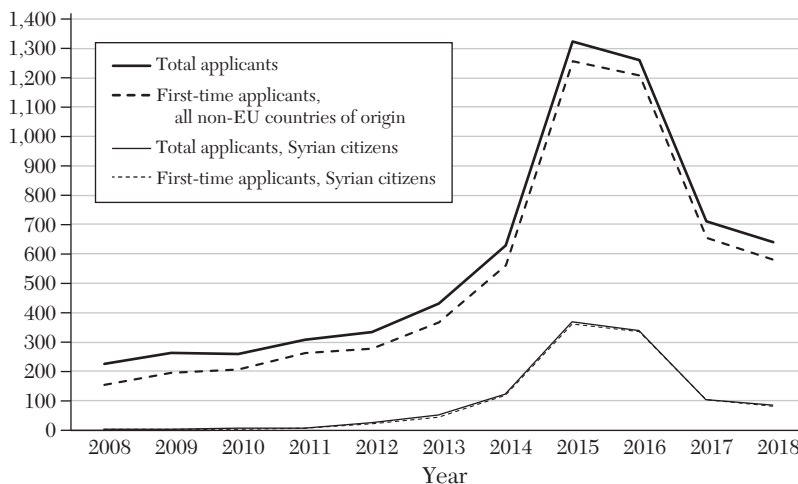


Figure 14. Asylum Applications in the EU-28 by Non-EU Citizens (thousands)

Notes: Total: in 2008–14, Croatia not available. First-time applicants: in 2008, Bulgaria, Greece, Spain, France, Croatia, Lithuania, Luxembourg, Hungary, Austria, Romania, Slovakia, and Finland not available; in 2009, Bulgaria, Greece, Spain, Croatia, Luxembourg, Hungary, Austria, Romania, Slovakia, and Finland not available; in 2010, Bulgaria, Greece, Croatia, Luxembourg, Hungary, Austria, Romania, and Finland not available; in 2011, Croatia, Hungary, Austria, and Finland not available; in 2012, Croatia, Hungary, and Austria not available; in 2013, Austria not available.

Source: Eurostat.

that the political implications of immigration may be context-specific and depend on the skill composition of migrants and natives.

Populists not only stress the adverse economic effects of immigration on selected categories of workers, they also emphasize issues related to security and crime, the costs to the social welfare system, and cultural differences. The political implications of the immigration-driven cultural concerns are also likely to depend on the scale and composition of migration flows. If migrants are culturally similar to natives (e.g., Ukrainians in Poland), the real or perceived threat to identity may be less salient. Even if migrants are different, local communities may be more welcoming toward a

smaller number of migrants or refugees, as they are more likely to integrate. The “contact theory” (Allport 1954) suggests that actual contact with migrants and refugees increases empathy and reduces support for xenophobic politicians.

7.2 Perceptions versus Reality

While advanced economies have received a substantial number of immigrants in recent decades, actual immigration is much smaller than what the public perceives. Alesina, Miano, and Stantcheva (2019) run extensive surveys in France, Germany, Italy, Sweden, the United Kingdom, and the United States and find that migrants’ stocks are perceived to be two or three times as large as

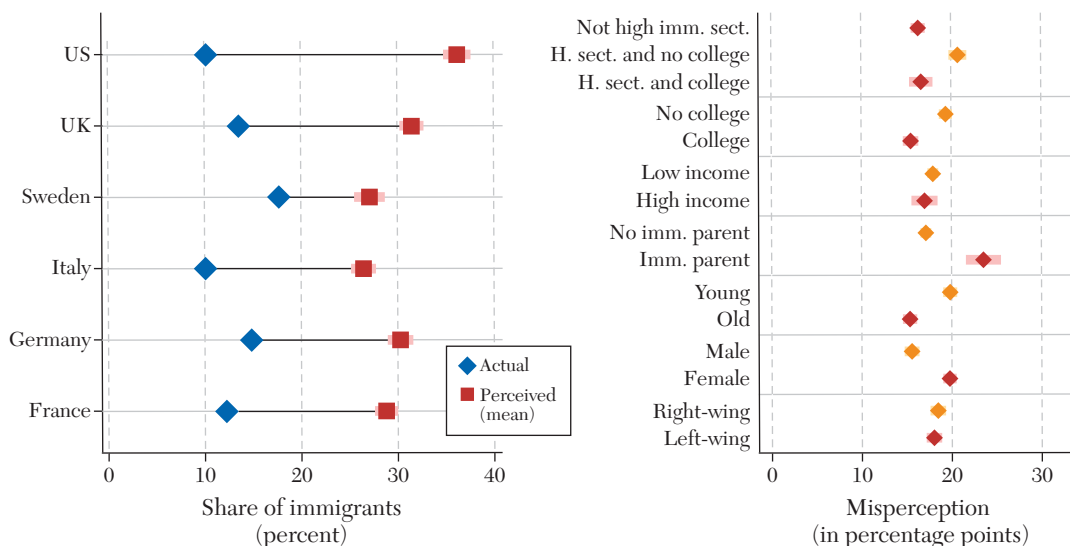


Figure 15. Perceived and Actual Levels of Immigration

Notes: The left panel shows the average perceived share of immigrants in the country and the actual share. The right panel shows the average misperception (perceived minus actual share) of the share of immigrants by groups (defined by the characteristics listed to the left). The shaded areas are 95% confidence intervals around the mean.

Source: Alesina, Miano, and Stantcheva (2019), figure 6.

the actual levels (figure 15). For example, Americans believe that immigrants are more than 35 percent of the population, while the actual number is about 10 percent (Ipsos surveys find similar results in other advanced economies; Duffy 2018). The perceptions of composition of migrant population are also distorted. For example, Italians and Swedes believe that one in two immigrants is Muslim, while the actual share of Muslim immigrants is around 30 percent. UK citizens believe that only 25 percent of immigrants have a college education, while actually 50 percent do. Figure 15 further documents that the biases are substantial across all categories of respondents.⁴⁰

⁴⁰Likewise, Alesina, Stantcheva, and Teso (2018) document considerable differences between perceptions and

The overestimation of the scale of immigration helps explain the central role of immigration in political debate. Where do these gaps between perceptions and reality come from? Theories of endogenous social identity (discussed in section 6.3) predict that the salience of a political issue may bias beliefs on the topic and increase political polarization. Individuals identifying with a group slant their beliefs toward their group and against those of the respective outgroups. The socio-economic shocks may make a new issue, such as immigration, more salient, replacing the old political cleavage (e.g., the left

reality regarding social mobility, which strongly relates to political ideology. Alesina, Miano, and Stantcheva (2020) document a related striking polarization of Americans' beliefs.

versus right divide regarding redistribution) with a new one (e.g., open versus closed) and forming new identities and biased beliefs on the issue. For example, Barrera et al. (2020) show how immigration's salience draws support for Le Pen even though voters understand that she misrepresents the facts.

The perception biases raise a major challenge when studying the relationship between immigration and populism. Most researchers use data on actual immigration flows, which may not capture the salience of the topic. Research on perceptions usually employs surveys and randomized controlled experiments. In the latter, informational treatments affect participants' beliefs and attitudes toward immigrants and affect self-reported support for populist politicians. Both methods have pros and cons. Studies with "actual" immigration data cannot observe perceptions (perception surveys are conducted after the immigration shocks). Studies of perceptions observe neither real-world exposure to immigration nor ultimate vote outcomes.

7.3 Empirical Evidence

The relationship between immigration and populism is multifaceted and challenging to identify. Empirical analysis of this relationship has to address an array of endogeneity issues. First, there is reverse causality: potential immigrants may avoid areas with anti-immigrant attitudes; the resulting spurious correlation may erroneously suggest that immigration decreases populism. This is not an abstract possibility, as support for populist politicians and parties is considerably lower in cities and urban hubs, where immigrants are likely to work. Second, there are obvious concerns related to omitted variables. Many factors may affect immigration, employment opportunities, and political attitudes at the same time. The large urban–rural gap in populist support (e.g., Dijkstra, Poelman,

and Rodríguez-Pose 2020), immigration, and development is likely to be explained by dozens of important variables. Third, measurement error is likely to be non-negligible, since perceptions are correlated with socioeconomic characteristics and political preferences. In addition, migrants, by definition, often move, making their assignments to localities tricky. Fourth, the effects of immigration are heterogeneous depending on the composition of migration flows and characteristics of the host community.

The literature employs two primary identification schemes to address these challenges. First, some studies exploit quasi-random variation in the allocation of migrants and refugees to communities by central authorities. Second, because immigrants tend to move into areas where earlier generations from their country of origin settled, some studies use a "shift-share" empirical design, where historical settlements across regions are interacted with the overall migration inflow (see Card 2009, and Angrist and Krueger 1999).

7.3.1 Immigration Increases Vote Share of Populist Parties

A few studies document that in some contexts, immigration increases populist support. Dustmann, Vasiljeva, and Piil Damm (2019) show that the Danish government's quasi-random assignment of refugees from 1986 to 1998 increased anti-immigrant voting in small municipalities but reduced the anti-immigrant vote in large cities. Barone et al. (2016) find that Berlusconi's Forza Italia gained support in regions with higher immigration (instrumented by earlier immigrants' settlements from the same country). Employing a similar identification strategy, Halla, Wagner, and Zweimüller (2017) find a positive impact of immigration on the vote share of Jörg Haider's far-right Freedom Party (FPÖ) in Austria. Likewise, Edo et al. (2019) find that immigration (especially

inflow of low-skilled workers from non-Western countries) increased the vote share of far-right presidential candidates in France from 1988 to 2017.

Becker and Fetzer (2016) show that the arrival of Eastern European migrants to the UK following its labor-market opening in 2004 boosted UKIP's vote share. Viskanic (2020) focuses on Polish immigrants, who constituted the largest inflow of workers from the European Union's new member states to the United Kingdom. He instruments the allocation of post-2004 Polish immigrants across the United Kingdom with the location of military bases, where the British government settled Polish officers fighting with the Royal Air Force during World War II. He finds that the greater influx of Polish workers after 2004 has a strong positive impact on the UKIP vote share.

An increasing number of researchers study the political impact of the inflow of refugees. Hangartner et al. (2019) and Dinas et al. (2019) show that the arrival of refugees on Greek islands, instrumented by proximity to the Turkish coast, increased the vote share of the far-right Golden Dawn party. Ajzenman, Aksoy, and Guriev (2022) show that exposure to refugee transit routes in 18 countries in Central and Eastern Europe decreases trust in political institutions and increases anti-migrant sentiments.

We noted earlier that immigration is not a new phenomenon. An interesting strand of the literature exploits increasingly accessible historical records and archives to analyze the impact of large historical episodes of migration. For example, Tabellini (2020) looks at European immigration across US cities between 1910 and 1930. Although American citizens benefited economically from immigration (via higher employment and industrialization), immigration led to the election of conservative legislators (who eventually voted to curb immigration) and lowered support for redistribution. The author further shows that

these patterns are stronger when linguistic and religious differences between established Americans and newcomers are considerable, pointing to the importance of cultural factors.

7.3.2 *Immigration Lowers Vote Share of Populist Parties*

Other studies produce opposite results. Colantone and Stanig (2018a) and Alabrese et al. (2019) show that EU immigration is negatively correlated with the leave vote in the Brexit referendum. Steinmayr (2021) shows that refugees' assignment to Austrian municipalities improved attitudes toward them and reduced the vote share of the far-right FPÖ party. (However, he also shows that exposure to refugees' transit increases support for the FPÖ, in line with Ajzenman, Aksoy, and Guriev 2022).

Vertier and Viskanic (2018) study the resettlement of refugees from the "Calais Jungle" migrant encampment to French municipalities. The assignment of refugees to a municipality reduced populist and nativist votes. Lonsky (2021) finds similar results in Finland, where a 1 percentage-point increase (68 percent of the mean) in immigrants in a municipality decreases the vote share of the anti-immigrant True Finns Party by 3.4 percentage points (68 percent of the mean).

7.3.3 *Emigration*

While most of the debate on the relationship between cross-border migration and populism focuses on immigration's economic and cultural impacts, in some countries it is *emigration* that plays a key role. For example, the exodus of East European workers may have created fertile soil for the rise of populism in the sending countries (Krastev and Holmes 2018). The brain drain undermines entrepreneurship and productivity growth. Emigration also accelerates depopulation, which raises concerns related to identity. In the past 30 years, some East European

countries have lost a quarter of their population; citizens are naturally worried that the continuation of the trend may threaten the very survival of their national language and culture. Balkan countries are also affected. European Bank for Reconstructing Development (2018) explores the link in its *Transition Report*, using data from 510 elections, during 2001–17 from 19 European countries. The regional analysis (across 160 subnational administrative units) does not detect a significant relationship between cross-border emigration and populist vote share. The relationship between emigration and the rise of populism thus remains an open question and requires further empirical research.

7.4 Taking Stock

While the studies of the relationship between immigration and the rise of populism use reasonably convincing identification strategies, they do not deliver unequivocal results. The evidence on the impact of immigration on populism is mixed, both in terms of direction of the effect and in terms of magnitudes. How can we reconcile these findings?

The first potential explanation is related to the substantial gap between perceptions and reality; the second regards the magnitude of immigration flows. When the number of refugees per native is small, the contact theory suggests that increased exposure to refugees increases empathy and reduces the populist vote. If flows are large, the fear of non-integration overcomes empathy. In Steynmair's study, only 1–1.5 refugees per 100 natives were assigned, on average, to Austrian municipalities. The Calais Jungle resettlement in France was, on average, similar. Vertier and Viskanac (2018) show that the impact of refugee resettlement on far-right vote changes sign at about 4 refugees per 100 natives: further increases raise support for anti-immigration populists. A median Greek

island received 250 refugees per 100 natives, so it is not surprising that there immigration led to higher far-right vote share. The third explanation is related to the distinction between settlement and transit. The contact theory implies that when refugees settle, contact promotes positive attitudes; this mechanism is unlikely to be present for refugees in transit.

The fourth explanation driving the differential political effects of immigration regards skill composition. Host communities may be more open to high-skilled immigrants. Moriconi, Peri, and Turati (2018) examine the role of immigrants' skills using data from 28 elections across 12 European countries from 2007 to 2016. Instrumenting immigration flows by prior settlement, they find that the arrival of high-skilled immigrants reduces the nationalist vote, while the influx of low-skilled immigrants has the opposite effect. Mayda, Peri, and Steingress (2022) carry out a similar exercise for the United States. They also find that high-skilled immigration reduces the Republican vote share in presidential elections, while low-skilled immigration increases it.

The results suggest that the relationship between immigration and the populist vote share is complex. Another open question is whether this relationship is driven by economic or cultural factors. Algan et al. (2017) show that voters in regions hit by an economic crisis are more likely to become critical of immigrants for economic rather than cultural reasons. Margalit (2019) acknowledges that immigration may affect voters' incomes, but points to studies showing that anti-immigration attitudes systematically arise among those whose jobs are not directly involved. Margalit interprets this as evidence of the "cultural" mechanism.⁴¹ He provides

⁴¹This per se is not inconsistent with Algan et al., who show that it is regional rather than individual unemployment that affects the populist vote. Even if a worker still

evidence—in agreement with Gennaioli and Tabellini’s theory—that the cultural divide may shift beliefs on economic insecurity.

8. *Communication, the Internet, and New Media*

We now turn to the role of new media in spreading populist messages. We first lay out the main argument linking populists’ narrative to their communication strategy via the internet and social media. Second, we discuss the growing evidence.

8.1 *The Argument*

The recent rise of populism has been contemporaneous to the expansion of mobile broadband internet and social media. History suggests that it may not be a coincidence: populists have always used new communications technology. In 1896, the US Populist Party’s presidential candidate, William Jennings Bryan, made unprecedented use of the railway and the telegraph (Eichengreen 2018). Decades later, the Nazis’ skillful use of radio contributed to their rise to power (Adena et al. 2015). One reason why successful populists have always relied on new media technology is straightforward: people often associate mainstream media with the elites and with the status quo. Hence, anti-

elite narratives are easier to promote outside the established media environment.⁴²

It is not surprising that Trump has been actively propagating his messages via Twitter, where he has about 87 million followers—more than any media organization. As traditional media outlets often turn to social media for story ideas, Twitter feeds and Facebook posts propagate both online and offline.⁴³

Zhuravskaya, Petrova, and Enikolopov (2020) survey the literature on the political effects of the internet and social media. Reviewing a plethora of studies, they argue that social media are more attractive to populists than previous communications technologies for several reasons. First, social media, by design, have practically zero barriers to entry. Any anti-elite entrant can launch an online campaign without substantial external funding. The low cost makes the anti-establishment narrative more credible—extensive financing would likely come from the elites. Second, “Internet 2.0” encourages two-way communications with the audience and immediate feedback. This environment appears more conducive for populist discourse—it emphasizes the populist leader’s direct (i.e., non-intermediated) reach to the “people.” Social media may further promote the idea of people’s homogeneity (rather than diversity), as their algorithms tailor news, tweets, and messages to match initial beliefs, cultivating a sense that there are “many people who think like us.” Confirmatory biases are therefore likely to be reinforced. In addition, populists claim that user-generated content is more likely

has a job, the rise in local unemployment affects his or her labor-market opportunities and quality of life in general. A similar critique applies to Adler and Ansell (2020), who show that support for Brexit and National Front is correlated with a decline in local housing prices. They argue that while for homeowners this effect reflects an economic shock, for non-homeowners, this correlation should be seen as a “geotropic” effect, which they interpret as evidence of the noneconomic drivers of populism related to the sentiment of local decline. However, Adler and Ansell (2020) find no significant effect for non-homeowners. Second, even if the geotropic effect were present, it could also be interpreted as an economic driver of populism: declining local prices do reflect lower economic opportunities in the future.

⁴²There may be a selection effect at work: populists who rely on mainstream communication technology are less likely to succeed; thus, only the populists who use new communication tools rise to the top.

⁴³Only one politician has more followers than Trump—his predecessor, Obama. However, Obama is much less active than Trump, for whom Twitter is the essential element of his communications strategy.

to reflect “true people.” Third, social media are well-suited for generating and disseminating simplistic (even if distorted and misleading) messages. Fourth, modern social media create “cyber-cascades,” which lead to a proliferation of falsehood-based narratives within “echo chambers” (Sunstein 2001, 2017). While there is no specific research on the issue, social media appear to be uniquely positioned in spreading conspiracy theories, which appear prevalent in the United States (Oliver and Wood, 2014). Fifth, there is an evident regulatory vacuum that allows the spread of fake news on social media.

8.2 Evidence

In an early contribution, Campante, Durante, and Sobbrino (2018) trace the political implications of the rollout of broadband internet across Italian municipalities in the twenty-first century. The identification strategy uses plausibly exogenous variation in broadband internet due to proximity to preexisting voice telecommunications infrastructure (which lowered the costs of connecting to high-speed internet). Increased internet access and use initially suppressed voter turnout; this lower turnout was more pronounced for potentially extreme voters. The authors attribute the negative effect on turnout by substitution of political information with entertainment. However, from 2008 to 2013, the negative impact on turnout was reversed. After 2008, the spread of the internet resulted in higher support for the populist Five-Star Movement, which consciously used online media to connect to voters; M5S got a larger number of votes in municipalities with higher broadband internet penetration.

Gurieva, Melnikov, and Zhuravskaya (2021) consider the impact of the expansion of mobile broadband internet on the rise of populism across 398 subnational regions

in 33 European democracies covering 102 elections between 2007 and 2018. The rollout of third-generation (3G) mobile telecommunications affects both left-wing and right-wing populist vote share. Over this period, the average European subnational region’s population with 3G access increased from 37 percent to 90 percent. The authors show that this increase in 3G coverage, by 53 percentage points, results in a 4.6 percentage-point higher vote share for the right-wing populists and a 3.6 percentage-point higher vote share for left-wing populists. The magnitudes are considerable, as the mean vote shares for the right-wing and left-wing populists in the sample are 13.6 percent and 6.5 percent, respectively. The authors find no relationship between 3G expansion and the vote share of non-populist opposition. They also fail to detect any association between increased 3G expansion and the rise of green parties. These results are consistent with the conjecture that green parties are qualitatively different from their populist counterparts: the greens’ message depends on scientific knowledge (hence it cannot be anti-elite) and sophisticated, rather than simplistic, narratives.

Liberini et al. (2020) examine the role of social media in the 2016 US presidential election campaign. They use data on Facebook advertising prices and show that microtargeting Facebook users has first-order effects on voting, especially when targeting is based on location, ethnicity, gender, and political orientation (following Facebook’s algorithm). They find that microtargeted ads reduced turnout among Clinton supporters, whereas they increased turnout and support for Trump among targeted moderates and less-informed voters.

How and why do populists benefit from the spread of modern online media? There is growing evidence that social media make it easier to disseminate false news and xenophobic stereotypes, enhance polarization,

and create echo chambers.⁴⁴ Allcott and Gentzkow (2017) quantify the importance of the propagation of false news stories on Facebook during the 2016 US presidential election. In the three months before the election, false news stories favoring Trump were shared about 30 million times; false news stories favoring Clinton were shared 8 million times. The authors estimate that the average American was exposed to one false news story during this election period. Guess, Nyhan, and Reifler (2020) find that Trump's voters were visiting websites with factually dubious content during the 2016 election and subsequently reposting that content on Facebook. However, such content accounted for a small share of the total information consumed. Most important, there is considerable self-selection, as these stories were mostly read by people with views that were very close to Trump's.

Guess, Nagler, and Tucker (2019) study the characteristics of Facebook users who shared false news during the 2016 campaign. Partisanship and age are significant predictors of sharing false news stories. Users over 65 shared seven times as many false news stories as younger users. Vosoughi, Roy, and Aral (2018) study the circulation of false stories on Twitter in 2016 and 2017. They use data on 126,000 stories tweeted and retweeted over 4.5 million times by 3 million people. Their analysis yields alarming results. Dissemination of false stories is significantly faster, broader (to a larger number of users), and deeper (with a larger number of retweets). The difference between the speed and breadth of being able to spread false narratives versus being able to disseminate true stories is unusually large for stories

with political content, compared to reports on terrorism, natural disasters, science, urban legends, or finance.

There is also growing evidence on the emergence of echo chambers in recent years. When social media were in their infancy, there was no segregation of online and offline information sources (Gentzkow and Shapiro 2011). Recently, however, such evidence emerged both for Facebook (Bakshy, Messing, and Adamic 2015) and Twitter (Halberstam and Knight 2016). Allcott, Braghieri et al. (2020) ran a randomized experiment on 2,743 Americans in the run-up to the 2018 US midterm elections. They showed that users who deactivated their Facebook accounts for a month experienced significantly reduced political polarization (along with decreased awareness of political news and increased well-being).⁴⁵

8.3 Summary

As Twitter, Facebook, and other social media transform communication, and as user data become increasingly accessible and easy to process, research on their impact is likely to grow. The amounts spent on social media by political campaigns and the rapid professionalization of social media political consulting suggest that their role is already substantial. It is too early to judge whether social media is just a new communication technology where innovative populists—possibly temporarily—outpace mainstream politicians who are slow to adapt. It may also be the case that the very design of social media is especially conducive to fostering stereotypes,

⁴⁴See Lazer et al. (2018) and Nyhan (2020) for surveys of research on “fake news” and misperceptions, respectively. We prefer “false news” and “alternative facts” to “fake news,” as the latter term has been appropriated by Trump for his goal of attacking the mainstream media.

⁴⁵Boxell, Gentzkow, and Shapiro (2017) provide descriptive evidence on the relationship between internet use and political polarization in the United States. While the long-run increase in polarization is larger in demographic groups that are less likely to use the internet, the situation is different in recent years. From 2012 to 2016—when mobile broadband internet and social media took off—polarization increased substantially among the groups with the highest internet use and slightly decreased among the groups with the lowest internet use.

increasing isolation, propagating fake news, and thus amplifying economic concerns and anxieties, thus making them uniquely suited for the populist narrative (see Tufekci 2018, and Haidt and Rose-Stockwell 2019).

9. *Implications*

The impact of populism is manifold. First, as populists come to power, they directly influence policies. In the past decade, populist parties have won elections in Hungary, Greece, Poland, the United States, Italy, and Brazil. Second, populist parties may get enough votes to enjoy veto power or to join the government as minority partners.⁴⁶ Third, even in cases where populists do not hold an office, their rising support pushes establishment parties to shift their platforms toward populists (Haegel and Mayer 2019).⁴⁷

We first review the evidence on the economic performance of populists when they are in office.⁴⁸ Second, we discuss the implications of the rise of populism for institutions, beliefs, and social norms.

9.1 *Economic Performance of Populists*

9.1.1 *Historical Evidence*

An extensive body of research studies the consequences of Latin American populism (see Kaufman and Stallings 1991 and Edwards 2019 for overviews). Dornbusch and Edwards (1991) collect evidence from many

populist regimes and show how their disrespect of macroeconomic constraints ends in crises. The authors identify a common, four-phase cycle. During the first phase, there is popular dissatisfaction with high inequality, and populists take over and begin pursuing fiscal expansion and redistribution, often coupled with “import substitution” and loose monetary policy. There is a short-term boost in economic performance, and the populists seem vindicated. In the second phase, as aggregate supply fails to keep pace with fiscal and monetary expansion, inflation starts to rise, and foreign currency grows scarce. Higher inflation expectations result in the buildup of inventories and further decline of aggregate supply. In the third phase, inflation gets out of control, capital flies, and the economy slows. Populist governments respond with food and transportation subsidies that weaken the country’s fiscal stance and further raise inflation expectations. Eventually, the economy becomes “dollarized,” with multiple exchange rates (official and black market). Real wages fall, often dramatically. If the government introduces price controls, pervasive shortages result. The populist government eventually falls, unable to cope with rising unemployment, high inflation, shortages, and capital flight. In the fourth phase, a new government pursues orthodox stabilization, often with IMF support. Real wages decline further and stabilize at a level below the beginning of cycle. But as stabilization takes place amidst austerity and without substantial improvement in institutions, trust in the new government and the system collapses, planting the seeds of the new crisis cycle (Di Tella and MacCulloch 2009).

Funke, Schularick, and Trebesch (2020) carry out a quantitative evaluation of 50 populist regimes in power in 60 large countries (that account for 95 percent of global GDP) from 1900 to 2018, looking at the evolution of real GDP growth in the 15 years before and 15 years after the populist takeover.

⁴⁶Increased populist vote share may or may not put populists in power, depending on electoral rules (Norris and Inglehart 2019). In a majoritarian system, a populist party with 20 percent of the vote uniformly distributed across the country may not secure many seats in the parliament. In a proportional system, such a party would form a large faction in the parliament.

⁴⁷Bernhardt, Krasa, and Shadmehr (2019) show theoretically how a benevolent government may choose suboptimal policies when faced with competition from “demagogues” catering to myopic voters.

⁴⁸These studies fit a more general literature on the impact of leaders on macroeconomic performance (e.g., Jones and Olken 2005 and Easterly and Penning 2020).

The authors employ the “synthetic control” methodology of Abadie, Diamond, and Hainmueller (2010): for each populist-run economy, they construct a “synthetic” counterfactual, a weighted average of non-populist economies based on the matching of pretreatment characteristics. The authors show that the populists underperform significantly: 15 years after the populist takeover, GDP per capita is 10 percent below the non-populist counterfactual, implying a yearly cost of around 0.7 percentage points of GDP. There is no evidence of an efficiency versus equity trade-off: under populist rule, income inequality does not fall. The authors further show that the slowdown is likely to be driven by economic nationalism and the weakening of institutions.

9.1.2 *Populism in the Twenty-First Century*

We start our discussion on the impact of contemporary populism with the two best-studied cases: the Brexit referendum and Trump’s rise to power in 2016. We then review the studies of other countries taken over this century by populist parties and politicians.

United Kingdom.—Strictly speaking, the 2016 Brexit referendum is not per se an example of a populist party winning an election. But Brexit came to define the populist wave, not only because of its profound impact on the United Kingdom, the European economy, and the world economy but also because it demonstrated the toolkit that helps populists succeed.

A methodological benefit of studying Brexit is that the referendum was very close (51.9 percent for leave and 48.1 percent for remain). Its outcome can therefore be considered quasi-random. There is by now a considerable empirical literature on Brexit’s impact on output, firm productivity, inflation, trade, and foreign direct investment (FDI) (see Sampson 2017, for an overview).

Research on Brexit started immediately after the referendum, with economists calibrating workhorse macroeconomic and trade models in an effort to estimate its impact.

Output.—Employing the synthetic control method, Born et al. (2019a) analyze UK GDP growth before and after the referendum, comparing it to a weighted average of other industrial countries. They find large negative results: each year since June 2016, UK GDP has been losing 1 percentage point of annual GDP relative to the counterfactual. Contrary to the famous leave campaign’s “Brexit bus” that Brexit would save 350 million pounds per week for UK taxpayers, there has been about 350 million pounds weekly *loss* for the economy.

Using a different model, Dhingra et al. (2017) estimate Brexit’s long-term effects on UK GDP. In different scenarios, the impact of Brexit ranges from –6.3 percent to –9.4 percent.⁴⁹

Productivity.—Bloom et al. (2019) look at Brexit’s impact on firm productivity. First, they document a substantial impact of Brexit on uncertainty; this effect is present three years after the referendum; half of the surveyed firms list uncertainty as one of their three main concerns. Second, anticipation of the United Kingdom’s exit from the single market has reduced investment by around 10 percent. This decline has occurred gradually, not abruptly. Third, UK productivity has declined by about 2 percent to 5 percent over the three years since the referendum, reflecting mostly an adverse within-firm effect. There is also a smaller, negative

⁴⁹As of this writing, there is still no clarity on the ultimate Brexit trade deal. There is also uncertainty on the United Kingdom’s relationship with the European Union. The UK government’s effort in September 2020 to bypass specific provisions of the agreement with the European Union—thus violating international law—has added confusion and uncertainty.

between-firm effect, as more productive, internationally exposed firms have reduced investment more than less productive firms servicing the domestic market.

Foreign Investment.—Breinlich et al. (2020) focus on Brexit's impact on FDI. They also use the synthetic-control method to construct appropriate counterfactuals of inward and outward FDI trends. The results reveal sizable costs. First, Brexit resulted in a 17 percent increase in outward investment transactions in the remaining EU-27 member states, whereas transactions in non-EU OECD countries were unaffected. Following the referendum, British companies started setting up European subsidiaries to retain access to the EU market after Brexit. Second, inward FDI from the EU-27 declined by around 9 percent. Serwicka and Tamperi (2018) estimate a roughly 20 percent decline in greenfield foreign investment from mid-2016 through mid-2018.

Inflation.—Broadbent et al. (2019) show that non-tradable sectors were hit hardest by the referendum. As the pound sterling depreciated shortly after the referendum, tradable sectors were more resilient. These results are consistent with Breinlich et al.'s (2018) stock-return analysis showing that investors anticipated an economic downturn and steep depreciation of the pound sterling.

Breinlich et al. (2019) assess Brexit's impact on inflation, exploiting product-level heterogeneity on import costs stemming from input-output linkages. Their detailed analysis reveals many interesting patterns. First, inflation increased considerably more for product groups with higher import shares. This applied both to direct consumption of imported goods and to the use of imported inputs in domestic production. Second, there was almost a complete pass-through of import costs to consumer prices. Brexit raised consumer prices by 2.9 percent;

this implies an additional cost for the average household of £870 per year. Third, the heterogeneity analysis indicates similar costs for low-income, middle-class, and high-income households. But, there is a sizable regional variation; inflation costs are highest in Northern Ireland, Wales, and East Midlands and lowest in London and the southeast.

Costa, Dhingra, and Machin (2019) show that post-Brexit wages and training fell considerably after the pound sterling's sharp depreciation in sectors where intermediate-goods prices increased the most. The complementarity between wages and intermediate-goods prices is interesting—it reveals a potential channel linking Brexit with slowing productivity and wage stagnation.

Global Effects.—Hassan et al. (2019) use computational linguistic tools and develop a text-based method to proxy Brexit's impact on listed firms in 71 countries. The authors first construct a measure on firm-level exposure to Brexit with the share of discussions in quarterly earnings conference calls on the costs, benefits, and risks associated with Brexit. The analysis reveals considerable adverse effects of Brexit across the world. For example, due to Brexit risk, the average listed Irish firm cut investment and employment by 4 percent. For US-domiciled firms (which are, on average, about as exposed to Brexit as Italian firms), average investment and employment growth rates are down 0.4 percent and 1.2 percent, respectively. The impact for firms with UK exposure appears more extensive; these firms also face a sizable drop in market capitalization. The textual analysis further shows that firms expect difficulties from regulatory divergence, frictions and caps on labor mobility, and limited trade access.

United States.—A growing strand of research is assessing the impact of Trump's

surprise victory in 2016. Empirical studies examine both the aggregate macroeconomic performance of the US economy and specific policies such as the 2017 tax cuts and Trump's escalating trade war with China.

Output.—Born et al. (2019b) use the synthetic-control methodology to evaluate the impact of Trump's election on output dynamics. They build a “doppelgänger” of the US economy, a weighted average of the GDPs of 24 OECD economies where the weights are chosen to minimize the difference between actual and “matched” growth rates before Trump's election (using quarterly data since 1995). They find no significant difference between the behavior of the actual US economy (GDP, employment, and labor-force participation) and its “analog” after Trump's election. It is plausible that the gains due to deregulation and tax cuts were offset by the costs of Trump's trade wars.

Trade.—In early to mid-2018, the Trump administration imposed tariffs ranging from 10 percent to 50 percent on about \$300 billion of US imports, mostly from China. Many trade partners, including China, the European Union, Canada, and India, retaliated by imposing tariffs on imports from the United States. Early studies reveal substantial costs to the US economy. For example, Amiti, Redding, and Weinstein (2019) estimate that US consumers had lost \$3.2 billion to \$4.6 billion by the end of the year. Fajgelbaum et al. (2020) document a complete pass-through of tariffs to consumers. The authors approximate the short-run costs at about \$50 billion, or 0.3 percent of US GDP. Rose (2019) further shows that Trump's low popularity abroad and the weakening of US leadership dampened US exports.

Blanchard et al. (2019) and Fetzer and Schwarz (2019) show that these costs already had an impact on the outcomes of the 2018 midterm elections, when Republicans were

more likely to lose in counties affected by trade retaliation.

Taxes.—Expectations of corporate tax cuts were an important driver of the stock market's positive reaction to Trump's victory in 2016. Wagner, Zeckhauser, and Ziegler (2018) document relative stock-price increases for high-tax-paying firms and firms with large deferred tax liabilities; the stock market thus anticipated that Trump would cut corporate taxes.

The evidence suggests that Trump's 2017 tax cuts did result in a modest short-run boost (e.g., Barro and Furman 2018). Mertens (2018) estimated that the tax cuts should lead to a 1.3 percent increase in the US GDP by 2020.

Emerging Economies.—The populists of the twenty-first century have mostly learned from the macroeconomic mistakes of their Latin American predecessors; unsustainable deficits and hyperinflation are no longer common. There are, however, two major exceptions: Venezuela and Turkey.

Chavez tried to reduce inequality via massive redistribution policies. His rule coincided with a period of high oil prices, which helped to pay for redistribution and compensated for growing inefficiencies, corruption, and outright theft. Under Chavez, Venezuelan GDP per capita quadrupled in nominal dollars, increasing by 70 percent in constant purchasing power dollars. There is also evidence of falling inequality and some alleviation of poverty, though the statistics should be interpreted cautiously (Hetland 2018). However, unlike other oil exporters, who understood the need for macroeconomic prudence and created substantial reserves for a rainy day, Venezuela was left unprepared for the decline in oil prices that started in 2014. In the five years after Chavez, under his handpicked successor, Maduro, Venezuelan GDP declined by half. Beyond

capital flight, millions of Venezuelans themselves also left the country. Hyperinflation, shortages, and political conflict has eroded all the gains accrued during the boom.

Turkey has also failed to learn the harrowing lessons from twentieth-century Latin American populists. The country's recent credit expansion resulted in economic overheating, inflation, devaluation, underinvestment, and loss of real output. Acemoglu and Üçer (2021) provide an eloquent discussion of macroeconomic developments since 2001, tracing low productivity and rising inequality to Erdogan's populist policies and the deterioration of the country's political and economic institutions.

Southern Europe.—Populism spread in southern Europe in the 2010s, alongside deep recessions and austerity, blamed on foreigners, international institutions, and the political and economic establishment.

In Greece, the radical-left SYRIZA party came to power in January 2015 on a platform of reversing austerity, which it blamed on establishment parties, and the troika of international creditors (the IMF, the EU, and the European Central Bank). SYRIZA formed an alliance with Independent Greeks, a populist, nationalistic offspring of the conservatives. The coalition tried to “blackmail” the EU and the IMF, on the basis that a “Grexit” would result in global financial turbulence, potentially threatening the survival of the euro. Months of negotiations with international creditors resulted in the July 2015 referendum asking the Greek citizens whether they approve a third bailout and the associated preliminary debt sustainability analysis (this was literally the question.) The referendum was a vast—and largely unexpected—success for SYRIZA: 63 percent of the electorate rejected the deal with international creditors. However, after the referendum, Prime Minister Alexis Tsipras reversed course: the ruling coalition

rejected the results of the referendum and signed a new (third) economic adjustment program with terms inferior to those he had turned down before (Mounk 2018). SYRIZA expelled many of its radical MPs and began pursuing orthodox macroeconomic policy. Building on the fiscal consolidations carried by the previous governments, this coalition of populists delivered budget surpluses over 3.5 percent of GDP. By mid-2019, Greece had resumed growth, completed the bailout program, and managed to return to financial markets. However, because SYRIZA failed to deliver on its (unrealistic) promises, it was voted out of office. The example of Greece is interesting: it shows that populist parties may dramatically change their policy platforms when confronted with reality.

The Italian populist government formed in 2018 followed a different trajectory. The coalition brought together the far-right Northern League, which won Italy's Northern regions, and the pro-redistribution M5S, which won most Southern provinces. While both parties used populist rhetoric and communication strategies, their economic manifestos were very different. The Northern League advocated lower taxes, while M5S's campaign promised generous social support. High levels of government debt, coupled with tight monitoring by financial markets and the European Commission, made it impossible to deliver on both parties' electoral promises. The coalition government entered a heated debate with the European Union on the new budget; the associated uncertainty raised the cost of borrowing and slowed investment. Balduzzi et al. (2020) show that political-risk shocks have adversely affected the economy and estimate that the downturn would have been much larger had the ECB not followed accommodative monetary policy. Differences among coalition parties were becoming increasingly apparent, and the government fell apart after just one year in office.

Central and Eastern Europe.—In Hungary, the return of Orban's FIDESZ party to power in 2010 and its subsequent electoral victories in 2014 and 2018 have not resulted in major economic achievements. From 2010 to 2018, Hungary's GDP per capita, in constant purchasing-power-parity-adjusted dollars, grew 2.8 percent per year. The (unweighted) average and median growth of other central European and Baltic countries (Czech Republic, Estonia, Latvia, Lithuania, Poland, Slovakia, and Slovenia) were somewhat higher, at 3.3 percent per year. The European Bank for Reconstructing Development (2017) carried out a synthetic-control analysis for its member countries, which showed that despite receiving about 3 percent of GDP from EU funds every year, Hungary has underperformed relative to its doppelgänger since 2010.

Poland, on the other hand, has outperformed comparators and remained the poster child of postcommunist transition. The populist PiS party has delivered on its flagship campaign promises. Most importantly, in 2016 PiS launched its Family 500+ redistribution program, which gives parents 500 zloty (about 150 euros) per month per child, tax-free. This program has proved to be both popular and effective in reducing poverty (Goraus and Inchauste 2016, Brzezinski and Najsztub 2017), especially in rural areas where the purchasing power of 500 zloty is much higher than in Warsaw.⁵⁰ Furthermore, this redistribution program has undermined neither fiscal health nor growth. Several explanations may exist for Poland's robust performance under PiS's populist rule. First,

it is still premature to quantify the implications of PiS's assault on political and legal institutions. Second, due to the previous governments' reforms, the Polish economy remains competitive. Third, PiS improved tax collection. Fourth, the economy has benefited greatly from the influx of cheap, skilled, ethnically similar Ukrainian workers following Russia's invasion of East Ukraine in 2014 and the subsequent economic crisis there. About 2 million Ukrainians had received work permits in Poland by 2019 (with total Polish employment at 16.5 million). For a central European country suffering from aging and emigration, this inflow of labor is an important positive aggregate supply shock.

9.2 *Institutions and Norms*

The impact of populism is not purely economic. Populism often destroys political institutions such as constraints on the executive, checks and balances, rule of law, and independent bureaucratic agencies.⁵¹ At the same time, while populism reflects deeper cultural factors, it also *shapes* beliefs, norms, and values. As institutions and cultural norms evolve slowly, it is too early to examine the full impact of the recent rise of populism, but some research has already emerged.

Institutions.—Even when populists perform poorly, they are not always voted out of office. When populists realize that they cannot deliver on their promises, to entrench themselves in office they try to capture the political and economic institutions, weaken independent agencies, and bypass checks and balances. In this scenario, populists can create lasting damage. Funke, Schularick,

⁵⁰Initially, the 500+ Program targeted only larger families, but it has been extended to all families. Textbook economics would suggest that poverty alleviation programs should target low-income and underprivileged families. However, targeted social assistance can be costly to administer. Programs similar to 500+ may therefore be effective and not too different from the universal basic income schemes supported by some liberals and libertarians.

⁵¹Sasso and Morelli (2021) model the interaction between populism and public administration. Populists prefer loyal bureaucrats over competent ones. In equilibrium, the quality of the administration deteriorates and the bureaucracy loses some of its independence.

and Trebesch (2020) show that from 1900 to 2018, populist leaders have stayed in power, on average, longer than non-populist ones despite weaker GDP growth. The populists were rarely peacefully voted out and were likelier to leave after a scandal, impeachment, resignation, coup, or even by suicide. The authors further show that populists—to prevent being voted out after disappointing economic performance—undermine democratic institutions (including judiciary constraints on the executive, press freedom, free and fair elections).

Szeidl and Szucs (2021) illustrate how Orbán has carried out a takeover of independent media by pro-regime oligarchs. Under Orbán's rule, Hungary has become much more corrupt (Magyar 2016, Civitas Institute and Transparency International Hungary Foundation 2018). According to the World Bank's Governance Indicators, in 2010, Hungary was a median central European/Baltic country in terms of corruption. By 2017, it was behind the region's mean and median by 0.5 global standard deviations—and close to the global average (unusually inferior performance for a high-income country).

Beliefs and Norms.—One of the implications of the rise of far-right nationalist politicians is the normalization of previously unacceptable behavior. Bursztyń, Egorov, and Fiorin (2020) conducted online experiments in the weeks just before and after the 2016 US presidential elections. Participants were offered cash if they authorized the authors to donate to a strongly anti-immigrant organization on the participants' behalf. Before Trump's victory, such profitable xenophobic behavior was seen as a major social stigma (the authors also examined differences between anonymous and potentially observable donations). This stigma completely disappeared after Trump's victory. The authors ran an additional experiment in Pittsburgh

in 2018; participants were informed whether Trump or Clinton won in their district. The "Clinton won" participants still attached a stigma to xenophobic behavior, while there was no stigma in the "Trump won" group. Using dictator games, the authors further show that individuals are judged less negatively for expressing xenophobic views in the environment where these views are widespread. The authors find no evidence that exposure to Trump's victory changes views; instead, it "normalizes" public expression of such opinions.

The rise of populism affects policies even when populists do not win elections. Abou-Chadi and Krause (2020) measure the impact of radical-right parties' entry into parliament on mainstream parties' policy positions on multiculturalism across 23 European countries. They use a regression discontinuity design and exploit variation around electoral threshold, the minimum vote share needed to enter parliament. They show that populists' entry into parliament has a substantial causal effect on mainstream parties' attitudes toward multiculturalism. The magnitude of the shift is roughly equivalent to the distance between center-right and center-left parties in the Netherlands. It is double the sample standard deviation of the change of parties' positions over time.

Hate Crime.—The spread of xenophobia after Trump's election has had profound social implications, beyond changing perceptions and norms. Müller and Schwarz (2020) identify a causal relationship between Trump's anti-Muslim tweets and hate crimes in counties with high Twitter penetration. In order to identify a causal effect, the authors instrument the county-level Twitter penetration with the number of county residents who attended the South by Southwest festival in 2007, which triggered early adoption of Twitter. Trump's anti-Islam tweets correlate positively with hate crimes against

Muslims after his campaign started (but not before). The effects are considerable: a one standard-deviation increase in Twitter usage relates to a 38 percent increase in anti-Muslim hate crimes. Trump's tweets also predict anti-Muslim Twitter activity by his followers and higher cable news coverage, particularly by Fox News. These correlations are also present when the authors look at (arguably more exogenous) Trump's tweets about Muslims on days when he plays golf.

The link between the rise of populism and hate crime is not unique to the United States. Albornoz, Bradley, and Sonderegger (2020) document a substantial increase in hate crimes in the United Kingdom after the Brexit referendum. Romarri (2020) studies close elections in Italian municipalities from 2008 to 2018 and shows that the elections of far-right mayors result in a 4 to 5 percentage-point increase in hate crimes. Müller and Schwarz (2021) study users' posts on AfD's Facebook page. They find a correlation between the number of anti-refugee posts on this page by users from a given municipality in a given week and anti-refugee hate crimes in this municipality-week (controlling for municipality and week fixed effects). In order to identify the causal effects, they exploit quasi-exogenous internet and Facebook outages; they show that during such outages the correlation between hate posts on AfD's Facebook page and local hate crime disappears.

9.3 COVID-19

The unanticipated, global spread of the novel coronavirus SARS-CoV-2 and COVID-19 (the disease it causes) is a major challenge for both mainstream and populist politicians, who need to simultaneously tackle the pandemic's health implications and its adverse economic impacts. In this section, we survey the rapidly growing literature that tries to identify the implications of the recent rise of populism for the effectiveness of response to COVID-19.

Kavakli (2020) finds that populist governments have been slower in their response to the pandemic than their non-populist peers. In particular, populists implemented fewer protective health measures in February and March 2020. Several mechanisms may drive the differential impact of COVID-19 in countries run by populists—and on populists themselves. First, to respond to the pandemic, governments had to rely on science, experts, and capable civil servants. Populists who attack experts and weaken technocratic state agencies now had to respect and work with them. Second, effective response to the pandemic has required social capital and interpersonal trust, values that are at odds with right-wing populists. Third, the virus has undermined the messianic image of many populist leaders; the pandemic has shown that all were vulnerable, more so if they did not follow social distancing (defying scientific advice). Bolsonaro and Trump, whose countries had the highest number of COVID-19 deaths, themselves got the virus.

As of this writing, the pandemic is far from over, so we cannot yet take full stock of the literature on populism and COVID-19. Most of this literature reports correlations rather than identifies causal effects. Nonetheless, it is worth briefly discussing the main directions of this recent research.

9.3.1 *Political Beliefs and COVID-19*

The first strand of this literature looks at the role of political attitudes and polarization of beliefs about the pandemic and social distancing. Working with a nationally representative sample of about 50,000 US residents, Makridis and Rothwell (2020) show that political affiliation is the most significant correlate of social distancing and beliefs about COVID-19. Partisanship matters more than age, race, poor health, and infections at the county level. Gadarian et al. (2021) find similar patterns in a self-conducted survey of 3,000 American citizens in mid-March.

Allcott, Boxell et al. (2020) also show that partisanship explains a sizable fraction of the large variation in Americans' response to the pandemic. Political beliefs correlate strongly with social distancing (measured via mobile data and surveys), even conditioning on state, county, and individual characteristics; Republicans appear considerably less likely to follow social distancing than Democrats. Grossman et al. (2020) show that US governors' social distancing recommendations were more effective in Democratic-leaning than in Republican-leaning counties. Using microdata and machine learning, Milosh et al. (2020) demonstrate that partisanship is the most important predictor of mask use—far more important than local policies or the local severity of COVID-19. Policy does not offset the impact of partisanship on mask use. On the other hand, Trump's (brief yet fleeting) public endorsement of masks in mid-July temporarily increased former mask-deniers' positive sentiment toward mask use.

Cornelson and Miloucheva (2020) examine how political polarization affects compliance with social distancing measures. They focus on US states where the governor won a close election—thus using the quasi-random variation in election outcomes to identify the causal effects of the governor's partisanship. They find that individuals who live in states governed by the other party are significantly less likely to report hand washing, staying home, and canceling or postponing planned travel. The authors show that this bias does not stem from differences in perceived gravity of the pandemic, nor by differences in trust in health-care experts (these differences are small).

In contrast, there are large differences in trust in the state government. These differences are greater in states with high levels of political polarization. Druckman et al. (2020) study to the role of affective polarization—the tendency to dislike and

distrust supporters of the other parties. Using a panel of roughly 2,500 Americans before and during the pandemic (summer 2019 and spring 2020, respectively), the authors ask survey participants about their views on government's handling of the pandemic, randomizing the wording of the questions between “Trump” and the “United States” government. On average, Republicans rank the handling of the health crisis by Trump higher than the handling by the generic United States. The opposite is the case for Democrats. Polarization also matters: polarized Democrats assign similarly low scores to Trump and the “United States”; likewise, polarized Republicans score equally highly the response of Trump and of the “United States.”

9.3.2 *Social Capital, Civiness, and COVID-19*

The second strand of research explores the role of social capital and civiness (which, as we showed above, is negatively correlated with support for populists).

A number of papers document that areas with higher social capital and civiness exhibit greater voluntary social distancing. Durante, Guiso, and Gulino (2020) demonstrate a link between civic values and social distancing across Italian provinces, both early in the pandemic, when social distancing was largely voluntary (January 2020), and during the lockdown (May 2020). They show that if all provinces had the same civic capital as the top quartile, the COVID-19 deaths would be reduced by a factor of ten. Barrios and Hochberg (2020) provide similar evidence in the United States, using mobile data to measure social distancing. Brodeur, Grigoryeva, and Kattan (2020) also find a positive correlation between trust and social distancing across US counties. Similarly, Bian et al. (2020) establish a relationship between individualist culture and the absence of social distancing across the United States. Bazzi,

Fiszbein, and Gebresilas (2020) link rugged individualism to a weaker collective response to the health crisis, lower civic-ness, partisanship, and distrust in science. This US-based evidence is in line with the cross-country correlations in Frey, Chen, and Stutzer (2020), who show that societies with more collectivist values have been more successful than countries with individualist values in embracing social distancing measures. Bartscher et al. (2020) find a similar correlation across Austrian, German, Dutch, Swiss, and British regions. They show that regions with high social capital experienced 12 percent to 32 percent fewer COVID-19 cases per capita from mid-March to mid-May.

9.3.3 *Distrust in Science and COVID-19*

The third strand of research focuses on the role of distrust in science. Brzezinski et al. (2020) show that the proportion of people who stay at home after local lockdowns and follow social distancing (proxied by county-level data on mobile-device use) is significantly lower in counties with a high concentration of climate-change skeptics. Beliefs on climate change predict social distancing both across and within Democratic- and Republican-leaning counties. Swami and Barron (2021) show that rejection of conspiracy theories goes hand in hand with social distancing. Evans and Hargittai (2020) find that Republicans' distrust of medical experts during COVID-19 mostly stems from Protestant and Catholic skepticism of scientific knowledge.

9.3.4 *Media and Communication*

In the fourth strand of this literature, several papers identify the role of media and communication. Ananyev, Poyker, and Tian (2021), Ash et al. (2020), and Simonov et al. (2022) use quasi-exogenous variation in TV viewership and identify a causal impact of exposure to Fox News on mobility. Bursztyn

et al. (2020) compare two popular Fox News shows, *Hannity* and *Tucker Carlson Tonight*, which have covered the pandemic in very different ways. They document that misinformation during the pandemic led viewers to downplay COVID-19's threat and subsequently resulted in higher numbers of cases and deaths. Ajzenman, Cavalcanti, and Da Mata (2021) and Mariani, Gaget-Miranda, and Retzl (2020) show that public speeches of Brazilian President Bolsonaro opposing preventive health policies has had a substantial negative impact on social distancing in municipalities with higher support for the president. Arceneaux et al. (2020) present experimental evidence that people's views on the pandemic are malleable, as endorsements by politicians have changed behavior.

9.4 *Summary*

The evidence suggests that the rise of populism bears substantial economic and non-economic costs. First, the Latin American vintage of populism is associated with recurrent crises, devaluations, (hyper)inflation, and falling real wages. While populism emerges from people's rejection of inequality, all studies suggest that radical redistribution with inefficient transfers, weakening political institutions, and demagoguery are not the solution. Second, while recent populists have avoided their (Latin American) predecessors' ineffective macroeconomic policies, their overall economic performance has been meager. Synthetic-control analyses that compare output in populist-run countries with plausible counterfactuals suggest substantial medium-term costs. Many studies on Brexit establish that people have incurred non-negligible losses (even before Brexit took place in 2020): lower inward FDI, capital flight, stagnating wages, anemic growth, and rising inflation. However, these costs have been milder than the catastrophic ones that "remain" supporters predicted in

the media during the campaign. Third, the negative impact of populism is likely to be substantially larger in the long run, due to the weakening of institutions and the altering of cultural norms that matter crucially for long-run development and growth.

Similar results emerge from the fast-growing literature on the relationship between populism and COVID-19. Populist leaders have been slower in responding to the pandemic. Populist anti-science attitudes and lower social capital among populist supporters are significantly correlated with lower likelihood of taking the health risks seriously, less social distancing, and laxer preventive measures.

10. Conclusions

Here, we summarize the main takeaways regarding the four questions we formulated in the introduction and discuss the potential avenues for future research.

10.1 Summary

Definitions and Trends.—Populism is defined many ways, but a consensus exists on what constitutes its lowest common denominators: anti-elitism and anti-pluralism. Some definitions add more features, such as authoritarianism, nativism, and identity politics, but the minimal definition remains a useful reference point.

Whatever definitions are used, populism is no doubt on the rise in advanced economies, especially in Europe. In the past two decades, populist party vote shares have increased by about 10 to 15 percentage points (i.e., they have roughly doubled), and populist parties have taken power in more countries than ever before. The rise was especially salient after the global financial crisis. The main beneficiaries of this increase have been mostly right-wing, nativist, xenophobic, authoritarian parties rather than pro-redistribution, radical-left parties.

Causes.—Ample evidence shows that the rise of populism is caused by economic factors, both secular (trade and automation) and crisis-related (the rise in unemployment, the credit squeeze, and the postcrisis austerity). Evidence is mounting that the spread of broadband internet and social media have also played a chief role. Regarding the importance of cultural factors, the jury is still out. Cultural traits, like distrust, correlate with populist voting; but most studies are descriptive, as identification is challenging. Culture is highly persistent over time, so it is hard to explain why the rise of populism is taking place exactly now. The emerging consensus (yet to be backed by rigorous empirical research) is that economic shocks may have activated preexisting cultural divides and exacerbated polarization and identity politics.

Substantial evidence on the role of immigration also exists. However, the direction of the effect depends on many factors: the intensity of immigrant inflows, their skill composition, transit versus settlement, and rural versus urban host municipalities. Exposure to a small number of refugees seems to create empathy, while a large influx triggers the fear of losing one's identity as well as upending law and order. Another important takeaway from this research is that perceptions of the scale of immigration often differ vastly from reality (especially in locations that are not exposed to immigration); the effect of immigration is therefore likely to interact with that of new communication technologies.

Implications.—We have a few preliminary takeaways on the implications of the recent rise of populism. Most modern populists have learned from the macroeconomic mistakes of their Latin American predecessors, where populism is a synonym of (hyper)inflation, huge fiscal deficits, unsustainable debts, and inefficient redistribution.

However, evidence is mounting that populists still exact non-negligible economic costs. For example, the literature on the short-run effects of Brexit suggests that the referendum raised economic uncertainty, spurred inflation, led to the exodus of capital, and lowered wages and employment. More generally, no populist government (with the important exception of Poland) has outperformed the counterfactual in terms of GDP growth—most have significantly underperformed.

On the other hand, there have been almost no macroeconomic disasters (except for Venezuela). One potential explanation is the resilience of democratic institutions in advanced economies. Courts in the United States, United Kingdom, Italy, Poland, Greece, and other countries have blocked many irresponsible populist policies. Yet, populists have struck back, trying to replace judges, independent agencies, and uncooperative public servants.

It is therefore not surprising that authoritarian populists almost everywhere try to subvert political institutions and remove constitutional checks and balances. As we noted, Hungary has become substantially more corrupt, with much more limited freedom of speech—unfortunately, the Hungarian experience is the rule rather than the exception. Also, populists in power often change social norms, for example legitimizing xenophobic discourse (which can result in the rise of hate crimes).

Solutions.—Given the negative implications and outcomes of populist rule, what should be done? What can be done? Unfortunately, there is scant empirical research on potential solutions. Sharing our diagnosis (attributing the rise of populism to economic factors, social media, and identity), Mounk (2018) suggests focusing on the following three solutions: (i) domesticating nationalism, (ii) fixing the economy,

and (iii) renewing civil faith. While reasonable, these are, of course, very general recommendations. Regarding specific measures, the research on the causes of populism we have summarized above implies that governments should provide more generous social safety nets, fight corruption, and tackle tax avoidance and tax evasion by the elites (in particular, being stringent on offshore tax havens; see Zucman, 2015). Governments should also fight against the abuse of market power, which is especially likely to occur in the “winner takes all” globalized economy. Rising concentration and markups, and monopoly and monopsony power, are problems for both economic and political reasons (see Philippon 2019).

The mainstream parties should invest in communications, especially online. Political selection mechanisms should change—to provide greater opportunities for politicians without elite backgrounds to rise through their party ranks. Finally, governments should support broader use of deliberative democracy (e.g., citizens’ assemblies), which promote ownership of the reforms and reduce the gap between voters and elites.

Another under-researched area is the role of spatial policies. Many drivers of populism are geographically concentrated: import and technology shocks affect whole communities, the same is true for crisis and austerity. Even cultural divides are often spatial—people with similar identities tend to live in the same areas (or, vice versa, people in the same community endogenously converge to the same identity). While this fact is recognized and studied in many of the papers, relatively little work has been done on using place-based policies to prevent the rise of populism (with the notable exceptions of Bartik 2020; Dijkstra, Poelman, and Rodríguez-Pose 2020; and Rajan 2019).

Besides, global elites, mainstream politicians, businesspeople, academics, pundits,

and, more generally, the urban upper-middle class should pay close attention to rural and suburban communities that have suffered from globalization and automation. Modern democracies definitely need stronger cohesion. As Sandel (2020) stresses, this should start from empathy with the suburban and rural communities that increasingly feel isolated, neglected, and believe that their values are dismissed by urban elites.

10.2 *Future Research*

The other important lesson from our survey is that while some aspects of populism have been extensively researched, others evince clear gaps. We believe that the following twelve avenues for future research are the most promising.

First, we need more work measuring the understudied facets of populism. For example, immigration and redistribution policies, as well as quantifying populist interventions that remove institutional constraints. Likewise, research could more precisely measure populists' attacks on media, academic, and business elites.⁵² Moving from binary to finer measures will allow a deeper understanding of commonalities and differences among populist parties. Ideally, such finer measures should allow for tracking the evolution of populism.

Second, though research on globalization's role has focused on trade, we should also examine the impact of financial openness and outsourcing. Regarding automation, future research should study the role of

public expectations regarding the rise of new technologies. Also, because there has been substantial variation in both globalization and technological progress in past centuries, we need to study historical cases, especially because this allows identifying both short- and long-run implications.

Third, while contemporary and historical research has established a link between adverse economic shocks and populism, identifying the exact mechanisms is still an open question. Why, for example, have recent crises led mostly to the rise of right-wing—rather than left-wing—populism? A related issue that deserves more research is the role of austerity (and more generally of stabilization policies): the fascinating studies of Dal Bó et al. (2019); Fetzer (2019); and Fetzer, Sen, and Souza (2020) imply that austerity may result in very high political costs.

Fourth, more work is needed on the role of cultural factors, such as social norms, values, attitudes, and beliefs, in the rise of populism. While substantial work exists on identity and on trust, we need a systematic analysis of morality—the issue that populist politicians often spearhead (see Enke 2020 and Enke, Rodríguez-Padilla, and Zimmermann 2020)—and the role of collective emotions (see Altomonte, Gennaro, and Passarelli 2019). The major challenge for the research on culture is related to identification, as cultural factors are highly persistent.

Fifth, we believe that an exciting avenue of research concerns interactive effects—for example, the interactions between economic shocks and cultural factors, and the interactions between misinformation and salience (see Alesina, Miano, and Stancheva 2019, 2020; and Gennaioli and Tabellini 2019). In general, research on populism will certainly benefit from relying on insights from behavioral economics and social psychology.

Sixth, we need to separate economic factors from cultural factors if and where they are separable, for example, in the case of

⁵² Here, we see an analogy to approaches measuring democratic rule. While there are merits to using binary definitions of democracy (Papaioannou and Siourounis 2008 and Acemoglu et al. 2019), it is also important to think about its main components: executive constraints, political competition, civil liberties and rights (as the widely used nonbinary measures of the Polity Project and the Freedom House do).

immigration. Looking at historical episodes of immigration (e.g., Tabellini 2020) and population movements (e.g., Benos et al. 2020) seems promising for understanding their political and social implications.

Seventh, we see an open avenue for research into the strategies of populist parties and the supply of populism more generally (see Guiso et al. 2019 for a joint analysis of demand and supply). This research requires blending demand features with textual analysis of political speeches (see Gennaro, Lecce, and Morelli 2019) and data on politicians' characteristics (Dal Bó et al. 2019). Such analysis raises questions about mainstream politics as well; why don't mainstream parties promote charismatic leaders who can withstand competition from their populist peers? In a related note, there is an emerging consensus that populists have successfully pursued communication strategies based on using social media and the internet. Why can't mainstream parties and politicians follow suit? Is this because establishment politicians are complacent, or because the very nature of mobile broadband internet is more conducive to propagating populist messages? Tackling such questions will most likely entail an interdisciplinary approach, relying on insights from data science, cognitive psychology, and economics.

Eighth, most research on the causes of populism focuses on factors that promote it; much less work exists on what prevents or slows its rise. What is the role of redistribution policies? Does providing social protection, health care, and education protect societies from populism? Can compensation programs targeting the losers from trade, automation, and immigration help? How should they be designed?

Ninth, as populists' tenures in office increase, we expect to see more papers analyzing their impact on growth, investment, employment, and wages. Future research,

however, should also look at populists' impact on political institutions (such as courts), independent agencies, media freedom, and political and human rights. Likewise, we believe it is important to study the impact of populist rule on values, attitudes, and social norms.

Tenth, country-specific puzzles contribute to the vast heterogeneity of the episodes of populist rule. Why do some populist parties gradually move to the center while others do not? Why are there such wide differences in macroeconomic performance, ranging from the disaster in Venezuela to Poland's robust growth? Why have Berlusconi's many years of corrupt, economically ineffective rule not immunized Italians against populism? Why has Portugal seen no substantial rise in populism?

Eleventh, more research is needed to understand the emerging generation divide on populist vote and values. In addition, it is worthwhile examining how experiences shape voting and ideology. For example, the evidence suggests that young Britons voted strongly for remain, while the elderly voted for leave, but those old enough to have experienced World War II voted mostly for remain (Eichengreen, Mari, and Thwaites 2021).

Twelfth, we still do not fully understand how traditional mainstream parties move their positions in response to the rise of authoritarian populism, globalization, and fake news. For example, while a considerable fraction of the US Republican Party is openly embracing extreme rhetoric and ideas, Christian Democrat parties in continental Europe, like Germany's CDU, have moved to the centre.

Thirteenth, while empirical research on populism has grown rapidly, we have seen only a few recent theoretical studies. Clearly, we need more theoretical studies to make sense of the wealth of empirical findings produced since 2016. Expanding the dimensions of the political debate seems a natural way forward. Endogenizing identity and thinking

more carefully about participation may also yield additional insights.

Fourteenth, while populism is relatively recent phenomenon, some of its core features—authoritarianism, appeasing the polloi, pleasing the masses, putting the blame on the elites, and accusing others—are as old as Thucydides history of the demise of Ancient Athens in the Peloponnesian War. Theoretical work should try to model such issues, while new data could distinguish various political aspects of modern democracies and political parties.

Fifteenth, it is intriguing to us that the rise of populism and its core anti-sentiment coincides with the inability of political polls to reflect voter's preferences. While speculative, it seems that the origins of people's resentment with the status quo relate to voter's increasing dissatisfaction with opinion pollsters.

Finally, the literature on the relationship between populism and the COVID-19 pandemic, though growing rapidly, is still scant. Populists' anti-expert and anti-“deep-state” rhetoric undermines effective policy response. Because populism is likely to prevail in societies with low civic capital, populist-run countries are likely to suffer more from the epidemic. Whether the COVID-19 experience will affect support for populists also remains an open question.

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