

# Success of Populism in Recent Elections: Causes, Consequences and Policy Implications



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Despite the unanimous warnings of professional economists, the UK voters voted to leave the EU. The Brexit decision was followed by the election of Donald Trump on the other side of the Atlantic, the advancement of the populist PVV in the general election in the Netherlands (in a smaller scale than expected, though), and is likely to be followed by similar successes in Germany (AfD) and in (the first round, at least, in) France (FN). This sequence of electoral success of populism raises concern, because of the common attitude of its practitioners against trade liberalization and immigration which, according to economic research, are beneficial for all countries involved.

On top of proving trade and migration to be beneficial, economics research has also got something to tell about the causes and consequences of the rise of populism. I list below a few such studies and draw policy implications (with no intention to provide a comprehensive literature review).

**Causes.** Evidence supports the widely-held hypothesis that trade liberal-

ization and immigration have major effects on the rise of populism. For instance, Dippel, Heblich and Gold (2015) find that import competition increased the vote share of right-wing populists in German regions during 1987-2009. In the same vein, Colantone and Stanig (2016) show that the Chinese import shock (during 1990-2007) increased the share of Leave votes in the UK regions in the Brexit referendum.

Becker and Fetzer (2016) find that immigration from the new EU members in Eastern Europe increased the vote share of UKIP-the main anti-EU populist-in the UK regions during 1999-2014. Similarly, Halla, Wagner and Zweimuller (2012) find that the presence of immigrants increased the vote share of the FPÖ-the main anti-immigration populist-in Austrian regions during 1979-2002, and show that this effect is driven by the increased competition in the local labor market for the low-skilled.

Somewhat surprisingly, Campante, Durante and Sobbrío (2013) find that access to high-speed Internet helped the advancement of the newly established M5S-the main anti-establishment populist-in Italy, which used the Internet as its main mobilization channel.

**Consequences.** Despite their rising popularity, populist parties are unlikely to take the government in the coming election in the Netherlands, France or Germany. However, theoretical models of electoral competition warn that their platforms can still be reflected in policies implemented, especially in dimensions where they are particularly strong (e.g., trade liberalization and immigration). For instance, Ledyard's (1985) model implies that when a party gets popular-a populist party in the current case-other parties learn that voters like its platform-protectionism and anti-immigration in the current case-and move their own platforms closer to that party's to improve their electoral prospects. Later studies show that even when a (non-populist) party believes the popular platform to be suboptimal for voters, the electoral incentive forces her to pander to voters' belief and adopt the popular one, and this problem may not be reduced even by independent media.

On the empirical side, Rode and Revuelta (2015) is one of the few studies along this line. Using cross-country data, they find that populist governments reduce economic freedom, most notably the freedom to trade.

The studies reviewed above suggest that (i) the negative impacts of trade liberalization and immigration on local labor markets, combined with the spread of the Internet as a means of political communication, were major forces behind the rise of populism, and that (ii) populist parties' strong positions on trade and immigration are likely to be reflected on policies imple-

mented, because other parties are likely to adopt closer platforms to improve their electoral prospects.

What should concerned policy makers do to revert such a trend? Again, economics research offers some direction. Using cross-country survey data, Mayda and Rodrik (2005) show that individuals who are expected to be more vulnerable to trade liberalization are more likely to be against it. This suggests that adequate compensations to those who are expected to lose from trade liberalization (and similarly from immigration) can improve the public opinion on it. This is particularly relevant for South Korea where assessments reveal the conflicting impacts of FTAs on different socioeconomic statuses. The positive effect of the US Trade Adjustment Assistance program (Lake and Millimet 2016) supports the effectiveness of such measures. [KIEP](#)

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