

POPREBEL

Taking back control over the economy: Reconceptualising economic populism

26th International Conference of Europeanists,
Council for European Studies, Madrid, 21 June 2019

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Structure

1. Background
2. The classical concept of economic populism, and its criticism
3. The challenge (and what can we learn from political science)
4. An attempt to redefine economic populism
5. The classical and the new version compared
6. Future research

Background

Populism has become a general phenomenon by now

A privileged area of interest of political scientists(?)

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

Background

Economists do not really feel addressed,

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

- (Acemoglu, Egorov and Sonin 2013, Franko and Witko 2018)

Though, economists had the lead role in defining the phenomenon

The classical concept of economic populism

“economic populism is an approach to economics that emphasizes growth and income redistribution and deemphasizes the risks of inflation and deficit finance, external constraints, and the reaction of economic agents to aggressive nonmarket policies” (Dornbusch and Edwards 1991: 10)

- Initial conditions
- Neglect of macroeconomic constraints
- The populist policy package (reactivation with redistribution)
- The dreadful consequences

Context (matters)

Underdevelopment and the late-comer status of these countries

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

Yet, voluntarist development programmes were not directly identified as economic populism

Instead, antagonistic social and economic conflict

The dual problem of underdevelopment and highly unequal income distribution

Economic policy was conceived in permanent distributional conflicts amongst classes, sectors, regions and ethnicities (Sachs 1989)

Criticism

Changing nature of Latin American policy-making

- A newly born marriage between neoliberal economic policy and political populism (Roberts 1995, Weyland 1999)

Lack of comparability and generalisability

- New cases in Europe and the US

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

- Bad economics

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

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Denmark*	2017	Green	Green	Green	Green	Green	Green	Green
Greece	2015	Green	Green	Green	Green	Green	Green	Green
Hungary	2010	Green	Green	Green	Green	Green	Red	Red
Poland	2015	Green	Green	Green	Green	Green	Green	Green
Slovakia	2006	Yellow	Yellow	Green	Green	Green	Red	Green
		Grey	Grey	Grey	Grey	Grey	Grey	Grey
Bolivia	2006	Green	Green	Green	Yellow	Red	Red	Green
Nicaragua	2007	Green	Green	Green	Yellow	Green	Green	Green
Panama	2009	Green	Green	Green	Red	Green	Green	Green
Venezuela	1999	Red	Red	Red	Red	Red	Red	Red
		Grey	Grey	Grey	Grey	Grey	Grey	Grey
USA	2017	Green	Green	Green	Green	Red	Green	Green

The challenge

If the profession wants to remain relevant, it needs to look beyond policies and find a conceptualisation that is (1) clear enough and (2) encompasses both left-wing and right-wing contemporary populism.

We need a concept that is not limited to time and space, and still corresponds to its original message, i.e., bad economics.

Lessons to be learnt from political science

(1) Political strategy (Weyland 2001)

(2) Ideology (Mudde 2004)

Populism

The pure people versus the corrupt elite

“Politics is about respecting popular sovereignty *at any cost*”

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

At any cost...

Cost: a loss in (allocational) efficiency

“at any cost”: a Pareto inferior situation

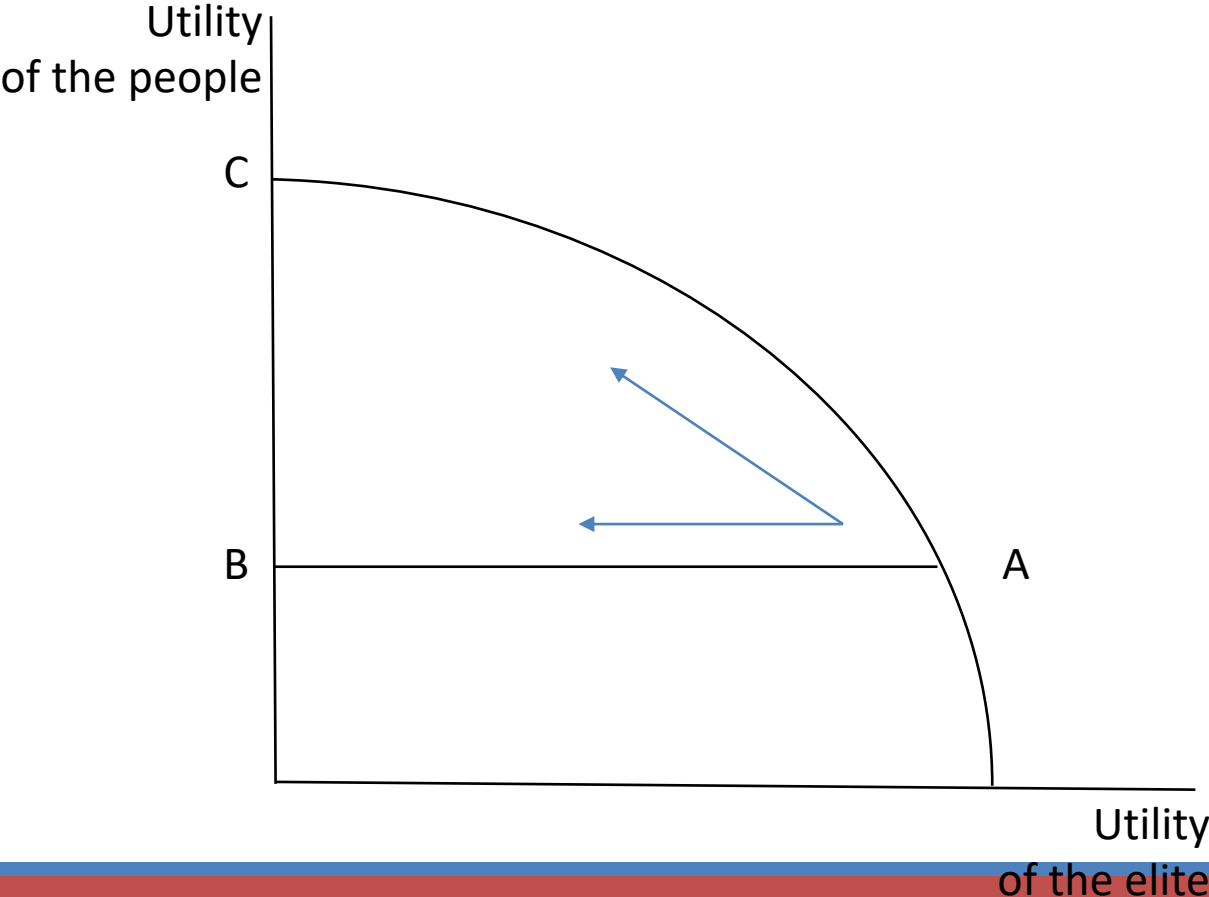
Taking back control over the economy

Economic populism is then the following:

In the name of the general will of the people, institutions are altered by incumbents so that the economic position of the elite is explicitly hurt while the position of the pure people might be improved.

That is, the aim of reallocating resources through the reshaping of the rules, procedures and institutions of an economy is not simply to redistribute income or other sorts of benefits to a favoured group of the society but also , and possibly more importantly, explicitly hurting the disfavoured (the other) party.

Economic populism as loss in efficiency



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

Thank you for your kind attention!

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