

## Andrés Velasco: Populism is rooted in politics, not economics

Some one billion people around the world are now being ruled by populists of one sort or another. That number will continue to grow if we continue to view populism as the result of economic rather than political dysfunction, **writes Andrés Velasco**



Andrés Velasco

Source: Wikimedia Commons

### The new populism

Nearly 330 million Americans are governed by Donald Trump. Brazil, with 210 million people, has a newly-elected populist government. Nearly 170 million Europeans live under governments with at least one populist in the cabinet. Add the Philippines, with more than 100 million people, and Turkey, with nearly 80 million. All told, at least one billion people are now being ruled by populists of one sort or another.

---

*No wonder politics has become confrontational*

---

The new populism is often blamed on a generation or more of stagnant median wages. In countries like the United States and the United Kingdom, the distribution of income has worsened, and the top 1% are reaping the lion's share of gains from economic growth. The 2008 global financial crisis not only caused much pain; it also reinforced the conviction that Wall Street is Main Street's enemy. No wonder politics has become confrontational.

If this story is right, the policy conclusion is simple: throw out the rascals who did the bankers' bidding, tax the rich, and redistribute income more aggressively. Populism will then eventually fade away. But, however politically appealing this standard account – call it the economic insecurity hypothesis – may be, it is a poor description of reality. It does not fit the facts in emerging markets, and it may not apply even to the US and the UK.

## Who's voting for the 'populists'

Shortly after the US presidential election in 2016, statistics guru, Nate Silver noted that Hillary Clinton improved on Barack Obama's 2012 performance in 48 of the country's 50 best-educated counties. And Clinton lost ground relative to Obama – by an average of 11 percentage points – in 47 of the 50 least-educated counties. “Education, Not Income, Predicted Who Would Vote For Trump,” Silver concluded.

Since then, hundreds of regressions have been run attempting to sort out what kinds of people voted for Trump or for Brexit in the UK. The title of one influential recent paper summarises the debate: “Status threat, not economic hardship, explains the 2016 presidential vote.” So does the title of another: “Vote Switching in the 2016 Election: How Racial and Immigration Attitudes, Not Economics, Explain Shifts in White Voting.”

And what about the UK? Research conducted at the London School of Economics, examining 380 local authorities, concluded that while education and demography are good predictors of who voted in June 2016 to leave the European Union, exposure to trade and the extent of budget cuts are not.

## Cultural backlash v economic insecurity

So, the “cultural backlash” hypothesis seems to be more compelling than the “economic insecurity” hypothesis. And this conclusion is not limited to the US and the UK. Pippa Norris and Ronald Inglehart, who study the performance of political parties in 31 European countries, conclude: “Overall, we find the most consistent evidence supporting the cultural backlash thesis.”

Now, one does not need sophisticated econometrics to notice that beyond the comfortable confines of North America and Western Europe, right-wing populism is affecting precisely those countries with unusually strong economic performance – the opposite of what the “economic insecurity” hypothesis would predict. Turkey's economy has grown at an average annual rate of 6.9% since 2010. The Philippines has enjoyed 6.4% annual growth in the same period. No economic stagnation there.

---

*The conclusion seems unavoidable: populists are the offspring of economic gain, not pain*

---

Poland and Hungary are much richer economies, so one would expect lower growth rates there; still, their annual GDP has risen at decent 3.3% and 2.1% average rates, respectively, since 2010. Or consider the neighbouring Czech Republic, where unemployment is only 2.3%, the lowest rate in the EU, and the economy grew 4.3% in 2017. The country has few immigrants and no refugee crisis to speak of. Nonetheless, populist parties attracted four of every ten voters in the most recent general election – a tenfold increase in two decades.

Beyond aggregate growth data, it is undeniable that most citizens in these countries live much better than they did a generation ago. In 1995, the average annual wage in Poland was \$15,800; today it is \$27,000. The increase in Hungary was similar.

Brazil is a different case: it experienced a mega-recession in 2015 and 2016, during the second term of Dilma Rousseff's presidency. But earlier the country did have strongly redistributive policies, started by social democrat Fernando Henrique Cardoso and continued by Luiz Inácio Lula da Silva. According to The New York Times, Lula benefited "tens of millions of Brazilians" with "his administration's social programs." A decade ago, Obama called him "the most popular politician on Earth."

The conclusion seems unavoidable: populists are the offspring of economic gain, not pain.

## The success of right-wing populists

There is one final prickly fact to consider: if surging populism reflected a demand for redistribution, we would expect the surge to be on the left, not the right. Yes, Andrés Manuel López Obrador has just swept to power in México, Syriza still governs Greece, Podemos has grown influential in Spain, and Nicolás Maduro continues to wage war against his own people in Venezuela. But the striking fact is the success of right-wing populists, from Trump in the US to Viktor Orbán in Hungary, from Matteo Salvini in Italy to Jair Bolsonaro in Brazil, and from Jarosław Kaczyński in Poland to Rodrigo Duterte in the Philippines. And though their policies are likely to worsen, not improve, the distribution of income, voters are cheering them on.

None of this is to deny the intensity of economic grievances, whether in the north of England, the Midwestern US, the east of Turkey, or the favelas of Brazil. The point is that politics dictates how we process the experience of economic success and failure. A turn toward populism and authoritarianism suggests a failure of politics to manage grievances effectively.

Moreover, emphasizing economics alone can breed complacency: just sit on your hands and wait for the economy to recover. And attempting to counter populism and illiberalism around the world just by tweaking the income distribution could amount to yet another example of technocratic hubris. These are dangerous temptations that must be avoided.

## Political elites seem out of touch

Traditional political elites seem increasingly out of touch. Their arrogance – recall Clinton's description of Trump voters as "a basket of deplorables" – has not helped. Perhaps voters detest the political establishment because it is corrupt (as in Brazil and Mexico), or because it obtains its power through murky campaign finance (as in the United States), or because it was in power too long, overstaying its welcome (as with social democrats in much of Europe and the Popular Party in Spain). The details vary, but the message is clear: traditional political elites' many mistakes make them ideal fodder for anti-establishment populists.

So we need economic change, but we need political change more. Otherwise, the tally of populist voters will continue to grow.

This article first appeared in [Project Syndicate](#)

## Author

### **Olivia Grace**

Editor

[olivia.grace@ing.com](mailto:olivia.grace@ing.com)

### **Julian Geib**

Junior Economist, Global Trade

[julian.geib@ing.de](mailto:julian.geib@ing.de)

### **Zoltán Homolya**

Economic research trainee

[zoltan.homolya@ing.com](mailto:zoltan.homolya@ing.com)

### **Amrita Naik Nimbalkar**

Junior Economist, Global Macro

[amrita.naik.nimbalkar@ing.com](mailto:amrita.naik.nimbalkar@ing.com)

### **Mateusz Sutowicz**

Senior Economist, Poland

[mateusz.sutowicz@ing.pl](mailto:mateusz.sutowicz@ing.pl)

### **Alissa Lefebvre**

Economist

[alissa.lefebvre@ing.com](mailto:alissa.lefebvre@ing.com)

### **Deepali Bhargava**

Regional Head of Research, Asia-Pacific

[Deepali.Bhargava@ing.com](mailto:Deepali.Bhargava@ing.com)

### **Ruben Dewitte**

Economist

+32495364780

[ruben.dewitte@ing.com](mailto:ruben.dewitte@ing.com)

### **Kinga Havasi**

Economic research trainee

[kinga.havasi@ing.com](mailto:kinga.havasi@ing.com)

### **Marten van Garderen**

Consumer Economist, Netherlands

[marten.van.garderen@ing.com](mailto:marten.van.garderen@ing.com)

**David Havrlant**

Chief Economist, Czech Republic

420 770 321 486

[david.havrlant@ing.com](mailto:david.havrlant@ing.com)

**Sander Burgers**

Senior Economist, Dutch Housing

[sander.burgers@ing.com](mailto:sander.burgers@ing.com)

**Lynn Song**

Chief Economist, Greater China

[lynn.song@ing.com](mailto:lynn.song@ing.com)

**Michiel Tukker**

Senior UK & Eurozone Rates Strategist

[michiel.tukker@ing.com](mailto:michiel.tukker@ing.com)

**Michal Rubaszek**

Senior Economist, Poland

[michal.rubaszek@ing.pl](mailto:michal.rubaszek@ing.pl)

**This is a test author**

**Stefan Posea**

Economist, Romania

[tiberiu-stefan.posea@ing.com](mailto:tiberiu-stefan.posea@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Jesse Norcross**

Senior Sector Strategist, Real Estate

[jesse.norcross@ing.com](mailto:jesse.norcross@ing.com)

**Teise Stellema**

Research Assistant, Energy Transition

[teise.stellema@ing.com](mailto:teise.stellema@ing.com)

**Diederik Stadig**

Senior Economist, Healthcare & Technology

[diederik.stadig@ing.com](mailto:diederik.stadig@ing.com)

**Diogo Gouveia**

Sector Economist

[diogo.duarte.vieira.de.gouveia@ing.com](mailto:diogo.duarte.vieira.de.gouveia@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Ewa Manthey**

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

**ING Analysts**

**James Wilson**

EM Sovereign Strategist

[James.wilson@ing.com](mailto:James.wilson@ing.com)

**Sophie Smith**

Digital Editor

[sophie.smith@ing.com](mailto:sophie.smith@ing.com)

**Frantisek Taborsky**

EMEA FX & FI Strategist

[frantisek.taborsky@ing.com](mailto:frantisek.taborsky@ing.com)

**Adam Antoniak**

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

**Min Joo Kang**

Senior Economist, South Korea and Japan

[min.joo.kang@ing.com](mailto:min.joo.kang@ing.com)

**Coco Zhang**

ESG Research

[coco.zhang@ing.com](mailto:coco.zhang@ing.com)

**Jan Frederik Slijkerman**

Senior Sector Strategist, TMT

[jan.frederik.slijkerman@ing.com](mailto:jan.frederik.slijkerman@ing.com)

**Katinka Jongkind**

Senior Economist, Services and Leisure

[Katinka.Jongkind@ing.com](mailto:Katinka.Jongkind@ing.com)

**Marina Le Blanc**

Sector Strategist, Financials

[Marina.Le.Blanc@ing.com](mailto:Marina.Le.Blanc@ing.com)

**Samuel Abettan**

Junior Economist  
[samuel.abettan@ing.com](mailto:samuel.abettan@ing.com)

**Franziska Biehl**  
Senior Economist, Germany  
[Franziska.Marie.Biehl@ing.de](mailto:Franziska.Marie.Biehl@ing.de)

**Rebecca Byrne**  
Deputy Global Head of Editorial and Supervisory Analyst  
[rebecca.byrne@ing.com](mailto:rebecca.byrne@ing.com)

**Mirjam Bani**  
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)  
[mirjam.bani@ing.com](mailto:mirjam.bani@ing.com)

**Timothy Rahill**  
Credit Strategist  
[timothy.rahill@ing.com](mailto:timothy.rahill@ing.com)

**Leszek Kasek**  
Senior Economist, Poland  
[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

**Antoine Bouvet**  
Head of European Rates Strategy  
[antoine.bouvet@ing.com](mailto:antoine.bouvet@ing.com)

**Jeroen van den Broek**  
Global Head of Sector Research  
[jeroen.van.den.broek@ing.com](mailto:jeroen.van.den.broek@ing.com)

**Edse Dantuma**  
Senior Sector Economist, Industry and Healthcare  
[edse.dantuma@ing.com](mailto:edse.dantuma@ing.com)

**Francesco Pesole**  
FX Strategist  
[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

**Rico Luman**  
Senior Sector Economist, Transport and Logistics  
[Rico.Luman@ing.com](mailto:Rico.Luman@ing.com)

**Jurjen Witteveen**  
Sector Economist  
[jurjen.witteveen@ing.com](mailto:jurjen.witteveen@ing.com)

**Dmitry Dolgin**

Chief Economist, CIS  
[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

**Nicholas Mapa**  
Senior Economist, Philippines  
[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

**Egor Fedorov**  
Senior Credit Analyst  
[egor.fedorov@ing.com](mailto:egor.fedorov@ing.com)

**Sebastian Franke**  
Consumer Economist  
[sebastian.franke@ing.de](mailto:sebastian.franke@ing.de)

**Gerben Hieminga**  
Senior Sector Economist, Energy  
[gerben.hieminga@ing.com](mailto:gerben.hieminga@ing.com)

**Nadège Tillier**  
Head of Corporate Sector Strategy  
[nadege.tillier@ing.com](mailto:nadege.tillier@ing.com)

**Charlotte de Montpellier**  
Senior Economist, France and Switzerland  
[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

**Laura Straeter**  
Behavioural Scientist  
+31(0)611172684  
[laura.Straeter@ing.com](mailto:laura.Straeter@ing.com)

**Valentin Tataru**  
Chief Economist, Romania  
[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

**James Smith**  
Developed Markets Economist, UK  
[james.smith@ing.com](mailto:james.smith@ing.com)

**Suvi Platerink Kosonen**  
Senior Sector Strategist, Financials  
[suvi.platerink-kosonen@ing.com](mailto:suvi.platerink-kosonen@ing.com)

**Thijs Geijer**  
Senior Sector Economist, Food & Agri  
[thijs.geijer@ing.com](mailto:thijs.geijer@ing.com)

**Maurice van Sante**

Senior Economist Construction & Team Lead Sectors

[maurice.van.sante@ing.com](mailto:maurice.van.sante@ing.com)

**Marcel Klok**

Senior Economist, Netherlands

[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

**Paolo Pizzoli**

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

**Marieke Blom**

Chief Economist and Global Head of Research

[marieke.blom@ing.com](mailto:marieke.blom@ing.com)

**Raoul Leering**

Senior Macro Economist

[raoul.leering@ing.com](mailto:raoul.leering@ing.com)

**Maarten Leen**

Head of Global IFRS9 ME Scenarios

[maarten.leen@ing.com](mailto:maarten.leen@ing.com)

**Maureen Schuller**

Head of Financials Sector Strategy

[Maureen.Schuller@ing.com](mailto:Maureen.Schuller@ing.com)

**Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@ing.com](mailto:Warren.Patterson@ing.com)

**Rafal Benecki**

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

**Philippe Ledent**

Senior Economist, Belgium, Luxembourg

[philippe.ledent@ing.com](mailto:philippe.ledent@ing.com)

**Peter Virovacz**

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

**Inga Fechner**

Senior Economist, Global Trade

[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

**Dimitry Fleming**

Senior Data Analyst, Netherlands

[Dimitry.Fleming@ing.com](mailto:Dimitry.Fleming@ing.com)

**Ciprian Dascalu**

Chief Economist, Romania

+40 31 406 8990

[ciprian.dascalu@ing.com](mailto:ciprian.dascalu@ing.com)

**Muhammet Mercan**

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

**Iris Pang**

Chief Economist, Greater China

[iris.pang@asia.ing.com](mailto:iris.pang@asia.ing.com)

**Sophie Freeman**

Writer, Group Research

+44 20 7767 6209

[Sophie.Freeman@uk.ing.com](mailto:Sophie.Freeman@uk.ing.com)

**Padhraic Garvey, CFA**

Regional Head of Research, Americas

[padhraic.garvey@ing.com](mailto:padhraic.garvey@ing.com)

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

**Tim Condon**

Asia Chief Economist

+65 6232-6020

**Martin van Vliet**

Senior Interest Rate Strategist

+31 20 563 8801

[martin.van.vliet@ing.com](mailto:martin.van.vliet@ing.com)

**Karol Pogorzelski**

Senior Economist, Poland

[Karol.Pogorzelski@ing.pl](mailto:Karol.Pogorzelski@ing.pl)

**Carsten Brzeski**

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

**Viraj Patel**

Foreign Exchange Strategist

+44 20 7767 6405

[viraj.patel@ing.com](mailto:viraj.patel@ing.com)

**Owen Thomas**

Global Head of Editorial Content

+44 (0) 207 767 5331

[owen.thomas@ing.com](mailto:owen.thomas@ing.com)

**Bert Colijn**

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

**Peter Vanden Houte**

Chief Economist, Belgium, Luxembourg, Eurozone

[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@ing.com)

**Benjamin Schroeder**

Senior Rates Strategist

[benjamin.schroeder@ing.com](mailto:benjamin.schroeder@ing.com)

**Chris Turner**

Global Head of Markets and Regional Head of Research for UK & CEE

[chris.turner@ing.com](mailto:chris.turner@ing.com)

**Gustavo Rangel**

Chief Economist, LATAM

+1 646 424 6464

[gustavo.rangel@ing.com](mailto:gustavo.rangel@ing.com)

**Carlo Cocuzzo**

Economist, Digital Finance

+44 20 7767 5306

[carlo.cocuzzo@ing.com](mailto:carlo.cocuzzo@ing.com)