



## Transcript of podcast with Cristóbal Rovira Kaltwasser: “The Economics of Populism”

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January 12, 2018

Hello, I'm Bruce Edwards and welcome to this podcast produced by the International Monetary Fund. In this program: political scientist, Cristóbal Rovira Kaltwasser, on the economics of populism.

**MR. KALTWASSER [soundbite]:** *To what extent mainstream political parties are changing their economic policies because of the pressure that they feel from populist parties either from the left—think about Podemos in Spain, or from the right—think about the Front National in France—for example.*

**MR. EDWARDS:** Populism has become a bit of a buzz word of late. It is often at the very center of debates about politics and elections. But what about the economic implications of populism? That was the subject of a panel discussion at this year's American Economic Association's (AEA) Annual Meeting. Cristóbal Rovira Kaltwasser was invited to join that discussion, organized by the IMF's Antonio Spilimbergo.

Kaltwasser is an Associate Professor in Political Science at Diego Portales University in Chile, and co-author of *Populism: A Very Short Introduction*. I met him at the AEA conference in Philadelphia.

So, before we get deep into this conversation, how do you define populism because there are a lot of definitions out there.

**MR. KALTWASSER:** I think this is an important question, because you probably know that populism is getting more and more common, in the sense that many people in academia but also journalists are using the concept. My interpretation is that there is a sort of misuse of what is populism. So, I have been doing research on populism in Europe and in Latin America, and to a certain extent also in the US. For us in political science, it is pretty important to develop a definition that travels to different countries and regions.

For example, many people who start to study Trump, they define it as Trumpism. This maybe would be a good definition for studying in the US, but it might not travel to study the Front National in France or to study Peronism in Argentina.

With that being said, the definition that I use, but also do many colleagues in political science, is that populism is mainly a specific set of ideas that considers society to be separated between two groups: the people versus the elite, and at the same time argues that politics should be an expression of the general will of the people.

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This podcast: <http://www.imf.org/en/News/Podcasts/All-Podcasts/2018/01/12/Populism>

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So, in summary, it's the combination of two things: on the one hand, the moral distinction between the people versus the elite, and on the other hand, this very idea that politics is about respecting popular sovereignty or the general will of the people.

**MR. EDWARDS:** So, you are presenting today before an audience of hundreds of economists at a huge economic convention. What does this recent rise in populism say about the global economy?

**MR. KALTWASSER:** Well, there is a tendency by some scholars to say that the economy is going to explain why we have the rise of populism. I personally think that the stories have been more complicated. If you think, for example, about the economic recession that we have seen in the last few years, it has affected several countries across western Europe. In some of those countries, you see the rise of populist forces—think, for example, about the case of Spain and Podemos. But, you also have Portugal, a country that has been deeply affected by the great recession and you don't see the rise of populism.

So, I'm skeptical about thinking that once you have an economic recession, automatically the response is going to be a sort of populism.

The other issue that's important to take into account is that many scholars, particularly economists, tend to argue that the rise of populism is related to the so-called "modernization losers." So, we have seen the process of economic transformation over time, mainly because of globalization, and because of that you have certain segments of the population who have been not winning because of that—they have been losing—and those are the ones who are voting for populist actors. The empirical data shows again that it depends on the countries that you're going to analyze, so it's a bit more complicated.

What I presented today, for example—and this is one of my favorite examples—is about "populist radical right" parties, which is a sub-type of populism that combines populism and nativism. If you think about populist radical right parties in western Europe, the party that gets the most votes is in Switzerland. The economy in Switzerland is running perfectly—unemployment is very low; inequality is relatively okay; economic growth is very high. So why is it then that in Switzerland you see a populist radical right party that gets almost 30 to 35 percent of the vote? So, economic explanations can help us to understand some things, but this is only a small part of the story.

**MR. EDWARDS:** So, if the economic aspect of this rise in populism isn't that obvious and there are other factors driving it, how much do economists really need to know about populism?

**MR. KALTWASSER:** Yes. What is also important to consider, as I said earlier, is that economic explanations only explain some things. I think this very idea of modernization losers is interesting in another way. So, what many economists think is: well, those who have been losing because of the globalization process are those who are going to vote for populist radical right parties. This is not necessarily the case. But, the modernization losers' argument to a certain extent holds some truth if you think that being a modernization loser is a subjective dimension. By this I mean that maybe you are in a very good economic situation, you belong to the middle class, but you feel subjectively that you have been losing. Although objectively, you have a relatively good job, you have a relatively good salary, but you have the feeling that the system is unfair. So, being a modernization loser is not an objective category in this sense, whether you're really outside of the job market or not. It's whether you feel that the system is not treating you well.

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So, going back to the case of Switzerland, how the hell do we understand that 35 percent of the population is voting for that party that has this populist message? A great part of that has to do with the fact that this segment of the electorate has the feeling that inequality is way too high; that immigrants are taking their jobs—although it's not true, but this is the feeling that they have.

So, in this sense, this subjective side of politics, so to say, is extremely important. And, in fact, the data shows that relative deprivation, and not absolute deprivation, is the key driver behind those voters.

**MR. EDWARDS:** So, inequality plays into this as well.

**MR. KALTWASSER:** Exactly. As I was telling you, if it was absolute deprivation, you would think that those who are really suffering will vote for those parties. Those who are really suffering or who are really in poverty normally don't vote at all so they are outside the political market, so to say. But, those who feel relative deprivation, they have the feeling that, in fact, the system is treating them not in the right way. Although they are in the job market—maybe in a middle position, maybe a bit precarious—but again, they're not suffering in the sense that they don't have food in their fridges. It's not like that. But they have this feeling that the system is pretty unfair. And, if you have a populist actor who is going to politicize that and develop the right frame, then you will have those segments of the electorate that will say: ah ha! This is the message that makes sense to me. So, finally there is a politician who is talking my language, so to say.

**MR. EDWARDS:** So, the language is important, right? I mean what, in your opinion, does it take for a populist leader to become popular?

**MR. KALTWASSER:** Well, as I was saying before, we should be careful with the concept because populism is a combination, remember, of moral distinction between the people versus the elite who are talking in the name of the people in favor of popular sovereignty, so to say. If you look at speeches of most mainstream politicians today, they would not use that sort of language. So, in this sense, populist politicians are very peculiar because they will do this combination of a moral language and at the same time they will talk and they will favor popular sovereignty.

So, what makes these actors very popular is that populist politicians or populist parties are able to politicize certain issues that the establishment has overlooked. Maybe on purpose or not, this is a second question. Immigration is a key example. If you go to Europe, for example, many of those populist radical right parties are using this populist language to say immigration is a big problem. Mainstream parties forgot about that because mainstream parties on the right or on the left—social democratic parties or mainstream conservative parties—are relatively okay with immigrants. But, many people within societies are not okay with having too many immigrants. Those populist actors are very good at having the feeling about those issues that are very pressing for the voting public and are able to politicize that and blame the elites for being out of touch. This is what makes these parties and leaders often very popular.

The second explanation is what we call in political science “the growing tension between responsiveness and responsibility.” What happens because of liberal economic reforms is that international markets are extremely powerful nowadays. If you are a politician, you need to be responsible to those international markets and at the same time to certain international institutions—think about the European Union. But, at the same time, as a politician you need to be not only responsible to those institutions and the international markets, but you need to be responsive to your own constituency. It's extremely difficult for politicians to keep the balance between being responsive and being responsible.

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So, what happens nowadays—and this was pretty clear with the great recession—is that politicians very often tend to be very responsible. They undertake the reforms that the European Union says that you need to undertake as a politician or the international markets. But, because of that, the electorates start to get very angry at you. And because of this tension, then you have the possibility of the rise of populism.

**MR. EDWARDS:** So, in the end, how important do you think it is that economists understand what is driving populism?

**MR. KALTWASSER:** Well, I think it's important for several reasons. First of all, populist actors are getting more relevant but not necessarily because of the amount of votes they get. If you read, for example, the news from last year, we have this impression that populists were winning elections all over the world. In fact, if you look at what happened, it's not necessarily true. Think about the Netherlands, for example. The PVV—Geert Wilders' populist radical right party—got around 20 percent of the vote. It was relatively high, but he was not necessarily the main winner. If you look, for example, at France, Marine Le Pen was articulating a populist message, but she was not the main winner of the elections. If you go to Germany, AfD—Alternative for Germany, a populist radical right party—got into parliament with 15 percent of the vote. So, they are winning to a certain extent, but it is a limited amount of votes. Normally in Europe, they get between 10 to 20 percent of the vote.

So, in this sense, I think that we shouldn't overstate how important these parties are, at least in terms of the amount of votes that they get. But here comes the second part. Those parties and those leaders are not necessarily successful because they win elections or get too many votes, but they can be very successful because they shift the political agenda. Because they politicize certain issues that have been irrelevant in the past, these issues start to get very relevant for mainstream political parties. So, what happens is, although these parties sometimes do not get too many votes—10 to 20 percent of the electorate—they push mainstream political parties to adapt. Because of that, we are seeing the transformation of some mainstream political parties that are adopting some of the issues that these populist parties are politicizing, so to say. And, here comes the work of economists.

So, what is the impact of populism? I would say, the impact of populism on the one hand is related to what they can do if they get into power, but, looking across many countries, this is the exception rather than the rule. There are not many countries in the world, at least in the western world, in which you will realize that populist actors get more than 50 percent of the vote. Hungary would be an example with Orbán, so you have their one case. Trump would be another case. But, again, these are the exception rather than the rule.

So, one way of looking at that would be that economists say: okay, let's look at those cases in which a populist actor comes to power and let's try to figure out which are the economic consequences. The other way of looking at that is what happens with mainstream political parties. And, this what I think is a much more interesting question, and also for economists: to what extent mainstream political parties are changing their economic policies because of the pressure that they feel from populist parties either from the left—think about Podemos in Spain—or from the right—think about the Front National in France—for example. So, it's both sides of the coin and this is something that sometimes both economists and journalists tend to forget.

**MR. EDWARDS:** That was Cristóbal Rovira Kaltwasser, Associate Professor in Political Science at Diego Portales University in Chile, and co-author of *Populism: A Very Short Introduction* published by Oxford University Press.

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