Populism, inequality, and economic growth: A European perspective

Comments by

Guillermo Vuletin
(Senior Economist, Office of Chief Economist for LAC)
Conceptual framework proposed
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“Populism, inequality, and economic growth”
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“Populism, inequality, and economic growth”

↑ income inequality
↑ wealth inequality
↑ poverty
↓ social mobility
↓ intergenerational mobility
Conceptual framework proposed

“Populism, inequality, and economic growth”

↑ chances of populist:
- Left-wing (class identity)
- Right-wing (national identity)

↑ income inequality
↑ wealth inequality
↑ poverty
↓ social mobility
↓ intergenerational mobility

Popular classes vs. elite/oligarchy
Anti-globalization (trade and supranational institutions) and anti-immigration
Conceptual framework proposed

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Evidence suggests that populisms are detrimental for institutions/democracy, isolationism, inequality, and growth
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“Whatever it takes” wide range of policies to reduce “inequality,” including:
- Progressivenessssssss: Taxation on wealth, minimum wage, employee representation in boards, tax on capital flows
- RIP meritocracy?
- Multiple objective monetary policies (including optimal inflation tax)

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1. Causes beyond “inequality”?
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E.g., absolute vs. relative. Also includes cultural, the speed of change, widespread disenchantment, etc.

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2. Endogeneity of background papers?
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Econ causes

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Econ implications

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Evidence from earlier paper on democracy

Democracy does not cause growth: The importance of endogeneity arguments (Ruiz-Pozuelo, Slipowitz, and Vuletin; 2016)
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Democracy does not cause growth: The importance of endogeneity arguments (Ruiz-Pozuelo, Slipowitz, and Vuletin; 2016)

All democratic transitions

More endogenous democratic transitions

More exogenous democratic transitions
3. Policies to “combat” populism beyond “inequality”? 
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Short- and long-term costs of measures: Maybe more balance with pro-growth and equality of opportunities?

“The future of the EU’s economic proposition in light of the looming economic populism: A case for an endogenous response”
4. Populism beyond Europe? A more general equilibrium approach

• In such an interconnected world, with multiple “centers”, what policies may be helpful to “combat” populisms in Europe, yet could “push” emerging markets and developing countries into populisms and/or less democratic equilibriums.
4. Populism beyond Europe?  
A more general equilibrium approach

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• Also “western countries” > Europe.
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