

# 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

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↑ chances of populist:

- Left-wing  
(class identity)

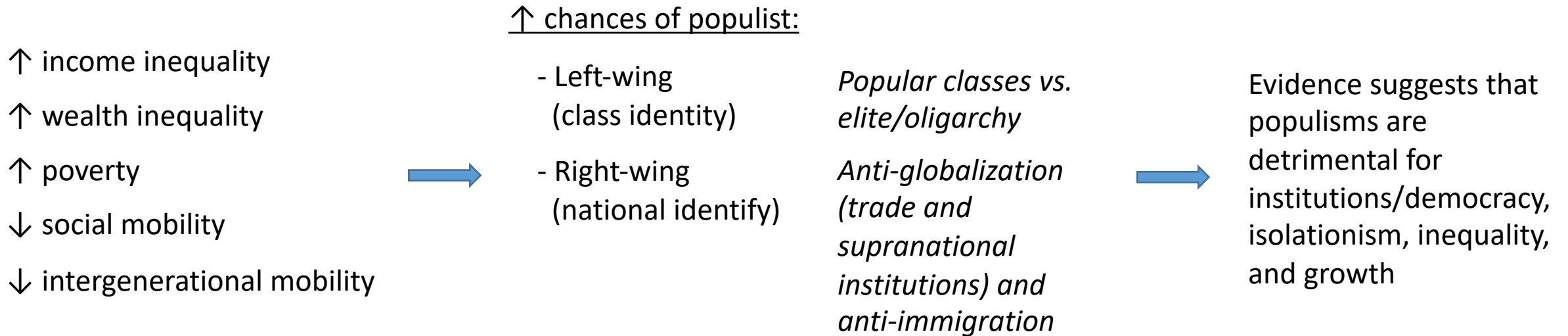
*Popular classes vs.  
elite/oligarchy*

- Right-wing  
(national identity)

*Anti-globalization  
(trade and  
supranational  
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anti-immigration*

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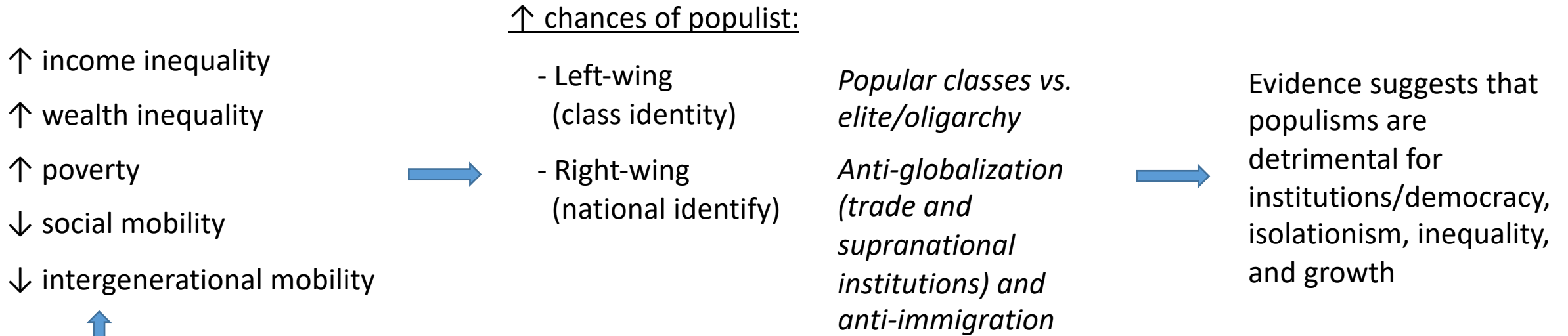


Evidence suggests that populisms are detrimental for institutions/democracy, isolationism, inequality, and growth

*“The future of the EU’s economic proposition in light of the looming economic populism: A case for an endogenous response”*

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“Whatever it takes” wide range of policies to reduce “inequality,” including:

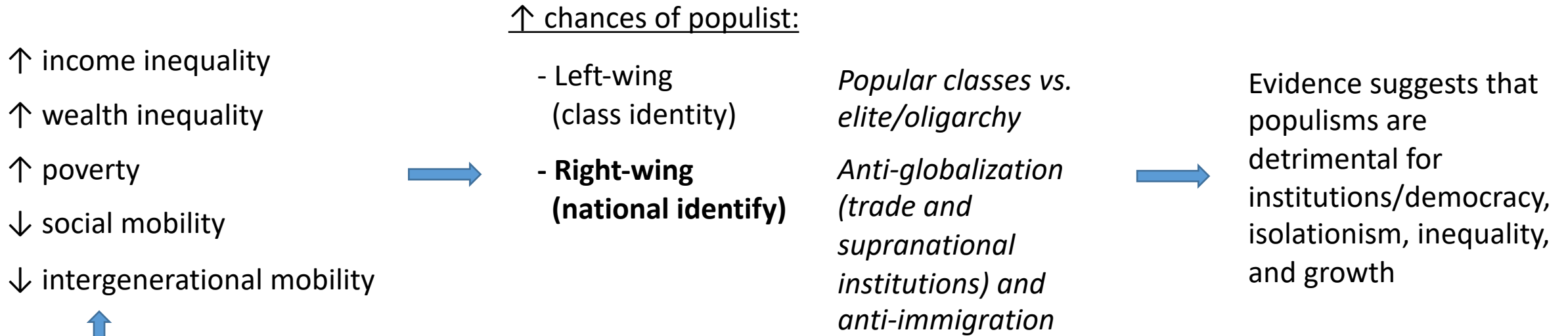
- Progressivenesssss: Taxation on wealth, minimum wage, employee representation in boards, tax on capital flows
- RIP meritocracy?
- Multiple objective monetary policies (including optimal inflation tax)

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- ↑ income inequality
- ↑ wealth inequality
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- **Right-wing (national identify)**

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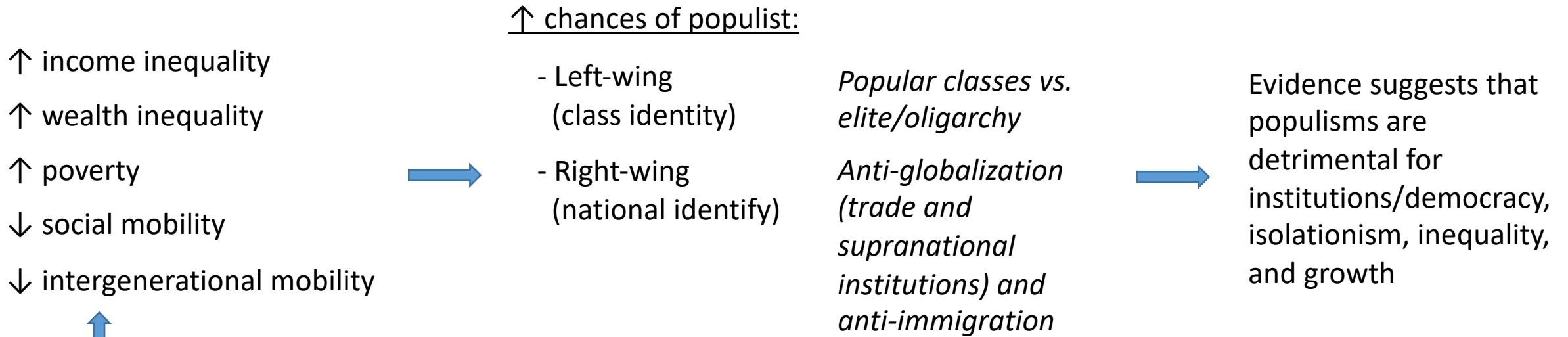
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# 1. Causes beyond “inequality”?

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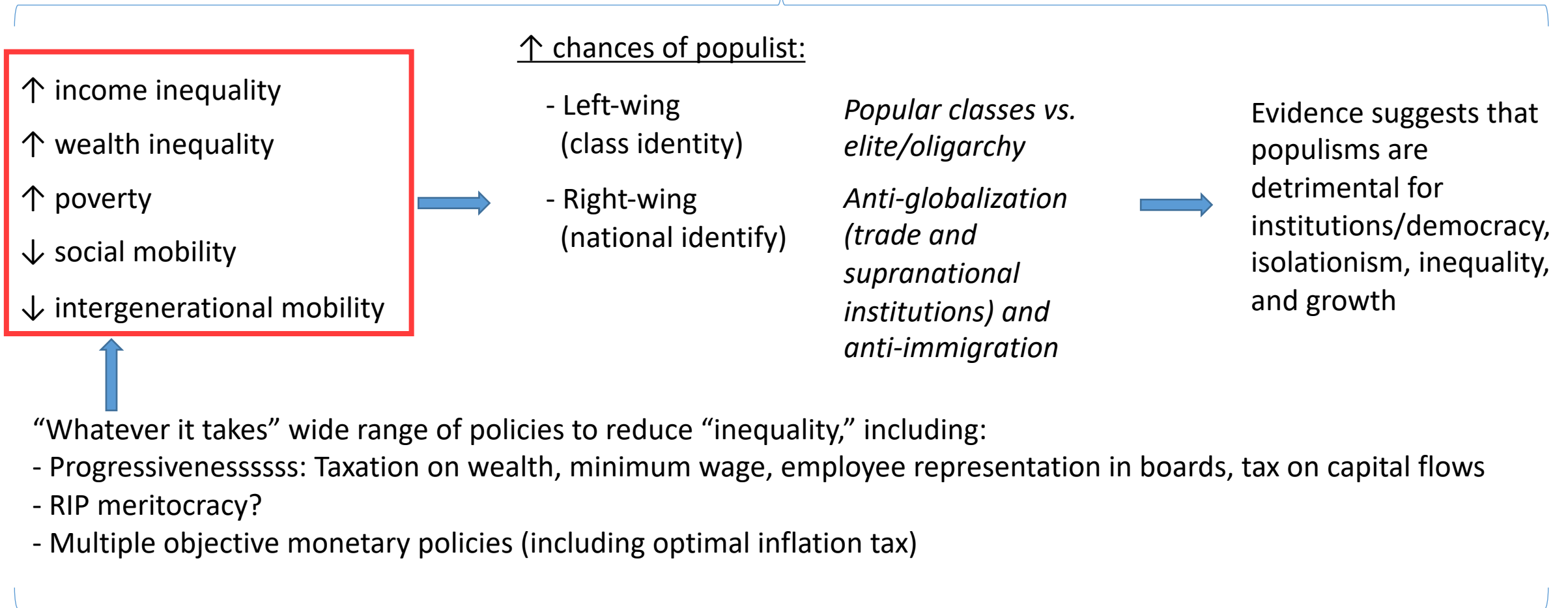
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E.g., absolute vs. relative. Also includes cultural, the speed of change, widespread disenchantment, etc.

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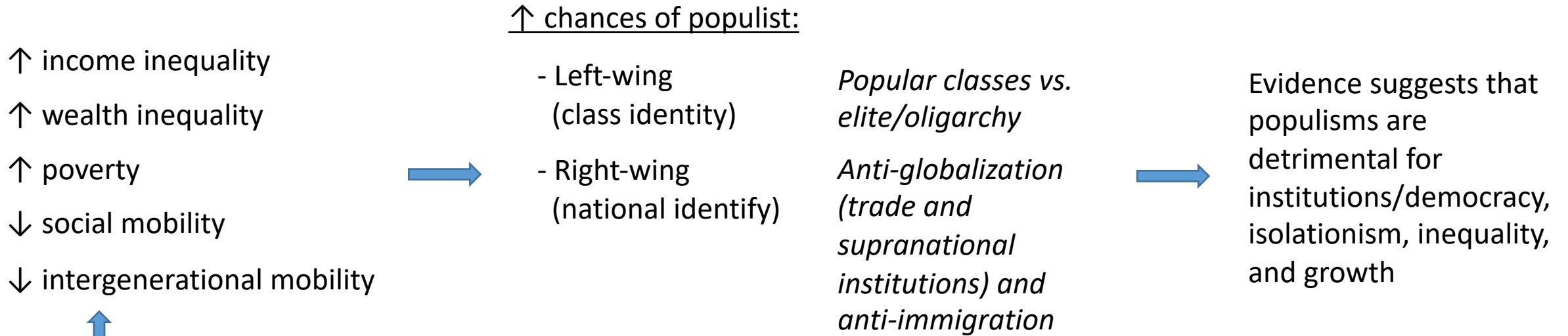
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## 2. Endogeneity of background papers?

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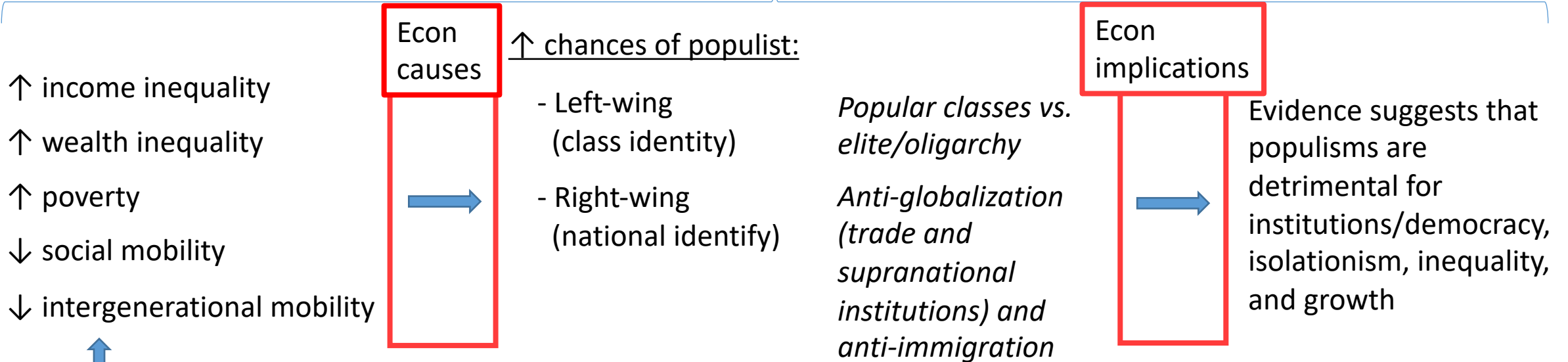
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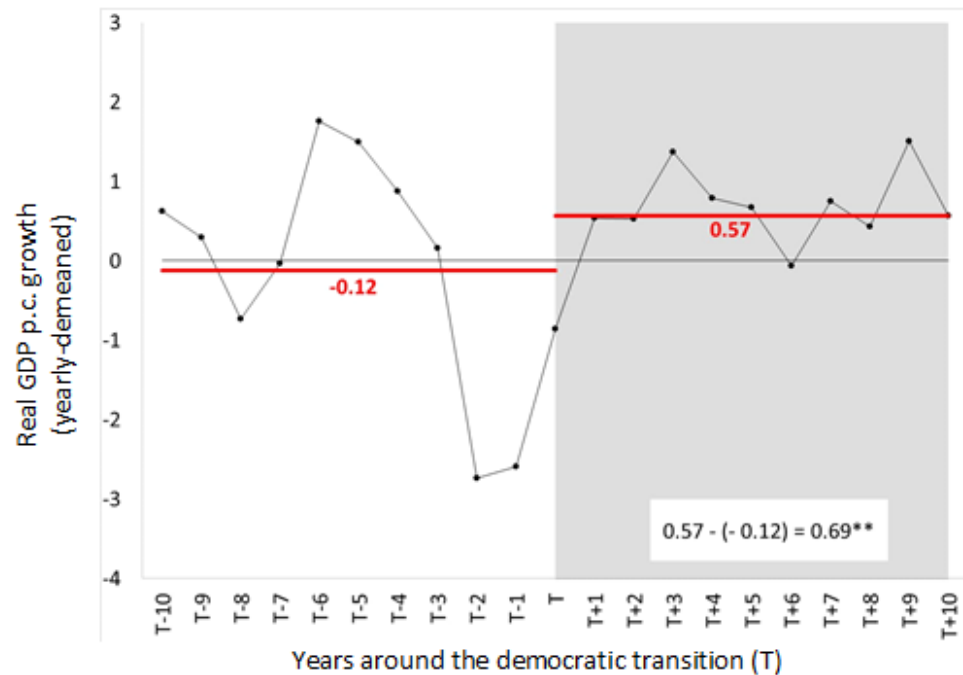
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# Evidence from earlier paper on *democracy*

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

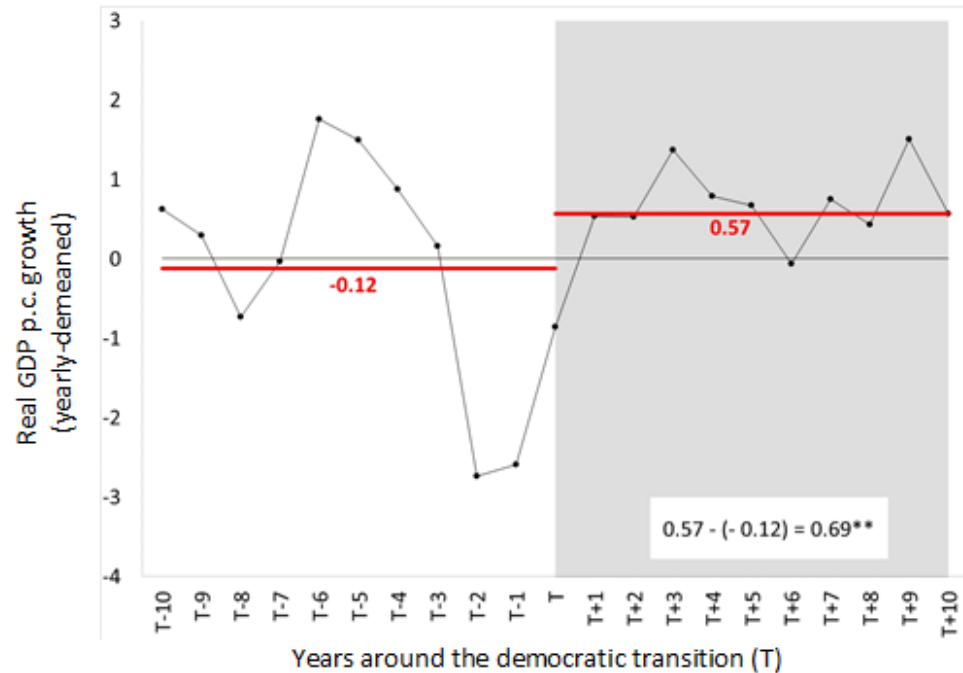
## All democratic transitions



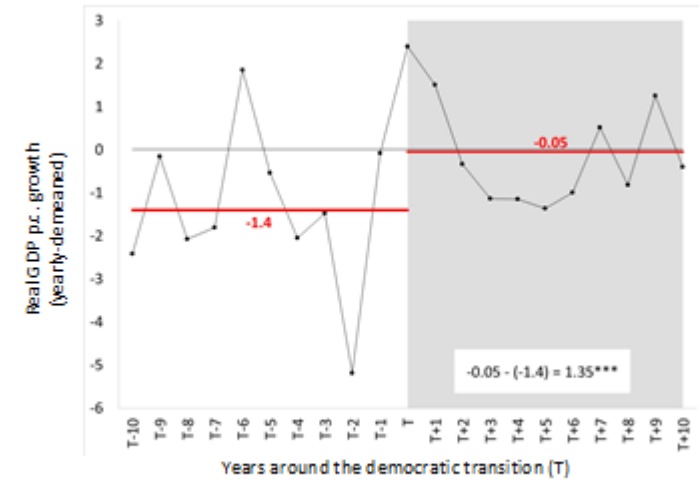
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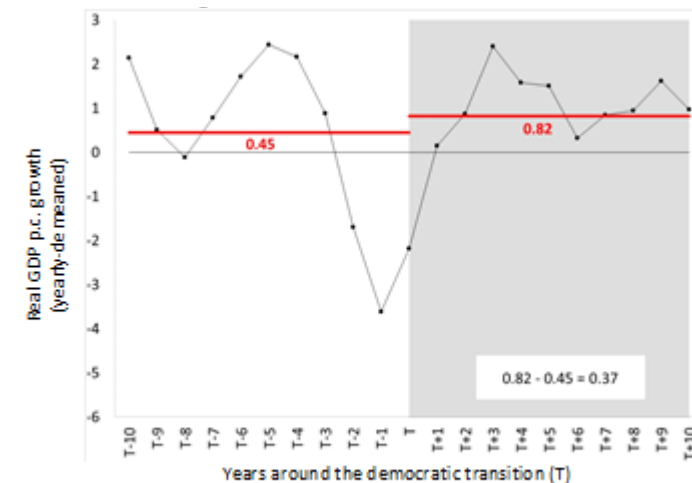
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## More endogenous democratic transitions



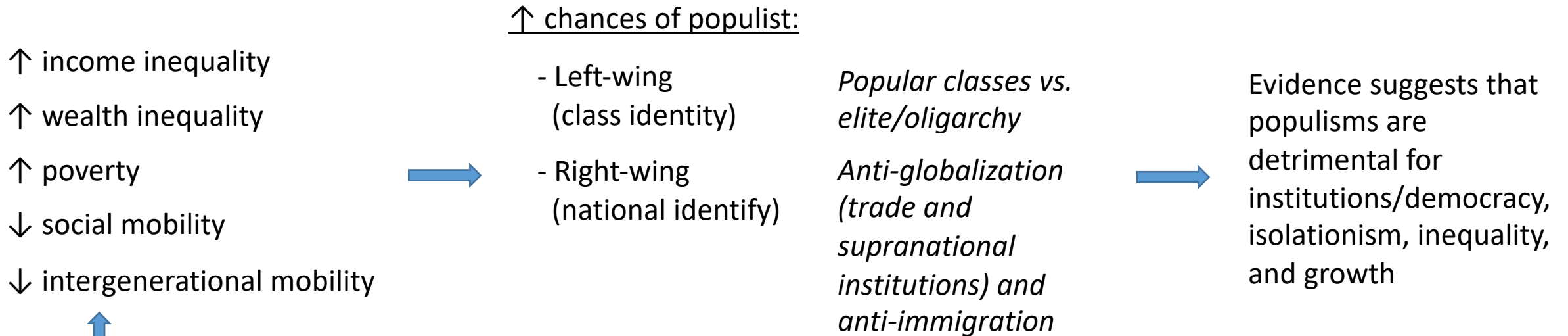
## More exogenous democratic transitions



### **3. Policies to “combat” populism beyond “inequality”?**

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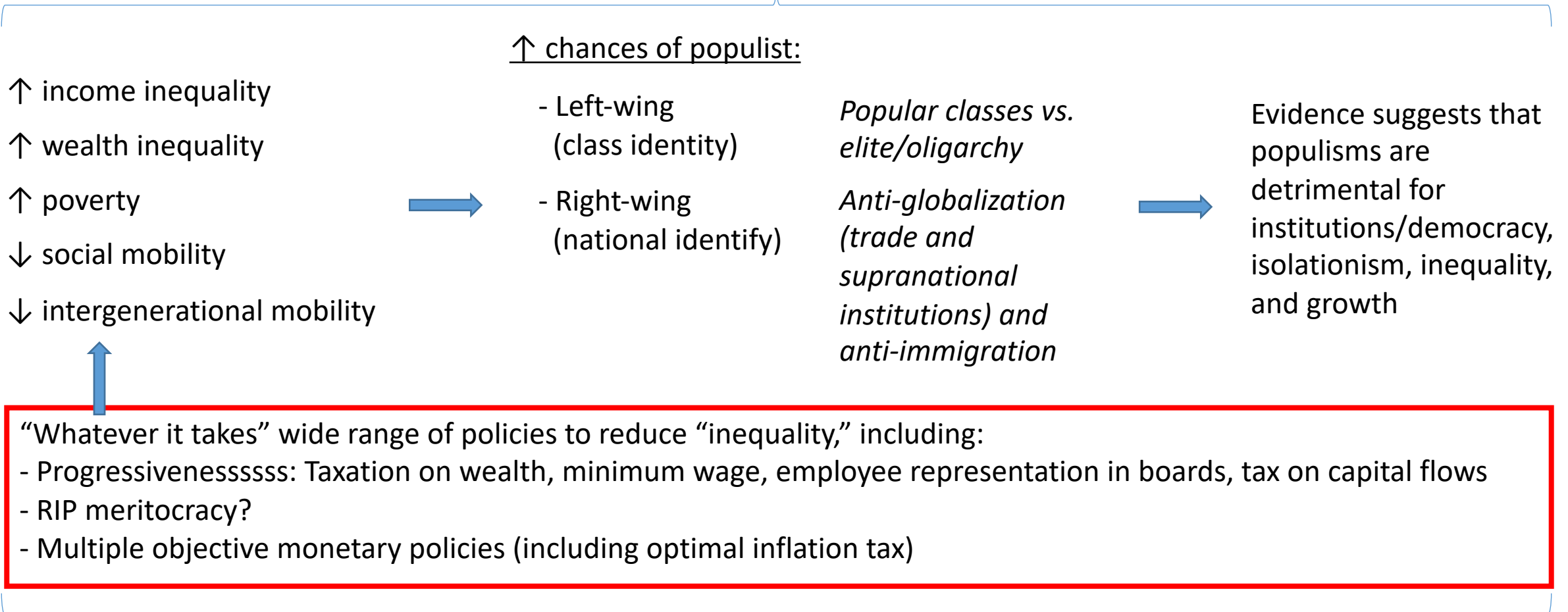
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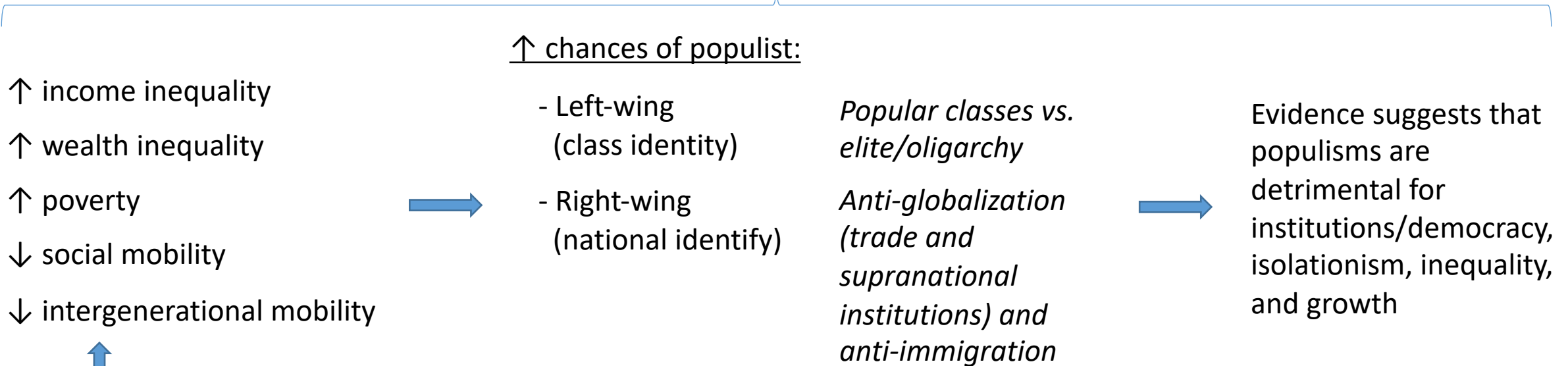
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Short- and long-term costs of measures: Maybe more balance with pro-growth and equality of opportunities?

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## 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.

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- 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.
- Also “western countries” > Europe.



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