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Article

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What Policies Do Populists Pursue When in Power? Results of Selected Studies^{*}

The party landscape in many Western industrialized nations is becoming increasingly fragmented. More and more voters are turning their backs on the established (popular) parties, while populist parties are gaining popularity.¹ There are many reasons for the rise of such parties, including disappointment with the established parties, which have often failed to make their mark in government and set themselves apart from the political competition. Immigration policy also plays an important role, with many populist parties intent on limiting immigration from abroad.

A key question is the extent to which populist parties, when they are in government, also pursue different policies than the established parties or parties of the political center. In this article, we describe some research findings that show which policies populists have pursued in office and what consequences a populist government has for the economy and society. We do not provide a comprehensive literature review, but rather focus on studies that we consider to be important.

WHAT DO POPULISTS STAND FOR AND WHAT CAN WE EXPECT FROM THEM?

Populists are characterized by their criticism of the social “elite.” Populist parties use a strong rhetoric that decouples the “elites,” who are linked to the politicians of the established parties, from the “common people.” Populists position themselves as advocates of the common people and at the same time want to limit the influence of the elites. They also want to pursue different policies to those of the elites.

There are left-wing and right-wing populist politicians and parties. Prominent examples from Latin America are the left-wing populist Evo Morales (2006–2019 President of Bolivia) and the right-wing populist Jair Bolsonaro (2019–2023 President of Brazil). Alexis Tsipras (2015–2019 Prime Minister of Greece) is another example of a left-wing populist and Donald Trump of a right-wing populist. Right-wing populist parties include the Alternative for Germany (AfD), the Rassemblement National (RN) in France, and the Freedom Party of Austria (FPÖ).

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¹ Green parties are also increasingly being elected in many industrialized countries. See Potrafke and Wüthrich (2020) for the effects of the first Green-led state government in Germany on outcomes such as economic growth, unemployment, and energy policy.

KEY MESSAGES

- **Populist-led countries tend to experience lower economic growth and less integration into the global economy compared to countries not governed by populists**
- **Recent studies at the municipal level provide convincing evidence of the impact of populists in office**
- **During their tenure, populist mayors have restricted immigration and social polarization has increased**
- **The election of populist mayors with anti-immigration agendas also influences attitudes toward foreign migrants, leading to a higher probability of hate crimes against immigrants**
- **Populist representation in municipal councils can lead to shifts in the ideological positions of other parties**

Regarding sociopolitical issues such as how to deal with immigration from abroad, populist parties take a clear stance: they want to restrict it. As far as economic policy issues are concerned, the positioning of populist parties is not clear: some populist parties want to expand the size and scope of government (more spending, more redistribution of income and wealth, more state regulation of labor and product markets, etc.), while others want to decrease the size and scope of government. This ambiguity cannot be resolved by dividing the parties into left-wing and right-wing populist parties. For example, there are some parties that are described as right-wing populist and want to expand state activity. Which economic policies populist parties and politicians in office actually pursue and what economic effects these policies have remains an empirical question.



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EMPIRICAL RESULTS AT THE NATIONAL LEVEL

One of the first studies on the impact of populists at the national level, by Rode and Revuelta (2015), shows that market-oriented economic reforms have been slowed down under populist heads of state. The authors analyzed data for 35 countries in the period 1990–2012, using indicators of economic freedom to measure economic policies. Gründler et al. (2024) also use indicators of economic freedom for a larger data set of 101 countries over the period 2000–2020. The results show that market-oriented economic reforms have been slowed down, particularly under left-wing populist heads of state. However, the empirical methods used in these studies do not allow any causal interpretation. The relationship between economic freedom or economic reforms and populist heads of state could be driven by third variables that cannot be controlled for in the empirical models.

The study by Funke et al. (2023) suggests that countries with populist heads of state experienced significant growth losses compared to countries without populist heads of state. The authors examined economic growth and other macroeconomic variables in 41 countries over the 1900–2020 period. During this period, out of a total of 1,482 heads of state, 51 are classified as populists (one of whom is Adolf Hitler). The results show that GDP fell by around 10 percent over a 15-year period when populists were in office. Populists shielded domestic economies from globalization: foreign trade volumes as measured by GDP and financial integration fell and tariffs on foreign trade rose.

A recent example comes from the United States. The Trump administration implemented protectionist trade policies, increasing tariffs on several countries and products. That was met with retaliatory tariff increases from its trading partners and an escalating trade war. Fajgelbaum et al. (2020) show that the cost to the US economy was high: the average real income loss was USD 7.2 billion. Most of the consequences were borne by US consumers and firms that buy imports, whose real income declined by USD 51 billion.



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RESULTS AT THE LOCAL LEVEL

Empirical studies at the municipal level succeed in convincingly estimating the causal effects of populists in office. Cause and effect can be easily distinguished in these studies. Scholars compare municipalities in which populist mayors were narrowly elected to office with municipalities in which populist candidates were narrowly defeated in the election. In these cases, only a few votes or chance decide whether a municipality is governed by a populist mayor or not. The data used came from Italy and Austria, for example, where mayors of right-wing populist parties such as the Lega Nord, Five Star Movement, or FPÖ were in office.

In Italy, narrowly elected mayors of the Lega Nord have ensured that fewer immigrants have come to their municipalities than to other municipalities, as Bracco et al. (2018) find for the period 2002–2014. However, if mayors of other political parties who also want to restrict immigration are taken into account alongside the Lega Nord, a strong effect of mayors who want to restrict immigration can be found only after 2014 (Cerqua and Zampollo 2023). In the period 2014–2018, the proportion of immigrants (inflow) in municipalities with mayors who want to restrict immigration was 16 percentage points lower than in municipalities with mayors who do not want to restrict immigration.

In addition to influencing immigrant behavior, the election of populist mayors also influences attitudes and behavior toward immigrants. In particular, the election of anti-immigration candidates can normalize hostility towards immigrants (Bursztyn et al. 2020). Romarri (2022) shows that Italian municipalities with narrowly elected mayors from the Lega Nord or other far-right parties (including Brothers of Italy, the party of the current prime minister) have a 5-percentage-point higher probability of hate crimes against immigrants than in comparable municipalities where the far-right parties were not in a ruling position.

Italian mayors from right-wing populist parties have not only influenced immigration. They also paid off the debts of their municipalities to a slightly lesser extent than mayors from other parties in the period 1998–2020 (Bellodi et al. 2024). Moreover, they awarded more public contracts that exceeded the planned costs: the proportion of public contracts with unplanned high costs was a good 5 percentage points higher for mayors of right-wing populist parties than for mayors of other parties. There was also higher personnel turnover in the civil service: mayors of right-wing populist parties replaced 50 percent of the top civil servants in their municipalities.

The results of a study with data for Austria do not show that FPÖ mayors have influenced outcomes such as the unemployment rate, debt, or budget composition (Dörr et al.

2021). However, FPÖ mayors have increased political polarization. One instrument used to ascertain this was a political polarization index, in which the ideological positions of the parties and voting behavior in the municipalities are considered. Another instrument was soccer matches in the municipalities. As in Germany, soccer is also the most important community sport in Austrian municipalities. Results show that the proportion of players of foreign nationality in municipalities decreases when the municipalities are governed by FPÖ mayors.

A study for Finland examines the question of how established political parties react to the increasing presence of populist parties (Tähtinen 2022). Party positions in local elections are determined using candidate-level survey data from a voting advice application. The study shows that a stronger representation of populist parties in municipal councils influences the ideological positions of the established parties, prompting them to move closer together especially on social and cultural issues, the most important political dimension of populist parties.

POLICY CONCLUSION

Policymakers and citizens alike should be aware of the potential consequences when populists are in power, such as lower economic growth, reduced global integration, and increased social polarization.

Recent research highlights that populist policies that claim to shield domestic firms, workers, and consumers from globalization can backfire and have the opposite effect. While populists claim to protect cultural identity, normalizing hostility toward immigrants can lead to increased violence.

The ideological shifts observed in other parties when populist parties hold representation in municipal councils suggest the importance of fostering political dialogue and coalition-building to mitigate polarization.

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