

**Tim Phillips [00:00:00]:**

Today on VoxTalks Economics, what can economists learn about populism from history's populists? Welcome to VoxTalks Economics from the Centre for Economic Policy Research. My name is Tim Phillips. Every week we bring you the best new research in economics, so remember to subscribe. You'll find us wherever you get your podcasts and follow us on Instagram as well at VoxTalks Economics. Political populism has fascinated and disappointed economists for more than a century now. But did history's populists believe what we think they believed? And when economists have rubbished populist ideas in history, how often were they right to do so? A new discussion paper teaches us a lot about the history of populist movements and the reaction of economists to it, and it might offer us a lesson in humility as well. Kevin O'Rourke of NYU Abu Dhabi is one of the authors and he joins me now. Kevin, great to talk to you again.

**Kevin O'Rourke [00:01:11]:**

Thanks very much for having me, Tim.

**Tim Phillips [00:01:13]:**

Kevin, first of all, the definition of populism, it's always problematic, isn't it? Today, how do social scientists define populism?

**Kevin O'Rourke [00:01:22]:**

I suppose the most common definition is that of Muda and Kaltwasser, in which they define populism as essentially being a style of political discourse that opposes the virtuous people to the wicked elites. And that certainly is a component of the rhetoric of people like Donald Trump and many others.

**[Voiceover] [00:01:44]:**

You work hard, you pay your taxes, you do all these things and you were forgotten. They forgot about you. They talk about the elite. The elite. Do you ever see the elite? They're not elite. You're the elite. You are the elite.

**Kevin O'Rourke [00:02:01]:**

It isn't only people like Donald Trump and Modi and so on who oppose the interests of ordinary people to the interests of elites. So we prefer the more demanding definition of Jan-Werner Müller, where he adds to this rhetorical requirement, an additional one, which is that you have to claim that not only do you speak for the people, but that if you disagree with me, then you're not really of the people. So the people who oppose your policies are somehow out of the national

mainstream. And of course, that's what makes for an authoritarian form of discourse and that's why it's so dangerous. People think for democracy. Other people add extra elements into the mix. Barry Eichengreen adds nativism, for example, and you can see a lot of nativism, obviously, in the rhetoric of the sorts of people that we worry about today.

**Tim Phillips [00:02:46]:**

When you read economic papers about populism, it's sort of like a bit of a dirty word. Now, why do contemporary economists tend to criticize populism?

**Kevin O'Rourke [00:02:57]:**

I think contemporary economists, economists especially writing after 2016, which saw the election of Trump and which saw Brexit, tend to be opposed to populism for the same reason as ordinary citizens. I mean, we view populism as fraying the quality of our democracies, and that's something that, as citizens, we don't like. Now, an earlier generation of economists associated people like Rudi Dornbush and Sebastian Edwards, they defined populism in terms that by definition meant that you had to oppose them if you were an economist. So they defined populism as being a style of politics that pursued economically irresponsible policies. So in a sense, that sort of definition explained why you wouldn't necessarily have to oppose them. But I think that nowadays people in economics are worried about populism for the same reason as people everywhere.

**Tim Phillips [00:03:44]:**

It's the accepted thought that there's a lot of populism about at the moment. In your opinion, which political regimes do we see at the moment that fit our definition of populism? And are there some that we might think of populism but don't fit that template?

**Kevin O'Rourke [00:04:01]:**

I would say Trump, Donald Trump certainly has an us versus them style of rhetoric, and we saw after the election that he lost that he does indeed represent a clear and present danger for the quality of America's democratic institutions. Netanyahu, we are seeing in Israel right now, unfortunately, it seems to be corroding Israel's democratic institutions in a way that's familiar from other contexts as well. Going at the judiciary, the independent judiciary, we've seen that in Eastern Europe also. So there's no shortage of candidates today. On the other hand, if you take the definition of populism that just emphasizes the us versus them, people versus elites rhetoric, then you might be tempted to put Bernie Sanders into the same bucket.

**[Voiceover] [00:04:42]:**

There is a ruling class that has enormous wealth and enormous power over almost every aspect

of our lives. Many of these people have become literally addicted to money and greed. People who have billions of dollars, more money than they can spend and their families can spend in a hundred lifetimes, they think they need even more. And to get that more, they're willing to step on other people.

**Kevin O'Rourke [00:05:09]:**

But, I mean, seems to me he's a completely different kettle of fish. I don't think anybody actually believes that Bernie Sanders poses a threat to America's democratic institution. So I would say that he belongs in a different category.

**Tim Phillips [00:05:22]:**

Kevin, your paper is fascinating because it takes a lot longer view of populism than very often we tend to think about. And you go back to the 19th century to focus on the populist party, Big P populist party in the US that was founded at the end of the 19th century. Where did that come from? Who was its leader? What were its beliefs?

**Kevin O'Rourke [00:05:47]:**

We spent quite a lot of time in the paper arguing that the populists with a capital P of the late 19th century were not in fact, populist in the sense that we mean it today. They're more like Bernie Sanders and less like Donald Trump. And part of the purpose of the paper is to say that if you have a definition of populism that is so expansive that it includes the People's Party as the Founding Fathers, well, then you're going to end up with this ridiculous situation where you're saying that Sanders and Trump are somehow the same, and they're very clearly not. So who were they? They were an amalgamation of different grassroots movements that come together at a certain point in time, notably the farmers alliance, but they're also workers organizations and other organizations. So they don't really have a leader such, they have several leaders. They emerge at a time of falling prices because of a gold shortage, the great depression of the late 19th century as it was known then, and falling prices are always bad news for farmers who are always indebted. So this was a cause of financial stress at the time. They therefore favored monetary policies that would halt the deflation of the time. In particular, they were opposed to the gold standard. They also opposed monopoly power in, for example, railroads and in other economic organizations with whom, say, farmers had to deal. This is a common theme at the time, by the way, if you look in Europe. At the same time, the origin of many cooperatives lies in the notion that you have to give small producers a bit of monopoly power. They have to group together to have a bit of countervailing monopoly power so they can interact on fairer terms with, for example, people further down the distribution chain. So they're very much of their time, I would say, they not only support antitrust policies and an end to the gold standard, they also support graduated income tax, they support a nationalized rail service, they support secret ballots in elections, they support directly elected senators. So in many ways you'd have to say that their economic program is progressive in some sort of a sense, that they're on the left of the

spectrum when it comes to economic policy.

**Tim Phillips [00:07:49]:**

And of course, the other big economic debate at the time was around protectionism. Where did they stand on that?

**Kevin O'Rourke [00:07:55]:**

In the 1892 election where they stood on their own, they didn't have much of a stance in it. They basically said, we, you know, we're not in favor of tariffs, this is stuff for rich guys and so on. It's a diversion from the real issues, if you like. But then in 1896, they fight the election with the democrat candidate as their candidate. They row in behind the democrat candidate, William Jennings Bryan.

**[Voiceover] [00:08:16]:**

I can conceive of a national destiny surpassing the glories of the present and the past, a destiny which meets the responsibilities of today and measures up the possibilities of the future. Behold a republic resting securely upon the foundation stone quarried by revolutionary patriots from the mountain of eternal truth.

**Kevin O'Rourke [00:08:41]:**

Democrats in those days were free traders. The republicans were in favor of protectionism. So the populists, the people's party, the populists of the Big P, were, if anything, on the free trade side of the debate. It was their republican opponents who were the protectionists at the time, in the USA.

**Tim Phillips [00:08:57]:**

We often think of populists in a broad definition of being backward looking and being nativist. This doesn't sound like at all something that fits the Big P populists.

**Kevin O'Rourke [00:09:10]:**

Yes. So of course life is complicated. Let me divide that into two, because backward looking and nativists aren't necessarily the same thing. So they certainly weren't backward looking, it appears, in recent historical scholarship, and I'm talking about real historians now, not economists like ourselves, who dabble. Real historians have emphasized how interested they were in education, how interested they were in modern technologies. They were very much part of this period in America where people are looking ahead and hoping for economic progress. They just want a bigger slice of what's coming to go to them. They are very involved in adult

education, for example, so they're not at all backward looking. Now, in the Historiography a couple of generations prior to that, there were famous political scientists, I suppose, with historical bent who did regard them as backward looking. And so that's one way in which the notion of the People's Party as being populist in the modern sense sort of snuck into the literature, and in particular snuck into the social science literature. Subsequent historians, and I'm talking about real historians now have sort of pretty well demolished this view of the populist and yet the view of the People's Party as being precursors of today's populists in the Donald Trump sense has persisted. So that's got to do with backward lookingness, number one. Nativism is more complicated because in the United States you're dealing with a profoundly racist society. So on the one hand you will certainly find anti Semitic tropes in populist discourse. That's very clear. If you look at their condemnation of big finance and so on and the money interests, you're going to find the same sort of anti Semitic tropes that you find all over the place at this time. So that has to be acknowledged. On the other hand, the notion that they were the fountain origin of American antisemitism, which was a view that was peddled, let's say in the 50s and early 60s, I mean that view doesn't seem at all plausible. I mean if you think about antisemitism in the economics profession, which maybe if you're honest you should it will be remembered that Harvard, for example, was famously anti Semitic well into the post World War II period. And I don't think that those worthies were anti Semitic because of what some bunch of agrarian radicals out on the frontier had been saying 80 years previously or whatever. I think that they were anti Semitic because that's what waspy people at the time were. So that's on the one hand then in terms of race, it's even more complicated. So on the one hand you will find white populists and black people cooperating in elections, if you care to look for that. You will find episodes of that. And historians maybe of the, let's say, early 1970s, would have very much emphasized that view of them. So they were a biracial coalition in some sense. They're coming together across racial divides to try to argue for policies that will favor working class people or small producers. More recently scholarship because this is the way scholarship works, has looked again and has emphasized the fact that actually a lot of the white southern populists were in fact racist. They supported Jim Crow laws. They had murky backgrounds. Some of them had been involved in lynching and so on. So that's on the one hand and then on the other hand black people in the south would have remained largely loyal to the Republican party because the white populace weren't necessarily going to be their best friends. But on the other hand those African Americans and those white populists they did collaborate politically, number one. Number two there were African Americans who were themselves populist. I don't think we should attempt to deny their agency or their populist identity. Number three not all white populists were southern, you know and attitudes in the south and the north were different sometimes. And number four if you are looking for real god to honest old fashioned southern racists I mean you would look for that in the southern Democratic party.

**Tim Phillips [00:12:51]:**

Yeah.

**Kevin O'Rourke [00:12:51]:**

So why you would single out the populists as being the exemplar of racism when actually the story is a bit complicated as regards to them and it's really very uncomplicated when it comes to white southern Democrats is unclear to me.

**Tim Phillips [00:13:05]:**

Their economic platform sounds extremely interesting at 120, 130 years removed, what did economists at the time think of it?

**Kevin O'Rourke [00:13:18]:**

They were nearly all opposed to it and in particular economists at the time tended to be in favor of the gold standard. But I mean they also had problems with things like the progressive income tax. There are one or two exceptions. There's one exception that I think speaks to our concerns about free speech on campuses today. The president of Brown was an economist who unusually was opposed to the gold standard and the trustees of Brown tried to stop him from speaking out publicly against this for fear that it would offend wealthy donors. I mean there was a bit of a scandal about this and eventually free speech triumphs. But that does tell you how establishments of the time really did not like people questioning the gold standard. And economists may be as part of the establishment of the time or maybe just because of orthodox macroeconomic beliefs or whatever, they're very much part of establishment thinking. And what's striking is that with hindsight you'd have to say that on this issue the populists were 100% right and the economists were 100% wrong. And you don't have to appeal to left wing economists to make the point. I mean Milton Friedman with the benefit of several decades of hindsight he came out and said look I mean the populists were right. I mean minting of gold was not a great policy in an era where economies are growing rapidly and there's a scarcity of gold supplies. So that's one up for the populists and one down for the economics profession, I would say.

**Tim Phillips [00:14:35]:**

What about in Europe, though? This is a US Story. What about the populist movements in Europe? Were there similar movements?

**Kevin O'Rourke [00:14:42]:**

No, I think it's complicated thinking about whether there are European analogies at the time. I'm going to argue that the People's Party were not populists in the modern sense. And so if we're asking about whether there are European equivalents, well, can we find European equivalents that are speaking up for, say, worker rights? I mean, there are, there are socialist parties developing in Europe right towards the end of the 19th century. Some of them would end up being quite deeply connected with communism and so on eventually. And that's too complicated

to go into. There are also social democrats. What you can say is those socialist movements in Europe tend to be in favor of free trade. So if you inhabit an intellectual world where ignorant working class people are opposed to trade simply because they're ignorant and working class, then the 19th century is not a good period for you. And I would go on further and say that in general, different groups in society, I mean, as an economist, we tend to believe people know what's good for them, right? You can't really argue in favor of the market if you don't believe that people know what's good for them. It'd be very strange to argue that it's good for them except for when it comes to voting for politicians. I mean, that would be odd, wouldn't it? So I tend to take the view that if people had views on protectionism, be it whether pro or against, in the late 19th century in America or Europe, it probably was because they had some sort of a notion as to where their interests lay. So I mean, myself and Jeff Williamson argued that in Europe in the late 19th century, workers are in favor of free trade for good old Stolper-Samuelson theorem and actual reasons. They're the abundant factor. So of course they're in favor of free trade. Small farmers on the American prairie, you would expect, would be fairly well disposed towards free trade because, again, land is an abundant factor in the US, and so on. In Europe, the people who are protectionist at the time were the rich guys, in particular, the rich landowners. So fairly reactionary people, prussian Jonkers and the like. So it isn't clear to me that there is a populist movement in the modern sense in either Europe or the States in the late 19th century, number one. And number two, if we're looking for equivalencies when it comes to trade policy, what we see is groups pretty rationally following their class interests, whatever they may be.

**Tim Phillips [00:16:47]:**

So this 19th century story is very interesting because the populists we wouldn't consider them to be populists and their views turn out to be very progressive in the paper, you jump ahead to the 1930s, which is of course, a very important time for populist politics for many obvious reasons. By this time, had this economic agenda from the populist party, had that become mainstream?

**Kevin O'Rourke [00:17:16]:**

No, unfortunately, it took the great depression of the 1930s to make objectioning to the gold standard mainstream. If you look at the economics profession in the 1920s, I mean, there were one or two honorable exceptions, but by and large, people were still pretty wedded to the gold standard. And of course, as we know now, the gold standard is ultimately what brings about the great depression, because it's the international institution that leads to excessively tight monetary policies all around the globe. So economists got that one wrong. And even more unfortunately, I suppose, in the 1930s, there weren't only old style American people's party politicians around to argue against the gold standard. People who were, as far as I can see, perfectly respectable democrats. They just didn't agree with the power structures of their time and economic policies of the time. By the 1930s, you have what today we would consider populists arguing against the gold standard also. So if you look at the Nazis, I know one's never supposed to mention the Nazis, but I mean, they are the ultimate horror story here, and they're very opposed to gold. Well, they were onto a winner there. And I think the whole episode is a

chilling cautionary tale of what can happen when all of the good guys, the liberal internationalists, favor an economic policy that makes no sense at all, because if all of the good guys favor that policy, then you're leaving an open goal for the bad guys to shoot into. And that's what happened.

**Tim Phillips [00:18:44]:**

Yes. Now, during the 30s of course, there were many, many movements that we might consider populist that sprang up and articulated all sorts of anti elite ideas. Can we put them all together in any way at all? Because, of course, many of their other beliefs were very divergent.

**Kevin O'Rourke [00:19:05]:**

Yeah, that's a good question. So on the one hand, you will find that the style of rhetoric is often very similar, and I guess this is an argument in favor of the way the political scientists look at the phenomenon. You look at the us versus them rhetoric, you look at maybe the nativism and you can see lots of commonalities. So that's on the one hand. On the other hand, however, if you look at, say, the class base of different populist movements, that can be very context specific. So in the paper we look, for example, at survey evidence, looking at who supports Charles Coughlin, who's this famous radio priest who's an antisemite and so on.

**[Voiceover] [00:19:37]:**

While the rich can become richer, there are still 8 or 9 million unemployed in this nation. One third of its population is still on the doll, and two thirds of its population is still wondering where the cost of living can meet the purchasing power of the dollar. All you poor laborers and farmers, we have tried time and again to tell you that there can be no resurrection for America. Until Congress begins to coin and regulate the value of money. Capitalism shall never again flourish as once it did. Capitalism has been almost taxed out of existence in an effort to meet the coupons on the bonds.

**Kevin O'Rourke [00:20:38]:**

Their, you know their profile maybe would look like what you would expect if you were trying to project today back into the past. You have older men, they're maybe more likely to be blue collar. They're doing badly economically. They're pessimistic about the future. Okay, that all looks quite familiar. But then if you look at the sources of Nazi support, the blue collar guys are probably if they were voting antidemocratic, they probably were voting communist, not fascist. If you look at who's voting for the Nazis, it's not blue collar workers, it's small time professionals. It's the shopkeepers and the working poor, as they're sometimes called. And if you look at who goes an extra step and actually joins the party, there are very often better educated people, in fact, who are doing this. So that looks very unlike today's populist demographic mix. So these things are context specific, and I suppose part of the point of writing this paper is to complicate



the story and to urge present day economists not to project today's mix of class attributes and ideas back into the past, assuming that they will find that it's always the same. So, number one, your attitude towards globalization, that may not project well back into the past, because I've said before, these things depend on relative factor proportions in a globalizing world. And on the other hand, I mean that the social mix of populist movements has also changed over time.

**[Voiceover] [00:22:01]:**

What does history teach us about the economic impact of populism? And is our taste for populists a bug or a feature of democracy? In July 2022, we spoke to Moritz Schularick and Massimo Morelli in the episode Causes and Costs of Populism. You can listen to it when you subscribe to VoxTalks.

**Tim Phillips [00:22:24]:**

So Kevin, what comes through very clearly from what you're telling me today and in the paper as well, is that reading economic history a little bit more carefully than most of us do can really help us to avoid this overly simplistic view of populist ideas that doesn't really seem to chime with what we see when we look back at what happened.

**Kevin O'Rourke [00:22:48]:**

First of all, I would say we should read not only economic history, we should probably also read proper history. Because what really strikes me is the proper history written by the proper historians who aren't social scientists and whose primary agenda is not to develop theories of how societies work in principle, but actually just to tell you what happened. They often complicate your thinking in very helpful ways. That's the first point. Second point is that not everybody who's called a populist is in fact a populist. You've got to be very careful with how you define terms. Of course, you can define them however you want. We find it useful to define populism as Muller does, and in that case the People's Party isn't populist. And that then should make us in turn suspicious of lumping, say, perfectly democratic people who just happen to be, say, radical and economic policy today in with the Orbans and the Modis and the Trumps and so on. These are different categories. If you worry about them, you worry about them for different reasons.

**Tim Phillips [00:23:46]:**

And should we think about our terms again, maybe it would be useful to redefine or rename what economists are calling populism at the moment. That would help us to produce more rigorous research, perhaps.

**Kevin O'Rourke [00:24:01]:**

I guess I would be quite happy if what we refer to as populism today, which is certainly something that's worth studying and which I think can be defined narrowly and accurately and usefully and so on in the Muller way, I think it might be helpful if we referred to that as demagoguery. Or you might think of a better term, perhaps. And the reason I think that is because once you say populism, then you make the link with the People's Party, certainly, if you're American, you will. And then that leads to this whole set of confusions about who isn't a populist, you know, you get the Sanders equals Trump problem and all the rest of it. So if I could wave a magic wand, I'd have us use that phrase instead, I mean, given that I don't have a magic wand, I just think we need to be more careful.

**Tim Phillips [00:24:47]:**

What we also learn is that in the debate with populist political ideas throughout history, economists have often been very confident, but also very much on the wrong side of these ideas, as we know now. Is there something about economists that we can learn that has put us on the wrong side?

**Kevin O'Rourke [00:25:09]:**

Yeah, I mean, sometimes we're on the wrong side, and sometimes we're not. If Dornbush and Edwards are going to argue that you can't run budget deficits forever and so on, I mean, I'm certainly not going to argue with that. But we have sometimes really been on the wrong side of issues, particularly maybe big macroeconomic issues, maybe perhaps monetary issues in particular. And so if history should make us be maybe a little bit humble, I think the reason to be worried about populism with a small P today is the reasons that we talked about at the start of this podcast, though it has to do with the way in which it's corroding democracy. If as economists we take that view, then we do need to be a little bit self reflective about some of our own attitudes towards economic policy making, because it does strike me that democracy isn't just about being able to vote out the bums. It's about being able to vote out the bums policies as well if people decide that they don't like them. And it's not 100% clear that all economists have always been okay with this. I mean, we talk a lot about rules and discretion. As Danny Roderick has pointed out, economists, maybe a lot of economists anyway, tend to like rules because we're worried that discretion can be costly and so on. These are very good arguments, but I think it's unarguable that too many rules and too little discretion seems not to be entirely compatible with democracy the way we understand it. And there's an even more important point perhaps you made as well, which is if you say to the people, well, we hear your pain, but really we can't actually change the policies because that's just the way the world works. If you argue that there is no alternative, that is good for populists. If you give people choices over policymakers, but not over policies, and if that's what all the centrists are buying into, you can choose the color of the ice cream, but you can't choose the product, you can choose the managers, but not the policies being managed, then eventually there are some people who are inevitably going to say, well, to hell with this. We're just going to vote for somebody out of left field or right field and that's where the dangers rise.

**Tim Phillips [00:27:06]:**

Kevin, it's a fascinating paper. If people don't know about some of this history, then that's a lesson in itself. Even if you do know about the history, then it's interesting as a new way to think about it. So thank you very much for talking about it.

**Kevin O'Rourke [00:27:21]:**

Thanks very much, Tim.

**Tim Phillips [00:27:31]:**

The paper is called *Should History Change the Way We Think About Populism?* The authors are Alan de Bromhead and Kevin O'Rourke. It is discussion paper 18079 at CEPR.

**[Voiceover] [00:27:47]:**

We hope you enjoyed this VoxTalk from the Center for Economic Policy Research. If you did, please leave us a review and tell your friends. Next week on VoxTalks: does broadband Internet change who invests in the stock market and what we invest in?