
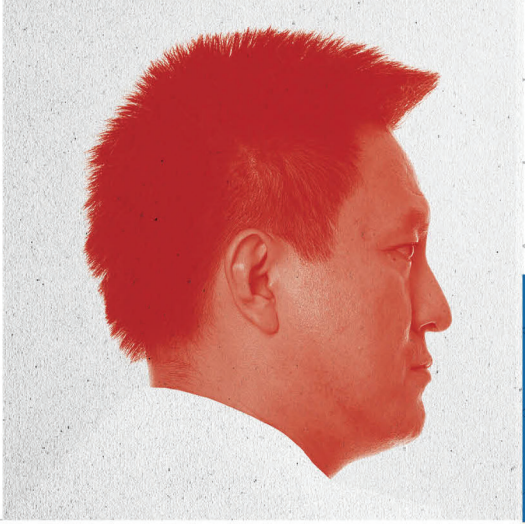
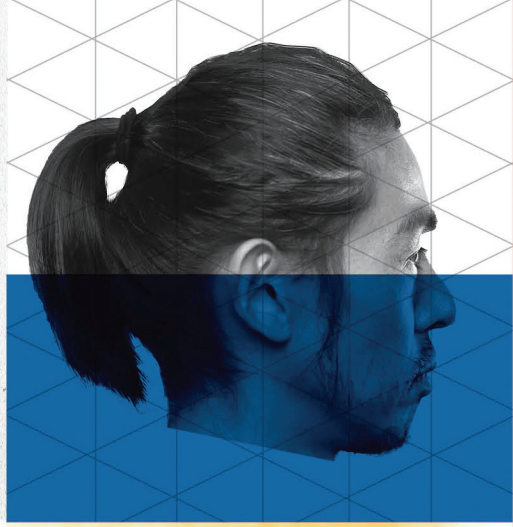




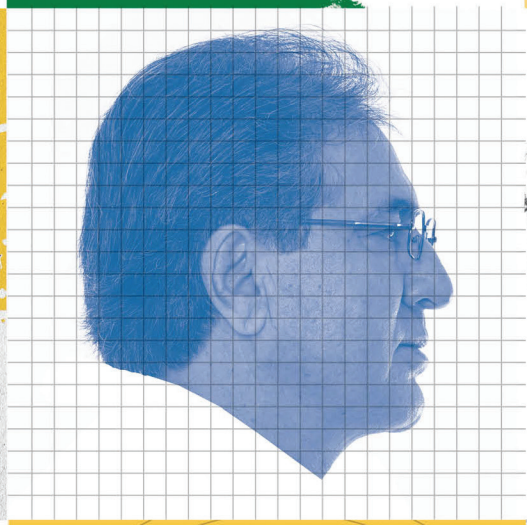


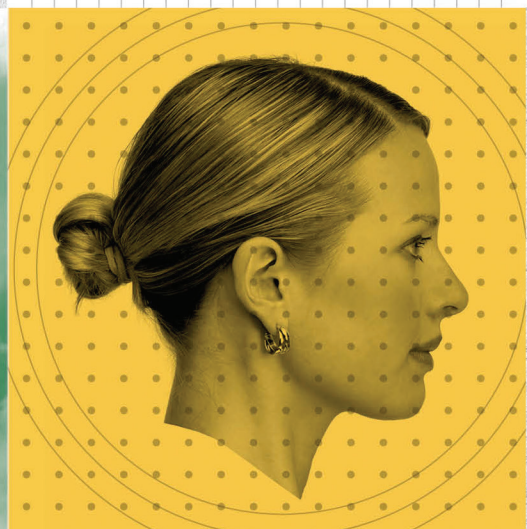


EMBRACING IDENTITY

Broadly shared identity can be the basis for the sense of shared destiny that is at the core of good politics

Andrés Velasco

What is populism? Economists, unsurprisingly, have defined the phenomenon in exclusively economic terms. The classic definition of populism is "an approach to economics that emphasizes growth and income redistribution and deemphasizes the risks of inflation and deficit finance, external constraints, and the reaction of economic agents to aggressive nonmarket policies" (Dornbusch and Edwards 1991).

The problem with this definition is that it does not apply to most regimes that are called populist nowadays. Even among left-wing populist governments in Latin America—precisely those the Dornbusch-Edwards definition is supposed to fit—one can find examples of the same. Former Bolivian president Evo Morales, at least in his early years in power, was prudent in the management of his country's gas revenues; in Mexico recently, President Andrés Manuel López Obrador has cut expenditures and stayed within the bounds of a small budget deficit.

Political populism, which is different from *economic* populism, offers a solution to this conundrum—and you can have one without the other.

Populism is a way of doing politics in which conflict takes center stage (Müller 2016; Mudde and Rovira 2017). A homogeneous group called "the people" is often pitted against others—"the elite," local minorities, immigrants, foreigners. Müller stresses populists' moralistic interpretation of politics: those on the side of the people are moral; the rest are immoral, doing the bidding of a corrupt elite.

The populist approach to politics rests on a triad: denial of complexity, anti-pluralism, and a personalist approach to political representation. Most of us believe that social choices (Build more schools or hospitals? Stimulate or discourage international trade? Liberalize or restrict abortion?) are complex, and that opposing views about what to do are a natural consequence of this complexity. Populists disagree.

Inevitably, then, populists do not believe in pluralism. For them there is only one correct opinion—that of the people—which is therefore the only view with political legitimacy. It follows that the complex mechanisms of liberal democracy, with its delegation and representation, are unnecessary. No need for endless parliamentary debate: the single "will of the people" can be expressed in a single vote. Populists hence love referenda and tend to walk the slippery slope toward authoritarianism or outright dictatorship.

Politics trumps economics

What is behind the rise of populism? The standard answer is the pocketbook. In countries like the United Kingdom and the United States, the distribution of income has worsened, and the top

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1 percent is reaping the lion's share. In places left behind by technological change and globalization, people have lost their jobs and their patience. The 2008 global financial crisis not only caused much pain, it also reinforced the conviction that Wall Street is Main Street's enemy. No wonder politics has become confrontational and populists have the upper hand.

If this narrative is right, the policy conclusion is simple: tax the rich, redistribute more income, and throw out the rascals who did the bankers' bidding. Populism will eventually fade away. The standard narrative is simple and appealing. But is it correct? Is it a sound basis for a policy response?

There is no shortage of empirical papers purporting to show that in North America and western Europe the forces behind populism are mostly economic. But there are also plenty of papers concluding that the rise of populism is the result of a cultural backlash. Evidence in favor of the latter is not limited to the United Kingdom and the United States, argue Inglehart and Norris (2016), who studied populist parties in 31 European countries. "Overall, we find the most consistent evidence supporting the cultural backlash thesis," they conclude.

So far, most formal evidence concerns the possible sources of populism in the prosperous countries of North America and western Europe. Formal empirical research into the causes of populism in emerging economies is much scarcer. But informal evidence suggests a story rather different from the one often told about rich nations.

In the rich-country narrative, economic stagnation and the frustrations of those left behind take center stage. In emerging economies, by contrast, right-wing populism is thriving in countries with strong economic performances—which is just the opposite of what the "economic insecurity" hypothesis would predict. India, the Philippines, and Turkey have grown at rates between 6.5 and 7 percent since 2010. Poland barely suffered the effects of the European financial crisis and has been Europe's growth champion, with an average per capita growth rate of more than 4 percent since 1992.

Or consider the neighboring Czech Republic, where unemployment is only 2.3 percent, the lowest rate in the European Union, and the economy grew 4.3 percent in 2017. The country has few immigrants and no refugee crisis to speak of. Nonetheless, populist parties attracted four of every ten voters in the most recent election—a tenfold increase in two decades.

So in these countries populism seems to have been the offspring of economic gain, not pain! Alternatively, in the standard narrative it is the losers of globalization that are supposed to turn populist, but countries like Hungary, India, the Philippines, Poland, and Turkey are clear winners of globalization—and yet they have gone populist too.

There is one last prickly fact to consider: if surging populism reflected a demand for redistribution, we would expect the surge to be on the left, not the right. Yet the spectacular success is that of right-wing populists, as we have seen in Brazil, Hungary, the United States, and many other corners of the world. Some of these populists' policies are likely to worsen, not improve, the distribution of income, yet middle-class and working-class voters are cheering them on.

A key role of politics is to manage grievances, economic and otherwise. The turn toward populism and authoritarianism suggests a failure of democratic politics to handle those grievances effectively. There is a one-word reason for that: identity.

Identity roots

In his recent book, *Identity: The Demand for Dignity and the Politics of Resentment*, Francis Fukuyama argues that "individuals often want not recognition of their individuality, but recognition of their sameness to other people." People also want that identity recognized and respected. Fukuyama reminds us that philosophers from Aristotle to Hegel placed the desire to be treated with respect at the center of human motivation. Therefore "identity politics is everywhere a struggle for the recognition of dignity."

What does populism have to do with this? A great deal. To the definitions above, add that populism is a style of politics that *manipulates and exacerbates identity* divisions for political gain. Populism is a kind of identity politics. It is always us against them.

Identity politics is not an easy subject for economists. Until recently, economic theory did not leave room for identity. Humans were supposed to have preferences, but liking this and disliking that did not amount to a coherent whole we could call an identity. George Akerlof and Rachel Kranton set out to change this. They argued that, in a wide range of contexts, preferences are structured by

POPULISM IS A KIND OF IDENTITY POLITICS. IT IS ALWAYS US AGAINST THEM.

individuals' choice of a social identity. The two economists then began to study the economic implications of those preferences.

The identity approach pioneered by Akerlof and Kranton is helpful in examining many issues, but for the purpose of understanding the link between identity politics and populism, three are particularly worth highlighting. The first is that people are willing to pay a steep price, financial and otherwise, to buttress their identity. For instance, in US high schools (Akerlof and Kranton 2002), students who identify as *nerds* will study hard, while students who identify as *jocks* or *burnouts* will fail to study and underperform, even at a high cost, because such behavior reinforces their identity and self-esteem. Similarly, populist politicians adopt extreme and ultimately unsustainable policies as a way of signaling to voters that they (the politicians) are not in the pocket of powerful elites. So what appears on the surface to be self-defeating economic behavior is quite rational once identity is accounted for. And populism certainly involves plenty of self-defeating economic policy choices.

Second, identity is subject to increasing social and political returns. As the share of people who identify with a certain group goes up, so does the social pressure to identify with that group and follow its code of conduct. Or people may choose a group to identify with and, once there, act in a way that minimizes the distance between them and the group.

Third, if and when identity becomes a primary determinant of political behavior, weapons other than economic policies become useful in political battle. Toxic and divisive speech is often used strategically by populist politicians to "mobilize the base" and change the size of competing identity groups. Populists are not nasty by mistake; they are nasty by design.

If identity is essential to populism, and populism is central to contemporary politics, how should democratic politicians and policymakers respond? First they must get their heads out of the sand and acknowledge that identity matters—and that its by-products are not always good.

A focus on identity also prompts greater focus on issues that have long been neglected or mishandled. Take, for example, the plight of cities where deindustrialization has destroyed jobs. The standard advice in the past was to move to a place with plentiful high-paying jobs. Today we understand that this is not necessarily sound advice. Not only do those who are most educated and enterprising move away, leaving behind communities that struggle to sustain businesses and make ends meet. The combination of job loss and outward migration also weakens the local community and challenges their shared identity. This is why place-based policies are an essential component of the tool kit of a democratic policymaker.

Something else must change as well: democratic leaders must learn to practice identity politics—but the right kind. Human beings cannot abandon their narrow identities, which are the most firmly rooted. But broadly shared identities matter too, and can form the basis of the sense of shared destiny that is at the core of good politics. As historian Michael Ignatieff observed in the September 5, 2019, edition of the *Financial Times*, "National identity is a continual contest about who belongs to the national we." The only alternative to this chasm is a shared identity, a love of country based not on a misplaced sense of racial superiority, but on the fact that our homeland stands for noble universal values. FD

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