LUISS

Degree program in Economia e Finanza

Course of Econometric Theory

# Populism on a Global Scale: Theory and Econometric Evidence


Prof. Paolo Santucci De Magistris

SUPERVISOR

Prof. Luana Zaccaria

CO-SUPERVISOR

Silvia De Vittorio - 773211

CANDIDATE


Academic year 2024/2025

# Populism on a Global Scale: Theory and Econometric Evidence

Silvia De Vittorio

**Abstract**

This thesis seeks to investigate the relationship between the global rise of populism and the resurgence of protectionist trade policies since the early 21st century. Recent decades have witnessed populism expansion into advanced democracies, driven by economic discontent, cultural backlash, and institutional distrust. Rooted in a broader context of globalization's dislocations, growing inequality, and geopolitical instability, populist movements have increasingly framed global economic integration as a threat to national sovereignty and economic security. Drawing on a rich theoretical framework, this study examines how such movements, regardless of ideological orientation, often challenge the liberal international order and promote protectionist measures in response to the perceived uneven distribution of globalization's gains, which has fueled public discontent and strengthened demands for economic closure. To test this hypothesis empirically, the study analyzes an unbalanced panel dataset covering 99 countries from 1999 to 2019, applying pooled OLS, country fixed effects, time fixed effects, and two-way fixed effects models. The analysis measures populism through the V-Dem Populism Index and protectionism through applied weighted tariff rates, controlling for relevant macroeconomic and institutional variables. The findings reveal a positive and statistically significant association between populism and tariff levels across all specifications. More specifically, in the two-way fixed effects model, the results indicate that a 1% increase in the Populism Index is associated, on average, with a 0.072% increase in applied tariffs—corresponding to approximately 540 million USD in additional global tariff revenues. Finally, a series of robustness checks—such as the inclusion of alternative sets of control variables, the use of different specifications, the adoption of an alternative dependent variable, and dynamic panel estimations—confirm the stability and consistency of the main findings. Overall, this indicates that the positive association between populism and tariff levels reflects a robust empirical pattern. These findings suggest that the global diffusion of populism may have tangible implications for international trade and economic openness. The thesis contributes to the growing literature in political economy by offering both a theoretical and empirical investigation of the economic consequences of populist governance, while also outlining policy implications and future avenues for research.

**Keywords:** Populism, Protectionism, Political Economy, Panel Data, Globalization

**JEL Classification:** F13, D72, C26, P16

# Table of Contents

# Acknowledgments

First and foremost, I would like to express my deepest gratitude to Professor Paolo Santucci de Magistris and Professor Luca Tomini for their guidance, constructive feedback, and for the trust they placed in me by giving me the opportunity to carry out this research.

The Econometric Theory course taught by Professor Santucci de Magistris was undoubtedly the one that fascinated me the most during my academic journey, and it has been a privilege to have him as the supervisor of my thesis. Professor Tomini's insights in political science greatly enriched the interdisciplinary perspective of this work. His support has been invaluable, and I am particularly glad to have explored a field not strictly tied to my main studies, yet one that has always represented a genuine area of interest for me.

I would also like to sincerely thank Professor Luana Zaccaria, my co-supervisor, for her availability and kindness throughout the preparation of this thesis.
In addition, I wish to thank Professor Luigi Pascali, whose suggestions and reading recommendations at the very beginning of this academic path inspired me to further explore the themes that would ultimately lead me to define the topic of this research.

Finally, I am deeply grateful to both LUISS Guido Carli and the Solvay Brussels School of Economics & Management for offering me the opportunity to take part in the double-degree programme. This challenging and rewarding experience has allowed me to grow both academically and personally, and, above all, to produce a thesis that combines my interests while addressing a highly relevant topic.

# 1 Introduction

The liberal order, rooted in classical liberalism and natural rights to life, liberty, and property, has transformed Europe and the world since the 18th century. Until recently, it appeared that this economic and political order was moving along a stable, predictable path. Economic globalization advanced steadily, powered by improvements in information technologies and trade liberalization (Rodrik, 2017). Together with multilateral institutions and growing cross-border interdependence, these factors were regarded as cornerstones of modern development. Yet, this apparent stability has been increasingly called into question, to the extent that some scholars suggest that the next decade will challenge global economic openness due to multiple overlapping crises (Frieden and Torres, 2022).

The contemporary global landscape is marked by profound political and economic transformations. From Europe to Latin America, from Asia to the United States, we observe a growing sense of economic insecurity, cultural backlash, and political polarization. The European Union is currently struggling with internal divisions exacerbated by the aftermath of the Brexit referendum and the ongoing refugee crisis, which has become a structural challenge due to sustained migration flows originating mainly from Africa and also from the Middle East. At the same time, the COVID-19 pandemic exposed critical supply-chain vulnerabilities, leading to calls for reshoring production (Frieden and Torres, 2022). The rising tensions with China, Russia's invasion of Ukraine have further intensified fears about the stability of the global geopolitical order, while the wars in the Middle East continue to aggravate the overall situation.

Over the past two decades, populist movements in the West have gained unprecedented traction across a wide range of countries, challenging not only the status quo of national politics, but also the very foundations of the liberal international order. As a matter of fact, these populist movements look for new international partners outside the Western world, aligning themselves with emerging regional powers in a shifting global order (Adam and Tomšič, 2019). At the same time, we are witnessing a resurgence of protectionist policies, casting doubt on the future of global economic integration. Globalization, once considered the inevitable trajectory of modern development, is now under threat. For instance, the European Union, conceived as a project of economic integration and peace, now sees its founding principles challenged by both internal divisions and external pressures. Consequently, the prospects for sustaining a globalized economic order are increasingly uncertain in a world where major geopolitical powers are turning toward protectionism and where critical economic dependencies are becoming geopolitical vulnerabilities (Draghi, 2024).

The extent to which populism influences trade policy depends significantly on a country's political regime. Indeed, the specific organizational structures and political goals of populist movements vary considerably depending on the social, economic, and political context in which they emerge. Throughout history, this variation has been evident across different countries

and periods. Nevertheless, populism consistently relies on a core ideological framework that divides society into two homogeneous and antagonistic groups: "the pure people" versus "the corrupt elite", asserting that politics should be the direct expression of the general will of the people (Mudde, 2004). Furthermore, even in different contexts, exposure to import shocks has often reinforced this core framework, contributing to a shift in political preferences away from the ideological center (traditionally associated with support for free market principles), as populist rhetoric often opposes globalization and supranational institutions, portraying them as elite-driven projects disconnected from the concerns of ordinary people. Economic changes do not mechanically produce political outcomes; rather, they create the material conditions for them. What ultimately matters is how these conditions are interpreted, politicized, and mobilized. Populist movements often capitalize on crises and public discontent by blaming highly educated, urban-based elites, typically employed in knowledge-intensive sectors, for reaping the benefits of globalization.

The core objective of this thesis is to investigate whether the rise of populist political forces has led to an increase in protectionist trade policies. The central research question is therefore:

> *Does the rise of populism contribute to the resurgence of protectionism in the form of higher tariff rates?*

The theoretical hypothesis underpinning this study is that, despite variations in style, rhetoric, and ideology, many populist movements share a common tendency: once in power, they face strong incentives to adopt protectionist policies. Such measures serve both to address the economic grievances of their constituencies, often stemming from the dislocations caused by globalization, and to consolidate popular support. From this perspective, a rise in populism is expected to be associated with an increase in protectionist policy initiatives. Indeed, populist leaders have frequently framed globalization as a threat to national sovereignty and economic security. This hostility is partly driven by the widespread belief among populist movements that globalization has disproportionately favored elites while leaving ordinary citizens behind. As a matter of fact, while globalization has lifted millions out of poverty and expanded economic opportunities, it has also contributed to rising inequality, regional decline, and the marginalization of certain social groups. These grievances are fertile ground for populist narratives.

To empirically investigate the relationship between populism and protectionist trade policies, the study analyzes an unbalanced panel dataset covering 99 countries over the period 1999–2019. The empirical strategy applies four main econometric specifications: pooled OLS, country fixed effects, time fixed effects, and two-way fixed effects estimations. This multi-specification approach allows for progressively controlling for unobserved heterogeneity across countries and years, thus improving the robustness of the estimated relationship. The analysis assesses the impact of rising populism, as measured by the Populism Index, on applied weighted tariff rates for all products, used here as a measure of the level of protectionism. The models control for a set of relevant economic and institutional variables. Furthermore, several

robustness checks, such as the inclusion of alternative sets of control variables, the adoption of an alternative dependent variable, the use of different specifications, and dynamic panel estimation, have been conducted to test the stability and reliability of the results. The empirical results consistently indicate a positive and statistically significant relationship between populism and tariff levels. These findings remain robust across alternative model specifications, lending support to the theoretical expectation.

To better understand the dynamics, the empirical analysis is grounded in a theoretical and empirical framework developed in the academic literature which, as discussed above, highlights how globalization-related shocks are closely linked to political polarization, as they tend to increase the number of people who feel left behind. These "left-behind" individuals often turn to populist parties that criticize cosmopolitan elites and unregulated globalization. Therefore, more people begin to demand protection from external competition and support policies that "close off" the country. Populist leaders tend to be particularly responsive to such public expectations, as they must continually affirm their allegiance to the masses, even when these policies ultimately make everyone worse off. This dynamic stands in stark contrast to one of the oldest principles of modern economic theory: the belief that international trade generates overall benefits.

Economists have generally supported globalization and technological progress, assuming that those negatively affected could be compensated by government policies. And it is a fact that, globally, the movement of goods, people, and ideas has generated considerable wealth. In practice, however, political and institutional obstacles have made such compensation difficult to implement. This illustrates the deeper economic and social roots of populism, as even if material standards fall, these policies are experienced as subjectively beneficial since individuals are not merely consumers but also members of communities. When liberal elites, often aligned with cosmopolitan openness, are seen as neglecting this dimension, they deepen the perceived disconnect with ordinary citizens.

What is particularly striking is that the protectionist pressures have not emerged as a consequence of globalization's failure, but rather of its very success. Yet, despite their growing prevalence, such measures often lack a coherent theoretical foundation and seem to stem more from political anxiety than from genuine economic imperatives. Indeed, the emergence of populism can be interpreted as a political response to the socioeconomic dislocations associated with modernization and mass society in which individuals experience heightened alienation and a loss of control. As traditional structures of social integration begin to erode, individuals become socially atomized. This atomization weakens collective ties and creates large, unanchored masses of individuals who are no longer embedded in stable networks. In this context, populism emerges as a natural reaction to the time lag between economic globalization and the political response in addressing the related social changes. Globalization moves at great speed, transforming economies, labor markets, and social structures, while political systems adapt much more slowly. This delay in recognizing and addressing the disruptive effects of global integra-

tion leaves segments of society exposed and disoriented, creating a gap that populism is quick to occupy.

The outcome of the 2024 U.S. presidential election, marked by Donald Trump's return to the presidency of the United States, underscored a profound cultural backlash against the progressive values that have transformed Western societies in recent decades. The challenge posed by Trumpism is thus primarily cultural, targeting the liberal elites of Western Europe for their embrace of progressive "newness" and their detachment from traditional values and popular sentiment. However, this cultural counteroffensive has also taken on a distinctly economic dimension. In 2025, President Trump began his second presidential term by intensifying tariff-based measures and reiterating threats of escalating trade conflicts (even with long-standing U.S. allies) thereby reaffirming his administration's protectionist agenda and challenging the norms of liberal international economic cooperation.

The weaponization of tariffs is part of a broader rejection of multilateralism and international cooperation, rooted in a flawed understanding of trade as a nationalistic contest rather than a mutual gain. Trade behavior reflects two different human tendencies: a natural inclination toward cooperation and exchange, which Adam Smith identified as a fundamental trait of human nature, and a deeply rooted group identity that promotes cohesion within the in-group while fostering suspicion or hostility toward outsiders. While the former underlies the long history of trade and social advancement, the latter gives rise to defensive reactions, particularly in times of perceived threat. Populism emerges when this balance shifts toward group-based protection. Yet, populist trade policy prescriptions are theoretically ill-suited to the realities of the modern global economy, where protectionist measures clash with the complexity and interdependence of contemporary global supply chains.

However, the thesis does not seek to normatively evaluate whether protectionism represents the optimal path in today's global landscape. Instead, it aims to encourage reflection on the current political-economic context and the future of the global order. As the world continues to change rapidly, a deeper understanding of the complex and multidimensional nature of populism will require historically informed, interdisciplinary research conducted at the intersection of politics and economics.

One starting point is to take populist critiques seriously, as expressions of genuine discontent with the status quo. The West is not collapsing, but the foundations are shifting: a significant portion of the population has turned against the old political order, expressing their frustration at the ballot box. Understanding these dynamics is essential for democracies to formulate an effective response. Populism, for all its dangers, forces liberal democracies to confront their own shortcomings. Whether these tensions lead to democratic renewal or authoritarian decay depends on how institutions respond.

Indeed, democracy, national sovereignty, and economic globalization may struggle to coexist harmoniously, as the political sustainability of globalization is undermined by its asymmetric distribution of gains and losses. While globalization is unlikely to be reversed, its future

trajectory will depend on how effectively governments address the challenge of restoring a more balanced relationship between global economic integration and national autonomy, by managing its distributional consequences through adequate compensatory mechanisms.

Citizens increasingly perceive the political system as unresponsive and unequal, turning instead to anti-establishment parties that promise straightforward solutions to complex problems. Modern populism dangerously oversimplifies politics by asserting that "the people" possess a single, unified will that must prevail, thereby undermining pluralism and the liberal democratic principles of legitimate dissent and deliberation. Because populists claim to represent "the people" as a unified and legitimate whole, they tend to resist any constraints on executive power and interpret institutional checks and balances as obstacles that hinder the realization of the popular will. This stance poses significant risks in the political sphere, as it can enable the majority to suppress minority rights. Through the idea of "general will", populist leaders and supporters express a particular vision of politics that draws heavily from the thought of Jean-Jacques Rousseau, which posits a unified collective will distinct from fragmented individual preferences. A new collective entity, distinct from the individual actors who compose it, can emerge only if those individuals renounce their own goals and submit to a so-called "general will." However, if everything must be subordinated to national greatness, then individual autonomy is reduced to a merely formal existence. Within this framework there is ultimately no difference in the ideological stances at the extremes, since they often converge in their aim to dismantle liberalism by reestablishing a privileged cognitive and political standpoint. This is why there is often concern that populism may lead to authoritarian tendencies. Nonetheless, while often associated with authoritarianism, populism also maintains a close and complex relationship with democracy. Indeed, while many view populism as a threat to democratic norms and institutions, others see it as a potential force for democratic renewal, describing it as a form of democratic extremism. Alexis de Tocqueville was among the first to reflect on the risks inherent in democratic power when left unchecked. Granting unlimited authority to one person, to a few, or even to the entire people is equally dangerous. This could set in motion a self-devouring dynamic whereby the democratic process itself undermines the conditions for freedom. What makes today's crisis of democracy distinctive is that democratic erosion increasingly occurs from within, gradually and legally, at the hands of elected populist leaders. Preserving liberal democracy in such a context requires engaging with political opponents in ways that strengthen, rather than weaken, democratic institutions. This does not imply consensus or bipartisanship in a shallow sense but rather a commitment to democratic dialogue and mutual accountability, even in the face of populist hostility.

Understanding the economic consequences of populism and its impact on the international trade order, along with its policy implications, can shed light on the types of measures that may help prevent its resurgence in the future.

In addition to the introduction outlined above, the thesis is structured into six main chapters. The second chapter provides a comprehensive review of the existing literature. It examines

the definition and evolution of populism, the historical and theoretical foundations of protectionist policies, and the empirical studies that have attempted to explore the link between the two. The third chapter describes the data sources and the methodological approach adopted in the empirical analysis. It details the construction of the panel dataset, the rationale behind the selection of control variables, and the econometric techniques employed. The fourth chapter presents the empirical findings, including robustness checks and alternative model specifications. The fifth chapter offers a discussion of the main results, interpreting their implications within the broader theoretical and empirical framework, by highlighting key policy implications and suggesting directions for future research. It also reflects critically on the study's limitations. Finally, the last chapter concludes the thesis.

# 2 Literature Review

## 2.1 Populism

Populism remains one of the most debated and ambiguous concepts within the social sciences. The remarkable rise of populist movements in the 21st century, particularly in advanced economies, reflects a growing disillusionment with mainstream politics and institutions. Citizens increasingly perceive the political system as unresponsive and unequal, turning instead to anti-establishment parties that promise straightforward solutions to complex problems (Velasco and Bucelli, 2022).

Previously regarded as a relic of Latin American economic mismanagement, populism is now recognized as a contemporary global phenomenon demanding serious scholarly attention. In Europe, populist parties began gaining traction in the 2000s and accelerated in the 2010s, with a peak in countries governed by populists around 2018 (Funke et al., 2023). Countries such as France, Italy, Spain, Portugal, Hungary, Greece, Austria, the Netherlands, Sweden, and Germany have seen radical parties gain electoral ground (Nam, 2024). Asia, too, has experienced a range of populist governments, with India and the Philippines showcasing ethnonationalist and authoritarian traits respectively (Jones, 2021).

All this has intensified both scholarly interest and public debate. Notably, the number of academic articles mentioning populism had already doubled in 2016 compared to the previous year. This surge was largely driven by heightened public awareness following two major political shocks in 2016, the Brexit referendum and the election of Donald Trump, which triggered a sharp rise in both media coverage and academic interest (see Figure 1) (Guriev, 2024).

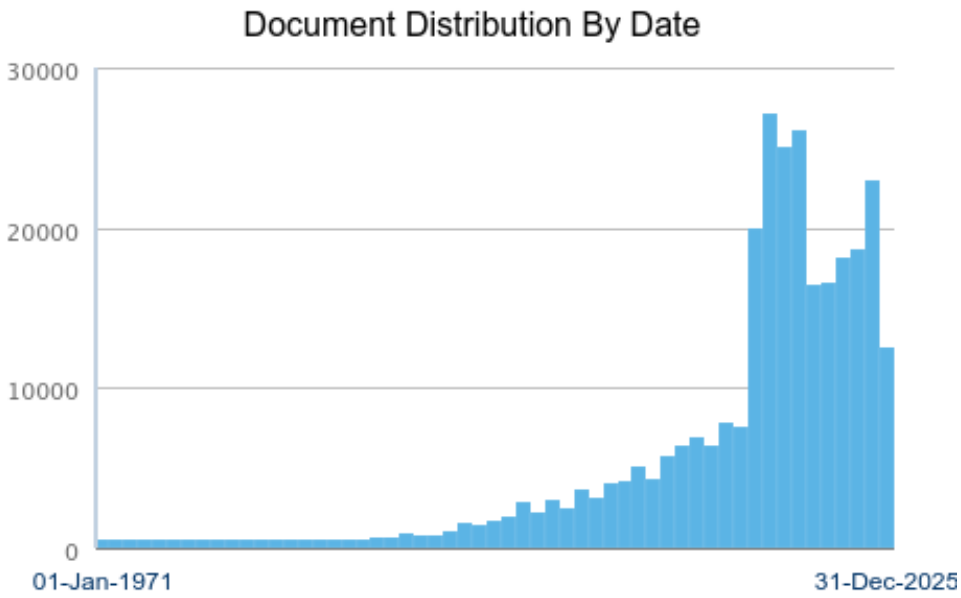


**Figure 1:** Mentions of Populism over Time in the News and Google Searches
*Source:* Factiva database

This movement flourishes in contexts where trust in established institutions, ideas, and ideologies is low. In Western countries, stagnating productivity, significant trade imbalances, and waves of immigration have undermined public confidence and fueled widespread discontent (Nam, 2024).

Populism is often associated with the so-called politics of the pub, characterized by emotional and simplistic rhetoric designed to appeal to people's instincts or "gut feelings". However, it is inherently difficult to determine objectively what constitutes "emotional" discourse, particularly since emotionally charged language is a common feature of political campaigning in general.

In the same vein, populism is sometimes portrayed as a form of policy opportunism, a strategy aimed at securing immediate popular support by prioritizing short-term gains over long-term, evidence-based solutions. Yet, distinguishing between responsible policymaking and opportunistic appeals is rarely straightforward, as such judgments often depend on normative and ideological assumptions (Mudde, 2004).

These contrasting associations find resonance not only in academic literature but also in global media narratives. For instance, British media applied the label "populism" to a wide variety of actors and topics, making it difficult to identify a consistent set of defining characteristics (Bale et al., 2011). This conceptual vagueness is partly due to the fact that political actors rarely describe themselves as populist; rather, the label is typically assigned by others, often in a derogatory way. Although there are parties and leaders today that align with what scholars identify as populist ideologies, there is no universally accepted foundational text or definitive example (Mudde and Kaltwasser, 2013).

Nevertheless, even if populism is not an easily defined concept, it is possible to develop a definition that captures the essential elements shared by major historical and contemporary

forms of populism, while still maintaining enough clarity to differentiate it from unrelated phenomen. In this thesis, I intend to adopt the definition proposed by Mudde (2004), which is particularly useful for empirical work because it is not tied to specific institutional settings or development stages, and it allows comparisons across time, regions, and ideologies. Mudde characterizes populism as an ideology that divides society into two homogeneous and antagonistic groups, "the pure people" (portrayed as a unified group with shared interests) versus "the corrupt elite" (seen as their "enemies"), and asserts that politics should be the direct expression of the general will of the people. The populist worldview is more moral than programmatic: it defines politics in terms of a moral struggle between good (the people) and evil (the elite), rather than offering a detailed policy agenda. Clearly, this perspective stands notably in contrast to pluralism, which, rather than conceiving society as a unified whole, acknowledges the existence of numerous, sometimes overlapping, social groups, each with its own values, perspectives, and interests. Such diversity is regarded as a positive feature, not a flaw (Mudde and Kaltwasser, 2013). From a pluralist standpoint, power should be dispersed among multiple actors and institutions to ensure that political decisions reflect a broad spectrum of societal interests through negotiation and compromise. The core principle is to prevent any single group (whether defined by class, ethnicity, gender, or political status) from dominating the political process and imposing its preferences on the rest of society. Within the populist framework, by contrast, the role of political leaders is "simplified": they are expected to be insightful enough to recognize the general will and persuasive enough to unite citizens into a cohesive body capable of expressing and pursuing it.

Although populism is a distinct ideology, it lacks the depth and internal coherence of broader ideologies like liberalism or socialism. It is considered a "thin-centred ideology", meaning it must attach itself to more comprehensive ideologies, such as nationalism, socialism or neoliberalism (Mudde, 2004). Populism's global diffusion and contextual adaptability are best understood through its ideological thinness, which allows it to attach to local grievances and articulate distinct constructions of "the people" and "the elite". This view contrasts with thicker ideologies such as socialism or liberalism and explains populism's adaptability across political contexts (Mudde and Kaltwasser, 2017).

Populism is built around three central concepts: the people, the elite, and the general will. The notion of "the people" is typically portrayed as morally pure and authentic, in opposition to a corrupt and self-serving elite. This moral dichotomy lies at the heart of populist discourse and and allows for flexibility in identifying both groups. Scholars commonly distinguish three main conceptions of "the people": the people as sovereign, the common people, and the people as a nation. These correspond, respectively, to the democratic foundation for political legitimacy (emphasizing the gap between governed and governors), to socioeconomic exclusion, and to national identity (used to define insiders and outsiders). The protective stance toward "the people" is a key feature of populism, framed as shielding them from threats posed by elites, marginalized groups, and, increasingly, external actors. This protective logic typically manifests in three

main forms: economic, securitarian, and cultural (Brubaker, 2017). Economic protectionism emphasizes the dangers posed by cheap imports, foreign labor, and external lenders, which are portrayed as undermining domestic industries, workers, and debtors. Securitarian protectionism focuses on the perceived dangers of crime and terrorism. Cultural protectionism, meanwhile, expresses concern over the erosion of national identity and everyday norms by culturally distinct outsiders. This protective rhetoric is typically rooted in a sense of ongoing crisis, where economic inequality, cultural anxieties, and demographic transformations fueled resentment and a sense of disempowerment (Moffitt, 2016).

However, this does not resolve the fundamental ambiguity of who "the people" are. In contrast, populists often make it clearer who they oppose, particularly within liberal democracies, where mainstream political parties are frequently portrayed as corrupt intermediaries that undermine the direct link between citizens and leaders (Mudde, 2004). Indeed, regardless of their ideological leaning, populists usually accuse the elite of betraying the people and acting against their interests, arguing that the political class responsible for economic crises is shielded from their consequences (Mudde and Kaltwasser, 2013).

Charismatic leaders are often accepted, despite their elite backgrounds, as long as they claim to represent "common sense" values. Leadership is indeed a central feature of populism, often characterized by strong, charismatic figures who claim to embody the will of the people. While these figures differ in style, background, and political context, they commonly present themselves as outsiders and authentic representatives of "the pure people" against a "corrupt elite". The appeal and construction of populist leadership are shaped by both political culture and the underlying host ideology. For instance, strongman figures tend to resonate more in cultures that valorize machismo cultures, while entrepreneur-populists find greater traction in capitalist societies (Mudde and Kaltwasser, 2017). Leaders play a key role in shaping the salience of political issues. While public preferences on matters such as immigration and race tend to remain relatively stable over time, the perceived importance of these issues fluctuates, significantly shapes voting behavior. Through agenda-setting and strategic emphasis, politicians influence which topics dominate the public debate (Berman, 2021). Populist leaders amplify the perceived threats, sometimes distorting or exaggerating them, and then dramatize their responses to demonstrate action.

Many economists are critical of populism, and not without reason. Empirical evidence shows that populist governments are associated with significant economic and institutional costs. Funke et al. (2023) find that, on average, countries governed by populists experience a 10% decline in real GDP per capita over a 15-year horizon compared to non-populist synthetic controls. Furthermore, populist administrations typically adopt unsustainable macroeconomic policies, reflected in rising debt levels and inflation rates (Edwards and Dornbusch, 1991). Another example is provided by Born et al. (2019), who estimate that Brexit has imposed a substantial economic cost on the United Kingdom.

The weakening of democratic norms may explain these negative economic outcomes.

Since strong democratic institutions are positively correlated with long-term prosperity, the erosion of such norms, alongside increased political polarization, can discourage investment and innovation. This often results in capital flight and brain drain (Acemoglu et al., 2019). Indeed as populist parties gain ground, non-populist voters lose confidence in the future. This can cause more educated and politically diverse individuals to leave certain areas, reducing the variety of views among those who stay. As a result, these places may become echo chambers, where only similar opinions remain, which can further strengthen populist support and increase political polarization over time (Bellodi et al., 2024).

The term "populism" is often associated with reckless and unsustainable policy choices that tend to result in negative outcomes (Rodrik, 2018). Its meaning, however, acquires additional layers of complexity when examined in different regional contexts, where scholars link it to divergent political trajectories. In Europe, for example, populism is frequently linked to anti-immigrant sentiment and xenophobia, whereas in Latin America, it is commonly connected with clientelist practices and economic irresponsibility (Mudde and Kaltwasser, 2013).

The specific organizational structures and political goals of populism can vary considerably depending on the social, economic, and political context in which it emerges. Indeed, as discussed above, what defines populism is not its adherence to left- or right-wing politics, but rather its distinctive logic and mode of mobilization (Rodrik, 2018). However, it can be argued that the distinction between left-wing and right-wing populism lies in their targets and narratives. Left-wing populists tend to frame their anti-elitism in economic terms, attacking financial oligarchies, multinational corporations, and international financial institutions, while promoting redistributive policies and economic nationalism. By contrast, right-wing populists often direct their antagonism toward cultural and ethnic minorities, portraying them as threats to national identity, and accusing political elites of protecting these groups against the will of the majority (Funke et al., 2023). Nevertheless, today, politicians from both the far left and the far right increasingly converge in promoting agendas that challenge the centrist mainstream, which typically supports markets and globalization (Guriev, 2018).

Populism should not be understood merely as a tactical tool used by manipulative political figures, but rather as a dualistic worldview that can be embraced by a wide range of political actors and is supported by various segments of the population. Therefore, it is misguided to interpret populist support as the result of irrationality or the mere influence of charismatic leadership (Mudde and Kaltwasser, 2013).

As Rodrik (2018) pointed out, in the economic domain, populists often reject limitations on policy discretion. They view autonomous institutions that are neither elected nor directly accountable to the electorate (such as independent regulatory bodies, central banks, and international frameworks like global trade rules) as constraints on their ability to implement policies freely, arguing that such institutions serve elite interests rather than the public good, and thus seek to bypass or weaken them (Kaltwasser, 2018).

For similar reasons populist rhetoric often opposes globalization and supranational insti-

tutions, which are portrayed as elite-driven projects disconnected from the concerns of ordinary people. This anti-globalist stance helps explain why both far-left and far-right populist movements in Europe criticize the European Union, claiming that "Brussels" does not adequately represent the citizenry (Guriev and Papaioannou, 2022).

Populists ask important questions about inequality, sovereignty, and elite accountability, but typically offer illiberal answers. Liberal democracies should engage these concerns seriously, fostering open dialogue, rejecting simplistic or elitist reactions, and aiming not only to defeat populist actors but also to reduce the underlying conditions that fuel their support (Mudde and Kaltwasser, 2017).

### 2.1.1 Historical Background

The current wave of populism is historically significant, though the phenomenon itself is not new; indeed, its roots can be traced back to ancient Athens and the Roman Republic, where elites lacking insider support appealed directly to the masses (Kenny, 2023). In modern history, the Russian Narodniki movement of the 19th century is often cited as a precursor to contemporary populist currents (AlRoy, 1970). The Narodniki were a group of Russian intellectuals and activists in the 1860s–1880s who idealized the moral purity of the peasantry and opposed both liberal elites and Tsarist authority. Although their attempt to emancipate "the people" ultimately failed, they introduced a powerful rhetoric that would later resonate in populist and revolutionary ideologies.

The earliest modern example of populism as a structured political movement, however, emerged in the United States during the 1890s, with the emergence of the "People's Party". While there are philosophical and rhetorical similarities between Russian narodniki and American populists (both appealed to a virtuous people against corrupt elites), the two movements were quite distinct in practice and historical influence (Fuentes, 2020).

The American Populist movement emerged in response to the challenges of early globalization, particularly the agricultural crisis triggered by falling wheat prices and increasing debt among farmers. This was fueled by advances in transportation and trade, such as steamships and railroads, which made foreign imports cheaper. The result was widespread rural unrest and political mobilization (Fuentes, 2020). Originating from the Farmers' Alliance of the 1870s, the Populist Party emerged in several western and southern U.S. states and championed agrarian democracy, opposition to the gold standard, and resistance to powerful financial and corporate interests. These populists identified "the people" as being oppressed by "money power" and elites, positioning themselves against the dominant financial and political institutions. Their rhetoric, which drew legitimacy from the U.S. Declaration of Independence, inaugurated the enduring populist theme of antagonism between the people and the elites (Horn et al., 2025). The 1892 presidential election marked the national rise of the party, with their candidate James B. Weaver securing over a million votes. However, it was the 1896 election (where the Populists allied with the Democrats) that brought the term "populis" into broader public and international

awareness. European newspapers sought to make sense of the movement, often equating it with socialism, though this misrepresented the Populist Party's actual positions, which were more reformist than revolutionary (Fuentes, 2020). Their populist rhetoric reflected the discontent of the time, portraying politics in moral terms and fostering a sense of unity within the movement. Indeed, the party promoted a strongly anti-elite agenda and many of the party's ideas were later adopted by the Progressive movement led by Theodore Roosevelt and his successors (Fuentes, 2020). However, not all of the People's Party's anti-elite supporters were progressive.

The 20th century witnessed the rise of populist movements aligned with authoritarian regimes, such as Fascism in Italy and Nazism in Germany (Guriev and Papaioannou, 2022). In fact, while authoritarian systems like Nazism or fascism ultimately suppressed democracy, they often began as populist movements (Jones, 2021).

During the early Cold War period (1940s–1950s), although some expressions of populism persisted (such as Giannini's Fronte dell'Uomo Qualunque in Italy) the phenomenon declined in visibility, particularly in industrial democracies, where postwar economic recovery and the expansion of welfare states helped reduce social unrest (Mudde, 2004). However, the 1960s marked a renewed academic and political interest in populism, largely due to developments in Latin America, where populism became increasingly linked to underdeveloped societies and revolutionary movements in post-colonial contexts (e.g., Peronism in Argentina). Left-wing populist critiques also gained visibility during this period, notably through the student movements of 1968, New Left activism, and the early emergence of Green parties Mudde (2004).

Starting in the 1970s, populism began to gain ground across both left- and right-wing movements. On the right, a nationalist version, often referred to as "exclusionary populism" (which tends to emerge in wealthier societies) that excludes "outsiders" in response to rising concerns over immigration and the perceived loss of national sovereignty. On the left, populism has fueled radical ideologies that idealize "the people" as revolutionary agents and invoke national identity to resist globalization and corporate capitalism. This inclusionary variant is more common in less affluent contexts marked by high levels of corruption and poverty (Kaltwasser, 2018).

Following the end of the Cold War, many Western democracies saw the collapse or transformation of traditional party systems, especially those once structured around the East-West ideological divide. This shift gave rise to new populist and anti-establishment forces (such as Lega Nord in Italy, and the Rassemblement National in French). The growing impact of globalization and the 2008 financial crisis intensified public disillusionment. The dichotomy of "the people vs. the elites" became central to political discourse, exemplified by leaders like Recep Tayyip Erdoğan, whose slogan "We are the people. Who are you?" captures the emotional and polarizing nature of this communication style (Fuentes, 2020).

Nevertheless, it is in the 21st century that populism has experienced an extraordinary and widespread resurgence, which, unlike earlier forms rooted primarily in national contexts, has increasingly assumed a more international dimension (Guriev and Papaioannou, 2022).

While Eastern European populism emerged from post-communist grievances and a discourse of "stolen revolution," Western European movements have focused more on euroskepticism, immigration, and welfare chauvinism. Notably, neoliberal populist parties channel producerist resentment toward welfare states that are perceived to disproportionately benefit immigrants and public employees at the expense of ordinary taxpayers (Mudde and Kaltwasser, 2017).

In light of this evolution, scholars have proposed a typology of populist experiences based on their ideological orientation and historical context. Three main ideal types can be identified: agrarian populism, as exemplified by the Narodniki and the U.S. People's Party; socio-economic populism, as seen in mid-20th-century Latin American regimes (like Perón's in Argentina); and xenophobic or radical right populism, which has become increasingly prominent in contemporary Europe through parties like the Rassemblement National in France and the FPÖ in Austria. These forms, as outlined above, differ significantly: agrarian populism emphasized rural traditions and anti-industrialism; Latin American populism embraced redistribution and mass mobilization; recent European populism is more often associated with cultural backlash, nativism, and authoritarianism, emerging in response to mass immigration and post-materialist value shifts (Mudde, 2007).

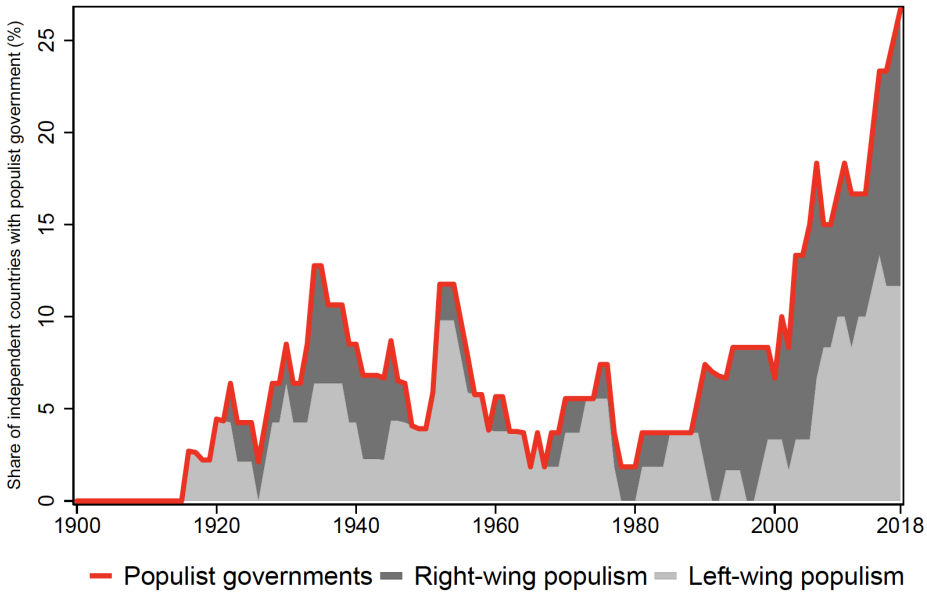


**Figure 2:** Populists in power since 1900
*Source:* Funke, Schularick, and Trebesch (2020)

Figure 2 illustrates the historical evolution of populism from 1900 to 2018, showing the share of independent countries governed by populist leaders each year. The data, based on the sample compiled by Funke et al. (2023), cover 60 large independent countries accounting for more than 95 percent of global GDP. A country-year is classified as populist when the effective executive (president, prime minister, or equivalent) is identified as populist. As previously discussed, the recent rise of populism is historically unprecedented, a trend that is clearly captured by the graph.

### 2.1.2 The Causes of Populism

In this study, I reject the view that populism is merely a political strategy employed by demagogues to gain and retain power, thereby reducing it to a timeless and flexible tool adaptable to different contexts. A starting point to understand the contemporary geopolitical and socio-economic environment is to take populist critiques seriously as expressions of genuine discontent with the status quo, instead of dismissing them to delegitimize dissent: their success may stem from real needs rather than mere manipulation. While many academics and journalists condemn it, millions of voters continue to support it. This is because its rise might reflects real grievances (economic, cultural, and political) and must be understood beyond ideological bias or disdain (Cox, 2018).
The West is not collapsing, but the foundations are shifting: a significant portion of the population has turned against the old political order, expressing their frustration at the ballot box. Understanding these dynamics is essential for democracies to formulate an effective response.

Historically, populism has been more studied by political scientists, sociologists, and historians. Economists began paying serious attention to populism mainly after events like Brexit and Trump's 2016 election (Ocampo, 2019). These developments, along with concerns about globalization, technological change, inequality, and stagnation, have revived interest in understanding populism's economic roots and consequences. The rise of contemporary populism in liberal democracies can be attributed to a combination of structural factors, further exacerbated by the 2008 financial crisis and the 2020 pandemic, the refugee crisis (that provoked intense emotional and symbolic reactions), terrorism, and an erosion of trust in expertise and the media. Together, these developments created a "perfect storm" that enabled populist narratives to gain traction (Brubaker, 2017).

Scholars have debated whether populism stems primarily from economic or cultural grievances (Feldmann and Popa, 2022). Economic factors are often identified as major drivers of political preferences, and poor economic conditions appear to strongly influence voting behavior. Rising unemployment, growing inequality (both in income and opportunity, due to the uneven effect of globalization), economic insecurity, technological change and trade shocks are frequently cited as the core reasons behind growing support for populist parties (Nam, 2024). However, non-economic factors, such as the backlash against immigration and liberal social norms, also play a significant role, especially since populism has risen even in even in wealthy countries that have largely benefited from globalization (Norris and Inglehart, 2019). Indeed, cultural politics has similarly provided fertile ground for populist mobilization. Populist portray measures such as multiculturalism, affirmative action, and anti-discrimination policies as forms of undue privilege for minority groups. Together, immigration, economic liberalization, and progressive cultural reforms are often interpreted by populist actors as elite-led projects. Additionally, in recent decades party loyalty, membership, and trust have eroded, while electoral volatility has risen. This trend is reinforced by broader processes of individualization, which

have weakened the subcultural ties (based on class, religion, or ideology) that once connected citizens to specific parties. Increasing complexity and opacity in governance (from the growing reliance on technocratic agencies to the European Union's perceived democratic deficit) have distanced decision-making from everyday citizens. As a result, individuals have become more open to appeals that bypass intermediary institutions. Citizens' growing skepticism toward expertise and elites, combined with a desire for immediacy, simplicity, and direct accountability, creates fertile ground for populist demands (Bellodi et al., 2024).

Compared to the post-war era of growth, stability, and relative equality, recent decades have witnessed a sharp rise in anxiety and economic insecurity. These changes have made room for populist claims that pit "ordinary people" against elites and global economic forces seen as threatening jobs, financial stability, and traditional ways of life. This narrative draws on well-known transformations: the shift from Fordist to post-Fordist production, growing income and wealth inequality, the decline of stable industrial employment, the intensification of global trade and capital flows, and the individualization of risk (Brubaker, 2017).

To fully understand populism's rise both the demand side (structural and circumstantial factors that foster populist attitudes among citizens) and the supply side (political actors and parties who capitalize on these attitudes) must be examined. Populist success occurs when both dimensions align and interact with broader socio-political contexts. A strong demand creates fertile ground, but credible political agents must supply populist discourse. Conversely, even a strong populist supply may fail without demand. Contextual factors such as economic crises, corruption and institutional trust, affect both (Mudde and Kaltwasser, 2017). In general, populist attitudes are often latent and can be activated by crises, growing tensions between political responsibility and democratic representation a widespread perception among citizens of being ignored or betrayed by the "corrupt elite". On the supply side, populism success is partly enabled by the programmatic convergence of mainstream parties around shared sociocultural and economic positions (such as liberal values and free-market policies), and their failure to address salient issues such as immigration, inequality, and national sovereignty (Mudde and Kaltwasser, 2017).

A major driver of populism has been large-scale immigration, particularly from non-European countries, which over time has reshaped labor markets and increased ethno-cultural diversity. Indeed, the integration of immigrant labor into national economies is part of broader economic changes that have nurtured populist sentiment. These concerns are typically framed around three concerns: economic threats (job competition, wage suppression), welfare burden, and cultural incompatibility (Guriev and Papaioannou, 2022). These changes have fueled political appeals aimed at safeguarding citizens' employment, social benefits, cultural identity, and daily life. Since the 1990s, this form of economic and cultural anti-immigrant populism has become entrenched across much of Western Europe (Brubaker, 2017).
Beyond immigration, emigration also plays a role, especially in Eastern Europe, where depopulation and brain drain heighten identity concern (Guriev and Papaioannou, 2022).

Rising regional unemployment after the Great Recession significantly increased support for populist and anti-establishment parties across Europe, particularly in areas hardest hit by the economic downturn. Elevated unemployment levels also undermine trust in both national and EU institutions, especially among older and less-educated individuals. Furthermore, economic insecurity linked to unemployment fosters more negative attitudes toward immigrants, driven, as discussed above, by concerns over labor market competition and welfare provision (Algan et al., 2017).

As noted earlier, although economic factors are important, they are not the sole drivers. Indeed, it is precisely in the complex interplay between identity and economics that the roots of contemporary populism can be most clearly revealed.

Identity politics is the missing link between economics and politics, which stems from the human need for recognition and dignity. Economic changes do not mechanically produce political outcomes; rather, they provide the material conditions, but it is how these conditions are interpreted, politicized, and mobilized that matters. Populism reflects the failure of democratic politics to manage economic and cultural grievances, as these are filtered through identity-based narratives that mobilize discontent by pitting "the people" against corrupt elites, immigrants, or other marginalized groups (Velasco and Bucelli, 2022). This is why in some cases, voter support is driven less by policy alignment and more by the perception that a candidate understands and represents people's lived experiences and social identity; indeed, individuals may structure their political preferences around social identity even when doing so entails personal or economic costs (Akerlof and Kranton, 2000, Cramer, 2016).

For instance, populism also stems from a widespread sense of powerlessness. Ordinary citizens feel helpless amid rapid global change, while Western leaders also appear incapable of solving major problems such as uncontrolled migration and terrorist threats (Cox, 2018). Terrorism reinforced a sense of insecurity and vulnerability: the symbolic power of attacks in cities like Paris, Brussels, and Berlin provided populist actors with material to dramatize a civilizational conflict between Islam and the West (Sabet et al., 2025).

The rise of populism is also connected to perceptions of a global power shift. The idea that Western dominance is fading and countries like China and India will soon lead the world has become a widespread narrative. While some scholars argue this is exaggerated, it nonetheless fuels insecurity and anxiety. In response, many in the West fear an uncertain future and turn to politicians who promise to defend national interests (such as Trump's "Make America Great Again") (Cox, 2018).

A growing body of research suggests that territorial inequality is also a key factor in understanding the populist backlash. Many populist voters are not the very poor, but rather the discontented middle classes living in declining towns, rural areas, and post-industrial regions suffering from outmigration and brain drain, where economic prospects have steadily eroded. These structural transformations have amplified the urban–rural divide. Populist mobilization, in this context, stems from a cultural backlash against cosmopolitanism, multiculturalism, and

globalism, which are values increasingly dominant in urban centers (Velasco and Bucelli, 2022).

Nevertheless, the growing disparities between the rich and the poor play a significant role (Dorn et al., 2024). While it is difficult to prove that political elites have become more corrupt, the public perception of corruption and elite distance has grown in the last thirty years. The increasing homogeneity among political elites (sociologically and ideologically) contributed to a sense of detachment between citizens and representatives (Mudde, 2004).

However, it is often perceptions, not objective reality, that drive support for populism. For instance, populism is often linked to perceptions of inequality, especially the distinction between fair and unfair inequality. Guriev (2018) pointed out that when inequality stems from effort and talent, it is seen as fair; when it results from circumstances beyond individual control (such as family background, race, or gender), it is viewed as unfair and fosters disillusionment with institutions: greater unfair inequality correlates with lower support for market reforms, whereas fair inequality boosts support.

A major factor in shaping these perceptions is the evolution of the media. Communication technologies have played a central role in the ascent of contemporary populism. The internet has been crucial for figures like Beppe Grillo and the Five Star Movement in Italy, enabling them to bypass traditional media channels (Campante et al., 2018). Similarly, Donald Trump's reliance on Twitter illustrates how digital platforms can serve as a direct line to the electorate. This phenomenon is not unprecedented: populists have historically leveraged new communication tools to circumvent media gatekeepers and appeal directly to "the people" (Guriev and Papaioannou, 2022). Under populist rule, the independence of the press often deteriorates, as governments seek to undermine critical media and control the flow of information (Falck et al., 2014). As a matter of fact, in recent years, the decline of partisan control and the rise of independent, commercialized media provided fertile ground for populist figures (Campante et al., 2018). The crisis of public knowledge, driven by the rise of fake news ("alternative facts"), and declining trust in traditional media and institutions of expertise has further enhanced the performative power of populist discourse. Social media ecosystems allow populist narratives to flourish, reinforce group beliefs, and bypass mechanisms of factual verification, fostering a polarized and fragmented public sphere (Brubaker, 2017). The rise of social media, have indeed enabled politicians to reach audiences directly, which aligns with populism's preference for directness and authenticity. This fostered a populist style of communication, characterized by simplification, dramatization, confrontation, and emotional appeal. Therefore, the internet has become a crucial tool for populist movements to mobilize support and reinforce their legitimacy through simplified and emotionally charged communication. In particular, algorithmic technologies on social media platforms amplify filter bubbles, homophily, and echo chambers, creating a fertile ground for the diffusion of conspiracy theories that reflect the anti-elitist stance typical of populist rhetoric (Banerjee and Duflo, 2019). Furthermore, due to the spread of the internet, public policy is increasingly less evidence-based and instead more oriented toward including any opinion, in the name of an extreme interpretation of democratic participation. As

a result, decisions may be presented as "more democratic," but in practice they become less constrained by facts and more responsive to contingent interests. This dynamic grants politics vast discretionary power and weakens citizens' protection.

Another contributing cause, somewhat paradoxically, is the growing emancipation of citizens, which has made them more critical and politically demanding. Citizens no longer passively accept elite authority and are more receptive to populists who challenge political correctness and established norms. Populists benefit from appearing as taboo-breakers and defenders of "common sense" (Mudde, 2004).

Technological innovation also played a crucial role since it has dramatically altered labor markets, especially through the automation of routine tasks. The Fourth Industrial Revolution, marked by the spread of AI, robotics, and machine learning, is rapidly advancing. While technological progress drives economic growth, it also creates winners and losers: high-skilled "knowledge workers" benefit as their abstract tasks complement technology, while low- and middle-skilled workers (whose routine tasks are easily automated) face job displacement and wage stagnation, which in turn contributes to rising inequality. Historically, the link between technological change and political unrest is well documented. From Marx and Engels to Keynes, economists have warned about the political fallout from technological unemployment. Their analysis finds that new technology caused more riots, especially in isolated rural areas with limited job alternatives, but had less effect in regions near industrial centers. These historical insights mirror the modern urban–rural divide in support for populism (Guriev and Papaioannou, 2022).

Furthermore, two major historical developments have further contributed to shaping the populist moment. First, globalization, whether real or perceived, has intensified concerns over the erosion of national sovereignty, providing fertile ground for populist narratives to flourish (which will be explored in greater detail in Section 2.2). Second, the end of the Cold War eliminated a unifying external ideological enemy, thereby exposing liberal democracies to greater internal criticism (Mudde, 2004). The collapse of communism and the USSR in 1989–1991 is often an overlooked factor. Yet this moment is significant, because before this, communism acted as a counterbalance to capitalism, placing limits on market excesses. Its fall led to Western triumphalism and an unrestrained belief in free markets, despite growing inequality, which was eventually considered a price worth paying for the general good. And in any case, there was now no serious alternative (Cox, 2018).

Finally, the institutional framework of the European Union has given European populism a distinct target. Since the early 1990s, Euroskeptic populists have attacked the EU for its democratic shortcomings, rigid economic policies, prioritization of market freedoms, erosion of national sovereignty, and for being simultaneously an external and hierarchical imposition on national politics (Algan et al., 2017). Indeed, in eurozone countries, the rise of populism in response to economic shocks is particularly pronounced because national governments have limited control over key economic tools: eurozone members cannot independently devalue their

currency or use expansive public spending to stimulate the economy during a downturn, since these decisions are centralized at the European level (Guriev and Papaioannou, 2022). The Eurozone crisis and harsh austerity policies triggered anti-establishment backlash. While left-wing populist movements (like Podemos in Spain) gained ground, right-wing populists also leveraged economic anxieties to call for protectionist policies (Brubaker, 2017).

### 2.1.3 Populism between Authoritarianism and Democracy

The growing backing for populist extremist parties has become one of the most striking developments in modern European politics, presenting a serious challenge not only to Europe but to the very foundations of democracy itself. Alexis de Tocqueville (1835) was among the first to reflect on the risks inherent in democratic power when left unchecked. Granting unlimited authority to one person, to a few, or even to the entire people is equally dangerous: if popular sovereignty is allowed to extend beyond its proper bounds, freedom is inevitably lost. When power is entrusted to society as a whole, it quickly concentrates in the hands of the majority, and from there, in the hands of a few. In this way, democracy risks turning against its own foundational principles: the unchecked will of the people may erode individual liberties and institutional safeguards, setting in motion a self-devouring dynamic whereby the democratic process itself undermines the conditions for freedom.

What makes today's crisis of democracy distinctive is that democratic erosion increasingly occurs from within, gradually and legally, at the hands of elected populist leaders. Rather than seizing power through force, these leaders gain office through democratic elections and subsequently undermine core democratic norms and institutions from the inside (Berman, 2021). In this context, it is essential to acknowledge a complex and elusive paradox at the heart of modern democracy: the most inclusive and accessible political system ever established is also among the most opaque since it often fails to make sense to most of the very people it is meant to empower (Canovan, 2002).

Acemoglu et al. (2013) argue that the driving force of populist politics is the weakness of democratic institutions, which leads voters to suspect that politicians may be compromised by wealthy interest groups. Even if populists might offer authoritarian solutions, the escalation to authoritarianism depends on whether liberal institutions are strong enough to reform and absorb popular discontent (Velasco and Bucelli, 2022). In this framework populist policies emerge rationally in response to institutional weakness. Although such policies may not perfectly reflect voters' ideal preferences, they are strategically adopted by politicians as credible signals of honesty in an environment perceived as susceptible to corruption. Indeed, strong populist sentiments can lead some individuals to back a populist party even when that party's policy positions do not align closely with their own views on specific issues (Van Hauwaert and Van Kessel, 2018).

Democracy, understood in its minimalist form as the combination of popular sovereignty and majority rule, differs significantly from liberal democracy, which supplements electoral

competition with institutional guarantees for pluralism, minority rights, and the rule of law. Populism, while fundamentally democratic in its emphasis on majority rule and direct popular sovereignty, often clashes with liberal democracy due to its hostility toward pluralism and its tendency to resist constraints on majoritarian power. Ultimately, the populist challenge is not directed at democracy itself, but rather at the liberal institutions and normative frameworks designed to protect democracy from the risks of majoritarian excess (Mudde and Kaltwasser, 2017). Indeed, central to the populist challenge is the conflict between majority rule and the rule of law, two pillars of liberal democracy that are meant to complement each other but increasingly come into tension. This results in populist critiques of representative institutions and legal constraints, which are depicted as tools used by self-serving elites to block the popular will.

Populism is inherently democratic, as it emphasizes popular sovereignty and majority rule, yet it conflicts with liberal democracy, which also values checks and balances, separation of powers, and constitutional protections. Populists often reject unelected institutions (such as courts or central banks) and oppose constraints on majority rule, challenging the liberal-democratic balance between popular will and constitutionalism. For this reason, some describe populism as a form of democratic extremism, elevating "the people" as the only legitimate source of political authority (Mudde and Kaltwasser, 2013).

The current debate on populism compels a reexamination of the foundational principles of democratic governance, particularly the nature of self-rule, democratic practice, and the constitutional frameworks that support and constrain them. Even if liberal democracy remains resilient in many contexts, its performative legitimacy depends on continual reform and responsiveness. Populism, for all its dangers, forces liberal democracies to confront their own shortcomings. Whether these tensions lead to democratic renewal or authoritarian decay depends on how institutions respond. Populist proposals may lack effectiveness, but their emergence often pressures political elites to acknowledge and address patterns of exclusion and inequality, potentially strengthening democracy (Velasco and Bucelli, 2022).

Populism is often portrayed as authoritarian, especially in its right-wing variants. However, this view overlooks populism's inherent engagement with democratic values (Canovan, 1999, Mudde and Kaltwasser, 2012, Arditi, 2004). While populist movements or parties may undermine democratic norms or be exercised in bad faith, they still fall within the domain of democratic contestation. Dismissing populism entirely as authoritarian risks ignoring the ways it reflects dissatisfaction with the current democratic order, and the deeper questions it raises about how democracy should function (Webber, 2023).

While populists are critical of established parties, they typically advocate reform rather than outright rejection of party politics, often presenting themselves as a new or different kind of party Mudde (2004). Their goal is to consolidate power not by suspending elections, as in authoritarian regimes, but by reshaping democratic procedures to serve one part of the people, presented as the whole (Urbinati, 2019). The relationship between populism and democracy is

therefore inherently complex and ambivalent. While some scholars view populism as a threat to democratic institutions, others see it as a force for democratization (Urbinati, 2019). In reality, it can function as both: it gives voice to marginalized groups, enhancing participation, but its monist worldview, which claims that only one true will of the people exists, can undermine pluralism and minority rights (as will be discussed in the following paragraph).

Portraying populism as a distorted or pathological form of democracy frames it as a "normal pathology" intrinsic to Western societies, one that is likely to remain a recurring feature of democratic life as its capacity to challenge elite authority and mobilize disaffected citizens makes it a durable force in contemporary politics (Moffitt, 2016). Nevertheless this apparent normalization must not obscure a fundamental contradiction: democracy rests on the idea that citizens govern themselves, whereas populism distorts this principle by claiming a monopoly on "the people's voice", often excluding dissenting citizens and undermining the pluralism that sustains a healthy democratic society. This contradiction is further deepened by the fact that populists, while denouncing democratic institutions as elitist or illegitimate, often exploit those very same institutions cynically to consolidate their own power (Webber, 2023). Indeed, populism may distort democratic institutions by turning legitimate majoritarian principles into tools of exclusion and personalist rule, risking democratic erosion (Urbinati, 2019). There are two primary cases where this becomes dangerous and democracy moves from crisis toward collapse: when political violence is condoned or incited by institutional actors (such as the U.S. Capitol attack), and when executive powers succeed in dismantle institutional checks and balances (Velasco and Bucelli, 2022).

This dual nature of populism as both a vehicle for democratic inclusion and a potential threat to liberal norms also shapes its interplay with nationalism. Although conceptually distinct, populism and nationalism often converge, particularly in the European context (most notably in radical right parties) where xenophobic populist movements draw heavily on nationalist rhetoric and ethnic conceptions of "the people" (Mudde and Kaltwasser, 2013). In line with this logic, many populist parties advocate for prioritizing jobs for national citizens and pursue restrictive immigration policies. They often argue that social benefits should be reserved for those who contribute through taxation, thereby excluding foreign nationals from the welfare system (Nam, 2024). This convergence is grounded in a shared logic of exclusion: in populist discourse, "the people" is not a real or unified population, but rather a mythical and idealized construct, an "imagined community" that closely mirrors nationalist definitions of the nation. Yet, even in these cases, the populist logic remains primarily moral: the division is not fundamentally between ethnic groups, but between a virtuous people and a corrupt elite accused of betraying the interests of the native population (Mudde and Kaltwasser, 2013). Contrary to popular belief, populist supporters are not primarily motivated by a desire for more participatory democracy. Rather, they seek governments that are responsive to their values and concerns, without necessarily demanding direct involvement in the political process. Populism is less about class resentment or a call for citizen rule, and more about the perception that the needs

of the "common people" are systematically ignored by a distant, progressive, and culturally disconnected elite (Mudde, 2004).

The emergence of populism, much like the rise of authoritarianism in the twentieth century, can be interpreted as a political response to the dislocations of modernization mass society, in which individuals experience heightened alienation and a loss of control (De la Torre, 2025). Indeed, as traditional structures of social integration begin to erode, individuals become socially atomized. This atomization weakens collective ties and creates large, unanchored masses of individuals who are no longer embedded in stable networks. In this context, populism emerges as a response (Kaltwasser et al., 2017).

In sum, the relationship between populism and democracy remains deeply contested. While many view populism as a threat to democratic norms and institutions, others see it as a potential force for democratic renewal. The reality likely lies somewhere in between: populism can act both as a challenge and a corrective to democracy, depending on the specific political context and the strength of institutional safeguards.

### 2.1.4 The General Will

Modern populism dangerously oversimplifies politics by asserting that "the people" possess a single, unified will that must prevail, thereby undermining pluralism and the liberal democratic principles of legitimate dissent and deliberation (Horn et al., 2025).
Because populists claim to represent "the people" as a unified and legitimate whole, they tend to resist any constraints on executive power. They interpret institutional checks and balances as obstacles that hinder the realization of the popular will (Rodrik, 2018). This stance poses significant risks in the political sphere, as it can enable the majority to suppress minority rights. When fundamental democratic institutions such as the separation of powers, an independent judiciary, and a free press are weakened or dismantled, democracy is undermined.

Through the idea of "general will", populist leaders and supporters express a particular vision of politics that draws heavily from the thought of Rousseau (1762), which posits a unified collective will distinct from fragmented individual preferences (an absolutist conception that risks undermining pluralism and liberal democratic norms) (Mudde and Kaltwasser, 2017). Rousseau famously distinguished between the general will (*volonté générale*), which represents the collective interest of the community as a whole, and the will of all (*volonté de tous*), which is merely the aggregation of individual preferences at a given moment. Populism's characteristic division between the virtuous people and the corrupt elite reinforces the belief that a single, unified general will does in fact exist. From this perspective, representative systems are viewed as elitist structures, where citizens play only a limited role, participating passively by casting votes during elections (Manin, 1997). In contrast, populism embraces Rousseau's vision of republican self-rule, which emphasizes the active involvement of citizens in both the creation and implementation of laws (Mudde and Kaltwasser, 2013). However, this vision of the general will, as already mentioned, can lend itself to authoritarian tendencies. Populist leaders and their

supporters frequently adopt a view of politics who argued that democracy requires a unified and homogeneous people. In this framework, the general will presupposes a clear definition of who belongs to the political community and who does not. Those excluded from the "true people" are not seen as equals and may be marginalized or delegitimized. As a result, the populist belief in a unified, transparent, and absolute general will can facilitate authoritarian practices by justifying the suppression of dissent and denying pluralism (Mudde and Kaltwasser, 2013).

Today, liberal democracies, despite being the freest and most prosperous societies globally, are plagued by a pervasive sense of dissatisfaction. This internal self-critique, a product of liberal openness, has led to a cultural pessimism exploited by both radical left and right. These extremes, though ideologically opposed, converge in their rejection of liberal individualism.
A new collective entity, distinct from the individual actors who compose it, can emerge only if those individuals renounce their own goals and submit to a so-called "general will." However, no individual can legitimately embody this will. The consequence of such a substitution is the suppression of the principle of equality before the law: it is not society that becomes more valuable than its members, but rather a privileged group that asserts superiority over the rest of the population (Infantino, 2008). If everything must be subordinated to national greatness, that is, if politics becomes the sole privileged lens through which the world is interpreted, then individual autonomy is reduced to a merely formal existence. Within this framework, there is ultimately no difference in the ideological stances at the extremes, since they often converge: on the one hand, the left emphasizes class struggle; on the other, the right promotes a vision of society grounded in ethnic or national identity. Nevertheless, both seek to dismantle liberalism by reestablishing a privileged cognitive and political standpoint. These ideological positions, despite originating from vastly different traditions, converge in their "epistemological arrogance" and in their similar political implications (Infantino, 2008).

## 2.2 Globalization and Protectionism

As we have seen so far many observers view the rise of populism as a serious threat to the liberal international order, democratic values, open markets, and institutional checks and balances. Growing skepticism toward globalization and increasing protectionist sentiment are part of this trend (Guriev and Papaioannou, 2022).

Indeed, several explanations have been proposed to account for the rise of populism. But, among the most prominent, are precisely long-term economic transformations, especially globalization and technological change, which are closely linked and have significantly reshaped national economies and labor markets. Technological innovation lowers the cost of trading goods and services and facilitates the exchange of ideas, thereby fueling globalization. In turn, globalization creates stronger incentives for innovation by expanding market size, which increases the potential returns on research and development. Although these forces have improved global welfare and reduced poverty worldwide, they have also led to rising inequality within countries.

In developed nations, many industrial and clerical jobs have been automated or outsourced, leaving certain groups economically marginalized. These "left-behind" individuals often turn to populist parties that criticize cosmopolitan elites and unregulated globalization (Guriev, 2024).

Since the late 1980s, the global economy has experienced a marked expansion in international trade, driven by the liberalization of trade policies, including reductions in tariffs, quotas, and non-tariff barriers. World Bank data suggest that the ratio of global trade to GDP rose from below 40 percent in the 1980s to an unprecedented 61 percent in 2008 (see Figure 3).

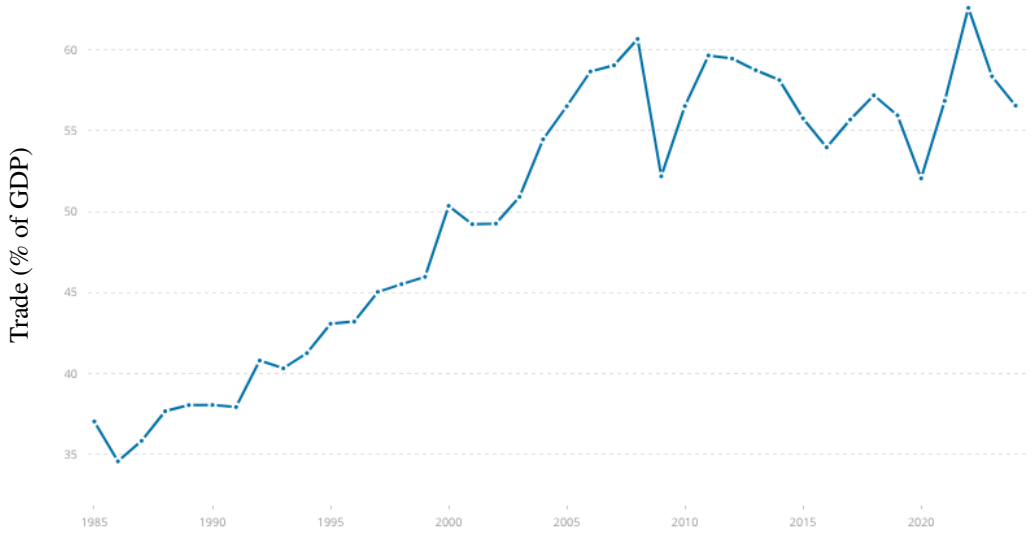


**Figure 3:** Trade as the sum of exports and imports of goods and services, expressed as a percentage of Gross Domestic Product.

*Source:* World Bank (2024), World Development Indicators.

International trade has played a key role in raising incomes and alleviating poverty, particularly among the most disadvantaged populations worldwide. In recent years, however, there has been an increasing shift toward protectionist policies, rising trade disputes, and growing doubts about the long-term viability of globalization. As a result, the idea of deglobalization, referring to a reduction in global economic interdependence, has become a prominent topic in policy discussions (World Bank, 2023). Historically, successful globalization (like under the Bretton Woods system) was accompanied by policy space for national governments and strong social protections. The post-1980s push for deeper integration removed these safeguards, undermining the "embedded liberalism" compromise and limiting states' capacity to cushion the social costs of globalization (Rodrik, 2017).

Economists have generally supported globalization and technological progress, assuming that those negatively affected could be compensated by government policies. And it is a fact that, globally, the movement of goods, people, and ideas has generated considerable wealth. In practice, however, political and institutional obstacles have made such compensation difficult to implement (Guriev, 2024).

The belief that international trade brings overall benefits is among the oldest ideas in

modern economic theory. Dating back to Ricardo (1817), classical trade theory predicts that globalization enhances total economic output, but it also entails redistributive effects, producing both winners and losers. In this framework, highly skilled workers in developed economies, as well as low-skilled workers in developing countries, generally benefit from trade openness. However, low- and especially middle-skilled workers in advanced economies often face job displacement, as the production of labor-intensive goods shifts toward countries with lower labor costs. Still, the principle of comparative advantage suggests that if each country specializes in what it produces most efficiently, global income should rise, and the benefits to winners would surpass the losses to those negatively affected (Banerjee and Duflo, 2019). The underlying theory posits that countries should concentrate on sectors where they have a relative efficiency.
The model has two clearly positive implications, rising national income and declining inequality in less developed nations; but it also carries a more troubling consequence: in wealthier countries, increased openness to trade can lead to rising inequality, at least before the state engages in any form of redistribution. Moreover, there is a lesser-known truth that many economists acknowledge quietly: for large economies like the United States, the overall economic gains from trade are modest in quantitative terms. Indeed, even a full U.S. withdrawal from global trade would reduce living standards only slightly, as trade gains are modest (about 2.5% of GDP), due to the country's low import share (8%). In contrast, smaller economies like Belgium, where imports exceed 30% of GDP, benefit far more from trade (Banerjee and Duflo, 2019). As a matter of fact, the argument of comparative advantage has not won over public opinion. In the United States, skepticism towards foreign trade is widespread across both political camps, with many perceiving the country as overly exposed to imported goods (Banerjee and Duflo, 2019). Indeed, although consumers may benefit from lower prices and increased demand, workers in routine, mid-skilled occupations are particularly vulnerable to outsourcing, as their relatively higher wages offer stronger incentives for firms to relocate production. This process has significantly contributed to job polarization and rising income inequality in countries. In addition, in the absence of effective social protections to mitigate these adverse effects, a backlash against globalization may emerge. Populist movements often capitalize on this discontent by blaming the highly educated, urban-based elites, who tend to work in knowledge-intensive sectors, for reaping the benefits of globalization. In Europe, some of this resentment has also been directed toward the European Union, with part of the anti-EU narrative centered around trade integration. Empirical research, has shown a correlation across countries between rising inequality, trade imbalances, and the rise of protectionist sentiment (Guriev and Papaioannou, 2022). That said, it is important to note that, even if the "losers of globalization" thesis holds some validity, it remains insufficient, as economic anxiety is better explained by perceived status loss and relative deprivation rather than absolute poverty. The concept of nostalgic deprivation, a sense of lost status and identity, provides a more convincing psychological explanation for support of the radical right, especially since populist radical right parties often gain growing support in wealthy countries rather than in those most directly affected by economic crises (Mudde and

Rovira Kaltwasser, 2018).

A key aspect of the shift in globalization has been the growing participation of low-wage economies such as Vietnam and India in global trade, primarily through increased exports of both final and intermediate goods. This trend has been further intensified by the surge in Chinese exports, particularly after the early 2000s. This phenomenon is commonly referred to as the "China shock", highlighting the dramatic economic consequences of China's rapid surge in exports to the U.S. between 1991 and 2013. Areas in America that bore the brunt of this import wave experienced substantial job losses in manufacturing, with little to no compensatory growth in other sectors. These local economies entered prolonged periods of stagnation, marked by falling wages, limited job creation, and low migration rates. Similar patterns were observed in Spain and Germany, underscoring the persistent dislocations caused by global trade shocks (Banerjee and Duflo, 2019). The integration of China into the global economy has had uneven effects across regions, particularly harming communities reliant on labor-intensive manufacturing. These areas, together with experienced job losses, due to limited internal mobility, also saw rising unemployment, lower labor force participation, declining wages among non-college-educated workers, and a broader sense of socio-economic deterioration (Autor et al., 2013). As employment declined, affected communities reduced their spending, which in turn weakened local businesses such as restaurants and retail stores. This triggered a downward spiral: declining consumer demand led to further business closures, deeper economic contraction, and falling property values (Banerjee and Duflo, 2019). While the "China shock" accounts for only about 20% of the recent decline in U.S. manufacturing employment, its political consequences have been significant (Guriev and Papaioannou, 2022). It has been shown that the Republican vote share in the 2008 and 2016 U.S. presidential elections increased. Furthermore, representatives from districts more exposed to Chinese import competition are significantly more likely to support protectionist legislation (Autor et al., 2020). This is because rising competition from low-wage countries like China and Vietnam, combined with the automation of routine low- and middle-skilled jobs, has led to wage stagnation for workers without a college degree and increased income inequality in developed countries, effects most acutely felt in the manufacturing sector: in the U.S. alone, around six million manufacturing jobs (roughly a third of the total) were lost between the late 1990s and the 2008 financial crisis (Guriev and Papaioannou, 2022).

Although trade economists have always recognized that some individuals would be harmed by trade liberalization, they underestimated the scale of the harm and placed too much faith in market mechanisms to resolve it. Their longstanding response has been that the widespread benefits of trade justify redistributing some of those gains to the losers. However, in practice, meaningful compensation has often failed to materialize and governments have often failed to mitigate the resulting inequalities (Banerjee and Duflo, 2019).

All of this helps explain President Donald Trump's behavior, who, faced with the real consequences of trade shocks, chose a different path: in 2018, the U.S. reversed decades of trade

liberalization by imposing substantial tariffs on 12,043 products, raising their average rate from 2.6% to 16.6%, affecting 12.7% of imports (Fajgelbaum et al., 2020). Already in the first half of that year, Trump's administration introduced a wave of tariffs, ranging between 10% and 50%, on approximately $300 billion worth of imports, primarily targeting goods from China (Guriev and Papaioannou, 2022). These measures triggered retaliatory tariffs from key trading partners, including China, the European Union, Canada, and India, which imposed duties on American exports (Fajgelbaum and Khandelwal, 2022). Empirical studies highlight the significant economic costs of this trade war for the United States; for instance, U.S. consumers experienced welfare losses estimated between $3.2 and $4.6 billion by the end of the year (Amiti et al., 2019).

Even if most economists strongly oppose protectionism, recent increases in U.S. trade barriers show that their influence on trade policy is limited. Economists often explain this by pointing to a general lack of public understanding of economic principles. While it's true that many consumers remain unaware of how trade affects their own economic interests, it's also clear that today's political leaders are well-informed about economists' views on trade. As a result, some economists have shifted focus toward studying why policymakers often ignore economic advice on trade. In standard economic models, workers in labor-intensive sectors support protection, while capital owners prefer free trade. If redistribution is costly, gainers from free trade might not compensate losers, making protection more politically viable. In addition, when individual benefits from trade liberalization are small, many citizens do not participate politically, leading to outcomes driven by concentrated interests. However, in times of economic shock (such as rising imports or job losses) those who are usually politically inactive are more likely to become mobilized, forming new constituencies that demand protection and visibility. Behavioral economics reinforces this mechanism, showing that people are more sensitive to losses than to equivalent gains. As a result, politicians may respond to perceived social injustices even when protectionist policies are economically inefficient (Baldwin, 1989).

The US actions during the first Trump administration have eroded the legitimacy of multilateral trade norms and signaled a broader weakening of the global trading system (Jones, 2021). These dynamics are now being reinforced under his second presidency, raising urgent concerns for the future of global economic governance.

Furthermore, the belief that tariffs could effectively address the challenges created by globalization has proven misguided. Imposing new duties on Chinese imports today would not address the problems faced by most Americans, and could, in fact, create new ones. Workers previously displaced by trade often failed to recover due to structural barriers preventing them from switching jobs or relocating. New tariffs would likely damage currently unaffected regions, producing fresh economic hardships and job losses (Banerjee and Duflo, 2019). Additionally, the introduction of tariffs, hindering specialization, distort the allocation of resources and causes a reduction in output and consumption, not just in the targeted country but also across trading partners due to supply chain disruptions (Espinosa, 2022).

To conclude, the populist claim of representing "the people" is fundamentally contradicted by protectionist policies, which in practice serve the interests of narrow groups (typically domestic producers) at the expense of the broader public, particularly consumers. Moreover, such policies often encourage rent-seeking behavior, fostering corruption and lobbying as special interests compete for preferential treatment (McGee, 1992).

## 2.3 Linking Populism and Protectionism

As previously discussed, populist actors often challenge core components of liberal economic orthodoxy, including the support for free trade and the institutional frameworks that sustain such policies at both national and international levels (Feldmann and Popa, 2022). However, empirical evidence remains mixed, as populism is not uniformly anti-trade. For instance, Brexit advocates criticized the EU's trade framework not for being too open, but for imposing protectionist constraints. Therefore, some scholars challenge the assumption that populism is intrinsically opposed to globalization, arguing instead that its stance is shaped less by a deep-seated aversion to openness or trade, and more by the perception that globalization primarily serves the interests of political and economic elites, or, more broadly, by the capacity of populist movements to capitalize on the discontent generated by crises and structural disruptions (Rodrik, 2021). The key point is that populist leaders tend to be particularly responsive to public expectations (the perceived will of "the people") than to party structures or special interest groups, as they must continually affirm their allegiance to the masses. These leaders are strategic actors who adapt trade policy to maintain popular support. Their trade behavior reflects a balance between signaling liberal competence and protecting politically relevant domestic sectors (Pring, 2021).

Nevertheless, many observers continue to draw a strong connection between populism and protectionism, viewing it as a political response to the disruptive effects of globalization (Guriev and Papaioannou, 2022, Autor et al., 2020, Jones, 2021, Mansfield and Pevehouse, 2022, Rodrik, 2017, Dippel et al., 2015, van der Waal and de Koster, 2018). This association is not merely theoretical; some of the most tangible economic consequences of populism, in fact, suggest a marked retreat from multilateral cooperation. Donald Trump's "America First" agenda symbolized this shift, marked by the withdrawal from key international agreements and the imposition of tariff threats. However, this inward turn has not been limited to the United States. Several European countries have also adopted protectionist measures, such as restricting imports and foreign investment through regulatory frameworks. These developments have contributed to a broader paralysis of reform, particularly at the EU level, where national resistance to deeper integration impedes progress on monetary union and industrial policy (Fratzscher, 2020).

In general, economic downturns and crises tend to benefit populist candidates and protectionist policies, as people adversely affected by such changes typically demand stronger social protections. Populism thrives on grievance, not resolution (Jones, 2021). Indeed, during peri-

ods of economic crisis protectionist tendencies tend to re-emerge, even among strong advocates of open markets (Durusoy et al., 2015). The rhetoric of "crisis", in fact, is not a neutral reflection of objective conditions because it is amplified by the political actors, that use it like a strategic tool to mobilize support and justify extraordinary political measures. Populist leaders nowadays have effectively constructed narratives that link crises into a broader protectionist discourse, promising to safeguard "the people" from threats posed by elites, immigrants, and global capitalism. This narrative has proven highly resonant in campaigns such as Trump and Le Pen's presidential bid (Brubaker, 2017). The impact of these economic and social shocks is often concentrated in rural areas, amplifying feelings of exclusion and fueling populist sentiment. However, as discussed before, once in power, populist governments often undermine democratic institutions and hinder long-term economic growth (Nam, 2024).

Therefore, the global surge in nationalist and populist movements has raised serious concerns about the stability of the liberal international economic order. Central to these concerns is the belief that nationalist and populist leaders, and the citizens who support them, are inclined to reject open trade, which has been a cornerstone of the global order (Mansfield and Pevehouse, 2022). This hostility is partly driven by the widespread belief among populist movements that globalization has disproportionately favored elites while leaving ordinary citizens behind. And for many populist actors, the expansion of international trade stands as the most visible manifestation of globalization. Furthermore, they often contend that the surge in imports has played a major role in the erosion of middle-class employment across a number of countries. In addition, individuals with lower levels of formal education, who are often a key support base of both nationalist and populist movements, tend to perceive themselves as belonging to the lower socioeconomic strata. This identification may foster pessimism about their prospects for upward mobility and lead to greater resistance to globalization (Mansfield and Pevehouse, 2022).

Trump's use of tariffs, both during his 2016–2021 term and in his current presidency, exemplifies populist policy: punitive, unilateral, and symbolic. The weaponization of tariffs is part of a broader rejection of multilateralism and international cooperation, rooted in a flawed understanding of trade as a nationalistic contest rather than a mutual gain (Jones, 2021).

Trade behavior reflects two different human tendencies: a natural inclination toward cooperation and exchange, which Adam Smith (1776) identified as a fundamental trait of human nature, and a deeply rooted group identity that promotes cohesion within the in-group while fostering suspicion or hostility toward outsiders. While the former underlies the long history of trade and social advancement, the latter gives rise to defensive reactions, particularly in times of perceived threat. Populism emerges when this balance shifts toward group-based protection, often in response to globalization and cultural dislocation. The populist backlash against globalism reflects both economic disruption and cultural anxiety (Jones, 2021).

Globalization-related shocks are correlated with political polarization and rising support for populist and nationalist parties, as they tend to increase the number of people who feel either left behind (communitarians) or very self-reliant (individualists). As a result, more people

start to demand for protection from external competition and therefore support policies that "close off" the country (like protectionism, stricter immigration, or nationalism) even if these policies make everyone worse off overall. This illustrates the deeper economic and social roots of populism, as even if material standards fall, these policies are experienced as subjectively beneficial since individuals are not merely consumers but also members of communities. When liberal elites, often aligned with cosmopolitan openness, are seen as neglecting this dimension, they deepen the perceived disconnect with ordinary citizens. This dynamic helps explain why redistributive policies based on technocratic reasoning may be less politically effective than protectionist ones, which speak directly to grievances rooted in social status and cultural identity (Snower and Bosworth, 2021).

Historically, nationalism has frequently led to protectionist attitudes. For example, ancient Greek and Roman societies limited trade with foreigners due to a sense of cultural superiority (Mansfield and Pevehouse, 2022). Similarly, centuries later, during the late 19th century, protectionist reactions emerged in response to globalization forces such as the Gold Standard (i.e., the monetary system that tied currencies to gold reserves), trade liberalization, and mass migration. The responses included agricultural tariffs in Europe, immigration restrictions in the U.S. and growing political opposition to international monetary integration. In Latin America, particularly during the second half of the 20th century, protectionist trade policies became a common tool to redistribute income from traditional elites, such as landowners, to urban workers. Although direct fiscal transfers would have been a more efficient method, tariffs offered a more stable and indirect mechanism. Argentina, and especially the Perón era, illustrates this dynamic well. Initial protectionist measures responded to external shocks like the Great Depression and world wars. However, as political instability persisted, tariffs became a strategic instrument (Daun et al., 2021). The interwar period witnessed a breakdown of international economic cooperation driven by nationalist sentiment (as exemplified by the Smoot-Hawley Tariff Act during the Great Depression) (Irwin, 2017). Faced with domestic crisis, nations turned inward: communists pursued reformist isolation, while fascists emphasized national strength and reassertion (Rodrik, 2017). In a more contemporary example, the aftermath of the 2008 global crisis, the European Union experienced significant economic disruptions. In response, EU member states between 2008 and 2014, adopted a wide range of protectionist measures (Durusoy et al., 2015).

The role of trade policy in each populist context varies, depending on how the elite-people divide is defined and how trade is perceived to impact national sovereignty or social cohesion (Jones, 2021). Indeed, the specific form of the backlash created by globalization often depends on how globalization is experienced within a given society.

In regions such as Latin America and Southern Europe, where trade shocks, financial crises, and foreign investment play a larger role, the reaction is more often economic and class-based. Left-wing populism opposes neoliberalism and supports trade protection to defend workers from exploitation by multinational corporations. By contrast, in advanced European countries,

where immigration and refugee flows are the most visible manifestations, the response tends to be cultural or ethno-nationalist. Trade becomes a political "flashpoint" when it is framed as a foreign imposition that erodes national strength, identity, or autonomy. Right-wing populism sees trade and immigration as threats to economic stability (Rodrik, 2017). In a third variant, anti-establishment, populism focuses on corruption and elite incompetence; its stance on trade varies based on whether liberalization is seen as part of the problem or a potential solution (Jones, 2021).

The extent to which populism influence trade policy depends significantly also on a country's political regime. In democracies, populist governments have a strong incentive to design policies that align with the preferences of their constituents. If the electorate holds anti-trade views, leaders may adopt protectionist measures to secure political support. In authoritarian regimes, by contrast, where governments are less accountable to the public, public opinion plays a much smaller role in shaping policy (Mansfield and Pevehouse, 2022). This is also why populism is mainly defined in democratic context (Jones, 2021).

Yet in all cases, exposure to import shocks has contributed to a shift in political preferences away from the ideological center (Autor et al., 2020), reinforcing the broader evidence that trade globalization and automation have been key drivers of rising populist sentiment. Indeed both factors are widely believed to have driven de-industrialization in advanced economies in recent decades, fueling discontent with the status quo and increasing support for non-mainstream movements (Dijkstra et al., 2020). Communities that once relied heavily on manufacturing have become especially receptive to populist appeals (Colantone and Stanig, 2018). However, Populist anger often targets trade more than other disruptive forces like technology. This is partly because it often violates domestic fairness norms. For example, job losses to foreign firms operating under lower labor or environmental standards are perceived as unjust. Psychological research suggests that people care more about perceived unfairness than inequality per se. Trade can thus generate moral outrage if it appears to break the rules of fair competition (Rodrik, 2017).

While the full extent of the overall effects remains debated, existing literature increasingly points to the significant costs that populism imposes on global trade, including economic inefficiencies, supply chain disruptions, and the erosion of institutional frameworks, undermining precisely those institutions meant to ensure market stability and dispute resolution (Jones, 2021). What is particularly striking is that the protectionist pressures have not emerged as a consequence of globalization's failure, but rather of its very success. Yet, despite their growing prevalence, such measures often lack a coherent theoretical foundation and seem to stem more from political anxiety than from genuine economic imperatives.

Building on the insights from the literature discussed so far, the next section introduces the empirical analysis, aimed at investigating the relationship between populism and protectionism. The underlying hypothesis is that populist governments, once in power, have strong incentives to adopt protectionist measures in order to preserve political support by addressing their voters'

discontent. Indeed, the populist electorate is assumed to experience the grievances that come from the economic and cultural anxieties generated by globalization. In this view, a rise in populist power is expected to translate into an increase in protectionist policies. This is precisely the theoretical hypothesis that the empirical analysis of this thesis seeks to test.

# 3 Dataset and Variables

To provide greater clarity on the data collection process, it is important to describe in detail how the dataset was constructed and prepared for the empirical analysis. This section describes the data sources, the construction of the variables, and the steps undertaken to prepare the dataset for the empirical analysis of this study. The aim is to ensure transparency and reproducibility in how the key variables were defined, transformed, and merged. The study relies on internationally recognized sources, including the World Bank and the V-Dem dataset. The resulting dataset is an unbalanced panel that combines macroeconomic and institutional indicators, covering 99 countries over the period 1999–2019. This time frame was chosen because it represents a phase of intense globalization and political transformation, marked by trade liberalization, the spread of digital technologies, and the rise of populist movements across different regions. The unbalanced structure reflects the fact that not all countries have complete data for every year in the sample; however, retaining these observations maximizes both the temporal and geographical coverage of the analysis. The data integration process was carried out with meticulous attention to detail. Although the original datasets came from different sources, they were aligned manually based on country names and year identifiers to ensure coherence. Missing values were handled carefully to avoid introducing distortions. In practice, Microsoft Excel tools such as Power Query and lookup functions were employed to merge the datasets, while subsequent checks were conducted to verify internal consistency.

## 3.1 The Dependent Variable

The dependent variable selected is the World Bank indicator *"Tariff rate, applied, weighted mean, all products (%)"*,[1] which captures the degree of protectionism implemented across countries and over time. The weighted mean applied tariff represents the average of effectively applied tariff rates, where each tariff is weighted by the import share of that product in the country's total imports. Effectively applied tariff rates are averaged across products within each commodity group. Ultimately, each annual value for a given country represents the average tariff effectively applied to all imported goods, weighted according to the actual composition of that country's import basket (World Bank, 2022). It provides an accurate picture of the effective level of trade protection, as it captures the real exposure of the economy to protectionist mea-

[1]Data available at the World Bank's World Development Indicators: *https://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS*

sures. Indeed, tariffs represent a more direct and immediate measure of protectionism, making them a relevant policy tool for understanding how populist governments shape trade policies.

To prepare the dependent variable for the empirical analysis, the original dataset was first downloaded and all irrelevant columns were removed. I then manually selected the relevant data and converted them into an Excel table, a necessary step to enable further processing with Excel's Power Query editor.

Using Power Query, I transformed the dataset from its original format (where each column represented a year and each row a country) into a panel-friendly format, in which each row corresponds to a unique country-year observation. The final structure includes one column for the country, one for the year, and one for the tariff value.

To reduce skewness and allow for interpretation in percentage terms, the variable is transformed using the natural logarithm.

## 3.2 The Populism Index

The Populism Index, used in this thesis as the independent variable of interest, is sourced from the V-Party Dataset of the Varieties of Democracy (V-Dem) project[2] (V-Dem Project, 2025). It is a composite index designed to capture the degree of populism in the rhetoric and platforms of political parties over time and across countries.

The Populism Index, following the definition used in this work, is based on two key dimensions of populist discourse: **Anti-elitism** (measured by the variable *v2paanteli*) and **People-centrism** (measured by the variable *v2papeople*)

These variables are categorized as variable of type C in the V-Dem project, meaning they are coded by *country experts* with in-depth knowledge of the political parties in their respective countries (Lindberg et al., 2022). The experts are typically academics or highly qualified professionals. Approximately two-thirds of the experts are either citizens or residents of the country they assess, which helps ensure that they possess in-depth knowledge of the national context and political landscape. (Lindberg et al., 2022).

Each expert receives a standardized questionnaire carefully worded to minimize ambiguity (Coppedge et al., 2025). These type of variables involves evaluative judgments on the part of the coder, therefore a number of precautions are taken to minimize error in the data. For instance, each party is evaluated by at least four experts (Coppedge et al., 2025).

The V-Party data collection took place in multiple waves between 2017 and 2021. Experts evaluate political parties that received at least 5% of the vote in a national election. In total, more than 700 experts provided assessments of 3,467 political parties across 3,151 elections in 178 countries, resulting in approximately 11,898 party-election observations (Lindberg et al., 2022).

The values corresponding to each party and election year are denoted as $x_i$ for anti-elitism

[2]Data available at V-Dem Dataset: *https://www.v-dem.net/data/v-party-dataset/*

and $y_i$ for people-centrism, where $i$ refers to the specific observational unit (party-election). Each party-year observation receives a score on both dimensions of populist discourse. These are initially measured on an ordinal scale ranging from 0 to 4, based on expert-coded responses. For example, the variable *anti-elitism*, which captures anti-elitism, is coded such that 0 corresponds to "strongly disagree" (i.e., the party exhibits no anti-elite rhetoric), while 4 corresponds to "strongly agree" (i.e., the party displays very strong anti-elite rhetoric). A similar coding applies to the people-centrism variable, with higher values reflecting stronger endorsement of people-centric political discourse (Lindberg et al., 2022). This reflect the experts' level of agreement with statements capturing the respective populist dimension.

These ordinal ratings are subsequently aggregated using a Bayesian Item Response Theory (IRT) model[3] which accounts for expert reliability, inter-coder agreement, and uncertainty in the ratings (Coppedge et al., 2025). The IRT model allows for: estimating a continuous latent score (no longer ordinal) for each party; correcting for potential systematic biases in the coders; quantifying the uncertainty associated with each estimate.

Among the outputs of the Bayesian estimation, there is the *_osp* version of these variables (Original Scale Posterior), which represents the posterior means of expert ratings after the Bayesian estimation process, expressed on the original ordinal scale (from 0 to 4) (Coppedge et al., 2025). These variables are then divided by four in order to rescale them from the original [0, 4] scale to a standardized [0, 1] scale:

$$x_i = \frac{\textit{Anti-elitism}_i}{4}, \qquad y_i = \frac{\textit{People-centrism}_i}{4}.$$

To create the final Populism Index, the two standardized components (where $x_i$ is the anti-elitism component of party $i$ and $y_i$ is the people-centrism component of party $i$) are combined using the harmonic mean (Lindberg et al., 2022):

$$PI_i = \frac{2}{\frac{1}{x_i} + \frac{1}{y_i}} \quad \text{with} \quad x_i, y_i \in [0, 1].$$

The use of the harmonic mean penalizes imbalance: a party scoring high on one dimension but low on the other will obtain a low overall populism score. This reflects the theoretical assumption that both anti-elitism and people-centrism must be simultaneously present to classify a party as genuinely populist. The Populism Index is not intended to reward parties that are solely anti-elite or solely pro-people, but rather those that combine both dimensions in a consistent and coherent manner.

In order to make the Populism Index usable in my analysis, I needed to clean and restructure the dataset. The following outlines the procedure I followed.

[3]Bayesian estimation is a statistical approach that combines prior beliefs about a parameter with the information contained in the observed data to produce an updated probability distribution, known as the posterior. In Bayesian Item Response Theory (IRT), this framework is applied to estimate latent traits—unobserved characteristics like populism—from expert-coded responses. It also accounts for variation across experts (e.g., some being systematically stricter or more lenient), and provides measures of uncertainty for each estimate.

At first, I used the government support variable (*v2pagovsup*) from the V-Party dataset to assign a single Populism Index score to each country-year observation. The aim was to consider the level of populism associated with the party of the Prime Minister, under the assumption that this party, as the main actor in the executive branch, is the one most responsible for shaping national policies—both economic and otherwise. In this framework, it is not the average level of populism across all parliamentary parties that matters, but rather the populist orientation of the party in charge of the government. Therefore, identifying the correct party in power was a necessary step to ensure that the data reflected the actual policymaking influence.

The variable *government support* is of type A/C, meaning it is coded by Country Experts and cross-checked by Research Assistants. It indicates each party's role in the formation of the government immediately following a given election (Lindberg et al., 2022). Specifically, it classifies parties into five categories: 0 when the party is the senior partner, meaning that the Prime Minister belongs to it; 1 when the party is a junior partner, with cabinet ministers belonging to it but not the Prime Minister; 2 when it is a supporter without official representation in government; 3 when it is an opposition party; and 4 when the classification is not applicable because no government has yet been formed after the election.

Based on this, I created a function in Excel that automatically retained, when available, only the Populism Index of the party coded as 0, i.e., the Prime Minister's party. However, in some cases, no party was coded as 0; this may happen for various reasons such as the absence of a clearly dominant party or the presence of a technocratic government. In such instances, the function computed the average populism score across the parties coded as 1 (junior coalition partners), providing a proxy for the overall orientation of the governing coalition. This method ensured that each country-year was matched with a single and more accurate populism value.

Lastly, since the V-Party dataset provides information on government support only for the year immediately following each election, it does not cover the full duration of each government's term in office. To address this limitation, I created and ran a macro in Excel to expand the data across all the years during which the same cabinet remained in power. After expanding the dataset, the populism value originally assigned to the country in the year in which the government was formed—either the score of the Prime Minister's party or, when unavailable, the average of the junior coalition partners—was copied and applied to each year of that government's term. This approach ensured that every year under the same executive was associated with a consistent and representative measure of government-level populism.

To reduce skewness and allow for interpretation in percentage terms, the variable is transformed using the natural logarithm.

## 3.3 The Final Dataset

To merge the dependent and independent variables into a single dataset, I used Power Query in Excel and performed the merge by selecting "Merge Queries as New", specifying

country and year as the common keys for matching the two datasets. I selected the Full Outer Join option to retain all observations from both sources. However, since the analysis focuses on the effect of populism, I prioritized the presence of the Populism Index.
Before proceeding with the merge, I also standardized country names across the two datasets. Since the Populism Index is derived from the V-Party (V-Dem) dataset and the tariff data from the World Bank, country names often differed slightly in formatting or spelling. I manually corrected these discrepancies to ensure consistency and avoid mismatches during the merge.

After merging, I sorted the data by country and year to identify incomplete observations. In cases where either the populism or tariff value was missing for a given year, I applied the following rule: if values were available for both the preceding and following years, I replaced the missing value with the average of the two (simple linear interpolation); if either the previous or the following year was also missing, I dropped the observation to avoid introducing bias or inconsistency. The final dataset represents a comprehensive and internally coherent basis for the empirical analysis.

### 3.3.1 Control Variables

In addition to the main independent variable, several control variables were included to account for alternative explanations and reduce omitted variable bias. All control variables were sourced from the World Bank Data [4], ensuring consistency and international comparability across countries and years.

**Table 1:** Variable Names and Descriptions

| Variable (Code) | Renamed Variable | Description |
|---|---|---|
| `tariffs` | Tariffs | Applied weighted tariff rate, log-transformed |
| `populism` | Populism | Populism Index from V-Dem, log-transformed |
| `unemp` | Unemp | Share of total labor force, log-transformed |
| `growth_rate` | Growth | Annual percentage change in GDP |
| `curr_acc_bal` | Account | Current account balance as % of GDP |
| `gov_eff` | Governance | Institutional quality indicator from WGI |
| `rur_pop` | Rurality | Share of rural population, log-transformed |

The selected control variables, as shown in Table 1, include the unemployment rate, measured as the percentage of the total labor force and log-transformed; the GDP growth rate, expressed in annual percentage changes; the current account balance, measured as a share of GDP; government effectiveness, taken from the Worldwide Governance Indicators; and the rural population, expressed as a percentage of the total population and log-transformed.

[4]Data available at The World Bank: *https://data.worldbank.org/*

These variables were chosen because they are commonly used in the literature as potential drivers or correlates of trade policy (Stankov, 2018, Melgar et al., 2013, Jones, 2021, Mansfield and Pevehouse, 2022). Indeed, economic conditions such as unemployment and GDP levels may influence the political demand for protectionist measures while governance quality may shape a government's ability or willingness to implement such policies. To integrate these control variables into the main dataset, I created a combined country-year key in both the main file and each control variable file. I then used the Excel function *VLOOKUP* to retrieve the relevant values from each control file and match them to the correct country-year observations in the main dataset. Figure 4 shows the correlation among all explanatory variables. In particular, it shows how strongly and in what direction each pair of variables is related.

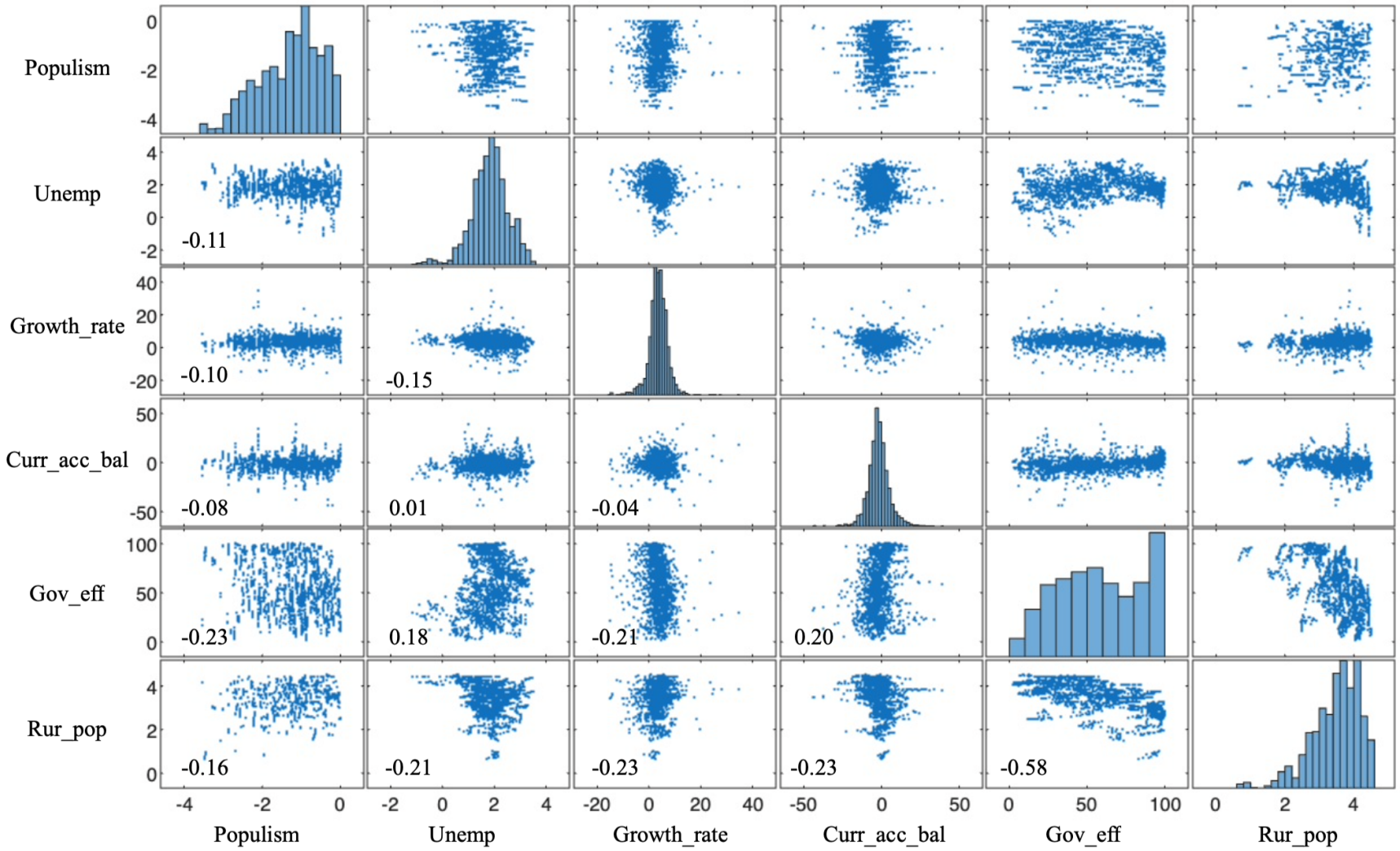


**Figure 4:** Correlation among explanatory variables

# 4 Empirical Analysis

This section explores the empirical strategy employed to assess the relationship between populism and protectionist policies, measured through tariffs. To investigate this relationship, I selected a sample of 99 countries worldwide over a time frame from 1999 to 2019. To verify the hypothesis, I relied on panel techniques as they allow to analyze on a global scale the impact of populism on tariffs starting from single countries' data over time. The methodology involves the construction of four multiple linear regression models with different features, all implemented using the MATLAB software and designed to capture different aspects of the relationship between populism and tariffs. The first is the pooled Ordinary Least Squares (OLS) model, which provides a baseline estimate of the relationship without accounting for unobserved heterogeneity across countries or over time. The second specification is the cross-sectional fixed effects model, which controls for unobserved country-specific characteristics that remain constant over time but vary across countries. The third is the time-fixed effects model, which accounts for unobserved factors that are constant across countries but change over time. Finally, the two-way fixed effects model simultaneously incorporates both country and time effects, thus providing the most comprehensive estimate by netting out unobserved heterogeneity along both dimensions. In addition, a series of robustness checks were conducted — including the use of alternative sets of control variables, an alternative dependent variable, a first-difference model specification, and dynamic panel estimation — to ensure the stability and reliability of the results.

As previously mentioned, a natural logarithmic transformation was applied to selected variables when appropriate, in order to mitigate skewness in the distribution and to enable a more intuitive interpretation of the estimated coefficients in percentage terms. Robust standard errors are used throughout the analysis to account for potential heteroskedasticity.

## 4.1 Pooled Ordinary Least Squares Model

Pooled OLS represents the simplest estimation model for panel data. This model assumes that there are neither country-specific nor time-specific unobservable effects, meaning that dependent and independent variables maintain the same relationships across the 99 countries and over time. Even though I expected that the OLS model would have been less explicative than the Fixed Effects one, the choice of using it relies on the fact that it allows for a general understanding of the influence of democracy on inequality.

Figure 5 identifies the relation between Tariffs (y-axis) and Populism (x-axis). Coherently with the initial hypothesis, the trend is positive.

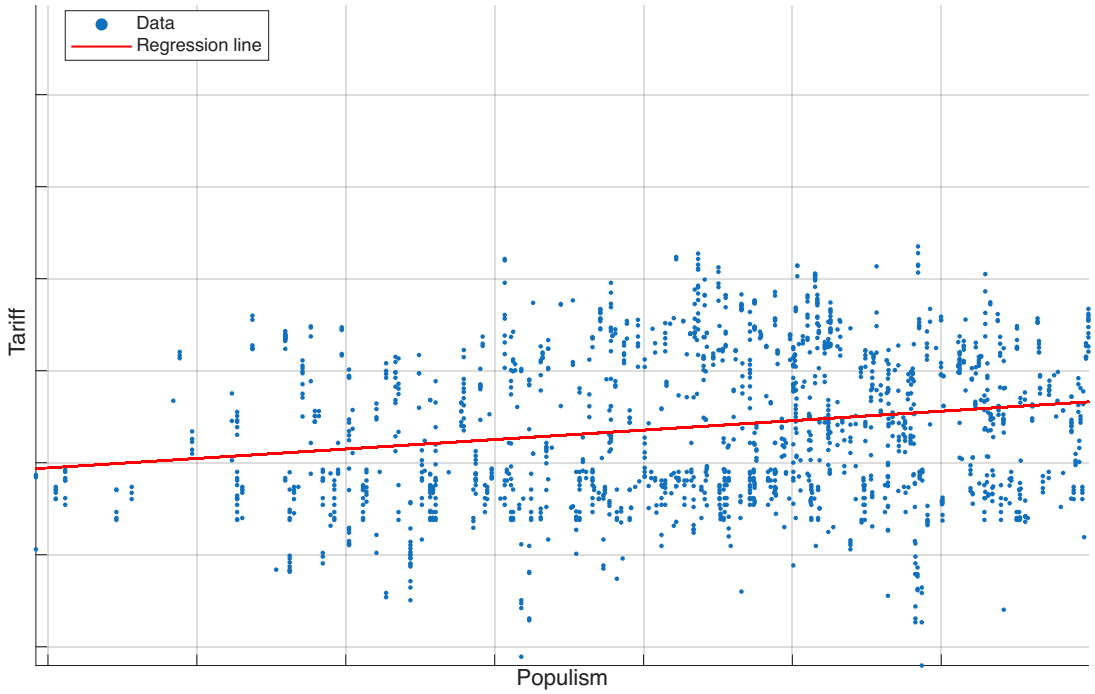


**Figure 5:** Relationship between tariffs and populism

The pooled OLS regression can be represented as follows:

$$\log(Tariffs_{it}) = \beta_0 + \beta_1 \log(Populism_{it}) + \beta_2 \log(Unemp_{it}) + \beta_3 Growth_{it} + \\ + \beta_4 Account_{it} + \beta_5 Governance_{it} + \beta_6 \log(Rurality_{it}) + \varepsilon_{it}. \tag{1}$$

As a result of the regression analysis (cf. Table 2), I have obtained a strong significance level for all coefficients, both jointly and separately. Specifically, the regression yields a positive and statistically significant coefficient for the populism variable, indicating that higher levels of populism are associated with higher tariffs. The adjusted R-squared is equal to 0.42, so 42% of the variance of the dependent variable is explained by the model, after adjusting for the number of predictors. Looking at the estimated coefficients, the effect of the variable of interest can be interpreted as follows: since both the independent and dependent variables are expressed in logarithmic form, the estimated coefficient of 0.0503 represents an elasticity, indicating that a 1% increase in the populism index is associated, on average, with a 0.05% increase in the level of applied tariffs. Given an average applied tariff rate of approximately 5.6% over the period 1999–2019, this corresponds to an increase of about 0.0028 percentage points in tariffs (i.e., 0.05% of 5.6078). To translate this effect into monetary terms, consider that the average annual value of world merchandise imports over the same period was approximately 13.5 trillion USD (WITS – World Bank, 2025). An increase in tariffs of 0.0028 percentage points applied to this trade volume would result in roughly 380 million USD in additional tariff revenues globally for every 1% increase in populism (for every trillion USD of imports, a 1% increase in populism would generate an estimated 28 million USD in additional tariff revenues). This

figure is obtained by calculating 0.0028% of 13.5 trillion USD.

**Table 2:** OLS regression results

| **Dependent variable:** | log(tariffs) | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Robust Std. Err.** | **t-stat** | **p-value** |
| log(populism) | 0.0503 | 0.0202 | 2.4846 | 0.013** |
| log(unemp) | -0.2039 | 0.0228 | -8.9436 | 0.000*** |
| growth | 0.0090 | 0.0042 | 2.1314 | 0.033** |
| account | 0.0134 | 0.0022 | 6.0322 | 0.000*** |
| governance | -0.0191 | 0.0007 | -26.4587 | 0.000*** |
| log(rurality) | -0.0568 | 0.0281 | -2.0210 | 0.043** |
| Constant | 3.1198 | 0.1360 | 22.9330 | 0.000*** |
| Observations | | 1692 | | |
| R-squared | | 0.4254 | | |
| Adj. R-squared | | 0.4234 | | |
| Wald F (6, 1685) | | 207.91 (p = 0.000) | | |

Note: Standard errors are robust to heteroskedasticity
$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

### 4.1.1 The Wald F-test

The goodness of the model is assessed by examining the Wald F-test statistic for the existence of the regression, which tests whether the coefficients of the independent variables are jointly statistically significant, that is, whether the explanatory variables, taken together, significantly contribute to explaining the variation in the dependent variable. As shown below, the null hypothesis of such test (H0) states that the coefficients of interest (excluding the intercept) are all equal to zero, meaning that they are not significant for the model. The alternative hypothesis (H1), instead, asserts that coefficients are jointly significant and so different from zero.

H0: $R\beta = c$ All coefficients except the intercept are zero and thus $y$ is not explained by $X$

H1: $R\beta \neq c$ At least one coefficient differs from zero (explanatory power exists)

Where $\beta$ is the $k \times 1$ vector of regression coefficients estimated from the model; **c** is a $q \times 1$ vector of constants, set to zero to test whether the selected coefficients are jointly equal to zero; and R is the $q \times k$ *restriction matrix*, which defines the linear restrictions imposed on the coefficients (q represents the number of restrictions that in this case is equal to 6). More specifically, R contains the linear restrictions applied to all coefficients except the intercept.

Thus, each row of R represents a restriction to a specific coefficient and the vector c contains the value to which each coefficient is equal to zero.
Rejection of the null hypothesis $H_0$ implies that the model has explanatory power—i.e., at least one of the independent variables is significantly different from zero. As Table 2 illustrates, the Wald F-test for joint significance indicates that the model has a high level of explanatory power. Specifically, the test yields an $F$-statistic of 207.91 with a $p$-value equal to 0.000, which is well below the 0.001 threshold. As a consequence, the null hypothesis is rejected at any conventional significance level, confirming that the explanatory variables are jointly significant and that the model is statistically valid.

### 4.1.2 F-test for Comparison: Fixed Effects Model vs Pooled Regression

To assess whether the fixed effects model offers a better fit than the pooled OLS one, an F-test is conducted to compare the explanatory power of the fixed effects model relative to the pooled OLS regression. The fixed effects model can be written as:

$$y_{it} = \alpha_i + \beta X_{it} + \varepsilon_{it},$$

where $\alpha_i$ captures the individual-specific (time-invariant) effect, $X_{it}$ represents the explanatory variables, and $\varepsilon_{it}$ is the idiosyncratic error term.
The null hypothesis of this test assumes that including individual fixed effects does not improve the explanatory power of the model (i.e., the individual fixed effects are jointly insignificant).

$H_0$ : All $\alpha_i = 0$ (individual fixed effects are jointly insignificant: $\alpha_1 = \alpha_2 = \cdots = \alpha_i = 0$)
$H_1$ : At least one $\alpha_i \neq 0$ (individual fixed effects matter)

Given that the p-value of the test is $6.6671 \times 10^{-4}$, which is well below conventional significance levels, the null hypothesis is rejected. This implies that the fixed effects model provides a significantly better fit than the pooled OLS model, justifying its use.

## 4.2 Cross-Sectional Fixed Effects Model

The cross-sectional fixed effects model refers to a regression model in which country-specific effects are treated as fixed. It is used to estimate the impact of variables while taking into account unobserved heterogeneity across countries that remains constant over time. While the pooled regression model assumes a common intercept across all observations, the fixed effects model includes separate intercepts for each country through the use of dummy variables. This specification captures country-specific characteristics and controls for cross-sectional heterogeneity. As a result, this model allows for a more accurate estimation of the coefficients by

isolating the effect of country-specific unobserved factors. The new regression introduces coefficients $\alpha_i$ that represent fixed effects for each country, with $i = 1, \ldots, 99$. These coefficients vary across countries but remain constant over time. The cross-sectional fixed effects model can be expressed by the following regression equation:

$$\log(Tariffs_{it}) = \alpha_i + \beta_1 \log(Populism_{it}) + \beta_2 \log(Unemp_{it}) + \beta_3 Growth_{it} + \\ + \beta_4 Account_{it} + \beta_5 Governance_{it} + \beta_6 \log(Rurality_{it}) + \varepsilon_{it}. \tag{2}$$

As shown in Table 3, the adjusted R-squared increases to 0.44, indicating a better fit: the model now explains 44% of the dependent variable's variance. All coefficients remain statistically significant at conventional levels except for the variable except for the variable Rurality (log-transformed), which loses significance. The coefficient on log(Populism) remains positive and statistically significant, therefore, so far, the hypothesis of a positive relationship between populism and tariffs is confirmed, suggesting that the effect of populism on trade protectionism persists even after accounting for unobservable country-specific heterogeneity. Moreover, comparing the results of the pooled regression and the cross-sectional fixed effects model, it may be noticed that the influence of populism on tariffs is slightly higher in this second model.

**Table 3:** Fixed Effects regression results (Country FE)

| **Dependent variable:** | log(tariffs) | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Robust Std. Err.** | **t-stat** | **p-value** |
| log(populism) | 0.0620 | 0.0271 | 2.2888 | 0.024** |
| log(unemp) | -0.1976 | 0.0334 | -5.9037 | 0.000*** |
| growth | 0.0096 | 0.0058 | 1.6679 | 0.099* |
| account | 0.0142 | 0.0038 | 3.7119 | 0.000*** |
| governance | -0.0192 | 0.0010 | -19.1718 | 0.000*** |
| log(rurality) | -0.0537 | 0.0415 | -1.2948 | 0.198 |
| Observations | | 1692 | | |
| R-squared | | 0.4755 | | |
| Adj. R-squared | | 0.4412 | | |
| Wald F (6, 98) | | 153.80 (p = 0.000) | | |

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

As Table 3 shows, the Wald F-test has a p-value equal to zero. Hence, even in this case the null hypothesis is rejected and is confirmed that the coefficients are jointly strongly statistically significant.

## 4.3 Time Fixed Effects Model

While the previous section focused on cross-sectional fixed effects, this part introduces a new class of controls: time-fixed effects. Although the aim of these changes to the basic

model remains the same—namely, to address omitted variable bias—the approach differs. In the cross-sectional fixed effects model, unobserved characteristics that are constant over time but vary across countries are accounted for. In contrast, the time fixed effects model controls for unobserved factors that are constant across countries but vary over time.
This implies the inclusion of a new coefficient, $\delta_t$, which captures time-specific effects common to all countries (it varies over time but not across countries). The time fixed effects regression model is expressed as follows:

$$\log(Tariffs_{it}) = \delta_t + \beta_1 \log(Populism_{it}) + \beta_2 \log(Unemp_{it}) + \beta_3 Growth_{it} + \\ + \beta_4 Account_{it} + \beta_5 Governance_{it} + \beta_6 \log(Rurality_{it}) + \varepsilon_{it}. \tag{3}$$

Based on the results obtained from the time fixed effects regression model with robust standard errors (cf. Table 4), the coefficient on populism is still significant and positive.

**Table 4:** Fixed Effects regression results (Time FE)

| **Dependent variable:** | log(tariffs) | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Robust Std. Err.** | **t-stat** | **p-value** |
| log(populism) | 0.0607 | 0.0224 | 2.6466 | 0.015** |
| log(unemp) | -0.2215 | 0.0147 | -15.1163 | 0.000*** |
| growth | 0.0054 | 0.0066 | 0.8157 | 0.424 |
| account | 0.0111 | 0.0018 | 6.2703 | 0.000*** |
| governance | -0.0195 | 0.0005 | -36.3077 | 0.000*** |
| log(rurality) | -0.0952 | 0.0266 | -3.5748 | 0.002*** |
| Observations | | 1692 | | |
| R-squared | | 0.5204 | | |
| Adj. R-squared | | 0.5129 | | |
| Wald F (6, 20) | | 775.41 (p = 0.000) | | |

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

The new adjusted R-squared increases to a value of 0.51, indicating that approximately 51% of the variance in the dependent variable is now explained by the model. The coefficients are all statistically significant at conventional levels except, in this case, for the Growth variable, which loses significance. The Wald F-test has a p-value equal to zero: the null hypothesis is rejected and is confirmed that the coefficients are jointly strongly statistically significant.

## 4.4 Two-Way Fixed Effects Model

Finally, a Two-Way Fixed Effects model is estimated (cf. Table 5), combining both country and time fixed effects. This specification allows for the simultaneous control of two sources of omitted variable bias: unobserved factors that are constant over time but vary across countries, and those that are constant across countries but vary over time (time dummies for the years

2000-2019 are manually included in the regressor matrix). The model thus includes both $\alpha_i$, capturing country fixed effects, and $\delta_t$, capturing year fixed effects.
The cross-sectional and time fixed effects regression model is represented as follows:

$$\log(Tariffs_{it}) = \alpha_i + \delta_t + \beta_1 \log(Populism_{it}) + \beta_2 \log(Unemp_{it}) + \beta_3 Growth_{it} + \\ + \beta_4 Account_{it} + \beta_5 Governance_{it} + \beta_6 \log(Rurality_{it}) + \varepsilon_{it}. \quad (4)$$

The regression results are summarized in Table 5 below.

**Table 5:** Fixed Effects regression results (Country and Year FE)

| **Dependent variable:** | log(tariffs) | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Robust Std. Err.** | **t-stat** | **p-value** |
| log(populism) | 0.0716 | 0.0258 | 2.7787 | 0.007*** |
| log(unemp) | -0.2193 | 0.0320 | -6.8527 | 0.000*** |
| growth | 0.0062 | 0.0065 | 0.9456 | 0.347 |
| account | 0.0114 | 0.0036 | 3.1690 | 0.002*** |
| governance | -0.0197 | 0.0010 | -19.6858 | 0.000*** |
| log(rurality) | -0.0979 | 0.0409 | -2.3960 | 0.018** |
| Observations | | 1692 | | |
| R-squared | | 0.5717 | | |
| Adj. R-squared | | 0.5379 | | |
| Wald F (26, 98) | | 73.96 (p = 0.000) | | |

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

The coefficient on populism remains positive and statistically significant ($\beta = 0.072$, $p = 0.007$), and is the largest among all specifications considered. This suggests that, once both country- and time-specific unobserved factors are accounted for, the estimated effect of populism on trade becomes stronger. The adjusted $R^2$ rises to 0.54, the highest among all specifications. The Wald F-test has a value of 73,96 which corresponds to a p-value of zero, confirming the explanatory strength of the full model. These results suggest that even after controlling for country-specific and time-specific unobserved effects, higher levels of populism are consistently associated with more protectionist trade policies.

## 4.5 Robustness to Alternative Specification

### 4.5.1 Alternative Specifications – Control Variables

To assess the robustness of the main empirical findings, this section presents a set of alternative model specifications that were estimated by modifying the control variables included in the regressions. In particular, due to their lack of statistical significance in some specifications, two of the initial controls, *Growth* and *Rurality*, were replaced with two new variables: *GDP*

*per capita* (from the World Bank) and the *Economic Left-Right scale* (from the V-Dem dataset). GDP per capita was introduced as a more stable proxy for economic performance, while the Economic Left-Right scale was included out of theoretical interest in the potential role of ideological orientation in shaping trade policy. The latter is a party-level variable that captures the ideological orientation of parties on economic matters, with higher scores indicating more right-leaning stances. Indeed, the *Economic Left-Right* variable is based on expert coding (type C variable) and captures each parties' ideological stance on economic issues. According to the V-Dem codebook, parties on the economic left favor stronger government intervention in the economy, while parties on the economic right support market liberalization. The scale ranges from –3.5 to +3.5, with zero representing the ideological center. Negative values indicate more economically left-wing positions, while positive values reflect more economically right-wing stances. (Lindberg et al., 2022).

This variable allows us to explore whether ideological positions on economic policy impact the relationship between populism and protectionism. A weak negative correlation was observed between populism and the left-right scale (= -0.3), suggesting that more economically left-leaning parties tend to exhibit slightly higher levels of populism. In contrast, the coefficient on the Economic Left-Right variable in the tariff regressions is weak but positive, meaning that more economically right-wing parties are weakly associated with higher tariffs. However, despite this relationship, the variable does not appear to be statistically significant in any of the model specifications, and its inclusion does not substantially alter the estimated effect of populism. To ensure a meaningful comparison with the baseline results, the same model specifications were estimated using the alternative variables. The regression outputs are reported below.

**Pooled OLS** (cf. Table 6): The coefficient on populism remains (weakly) positive and marginally significant (0.04, $p < 0.1$).

**Table 6:** Pooled OLS regression with Alternative Controls

| **Dependent variable:** | log(tariffs) | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Std. Error** | **t-stat** | **p-value** |
| log(populism) | 0.039971 | 0.021933 | 1.8224 | 0.069* |
| log(unemp) | -0.228605 | 0.022998 | -9.9400 | 0.000*** |
| GDP per capita | -0.000007 | 0.000001 | -5.1160 | 0.000*** |
| account | 0.016355 | 0.002237 | 7.3098 | 0.000*** |
| governance | -0.014967 | 0.000932 | -16.0526 | 0.000*** |
| Economic Left-Right | 0.008138 | 0.014323 | 0.5682 | 0.570 |
| Constant | 2.853885 | 0.055791 | 51.1530 | 0.000*** |
| Observations | 1692 | | | |
| Adj. R-squared | 0.42984 | | | |
| Wald F (6, 1685) | 213.47 (p = 0.000) | | | |

*Note*: Standard errors are robust to heteroskedasticity.

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

**Country Fixed Effects** (cf: Table 7): In the country fixed effects specification the coefficient on populism becomes statistically insignificant despite increasing in magnitude. This may be due to the absorption of cross-country variation by the fixed effects. Interestingly, the significance of the populism coefficient is restored in the time and two-way fixed effects models (see below), suggesting that its influence in this case is more pronounced over time than across countries.

**Table 7:** Fixed Effects regression with alternative controls (Country FE)

| **Dependent variable:** | log(tariffs) | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Robust Std. Err.** | **t-stat** | **p-value** |
| log(populism) | 0.0518 | 0.0321 | 1.6148 | 0.110 |
| log(unemp) | -0.2265 | 0.0309 | -7.3365 | 0.000*** |
| GDP per capita | -0.000009 | 0.000002 | -4.7006 | 0.000*** |
| account | 0.0179 | 0.0040 | 4.4716 | 0.000*** |
| governance | -0.0143 | 0.0013 | -11.2551 | 0.000*** |
| Economic Left-Right | 0.0160 | 0.0192 | 0.8366 | 0.405 |
| Observations | 1692 | | | |
| Adj. R-squared | 0.4517 | | | |
| Wald F (6, 98) | 181.95 (p = 0.000) | | | |

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

**Time Fixed Effects** (cf. Table 8): In this specification, the coefficient on populism increases

and becomes statistically significant at the 1% level (0.06, p = 0.004).

**Table 8:** Fixed Effects regression with alternative controls (Time FE)

| **Dependent variable:** | log(tariffs) | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Robust Std. Err.** | **t-stat** | **p-value** |
| log(populism) | 0.0648 | 0.0196 | 3.3060 | 0.004*** |
| log(unemp) | -0.2115 | 0.0134 | -15.7242 | 0.000*** |
| GDP per capita | 0.000001 | 0.000002 | 0.3502 | 0.730 |
| account | 0.0122 | 0.0019 | 6.4568 | 0.000*** |
| governance | -0.0187 | 0.0010 | -18.7346 | 0.000*** |
| Economic Left-Right | 0.0054 | 0.0099 | 0.5465 | 0.591 |
| Observations | | 1692 | | |
| Adj. R-squared | | 0.5089 | | |
| Wald F (6, 20) | | 673.44 (p = 0.000) | | |

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

**Two-Way Fixed Effects** (cf. Table 9): The most comprehensive specification confirms and strengthens the main findings: the coefficient on populism rises to 0.08 and is significant at the 5% level. As in the baseline model, this specification provides the best fit among the four, with an adjusted R-squared of 0.53.

**Table 9:** Fixed Effects regression with alternative controls (Country and Year FE)

| **Dependent variable:** | log(tariffs) | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Robust Std. Err.** | **t-stat** | **p-value** |
| log(populism) | 0.0801 | 0.0315 | 2.5432 | 0.013** |
| log(unemp) | -0.2116 | 0.0288 | -7.3513 | 0.000*** |
| GDP per capita | -0.000000 | 0.000002 | -0.0193 | 0.985 |
| account | 0.0127 | 0.0038 | 3.3584 | 0.001*** |
| governance | -0.0184 | 0.0013 | -13.9975 | 0.000*** |
| Economic Left-Right | 0.0132 | 0.0183 | 0.7190 | 0.474 |
| Observations | | 1692 | | |
| Adj. R-squared | | 0.5342 | | |
| Wald F (26, 98) | | 80.61 (p = 0.000) | | |

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Overall, while there are some differences in statistical significance, the direction and magnitude of the coefficient on populism are largely consistent with the main specification. Indeed, re-

placing the baseline controls does not substantially alter the core result: populism is positively associated with tariffs. The economic left-right variable does not meaningfully contribute to the explanation of tariff variation, suggesting that populist tendencies may cut across traditional economic ideologies.

### 4.5.2 Alternative Specifications – Dependent Variable

To further examine the robustness of the main findings, this section explores the effect of populism on two alternative measures of trade policy and trade openness. Specifically, I replace the baseline dependent variable, *log(tariffs)*, with two alternative outcome variables: *Simple Mean Tariff Rate* and *Trade as a percentage of GDP* (both sourced from the World Bank). To ensure a meaningful comparison with the baseline results, the same model specifications were estimated using the alternative dependent variables. The results are shown below.

**Tariff rate, applied, simple mean, all products (%)**

This measure reflects the unweighted average of effectively applied tariff rates across all traded goods.

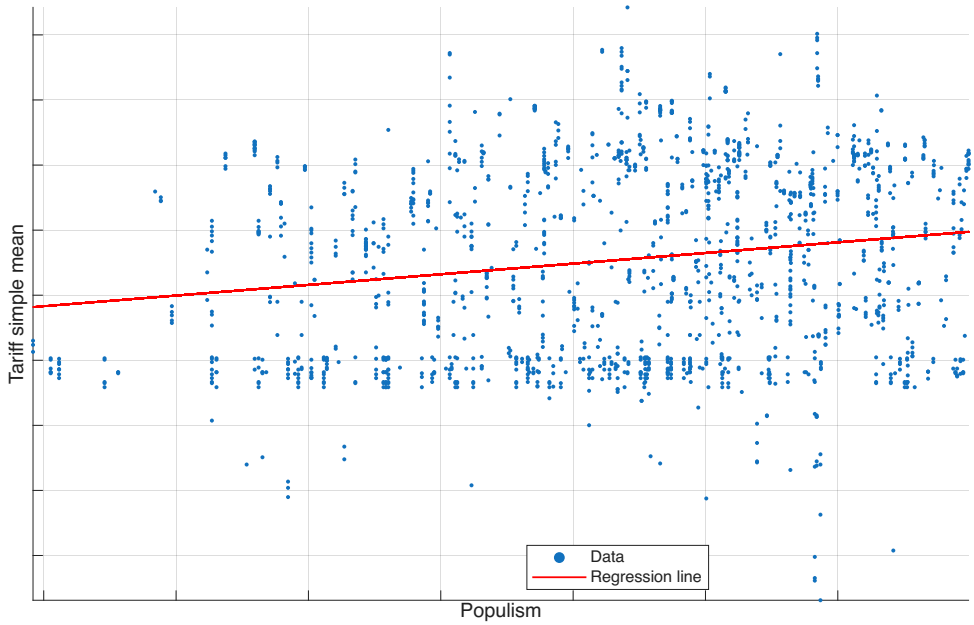


**Figure 6:** Relationship between tariffs (simple mean) and populism

When using the simple average of applied tariff rates as the dependent variable, the coefficient on populism is positive but extremely small and statistically insignificant across all specifications (cf. Table 10).

**Table 10:** Fixed Effects regression results with tariff simple mean (Country and Year FE)

| **Dependent variable:** | log(tariffs simple mean) | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Robust Std. Err.** | **t-stat** | **p-value** |
| log(populism) | 0.0160 | 0.0256 | 0.6269 | 0.532 |
| log(unemp) | -0.1031 | 0.0244 | -4.2216 | 0.000*** |
| growth | 0.0083 | 0.0051 | 1.6100 | 0.111 |
| account | -0.0176 | 0.0010 | -17.8035 | 0.000*** |
| governance | -0.0497 | 0.0452 | -1.1017 | 0.273 |
| log(rurality) | -0.0019 | 0.1340 | -0.0144 | 0.989 |
| Observations | | 1692 | | |
| Adj. R-squared | | 0.5443 | | |
| Wald F (25, 98) | | 71.82 (p = 0.000) | | |

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

This suggests that this variable may not adequately capture variation in protectionist policy, (such a general average may be too aggregated to detect meaningful variation driven by political attitudes), and reinforces the value of the original specification used in the main analysis. This result may also reflect the limitations of using unweighted averages in assessing trade barriers, especially in economies with heterogeneous product structures. Indeed, the simple mean assigns equal weight to all product lines, regardless of their trade volume. While useful as a general indicator, it can be noisier and less representative of the country's actual trade policy stance.

**Trade (% of GDP)**

This variable captures overall trade openness and is defined as the sum of exports and imports of goods and services, expressed as a percentage of Gross Domestic Product. It offers a broader view of a country's integration into the global economy. Using this broader indicator of trade openness, the estimated coefficient on populism is negative and statistically significant across all model specifications (cf. Table 11). This result supports the main hypothesis: higher levels of populism are associated with less openness to international trade. Although the magnitude of the effect remains modest (coefficient around –0.09), the robustness across specifications reinforces confidence in the results.

**Table 11:** Fixed Effects regression results with Trade as % of GDP (Country and Year FE)

| **Dependent variable:** | log(trade) | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Robust Std. Err.** | **t-stat** | **p-value** |
| log(populism) | -0.0981 | 0.0170 | -5.7597 | 0.000*** |
| log(unemp) | 0.0884 | 0.0180 | 4.9111 | 0.000*** |
| growth | 0.0112 | 0.0032 | 3.6720 | 0.000*** |
| account | 0.0044 | 0.0006 | 7.4052 | 0.000*** |
| governance | 0.0653 | 0.0372 | 1.7560 | 0.081* |
| log(rurality) | 0.0146 | 0.0814 | 0.1790 | 0.858 |
| Observations | 2466 | | | |
| Adj. R-squared | 0.1872 | | | |
| Wald F (25, 139) | 8.39 (p = 0.000) | | | |

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

However, one caveat lies in the relatively low explanatory power of the models. The adjusted r-squared values are lower compared to the baseline regressions, reaching only 0.18 in the two-way fixed effects specification. This suggests that while the relationship is statistically significant, populism alone explains only a limited portion of the variance in this broader measure of trade.

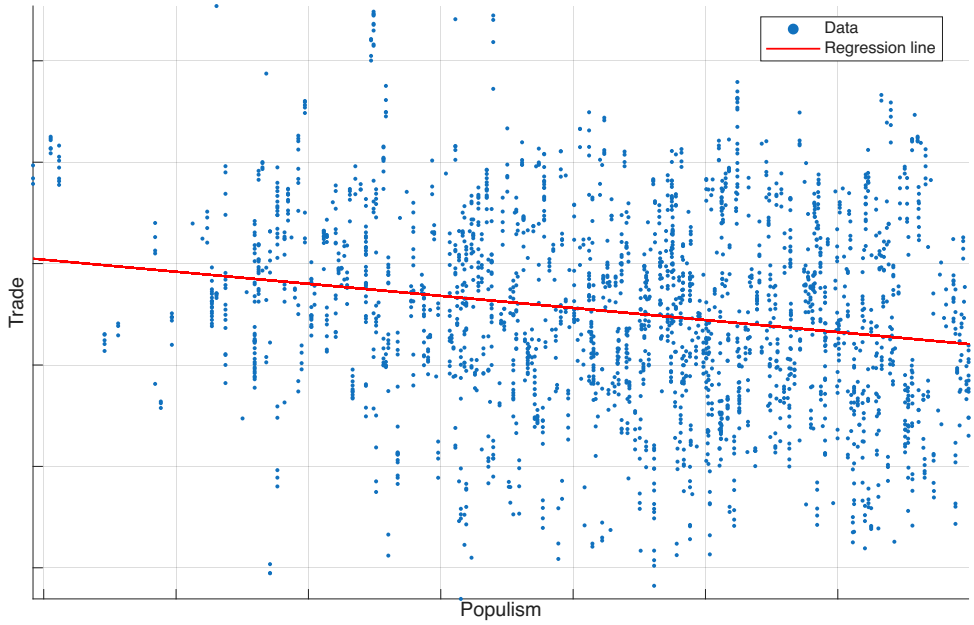


**Figure 7:** Relationship between trade and populism

### 4.5.3 Pooled OLS in First Differences

This section presents a robustness check of the populism–protectionism relationship by estimating the model in first differences using OLS. The main advantages of this approach are twofold: first, by differencing the variables, the model effectively removes time-invariant, country-specific unobserved heterogeneity, thereby reducing the risk of bias due to omitted variables; second, it offers an alternative theoretical interpretation, as the model now captures how changes in populism relate to changes in tariff levels, rather than their levels per se. By focusing on changes over time rather than levels, the first-difference model helps partially mitigate concerns related to reverse causality. This is because it is less likely that short-term fluctuations in tariffs directly and immediately influence changes in populism, or vice versa. Even if a reverse relationship exists at the level of long-term trends, it is less plausible that the year-to-year changes in the two variables occur simultaneously. This makes the estimated relationship more credible, even though endogeneity cannot be entirely ruled out.

This dynamic specification is estimated using ordinary least squares (OLS) with robust standard errors. Formally, the specification in first differences can be written as follows, in line with the notation used in the main text:

$$\begin{aligned}\Delta\log(\mathit{Tariffs}_{it}) = \beta_1\Delta\log(\mathit{Populism}_{it}) + \beta_2\Delta\log(\mathit{Unemp}_{it}) + \beta_3\Delta\mathit{Growth}_{it} + \\ + \beta_4\Delta\mathit{Account}_{it} + \beta_5\Delta\mathit{Governance}_{it} + \beta_6\Delta\log(\mathit{Rurality}_{it}) + \Delta\varepsilon_{it}. \quad (5)\end{aligned}$$

Where $\Delta$ denotes the first-difference operator ($\Delta\text{Tariffs}_{i,t} = \text{Tariffs}_{i,t} - \text{Tariffs}_{i,t-1}$). As a result, the first-difference estimator focuses on how deviations in populism from one year to the next are associated with deviations in tariff levels in the same years. The estimation results from the first-difference OLS model confirm a positive association between populism and trade protectionism (cf. Table 12).

**Table 12:** First-Difference OLS Regression Results (Robust SE)

| **Dependent variable:** | $\Delta\log(\mathit{Tariffs})$ | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Robust Std. Error** | **t-stat** | **p-value** |
| $\Delta\log(\mathit{populism})$ | 0.0723 | 0.0226 | 3.20 | 0.001*** |
| $\Delta\log(\mathit{unemp})$ | -0.2325 | 0.0281 | -8.26 | 0.000*** |
| $\Delta\mathit{growth}$ | 0.0102 | 0.0043 | 2.40 | 0.016** |
| $\Delta\mathit{account}$ | 0.0129 | 0.0029 | 4.45 | 0.000*** |
| $\Delta\mathit{governance}$ | -0.0200 | 0.0009 | -22.21 | 0.000*** |
| $\Delta\log(\mathit{rurality})$ | -0.0746 | 0.0349 | -2.14 | 0.033** |
| Constant | -0.0423 | 0.0180 | -2.35 | 0.019** |
| R-squared | | 0.4480 | | |
| Wald F (6, 1586) | | 171.38 (p = 0.000) | | |

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

The coefficient on $\Delta\log(\text{populism})$ is positive and significant (0.072, $p = 0.001$), consistent with the main findings. An increase in the year-on-year change of populism is associated with an increase in the year-on-year change of tariff levels. More precisely, a 10% rise in the populism index from one year to the next is associated, on average, with a 0.72% increase in tariff levels over the same period. Substantively, this means that when a country experiences a rise in populism (for example, a shift toward a more populist government or rhetoric), it tends to implement higher tariffs or other protectionist measures in the same period, ceteris paribus.

### 4.5.4 Robustness Check – Dynamic Panel Model

This section presents a robustness check of the populism–protectionism relationship using a dynamic panel model estimated with OLS. This approach allows to account the persistence of trade policy over time. Indeed, trade protectionism (measured by tariff levels) may exhibit persistence over time, meaning today's tariff policies partly reflect past policies. Ignoring this persistence could lead to misestimation of the effect of populism. By including a lagged dependent variable, the model explicitly accounts for the incremental adjustment of tariffs from one period to the next.
The dynamic panel specification can be written as follows:

$$\begin{aligned}\log(\mathit{Tariffs}_{it}) = \rho\log(\mathit{Tariffs}_{i,t-1}) + \beta_1\log(\mathit{Populism}_{it}) + \beta_2\log(\mathit{Unemp}_{it}) + \\ + \beta_3\mathit{Growth}_{it} + \beta_4\mathit{Account}_{it} + \beta_5\mathit{Governance}_{it} + \beta_6\log(\mathit{Rurality}_{it}) + \varepsilon_{it}.\end{aligned} \tag{6}$$

Where the term $\text{Tariffs}_{i,t-1}$ represents the one-period lag of the tariff level, included to capture the persistence of protectionist policy changes, with coefficient $\rho$. Since the coefficient is positive (0.18) and statistically significant, an increase in tariffs in one period is associated with further increases in the subsequent period. This persistence may reflect structural or institutional inertia in trade policy, whereby protectionist measures, once implemented, tend to remain in place or even escalate over time. For example, a government responding to populist demands or economic shocks may maintain or increase tariffs across multiple years due to sustained political support or bureaucratic inertia.

**Table 13:** Dynamic OLS Regression Results (Robust SE)

| **Dependent variable:** | log(tariffs) | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Robust Std. Error** | **t-stat** | **p-value** |
| $log(y_{t-1})$ | 0.1816 | 0.0217 | 8.38 | 0.000*** |
| log(populism) | 0.0459 | 0.0180 | 2.44 | 0.015** |
| log(unemp) | -0.2062 | 0.0258 | -8.16 | 0.000*** |
| growth | 0.0070 | 0.0047 | 1.46 | 0.144 |
| account | 0.0122 | 0.0025 | 4.95 | 0.000*** |
| governance | -0.0179 | 0.0007 | -27.01 | 0.000*** |
| log(rurality) | -0.0653 | 0.0258 | -2.53 | 0.012** |
| Constant | 2.8031 | 0.1444 | 19.41 | 0.000*** |
| R-squared | | 0.4699 | | |
| Wald F (7, 1585) | | 312.22 (p = 0.000) | | |

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

The estimation results from the dynamic panel model confirm a positive association between populism and trade protectionism, even after accounting for persistence in tariff policy (cf. Table 13). The coefficient on populism is positive and statistically significant (0.046, $p = 0.015$), confirming the main hypothesis that higher levels of populism are associated with greater trade protectionism. More precisely, a 10% increase in the populism index is associated, on average, with a 0.46% increase in tariff levels, holding all other variables constant. This result remains robust even after accounting for the persistence in trade policy captured by the lagged dependent variable, which is also positive and highly significant (0.182, $p < 0.001$). Substantively, this means that in political environments where populist sentiments or leadership gain strength, governments tend to increase tariffs or adopt other protectionist measures, even when past tariff levels already reflect prior policy shifts. This suggests that populist influence on trade policy is not merely reactive or short-lived, but contributes to ongoing escalation in protectionist behavior over time.

While the results from the dynamic OLS specification offer important insights into the relationship between populism and protectionism, this approach suffers from a key econometric limitation: endogeneity. Specifically, the inclusion of a lagged dependent variable on the right-hand side of the regression introduces a correlation between the regressors and the error term, thereby violating one of the Gauss–Markov assumptions and rendering the OLS estimates biased and inconsistent. To better understand the source of this endogeneity, consider the baseline dynamic panel model:

$$y_{it} = \gamma y_{i,t-1} + X_{it}\beta + \alpha_i + \varepsilon_{it}.$$

The same equation can be written for the previous period as follows:

$$y_{i,t-1} = \gamma y_{i,t-2} + X_{i,t-1}\beta + \alpha_i + \varepsilon_{i,t-1}.$$

Subtracting this from the original equation yields:

$$y_{it} - y_{i,t-1} = \gamma(y_{i,t-1} - y_{i,t-2}) + (X_{it} - X_{i,t-1})\beta + (\varepsilon_{it} - \varepsilon_{i,t-1}).$$

This transformation induces a mechanical correlation between the regressor $(y_{i,t-1} - y_{i,t-2})$ and the new error term $(\varepsilon_{it} - \varepsilon_{i,t-1})$, because both include $y_{i,t-1}$ and $\varepsilon_{i,t-1}$. More precisely, the correlation arises from the fact that the regressor $(y_{i,t-1} - y_{i,t-2})$ includes $y_{i,t-1}$, which is correlated with the new error term $(\varepsilon_{i,t} - \varepsilon_{i,t-1})$ due to the presence of $\varepsilon_{i,t-1}$. As a result, the lagged dependent variable becomes endogenous: even if the error term is uncorrelated across times, the lagged dependent variable is (by construction) a function of past errors, which are still present in the differenced error term. This violates the assumption of exogeneity of the regressors and invalidates the consistency of OLS and fixed effects estimators in dynamic settings. This endogeneity problem is intrinsic to dynamic panel models and cannot be resolved using standard estimation techniques. A consistent estimator must therefore address the endogeneity of the lagged dependent variable. Hence, appropriate instruments are required to obtain consistent estimates in dynamic panel data models. In the following section, this issue is addressed using the Arellano–Bond estimator, which uses lagged levels of the regressors as internal instruments, under the assumption that they are uncorrelated with the error term.

### 4.5.5 Dynamic Panel Estimation with Arellano-Bond GMM

To further validate the robustness of the findings, the dynamic panel specification is re-estimated in Stata using the Arellano–Bond estimator, a specific application of the Generalized Method of Moments (GMM) designed for dynamic panel data models. Unlike the OLS approach, which may still suffer from endogeneity bias due to the correlation between the lagged dependent variable and the error term, the Arellano–Bond method explicitly addresses this issue by using internal instruments based on lagged values of the endogenous regressors, which are assumed to be uncorrelated with the differenced error term. Indeed, the Arellano–Bond GMM estimation eliminates time-invariant unobserved heterogeneity through differencing, and at the same time addresses endogeneity by using lagged values of the endogenous regressors as internal instruments. Specifically, the lagged dependent variable is treated as endogenous and instrumented using its own past values. The populism index is also considered potentially endogenous, given the possibility of reverse causality between populism and trade policy, and is instrumented using its own lagged levels. By contrast, the control variables are assumed to be exogenous and included as standard instruments. To limit the risk of instrument proliferation, which can overfit endogenous components, instruments are drawn from the first lag only.

**Table 14:** GMM Regression Results (Two-Step Robust)

| **Dependent variable:** | log(tariffs) | | | |
|---|---|---|---|---|
| **Variable** | **Coefficient** | **Robust Std. Err.** | **z-stat** | **p-value** |
| $log(y_{t-1})$ | 0.1859 | 0.0371 | 5.02 | 0.000*** |
| $\log(populism)$ | 0.1225 | 0.0431 | 2.84 | 0.005** |
| $\log(unemp)$ | -0.2499 | 0.0502 | -4.97 | 0.000*** |
| *growth* | 0.0164 | 0.0074 | 2.22 | 0.027** |
| *account* | 0.0163 | 0.0047 | 3.45 | 0.001*** |
| *governance* | -0.0202 | 0.0015 | -13.05 | 0.000*** |
| $\log(rurality)$ | -0.0703 | 0.0617 | -1.14 | 0.254 |
| Constant | 3.0875 | 0.3199 | 9.65 | 0.000*** |
| Observations | | 1593 | | |
| Number of instruments | | 83 | | |
| **Diagnostic Tests** | | | | |
| AR(1) p-value (first diff.) | | p = 0.000 | | |
| AR(2) p-value (first diff.) | | p = 0.572 | | |
| Hansen J test p-value | | p = 0.222 | | |
| Wald chi-squared (df=7) | | 4811.17 (p = 0.000) | | |

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

The results confirm a positive and statistically significant effect of populism on tariff levels (cf. Table 14). More specifically, a 10 percent increase in the populism index is associated with an approximate 1.2 percent increase in applied tariff levels, holding all other factors constant. This not only reinforces the previous findings, but also implies that the effect of populism on trade policy intensifies once dynamic persistence is controlled for and potential endogeneity is partially addressed. This consistency across different dynamic panel techniques strengthens the conclusion that increases in populism are associated with higher tariffs.

To ensure the validity of the dynamic panel GMM estimation, a series of diagnostic tests were conducted in line with standard econometric practice, and the specification successfully passes all relevant tests. First, the Arellano–Bond tests for autocorrelation were conducted on the first-differenced residuals. As expected, the AR(1) test rejected the null hypothesis of no first-order autocorrelation, which is a typical outcome due to the mechanical introduction of serial correlation through differencing. Crucially, the AR(2) test did not reject the null (p = 0.572), suggesting that there is no evidence of second-order serial correlation. This result is essential, as the consistency of the Arellano–Bond estimator depends on the absence of second-order autocorrelation. In sum The Arellano–Bond test for autocorrelation is applied to verify the consistency of the moment conditions. While first-order autocorrelation is expected due to

the transformation in first differences, the absence of second-order autocorrelation is essential. A significant AR(2) test would indicate that the instruments are correlated with the error term, thereby violating the GMM assumptions and undermining the validity of the estimation.
Second, the Hansen test of overidentifying restrictions was used to assess the overall validity of the instrument set. With a p-value of 0.222, the test does not reject the null hypothesis that the instruments are exogenous, supporting the reliability of the internal instrumentation strategy.
Finally, the Wald chi-squared test strongly rejects the null hypothesis that all regressors are jointly insignificant (p = 0.000), confirming that the explanatory variables collectively contribute to explaining variation in tariff levels. Taken together, the diagnostic tests lend credibility to the dynamic panel specification, indicating that the model is correctly specified, the instruments are valid, and the results can be interpreted with confidence.

**Table 15:** Comparison of Dynamic Panel Estimators (Robust SE)

| **Dependent variable:** log(tariffs) | | |
|---|---|---|
| **Variable** | **Dynamic OLS** | **Arellano–Bond GMM** |
| $log(y_{t-1})$ | 0.1816*** (0.0217) | 0.1859*** (0.0371) |
| log(*populism*) | 0.0459** (0.0180) | 0.1225** (0.0431) |
| log(*unemp*) | -0.2062*** (0.0258) | -0.2499*** (0.0502) |
| *growth* | 0.0070 (0.0047) | 0.0164** (0.0074) |
| *account* | 0.0122*** (0.0025) | 0.0163*** (0.0047) |
| *governance* | -0.0179*** (0.0007) | -0.0202*** (0.0015) |
| log(*rurality*) | -0.0653** (0.0258) | -0.0703 (0.0617) |
| Constant | 2.8031*** (0.1444) | 3.0875*** (0.3199) |
| Observations | 1,593 | 1,593 |
| Wald F / Chi-sq | 312.22 (p=0.000) | 4811.17 (p=0.000) |

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table 15 above illustrates the comparison between dynamic OLS and the Arellano–Bond GMM estimators. The results are broadly consistent across specifications: in both cases, the coefficient on populism is positive and statistically significant, confirming that higher levels of populism are associated with higher tariffs. Notably, the estimated effect of populism is larger under the GMM specification (0.123) compared to the OLS estimate (0.046), suggesting that correcting for endogeneity through internal instruments strengthens the magnitude of the relationship. The persistence of trade policy is also confirmed by the positive and highly significant lagged dependent variable. Overall, these findings indicate that the positive association between populism and protectionism remains robust, and that the GMM estimator provides more reliable inference by addressing the dynamic panel bias.

Overall, all the alternative specifications confirm the general robustness of the main results.

# 5 Empirical Results: Interpretation and Discussion

Comparing results across all models, the consistency of the coefficient on populism suggests a robust and positive association between populist politics and protectionist trade measures. The results from the Wald F-tests across all models indicate that the explanatory variables are jointly significant, reinforcing the internal coherence of the estimated regressions. Across all model specifications the coefficient associated with the Populism Index is positive and statistically significant at the 5% level or lower. This consistency strengthens the empirical validity of the hypothesis that higher levels of populist rhetoric and government orientation are associated with protectionist tendency. As a result, this study contributes to the growing empirical literature documenting the economic consequences of populist rule, and provides quantitative support to theoretical accounts that see populism as a threat to the liberal economic order.

The magnitude of the coefficient, although relatively small in economic terms, is robust to changes in model specification and the inclusion of control variables, suggesting that the effect is not driven by omitted variable bias or confounding factors. Indeed, the fact that the populism coefficient remains significant even after controlling for several variables suggests that populism exerts an independent influence on trade policy, beyond what can be explained by macroeconomic conditions or institutional quality alone. Furthermore, the estimated coefficient on populism increases progressively as unobserved heterogeneity is taken into account through fixed effects: the coefficient rises from 0.050 in the OLS model to 0.072 in the two-way fixed effects model. The fact that the coefficient estimated through OLS is lower than that obtained under the two-way fixed effects specification points to the presence of omitted variable bias in the OLS model. By controlling for both country- and time-specific unobserved heterogeneity, the two-way fixed effects model addresses this bias, resulting in a larger and more reliable estimate.

The two-way fixed effects specification is therefore considered the most comprehensive model for this analysis, indeed it performs the best in terms of explanatory power and model reliability as it takes into account the omitted variable bias problem across both dimensions. As a matter of fact, it produces the largest coefficient on populism as well as the highest adjusted R-squared. The increasing values of the adjusted R-squared across models—from 0.42 in the pooled OLS to 0.54 in the two-way fixed effects model—indicate that a larger share of the variation in tariff levels is explained when more nuanced unobserved heterogeneity is accounted for. Based on the estimated coefficient in the two-way fixed effects model, a 1% increase in the Populism Index is associated with an approximate 0.072% increase in tariffs, holding all other factors constant. Applying the same logic used in the interpretation of the pooled OLS specification, this corresponds to an increase of about 0.0040 percentage points in the average tariff rate which translates into approximately 540 million USD in additional tariff revenues for every 1% rise in populism. This finding, although it may appear moderate in size, is economically meaningful when considered in the broader context of global trade policy. Tariff rates

tend to be relatively stable and politically sensitive policy instruments, so even small marginal increases linked to political ideology or discourse can have long-term effects on trade openness, investor expectations, and international competitiveness. Moreover, this result aligns with theoretical expectations advanced by part of the literature on populism and economic nationalism, which argue that populist governments, driven by anti-elite and people-centric narratives, are more likely to adopt inward-looking economic policies that resonate with their political base (Guriev and Papaioannou, 2022). Such policies often include protectionist measures aimed at protecting domestic producers and workers from the perceived negative effects of globalization and foreign competition.

The inclusion of control variables further supports the interpretation of the main result. For instance, higher government effectiveness is often associated with lower tariffs, implying that more competent or institutionally robust governments may be more committed to liberal trade policies. In this regard, the negative relationship between government effectiveness and tariffs is consistent with institutionalist arguments that view populism as more likely to thrive (and to adopt distortionary policies) in contexts of weak or delegitimized institutions (Acemoglu et al., 2013). Growth rate shows a consistently positive coefficient across all model specifications, although statistical significance is not found in all the regressions. This suggests that, rapid or uneven growth may generate distributional tensions or perceived threats, leading to increased political demand for protection. Nevertheless, given the variation in statistical significance, this relationship should be interpreted with caution.

The robustness of the main findings is further reinforced by the fact that the estimated coefficient on populism remains positive across all model specifications, and statistically significant in the majority. For instance, when replacing baseline controls with GDP per capita or including a left–right ideological orientation, the coefficient on populism retains the expected sign and remains stable in magnitude. The relationship also persists when the dependent variable is altered. In particular, when using trade as a percentage of GDP rather than tariff levels, the sign of the populism coefficient becomes negative, as expected, reflecting the fact that higher populism is associated with lower overall trade openness. Furthermore, the core association remains robust when the model is estimated in first differences, reinforcing its validity and enabling an interpretation in terms of changes over time rather than levels. Finally, the findings remain consistent even after including a lagged dependent variable in a dynamic panel regression. This specification accounts for the persistence of trade policy decisions over time and enhances the credibility of the results. Taken together, these alternative specifications confirm that the relationship between populism and protectionism is not a spurious outcome driven by model mis-specification or omitted dynamics, but rather a robust empirical pattern.

Overall, the evidence confirm the theoretical expectation that populist governments, once in power, are more inclined to adopt protectionist policies in their effort to maintain political support, often resort to highly visible and symbolically charged policy tools, such as tariffs, to demonstrate responsiveness to public discontent, particularly in contexts of economic or social

insecurity. The association remains stable and statistically significant under different modeling assumptions and in the presence of relevant economic and institutional controls. While the magnitude of the effect is not large in absolute terms, its direction, persistence, robustness and consistency suggest that political factors play a non-negligible role in shaping international economic policy. These findings have important implications for understanding the interplay between domestic politics and global trade dynamics, particularly in an era marked by increasing skepticism toward globalization.

The presented results gains deeper significance when interpreted in light of the theoretical literature discussed in the earlier chapters. The empirical confirmation of a positive and robust relationship between populism and protectionism provides quantitative support for long-standing theoretical claims that populist governments tend to favour inward-looking, trade-restricting policies (Rodrik, 2021, Guriev and Papaioannou, 2022). Notably, this relationship appears to be a defining feature of contemporary populism, particularly in Western democracies. In contrast to earlier waves of populism, especially in Latin America during the mid-20th century, today's populist movements are more explicitly hostile to global economic integration. Indeed, Latin American populist rhetoric was not primarily centered on opposing globalization or foreign competition. Now, however, the nature of populism has changed, several movements frequently frame free trade as a threat to national sovereignty and to the well-being of "the people." Protectionist measures, such as tariffs and trade barriers, are presented as tools to "take back control" from global elites and institutions (Guriev and Papaioannou, 2022). The thesis demonstrates that this is not merely a rhetorical shift: the empirical results confirm a systematic and statistically significant association between populism and higher levels of trade protection. In this sense, the analysis captures a clear ideological turn—one that sets modern populism apart from its historical predecessors. The statistically significant and consistent populism coefficient across all models serves as formal empirical evidence of this shift. This mathematical confirmation of a theoretically predicted relationship strengthens the empirical foundation of the broader literature on the political economy of populism (Rodrik, 2017).

The findings raise important concerns for policymakers and international institutions, calling for closer attention to the political drivers of trade policy. These actors cannot ignore the fact that large segments of the population perceive globalization as a threat. If populist governments are indeed more prone to adopt protectionist trade policies, then defending the liberal international economic order will require more than just technical trade agreements. It will require addressing the root causes of the backlash against globalization (including economic insecurity, regional inequality, and the perception of political disempowerment) (Autor et al., 2013, Rodrik, 2018). At the international level, the results highlight the importance of reinforcing (and reforming where necessary) multilateral institutions like the World Trade Organization, while making them more responsive to domestic political concerns. Similarly, at the national level, attention must be paid to the preservation of the rule of law and democratic checks and balances. If political ideologies, rather than just economic interests, are driving trade policy decisions,

then trade governance needs to be politically informed and democratically legitimate.

In sum, the evidence presented here offer not only empirical confirmation of the link between populism and protectionism, but also valuable insights for policymakers: understanding this relationship is the first step toward designing effective political responses capable of safeguarding the benefits of global economic integration. The following paragraph explores this in more detail.

## 5.1 Policy Implications and Recommendations

Democracy, national sovereignty, and economic globalization may struggle to all coexist harmoniously. If globalization advances without compensatory mechanisms, democratic backlash is likely (Franzese, 2019). The political sustainability of globalization is indeed undermined by its asymmetric distribution of gains and losses. The challenge ahead lies in restoring a more balanced relationship between globalization and national autonomy. While the post-1980s era prioritized deeper integration at the expense of domestic safeguards, the task now is to preserve openness while managing its economic and political costs in a more equitable and sustainable manner (Rodrik, 2017). Although protectionist policies can offer short-term relief, they risk undermining global trade, reducing social welfare, and delaying recovery (Durusoy et al., 2015). Populist trade policy prescriptions are theoretically ill-suited to the realities of the modern global economy, where protectionist measures clash with the complexity and interdependence of contemporary global supply chains (Ciuriak, 2024).

If tariffs are not the answer, the solution lies in either reducing the number of "losers" by improving their ability to move or adapt, or in better compensating those who suffer. Much of the harm caused by trade stems not from openness itself, but from the internal rigidity of labor and resource mobility. Goods cross borders freely, but within nations, people and capital often do not (Banerjee and Duflo, 2019). Indeed, contrary to widespread belief, economic liberalization does not inherently lead to inequality. For instance, evidence from various EU countries shows that inequality is shaped more by labor market structures and redistribution systems than by market freedom. Reforms such as labor flexibility and deregulation, if properly designed, can reduce unemployment and inequality, especially among youth and outsiders (Durusoy et al., 2015). Furthermore, although trade is sometimes blamed for economic instability, it can also serve a stabilizing role, especially when countries are at different stages of economic cycles. While, once protection is granted, it often becomes politically difficult to reverse, as it creates expectations of permanent support (McGee, 1992).

At a broader political level, the populist backlash reflects deeper discontent with the perceived unfairness of globalization, often met with technocratic responses that overlook identity-based concerns (Velasco and Bucelli, 2022). If economic factors were the only cause of populism's rise, solutions would be relatively more straightforward. But the challenge becomes more complex when non-economic factors come into play. Rationality assumptions lie at

the core of standard economic models. Yet if populist policies are economically harmful, economists need to explain why rational voters continue to support them. Populist parties vary widely in programmatic content but share a demand for greater political responsiveness. However, populist regimes typically fail to address the root causes of polarization, leaving underlying economic, social, and cultural grievances unresolved (Jones, 2021). More promising approaches are needed, that move beyond the constraints of traditional rational choice theory by incorporating beliefs, emotions, and expressive motivations. A multidisciplinary perspective (drawing from political science, psychology, and behavioral economics) is therefore essential to fully capture the complexity of the populist phenomenon.

For instance, if humans are inherently cooperative, liberalism should reflect this social nature rather than treat it as a threat. This does not mean reverting to collectivism, but rather rethinking liberal institutions to align with human needs for connection, belonging, and community. A more human-centered liberalism would be better equipped to resist populism, which manipulates these same social instincts (Horn et al., 2025).

To counter populism, liberals must embrace identity politics of the right kind and recruit politicians that voters can relate to, not just technocrats. To rebuild political trust politicians need to be highly competent yet relatable to average voters. Bridging this gap could help restore faith in democratic institutions and reduce populist appeal (Guriev and Papaioannou, 2022). Liberal democracies need not just better policies, but better narratives and representatives who resonate with citizens' sense of belonging and dignity.

Governments should address the grievances of those left behind by globalization through redistribution and retraining. This calls for robust welfare and education systems capable of protecting citizens from the impacts of economic downturns while promoting equal opportunities for all (Banerjee and Duflo, 2019). For instance, Europe, which combines openness with strong welfare systems, has avoided the type of anti-trade backlash seen in the U.S (Rodrik, 2017). Nevertheless, one notable initiative in this direction in the United States was the Trade Adjustment Assistance (TAA) program. Introduced in the 1960s and expanded under various administrations, the TAA provided extended unemployment insurance conditional on participation in retraining programs, as well as financial assistance for relocation, job searches, and health care. Empirical evidence suggests that such compensation mechanisms can help increase public support for trade liberalization (Ehrlich and Gahagan, 2023).

An alternative policy could be to offer subsidies to firms hit by trade competition, on the condition that they retain older workers. Since society as a whole benefits from trade, it stands to reason that its costs should be borne collectively. It is irrational to force agricultural workers to lose their jobs simply to protect employment in steel manufacturing (yet that is exactly what tariffs tend to do) (Banerjee and Duflo, 2019).

However, advancing such alternative solutions poses major challenges. One of the main difficulties lies in proving that policies opposing nationalism and focused on the long term can be perceived as effective and realistic options, especially in today's post-truth era, where facts

and expert opinions often don't change voters' minds since left-wing populists tend to accuse experts of being influenced by corporate power, while right-wing populists highlight their ties to cosmopolitan and unelected elites (Guriev, 2018). This means that facts alone aren't enough: evidence must be paired with credibility and charisma to effectively counter populist narratives. In this context, another critical factor that should not be overlooked is the role of social media in the dissemination of misinformation. Online misinformation fuels the spread of populist narratives, making it essential to adapt to this evolving digital environment. Addressing this challenge requires not only economic and educational initiatives but also stronger regulation of digital platforms. The European Union's Digital Services Act represents a step in the right direction by increasing transparency and placing greater responsibility on platforms to limit the spread of false or misleading information (Guriev, 2024).

With regard to the political dimension of the response to populism, mainstream parties typically react to the rise of populist challengers through three main strategies: dismissive, adversarial, and accommodative (Berman, 2021). Dismissive strategies involve ignoring the new party and its issues. This may work if the issue is minor or short-lived, but it often backfires by allowing the populist party to dominate the issue and attract concerned voters. Adversarial strategies consist of actively confronting the new party and its positions. Since populism thrives on the performance of crisis, counter-performances of calm and competence could undermine the populist sense of urgency (Brubaker, 2017). This approach carries electoral risks if the issue gains broader appeal. Accommodative strategies entail mainstream parties shifting their policies closer to those of populist challengers and adopting elements of the populist repertoire in order to neutralize their appeal and retain voters. Ultimately, mainstream parties are more successful in limiting populist growth when they swiftly recognize emerging issues (such as immigration) and address them proactively, rather than ceding political ground (Berman, 2021).

In this context, beyond electoral strategy, non-populist actors must also model what it means to coexist in a pluralistic political community. Democratic leaders should demonstrate respect for those they disagree with. This does not imply consensus or bipartisanship in a shallow sense but rather a commitment to democratic dialogue and mutual accountability, even in the face of populist hostility (Webber, 2023). It is fundamental a reinvestment in representative democracy, grounded in pluralism, institutional mediation, and electoral legitimacy, as the only adequate response to the populist challenge (Urbinati, 2019).

Existing proposals call for economic inclusion (like redistribution and social protection), curbing elite corruption and market concentration, and investing in political innovation, such as more inclusive communication strategies and deliberative democratic tools. Particular attention should be paid to geographically targeted ("place-based") interventions, as many drivers of populism are spatially concentrated (Guriev and Papaioannou, 2022). Economists ought to to develop adjustment policies that not only enhance economic efficiency but also align with political realities, thereby increasing their likelihood of implementation (Baldwin, 1989).

However, populism faces intrinsic limits to its long-term sustainability as it relies on a

sense of moral and emotional "enchantment", a belief in restoring power to "the people". Yet this enchantment is fragile. Once populists assume power and fail to fulfill their transformative promises, disillusionment might sets in, eroding the emotional bond between leaders and followers. Thus, populism should be taken seriously, but not exaggerated. While it remains a powerful force in contemporary democracies, it is also vulnerable to its own internal contradictions and to shifts in public mood and political opportunity structures (Brubaker, 2017).

All things considered, the future lies with globalized societies capable of engaging in trade and investment within a stable and open global economy (Jones, 2021). At the same time, given the recent surge in electoral backing for populist parties and leaders, the future also depends on democratic societies that are able to confront and resolve their challenges through representative institutions, public deliberation, and adherence to the rule of law. Crucially, the sustainability of a peaceful and open global trade system depends on the strength of democratic institutions in leading nations. Democracy alone is not self-sustaining, active civic engagement is essential to defend and renew it (Acemoglu and Robinson, 2019). While globalization is unlikely to be reversed, its future trajectory will depend on how effectively governments manage the distributional consequences of global economic integration. A failure to address these concerns risks entrenching protectionist responses and undermining the legitimacy of the liberal global order. To counter the rise of populism, liberals must combine principled resistance with innovative adaptation, acknowledging the roots of popular discontent while defending the moral and procedural foundations of a free society (Horn et al., 2025). Understanding the economic consequences of populism (specifically, in this study, its impact on the international trade order) along with its policy implications, and identifying possible solutions can also shed light on the types of measures that may help prevent its resurgence in the future.

## 5.2 Limitations and Suggestions for Future Research

Inevitably, this research faces some limitations that should be acknowledged and will be addressed in this section.

First, although the use of panel data allows for the control of numerous observed and unobserved factors, the issue of endogeneity remains a concern. The problem of endogeneity arises whenever an explanatory variable in a regression model is correlated with the error term. This correlation could bias the estimated coefficients and bring to misleading results. There are two primary sources of endogeneity in this context: reverse causality and omitted variable bias. In the first case, not only might rising levels of populism lead to increased protectionism, but it is also plausible that more protectionist trade policies could fuel populist sentiment. Thus, the direction of causality, whether populism drives protectionism or vice versa, cannot be definitively established with the available data and estimation techniques. In the second case, omitted variable bias may occur if there are unobserved factors that simultaneously affect both populism and trade policy but remain difficult to quantify and control for empirically. Although this issue was

partially addressed in the thesis through the application of a dynamic panel GMM estimator, which uses internal instruments to mitigate bias from simultaneity and reverse causality, future research could benefit from instrumental variable strategies or quasi-experimental designs.

A promising idea for a potential instrumental variable might be Internet penetration, measured for instance by the share of the population with online access. To satisfy the exclusion restriction required for a valid instrumental variable, Internet penetration must influence protectionist policies only through its effect on populism, and not directly. A growing body of literature shows that increased access to the internet and social media platforms has contributed to the rise of populist sentiment and electoral support for populist parties (Campante et al., 2018, Bennett and Seyis, 2023, Schaub and Morisi, 2020). Moreover, the internet, as a general-purpose technology, does not inherently promote or suppress protectionist preferences in the absence of intermediary ideological mechanisms. As such, Internet penetration can be considered an appropriate instrument for populism in this setting.

Second, the populism index, though sophisticated and valuable for this analysis, inevitably simplifies the complexity and heterogeneity of political ideologies. Improving the measurement of populism could be left to future research.

A further limitation lies in the temporal scope of the dataset, which ends in 2019. Consequently, the analysis does not account for recent political and economic developments that are highly pertinent to the topic, including the beginning of Donald Trump's second presidential term in 2025. Indeed, recent developments increasingly appear to vindicate the trade war initiated by Donald Trump. Tariffs, once seen primarily as economic tools, have evolved into strategic political instruments. Contrary to widespread early predictions, these protectionist measures have not provoked a collapse of the U.S. economy. Instead, several trade partners have ultimately accepted key terms of the agreements negotiated under the Trump administration, often involving higher tariffs and conditions more favorable to U.S. industries. Equally misguided was the European belief that a strong and unified response could pressure Washington into reversing its protectionist stance. This assumption failed to take into account the structural asymmetry between the American and European economies, as well as Europe's continued geopolitical reliance on the United States for defense (an element that has significantly constrained its ability to act autonomously in a period marked by increasing international instability). Whether the current trajectory signals a temporary deviation or the onset of a more systemic shift toward global economic fragmentation remains uncertain. A key question for the coming years is whether the international system is gradually moving toward a broader phase of strategic isolationism and, if so, how such a model could be sustained in a world fundamentally shaped by complex global interdependencies. In this sense, deeper structural tensions are emerging within advanced economies themselves. Generous welfare provisions, evolving social norms, and educational systems increasingly oriented toward academic rather than technical training have contributed to a growing shortage of reliable and skilled labor in sectors such as manufacturing, logistics, and construction. While tariffs may provide temporary relief to domestic industries,

they cannot address the underlying erosion of the social and cultural foundations that historically sustained industrial employment. In the long run, protectionist measures are unlikely to restore the attractiveness or perceived dignity of manual and vocational work. In this regard, future research would benefit from incorporating post-2019 data to assess how these evolving dynamics continue to influence the relationship between populism and trade policy.

Another avenue for future research would be to narrow the scope to a smaller number of countries and explore them in greater depth. Such an approach could allow for more precise identification strategies and enhance the theoretical consistency of the analysis. For instance, focusing exclusively on democratic countries could prove particularly valuable, since, as discussed, the concept of populism acquires its full analytical relevance in democratic contexts.

As outlined above, several avenues for future research have already emerged in the discussion of this study's limitations. One final aspect worth emphasizing is the future of Europe in this context. Since Brexit, the European Union has lost a member, while an increasing number of Europeans views the Union with skepticism (Guriev and Papaioannou, 2022). The founding fathers of the EU would have wanted to preserve freedom through open borders and competition. Indeed, the Union was founded in an era of increasing globalization and it was established, among other reasons, to promote free trade and economic integration (Parella, 2019). In this light, further research is needed to explore the prospects of such a construction in a potential world where major geopolitical powers, and even some of the EU's own allies, turn toward protectionism. Europe's liberal foundations have delivered growth, peace, and prosperity, but are now under pressure from both internal dysfunction and external challenges. In the European Union, the technocratic nature of policy integration has created a gap between economic governance and national political accountability, fueling dissatisfaction and populist backlash (Rodrik, 2018). The legitimacy of policy constraints depends on their purpose. If they aim to protect the public interest and ensure long-term stability, they can be justified. But if they serve to preserve narrow advantages, they become problematic (Rodrik, 2018). Within the European Union, protectionist measures adopted by some member states have generated internal imbalances and tensions. The recent recession has exacerbated these divides, and current EU trade policies increasingly risk distancing the Union from other global trade blocs (McGee, 1992). In this regard, it is appropriate to reference the 2024 Draghi Report. Mario Draghi emphasized that Europe is one of the most open and externally dependent economies, and he warned that we are entering a world in which critical economic dependencies are increasingly becoming geopolitical vulnerabilities. Europe is at a crossroads and must choose between paralysis, disintegration, or deeper integration. The path of exit has already been tested with Brexit and failed to meet expectations, while paralysis is becoming unsustainable amid rising uncertainty and insecurity. As Draghi argues, only greater integration offers a viable way forward. He stresses that the challenges ahead are far beyond the capacity of individual national economies and warns that, in today's geopolitical climate, Europe risks not only its prosperity and peace, but also its fundamental freedoms (Draghi, 2024).

# 6 Conclusion

As populist politics increasingly shape national agendas, understanding their economic manifestations becomes critical not only for scholars but also for policymakers and institutions. Although populism has not yet significantly reversed globalization, it has weakened the underlying narrative that sustains the liberal economic order, leaving it more vulnerable to future disruptions (Brubaker, 2017). In this context, populism imposes significant costs on global trade, including economic inefficiencies, supply chain disruptions, and the erosion of institutional frameworks designed precisely to ensure market stability and resolve disputes (Jones, 2021). This thesis has sought to examine the political and economic dimensions of contemporary populism, with a particular focus to its impact on trade policy. By using a cross-country panel dataset and econometric techniques, this study offers evidence of a significant correlation between rising levels of populism and increased use of protectionist measures. Specifically, the results suggest that higher populism scores are linked to higher tariff rates. These findings, therefore, support the hypothesis that populist governments are more inclined to adopt trade barriers in response to perceived external threats, as such threats often increase domestic demand for protection, thereby providing an opportunity to reinforce political support through the implementation of protectionist policies. By connecting the political rationale behind populist movements with observable changes in trade policy, the study offers insights that contribute to the growing body of literature on the political economy of populism and highlights its relevance for understanding current trends in global economic integration. There is a form of rationality behind the support for populism, as globalization shocks are strongly correlated with the growing appeal of populist parties. By amplifying the sense of exclusion among those left behind, these shocks create fertile ground for political reactions that promise protection. In this sense, populism can be interpreted as a natural response to the time lag between the rapid transformations of economic globalization and the slower political capacity to address the resulting social changes. As frustration builds, more citizens turn to policies that seek to insulate the country, even at the cost of efficiency. Addressing populism is therefore essential, since its long-term consequences depend on the ability of democratic systems to absorb and respond to its pressures. Whether populism ultimately leads to authoritarian outcomes depends on the strength of liberal institutions in confronting the shortcomings that populist forces expose. In this light, the challenge for the years ahead will be to determine whether isolationist impulses can truly persist in a world marked by dense global interdependencies.

To conclude, this study did not aim to determine whether protectionism or economic openness represents the optimal path in today's global landscape. Rather, it sought to encourage reflection on the current political-economic context and the future of the global order. As the world continues to change rapidly, a deeper understanding of the complex and multidimensional nature of populism will require historically informed and interdisciplinary research conducted at the intersection of politics and economics.

# References


Acemoglu, D., Egorov, G., and Sonin, K. (2013). A political theory of populism. *The Quarterly Journal of Economics*, 128(2):771–805.

Acemoglu, D., Naidu, S., Restrepo, P., and Robinson, J. A. (2019). Democracy does cause growth. *Journal of Political Economy*, 127(1):47–100.

Acemoglu, D. and Robinson, J. A. (2019). Rents and economic development: the perspective of why nations fail. *Public Choice*, 181(1):13–28.

Adam, F. and Tomšič, M. (2019). The future of populism in a comparative european and global context. *Comparative Sociology*, 18(5-6):687–705.

Adam Smith (1776). *The Wealth of Nations*. Penguin Books, London. Modern edition edited by Andrew Skinner, published in 1999.

Akerlof, G. A. and Kranton, R. E. (2000). Economics and identity. *The Quarterly Journal of Economics*, 115(3):715–753.

Algan, Y., Guriev, S., Papaioannou, E., and Passari, E. (2017). The european trust crisis and the rise of populism. *Brookings Papers on Economic Activity*, 2017(2):309–400.

AlRoy, G. C. (1970). Populism: Its meaning and national characteristics. edited by ghita ionescu and ernest gellner. (new york: Macmillan. 1969. pp. 263. $6.95.). *American Political Science Review*, 64(3):968–969.

Amiti, M., Redding, S. J., and Weinstein, D. E. (2019). The impact of the 2018 tariffs on prices and welfare. *Journal of Economic Perspectives*, 33(4):187–210.

Arditi, B. (2004). Populism as a spectre of democracy: A response to canovan. *Political Studies*, 52(1):135–143.

Autor, D., Dorn, D., Hanson, G., and Majlesi, K. (2020). Importing political polarization? The electoral consequences of rising trade exposure. *American Economic Review*, 110(10):3139–3183.

Autor, D. H., Dorn, D., and Hanson, G. H. (2013). The China syndrome: Local labor market effects of import competition in the united states. *American Economic Review*, 103(6):2121–2168.

Baldwin, R. E. (1989). The political economy of trade policy. *Journal of Economic Perspectives*, 3(4):119–135.

Bale, T., van Kessel, S., and Taggart, P. (2011). Thrown around with abandon? popular understandings of populism as conveyed by the print media: A uk case study. *Journal of Political Ideologies*, 16(3):241–258.

Banerjee, A. V. and Duflo, E. (2019). *Good Economics for Hard Times*. Allen Lane.

Bellodi, L., Docquier, F., Iandolo, S., Morelli, M., and Turati, R. (2024). Digging up trenches: Populism, selective mobility, and the political polarization of italian municipalities. Discussion Paper 16732, IZA Discussion Papers.

Bennett, A. and Seyis, D. (2023). The online market's invisible hand: Internet media and rising populism. *Political Studies*, 71(3):655–675.

Berman, S. (2021). The causes of populism in the West. *Annual Review of Political Science*, 24(1):71–88.

Born, B., Müller, G. J., Schularick, M., and Sedláček, P. (2019). The costs of economic nationalism: Evidence from the brexit experiment. *The Economic Journal*, 129(623):2722–2744.

Brubaker, R. (2017). Why populism? *Theory and Society*, 46(5):357–385.

Campante, F., Durante, R., and Sobbrio, F. (2018). Politics 2.0: The multifaceted effect of broadband internet on political participation. *Journal of the European Economic Association*, 16(4):1094–1136.

Canovan, M. (1999). Trust the people! Populism and the Two Faces of Democracy. *Political Studies*, 47(1):2–16.

Canovan, M. (2002). Taking politics to the people: Populism as the ideology of democracy. In Mény, Y. and Surel, Y., editors, *Democracies and the Populist Challenge*, pages 25–44. Palgrave Macmillan, London.

Ciuriak, D. (2024). Populist trade economics and the political economy of populism. Available at SSRN.

Colantone, I. and Stanig, P. (2018). The trade origins of economic nationalism: Import competition and voting behavior in western europe. *American Journal of Political Science*, 62(4):936–953.

Coppedge, M., Gerring, J., Knutsen, C. H., Lindberg, S. I., Teorell, J., Marquardt, K. L., Medzihorsky, J., Pemstein, D., Fox, L., Gastaldi, L., Tzelgov, E., ting Wang, Y., and Wilson, S. (2025). V-dem methodology v15. Technical report, Varieties of Democracy (V-Dem) Project.

Cox, M. (2018). Understanding the global rise of populism. Strategic update, LSE IDEAS, London.

Cramer, K. J. (2016). *The Politics of Resentment: Rural Consciousness in Wisconsin and the Rise of Scott Walker*. University of Chicago Press, Chicago.

Daun, T., Galiani, S., and Torrens, G. (2021). Populism, protectionism, and political instability. Working Paper w28359, National Bureau of Economic Research.

De la Torre, C. (2025). *Populism and Fascism*. Cambridge University Press, first edition.

de Tocqueville, A. (1835). *Democracy in America*. University of Chicago Press. Translated edition: University of Chicago Press, 2000. Originally published 1835–1840.

Dijkstra, L., Poelman, H., and Rodríguez-Pose, A. (2020). The geography of eu discontent. *Regional Studies*, 54(6):737–753.

Dippel, C., Gold, R., and Heblich, S. (2015). Globalization and its (dis-)content: Trade shocks and voting behavior. NBER Working Paper w21812, National Bureau of Economic Research.

Dorn, F., Gstrein, D., and Neumeier, F. (2024). Economic causes for the rise of populist and nationalist movements. In *EconPol Forum*, volume 25, pages 9–13. CESifo GmbH, Munich.

Draghi, M. (2024). The future of european competitiveness: A competitiveness strategy for europe. Report prepared for the European Commission.

Durusoy, S., Sica, E., and Beyhan, Z. (2015). Economic crisis and protectionism policies: The case of the eu countries. *International Journal of Humanities and Social Science*, 5(6):1.

Edwards, S. and Dornbusch, R. (1991). Macroeconomic populism in latin america. NBER Working Paper WP2986, National Bureau of Economic Research.

Ehrlich, S. D. and Gahagan, C. (2023). The multisided threat to free trade: Protectionism and fair trade during increasing populism. *Politics and Governance*, 11(1):223–236.

Espinosa, C. (2022). The macroeconomic effect of modern protectionism. Working Paper.

Fajgelbaum, P. D., Goldberg, P. K., Kennedy, P. J., and Khandelwal, A. K. (2020). The return to protectionism. *The Quarterly Journal of Economics*, 135(1):1–55.

Fajgelbaum, P. D. and Khandelwal, A. K. (2022). The economic impacts of the us–china trade war. *Annual Review of Economics*, 14(1):205–228.

Falck, O., Gold, R., and Heblich, S. (2014). E-lections: Voting behavior and the internet. *American Economic Review*, 104(7):2238–2265.

Feldmann, M. and Popa, M. (2022). Populism and economic policy: lessons from central and eastern europe. *Post-Communist Economies*, 34(2):219–245.

Franzese, R. J. (2019). The comparative and international political economy of anti-globalization populism. In *Oxford Research Encyclopedia of Politics*. Oxford University Press.

Fratzscher, M. (2020). Populism, protectionism and paralysis. *Intereconomics: Review of European Economic Policy*, 55(1):1–2.

Frieden, J. and Torres, F. (2022). Global trade in the age of populism. *Perspectivas: Journal of Political Science*, 27. Special Issue on New Globalization Challenges and EU Trade Policy.

Fuentes, J. F. (2020). Populism: The timeline of a concept. *Contributions to the History of Concepts*, 15(1):47–68.

Funke, M., Schularick, M., and Trebesch, C. (2023). Populist leaders and the economy. *American Economic Review*, 113(12):3249–3288.

Guriev, S. (2018). Economic drivers of populism. *AEA Papers and Proceedings*, 108:200–203.

Guriev, S. (2024). Causes and consequences of spreading populism: How to deal with this challenge. *EconPol Forum*, 25(2):5–8.

Guriev, S. and Papaioannou, E. (2022). The political economy of populism. *Journal of Economic Literature*, 60(3):753–832.

Horn, K., Kolev, S., and Müller, J. F., editors (2025). *Liberal Responses to Populism*. De Gruyter, first edition edition.

Infantino, L. (2008). *Individualismo, mercato e storia delle idee*. Rubbettino Editore, Soveria Mannelli.

Irwin, D. A. (2017). *Clashing Over Commerce: A History of US Trade Policy*. University of Chicago Press, Chicago.

Jones, K. (2021). *Populism and Trade: The Challenge to the Global Trading System*. Oxford University Press, Oxford.

Kaltwasser, C. R. (2018). Studying the (economic) consequences of populism. *AEA Papers and Proceedings*, 108:204–207.

Kaltwasser, C. R., Taggart, P. A., Ochoa Espejo, P., and Ostiguy, P., editors (2017). *The Oxford Handbook of Populism*. Oxford University Press, Oxford.

Kenny, P. D. (2023). *Why Populism? Political Strategy from Ancient Greece to the Present*. Cambridge University Press, Cambridge, first edition.

Lindberg, S. I., Düpont, N., Higashijima, M., Kavasoglu, Y. B., Marquardt, K. L., Bernhard, M., Döring, H., Hicken, A., Laebens, M., Medzihorsky, J., Neundorf, A., Reuter, O. J., Ruth–Lovell, S., Weghorst, K. R., Wiese–homeier, N., Wright, J., Alizada, N., Bederke, P., Gastaldi, L., Grahn, S., Hindle, G., Ilchenko, N., von Römer, J., Wilson, S., Pemstein, D., and Seim, B. (2022). Codebook varieties of party identity and organization (v–party) v2. *https://doi.org/10.23696/vpartydsv2*.

Manin, B. (1997). *The Principles of Representative Government*. Cambridge University Press, Cambridge.

Mansfield, E. D. and Pevehouse, J. C. (2022). Nationalism, populism, and trade agreements. *International Studies Review*, 24(2):viac016.

McGee, R. W. (1992). An economic analysis of protectionism in the united states with implications for international trade in europe. *Geo. Wash. J. Int'l L. & Econ.*, 26:539.

Melgar, N., Milgram-Baleix, J., and Rossi, M. (2013). Explaining protectionism support: The role of economic factors. *International Scholarly Research Notices*, 2013(1):954071.

Moffitt, B. (2016). *The Global Rise of Populism: Performance, Political Style, and Representation*. Stanford University Press.

Mudde, C. (2004). The populist zeitgeist. *Government and Opposition*, 39(4):541–563.

Mudde, C. (2007). *Populist Radical Right Parties in Europe*, volume 22. Cambridge University Press.

Mudde, C. and Kaltwasser, C. R., editors (2012). *Populism in Europe and the Americas: Threat or Corrective for Democracy?* Cambridge University Press, Cambridge.

Mudde, C. and Kaltwasser, C. R. (2013). Populism. In Freeden, M., Sargent, L. T., and Stears, M., editors, *The Oxford Handbook of Political Ideologies*, pages 493–512. Oxford University Press.

Mudde, C. and Kaltwasser, C. R. (2017). *Populism: A Very Short Introduction*. Very Short Introductions. Oxford University Press, Oxford.

Mudde, C. and Rovira Kaltwasser, C. (2018). Studying populism in comparative perspective: Reflections on the contemporary and future research agenda. *Comparative Political Studies*, 51(13):1667–1693.

Nam, C. W. (2024). Rise of populism: Causes, consequences and policy implications? *CESifo Forum: A Joint Initiative of Ludwig-Maximilians-Universität and the Ifo Institute for Economic Research*, 25(2):3–4.

Norris, P. and Inglehart, R. (2019). *Cultural Backlash: Trump, Brexit, and Authoritarian Populism*. Cambridge University Press.

Ocampo, E. (2019). The economic analysis of populism. a selective review of the literature. Technical Report 694, Serie Documentos de Trabajo, UCEMA.

Parella, J. F. (2019). The decline of liberalism in europe and how to revive it. *Comparative Economic Research. Central and Eastern Europe*, 22(1):87–106.

Pring, H. (2021). Does populism affect trade? how audience costs affect the design of preferential trade agreements. Paper presented at the Political Economy of International Organization (PEIO) Conference, Oxford.

Ricardo, D. (1817). *The Principles of Political Economy and Taxation*. Cambridge University Press, Cambridge. Reprinted in 2004, Cambridge University Press, edited by Piero Sraffa.

Rodrik, D. (2017). Populism and the economics of globalization. NBER Working Paper w23559, National Bureau of Economic Research.

Rodrik, D. (2018). Is populism necessarily bad economics? *AEA Papers and Proceedings*, 108:196–199.

Rodrik, D. (2021). Why does globalization fuel populism? economics, culture, and the rise of right-wing populism. *Annual Review of Economics*, 13(1):133–170.

Rousseau, J.-J. (1762). *The Social Contract*. Penguin Books. Modern edition published in 1968.

Sabet, N., Liebald, M., and Friebel, G. (2025). Terrorism and voting: The rise of right-wing populism in germany. *American Economic Journal: Economic Policy*. Forthcoming.

Schaub, M. and Morisi, D. (2020). Voter mobilisation in the echo chamber: Broadband internet and the rise of populism in europe. *European Journal of Political Research*, 59(4):752–773.

Snower, D. J. and Bosworth, S. J. (2021). Economic, social and political fragmentation: Linking knowledge-biased growth, identity, populism and protectionism. *European Journal of Political Economy*, 67:101965.

Stankov, P. (2018). The political economy of populism: An empirical investigation. *Comparative Economic Studies*, 60:230–253.

Urbinati, N. (2019). Political theory of populism. *Annual Review of Political Science*, 22(1):111–127.

V-Dem Project (2025). Official website of the varieties of democracy (v-dem) project. *https://www.v-dem.net/*.

van der Waal, J. and de Koster, W. (2018). Populism and support for protectionism: The relevance of opposition to trade openness for leftist and rightist populist voting in the netherlands. *Political Studies*, 66(3):560–576.

Van Hauwaert, S. M. and Van Kessel, S. (2018). Beyond protest and discontent: A cross-national analysis of the effect of populist attitudes and issue positions on populist party support. *European Journal of Political Research*, 57(1):68–92.

Velasco, A. and Bucelli, I. (2022). *Populism: Origins and Alternative Policy Responses*. LSE Press, London.

Webber, J. (2023). Understanding populism. *Social & Legal Studies*, 32(6):849–876.

WITS – World Bank (2025). Wits – world imports by country and region (us$ thousand), 1999–2019. *https://wits.worldbank.org/CountryProfile/en/Country/WLD/StartYear/1999/EndYear/2019/TradeFlow/Import/Partner/ALL/Indicator/MPRT-TRD-VL*. World Integrated Trade Solution (WITS), accessed September 19, 2025.

World Bank (2022). Tariff rate, applied, weighted mean, all products (%). *https://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS?end=2022&start=2022&view=bar*.

World Bank (2023). Protectionism is failing to achieve its goals and threatens the future of critical industries.