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The political economy of populism in Europe

Hyperglobalization and the heterogeneity of protest movements

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Summary

- Populist challengers to the political establishment have emerged across Europe in recent years. Such movements have taken different forms across the continent, coming both from the right and left of the political spectrum, and have inspired three broad explanations as to their origins and motivations. Various, the surge in populism is interpreted as reflecting: (1) a protest at the economic impacts of ‘hyperglobalization’; (2) a cultural backlash against cosmopolitanism; or (3) a more complex interplay between both economic and cultural forces.
- However, these theories struggle to satisfactorily account for the heterogeneity of populism, notably the fact that right-wing populism has surged in some European countries at particular moments while left-wing populism has emerged in others.
- Understanding the drivers of populism in Europe requires a comparative analysis of the specific economic and political contexts in which populist movements have emerged. The basic features of labour markets, welfare states and growth models all need to be taken into account, as these variables help to define the vulnerabilities of different European countries to the shocks produced by hyperglobalization.
- Depending on whether such shocks are primarily to trade or financial markets, or manifest primarily as sudden increases in immigration, different types of populist protest tend to develop. Right-wing populist movements are typically a response to immigration shocks, whereas left-wing populism is motivated more by the effects of economic shocks.
- Several further factors determine the nature of populist protest in any given European setting, including the type of migration and the structure of local labour markets. Northern European countries with generous, universalist welfare states tend to attract forced migrants, which produces protest by labour market ‘insiders’. Anglo-Saxon countries with liberal labour markets tend to attract labour migrants and generate protest by labour market ‘outsiders’. In southern Europe, labour market ‘insiders’ attempt to defend high levels of employment protection and social security against economic crisis-driven demands for liberalization and retrenchment. In central and eastern Europe, populist parties mainly mobilize the ‘losers’ from disruptive economic transformation and those fearing the impact of the EU’s single market.
- Given the heterogeneity of populism, no one policy solution exists to the challenges presented by populism in Europe. Ignoring this fact at the level of EU policy formation risks reinforcing, rather than solving, the conflicts and societal tensions that arise around the issue.

Introduction

Over the past three decades, there has been a much-discussed surge in support for populist figures, movements and parties in many European countries. This new form of political mobilization is anti-pluralist and anti-establishment in nature – that is, it tends to juxtapose a supposedly ‘pure’ people against a corrupt elite – and its adherents have a preference for direct over representative democracy.¹ Beyond these few common traits, however, populist parties vary substantially in ideological terms. They range from radical left parties (like Syriza in Greece and Podemos in Spain) to parties that are centrist, or at least claim to be (like ANO in the Czech Republic), to far-right parties (like the Freedom Party in Austria, Fidesz in Hungary, and the Rassemblement National – formerly the Front National – in France).

Numerous studies have sought to explain the electoral support for such parties, the ideological differences between them, and their impact upon policies and public discourse.² However, most such studies have focused on a single country or – if they have gone beyond a single country – on either left- or right-wing populism but not both. They have typically assumed more or less uniform causation across different economic and political contexts. Only recently, and with limited success, have scholars sought to explain the substantial *geographical* variation in populism in Europe – that is, to answer the question of why different kinds of populist parties emerge in different places at different times.

This paper presents a theory of populism that can accommodate these differences. It argues that populism is a reaction to the distributional conflicts resulting from what has been called the ‘deconsolidation of the nation-state’. In particular, populism can be seen as a consequence of the accelerated economic, cultural and political integration that has taken place internationally since the 1990s, a process known as ‘hyperglobalization’.³ Within the European Union, this deep integration has gone substantially further than in the rest of the world.

By distinguishing between two elements of hyperglobalization – on the one hand the cross-border movement of goods and capital, and on the other the cross-border movement of people – the paper also argues that populist protest takes a form that depends on the particular kind of shock produced by hyperglobalization in each country or setting.

This argument, building on one first proposed by the trade economist Dani Rodrik, explains why right-wing populism has emerged in some countries in Europe while left-wing populism has predominated in others.⁴ When a shock from hyperglobalization manifests itself in the movement of people (i.e. as an immigration shock), right-wing populism tends to emerge. When such a shock manifests itself in the movement of goods and capital (for example, as a ‘sudden stop’ in foreign investment, as occurred in much of southern Europe during the

¹ Müller, J.-W. (2016), *What is Populism?*, Philadelphia: University of Pennsylvania Press.

² For recent overviews, see Kaltwasser, C. R., Taggart, P., Espejo, P. O. and Ostiguy, P. (2017), *The Oxford Handbook of Populism*, Oxford: Oxford University Press; Mudde, C. and Kaltwasser, C. R. (2017), *Populism. A Very Short Introduction*, Oxford: Oxford University Press.

³ Hooghe, L. and Marks, G. (2018), ‘Cleavage theory meets Europe’s crises: Lipset, Rokkan, and the transnational cleavage’, *Journal of European Public Policy*, 1/25, pp. 109–35.

⁴ Rodrik, R. (2018), ‘Populism and the political economy of globalization’, *Journal of International Business Policy*, 1/1, pp. 12–33.

eurozone crisis in 2010), left-wing populism tends to emerge. To take into account the impacts of different kinds of ‘shock’, the paper focuses on the consequences of economic openness, as well as on the combined effects of migration and welfare state generosity, on the rise of the populist vote.

The paper begins with an overview and critique of the existing literature. It then lays out the comparative argument – discussing basic features of labour markets, welfare states and growth models, all of which help to determine the vulnerabilities of individual European countries to the varying effects of hyperglobalization. Based on the differences in political and economic models that the paper highlights, it is possible to begin to explain the *heterogeneity* of populism in Europe – and thus to make sense of much of the political upheaval that has affected the continent during the past decade.

Explanations of populism

Studies of populism have proliferated in recent years. In particular, they have focused on the motivations of populist voters and on the factors behind the success of populist figures, movements and parties. Three broad explanations for the rise of populism have emerged, albeit with considerable overlap between them.

The first sees the success of far-right parties as an expression of protest by the ‘losers’ from globalization: for example, manufacturing workers in the American Rust Belt or the north of England who lost their jobs as a consequence of the so-called ‘China shock’ (the massive increase in Chinese exports to the West after China’s entry into the World Trade Organization in 2001).⁵ However, this interpretation offers little insight *per se* into why far-right parties rather than far-left parties in Europe so often benefit from anger about the effects of economic competition. In some parts of the continent – in particular, in southern European countries such as Greece and Spain – anger about economic issues has produced a surge in support for far-left parties. In contrast, in Europe’s north and east, far-left parties have had little success.

The second explanation interprets populist protest as expressing a new ‘transnational’ cleavage in European politics. Political scientists have long thought of political contestation as having two dimensions: economic and sociocultural. Recently, many political scientists have seen the second dimension – which pits those in favour of ‘demarcation’, i.e. of protecting national sovereignty against economic, political and cultural globalization, against those in favour of ‘integration’, i.e. of opening economies and delegating power to supranational bodies – as becoming

⁵ See, for example, Betz, H.-G. (1994), *Radical Right-Wing Populism in Western Europe*, New York: St. Martin’s Press; Betz, H.-G. (1998), *The New Politics of the Right. Neo-populist Parties and Movements in Established Democracies*, New York: St. Martin’s Press; Swank, D. and Betz, H.-G. (2003), ‘Globalisation, the welfare state and right-wing populism in Western Europe’, *Socio-Economic Review*, 1/2, pp. 215–45; Autor, D., Dorn, D. and Hanson, G. H. (2016), ‘The China Shock: Learning from labor market adjustment to large changes in trade’, *Annual Review of Economics*, 8, pp. 205–40; Becker, S., Fetzer, T. and Novy, D. (2017), ‘Who voted for Brexit? A comprehensive district-level analysis’, CESifo Working Paper 6438; Guiso, L., Herrera, H., Morelli, M. and Sonno, T. (2017), ‘Populism: Demand and Supply’, CEPR Discussion Paper No. DP11871, Centre for Economic Policy Research; Colatone, I. and Stanig, P. (2019), ‘Global Competition and Brexit’, *American Political Science Review*, 112/2, pp. 201–18.

ever more dominant.⁶ The main areas of tension here are migration and the closely connected issue of European integration; though in a broader understanding of green-alternative-libertarian (GAL) versus traditional-authoritarian-nationalist (TAN) positions, this cleavage is also visible on issues such as same-sex marriage.⁷

Again, however, this explanation is unable to account for contextual variations in the *type* of populist protest that often occurs. If populism is an expression of a cultural backlash against cosmopolitanism and post-materialism, for example, it is unclear why it has flourished both in countries such as the Netherlands and Sweden, in which the ‘silent revolution’ towards socially progressive values has gone quite far, and in countries such as Poland and Hungary, in which such a shift has barely started. Nor does this approach clarify why left-wing populism has been successful in some European countries but not in others.

Whereas workers in southern Europe typically vote for left-wing parties (whether old or new), some in northern Europe have abandoned established centre-left parties for the far right.

The third explanation looks beyond competition between cultural and economic causes of populism, arguing that cultural and economic factors are actually connected in complex ways. It stresses that cultural preferences are not independent from economic status.⁸ In particular, voters who favour ‘demarcation’ over ‘integration’ usually fear relative economic or cultural deprivation. They typically belong to labour market groups whose ‘work logic’ instils a social and political orientation that is more communitarian than cosmopolitan.⁹ But again this cannot account for the wide variations in populism seen in Europe. Whereas workers in southern Europe typically vote for left-wing parties (whether old or new), some in northern Europe have abandoned established centre-left parties for the far right – a ‘work logic’ argument evidently fails to explain these differences.

⁶ See Hooghe and Marks (2018), ‘Cleavage theory meets Europe’s crises’; Merkel, W. (2017), ‘Kosmopolitismus versus Kommunitarismus: Ein neuer Konflikt in der Demokratie’ [Cosmopolitanism versus communitarianism: a new conflict in democracy], in Harfst, P., Kubbe, I. and Poguntke, T. (2017), *Parties, Governments and Elites: The Comparative Study of Democracy*, Berlin: Springer, pp. 9–23; Norris, P. and Inglehart, R. (2019), *Cultural Backlash: Trump, Brexit, and Authoritarian Populism*, Cambridge: Cambridge University Press; Kriesi, H., Grande, E., Lachat, R., Dolezal, M., Bornschier, S. and Frey, T. (2008), *West European Politics in the Age of Globalisation*, Cambridge: Cambridge University Press; Kriesi, H., Grande, E., Dolezal, M., Helbling, M. and Höglinger, D. (2012), *Political Conflict in Western Europe*, Cambridge: Cambridge University Press; Kriesi, H. and Pappas, T. S. (2015), *European Populism in the Shadow of the Great Recession*, Colchester: ECPR Press.

⁷ See Ivarsflaten, E. (2008), ‘What Unites Right-Wing Populists in Western Europe?: Re-Examining Grievance Mobilization Models in Seven Successful Cases’, *Comparative Political Studies*, 41/1, pp. 3–23.

⁸ See Gidron, N. and Hall, P. (2017), ‘The politics of social status: economic and cultural roots of the populist right’, *British Journal of Sociology*, 68/1.

⁹ See Roodujn, M. and Burgoon, B. (2017), ‘The paradox of well-being: Do unfavourable socioeconomic and sociocultural contests deepen or dampen radical left and radical right voting among the less well-off?’, *Comparative Political Studies*, 1/3; Oesch, D. (2015), ‘Occupational structure and labour market change in Western Europe since 1990’, in Beramendi, P., Häusermann, S., Kitschelt, H. and Kriesi, H. (eds) (2015), *The Politics of Advanced Capitalism*, Cambridge: Cambridge University Press; Oesch, M. and Rennwald, L. (2018), ‘Electoral competition in Europe’s new tripolar political space: Class voting for the left, centre-right and radical right’, *European Journal of Political Research*, 57/4, pp. 783–807.

Aside from the problems specific to each approach, all three tend to generalize from cases of populism in individual countries, or to test single variables across many country cases, usually with limited explanatory success. For example, the argument that populism is an expression of revolt by the losers from hyperglobalization is persuasive in the case of the UK, where scholars have shown a correlation between trade shocks and voting for Brexit and the UK Independence Party.¹⁰ But it is much less convincing in reference to other European cases, such as that of Germany, where the far-right Alternative für Deutschland (AfD) has been successful in prosperous, growing and globalized southern states such as Saxony, Bavaria and Baden-Württemberg. The same goes for Italy, where the far-right Lega party is strongest in the economically successful north, not the poorer south. In Sweden, a highly internationalized economy, it is manufacturing workers, not the unemployed or those in marginal employment, who vote for the far-right Sweden Democrats.¹¹

More broadly, explanations of populism that focus on economic factors – from unequal economic growth and unemployment to specific differences in exposure to migration, changes in population composition as a result of intra-country migration to large cities, or differential demographic decline – go only so far.¹² For example, Barry Eichengreen’s broad claim that ‘populist revolts rarely arise in good economic times’ is hard to square with the rise of populist parties such as PiS¹³ in Poland and Fidesz in Hungary, given the strong economic growth in those countries over the past 20 years.¹⁴ Similarly, the idea of an emerging cleavage between urban and rural areas that is fuelling populist protest as a kind of ‘revenge of the places that don’t matter’ seems to be relevant in some contexts, such as in France and the US, but not in others.¹⁵

The ‘cultural backlash’ thesis, which emphasizes the impact of value change, is also hard to reconcile with the heterogeneity of populism in Europe.¹⁶ As with the ‘work logic’ explanation, this thesis sheds little light on the rise of left-wing populism. Moreover, the idea of a ‘silent revolution’ in values since the 1960s emphasizes the historical *longue durée*, but is unable to explain relatively strong shifts in vote shares within relatively short periods, as for instance between the Lega and Movimento

¹⁰ Colatone and Stanig (2019), ‘Global Competition and Brexit’.

¹¹ Dal Bó, E., Finan, F., Folke, O., Persson, T. and Rickne, J. (2019), ‘Economic Losers and Political Winners: Sweden’s Radical Right’, manuscript available at <http://perseus.iies.su.se/~tapers/papers/CompleteDraft190301.pdf> (accessed 5 Aug. 2021).

¹² For example, Alba, R. and Foner, N. (2017), *Strangers No More: Immigration and the Challenges of Integration in North America and Western Europe*, Princeton, NJ: Princeton University Press; Enos, R. (2017), *The Space Between Us: Social Geography and Politics*, Cambridge: Cambridge University Press; Maxwell, R. (2019), ‘Cosmopolitan immigration attitudes in large European cities: Contextual or compositional effects?’, *American Political Science Review*, 113/2, pp. 456–74.

¹³ Prawo i Sprawiedliwość (‘Law and Justice’ party).

¹⁴ Eichengreen, B. (2018), *The Populist Temptation. Economic Grievance and Political Reaction in the Modern Era*, Oxford: Oxford University Press, p. X.

¹⁵ For example, Guilluy, C. (2015), *La France périphérique: Comment on a sacrifié les classes populaires* [Peripheral France: How the popular classes were sacrificed], Paris: Flammarion; Hochschild, A. R. (2016), *Strangers in their own Land. Anger and Mourning on the American Right*, New York: The New Press; Rodríguez-Pose, A. (2018), ‘The revenge of the places that don’t matter (and what to do about it)’, *Cambridge Journal of Regions, Economy and Society*, 11/1, pp. 189–209; Iversen, T. and Soskice, D. (2019), *Democracy and Prosperity. Reinventing Capitalism through a Turbulent Century*, Princeton, NJ: Princeton University Press.

¹⁶ The most influential example of the ‘cultural backlash’ thesis is the work of Ronald Inglehart and Pippa Norris. See Inglehart, R. and Norris, P. (2016), ‘Trump, Brexit and the rise of populism: Economic have-nots and cultural backlash’, Harvard Kennedy School Faculty Research Working Paper; Norris and Inglehart (2019), *Cultural Backlash*.

5 Stelle in Italy between 2018 and 2019. It also ignores huge historical differences, in particular between western regions of Europe and central and eastern ones, as cultural liberalization in the latter began only after the end of the Cold War.

What has until recently been almost completely missing from the debate is a *comparative political economy* of populism: i.e. an analysis of the specific national and regional contexts in which populism has emerged in different parts of Europe. Such an analysis needs to take into account the basic features of labour markets, welfare states and growth models, as these in part determine different countries' vulnerability to different types of hyperglobalization shock (see next section). In so far as scholars have analysed populism in the context of these features of European societies, they have focused mainly on right-wing populism and/or on the fallout from the global financial crisis of 2008–09 and the subsequent crisis in the eurozone.¹⁷

The political economies of Europe

As mentioned, this paper understands populism as a response to the distributional consequences of two elements of hyperglobalization: (1) international trade and financial flows; and (2) migration. As will be shown, this alternative analytical framework can account for populism's apparent variation in strength and ideology against the background of Europe's very different political economies.

Following a well-established approach in comparative political economy, a useful starting point is to identify four distinct models of political economy in Europe: social democratic/Scandinavian; conservative/continental; southern European; and liberal/Anglo-Saxon.¹⁸

Scandinavia and northern continental Europe

For the purposes of understanding populism, the Scandinavian and continental types effectively constitute a single 'northern European' model. As export-oriented, highly competitive economies with generous and relatively universal welfare states, the countries that correspond to this combined model all face similar challenges from hyperglobalization.

During the past 20 years, the political economies of Scandinavian and other northern European countries have converged.¹⁹ The Scandinavian countries have given up their previous guarantees of full employment, as well as their sovereignty over

¹⁷ See, for example, Halikiopoulou, D. and Vlandas, T. (2016), 'Risks, costs and labour markets: Explaining cross-national patterns of far right party success in European Parliament elections', *Journal of Common Market Studies*, 54/3, pp. 636–55; Hopkin, J. and Blyth, M. (2018), 'The Global Economics of European Populism: Growth Regimes and Party System Change in Europe', *Government and Opposition*, 54/2; Manow, P. and Schwander, H. (2018), 'A labour-market explanation for the success of the right-wing populist AfD', unpublished manuscript; Vlandas, T. and Halikiopoulou, D. (2019), 'Does unemployment matter? Economic insecurity, labour market policies and the far-right vote in Europe', *European Political Science Review*, 18, pp. 421–38.

¹⁸ See Beramendi et al. (eds) (2015), *The Politics of Advanced Capitalism*; Manow, P., Palier, B. and Schwander, H. (2018), *Welfare Democracies and Party Politics: Explaining Electoral Dynamics in Times of Changing Welfare Capitalism*, Oxford: Oxford University Press.

¹⁹ See Iversen, T. and Pontusson, J. (2000), 'Comparative political economy: A Northern European perspective', in Iversen, T., Pontusson, J. and Soskice, D. (2000), *Unions, Employers and Central Banks. Macroeconomic Coordination and Institutional Change in Social Market Economies*, Cambridge: Cambridge University Press, pp. 1–37; Manow, P. (2020), *Social Protection, Capitalist Production: The Bismarckian Welfare State in the German Political Economy, 1880-2015*, Oxford: Oxford University Press.

monetary policy (which was a precondition for the promise of full employment). They have achieved this through full membership of the eurozone (as in the case of Finland), by pegging their currencies to the euro (as in the case of Denmark), or by setting inflation targets synchronized with those of the eurozone (as in the case of Norway). Conversely, some continental European countries such as Germany have shifted away from their earlier emphasis on providing secure industrial jobs, and instead have allowed the service sector to account for an increasing share of employment. The welfare states of the Scandinavian and continental groups have also become more similar, as Scandinavian countries have strengthened elements of social insurance while continental countries have strengthened tax-financed, universalist elements of welfare provision.

In terms of explaining the rise of populism, the most important feature of the northern European model of political economy is its openness to economic globalization, in particular trade. Indeed, northern European economies critically depend upon the presence of liberal trading regimes for export-led growth. At the same time, generous welfare states buffer the shocks associated with trade liberalization and thus compensate those who 'lose' from this process. Yet it is precisely *because* of their generous welfare states that northern European countries have become vulnerable to shocks from another element of globalization: the cross-border movement of people.

Southern Europe

The economic model of southern European countries is very different.²⁰ It is based on domestic demand, not export-led growth. This has meant dependence on public or private debt (or both), an arrangement that until 1999 was mainly characterized by soft-currency regimes and a marked tendency for wage inflation. As in northern Europe, social protection in this region is very generous. But unlike northern European welfare states, which are oriented to the needs of the industrial workforce and compensate for the shocks that occur in an open economy, southern European welfare states remain less open to international markets yet offer very strong employment protection for the system's 'insiders'.²¹

What this means in the context of hyperglobalization is that, unlike the northern European model, the southern political economy is particularly vulnerable to the free movement of goods and capital. Southern European countries suffered massive economic shocks from the 2008–09 global financial crisis and subsequent euro crisis. Conversely, even though countries such as Greece and Italy were among the primary 'entry points' into Europe for asylum seekers during the refugee crisis of 2015–16, they have actually proven to be less vulnerable to migration shocks than northern European countries. In southern Europe's particularistic welfare

²⁰ See Hancké, B. (2013), *Unions, Central Banks, and EMU: Labor Market Institutions and Monetary Integration in Europe*, Oxford: Oxford University Press; Johnston, A., Hancké, B. and Pant, S. (2014), 'Comparative institutional advantage in the European sovereign debt crisis', *Comparative Political Studies*, 47/1, pp. 1771–1800; Iversen, T. and Soskice, D. (2018), 'A structural-institutional explanation of the Eurozone crisis', in Manow, Palier and Schwander (2018), *Welfare Democracies and Party Politics*, pp. 257–80.

²¹ Hopkin, J. (2004), 'Hard Choices, Mixed Incentives: Globalization, Structural Reform, and the Double Dilemma of European Socialist Parties', unpublished manuscript available at https://www.researchgate.net/publication/228838796_Hard_Choices_Mixed_Incentives_Globalization_Structural_Reform_and_the_Double_Dilemma_of_European_Socialist_Parties.

states, transfers of income largely take the form of pension payments (benefiting male labour market insiders), while minimum-income protection schemes are either entirely lacking or incomplete. These characteristics render such systems relatively immune politically to immigration shocks.²²

Central and eastern Europe

In central and eastern Europe, the situation is different again. Countries in this region benefited from integration into the western European economic space after 1990, and especially from the effects of EU accession from 2004. For numerous states, this meant integration into the German economy's orbit, with the result that the region's political economies in certain respects came to resemble the continental model. Yet the welfare state in such countries has remained much less generous than that associated with the continental model. Partly as a result, central and eastern Europe has been affected by *emigration* more than immigration.²³ Nonetheless, the 'losers' from the region's post-Cold War economic transformation, in particular in the agricultural sector and old industries, constitute a natural reservoir of support for populist parties such as PiS or Fidesz.

That said, there remains significant variation between political economies within this region: the Visegrad countries (Poland, Hungary, Slovakia and the Czech Republic) have certain similarities with Germany, the Balkan countries with western Europe's south, and the Baltic states tend to resemble the liberal/Anglo-Saxon model.

Liberal/Anglo-Saxon economies

The latter, represented in the European context above all by the UK, is of course fully compatible with an open global economy. A very liberalized labour market (in which a large share of employment is in low-productivity services) makes migration a contentious issue among labour market 'outsiders' or those in fear of becoming such. Yet functioning control of labour migration was something which the EU was not willing to offer the David Cameron government in negotiations before the 2016 Brexit referendum. This is a large part of the story of Brexit. Liberal political economies outside Europe, such as Australia and Canada, maintained highly restrictive immigration policies while at the same time benefiting from specificities of geography (such as having no direct border with any other country, in the case of Australia; or being able to benefit from the restrictive immigration policy of the only country with which it has a direct border, in the case of Canada). In the US, Donald Trump's electoral success in former Democratic Party strongholds in 2016 was based on the twin political promises of protectionism and migration control.

Ireland is another European country that fits into the liberal/Anglo-Saxon category. Its political economy was strongly affected by the global financial crisis of 2008–09, which morphed into the eurozone crisis in 2009–10. The success of Sinn Fein in the

²² See Ferrera, M. (1996), 'The "Southern" model of welfare in social Europe', *Journal of European Social Policy*, 6/1, pp. 17–37; Ferrera, M. (2010), 'The South European Countries', in Castles, F. G., Leibfried, S., Lewis, J., Obinger, H. and Pierson, C. (eds), *The Oxford Handbook of the Welfare State*, Oxford: Oxford University Press, pp. 619–29.

²³ See Krastev, I. (2017), *After Europe*, Philadelphia: University of Pennsylvania Press.

2016 general election, reflecting a significant ideological left turn by the electorate, may be explained in this context. In matters of labour migration, both emigration and immigration have been at high levels in Ireland for a long time.

Based on these differences between distinct types of political economy, it is possible to begin to explain the heterogeneity of populism in Europe – and by extension much of what has happened in European politics during the last decade. Depending on how globalization turns problematic in a given political economy – in particular, whether shocks are primarily trade-related or primarily consist of sudden increases in immigration – different types of protest tend to emerge.

Depending on how globalization turns problematic in a given political economy – in particular, whether shocks are primarily trade-related or primarily consist of sudden increases in immigration – different types of protest tend to emerge.

In addition to explaining geographical variation, this typology can account for changes in a political economy over time: in other words, why a populist surge takes place at a particular moment and how it can take different forms over time. It can also account for ideological change, or why a shift between left and right takes place in a given country. This is significant because explanations based on the *longue durée* – whether in terms of the changing nature of work or in terms of a shift towards more progressive social values since the 1960s – cannot account for the quite rapid political shifts that have taken place over the past 10 to 15 years, and which were exactly what led to the idea of a populist ‘surge’.

Migration and the different vulnerabilities of Europe’s political economies

In the case of migration, we need to introduce a further distinction between the European political economies. Immigration shocks can be primarily a consequence of labour migration (i.e. involving those migrating in search of work) or forced migration (i.e. involving asylum seekers fleeing conflict or persecution). These two different types of shock affect political economies in different ways, and as such generate protest among different labour market groups. In general, immigration is perceived as less of a problem in countries lacking a generous welfare state (as in central and eastern Europe) or in which the welfare state is largely inaccessible to immigrants (as in southern Europe). Yet because labour markets are flexible in liberal/Anglo-Saxon political economies, migrants to these countries are seen primarily as a threat in terms of jobs by those in the low wage-segments of the labour market – hence the strong opposition to freedom of movement in the UK that contributed to Brexit.

Southern Europe

In southern Europe, although the formal labour market is relatively inaccessible to migrants, the informal labour market is by definition flexible and ‘liberalized’ – the market is unregulated and makes up a comparatively large share of the economy. Here, migrants find relatively easy access to employment, though at very low wages and without substantial social protection. The formal sector is sheltered from these developments – and this is exactly what insiders defend with all the means available to them.²⁴ It is the dualism between the formal and informal sectors that is the object of contention. Put another way, formal sector workers in southern political economies defend their labour market privileges, not their welfare privileges as in northern Europe, and populist protest therefore tends to turn left, not right. Migration in southern Europe stabilizes rather than undermines the strong dualism between the formal and informal sectors.²⁵

Yet in recent years, far-right parties such as Vox in Spain or the Lega in Italy have been quite successful in elections in southern Europe. Indeed, it was only in 2018 that the Lega turned from being a former regionalist party into a right-wing populist party (with a strong emphasis on migration). Thus the earlier, clear-cut picture in which strong left-wing populism was prevalent in Europe’s south, and strong right-wing populism dominated in the north, has become more nuanced in the last three years. The recent rise of the far right in southern Europe mainly reflects the fact that ‘secondary’ migration from that region to northern Europe has become less of an option since the refugee crisis of 2015–16, with the result that any substantial increase in immigration now strains local public resources much more than before. Again, only an explanation combining different political economies’ specific vulnerabilities to globalization with specific types of shock can explain these shifts, which *longue durée* approaches or limited hypotheses about citizens’ cultural attitudes cannot grasp.

Northern Europe

In the open economies of northern Europe, the context is very different from this southern pattern. High productivity in the Scandinavian and northern continental markets allows for high wages both in export-oriented and more sheltered domestic sectors. This translates into high domestic prices, which in turn requires providing – besides status protection for labour market ‘insiders’ – a generous level of social assistance for ‘outsiders’.²⁶ However, large-scale immigration puts this arrangement under stress. Scholars have found that welfare states tend to be less developed

²⁴ Iversen and Soskice (2018), ‘A structural-institutional explanation of the Eurozone crisis’; Emmenegger, P., Häusermann, S., Palier, B. and Seeleib-Kaiser, M. (2012), *The Age of Dualization. The Changing Face of Inequality in Deindustrializing Societies*, New York/Oxford: Oxford University Press.

²⁵ Afonso, A. and Devitt, C. (2016), ‘Comparative political economy and international migration’, *Socio-Economic Review*, 14/3, pp. 591–613; King, D. and Rueda, D. (2008), ‘Cheap labor: The new politics of “Bread and Roses” in industrial democracies’, *Perspectives on Politics*, 6, pp. 279–97.

²⁶ Iversen, T. and Soskice, D. (2010), ‘Real exchange rates and competitiveness: The political economy of skill formation, wage compression, and electoral systems’, *American Political Science Review*, 104/3, pp. 601–23.

in countries with higher levels of immigration,²⁷ and that objections against immigration are also stronger where the welfare state is generous.²⁸

In northern European countries, immigration has had another consequence. Over the last few decades, countries have introduced welfare state reforms, for example under Chancellor Gerhard Schröder in Germany in the 2000s, which were supposed to stimulate employment in the service sector and reduce the increasing dualization between those with jobs and those without. But the consequence of this was to reduce the protection that labour market ‘insiders’ had previously enjoyed.²⁹ The loss of status protection due to these reforms became more politically contentious among working-class voters as immigration increased, and as more immigrants got access to generous minimum-income protection schemes in the countries concerned.³⁰

The political economy model of each country also has consequences for the kind of immigration shock it tends to experience. In Anglo-Saxon economies, a combination of deregulated labour markets and high demand for unskilled workers tends to attract labour migrants. In northern European economies, on the other hand, generous minimum-income protection schemes combined with weak demand for low-productivity workers mean that forced migrants tend to outnumber economic migrants.³¹ Thus during the refugee crisis in 2015–16, for example, asylum seekers tended to want to go to Germany or Sweden, which is of course still true but less of an option today.

What this all means is that the effects of immigration should not be thought of as an independent ‘external shock’, but rather as being to some extent conditional on the type of political economy in the country to which people migrate. This leads to distinct types of conflict, which in turn translate into distinct forms of political protest: ‘outsider’ protest against wage competition in the liberal context; ‘insider’ protest against welfare competition in the northern context.³²

Therefore, outside the UK, it is not migration as such that triggers right-wing populist protest. Rather, the interaction of migration with welfare state generosity and universalism is a driving factor, and is affecting the political economies of continental Europe and Scandinavia in particular. Where welfare provision is meagre and/or inaccessible, we should generally not expect a surge in support for far-right parties. It is this distinction that explains the differences in the manifestations of populism observed in northern and southern Europe respectively.

²⁷ Eger, M. (2010), ‘Even in Sweden: The effect of immigration on support for welfare states spending’, *European Sociological Review*, 26/2, pp. 203–17; Mau, S. and Burkhardt, C. (2009), ‘Migration and welfare state solidarity in Europe’, *Journal of European Social Policy*, 19/3, pp. 213–29. See also Alesina, A., Miano, A. and Stantcheva, S. (2018), ‘Immigration and Redistribution’, NBER Working Paper 24733, National Bureau of Economic Research.

²⁸ Rapp, C. (2017), ‘Shaping tolerant attitudes towards immigrants: The role of welfare state expenditures’, *Journal of European Social Policy*, 27/1, pp. 40–56; Dal Bó et al. (2019), ‘Economic Losers and Political Winners’.

²⁹ On Denmark, see Beramendi, P., Häusermann, S., Kitschelt, H. and Kriesi, H. (2015), ‘Introduction: The politics of advanced capitalism’, in Beramendi et al. (eds) (2015), *The Politics of Advanced Capitalism*, pp. 1–61, especially p. 34.

³⁰ On Sweden, see Dal Bó et al. (2019), ‘Economic Losers and Political Winners’. On Germany, see Manow and Schwander (2018), ‘A labour-market explanation for the success of the right-wing populist AfD’.

³¹ Afonso and Devitt (2016), ‘Comparative political economy and international migration’; Boräng, F. (2018), *National Institutions – International Migration. Labour Markets, Welfare States and Immigration Policy*, London: ECPR Press; Ruhs, M. and Palme, J. (2018), ‘Understanding the political conflicts around free movement in the European Union: A conceptual framework for an institutional analysis’, *Journal of European Public Policy*, 25/10, pp. 1481–1500, esp. p. 1489.

³² See Ruhs and Palme (2018), ‘Understanding the political conflicts around free movement in the European Union’.

Central and eastern Europe

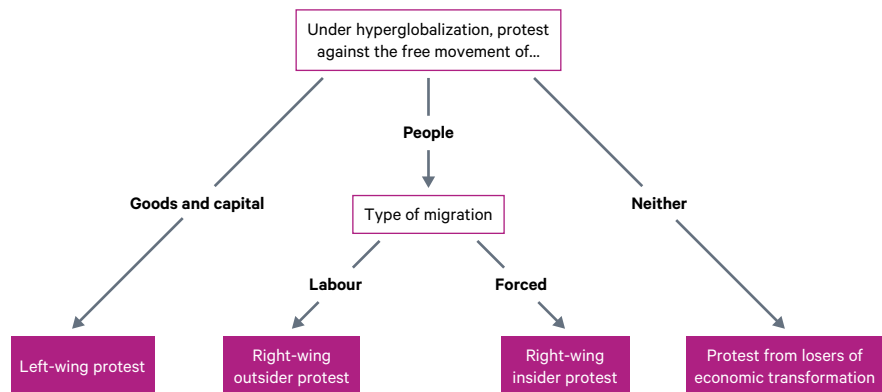
An immediate potential question mark about such a comparative framework is where the central and eastern European countries should fit in. The region has largely experienced economic shocks rather than immigration shocks, which might lead to the expectation of a strong populist left. Instead, right-wing populists have been particularly successful. Does this not squarely contradict the proposed explanation?

Yet when seeking to understand cases of populism in central and eastern Europe, it is important to recognize that the political space in the region has been inverted as a legacy of the communist period: parties that are left-liberal on culture are also neoliberal (i.e. right-leaning) on economic matters. At the same time, parties espousing conservative cultural values are often on the left in terms of their economic thinking. Voters seeking refuge from economic shocks therefore tend to vote for parties, such as Fidesz and PiS, that offer left-wing economic policies together with right-wing cultural policies. The strong anti-immigration stance articulated by these parties plays a distinct role in voter scepticism towards a deepening of European integration, but it has no immediate economic rationale: immigration is neither an actual problem for Hungary and Poland, nor is it likely to become one. In a region in which the loss of national sovereignty was the dominant historical experience in the second half of the 20th century, and its recovery after 1990 the most celebrated event, the question of migration may of course also touch other than economic considerations, namely concerns about sovereignty in the form of control over national borders.

A typology of populism in Europe

Based on this analysis, it is possible to construct a typology of populisms in Europe. Populist figures, movements and parties in Europe can be divided into different groups on the basis of the answers to two consecutive questions. First, is it the cross-border movement of goods and capital, or that of people, that becomes problematic for a given political economy? Second, if it is the movement of people that becomes problematic, does such movement take the form of labour migration or forced migration?

Figure 1. A typology of populist protest



Source: Author's own analysis.

The answers to these two questions produce four different populisms in Europe: a left-wing ‘insider’ protest that was initially dominant in southern European countries such as Greece, Italy and Spain;³³ a right-wing ‘outsider’ protest in countries such as the UK; a right-wing ‘insider’ protest as in northern European countries such as Germany and Sweden; and a culturally right-wing, but economically left-wing, populism as seen in central and eastern Europe (see Figure 2).

Figure 2. Geographic variations of populism in Europe



Source: Author's own analysis.

Conclusion

Beyond illuminating the driving forces of the populist backlash in Europe, the above typology helps us understand how policymakers could respond to it. During the past five years, centrist policymakers have increasingly focused on how to ‘defeat’ populism, which they have tended to see in simplistic terms. But the heterogeneity of populism, as discussed in this paper, means there is no one solution that can be applied everywhere – even in Europe. Rather, in each country’s case an effective solution will necessarily reflect the type of political economy involved.

³³ In so far as austerity measures in southern Europe signalled to younger generations that they will not be able to enjoy the same level of social protection as their parents, and in so far as high levels of job protection led to strong labour market dualization with very high youth unemployment, the anti-austerity protest was of course also voiced by young outsiders.

This has particular implications for EU-level policymaking. Both trade and migration policy have become highly Europeanized, usually in ways that have removed barriers to the movement of goods, services and people across borders. This trend has often exacerbated the social and economic pressures that inspire different populist forces, while removing the opportunity for national policymakers to deal with these pressures. This means that any solutions will by definition need to involve EU institutions. Yet the heterogeneity of populism means that any one-size-fits-all policies emanating from Brussels could reinforce, rather than solve, the conflicts discussed in this paper.

A reversal of the openness to trade and movement driving voter discontent is both unlikely (given the entrenchment of economic integration in the EU) and undesirable (given the moral implications of erecting inhumane barriers to migration). Instead, the EU should aim to either (a) put in place sufficiently strong compensatory mechanisms to accommodate voter concerns about issues such as immigration and welfare competition; or (b) ensure that member states are able to do this effectively themselves in their respective domestic contexts. Effective policies could include increasing investment – whether through national governments or EU-level investment facilities – in local services in areas affected by migration; or increasing the space within the EU’s fiscal rules for governments to compensate people or communities affected by the economic impacts of globalization. Whatever these measures look like, they need to be mindful of local context and of the specific political economy of populism in each member state.

About the author

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Cover image: 'Yellow vests' protest against the French government's pensions overhaul in Paris, 11 January 2020.

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