

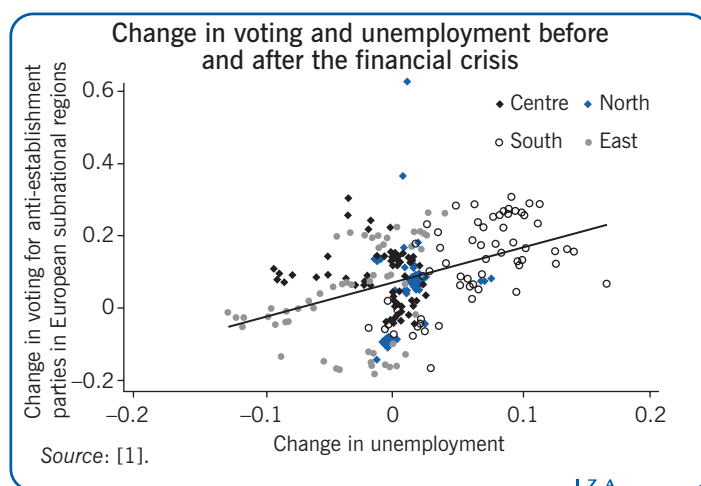
## Labor market performance and the rise of populism

Automation, globalization, and crisis-driven spikes in unemployment have contributed to rising populism in advanced economies

Keywords: populism, job polarization, global financial crisis

### ELEVATOR PITCH

The recent rise of populism in advanced economies reveals major voter discontent. To effectively respond to voters' grievances, researchers and policymakers need to understand their drivers. Recent empirical research shows that these drivers include both long-term trends (job polarization due to automation and globalization) and the rise in unemployment due to the recent global financial crisis. These factors have undermined public trust in the political establishment and have contributed to increased governmental representation for anti-establishment parties.



### KEY FINDINGS

#### Pros

- ⊕ Technological change and globalization create labor market effects that feed populist discourse.
- ⊕ Voting for populist parties is strongly related to the increase in unemployment due to the global financial crisis.
- ⊕ Rising regional unemployment is likely to increase populist appeal not only among those who have lost jobs but also among those who see diminished future opportunities.

#### Cons

- ⊖ The recent rise of populism may also be driven by other factors such as cultural backlash, identity, and the spread of social media.
- ⊖ There is only limited evidence on recent populists' performance once in power.
- ⊖ So far, there is no evidence that populists deliver on their electoral promises to restore fairness and bring back inclusive economic growth.

### AUTHOR'S MAIN MESSAGE

The recent rise of populism has many potential causes, both cultural and economic. Growing evidence suggests that labor market disruptions due to globalization and technological progress as well as the crisis-driven spikes in unemployment have played a major role in the rise of populism in advanced economies. However, there is no evidence showing that populist policy agendas have a realistic shot at addressing such problems. Instead, standard progressive proposals such as stronger counter-cyclical fiscal policies to stabilize employment during recessions, fighting tax avoidance, strengthening social safety nets, and active labor market policies should be enacted.