

# Does Populism Lead to Protectionism, Really?

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Premise of economists: Free trade increases net economic welfare.

Two contrasting questions:

Why the minority interests overwhelm the majority interests in a democratic process?

➡ Interest group protectionism

Why the mass who should suffer from protectionism supports it?

➡ Populist protectionism

## Interest group protectionism

Small and well organized interest groups politically overwhelm numerous but dispersed consumers.

Trade issue is not highly salient.

**Why?:** Free riding on public goods. Agency problem of politicians and/or parties.

## Populist protectionism

The majority or the median voter prefers protectionism over free trade.

Trade issue is highly salient.

**Why?:** Limited information, redistribution problem, irrational voters.

## **Recipe for Interest group protectionism**

Recipe for Populist protectionism

Can Trump and Sanders shake their hands?



**Trump;**

“The establishment, the media, **the special interest, the lobbyists**, the donors, they’re all against me. I’m self-funding my campaign. I don’t owe anybody anything, I only owe it to **the American people** to do a great job. They are really trying to stop me.”

**Sanders;**

“Today, we stand here and say loudly and clearly that enough is enough. This great nation and its government belong to **all of the people**, and not to a handful of billionaires, their **super PACs** and **their lobbyists**.”



Populism can be, by its definition, a recipe for interest group protectionism.

## Japanese case for TPP:

Abe administration's **strong leadership**.

Public support for TPP constantly exceeded opposition in polls (**mass support**).

Japanese voters have little anti-globalism sentiment because of constant current balance surplus and limited immigration.



Abe Administration's **strong emphasis on public approval rate** allowed PM Abe to overcome special interest opposition from traditional LDP constituencies.

(In contrast, PM Abe postponed consumption tax hike twice in row when he could not gain support from the mass public).

Recipe for Interest group protectionism

**Recipe for Populist protectionism**



Economists' puzzle for populist protectionism;

Free trade will increase overall welfare gain. Why can't voters understand?

Possible answers;

Redistribution problem (Katzenstein 1985; Rodrik 1998; Gozgor & Anjan 2015)

Voters are uninformed (Achen & Bartels 2016; Delli Carpini & Keeter 1997)

Voters are irrational or even fool. (Converse 1964)

Economists are fool (Anonymous 2018).

And Institutions...

Possible answers;

**Redistribution problem (Katzenstein 1985;  
Rodrik 1998; Gozgor & Anjan 2015)**

Voters are uninformed (Achen & Bartels 2016; Delli  
Carpini & Keeter 1997)

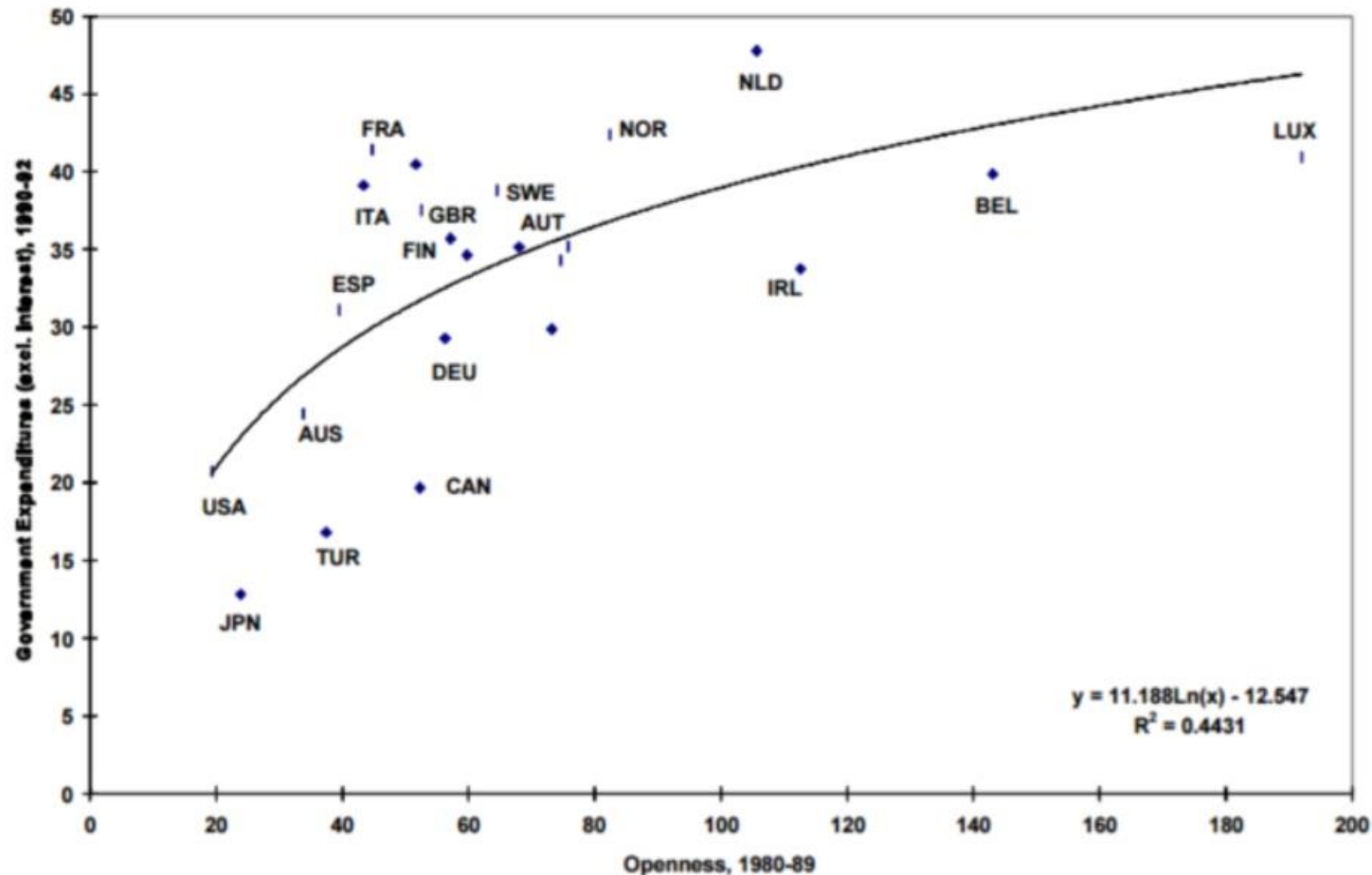
Voters are irrational (fool). (Converse 1964)

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And institutions...

# Recipe for Populist Protectionism (3)

Open economies have bigger governments  
(Katzenstein 1985; Rodrik 1998).



## Open trade and redistribution

Small European states “complement their pursuit of liberalism in international economy with a strategy of domestic compensation.” (Katzenstein 1985)

“[T]he social welfare state is the flip side of open economy.”  
(Rodrik 1997)



Even if a state can realize overall welfare gain by adopting free trade, if the gain from trade is unevenly distributed, free trade might not be able to earn mass support.

Free trade should accompany proper redistribution plan to earn mass support and overcome populist protectionism.

Possible answers;

Redistribution problem (Katzenstein 1985; Rodrik 1998; Gozgor & Anjan 2015)

**Voters are uninformed (Achen & Bartels 2016; Delli Carpini & Keeter 1997)**

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And institutions...

## TOP QUESTIONS ON THE EUROPEAN UNION

in the UK since Brexit result officially announced



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- 2 What is the EU?
- 3 Which countries are in the EU?
- 4 What will happen now we've left the EU?
- 5 How many countries are in the EU?

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8:25 PM - 24 Jun 2016

  26,528  18,663

In any advanced democracies, careful empirical research reveals that average voters have very limited amount of political information.

Voters are rationally ignorant (Downs 1957).



An average voter is unlikely to possess enough information to soundly decide whether free trade or protectionism is good for her economic well-being.

Voter ignorance is a highly debated issue in political science. At least, the government should not call a referendum for issues such as Brexit.

The role of parties, media, and thinktanks as an information mediator is critical for democratic success.

Populism does not automatically lead to protectionism. Political power of mass public from which populists' power derives might even crack interest group protectionism.

Populist protectionism might prevail when trade issue becomes a highly salient issues that bring about mass public's attention.

Redistributing welfare gains from free trade to the median voter (or the mass public) is critical to avoid populist protectionism.

The role of Information intermediaries such as parties, media, thinktanks, and academics is crucial for the median voters to acquire enough political information to make sound decisions on trade issues.