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Populist Policy Making*

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Abstract

Policymaking involves both politicians and bureaucratic agencies, and their interaction is regulated by a number of institutional rules. The populists who manage to enter an executive office typically wish to weaken checks and balances, including the bureaucracy. Thus, the consequences of populism for economic policy can be divided in direct consequences and indirect consequences, through the institutional erosion they cause. Moreover, they can be divided in subnational, national, and global consequences. The paper ends with some advocacy of European-level policymaking rather than national policymaking.

Keywords: Populism, Commitment, Trust, Checks and Balances, Liberal Democracy, Nationalism Trap, European Taxation

JEL Codes: D70, H56, H73, J68.

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1 Introduction

Politics and policy priorities have changed in all democracies, and a number of economists and political scientists identify with the term “populism” some of the common changes to domestic politics. The rich review of the subject in Guriev and Papaioannou (2022) contains the most important empirical accounts of the **causes** of populism, both on the voters’ side (demand) and in terms of politicians’ and parties’ behavior (supply). The causes of populism on the voters’ side discussed in the literature can be divided into economic and cultural. The most recognized sources of economic insecurity, namely globalization, immigration, automation, and the financial crisis, all created fears related to employment and purchasing power. Guiso et al. (2024) show the importance of economic insecurity for the populism wave and political participation in Europe, and show that even distrust and attitudes towards immigrants – two important dimensions of what some call cultural changes – are themselves influenced by changes in economic insecurity. Guiso et al (2025) show the crucial role of the financial crisis as the true watershed of populism in Europe, and argue that the desirability and feasibility of economic policies across countries and occupations are sufficient to explain even the consequent cultural polarization – explained as related primarily to the contrast between inclusive welfare policies and exclusionary identity protection policies.

In this paper, we offer a theoretical framework through which most of the common changes in policy priorities and rhetoric associated to populism can be rationalized, and we then focus on the **consequences** in terms of expected quality and directions of policy making. In a related paper, Bellodi et al (2025) build on the recognized sharp decline of trust of voters in the political and economic institutions of representative democracies to obtain a rationalization of the greater demand and supply of populist policy commitments that we observe, as well as a consistent rationalization of the associated (seemingly counterintuitive) desire of reduction of checks and balances. The simple theory that we present in this keynote paper focuses in particular on the complementary roles of **individual** economic insecurity and distrust, and on the effect of inequality on the rationalization of policies that have negative aggregate consequences.

In part, the decline of trust in political representatives is due to economic as well as cultural threats that are not effectively blocked or contrasted by existing institutions. Hence unsuccessful handling of a sequence of crises can naturally reduce such a trust for everybody. However, it is not clear why such a decline in generalized political trust should give an advantage to populist parties and politicians and why certain populist policies become more palatable. One argument is that distrust is exacerbated by strategic blaming by outsiders trying to win elections, within existing parties or with new anti-system parties. Another argument, fully developed in Bellodi et al (2025), is that traditional accountability of policy-makers revolves around the probability for voters to obtain information and feedbacks about the quality of policies implemented by incumbents, but the advent of social media and the consequent overload and fragmentation of narratives and misinformation dramatically reduced such a traditional source of accountability. This has reduced trust in traditional representatives and has increased the appeal of simple policy proposals, ex ante popular and easily monitorable.

Given the clear decline in trust, both horizontal (across individuals or groups) and

vertical (distrust in institutions), the new political equilibrium behavior of parties and politicians, in campaigning and policy-making, is easy to rationalize: the lower is trust, the more desirable simple and monitorable commitments become; and the greater the importance of keeping some commitments for reelection, the greater the desire (for both voters demanding commitments and politicians supplying commitments) to weaken the checks and balances that could make it more difficult to implement such commitments. A context with diffused economic insecurity or distrust affects both the choice to become populist by politicians (or to enter with a populist strategy)¹ and the choices made by populist politicians and policymakers when in office, which prompt us to study the *manhy* consequences.

The type of commitments made in order to win elections are in part motivated by a *pandering* incentive (see, e.g., Maskin and Tirole, 2004; Morelli and van Weelden, 2014; Acemoglu et al., 2013) or *posturing* incentive (see, e.g., Ash et al., 2017). The demand for such commitments does not relate to the most important needs from the point of view of efficiency or equity, but rather typically reflects a short-term desire by the majority group to be protected in terms of their current views and perceived economic interests; and the supply of such group level desired policy commitments reflects the classic short-term electoral incentive of politicians. Thus, politicians are the same as they have always been, but they have been systematically altering their campaign strategies and behavior to adjust to (and to ride on) the fear of external threats and to adjust to (and ride on) distrust. Hence, the shift to commitment politics has some direct consequences – from inclusion to exclusion, from openness to closure, from global to national interests – which are observed everywhere.² However, I shall also describe a number of indirect consequences that are even worse since they materialize through the institutional erosion caused by the complementary attacks to existing institutions and checks and balances. I will cover consequences in terms of democratic institutions, functioning of the State, markets, geopolitical order, inequality, and conflict risks, and I will divide consequences for public policy in terms of level of government: subnational, national, and international. I will then conclude with policy implications for Europe and a discussion of potential scenarios.

The paper is organized as follows: Section 2 describes the key components of what we call populism and the shift to commitment politics, giving intuitions and examples for the proposed use of such a rationalization framework. Section 3 discusses a number of direct and indirect consequences of the new political equilibrium, at the national and subnational level. Populism has consequences not just domestically but also for the international order. Section 4 highlights such consequences, some of which are yet unexplored. Section 5 discusses how various policies will change (positive analysis) or could be useful (normative part) to avoid some of the major negative consequences of the new political equilibrium. To anticipate, the punchline is that the negative consequences of the populism wave can be avoided only by building new trust in institutions, and the best hope to succeed is if we

¹See, e.g., Gennaro et al. (2024)

²The fact that political competition is shifting away from the traditional left-right dimension of redistributive politics towards a national vs. global perspective and identity politics has also been emphasized in the literature on social identification (see, e.g., Bonomi et al., 2023). See also the survey in Nouri and Roland (2020). In our argument, we do not need, however, to make use of social psychology, and we can maintain standard rationality assumptions.

try to do so at the supranational level. Section 6 contains some concluding remarks.

2 A simple rationalization of the populism wave and the consequent changes in policy making

Looking at the Encyclopedia Britannica, “Populists claim to promote the interest of **common citizens against the elites**; but **pander to people’s fear and enthusiasm** promoting policies **without regard to the consequences** for the country...”

This synthetic account of what populist politicians typically do highlights the two main components of populism on the supply side in elections: *anti-elite rhetoric* and *commitment to protection policies for people*.

The first component, anti-elite rhetoric, is observable (in manifestos, platforms, speeches) and hence the degree of populism of parties and politicians is measured especially on this dimension in political science.³

The second component, commitment to protection, has also been quite visible – building walls, closing markets and borders, exiting from international institutions.

These two components of populist political strategies on the supply side are a rational response to the changes that happened among voters on the demand side of politics: globalization, immigration, financial crisis, and technological change created fear of open markets, fear of losing jobs and status, and distrust in the ability of political institutions to address such fears (see, e.g., Guiso et al., 2025). The various crises thus induced distrust in free global markets, distrust in government responses, and distrust in institutions. We need to understand how the trust crisis determined the shift to commitment politics and populism in the two forms mentioned above, and whether it is responsible also for the consequent crisis of liberal democracies in general.

Here we provide the simplest theory of populism that reflects the above claim.

2.1 The simplest theory of populism

Consider one voter who has to decide whether she likes more the status quo s (on whatever the salient policy dimension is) or a simple well defined reform with a known payoff $r \in (0, 1)$. If the status quo is maintained the voter obtains utility 1 with probability $p + (1 - p)q$ and 0 otherwise, where p is the probability that the status quo market conditions will treat her as a *winner* and q is the probability with which the political agent in the status quo will find a way to compensate her or protect her in case the market treats her as a *loser* (which obviously happens with probability $(1 - p)$).

Note that the payoff from the status quo goes to zero when p and q go to zero and goes to one when they both go to 1. Thus, the status quo is better than the simple reform for sufficiently high p (capturing confidence in her market value and fit with technology etc) and for sufficiently high *trust* q that the politician may compensate or protect her or find the optimal solution, which depends on the complexity of this potential fix, the complexity

³See, e.g., Pauwels (2011), Wuttke (2020), Gennaro et al. (2024).

of finding the right fix, the ability of the politician, the honesty of the politician and many other things.

Every voter makes this calculation in her head, and voters are heterogeneous in terms of their p value, reflecting heterogeneity in ability, skills, education, age, gender, all affecting the confidence that they can be successful in the status quo given market uncertainties. Assume a continuum of individual values of p in the unit interval.⁴

To focus on the main applications of interest, we make the following assumption:

$$\int_0^1 p + (1 - p)qf(p)dp > r \quad (1)$$

that is, on average the status quo is better than the simple reform.

This is a setting very relevant and general: it applies for example to a free trade status quo, which is better than protectionism on average; it applies to peaceful inclusive liberal democracy status quo versus exclusionary policy that benefits majority citizens in the short run; it applies to left wing voters who compare the status quo welfare state of a liberal democracy with a commitment to a fixed universal income that may be suboptimal on average given the various possible contingencies; it applies to right-wing voters who are comparing a center-right status quo (displaying a balance of low taxes with security objectives) vs a short-cut focus on immigration protection and exclusionary policies in general, which on average may be suboptimal given the contributions of immigrants to sustainability of the social security system.

Given that in most of these examples voters' ideology may determine a different overall utility from a given reform, we can assume that voters are divided in left and right ideology, and each ideology $j = l, r$ induces a different r^j from the reform. For example, an anti-immigration commitment may induce $r^r > r^l$, because typically left-wing voters have a moral disutility from such exclusionary reforms. If left wing voters are a fraction α of the population, the market efficiency assumption of equation (1) can be kept by setting $r = \alpha r^l + (1 - \alpha)r^r$.

Suppose now that there are two potential types of politicians: the *commitment* type is a politician who promises the voter that his mandate in case of victory will be to do the reform, yielding payoff r to all. The other type of politician is a *no commitment* type, who promises that he will make the optimal policy ex post for all his voters. The parameter q captures the probability that indeed the no commitment politician will be able to find and will be willing to implement the optimal policy. Both ability and honesty enter in this. All agents are risk neutral.⁵ Beside ability and honesty of the politicians, q can also reflect the perception of feasibility of the policies needed to bail out losers, and that's why Guiso et al (2025) find that fiscal space is an important variable in the empirical cross country analysis of the relative attractiveness of the open market status quo vs new exclusionary commitment proposals.

To illustrate more in detail how this framework applies to both left and right wing voters, consider the following example.

⁴Of course we could also put heterogeneity on r and or on the trust parameter q , but it is easier and cleaner to zoom on the heterogeneity in p only.

⁵There is a literature on populism in relationship with risk and/or loss aversion, but for our simple theory risk neutrality suffices.

For any left wing citizen, a society is good (and she is likely happy) when welfare, solidarity, inclusion, opportunities, are made available. For all these forms of welfare protection and inclusion it is typically necessary to raise high taxes and spend a lot of resources. All citizens are exposed to economic risks related to employment and alike, but a voter for whom $p + (1 - p)q > r^l$ votes for a no commitment type against a commitment type.

There are many papers talking about economic insecurity and/or trust as causes of voting for populist parties promising things like universal income on the left; and indeed, precisely when p, q are low, namely for high economic insecurity and low trust, a voter can prefer the fixed policy commitment.

A no commitment candidate or party may indeed have the same *goal* of the commitment type, but one promises a simple and likely suboptimal policy while the other has to be trusted to implement the optimal policy for the losers.

The situation is similar for right wing voters: while the typical status quo Friedman style politician proposes to maintain free markets and low government expenditures with an implicit promise to help also the losers with the most appropriate private insurance mechanisms or market based alternatives, the commitment type promises clear policies of exclusion and closure of borders and certain markets. Once again, those who vote for the committed exclusionary politician are those with higher economic insecurity, and the fraction who support such a committed extreme politician increases with distrust in traditional politicians.

Protectionism vs open markets is an example that probably can be thought of as applying to both left and right voters – reflects the exposure to market and technological innovations for all voters. Closing access to competitors gives all producers and workers their domestic known material payoff, whereas open access to external competitors and new technologies open a lottery, good on average but that entails losers and hence requires trust in the fixing policy maker. When technological change and globalization expose a large fraction of the population to economic insecurity (low p), then populist commitments to protectionism can emerge both on the left and on the right, though the goals of left voters are typically more inclusive and leaning towards moral universalism, hence typically for them it does not go together with closed border and deportation policies.

Having established that on all sides economic insecurity shocks decreasing p and reductions in trust are complementary sources of populist temptations, one remark needs to be made about inequality: given that on average we have assumed that populist fixed commitments are suboptimal, as established in the empirical literature (Funke et al, 2023, Bellodi et al, 2023), inequality is an important third factor: even when the economic insecurity shocks affecting the distribution of p s and the trust crises are still insufficient to violate condition (1), inequality typically takes the form of concentrating the market winners and enlarging the set of losers (or perceiving to be losers), making the open market efficiency hold even if a majority votes for populist candidates (potentially even on both ideological sides).

2.2 Commitments and populism

Having established that economic insecurity shocks, trust shocks and increasing inequality can together cause a shift to a commitment type, we now want to argue that the

committed politicians are those who are typically identified as populists, and explain why.

The typical populist attitudes discussed in political science are anti-elite rhetoric, anti-intellectualism, anti-experts, anti-bureaucracy, elimination of checks and balances, fake news production, and others. All these things are rational strategies for a committed candidate running against a no commitment candidate: the no commitment candidate can be accused of being capturable by the bad elites (inducing lower q belief); it makes sense to criticize expert bureaucrats and judges because they could constitute obstacles to the implementation of policy commitments (such as deportations and other forms of exclusions violating international laws); it makes sense to create dis-information and noise such that the voter does not think she can observe the state of the world that determines the optimal policy in the status quo, hence again making q lower. Thus, if in a society it is possible to win by offering protection commitments to voters, then it makes complementary sense to adopt all the strategies that are typical of populists. It follows that commitment and populism are sides of the same strategic medal.

Bellodi et al (2025) explain that in particular the populist misinformation strategies – that became much more effective with internet and the advent of social media – are an important complementary strategy, because with voters’ information overload and fragmentation of information and multiple narratives the accountability of traditional representatives without commitment collapsed, and this is a source of “endogenous” collapse in q .

We remark that the type of immediate simple policy commitments we talk about have nothing to do with the commitments to objectives discussed in the time inconsistency literature in macroeconomics: central banks want independence in order not to be affected exactly by the type of short term simple policy short-cuts that are not related to the long run goal of maintaining inflation down. It should therefore not be considered surprising that many populist leaders are against central bank independence.

Sometimes even long term objectives and commitments can be broadly related to populism, and the typical one these days is *make America Great Again*, or any similar nationalistic goal. This is short and long run together, and does not specify precise policies, but is useful to symbolize and bundle under its name various policy commitments, including protectionism, closed borders, disengagement from international relations and from climate change goals. Since climate change goals and international relations would typically require some flexibility on policy responses and multilateralism, even the broad nationalist objective suffers from a similar tradeoff as the one highlighted by our model. In other words, one can see international cooperation as good on average, averaging on all possible states of the world on multiple dimensions, but a nationalist commitment reduces exposure to external factors and can be portrayed as less subject to all the elites of the world.

In other words, MAGA is an outcome promise, or objective promise, but it had traction because it represented synthetically the sum of the various policy commitments made: closing borders, protectionism, disengagement from international relations, elimination of the deep state, are all policy commitments that give policy content to MAGA, and MAGA without the specific policy commitments inside would not have had traction.

Another important remark is that within one ideology – say left ideology – also non-populists champion some kinds of commitments, namely commitments to the general principles consistent with such an ideology. But populists focus on specific policy commitments that bypass the ex post information acquisition problems that destroy the accountability

of discretionary agents.

If the salient policy dimension is globalization, commitment to protectionism may be suboptimal under some circumstances, but the fear that a politician’s claim that free trade is better is due to interest group pressure more than to her competent and congruent evaluation of voters’ interests may lead voters to prefer the fixed campaign commitment to put tariffs everywhere, and the executive is more accountable on the commitment if checks and balances are weakened.

Similarly, if the salient policy dimension is immigration, arguments in favor of flexible degrees of open borders related to the sustainability of social security systems or alike become irrelevant at times of high distrust,⁶ and if voters want a commitment to closed borders they may also support the weakening of all the checks and balances that may limit the ability of the executive to effectively close borders.

Electoral platforms focusing on protection commitments have been more frequent both on the left and on the right of the political spectrum in many countries, but nationalist and identity protection commitments are “cheaper” than economic welfare protection commitments, and hence more credible in the presence of fiscal constraints (see Guiso et al., 2025). The five-star movement in Italy championed a commitment to provide citizenship income, and the fiscal constraints of Italy within the EU made such a commitment difficult to implement.⁷ On the other hand, the identity protection commitments by far-right populist movements do not suffer from feasibility constraints in terms of cost, and hence anti-immigration nationalist movements thrive in many countries. More generally, the inclusion of minorities is expensive and difficult, while policies of exclusion can be described as easy and necessary.

Protectionism and closed borders are forms of exclusionary policies, perfectly consistent with the political strategy that depicts the main threats as external and in conjunction with cultural threats. Making the ethnic or religious identity more salient helps the rich to make the median voter focus on the demand for exclusionary policies rather than demanding redistribution. Some scholars describe indeed the policies of exclusion, closed borders and markets, as pre-distribution commitments.

Bellodi et al (2025) provide the first evidence of a shift to commitment politics on both the demand and supply side for the U.S. For the supply test, they create district-level estimates of voters’ distrust in the federal government (using multilevel regression and post-stratification) and analyze the universe of tweets posted by all U.S. congressional candidates between 2012 and 2020. Training a classifier to detect when a tweet contains a policy commitment, anti-elite or pro-people rhetoric, the claims of the theory are all confirmed: when a district’s electorate displays greater distrust, political candidates use the components of populist strategies in their texts. Moreover, they show that commitments and populist rhetoric are effective at mobilizing distrustful voters.

The shift to commitment politics is ubiquitous and the use of populist strategies extends to both Republicans and Democrats, as shown in Gennaro et al. (2024). Guiso et al (2025)

⁶See Boeri et al. (2024) for recent findings of the backlash of information for distrustful voters.

⁷In order to increase credibility, they also proposed self-imposed term limits, pay cuts for elected officials, reduction of elected officials, and mandate constraints with threats of expulsion from the movement in case of deviations. These ancillary commitments determined their initial success, but the unfeasible policy commitments eventually reduced their support significantly.

show in addition that populist policy platforms have been slowly increasing even in non populist parties throughout Europe.

The consequences of electing a politician or party with populist commitments differ depending on the level of government, as we describe below, but again it is happening in many countries. The attention given to the election of Trump is justified given that it is happening in the dominant super-power.⁸

3 Domestic politics and public finance consequences

So far we have clarified the mechanism through which economic insecurity shocks and an increase in distrust in political agents determine a shift to commitment politics, and that such a shift determines as epiphenomena many of the features of politics that we label populism. We must also recognize that the anti-elite rhetoric and the anti-checks and balances rhetoric and promises tend to reduce trust, creating a vicious circle. Dividing trust into vertical and horizontal, we can say that vertical distrust (distrust towards institutions and hierarchies) generates a strong demand for inclusion and protection of rights by the minorities, the liberal component of a liberal democracy; but the majority that chooses a set of exclusionary commitments wants to ignore the protection of such rights, and, to the contrary, wants to exclude and take away rights, hence confirming the vertical distrust. This, in turn, increases horizontal distrust since citizens who consider themselves members of the majority do not share opinions with the others; hence, polarization increases. Liberal democracies are all in crisis because of these trends, and the populist right-wing governments want to eliminate the liberal component, maintaining only the free election component, which gives legitimacy in their view to a strong and unchecked executive. This is probably the biggest concern many people share about the populism wave, with uncertainty about where it will lead in terms of political regimes.

However, there are also very important consequences to be discussed in terms of domestic economic policies, quality of government, geopolitics, inequality, and conflict risk.

3.1 Institutional erosion and the quality of economic choices

Given the general feature of populist policy platforms, namely more based on commitments, it is natural that together with such a feature comes as complement a quest for more concentrated power to the national executive, and the corresponding quest for reduction of independence of judges and courts and reduction of power of any other agency of restraint. As argued in Gratton and Morelli (2022), checks and balances are optimal under uncertainty even just in terms of quality of policy choices whenever (1) voters do

⁸On the relevance of the policy commitments in the Trump campaign and behavior in office it may suffice to observe that the number of executive orders in the first 100 days of the second Trump presidency is record breaking (more than three times more executive orders than Biden in his first hundred days). Executive orders correspond to policy commitments, and not to generic promises. They are also made immediately in order to show that the President is keeping his policy promises. See <https://www.federalregister.gov/presidential-documents/executive-orders/donald-trump/2025>. Commitments and executive orders on borders, China opioid, dis)education, military, energy "anti-environment protection" , anti-bureaucracy (checks and balances!), etc.

not receive immediate feedback on the quality of policy choices (low information of voters that generates ineffective accountability), and (2) the quality of politicians is not very high. The elimination of checks and balances is optimal instead, from the point of view of the balancing of type 1 and type 2 errors, only when the voters can get immediate feedback on the quality of policy choices and the quality of politicians is high: in this latter case it is intuitive that concentration of power in the hands of a policymaker has low type 1 error (passing a bad policy or reform) and avoids the higher type 2 error of seeing some good reforms blocked by some agency of restraint. Given that the vast majority of countries, if not all, fit in the former category, the elimination of checks and balances is not only bad for the evaluation of our democracy in terms of liberal judgments and, more specifically, minority rights protection, but also purely for economic decisions and legislative decisions in terms of common value.

Even though the elimination of checks and balances is less problematic (and could even be optimal) in the presence of high accountability and information, populists aiming to win elections rationally want to obscure the true link between policies and outcomes to maximize the support for their committed policies through their narrative. For this reason, and given their general incentive to reduce trust in traditional parties that claim that populist policies are not appropriate, they have a rational complementary incentive to produce fake news or, in any case, create noise around the facts so that their chances of election increases. Thus, the conditions under which checks and balances would be optimal are endogenously created by those who ex-post want to weaken them.

This paradox is vicious: false news production to decrease voters' ability to learn from evidence increases the ex-ante appeal of simple monitorable commitments, but under the generated low information equilibrium the elimination of checks and balances is desired by the new executive and by the voters who wanted such commitments. All of this brings us far away from optimality.

I emphasize the word "equilibrium" because voters sustain it: populist politicians have the incentive to create noise in order to increase the relative appeal of their ex-ante commitments, but voters who choose to support such commitment platforms rationally decide that they do not need to acquire information any longer on policy actions other than for the commitment monitoring, hence the endogenous information acquisition by voters on many policy domains goes down, creating effectively lower accountability of the politicians with concentrated power. A situation quite dangerous and again difficult to avoid because of its equilibrium nature. See also Szeidl and Szucs (2023) for a complementary description of the equilibrium nature of the populist dynamics.

In the next subsections, I focus on the consequences of populist commitments and the connected institutional erosion at all levels of domestic politics, national and subnational, leaving the global consequences to the next section.

3.2 Subnational level consequences

One of the obstacles to the implementation of electoral commitments may come from expert bureaucrats, who see potentially difficult adaptation of the new policy with existing ones or with local or national or European laws, or could find it difficult to fit the commitment into the planned budget. For this reason, we should always expect that populists,

when taking office, want to replace expert bureaucrats with loyal bureaucrats. Sasso and Morelli (2021) obtain this prediction from a dynamic model that indeed puts implementation at the center of attention. Trump’s desire to fire an enormous number of bureaucrats after the election, eliminating the deep state, is fully consistent with this logic.

The consequences of this can be empirically estimated with a regression discontinuity design using local elections: Bellodi et al (2023) study municipal elections in Italy in recent years (more than 8,000 municipalities in 20 years) and show that when populist mayors win they indeed tend to replace expert bureaucrats with lower quality ones (presumably loyal) and they raise the debt in order to accommodate more commitments. Also, procurement contracts involve significantly more frequent and larger cost overruns, perhaps an immediate consequence of employing loyal and/or lower-quality controllers.

Not only do newly elected populist mayors switch economic policy priorities due to electoral commitments to maintain, but indeed this switch implies the substitution of competent with loyal bureaucrats even at the local level, with measurable substantial consequences on economic performance. The higher turnover among top bureaucrats that Bellodi et al (2023) established to be caused by the election of a populist mayor is mostly driven by forced rather than voluntary departures, consistent with the theory. The weakening of the bureaucracy makes even successive reforms more difficult to implement, and the cost of a populist in office is long-lasting. While this could, in principle, reduce the credibility of populist leaders, it can also fuel the general sense of dissatisfaction with bureaucracy (part of vertical trust) and reinforce the demand for populism.

Another dynamic consequence of populism at the local level concerns migration: when moderate citizens living in a city see that the voters of such a city have elected a more extreme populist government, they may be tempted to *exit*, both because of expected different policies and because of the update they can make about the social attitudes of their neighbors. Even when looking at national elections, a city experiencing a significant jump up in populist voting in a national election can still act as a trigger for the exit of moderates, albeit only for the update on social attitudes of neighbors channel, and not for the policy change channel. Bellodi et al (2024) study the effect of local exposure to populism on net population movements by citizenship status, gender, age, and education level in the context of Italian municipalities. In one of the research designs used to estimate the causal effect of updated perceptions of populist attitudes and updated expectations of policies on exit and entry decisions they apply a regression discontinuity design to estimate the effect of electing a populist mayor on population movements. They find that the exposure to both populist attitudes and policies, as manifested by the vote share of populist parties in national elections or the close election of a new populist mayor, reduces the attractiveness of municipalities and leads to larger population outflows. Moreover, the effect is particularly pronounced for young, female, and highly educated natives. These results highlight a mechanism of foot voting that could help sustain the long-term presence of populist leaders in certain municipalities. Similar results on spatial polarization are obtained in research in progress for the United States.

3.3 National level consequences

For the national level, let us start by continuity with the same type of problem described above. As stated by Trump on March 12 2022 when announcing his intention to run for the 2024 presidential elections: **“I will pass critical reforms making every executive branch employee fireable by the president of the United States. The deep state must and will be brought to heel.”** An explicit statement like this confirms that a direct effect of populists in office is indeed a sharp reduction in bureaucratic functions even at the national level, with consequences for the whole public sector. The expectation is a sharp weakening of implementation checks, with potentially negative effects also in terms of efficiency. Trump, and populist leaders with commitment platforms, don’t care about expertise in the traditional sense of figuring out the state of the world. They care about expertise at getting the job done quickly and dirty. So expertise is replaced by effective superficiality.⁹

This type of institutional erosion, which extends to include the weakening of judicial checks and balances, is one of the mechanisms behind the large negative effects at the national level found by Funke et al. (2023): they established with an impressive historical data collection that, on average, 15 years of populist government has reduced GDP by 10 percent. Recalling the arguments described above by Gratton and Morelli (2022) on the fact that elimination of checks and balances usually reduces welfare, it is likely that part of the total effect found by Funke et al. (2023) comes indeed through such institutional changes.¹⁰ Thus, I now give a couple of examples of the consistent institutional changes induced by populist governments, before moving to a discussion of the other macroeconomic channels leading to the Funke et al. (2023) aggregate result.

3.3.1 Some examples of institutional erosion consequences

To see how institutional erosion takes place at the national level in the presence of populist governments and how the induced polarization may be a cause of negative changes in trust itself and cooperation, consider, for example, the case of Hungary: “The government and the opposition do not have normal relations. Their tense relationship is the reflection of an extremely divided society, it reflects hate that swamps private life and pervades every street corner”, analyses journalist Ervin Tamas. In turn, greater polarization can determine support for more executive commitments and illiberal reforms that weaken parliaments, judges, bureaucrats, and media. The effects of populist leadership on judicial independence are particularly clear in Hungary: the Constitutional Court, the primary check on the executive branch in the wake of Hungary’s democratic transition, had its powers quickly stripped away after Fidesz won the majority in the 2010 election. Today, the court can no longer rule on tax and budgetary matters, and the government can even

⁹Here comes DOGE. it is formed by young people who ignore rules and procedures for policy, procurement, or government affairs. They cancel contracts and leases using keywords, fire interns and temporary bureaucrats, etc.

¹⁰See Besley and Muller (2015) for an explicit analysis of the consequences of the elimination of checks and balances for macroeconomic instability and growth. As they mention, a country with low executive constraints is 50 percent more likely than countries with strong executive constraints to have negative growth.

legally enact laws that the court has deemed unconstitutional. The judicial appointment process has also changed. Previously, each party proposed a nominee, and a majority of parties had to agree on a nomination before submitting it to Parliament. Now, the party with the most seats (Fidesz) selects all nominees, which it then confirms with its parliamentary supermajority. Additionally, Orbán increased the size of the court from eleven to fifteen judges, enabling him to pack the court and control the judiciary. Moreover, all judges over the age of 62 were also forced to retire, so their seats could be filled with even more Fidesz-friendly jurists.

A similar tightening of checks and balances happened through media reforms: private media was a principal target of the Fidesz power grab. After the 2010 victory, the Fidesz government used the power of the state to pressure private media corporations to sell to the state or to oligarchs aligned with Fidesz. Tactics included withholding government advertising dollars, selectively blocking mergers that would allow outlets to expand, and imposing punitive taxes on ad revenue. By 2017, 90 percent of all media in Hungary was owned by either the state or a Fidesz ally, according to a count by Budapest-based scholar Marius Dragomir.

Orbán quickly captured the Hungarian media, placing loyalists in charge of all state-run media outlets, thereby turning them into Fidesz party mouthpieces. Other media outlets are incentivized to report stories crafted by the government’s news agency. This undermines the viability and competitiveness of privately-owned media outlets, which are forced to accept free government-provided news or risk going out of business.

Beyond creating an environment of censorship, the Fidesz-controlled legislature restructured the Media Authority – the state’s media regulatory agency – and installed a new Media Council that can fine media outlets for failing to provide whatever it deems “balanced” news coverage. Once again, Orbán appointed cronies from his party to lead both the Media Authority and the Media Council.

Media capture was also a clear goal of the populist government in Poland: since coming to power, PiS has undertaken a systematic effort to gain control over the country’s system for media regulation, control public broadcasting, weaponize state advertising resources, and engineer the takeover of independent media by entities linked to the ruling party. These interlinked efforts constitute key components of media capture. After PiS took power in 2015, the National Media Council (NMC) was established the following year through controversial changes to the media law. These reforms – echoing those enacted by the Fidesz government of Viktor Orbán soon after its own election – ripped powers away from the existing constitutional body, the National Broadcasting Council (KRRiT), and established a separate media regulator dominated, by design, by political allies and party MPs.

The National Media Council has sole responsibility for appointments and dismissals of the management and supervisory boards of the Polish Television, Polish Radio, and the Polish Press Agency. Their decisions can be made without justification and are not subject to judicial appeal. Using its new control over hiring and firing of senior management, in 2016 the body then oversaw a purge of hundreds of TVP’s journalists and editors, many of whom were then replaced by figures aligned with the party’s ideology. Under the National Media Council’s watch, *Telewizja Polska* has since been distorted into one of the most unbalanced and politicized broadcasters in the EU.

The patterns of weakening of bureaucracy, judicial independence, and media in these two examples are very similar and entirely consistent with the shift to commitment politics analysis. These steps towards the elimination of checks and balances have also been attempted in Israel in 2022 and early 2023, hence the weakening of checks and balances is a trend that goes beyond populist commitments

3.3.2 Standard consequences of macroeconomic commitments typical of populist governments

Besides institutional erosion, other mechanisms that could explain the average bad performance of populist governments are due to two other frequent commitments in populist campaigns, namely *protection* (of identity and borders on one hand and trade on the other) often coupled with other forms of *disengagement* from international cooperation. The *commitments to protect* are appealing to the masses because they immediately address the classic fears of substitution, invasion, unemployment, and low purchasing power due to cheap imported products. However, the lower levels of economic integration and cooperation with other countries significantly reduce access to gains from trade and joint ventures, and the sustainability of debt can be put in danger.¹¹

The rising economic nationalism and protectionism at a time of greater global challenges that require cooperation are a cause of major concern. Moreover, as I argue below, when the shift to commitment politics and populism arrive at the super-power level, there are significant and understudied spillovers on other countries as well; hence, the large results in Funke et al. (2023) for national economies are likely an underestimate of the global consequences.

3.4 The salience of identity protection and polarization

Social media campaigning by populist candidates and voters is partly responsible for the increased salience of identity protection concerns, shifting attention away from standard redistributive politics. The shift away from redistributive politics (request of greater *inclusion* by lower classes) towards identity politics (with the consequent quest of *exclusion* of minorities, foreigners, etc.) is to be expected in a society characterized by larger and larger inequality, because of the low trust that redistribution would be feasible and effective, in contrast with the easy measurability of exclusion policies or mass deportations.

The shift to identity politics and the salience of ethnic cleavages induced by the exclusionary rhetoric of populist politicians and parties have important consequences for different types of polarization, and polarization can co-determine a vicious circle with illiberal reforms.

The polarization and illiberal reforms vicious circle can be clearly understood using an example of a country divided into two groups, a majority and a minority: in a liberal democracy the democratic elections by majority rule give the power to the majority to implement its preferred policies, but the liberal pillar requires a minimal protection of the

¹¹These macro consequences are in line with also older accounts of economic populism. Macroeconomic instability, reduction of gains from trade, and the consequences of short-term populist commitments for inflation and debt accumulation were, for example, emphasized already in Dornbush and Edwards (1991).

minority views; when polarization increases, the temptation by the majority to drop the protection of minority views is stronger, reinforcing the desire by majority voters to have exclusionary commitments, in turn further increasing polarization.

These social consequences of populism are difficult to evaluate causally, and it is indeed possible that, in some cases, the vicious circle may have started on the voters' side.¹²

3.5 The consequences of attempts to fight populists on their own turf

Given the self-reinforcing mechanisms at play, breaking populist trends is difficult. The proposed solution in Guriev and Papaioannou (2022) is fighting them on their own ground: for example, using social media strategies to reduce social polarization or to discredit populist commitments.

As shown in Galasso et al. (2024), even these strategies can backfire: they show, using a programmatic field experiment and survey analysis in Italy, that a campaign aimed to discredit a populist message can, at best, weaken turnout for such a party in the short run, but cannot restore trust in non-populist parties. Moreover, even those who are discouraged from voting for a populist party under credibility attack, when they return to vote, opt for another populist party offering more credible commitments but do not return back to traditional parties. In other words, trust is the one that needs to be rebuilt because, without it, voters continue to desire simple commitments.

Rebuilding trust in institutions is necessary if we want to return to functioning liberal representative democracy without simplistic commitments of exclusion.¹³

An interesting lesson about this can be drawn from history, and in particular on how the Democratic party after 1896 managed to “absorb” the voters’ concerns that had led to a temporary success of the “People’ Party.” Citing from Eichengreen (2018): “Although Bryan was defeated in 1896, the Populists’ complaints did not go unheeded. Mainstream politicians had understood since the 1880s that they had to address the concerns of farmers, miners, and workers or risk losing out to more radical political elements. Their response started with the Interstate Commerce Act of 1887, which required railroad rates to be “reasonable and just.” [...] A majority of U.S. states adopted usury laws limiting interest rates or, where those laws already existed, enforced them more vigorously. [...] The Sherman Act and the Clayton Antitrust Act sought to prevent anticompetitive practices. [...] Financial interests opposed to the free coinage of silver remained an insuperable obstacle to the radical monetary proposals of Bryan and others. But here too the Populist critique registered, convincing even supporters of the gold standard that the monetary system, to survive, had to be reformed. While the Gold Standard Act of 1900 definitively shut the door on free silver, it also halved the amount of capital that banks in smaller towns and

¹²It will be interesting in future research to further disentangle the effects of changes in voters’ preferences and salience of topics on politicians’ strategic rhetoric and, separately, the effects of strategic anti-establishment rhetoric on voters’ preferences and salience of policy demands.

¹³Rebuilding trust in existing institutions is hard at the national level: many countries have low fiscal space, high taxes and high debt, and hence inclusion policies are not believed to be feasible nor to be the real objective of traditional elites. Thus, a potential direction is building trust in new institutions or programs within the EU. I will devote a separate section to this possibility.

cities were required to hold. This encouraged bank entry and competition in rural markets where farmers had long complained about monopoly power and the high cost of credit. [...] This may not have been a comprehensive response to the Populists’ grievances, but it at least indicated that the politicians were listening.” Since the rise of populism was driven also by a perception that mainstream political parties did not do enough to compensate for the growing economic threats caused by technological change and global market exposure, the policy change by the democrats was welcome – see Anelli et al (2025).

3.6 The role of electoral systems

Even though I claim that populists all have similar incentives when taking office (to weaken checks and balances in particular), and even though I argue that such a common tendency reflects a consistent demand for the implementation of policy commitments by voters themselves, we observe a substantial variation in the success of populist parties: they have gained votes in almost all western democracies but entered governments and hence determined institutional changes only in some of them. What determines this variation? A partial answer comes from the type of electoral system in place.

Closed borders and closed markets protection policies are and have been present in almost all populist experiences, during electoral campaigns and then in terms of policies in case of electoral success. Automation, immigration from culturally distant countries, and increasing trade with low-wage countries all increased the salience of **closing access** policies.

Gamalerio et al. (2024) show that plurality electoral systems are more conducive to closed-access policies than Proportional Representation or run-off systems. Intuitively, if in two countries the voters who prefer protectionism and closed borders and attribute high salience to such policies are a large fraction of the population but not an absolute majority (which is the case almost everywhere), but in one of such countries the electoral system is plurality voting and in the other is PR or dual ballot system, the probability of success of the populist parties can be different: with plurality voting, a party championing such closure policy commitments can win office, whereas both PR systems and systems with run-offs require an absolute majority at the end for a government formation, and hence such single-issue parties can be excluded from the government coalition.

The finding applies to national and sub-national levels: municipalities where the mayor is elected via plurality rule are significantly more prone to anti-immigration policies or less prone to enact policies to host refugees when compared with municipalities above a threshold population size where dual ballot systems are in place. We explain this theoretically and confirm it on Italian data. Moreover, given that we show that dual ballot systems have similar features to proportional representation systems vis a vis the reduction of the probability of winning office for anti-immigration parties, the results extend to the national level. Cross-country correlations confirm that countries with systems closer to PR or dual ballot, i.e., with an absolute majority of support necessary to form a government, are more open on all fronts, including economic migration and refugees’ treatment, than the countries with systems closer to plurality rule.

These considerations could make the opponents of populist exclusionary policies want to advocate for electoral reforms in the direction of pure proportional representation or

dual ballott systems.

So far, we have analyzed the internal consequences, now we shift to external consequences, which are obviously particularly relevant when the election in question is in a super-power.

4 Geo-political consequences

Economists and political scientists have been talking about a geopolitical transformation along at least three dimensions:

- (1) *deglobalization*: a reversal of globalization and economic integration trends;
- (2) *democracy crisis*: authoritarian trends even within democracies, with threats for liberalism and pluralism everywhere;
- (3) *nationalisms*: on cultural as much as economic domains.

These three trends are very connected to the shift to commitment politics and populism: protection commitments championed by populists include protectionism directly, obviously directly affecting the first trend; identity protection and closed borders are obviously related to the third trend; and the second trend is the natural tendency to pair a bundle of commitments with the weakening of the checks and balances that may stop their implementation. Given that the three main trends, as far as the evolution of geopolitics is concerned, are related to populism, one can safely say that this is a **populist geopolitical order**.

4.1 Consequences for public finance

Public finance is affected by this populist geopolitical order in many ways.

In Europe, many scholars have been advocating for fiscal (and perhaps political) union, for reasons related to sustainability and volatility (Luque et al., 2014), cultural convergence (Guiso et al., 2016), equity (Morelli et al., 2012), and lately efficiency in addressing global challenges such as climate change and security threats. The three trends of the populist geopolitical order make a fiscal union ever more distant and difficult, and hence populism contrasts with all those desiderata. Many have argued that in a world where technological change reduces the labor income share and where national tax revenues are based almost exclusively on labor income taxes, fiscal crises will become the norm, and the desirability of something in line with fiscal union increases. The fact that the new geopolitical order makes a more and more desirable shift less and less likely should be of great concern in terms of sustainability itself, let alone equity and welfare protection goals.

Green deals, common defense, and common investments in technology to prepare for a risk of interruption of the supply chains that involve countries in the BRICS+ network or due to a potential Taiwan war are all important objectives in Europe, but, again, they find political obstacles in a populist geopolitical order.

The implications for public finance are also in terms of domestic transformation. On the expenditure side, the EU managed to provide important stimulus to the post-COVID economy even without a direct taxation mechanism, but obviously, the consensus on the Next Generation EU would not have been possible without the correlated economic shocks

due to COVID. The COVID crisis actually had mixed effects: on the negative side, it gave an excuse to populist governments to further reduce checks and balances; but it gave an opportunity to the EU to display its crucial role in helping every state. Both effects have been felt: the trend towards lower democracy scores within nations but the greater role of the EU. However, it is hard to imagine how the latter could continue or improve without substantial reforms in a populist geopolitical order.

Without support for a common fiscal policy in Europe, each individual country’s fiscal constraints determine a tight upper bound to the feasibility of countercyclical fiscal interventions or adjustments in any type of welfare policy, public health, or public education. This determines a *nationalism trap*: nationalism makes a fiscal union more difficult, but in turn, the tight national fiscal constraints limit the credibility of any “left” policy commitment, hence reinforcing the support for identity protection “right-wing” commitments and exclusionary policies (see also Morelli, 2020). Moreover, as shown in Guiso et al. (2019), the presence of a national fiscal *straight jacket* determines exit and relocation incentives by firms, which in turn increases the connection between globalization threats and support for populist parties. Another vicious circle.

Guiso et al. (2025) highlight an even bigger vicious cycle involving public finance directly: the financial crisis of 2008 caused a structural change in domestic politics even bigger than the one caused by globalization threats – perhaps because the financial crisis determined a drop in trust in markets and governments even for the middle class. They give evidence that European countries with low fiscal space (measured in various ways) display the sharpest political change in the direction of creation and support of populist identity protection parties. A standard difference-in-differences methodology has revealed a consistent pattern of policy change both among long-lived parties and in the comparison between dead and newborn parties. The fact that in 2014, well after the crisis, populism continued to persist in Europe suggests that the financial crisis led to a structural break or tipping point that is difficult to reverse and which changed the views of voters and the rhetoric of political parties. The trend has continued, and the vicious circle is clearer and clearer: low fiscal space makes redistribution or public good protection policies unfeasible and not credible, so traditional left parties and even left-wing populist parties lose ground, while the cheaper and more credible identity protection policies of the right differentially gain support, making nationalism a winning strategy that perpetrates the low fiscal space.

Finally, the three trends in the populist geopolitical order damage the public finance policies that would be more and more desirable also in terms of externalities on other domains: the recognized necessity of a stronger European common defense would require an upward change in the Own Resource Decision and in the financing of common operation capacity, but such defense necessities are harder when nationalism dominates domestic politics.

4.2 Inequality and conflict consequences

Besides the consequences for public finance within countries or across countries, an additional set of important consequences of the populism wave for geopolitical trends concerns inequality within and across countries, conflict risk within and across countries, and instability of coalitions.

Mattozzi et al. (2024) show that protectionism and disengagement, two of the main commitments of the Trump campaign, together will allow governments in ethnically divided countries to revise the social contract, implicitly or explicitly offering to opposition or minority groups a lower share of a potentially lower divisible surplus (if the country is negatively affected by the trade war). This implies that, in all such countries, the opposition groups will be between a rock and a hard place, facing the choice between accepting higher inequality or starting a war with lower chances of winning.

Moreover, besides this prediction of a higher risk of civil conflict in already divided countries, interstate conflict risk could also increase for the standard reasons related to the disappearing opportunity cost of war constituted by gains from trade in a free market. In particular, they show that the countries most likely to become more hawkish in international disputes will be countries that are militarily strong and highly dependent on trade, and this set obviously includes Russia and Israel.

The disengagement consequence of America first will accelerate the geo-political and geo-economic divisions also in terms of influence on developing countries, and this may lead to even more conflicts in the global south. Moreover, countries in newly forming economic alliances will have incentives to help each other even in interstate challenges of the status quo.

5 Building trust through more Europe

Global challenges like climate change, global inequality, terrorism, wars, pandemics, etc., increase the value of solidarity between regions and countries, and nationalist perspectives cannot address these challenges. Introducing a European program that works and brings results can obviously create a new channel of hope and trust in a non nationalistic road to economic protection. A European program of unemployment insurance could, for example, bring workers and young people closer to European institutions, and this could stop the growth of nationalist anti-European movements.

Populist parties fuel on preference diversity to hold back European integration both in growth phases (pooling identity and secessionist incentives) and in the recessive ones (pooling anti-elite and xenophobic blaming impulses). However, global challenges weaken the appeal of nationalism, and if we weaken that, some of the vicious circles can also break down. European Nations should, therefore, accelerate the integration process as a rebound to the recent asymmetric shocks, COVID-19 and the war in Ukraine.

In a famous article, Alesina and Wacziarg (2000) argued that in times of economic integration, we can rationalize political disintegration. But at a time in which the mounting protectionism of populist superpowers reduces global economic integration, political disintegration is very undesirable, and we should go instead towards the creation of the United States of Europe. Only some form of such a political union could give legitimacy also to a centralized management of common European defense, which finds large support in voters' surveys. As I have argued in policy briefs, European defense is like a train with 27 wagons, and with a locomotive weakened by the decisions of the U.S. during Trump's presidency. Hence a strengthening of European defense requires coordination and restructuring of the chain of command, while strengthening the individual wagons doesn't improve the

functioning of the train.

Among the specific policies that we could hope could work to increase trust and, hence, to weaken the appeal of populist commitments, a taxation switch mechanism could be very important. The nationalism trend forces the continuation of tax systems mostly based on taxing labor incomes, even though the labor income share is going down and the income tax rate is very high in many countries, hence creating a very limited fiscal space scenario that makes most countries very vulnerable to shocks. Were the EU's own resources for public finance enlarged, with EU direct taxation allowed, the EU could actually use wealth and capital taxation much more than states (because of the lower relevance of tax competition among continents or large coalitions), and the shift of responsibility to the EU public finance minister for some chosen public finance domains could be financed through such a direct EU taxation not based on income taxes. This would, in turn, allow each state to lower labor income taxes, increasing also the political support for European institutions. Even these desirable changes in taxation of course require an integration step at the political union level, given the well known principle of no taxation without representation.

Trust in institutions may be restored if new policies allow wealth to be redistributed more equally while allowing, at the same time, increases in disposable labor incomes. A European capital tax and/or corporate sales tax can allow each state to reduce its labor income taxes, and this could make **trust reappear from the top**.

The European coordination of investments to recover from the COVID-19 crisis can also lead to greater hope or trust that supranational level institutions are what can work, especially at a time of policy "straight jackets" at the national level.¹⁴ European defense is the other coordination or centralization pillar, which could make defense investments more efficient and increase also existential security. Making security depend on a stronger EU will weaken the appeal of nationalisms. In 2024 Eurobarometer surveys tell us that there is overwhelming support (roughly 77 percent of responders) in favor of strengthening European common defense. Managing to do so by investing on greater EU strategic autonomy and independent operation capacity rather than delegating the single nations to invest on their national armies could be an opportunity also at the political level: while an increase in national level defense spending necessarily takes away resources from welfare programs and reduces fiscal space – which have been shown to fuel populism –, a stronger EU defense financed directly with Euro bonds would increase pro-Europe sentiments without creating perceptions of welfare opportunity costs.

My dream is a United States of Europe with a federal constitution but with a representative government elected by all European citizens. A direct election also of the European executive could receive support also by the voters who do not trust the current mix of institutions because of the multiple layers and the low accountability of European ones. Hence some of the voters currently supporting populist parties may be convinced to switch because of the direct representation change at the European level. Liberal democracies are in crisis at the national level, while liberal representative democracy needs to be constructed – and can work – at the European level. Without such a transformation, European wel-

¹⁴Guiso et al. (2019) show that the perception of policy straight jacket in the Eurozone was key to determine the populist reaction to the China shock, and the policy straight jacket can be weakened using the strengthening of the European level fiscal policy.

fare policies depend on inter-country transfers and consensus building, which is obviously difficult in the presence of unanimity rule for key decisions and with so many nationalist movements. In the absence of the desirable political union transformation, widening the set of EU countries is not advisable. No more widening without first some deepening of the union's governance. Widening to include other countries could be desirable if we first achieve greater capacity to make decisions with majority rule, whereas adding other countries keeping our rules fixed is bound to make the current unanimity rule blockage remain forever, as, for example, established in Maggi and Morelli (2006).

State-level policies can be useful for experimentation so that the EU's choice of common rules and policies can improve from learning from experimentations, but eventually, there must be coordination and common rules on every economic policy dimension where coordination matters and state competition can be damaging.

6 Conclusions

This paper aims to convey the message that politics has changed almost everywhere and at every level, with significant consequences for governance and policymaking incentives and, in turn, for welfare and various types of inequality and risks. We are witnessing a shift to commitment politics, and the demand and supply of nationalist protection policies determine a complementary demand and supply of reforms that lead to stronger executive power and lower checks and balances; hence, national-level liberal democracies are at risk. We have seen how the shift to commitment politics has significant consequences for public finance at the subnational, national, and global level.

The best way forward seems to be the strengthening of representative democracy in Europe, offering greater credibility of policies in every domain, together with the possibility of recreating trust in institutions if the new ones perform better than the status quo national ones.

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