

# Crisis and Public Trust: Lessons from 2008-09 and from 2020

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# What have we learned from recent research on populism?

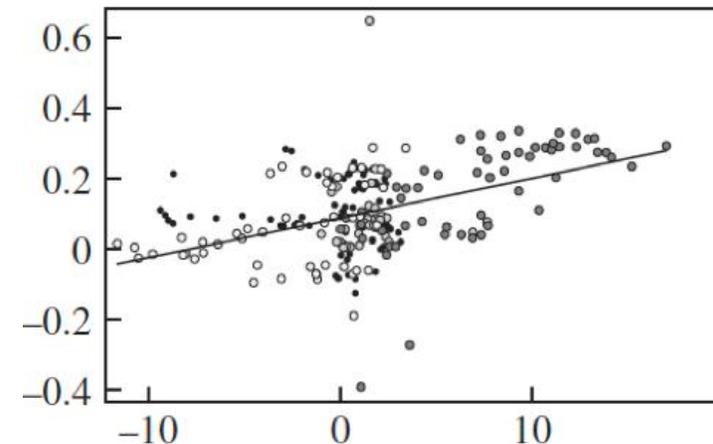
Guriev and Papaioannou "Political Economy of Populism", forthcoming in the Journal of Economic Literature

- Survey 300 papers and books including 250 written and published since 2016
- Centered around four questions:
  1. How to define and measure populism
  2. What are the drivers of the recent rise of populism
    - Economic, social, technological
    - Secular vs. one-off
  3. What are the implications of the rise of populism
  4. What is to be done
- Special section on 2020 research on populism and COVID

# Relevant takeaways for today's webinar: drivers

- 2008-09 crisis and subsequent austerity caused both decline of trust in (national and European) political institutions ...  
... and the rise of populism
- The crisis may have also *triggered* other factors contributing to the rise of populism, including secular economic trends such as globalization and automation – and cultural divides

*Difference in populist vote share  
before and after the crisis  
in European subnational regions*



*Difference in unemployment rate  
before and after the crisis  
in European subnational regions*

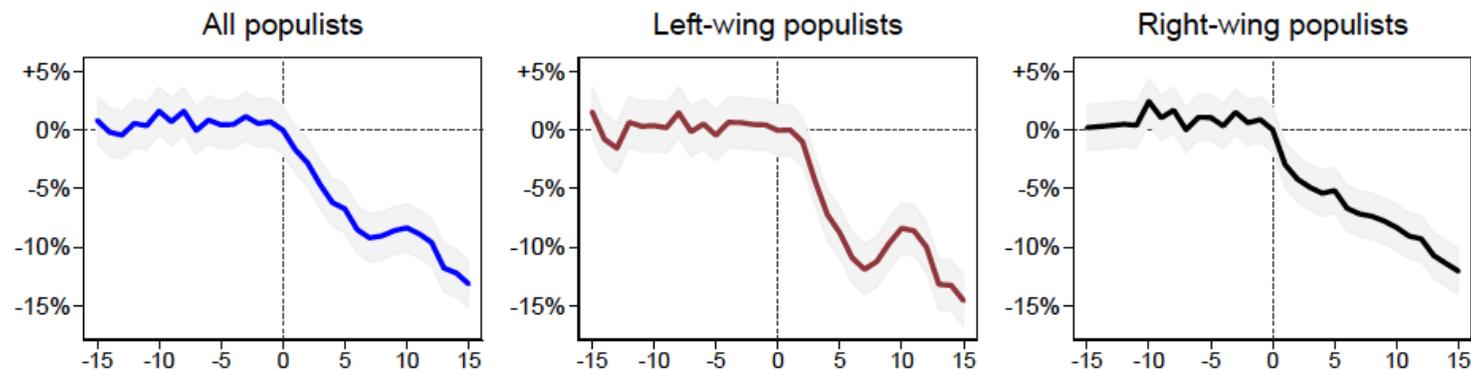
Source: Algan, Guriev, Papapioannou, Passari 2017

# Relevant takeaways for today's webinar: implications

When populists come to power,

- they usually underperform in terms of economic growth;
- on average, inequality does not change, debt increases, institutions (judiciary constraints on the executive, free and fair elections, media freedom) deteriorate.

*Difference in real GDP relative to the counterfactual*



Source: Funke, Schularick and Trebesch 2020

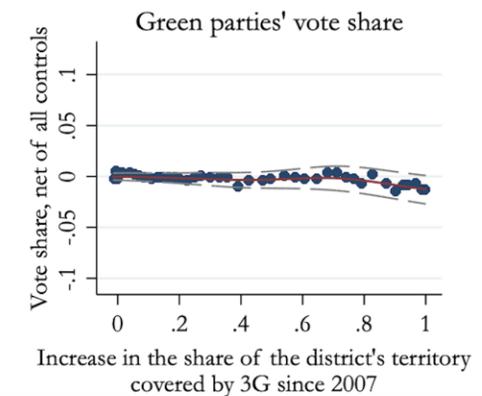
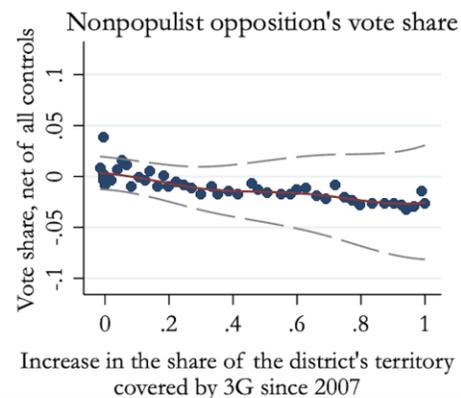
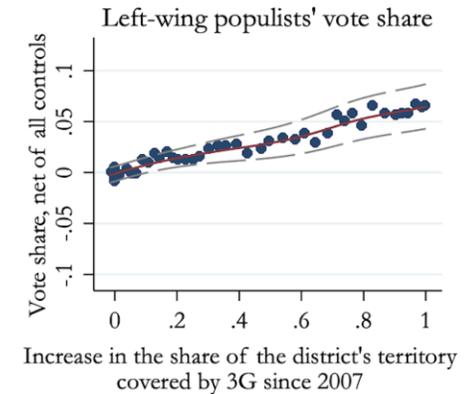
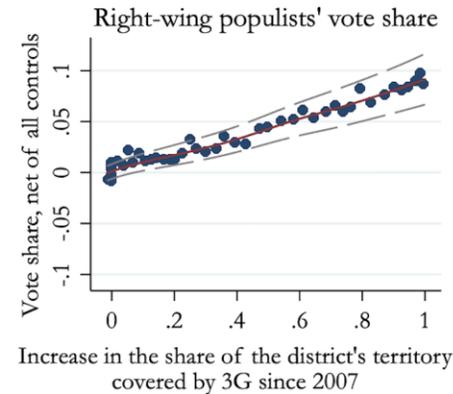
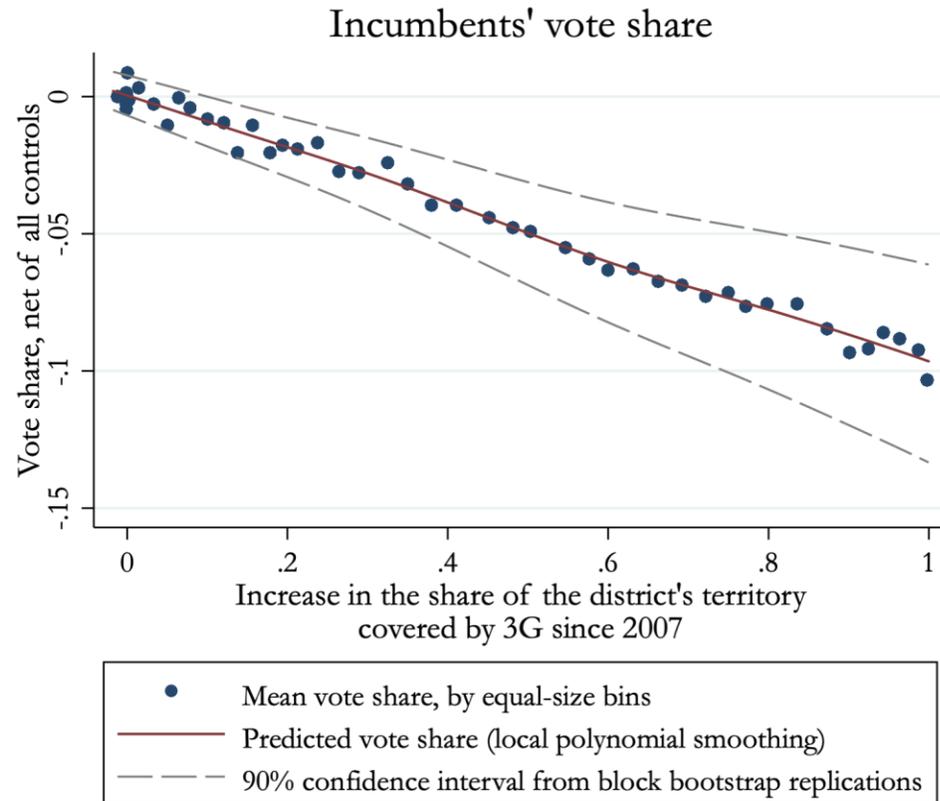
# Lessons from research on 2020

- Populist governments were slower to respond to COVID
- Populist supporters were less likely to take COVID seriously and were less likely to observe social distancing
  - Exposure to pro-populist media, lack of interpersonal trust and trust in government (as well as science) also reduced social distancing
- Good news: policymakers have learned main lessons from the previous crisis
  - Governments have been much more generous
    - This is especially important given that the COVID should was much more painful for the less educated
      - And not just in terms of income but also in terms of morbidity and mortality
    - Makes perfect fiscal sense given negative real interest rates

# Implications for post-2020

- Populists distrust elites, experts and scientists
  - Not surprisingly, they have done quite badly in handling COVID
- However, this does not mean that populism is over:
  - Some nonpopulist governments also did not do a good job – and are mismanaging vaccination as we speak.
  - Populists are extremely effective in communications, especially online.  
Their followers may still continue supporting them despite disastrous performance in 2020.
- What is to be done?
  - Continue generous fiscal and monetary policies
    - Emphasizing the help for those left behind
  - Do a better job in rolling out vaccination
  - Invest in communication: narratives and fact-checking to stand up to populists

# Expansion of mobile broadband internet and the rise of populism in Europe



Source: Guriev, Melnikov, Zhuravskaya 2021