

# Risks from rising populism in Europe

The increase of populist politics runs contrary to Europe's need for growth, Kallum Pickering argues

Across Europe, support for populist parties is increasing. Economic difficulties in peripheral Europe since 2008 have led to a rise in support for left-wing radicals. Victory for Syriza in the 2015 Greek elections is the obvious example, but the far left has also gathered momentum in Spain. Core Europe has its populists, too. The migrant crisis and terror attacks have boosted support for the far right. Support for France's National Front jumped following the November attacks in Paris. In Germany, some recent successes for the Eurosceptic AfD in state elections reflect domestic resentment towards Merkel's decision to allow so many refugees into the country. And, of course, voters in the UK go to the polls on EU membership on 23 June.

It is not uncommon for populist parties to gain support during times of economic difficulty. The European recovery from the great recession has not been smooth. A policy failure by the European Central Bank in 2011 that allowed contagion to spread from Greece to the rest of the eurozone set the recovery back several years. Some of the steps taken to prevent a repeat of the financial crisis have also taken some of the fizz out of the recovery. Increased financial regulation and public spending cuts have led to more sluggish growth than might normally be expected. Several significant geopolitical crises east of the continent have added to that.

Challenging economic and political conditions are fertile ground for populist parties to gather steam. Tapping into the frustrations and fears of common voters and placing the blame on the mainstream parties and multinational institutions like the EU can be an effective tactic to build support. The problem is that, at first sight, populists may appear more in tune to the needs of the common voter. But, ultimately, arguments that foreign



Podemos leader Pablo Iglesias at a campaign rally in Spain

competition and workers threaten the livelihood of domestic workers are false. If individual European countries made a policy shift towards isolationism and protectionism, that would lead to slower and lower quality growth for both them and their trading partners.

The key risk from all of this is the threat to European cohesion. If the UK votes out in June, that could encourage copycats to push for referendums in their own countries. Since the UK has remained outside the core club, an exit would be problematic, but ultimately manageable.

There is another risk. Radical parties that gain enough support to cause disruption, but not to gain power, can sap the capacity of mainstream parties to make changes. They distract from the core debate, sometimes require damage control if they win a couple of regional elections, as UKIP did in the UK, and they raise the probability of hung governments as Podemos did in Spain.

How should mainstream parties respond? Better efforts to educate and reduce the anxiety of voters about

the beneficial societal, economic and cultural impacts of integration and immigration might work. But populists would treat such efforts with suspicion, as propaganda, while the political elites continue to progress their own political vision for Europe. This could backfire.

Another option would be to further integrate populist parties into the mainstream. Removing them from the edge of the debate could encourage them to shift towards the centre in order to gain supporters. But it risks crystallising their positions. The most effective solution would be for incumbent mainstream parties to go to greater effort with pro-growth reform. Populists rely on frustrated voters. Realistically, only changes that improve the status quo will treat the root cause of the problem. ♥

DAVID RAMOS/STRINGER/GETTY IMAGES



**Kallum Pickering** is senior UK economist at Berenberg Bank

It is not uncommon for populist parties to gain support during times of economic difficulty