Populist regimes erode economic freedom, research shows

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VANCOUVER—In the absence of strong institutional checks on government power such as constitutional rules that protect minority rights and an independent judiciary that will enforce these rules, populism in government can lead to a decline in economic freedom. This is the conclusion of new research in this year’s upcoming Economic Freedom of the World report, published annually by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Populism has increased dramatically in the past two decades. And while it has long dominated politics in certain parts of the world, such as Latin America, populism has now spread to much of the globe,” said Fred McMahon, Dr. Michael A. Walker Research Chair in Economic Freedom at the Fraser Institute.

The new study, Populism, Majority Rule, and Economic Freedom, to be published in this year’s upcoming Economic Freedom of the World report, investigates the relationship between populism and economic freedom—the ability of individuals to make their own economic decisions.

Research has consistently shown that people living in countries with high levels of economic freedom enjoy greater prosperity, more political and civil liberties, and longer lives.

Crucially, the study finds that populism in government is significantly associated with reductions in economic freedom for a large sample of democratic countries included in the analysis.

This is because populist leaders tend to advocate for policies that restrict economic freedom, such as protectionism, an overly expansionary monetary policy, and higher government spending.

But in developed democratic countries, such as those in the Organization for Economic Cooperation and Development (OECD) the negative association between populism and economic freedom seems to be mediated to a substantial degree. And this may be the result of institutional guardrails, such as constitutional rules to protect minority rights, an independent judiciary, and checks and balances on government power. These guardrails—often absent in many non-OECD countries—are an important check on the power of populist governments.

“Human flourishing depends on secure property rights, a robust rule of law, and institutional rules that protect economic freedom for all,” said Matthew Mitchell, Fraser Institute Senior Fellow.

“This chapter shows that the rise of populism threatens these underpinnings of prosperity, but institutional norms may be able to check this alarming trend.”

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