

The Perils of Populism

by Christopher Lingle

Populist policies that promote divisions between rich and poor sow the seeds of social instability and economic destruction. Zimbabwe's economic crisis and recent demonstrations can be traced directly to the rhetoric of populism used by the current government.

In the first instance, basing public policy on populism creates false expectations among the poor that cannot be fulfilled. When public officials suggest that poverty can be decreased or that social justice will be served by taking from the rich or by passing laws to raise wages, it provides the poor with a sense that their condition can and should be legislated away.

Consequently, populism tends to lead to expectations that the government will and should pursue policies of redistribution without rest until there is an egalitarian distribution of income and wealth. In response to these signals, it is understandable that the poor continue to demand to be given more by the government as a right arising from their identity within a group.

Constructing a system of group rights is fraught with danger. A government that pursues populist support by basing rights on economic or social characteristics is flirting with the destruction of the rule of law.

Indeed, the assertion of group rights over

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individual rights supported the injustices of apartheid in South Africa and genocide in other parts of the world. It reinforces a divisive mentality of "them and us."

As it is, the poor feel justified in expressing their grievances through street demonstrations to remind the government of its promises. The resulting chaos and hysteria of social unrest are the wages of the sin of populism.

What of those who supported the government's legislative mandate to raise wages? Those who believed that wages could be dictated by political legerdemain should not be blamed if they seek to push for an hourly wage of \$100 an hour! After all, supposedly responsible people encouraged them to believe in that fairy tale.

And so, populism promotes the misleading idea that income and wealth redistribution can reduce poverty. On the contrary, poverty is the result of low economic growth because of insufficient capital formation. Poverty in Zimbabwe, as in many other emerging market economies, continues to be problematic because of government policies that hinder private investment.

A better approach to poverty reduction would be to remove barriers against legal activities that create employment. One of the lessons of the global economy is that only private initiatives can create sustainable economic growth and employment. Long-term investment by entrepreneurs will be stunted if there is a fear of capricious actions of

a government that is running a populist agenda.

It's bad enough to halt new investment. But populism further undermines risk-taking associated with starting new businesses because it introduces additional uncertainty by increasing the probability that successful commercial ventures are subject to appropriation through political action.

A dilemma arises in explaining the politicians' populist rhetoric. It would be uncharitable and probably wrong to assume that it is stupidity on their part. That conclusion would also cause despair concerning their ability to resolve the current economic crisis. But is it better if they are motivated by a deep cynicism whereby they know better but hope that their potential supporters do not?

In the end, it is likely that the government suffers from a combination of cynicism with a strong dose of ignorance. (Ignorance reflects the lack of information, while stupidity is the inability to make sense out of information.)

This is evident in that some members of the Zimbabwe Congress are on record blaming globalization and other outside forces for the crisis. Such a ridiculous notion is only understandable when one considers that politics is the art of taking credit for the good and shifting the blame for the bad.

Instead of faulting globalization for their woes, Zimbabweans and most poverty-stricken citizens of the world should realize that their economies suffer from failures of governance. Poor policy decisions are being made within an increasingly defective "institutional infrastructure" that leads to frustration on the part of investors seeking evidence of growth potential.

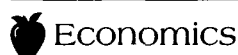
Role of Government

At issue is nothing less than the role of the state. Should this be a country of free individuals living under a general law guided by a permanent constitutional order? Or should it be destroyed by the chaotic interference of the capricious interpretations of a transient group of politicians?

The most basic role of a constitutional democracy is to provide a framework of law defining the limits of actions of individuals or groups in exercising their freedom of association and contract. All individuals should find dignity in their identity within any community they wish as long as those communities do not violate the rights of other individuals. However, membership in such groups should never accord them special privileges from the state. All individuals should be treated equally with no positive or negative discrimination among individuals in apparently similar situations.

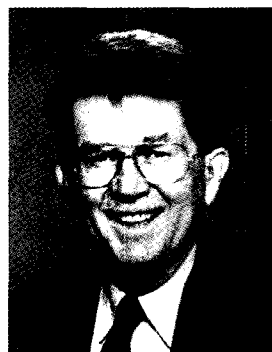
It is an egregious error to encourage differential treatment on the basis of ethnicity or religion or class by imposing social engineering or unjustified confiscations. People should not be treated or monitored in accordance with what they demand or are said to deserve on the basis of some community or group status.

In sum, populism is a dangerous and destructive game that serves the narrow interests of those who seek to capture or preserve political power. The beneficiaries from such policies enjoy short-term gains of public office while shifting the burdens in the long run onto the poor who are deluded into supporting them. □



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Public Interest or Private Interest?

That private interest dominates market decisions is widely accepted, if not always applauded. Farmers don't get up early on cold mornings in Nebraska to plant crops because of concern over world hunger, but because they want more income for themselves and their families. People don't invest in pharmaceutical firms because they want to help the sick, but because they believe those investments will increase their retirement incomes more than will alternative investments.

Farmers and investors occasionally claim that feeding the hungry and curing the sick provide much of their motivation, and certainly people do feel good about contributing to the well-being of others. But who doubts that if farm incomes and pharmaceutical profits dropped sharply, there would be fewer farmers plowing the fields and fewer dollars invested in medical research, regardless of the sickness and hunger in the world? The advantage of market economies is not that they motivate people to sacrifice their private interest for the public interest, but that they motivate people to pursue their private interest in ways that best promote the public interest.

On the other hand, government decisions are commonly thought to be motivated by noble social concerns like helping the poor, protecting the environment, improving education, and promoting economic growth. Of

course, government decisions are made by people, just as market decisions are, but supposedly when people move from market roles to political roles they experience a moral metamorphosis, discarding their private interest to better promote the public interest. Serious people would acknowledge, if confronted with the issue, that no such metamorphosis occurs, yet the view that political officials care deeply about us and our problems is remarkably common.

A far more accurate, and useful, perspective on political decisions is that they are motivated by private interest just as market decisions are. True, people often vote for policies, or candidates who support those policies, on the basis of public concern, but that can be explained by the minuscule probability that any vote will affect the outcome of an election. So voting is a great way to feel socially concerned at low cost. (I discussed this "expressive voting" last month.) If voters were really willing to sacrifice for public benefit, they would make sure the money spent by the programs they favor accomplished their stated goals. But that would be costly. Having voted to "do good," few voters ever know whether any good is actually done.

But because every government program affects politically organized groups, these groups do follow up on how programs are designed and implemented. And because the political influence of these groups is significant, their members make sure that government programs serve their private interest, even when this means doing less to accomplish noble public objectives.

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