

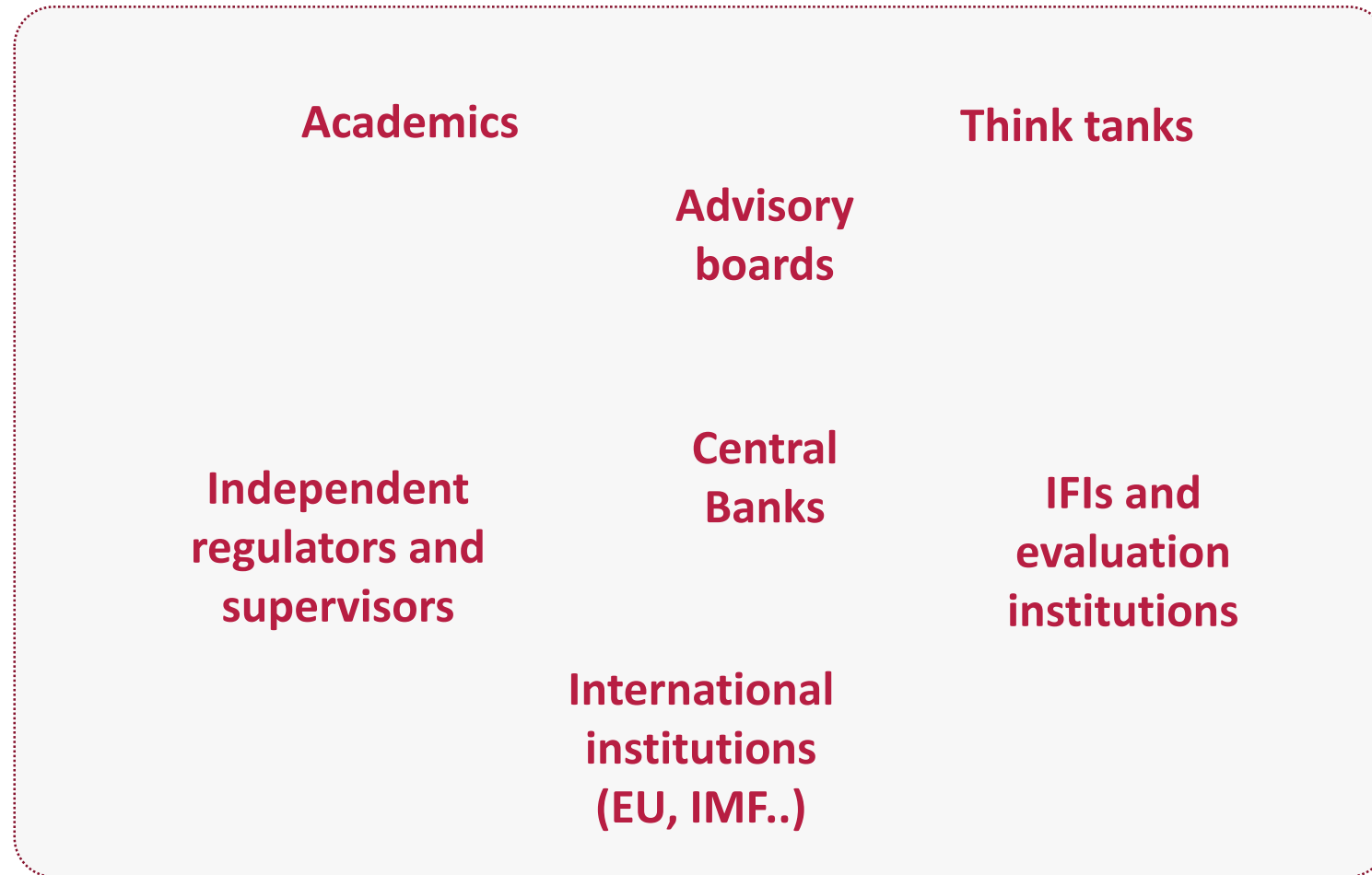


Autoridad Independiente
de Responsabilidad Fiscal

Are economic experts useful in the age of populism?

**International Conference of Councils on Economic Policy
20 June 2019, Paris
José Luis Escrivá**

What is the habitat of economic experts?



A diverse world with different roles to play and subject to various environment constraints

1. The stance of experts vs populism

2. Defensive stance

A. Restoring trust

B. Reshaping evidence-based analysis

3. Offensive stance



What makes populism different today?

- ❑ **Populism is not new:** It is a longstanding phenomenon across countries and overtime
- ❑ **Today's singularity:** The probability of succeeding in advanced democracies is higher than in the past

Definition

- Political movement that **divides the society** between two groups: **ELITE vs PEOPLE** with authoritarian and nativist tendencies

Causes?

Emotional concerns

vs

Material concerns

- Whatever the causes, **higher probability to succeed in a context of economic insecurity** and where existing political parties and institutions **fail to deliver**

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The interplay between experts and populism is twofold

1. The stance of experts vs populism

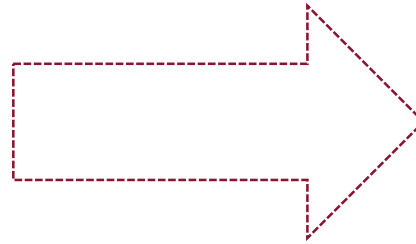
2. Defensive stance

A. Restoring trust

B. Reshaping evidence-based analysis

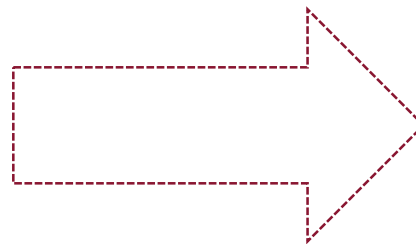
3. Offensive stance

Populists distrust institutions and technocrats and scorn for the scientific method and evidence-based policies



**Experts
on the defensive**

Economic experts tend to believe that populists movements will produce bad policies



**Experts
on the offensive**

Defensive stance: Need to increase the awareness about the populist approach

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Populism may have a point

- Lack of **adequate political response** to economic crisis, globalization and technological change

- We may have **gone too far in the time-inconsistency** problem and in rejecting economic policy discretion

Economic experts may have overlooked key elements

- **Economic insecurity** perception undervalued. Policies need to be economically but also **socially sustainable**

- General interest captured by **interest groups** (e.g. the capture of regulators)

... a double challenge going forward

A. Restoring trust

B. Reshaping evidenced- based analysis

Restoring trust to regain credibility and reputation: three levers

1. The stance of experts vs populism

● **Performance assessment**

- Both **in-house** and **external** evaluation of effectiveness (key performance indicators, KPIs)
- Focus on **perception by third parties**

2. Defensive stance

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● **Transparency**

- Going **beyond cosmetics**
- Relying on **new communication tools** [Video](#)

3. Offensive stance

● **Accountability**

- **In-depth behavioural change: responsibility**
- **Broad- based disclosure**



Reshaping evidence-based analysis

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Multidisciplinary approach for sound economic analysis

- Focus on robustness: combining various models, tools and data sets
- Dealing with uncertainty at different horizons
- Cross-over to other social sciences (Po science, sociology, etc)

Factoring- in stakeholders' view

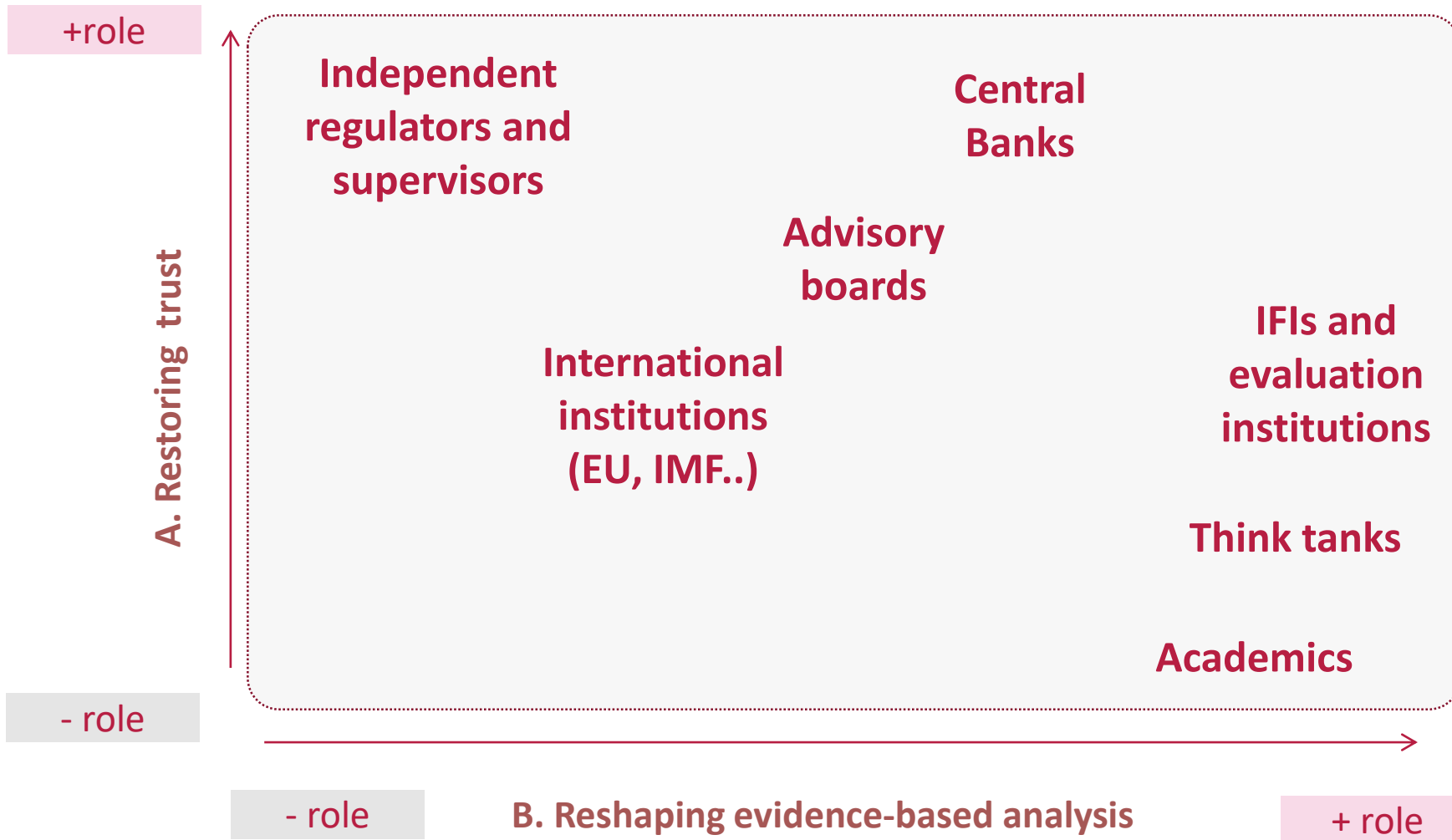
- Understanding the constraints of policy-makers
- Rethinking the terms of the individual utility function and welfare measurements : identify winners and losers

Humility

- Awareness of the shortcomings and uncertainty surrounding our analysis



Same role for all?



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Offensive stance: Smart way of solving trade-offs

EU dimension

- Despite EMU benefits, there is a lack of consensus on badly needed reforms
- How to rethink the EMU to gain the support from the European societies?

Trade, technological change and globalization

- Losers and transitional cost versus overall gains
- Is D. Rodrik approach the way out?

Migration

- Ageing leads to a decreasing workforce unless migration flows are kept strong
- How to combine the need for immigrants with concerns about national identities?

Climate change

- A challenging cost-benefit analysis
- How to deal with the short-term costs and coordination challenges with overwhelming long-term benefits?

Solving the trade-offs in a balanced manner vs corner solutions by populist movements

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