

Economic Populism and Structural Transformation

Economic populism has recently been the mainstream discourse in economic policy debates in Turkey and the world. This can be seen as a reaction of policy makers in developing and advanced countries to neoliberal economic policies and their economic consequences. Populism has different dimension and economic is the only concern of the populist discourse (Muller, 2017). Remaining within the boundary of national economies, economic populism can be considered as the implementation of economic policies that put emphasis overwhelmingly on economic growth and income distribution without considering the risk of inflation, internal and external financial constraints (Dornbusch and Edwards, 1990). Economic growth, particularly high growth, becomes the “**ambition of policy makers**” at any expenses. Populism in the economic sense goes back to economic policy practices of Latin American countries and even of Turkey in the 1960s and the 1970s. This version of economic populism targeted mostly at the well-being of poor and low-income households. Industrialisation and the import substitution was widely regarded as the engine of economic growth irrespective of its inclusiveness. The transformation of national economics from agriculture to manufacturing mobilised the population from rural to urban areas, and constituted the cause of inequality and poverty in these countries. Populism was in fact rose in response to these defects of industrialisation at the early stage of development, and targeted mainly at generating benefits for the poor.

Despite all these aims of economic populism, the results was not as expected, and economic populism ended up with high inflation –in some cases hyperinflation-, high debt stock as in the Latin American countries, and low economic growth in the 1970s, and left these countries to deal with various economic imbalances. Most importantly, these results constituted an excuse for worldwide acceptance of the adaptation of the neoliberal economic policies to cope with these imbalances.

After the over thirty years of experience, neoliberal policies globalised the world economy at the unrepresented level, and helped developing countries deal with economic imbalances in the short run and catch sustainable growth rates for a while. Nevertheless, the achievement on the economic growth sphere has not been sufficiently inclusive, and inequalities in developing countries like Turkey and countries in Latin America remained as important as before. Most importantly, improvement in income distribution and poverty have become extremely dependent on economic growth; higher the economic growth, much better income distribution. The present economic structures of developing countries, which have been re-structured in response to new relative prices dictated by neoliberal policies, has continued to generate both **inequalities if there is no sufficiently high economic growth**, and economic imbalances. Structural transformation under neoliberal policies continued **from-agriculture-to-manufacturing** as well as **from-manufacturing-to-services** as theoretically expected. However, additional transformation process **from-agriculture-to-services** (by *bypassing* manufacturing) appeared in many developing countries after the neoliberal policies adapted and globalisation became widespread (Baymul and Sen, 2019). In particular, an increase inequality led to question the benefits of neoliberalism and critiques on globalisation have emerged. Instantly the world public witnessed a rise in a **new populist discourse** first in some developing countries, and later in advanced economies such as in the USA.

Today's economic populism has been mostly the comprehensive criticism of globalisation. Unlike the earlier one in the 1960s and the 1970s, new economic populism has risen overwhelmingly from the complains of middle class, not the poor only, regarding the economic system generating economic growth that does not include all layers of the society and dividing them by their income and well-being. the presence of a severe competition set by a number of Asian economies have weakened the manufacturing sector in advanced and some developing countries, and eventually caused the losses of jobs that had previously owned by the middle class. The lack of competitive power in trade has lastly ended up with a change in the relative prices, and the countries suffering from the defects of globalisation has become extremely depending on internal, rather than international, economic activities to generate economic growth without concerning about international competition.