

Populists flourish after financial crises - but they get found out in the end

Written by Daniel Hannan on 25 November 2016



Daniel Hannan | *Photo credit: European Parliament audiovisual*

Populists flourish after financial crises - but they get found out in the end, writes Daniel Hannan.

[This article was originally published on Conservative Home.](#) [1]

It started with the credit crunch. Donald Trump, Bernie Sanders, Geert Wilders, Marine Le Pen, Jeremy Corbyn, Syriza, Podemos, the SNP - they're all, in their various ways, a delayed reaction to the 2008 crash.

Financial crises are not like ordinary economic contractions. For one thing, they last a lot longer - typically eight years, according to a study by the economists Carmen Reinhart and Kenneth Rogoff.

Eight years is a long time for resentment to build among the people (usually the majority of the population) who have suffered. Their resentment is heightened by a sense that the system is rigged against them: that they are working to support a parasite class of politicians and rich bankers.

RELATED CONTENT

- [Brexit to strengthen rise of far-right, EU Parliament told](#) [2]
 - [Gianni Pittella: Donald Trump is a 'virus'](#) [3]
 - [Eurocepticism on the rise across Europe](#) [4]
 - [Martin Schulz lashes out at 'unscrupulous populists'](#) [5]
-

Rich bankers are always going to be more unpopular than rich footballers or rich property developers. This is partly because the human brain is ill-adapted to the complexities of a modern market economy. We still have the instincts and intuitions of Pleistocene hunger-gatherers.

We find it hard to understand that an intangible thing can have as much worth as a material one. How can moving money about on a computer be real work, in the same sense as soldering metal or driving a combine harvester? How can the banker be paid so much more than the welder or the farmer?

Every age struggles to understand that optimising the allocation of capital is a valuable service. In ancient and in mediaeval times, merchants were disdained as ignoble. Prices were regulated on grounds that objects had a "natural" value.

Usury and speculation were condemned, often criminalised. Even in the twentieth century, it was easy enough to whip up a storm against markets: fascists, revolutionary socialists and anti-colonialists sounded remarkably similar when they railed against decadent western capitalism.

We in the west, the chief beneficiaries of that system, are generally more relaxed about it. As long as our own salaries are rising, we don't much mind about bankers' bonuses.

But when growth falters, we become resentful. And when we see low and medium-earners being taxed to rescue wealthy bankers and bondholders from the consequences of their own errors, our resentment turns to rage.

"The thing that hath been, it is that which shall be," King Solomon tells us, "and there is no new thing under the sun." Trump and Corbyn are manifestations of an age-old phenomenon: the populist backlash that follows a banking meltdown.

A group of German economists has studied every financial crisis in the West since 1870, and found that, on average, populist and authoritarian parties surge by around 30 per cent as the economic consequences play out. The beneficiaries are those who best articulate the fury of the people whose incomes are stagnating.

To articulate that fury, of course, they need to find someone to yell about. The identity of that someone is, in a sense, secondary. Donald Trump blames immigrants, Alexis Tsipras blames Germans, Marine Le Pen blames Muslims. (Demagogues rarely blame Jews these days, at least not openly, though populist movements of both left and right often have an anti-Semitic tinge.)

The choice of target, though, matters less than the fact of there being a target. Never mind that

illegal immigration into the United States is lower today than it was before the crash.

Never mind that Germans keep sending their taxes to Greece when all they get back are Nazi-themed insults. In the aftermath of a crash, people aren't looking for context; they're looking for politicians who can verbalise their grievances.

Now for a hard thing that needs saying. Much of the reaction to the 2008 collapse was justified. Politicians raised a trillion dollars in taxation and used it to... well, no one is exactly sure where it went.

Central banks around the world cut interest rates and printed more money, pushing up the price of property and assets. In consequence, people who owned shares and houses - what Marxists would call rentiers - prospered while wage-earners fell behind. You don't have to be on the Left to find this outrageous.

The people who fell behind felt insulted as well as injured. Seeing a stagnation in your income is bad enough. But when you're simultaneously dismissed as a racist oaf by the people who are doing well, you want to hit back.

The tragedy is that the policies advocated by most populists - protectionism, higher spending, state intervention - serve to harm the voters from whom they draw their chief support. That's why, in the end, populists fizzle out, as the lamentable Tsipras, who started the cycle earlier than most, is doing in Greece.

In other countries it will take longer. But it will happen. Anger is a powerful emotion; but it carries us only so far. In the end, we want something more wholesome.

About the author

Daniel Hannan (ECR, UK) is a Vice-Chair of Parliament's delegation to the ACP-EU joint parliamentary assembly

Tags

[Brexit](#) [6]

[Economic Affairs](#) [7]

[Foreign Affairs](#) [8]

Categories

[Business and industry](#) [9]

[International Relations](#) [10]

[Society and welfare](#) [11]



Site Sections

- [Home](#)

- [Content](#)
- [Policy](#)
- [Magazines](#)
- [PM+](#)
- [Thought Leader](#)
- [EU Elections 2019](#)
- [Editorial Calendar](#)
- [Policy Events](#)
- [Event Coverage](#)
- [MEP Awards 2019](#)
- [Contact Us](#)

Services

[Dods PeopleDods](#)
[MonitoringDods](#)
[ResearchDods](#)
[EventsDods](#)
[Training](#)

Media & publishing titles

[Politics HomeThe](#)
[HouseThe](#)
[Parliament](#)
[MagazineHolyrood](#)
[Total PoliticsPublic](#)
[Affairs NewsCivil](#)
[Service](#)
[World](#)
[PublicTechnology](#)
[Training](#)
[JournalDods](#)
[Parliamentary](#)
[CompanionVacher's](#)
[Quarterly The](#)
[European Union and](#)
[Public Affairs](#)
[Directory](#)

Dods events

[Westminster](#)
[BriefingDigital](#)
[Health & Care](#)
[ScotlandMEP](#)
[AwardsThe Skills](#)
[SummitScottish](#)
[Public Service](#)
[AwardsPublic Sector](#)
[Procurement](#)

[SummitPublic](#)
[Sector ICT](#)
[SummitCyber](#)
[Security](#)
[SummitCyber](#)
[Security](#)
[2017Training](#)
[Journal Awards](#)

Partnership events

[The Health and
Care Innovation
ExpoCivil Service](#)
[LiveCivil Service](#)
[AwardsChief](#)
[Nursing Officer for
England's](#)
[SummitWomen into
LeadershipThe](#)
[Youth Justice](#)
[ConventionSocitm](#)
[Spring](#)
[ConferenceNHSCC](#)
[Annual Members'](#)
[EventDods at Party](#)
[Conference](#)

[Privacy Policy](#)[Terms & Conditions](#)[Advertising](#)[Sponsorship](#) [Subscriptions](#)

Source URL: <https://www.theparliamentmagazine.eu/blog/populists-flourish-after-financial-crises-they-get-found-out-end>

Links

[1] <http://www.conservativehome.com/thecolumnists/2016/11/daniel-hannan-populists-flourish-after-financial-crises-but-they-get-found-out-in-the-end.html>
[2] <https://www.theparliamentmagazine.eu/articles/news/brexit-strengthen-rise-far-right-eu-parliament-told>

- [3] <https://www.theparliamentmagazine.eu/articles/news/gianni-pittella-donald-trump-virus>
- [4] <https://www.theparliamentmagazine.eu/articles/news/euroscpticism-rise-across-europe>
- [5] <https://www.theparliamentmagazine.eu/articles/news/martin-schulz-lashes-out-unscrupulous-populists>
- [6] <https://www.theparliamentmagazine.eu/tags/brexit>
- [7] <https://www.theparliamentmagazine.eu/tags/economic-affairs>
- [8] <https://www.theparliamentmagazine.eu/tags/foreign-affairs>
- [9] <https://www.theparliamentmagazine.eu/categories/business-and-industry>
- [10] <https://www.theparliamentmagazine.eu/categories/international-relations>
- [11] <https://www.theparliamentmagazine.eu/categories/society-and-welfare>