

Ulysses Berated: Populism, Ideology, and Central Bank Independence

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On December 24, 2018, Donald Trump engaged in what was for him typical behavior, but targeted at a less-than-typical e-victim: he unleashed a tweetstorm on Fed Chair Jerome Powell for increasing interest rates from 2.25% to 2.5%. Trump usually aims his capital letters and exclamation points at more well-known public critics, such as CNN commentators or Rosie O'Donnell. But Powell was a relatively low-key and non-partisan target, in addition to being someone whom Trump appointed to the office.¹ Trump urged the Fed to 'Feel the market, don't just go by meaningless numbers.' He likened the Fed to a 'powerful golfer who can't score because he has no touch— he can't putt!'²

We might ask why Trump has set his sights on a person and institution that seldom shine in the Twitter political entertainment spotlight— at best, it's the subject of a few dry segments on CNBC where the only thing less numerous than the viewers is the amount of hair on the commentators' heads. The reason is that central banks control the money supply, which plays a major role in lending and borrowing across the economy. They do this by setting the interest rates at which banks borrow money, which in turn affects the rates at which banks lend to borrowers. This is a primary driver of economic activity. It affects stock prices, which have been a key source of Trump's self-proclaimed economic legitimacy since he took office.

In addition to their ability to affect stock prices with a few words, we might especially expect populists like Trump to be suspicious of central banks and their leaders because the latter typically come from elite circles and are usually largely autonomous from the political process. Populist of all stripes oppose elite, technocratic governance. Whether left- or right-wing, populists pit the corrupt, globalist intellectual elite against the good people and their common sense. Populists claim that 'I alone' can solve the social and economic problems of the country and when someone, especially someone so clearly a member of the maligned elite stands in their way, at best, they are often subject to harsh public attacks.

While a substantial amount of recent scholarly attention has focused on how populist

¹ <https://www.vox.com/policy-and-politics/2018/12/17/18144497/trump-tweet-fed-reserve-jay-powell>

² <https://www.marketwatch.com/story/trump-tweets-that-fed-is-like-a-powerful-golfer-who-cant-score-because-he-has-no-touch-2018-12-24>

leaders affect institutions like constitutions, courts, and freedom of the press, there has been less attention on how populist leaders affect economic institutions and the economy. Part of this is perhaps because populists emphasize economic issues to varying degrees and sometimes have very different economic policy preferences. While many populists, especially in Latin America have been left-wing populists focused on economic issues, the populists receiving most of the attention in Europe and the US have been cultural populists focus more on immigration and national sovereignty. The latter are often minimally concerned with economic issues (except when they overlap with cultural issues) and often take right-wing positions on economic issues like taxes (Kurz, the AfD, Swiss People's Party).

In this paper, we investigate the effect of populist leaders on central bank independence and its components using a new dataset on 46 populist leaders around the world from 1990-2016. While there are other datasets on populist leaders around the world (Kenny 2018), ours covers the largest number of countries and breaks populists down into three types: (1) cultural populists, including the far-right populists of Europe; (2) socio-economic populists, including the left-wing populists of Latin America; and (3) anti-establishment populists, which includes the neoliberal populists of Latin America and similar populists in East Asia. In addition to telling us whether populists are more likely than other leaders to reduce central bank independence, we can determine whether this is driven by any of the types of populism. We use a relatively new dataset on central bank independence by Garriga (2016) which allow us to study incidents of central bank independence reform, as well as the components of central bank independence.

While we do not find evidence that populists generally reduce central bank independence, we find substantial evidence that socio-economic populists reduce central bank independence. Socio-economic populists are more likely than other leaders, including other populists to reform the central bank and these reforms are more likely to decrease its independence. We examine four CBI subcomponents: autonomy of the bank's leadership, focus on price stability, autonomy in setting policy, and limitations on lending to the central government. We find that socio-economic populists are especially likely to reduce limitations on lending to the government, which is consistent with the findings of Dornbusch and Edwards (1989) that left-wing populists would use loose monetary policy to stimulate employment. We find that CBI increases under cultural populists because they impose greater restrictions on bank lending to the government. We find that anti-establishment populists are somewhat more likely to increase CBI and that

this is due to increasing the bank's focus on price stability. This is consistent with many of these populists having come to power on the promise to initiate pro-market reforms. We find very similar results when we interact our general indicator of populism with information from the Database of Political Institutions (DPI) on the economic ideology of the executive. Relative to right-wing populist executives, left-wing populist executives are more likely to enact reforms decreasing CBI, are less likely to focus its mandate on targeting price stability, are less likely to grant it policy autonomy, and are less likely to impose limits on its lending to the government.

As a robustness check, we replicate our results using two additional datasets: Kenny (2017) and Ruth (2017). The Kenny dataset is like ours in that it has global coverage but is based on a somewhat different coding of populists. Like ours, the Ruth dataset is based on the ideational approach to coding populism, but only covers 18 Latin American countries. One advantage that both datasets have over ours is that they begin in 1980. One disadvantage is that they do not break down populists by subcategories. To approximate our subcategories, we interact their indicators for populist leaders with information from the DPI on the economic ideological orientation of the executive. When we include these in regressions, we obtain the same core result in both datasets: left-wing populists are more likely than other leaders to reform the central bank and these reforms are more likely to decrease CBI. We also find that left-wing populists are more likely to reduce limitations to lending to the government in the Kenny data.

While these regressions all control for executive ideology, we perform a further set of tests in which we drop the indicator of populism to determine the importance of the economic ideology of leaders generally for CBI. Our results are surprising: there is almost no detectable difference between left- and right-wing executives for any of our dependent variables. Left-wing leaders are not more likely than right-wing leaders to reform CBI and CBI levels are no different between them. The only leader effect that we can find for CBI is that between left- and right-wing populist leaders. This suggests that populism is crucial for CBI. Although it is not true, as we might think, that all populists reduce CBI, they are the most active among all leaders in democracies in reforming it.

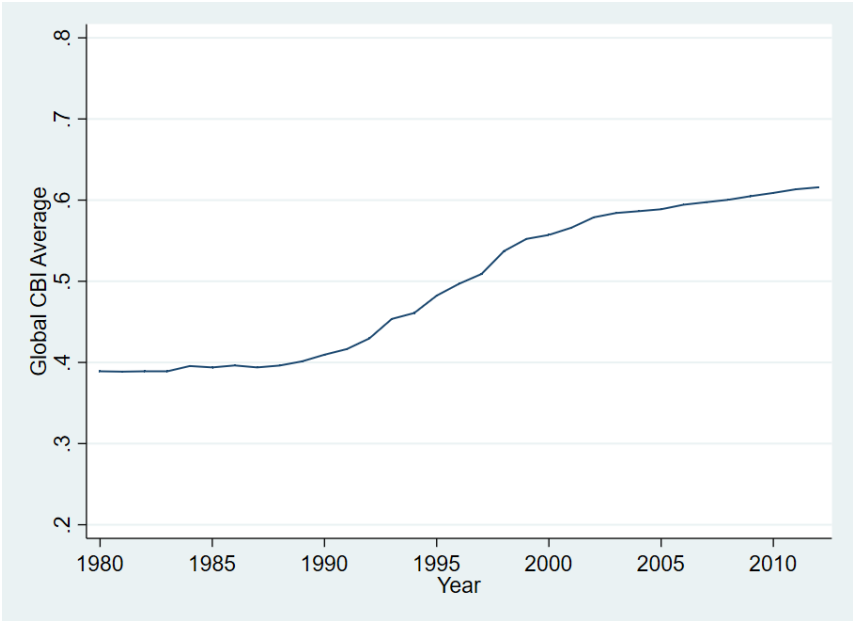
What is CBI? Why Would Populists Care about It?

CBI has become a central part of economic governance around the world. The idea that central

banks should be independent of the government arose in the late 70s and early 80s when governments faced stagflation, a combination of high inflation and high unemployment which previous economic models could not explain. The core idea is that when the government sets monetary policy, it faces a time inconsistency problem— it wants to have loose monetary policy to keep the economy running strong and get itself reelected, but this comes at the cost of future higher inflation (Kyddland and Prescott 1977). Macroeconomists theorized that one way to solve this time inconsistency problem was to make the central bank independent and give it control over monetary policy (Barro and Gordon 1983). It would be immune from short-term political pressures for economic growth and could focus on curbing inflation in the long-run.

CBI started to spread across developed countries in the 1980s. Even where it wasn't established, like in the UK, politicians pursued low interest rate monetary policies which created high short-run unemployment, but ultimately helped bring inflation under control. As we can see in Figure 1 below, CBI spread around the world in the 1990s. It became part of the 'Washington Consensus' that governments should allow markets to operate with minimal intrusion and leave technical matters about monetary policy to economic experts. Adopting CBI also helped signal to international investors that the country would maintain monetary stability and remain an attractive place for investment (Polillo and Guillen 2005).

Figure 1: Average Central Bank Independence around the World



Note: CBI is on a scale 0-1. It is an average of countries' values of appointment autonomy, policy autonomy, central

bank objectives, and limits on lending to the central government, weighted by country population.

While most of the academic literature on central bank independence focuses on its effect on economic outcomes, such as inflation and fiscal policy, there is a small literature on the politics of central bank independence. Bernhard (1998) argued that politicians in advanced democracies became more likely to make central banks independent when there was a conflict between coalition partners in government over monetary policy. Mukherjee and Singer (2008) found that central banks were more likely to adopt conservative inflation targeting when the government was controlled by right-wing politicians and central banks were not involved in regulating the financial industry. Dellepiane-Avellaneda (2013) examines the UK case, where central bank independence was established by the center-left New Labour government of Tony Blair. He argues that finance minister Gordon Brown wanted to signal New Labour's credibility in its new, centrist economic course. Counterintuitively, this enabled him greater leeway to pursue expansionary fiscal policy.

This research primarily covers the 80s-early 00s. While CBI was mostly expanding during this period, near the end of this period and continuing into recent years, there have been reductions in CBI in several countries. Since 2005, there have been 11 reductions in CBI, with 5 of them in populist countries. CBI reforms have received very little attention as most research has focused on differences in the level of CBI and not on changes within countries over time (Garriga 2016). Such attention is overdue; in addition to the rise of populism outside of Latin America, the 2008 financial crisis and increasing reservations about the value of neoliberal economic prescriptions suggest that the traditional drivers of support for these institutions may no longer be as effective in maintaining them.

Populists, Economics, and Institutional Change

While there is little academic work on how populists affect central bank independence, there is a growing body of work on how populists affect political and economic institutions. The classic literature on populism and economics is the 'Macroeconomics of Populism' literature from the late 80s and early 90s (Dornbusch and Edwards 1991). Dornbusch and Edwards (1989) argued that populists in Latin America in the late 60s and early 70s increased public spending and deficits to tap into under-utilized capacity for expansion. While this stimulated wages and employment in the short-run, it subsequently caused high inflation and capital flight. In

response, politicians reduced subsidies and devalued the currency, which caused a drop in real wages to below the status quo ex ante. While this definition of populism focuses on economics and is narrower than most current usages, similar concerns arise today about the long-term costs of rewriting trade and other multilateral agreements.

Most recent work on the effects of populism focuses on how populist leaders reshape their country's political institutions. Houle and Kenny (2018) examine institutional and legal constraints on executive authority as well as economic redistribution. They find that populists across the board lower rule of law and executive constraints, but don't affect redistribution. Rode and Revuelta (2015) also find that populists erode legal security, but they also reduce freedom to trade and tighten economic regulation. They find that these changes are similar under all types of populists—left-wing populist aren't more likely than other types of populists to make these changes.

These results are similar to those showing that populist leaders reduce institutional checks on their behaviour generally. Kenny (forthcoming) finds that populist leaders, especially those on the left, are more likely than others to reduce press freedoms. Ruth (2017) finds that populist leaders are more likely to issue executive orders and reduce constitutional checks and balances when the legislature is divided between parties (which often happens in PR countries in Latin America). Kyle and Mounk (2018) find that over 50% of populists amend or rewrite the constitution and that freedom of the press, civil liberties and political rights are more likely to fall.

Hypotheses

While existing work on populism and institutional change shows that there is little difference between different types of populism in outcomes, we may not expect this to be the case for economic outcomes like CBI. Left-wing populists run on explicitly anti-economic-elite messages while cultural populists often place little emphasis on economics, except for claims that immigrants are taking natives' jobs. And several Latin American neoliberal populists came to power on the promise to introduce pro-market reforms (Weyland 1999).

While populists may have a general aversion to independent institutions and want to

reduce checks and balances, we shouldn't expect them to oppose independent institutions if the independent institutions are likely to forward their policy preferences. We expect that socio-economic populists will oppose CBI and that when they are in power, they will decrease it. On the other hand, we expect that anti-establishment (neoliberal) populists will increase CBI as it is consistent with their pro-market preferences. Our predictions are less clear for cultural populists like Trump and Modi. On one hand, they distrust economic experts and prefer personal control over major economic decisions. But in many areas, they have pursued standard right-wing policies, such as cutting taxes and regulations. When we code populists leaders by economic ideology rather than our three categories, we expect that left-wing populists will be less favourable to CBI than right-wing populists.

Data

To test our hypotheses, we use the new Populists in Power database (Kyle and Gultchin 2018). It identifies 46 populist leaders in 33 countries from 1990-2018.³ They start by limiting the global sample to democracies, which they define as countries with a Polity score ≥ 6 . This eliminates most African and Middle Eastern countries. To code populists, they follow the ideational approach of Hawkins and Rovira Kaltwasser (2017), but with a slight adaptation. The ideational approach defines populism as 'a Manichean discourse that identifies the Good with a unified will of the people and the Evil with a conspiring elite' (Hawkins 2009). The Kyle and Gultchin definition classifies leaders as populists when they base their appeals on two characteristics: (1) that the people are locked into a conflict with outsiders and that (2) nothing should constrain the true will of the people. Following Brubaker (2017), They define the first feature somewhat more broadly than Hawkins and Rovira Kaltwasser, who define the conflict as being between the 'people' and the 'elite.' This is because populists often stoke divisions between their core supporters and marginalized communities as between their core supporters and the elite and define the people in opposition to both. Populists attribute a singular common good to the people, which derives from its common sense. Populists strategically stoke the insider-outsider divide in a variety of ways: (1) through political style, displaying bad manners and eschewing expert knowledge (Moffitt 2016); (2) by delegitimizing outsiders, highlighting supposedly unfair advantages that they have received and stoking resentment; (3) performing crises by dramatically highlighting the dire state of affairs on some political issue (often immigration) that mainstream

³ Due to the coverage of our dependent variable, we only use 1990-2012 in this paper.

politicians have supposedly swept under the rug for self-interested reasons (Moffitt 2015).

To identify populist leaders, Kyle and Gultchin identified 66 leading academic journals in political science, sociology, and area studies that commonly publish articles on populism, as well as the new *Oxford Handbook of Populism*.⁴ They queried all articles containing the keywords ‘populist’ or ‘populism’ in the title or abstract and used natural language processing technology that can identify names to identify the potential list of populist leaders. From this list, the authors read each source to verify that the leader in question met both elements of the definition of populism above. They sent this list to several populism experts to verify this list and suggest additional populist leaders not included, which the authors cross-checked using additional peer-reviewed specialist journals and books.

The key difference between this coding and other ideational approach-based codings like Hawkins (2009) and Hawkins and Rovira Kaltwasser is that the latter are based on coding actual speeches by political leaders. While this is a very useful approach, especially to understand how individual leaders change the populist nature of their speech over time, we did not feel that it was a feasible approach given our aspiration to assemble a global dataset. The Kyle and Gultchin approach to coding populism is like that of Ruth (2017), who also based her coding of populists in Latin America on the ideational approach, developed a list of potential populists from her review of the literature, and sent this to country experts for validation.

One novelty of our dataset is that it further divides populist leaders into three subcategories: cultural populists, socio-economic populists, and anti-establishment. Cultural populists are those that most closely fit Mudde’s (2007) definition of populist radical right leaders and, among current leaders, include Donald Trump, Narendra Modi, and Jair Bolsonaro. Socio-economic populists are left-wing populists and include mostly Latin American leaders like Hugo Chavez and Evo Morales, but also include Alexis Tsipras in the first few years of the Syriza government in Greece and Thaksin Shinawatra in Thailand. Anti-establishment populists include Weyland’s (1999) neoliberal populists of Latin America as well as several recent populist leaders in southeast Asia. These populists arose in opposition to left-wing governments that were widely perceived as corrupt and implemented market-based reforms. Figure 1 shows the

⁴ See the appendix of Kyle and Gultchin (2018) for a list of these journals and further details on coding.

distribution of these three types of populists from 1990-2018. As we can see, the number of anti-establishment populists has remained relatively constant while the number of both cultural and socio-economic populists has increased.

Figure 1: Cultural, Socio-Economic, and Anti-Establishment Populists 1990-2018



Information on CBI comes from a relatively new dataset by Garriga (2016). This dataset uses the codings of Cukierman et al (1992), but covers 182 countries from 1970-2012, a 240% increase in coverage over the next largest dataset. The data contain a variety of information: in addition to overall CBI, they include the four component categories (appointment independence, objective independence, policy formulation independence, and limitations on lending) and for each country-year, whether the country had a CBI reform and whether the reform increased or decreased CBI. Previous datasets just included the overall CBI measure. We analyse the all these variables to understand both whether populists increase/decrease CBI and how they do it.

We analyse eight dependent variables (1) The overall level of CBI, weighted by country size (column 1), (2) whether the country had a CBI reform in a given year (column 2), (3) whether that reform decreased CBI (column 3), and (4) whether that reform increased CBI (column 4). Then we examine four components of CBI. The first is the appointment of the CEO (column 5). A country receives a higher score on this dimension for CEOs with longer terms, when leaders are appointed by the central bank's board rather than politicians, when politicians have less ability to dismiss the CEO, and when CEOs are prohibited from holding other offices. The second component concerns the bank's objectives (column 6). A country gets a higher score to the degree that price stability is the bank's sole focus. The third component concerns the

formulation of monetary policy (column 7). A country receives a higher score when the bank has the sole legal authority to set monetary policy and greater authority over its policy objectives. The final component consists of central bank lending to the government (column 8). A country receives a higher score when the central bank has higher limits on lending to the government, controls the terms of lending, has a role in budget formation, and is strictly limited to lending to the central government. The overall CBI measure (column 1) is a weighted average of these four categories, with CEO appointment receiving a weight of 0.2, central bank objectives 0.15, policy formulation 0.15, and limitations on lending 0.5

For each of our regressions, we use OLS with fixed effects for country and year, with the dependent variables set one year forward from the independent variables. As control variables, we include indicators for whether the executive has left or right-wing ideological orientation from the DPI, log GDP, GDP growth, government consumption, inflation, trade openness, and constraints on the executive. We cluster standard errors by country.

Results

In table 1, we present regression results for our eight dependent variables where the main independent variable is our general indicator for populist leadership.⁵ As we can see, there isn't a particularly strong relationship between populist leaders and CBI. Populist leaders are associated with slightly higher overall levels of CBI, but this is imprecisely estimated. These results are similar for their probability of initiating a CBI reform, as well as for initiating reforms that increase or decrease CBI. When we turn to the components of CBI, we find some results, but they are somewhat puzzling. Populist leaders are associated with .04 points higher (scale 0-1) CEO independence, which is about 1/5 of a standard deviation. This contradicts the idea that populist leaders will want to make the bank's leaders more subservient to them. But it is also important to note that a country gets points for having longer CEO terms and if they can appoint the leaders, a populist might want them to have a long term. This gives the leader an opportunity to appoint someone who can still enact his preferred policies even if an opposing politician takes office. We also find that objective independence is somewhat higher under populists, suggesting that the bank's focus becomes more limited to price stability.

⁵ While all regressions include controls and fixed effects, we do not show them here for simplicity of presentation.

Table 1: Populist Leaders and Central Bank Independence

Populism	Overall CBI	Reform	Decrease	Increase	Personnel	Objective	Policy	Lending
Populist	.020 (.026)	.021 (.028)	.025 (.017)	.010 (.029)	.041 (.014)***	.031 (.018)*	-.007 (.033)	.016 (.042)
N	1,569	1,601	1,601	1,601	1,569	1,569	1,569	1,567
R ²	.050	.000	.011	.002	.063	.019	.072	.054

Note: All regressions control for dummies for left and right-wing orientation of the executive, log GDP, GDP growth, government consumption, inflation, trade openness, and constraints on the executive. All regressions are OLS with country and year fixed effects. The sample is limited to democracies, which we define as countries that have a Polity IV score ≥ 6 . * $p < .1$, ** $p < .05$, *** $p < .01$

While these results are underwhelming and occasionally puzzling, it is possible that by lumping all populist leaders together, we are masking important differences between them. We know that the neoliberal populists of Latin America and southeast Asia were often elected on platforms of reducing corruption and enacting market reforms. During the 90s and 00s, CBI was a central part of the Washington Consensus package of pro-market reforms as it would help improve monetary stability and create a better environment for investment. On the other hand, socio-economic populists, who are in the mould of the macroeconomic populists of Dornbusch and Edwards (1989), come to power on a platform of increasing employment. As Dornbusch and Edwards noted, one of the ways that they do this is by running looser monetary policy. The leader can do this by making the bank more subservient to himself and requiring it to lend more money to the government. Because of this, we might expect the largely null findings of table 1 to mask pro-CBI results for neoliberal, and possibly cultural populists, and anti-CBI results for socio-economic populists.

We investigate this in Table 2, in which we replace the populist indicator with indicators for whether the country had a cultural, socio-economic, or anti-establishment populist leader. These results are much more consistent with our expectations. Socio-economic populists are anti-CBI across measures. They are associated with about 9.3 percentage points overall lower CBI. They achieve this largely through requiring the central bank to increase lending to the government; socio-economic populists are associated with .183 points (scale 0-1) lower limitations on lending to the government— about 2/3 of a standard deviation. Socio-economic populists are also much more likely (about 6.7 percentage points) to initiate a reform of the central bank than other types of populists. They are also about 7.6 percentage points more likely to decrease CBI. While we don't find much evidence that socio-economic populists reduce the bank's objective or policy independence, remember that limitations to lending was the most heavily weighted (.5)

component of overall CBI. We also have the same, somewhat puzzling finding for personnel autonomy— this is higher under socio-economic populists. In fact, the result from table 1 appears to be largely driven by socio-economic populists. This finding merits further investigation. A first step will be to get data on the subcomponents of personnel independence, which are not in the Garriga dataset, and see if this is perhaps driven by lengthening of term limits. Another possibility is that even if bank leaders are formally appointed by the bank’s board, political leaders may be able to exert influence over the board’s decision making.

Table 2: Varieties of Populist Leaders and Central Bank Independence

Three Types of Populism	Overall CBI	Reform	Decrease	Increase	Personnel	Objective	Policy	Lending
Cultural	.082 (.035)**	.041 (.044)	.022 (.032)	.047 (.035)	.048 (.032)	.014 (.040)	.030 (.039)	.131 (.047)***
Socio-Economic	-.093 (.039)**	.067 (.033)**	.076 (.030)**	-.019 (.039)	.078 (.027)***	.005 (.027)	-.117 (.071)	-.183 (.056)***
Anti-Establishment	.054 (.032)*	-.044 (.042)	-.019 (.017)	-.001 (.045)	-.007 (.017)	.065 (.025)**	.062 (.039)	.073 (.055)
N	1,569	1,601	1,601	1,601	1,569	1,569	1,569	1,567
R ²	.048	.000	.021	.003	.063	.020	.074	.045

Note: All regressions control for dummies for left and right-wing orientation of the executive, log GDP, GDP growth, government consumption, inflation, trade openness, and constraints on the executive. All regressions are OLS with country and year fixed effects. The sample is limited to democracies, which we define as countries that have a Polity IV score ≥ 6 . * $p < .1$, ** $p < .05$, *** $p < .01$

Turning to cultural and anti-establishment populism, we find that CBI is higher under both. We expected this for anti-establishment populism but were more agnostic about cultural populism. Surprisingly, the magnitude is higher under cultural populists. This appears to be driven, again, by limitations to lending. These are substantially higher under cultural populists— almost 1/2 of a standard deviation. While they are also higher under anti-establishment populists, the estimate is imprecise. This is also the case for policy independence. The relationship between anti-establishment populists and objective independence is more precisely estimated, meaning that when they are in power, the bank’s objectives become more narrowly focused on price stability. This is consistent with the view that many came to power on a platform of implementing Washington Consensus policies.

As we can see in Table 2, there seems to be a divide between right- and left-wing populists with respect to CBI. It was initially unclear to us how cultural populists would affect CBI, but we can see that they are at least as favourable as the neoliberal populists. In Table 3, we further examine the idea that there is a left-right dividing line with CBI for populists. In our previous regressions, we had been controlling for left and right-wing economic ideology dummies in the

executive. In table 3, we interact our indicator for populist with the left-wing and other categories (centrists and non-classifiable economic ideology), using right-wing populists as the residual category. We include these variables and their components instead of our three subcategories of populism.

Table 3: Varieties of Populist Leaders and Central Bank Independence; DPI Data

Kenny Data	Overall CBI	Reform	Decrease	Increase	Personnel	Objective	Policy	Lending
Populist	.108 (.035)***	-.023 (.042)	-.024 (.011)	.036 (.038)	.024 (.019)	.179 (.039)**	.102 (.044)**	.152 (.056)***
Left	.010 (.015)	.005 (.019)	-.011 (.006)*	.005 (.018)	.001 (.008)	-.003 (.014)	-.024 (.019)	.028 (.024)
Other	.008 (.018)	-.002 (.018)	-.011 (.008)	.002 (.023)	.011 (.010)	-.017 (.018)	-.019 (.029)	.023 (.029)
Left X Populist	-.137 (.049)**	.125 (.051)**	.100 (.027)***	-.006 (.044)	.035 (.026)	-.084 (.048)*	-.184 (.095)*	-.208 (.075)***
Other X Populist	-.106 (.051)**	.023 (.052)	.028 (.028)	-.075 (.042)*	.010 (.030)	-.044 (.052)	-.111 (.056)*	-.168 (.084)**
N	1,569	1,601	1,601	1,601	1,569	1,569	1,569	1,569
R ²	.050	.001	.027	.002	.063	.019	.070	.054

Note: Coefficients for Left and Other are relative to Right executives. Coefficients for Left X Populist and Other X Populist are relative to Right X Populist. All regressions control for log GDP, GDP growth, government consumption, inflation, trade openness, and constraints on the executive. All regressions are OLS with country and year fixed effects. * $p < .1$, ** $p < .05$, *** $p < .01$

As we can see in Table 3, the divide between left and right-wing populists is strong. The populism indicator, which captures right-wing populism because we're controlling for interactions with the other categories, is positive and significant for overall CBI, price stability, policy autonomy, and limitations on lending. Right-wing populists are associated with about .11 higher CBI, about 1/2 of a standard deviation. The results for left-wing populists mirror these. They are similar to the results for socio-economic populists in Table 2. Left-wing populists are more likely than other types of leaders to initiate bank reforms, these reforms are more likely to decrease CBI, and they are associated with lower overall levels of CBI. We also find that like socio-economic populists, they reduce limitations on lending to the government. Unlike socio-economic populists in Table 2, we find evidence that left-wing populists also reduce the focus on price stability and reduce the bank's policy autonomy. This is in line with our general expectations about how left-wing populists (and left-wing leaders generally) would affect these components.

Robustness Checks: Using Alternative Populist Leader Datasets

While our dataset covers the largest variety of countries and is the only one (to our knowledge) that codes leaders for different types of populism, it isn't the only dataset on populist leaders around the world. To examine the robustness of our results, we use two additional datasets: (1) Kenny (2017), who codes populist leaders for 86 countries 1980-2014 and (2) Ruth (2017), who codes populist leaders for 18 Latin American countries 1979-2013. Kenny employs an 'organizational approach' to coding populism, where "the main criteria for coding a populist party are 1) whether the party leader is the creator of a new personalist party vehicle, or whether she substantially removed constraints on their power within the party having otherwise gained the leadership; and 2) whether the party relied primarily on the mobilization of independent or swing voters through the charismatic appeal of the leader via personalistic appeals through the media and mass rallies rather than on institutional or clientelistic linkages in coming to power." (Kenny 2018, 14). While this downplays the role of rhetoric relative to ideational approaches, it does a better job capturing the personalistic dimension of populism. Kenny's dataset starts in 1980 while ours starts in 1990, but it excludes Africa while ours does not. Kenny identifies 195/2,895 country-years as populist; 116 of these country-years are coded as populist in our data. For comparison, we code 299/2,436 country-years as populist.

Despite these differences, the regression results using Kenny's indicator of populism are remarkably similar to ours. All coefficients have the same sign and the magnitudes/significance are similar. The biggest difference is with objective independence, for which the magnitude using the Kenny measure of populism is more than twice the size of that using our data.

Table 4: Populist Leaders and Central Bank Independence; Kenny Data

Kenny Data	Overall CBI	Reform	Decrease	Increase	Personnel	Objective	Policy	Lending
Populist	.030 (.033)	.026 (.019)	.013 (.017)	.013 (.016)	.047 (.020)**	.069 (.037)*	-.052 (.060)	.035 (.049)
N	2,020	2,065	2,065	2,065	2,020	2,020	2,020	2,020
R ²	.108	.017	.010	.023	.009	.077	.098	.114

Note: All regressions control for executive ideological orientation, log GDP, GDP growth, government consumption, inflation, trade openness, and constraints on the executive. All regressions are OLS with country and year fixed effects. * p < .1, ** p < .05, *** p < .01

Because Kenny does not code populist leaders by type, we cannot directly test for the effects of different types of populism as in Table 2. But as in Table 3, we can interact his populism indicator with the executive ideology variables from the DPI. In table 5, we include Kenny's populism indicator, the DPI indicator for left-wing and other cabinets, and the interaction between populist and left-wing and other cabinets. The results are very similar to

those in Table 3. Left-wing populists are more likely to initiate CBI reforms, these reforms are more likely to decrease CBI, and overall CBI is lower. We also find that left-wing populists reduce the focus on price stability, the bank's policy autonomy, and limits on lending to the government.

Table 5: Varieties of Populist Leaders and Central Bank Independence; Kenny Data

Kenny Data	Overall CBI	Reform	Decrease	Increase	Personnel	Objective	Policy	Lending
Populist	.113 (.030)***	-.023 (.040)	-.029 (.023)	.014 (.039)	.027 (.028)	.147 (.032)***	.113 (.057)*	.137 (.059)**
Left	.002 (.015)	.005 (.018)	-.011 (.005)**	.001 (.016)	.001 (.008)	-.025 (.018)	-.017 (.021)	.016 (.023)
Other	.021 (.019)	-.003 (.018)	-.008 (.007)	-.005 (.017)	.003 (.014)	-.033 (.026)	.015 (.032)	.046 (.031)
Left X Populist	-.169 (.065)**	.119 (.061)*	.092 (.032)***	.001 (.049)	.031 (.041)	-.108 (.045)**	-.300 (.133)**	-.229 (.099)**
Other X Populist	-.079 (.042)*	.032 (.061)	.034 (.029)	-.001 (.051)	.023 (.041)	-.087 (.060)	-.169 (.074)**	-.089 (.068)
N	2,020	2,065	2,065	2,065	2,020	2,020	2,020	2,020
R ²	.102	.020	.013	.023	.009	.082	.010	.097

Note: Coefficients for Left and Other are relative to Right executives. Coefficients for Left X Populist and Other X Populist are relative to Right X Populist. All regressions control for log GDP, GDP growth, government consumption, inflation, trade openness, and constraints on the executive. All regressions are OLS with country and year fixed effects. * p < .1, ** p < .05, *** p < .01

In tables 6 and 7, we do the same exercise but with Ruth's (2017) dataset. The coding criteria for Ruth's dataset are similar to ours, but her dataset starts in 1979 and only covers 18 Latin American countries. Despite these differences, the results in table 6 look similar to both our results in table 1 and to the results using Kenny's indicator of populism in table 4. The signs are all the same and while the magnitudes are a bit different, the lack of statistical significance across the dependent variables is similar.

Table 6: Populist Leaders and Central Bank Independence; Ruth Data

Kenny Data	Overall CBI	Reform	Decrease	Increase	Personnel	Objective	Policy	Lending
Populist	.007 (.025)	.054 (.034)	.016 (.029)	.027 (.032)	.009 (.025)	.008 (.024)	-.039 (.043)	.025 (.037)
N	503	528	528	528	503	503	503	503
R ²	.204	.007	.000	.121	.046	.045	.011	.111

Note: All regressions control for executive ideological orientation, log GDP, GDP growth, government consumption, inflation, trade openness, and constraints on the executive. All regressions are OLS with country and year fixed effects. * p < .1, ** p < .05, *** p < .01

Like Kenny, Ruth does not break populists down into categories, so we followed the same procedure of interacting the DPI indicators for ideological orientation of the executive with her populism indicator to create indicators for left and right-wing populism. When we include these

in the regressions in table 6, we get results similar to those in tables 3 and 5, but a little bit weaker. The signs on left-wing populism are almost all the same as tables 2 and 4, but some of the magnitudes are smaller and less precisely estimated. As in tables 3 and 5, we find evidence that left-wing populists are more likely to initiate CBI reforms and that their reforms are more likely to decrease CBI. But the magnitudes for overall CBI and limits to lending are smaller than in tables 2 and 4 and imprecisely estimated. It is likely that the differences in the results are due to differences in the country coverage, but this merits further investigation.

Table 7: Varieties of Populist Leaders and Central Bank Independence; Ruth Data

Kenny Data	Overall CBI	Reform	Decrease	Increase	Personnel	Objective	Policy	Lending
Populist	.035 (.051)	-.009 (.043)	-.035 (.029)	.038 (.040)	-.003 (.027)	.017 (.058)	-.041 (.062)	.077 (.067)
Left	-.015 (.040)	.005 (.026)	-.011 (.012)	-.003 (.032)	.002 (.038)	-.066 (.053)	-.047 (.052)	.003 (.048)
Other	.027 (.022)	.006 (.024)	-.075 (.032)	.011 (.023)	-.002 (.026)	-.033 (.090)	-.026 (.042)	.074 (.029)**
Left X Populist	-.039 (.076)	.130 (.070)*	.075 (.032)**	-.025 (.062)	.059 (.046)	-.033 (.090)	-.025 (.099)	-.085 (.112)
Other X Populist	-.022 (.065)	.041 (.094)	.072 (.047)	.008 (.057)	-.064 (.041)	-.051 (.062)	.034 (.120)	-.014 (.104)
N	503	528	528	528	503	503	503	503
R ²	.174	.008	.001	.113	.046	.047	.012	.127

Note: Coefficients for Left and Other are relative to Right executives. Coefficients for Left X Populist and Other X Populist are relative to Right X Populist. All regressions control for log GDP, GDP growth, government consumption, inflation, trade openness, and constraints on the executive. All regressions are OLS with country and year fixed effects. * p < .1, ** p < .05, *** p < .01

Executives' Ideology and CBI

In this section, we perform one final set of exercises: examining whether executive economic ideology generally affects CBI and its components. The coefficients on left executive and other executive were generally small and insignificant in tables 3, 5, and 7 and we want to see whether these results are robust to dropping populism from the regressions. We run two sets of analyses: in Table 8, we regress CBI and its components on executive ideological orientation in our full sample of countries and years (1980-2012), controlling for countries' Polity scores. In Table 9, we limit the data to the sample of countries and years in the Kyle and Gultchin dataset.

As we can see in Tables 8 and 9, the results from our previous regressions were representative: executive economic ideology does not appear to affect CBI or any of its components. Neither left-wing nor other executives are different from right-wing executives with respect to CBI or its subcomponents. The one exception to this is for policy autonomy in the Kyle

and Gultchin sample, which is lower under left-wing relative to right-wing executives. But this result is not robust in the full sample.

Table 8: Executive Economic Ideological Orientation; Full Sample

Executive Economic Ideology	Overall CBI	Reform	Decrease	Increase	Personnel	Objective	Policy	Lending
Left-Wing	.000 (.014)	.006 (.014)	-.005 (.004)	.000 (.013)	.007 (.007)	-.006 (.021)	-.029 (.021)	.008 (.021)
Other	.010 (.018)	-.008 (.014)	-.005 (.004)	-.009 (.013)	.007 (.012)	-.017 (.023)	-.014 (.029)	.027 (.027)
N	3,245	3,504	3,503	3,503	3,245	3,225	3,245	3,238
R ²	.106	.013	.005	.020	.050	.082	.077	.071

Note: All regressions control for dummies for log GDP, GDP growth, government consumption, inflation, trade openness, constraints on the executive, and Polity score. All regressions are OLS with country and year fixed effects. * p < .1, ** p < .05, *** p < .01

Table 9: Executive Economic Ideological Orientation; Kyle and Gultchin Sample

Executive Economic Ideology	Overall CBI	Reform	Decrease	Increase	Personnel	Objective	Policy	Lending
Left-Wing	-.002 (.015)	.017 (.018)	-.001 (.006)	.005 (.017)	.005 (.008)	-.011 (.014)	-.042 (.018)**	.009 (.024)
Other	-.000 (.021)	-.016 (.023)	-.013 (.009)	-.011 (.021)	.011 (.012)	-.018 (.017)	-.025 (.027)	.008 (.034)
N	1,569	1,601	1,601	1,601	1,569	1,569	1,569	1,567
R ²	.047	.000	.003	.002	.060	.018	.073	.051

Note: All regressions control for log GDP, GDP growth, government consumption, inflation, trade openness, and constraints on the executive. All regressions are OLS with country and year fixed effects. The sample is limited to democracies, which we define as countries that have a Polity IV score ≥ 6 . * p < .1, ** p < .05, *** p < .01

These results underline the importance of populism for CBI. Taking all our results together, it appears that ideological differences between populists are the primary ideological driver of changes in CBI and its components among executives. There are few detectable differences between populist and non-populist leaders and between left-wing and right-wing non-populist leaders for CBI and its components. But there are substantial differences between left and right-wing populists, as well as between the Kyle and Gultchin subcategories of populists.

Discussion

Our findings show that not all populist leaders attack CBI. Reductions in CBI occur primarily under left-wing populist leaders. This is sensible because left-wing populists come to power on promises to break up the power of economic elites and reduce the influence of neoliberal international NGOs on their countries. Because CBI was a standard prescription by these NGOs to promote macroeconomic stability and encourage investment, it makes sense that this would be one of their specific targets. By increasing limits on lending to the government, socio-economic

populists could use central banks as part of their redistributive agenda, rather than having them as opponents.

It is also possible that our results are underestimating the effect of populist leaders on CBI. The data only capture cases of actual reduction in CBI. But populist leaders can threaten bank leaders into compliance with their agendas without affecting CBI. And by changing the bank's leadership, populists can achieve some of their goals without changing other aspects of the bank's independence. This could perhaps explain our otherwise puzzling finding that bank leadership autonomy increases under socio-economic populists. Populists may take advantage of long leadership tenure to appoint leaders who will continue to push for their policy preferences, even if they are voted out of office.

There is also an issue with how cleanly populists fit into subcategories. For example, we code Trump as a cultural populist in our data, but in several respects (like trade), he is like a socio-economic populist. Because populist leaders often share aspects of other types of populism, we would caution against interpreting our results as saying that decreases in CBI won't happen under other types of populist leaders. There have been relatively few populist leaders in western Europe and North America, where it is especially common for populists to combine cultural and socio-economic populism into their platforms. Trump has shown that he is willing to pursue his protectionist trade agenda in the face of almost unanimous criticism and it is likely that if the economy turns for the worse, he would similarly try to attack the Fed.

In line with this, future work on the effects of populist leaders in power should examine how they affect a wider range of economic outcomes. One interesting finding from the voluminous literature on regimes and growth that would be worth investigating further is whether growth under populist leaders is more volatile than under non-populist democrats (Cuberes and Jerzmanowski 2008). Populists make take measures to boost short-term growth, such as regulatory and tax reform on the right or nationalization on the left. But these could come at long-term expense, resulting in highly volatile performance over a span of several years. We might expect something similar for stock market performance. How populists affect these, as well as trade and regulatory reforms, is worth investigating further.

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