

THE ECONOMIC COSTS OF PARLIAMENTARY POPULISM: EVIDENCE FROM EUROPEAN REGIONS

Growing support for populist parties has increasingly been understood as an expression of place-based discontent; thus, the feeling of being left behind—experiencing a persistent relative decline while political and economic power is concentrated elsewhere—leads to electoral revenge through the ballot box (Rodríguez-Pose, 2018). The discontent has become so explicit that, currently, these parties have parliamentary seats in almost all EU member states. This article explores whether this sentiment, once translated into parliamentary representation, produces material consequences for the very regions that generated it. We argue that the mechanism linking perceived marginalization with regional economic outcomes operates through the legislature even before populists govern.

By developing an original extension of the exogenous growth models with congestion in public expenditure (Barro and Sala-i-Martin, 1992), we suggest that parliamentary populism could reshape institutions, leading to significant changes in long term growth. We test the sign and magnitude estimating a dynamic linear panel with 239 NUTS2 regions across 27 EU countries (1996–2022), by combining regional economic accounts (ARDECO), harmonized electoral geography (EU-NED) and, populist classifications (The PopuList 3.0). To address sequential endogeneity, we use first-differenced GMM (Arellano and Bond, 1991) and system GMM (Arellano and Bover, 1995; Blundell and Bond, 1998) estimators. We construct a novel parliamentary populist vote share measure capturing votes for parties with actual legislative seats, allowing us to isolate the economic effects of populism that has crossed the threshold of institutional power.

We find that each one-percentage-point increase in parliamentary populist vote share reduces regional GDP per capita between 0.17 and 0.40%, indicating that the economic costs occur well before populists take executive power. Moreover, when accounting for territorial concentration, we find even larger negative coefficients, consistent with the idea that spatially concentrated grievances can shape national political competition and alter regional trajectories. Extra-parliamentary populist support, on the other hand, is associated with higher regional growth rates, because of their lower parliamentary representation as well as the strategic reaction of mainstream parties to the potential populist threat.

These results contribute to the 'ideational turn' in regional studies (Benner, 2024) by showing how place-based marginalization feelings, once expressed electorally, generate institutional frictions with lasting consequences for regional development. The evidence points to a self-reinforcing populist trap in which persistent relative decline fuels abandonment and marginalization feelings; these perceptions translate electorally into populist parliamentary representation; once in the legislature, populist parties generate institutional frictions and policy uncertainty, eroding long-run potential growth; and this economic deterioration deepens the very conditions of neglect producing discontent in the first place. The left behind feeling thus becomes a self-fulfilling prophecy. Far from being a mere expression of grievance, place-based discontent reshapes the trajectories of regions it originates from, locking regions in a persistent development trap. Breaking this vicious cycle requires rethinking European Cohesion policy toward place-sensitive strategies addressing the underlying sources of perceived institutional neglect, so that regional policy is experienced as effective precisely in the places that feel most abandoned.