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*Populism and the Re-birth
of Manufacturing:
New Trends or Empty Promises?*

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Populism and the Re-birth of Manufacturing: New Trends or Empty Promises?

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Abstract

Populist political movements frequently campaign on promises to rebuild domestic manufacturing and reverse perceived losses from globalization. This paper evaluates whether populist governments succeed in improving manufacturing performance once global trends are taken into account. Using a panel of 86 countries from 1960 to 2019, we examine manufacturing output and employment—both in levels and relative to GDP—during periods of populist governance. To isolate country-specific effects from global structural change, outcomes are measured relative to peer groups defined by region, income level, economic size, population, and initial manufacturing structure. Two-way fixed effects estimates and dynamic event-study analyses based on the Sun and Abraham (2021) estimator reveal little evidence that populist regimes systematically increase manufacturing performance relative to comparable countries. Where statistically significant effects appear, they are short-lived and not part of sustained trends. The results suggest that populist policies do not meaningfully reverse long-run deindustrialization, though pre-treatment patterns in manufacturing employment may help explain the electoral appeal of re-industrialization rhetoric.

JEL Codes: E65, L60, O14, P16

Keywords: Populism; Manufacturing; Industrial Policy; Event Studies

Introduction

Populists have long been recognized as distinguishing “us” versus “them” rhetorically then attempting to construct policy around that distinction. In general, “us” are seen as those who have been harmed by “them” and who have been overlooked. Who they identify as “them” differs more widely across countries, cultures and times, depending on the challenges being faced. Generally speaking, “them” is whomever is perceived as driving current social, political

and/or economic ills. Frequent “them” targets are “the elite” or “foreigners” – not mutually exclusive groups – who are often seen as either taking jobs or businesses or both. Frequent groups identified as “us” workers in traditional industries or other traditional members of the community.

As a result of this worldview, populist policies over the decades have generally attempted to improve domestic manufacturing, seen as traditional, often colored with national or nativist tones. A natural question, then, is whether populist regimes through the years have had any discernable effect on manufacturing at all. We address this with data from the Global Macroeconomic Database (Müller et al. 2025) and show that populist policies have not had any meaningful effect on domestic manufacturing either as a share of GDP or as a share of employment, despite their rhetoric and policies.

Literature Review

The modern literature on macroeconomics and populism began in the 1980s with the rise of populist regimes across Latin America. While there was some early work by Drake (1982), Sachs (1985), Sheahan (1987) and others, the modern view of populist macroeconomics was largely established through the work of Dornbusch and Edwards (1990) and the results of many researchers brought together by them and published in their conference collection, Dornbusch and Edwards (1991). That early literature focused on broad macroeconomic issues like balance of payments problems under fixed exchange rate regimes with unsustainable monetary and fiscal policy. Broad macroeconomic analysis was combined with detailed country-level political narratives, including a discussion of the strong redistributive interests of populist regimes which were achieved mostly through transfers, wage and price controls and the like.

While not usually the focus of the research – quite logically since the macro imbalance problems dwarfed most other issues - there was already a recognition that industrial policy was central to populist claims and political objectives. Drake (1982, p. 218), as cited in Dornbusch and Edwards (1990), argued that the “[programs] normally respond to the problems of underdevelopment by expanding state activism to incorporate the workers in a process of accelerated industrialization through ameliorative redistributive measures”.

Bazdresch and Levy (1991), in line with early work by Sheahan (1987), argued further that Latin American populism systematically included industrialization as a major policy goal. Castro and Ronci (1991), in examining the case of Brazil, argued that industrialization has essentially always been a major populist policy goal dating back well before the 1980s. They write that, in Brazil, the “1930 revolution had broken up the old regime and brought forward a group of “young lieutenants”- mostly military -that lined up in favor of a new protectionist rule to promote domestic industries”.

The effort to increase the domestic industrial-manufacturing base appears part and parcel of populist policy. This continues today with what are often called “new populists”, defined in contrast to the “classical populists”, generally seem as the left-leaning populists of the 1980s. Classical populist policies are described by Edwards (2019) as “a range of policies—protectionism, agrarian reforms, controls and regulations, and the nationalization of large companies—[sic] put in place by populist regimes, but the emphasis was on fiscal largesse financed by money creation as the main redistributive mechanism.” New populists and their policies, by contrast, tend to be more right-leaning, to have flexible exchange rate regimes and not to go to the same extreme in monetary and fiscal policy. As a result, they also tend to avoid balance of payments crises and hyperinflation.

A common element, however, continues to be redistribution (from “them” to “us”) through a range of policies, including pro-manufacturing industrial policy. Both classical and new populists, additionally, oppose globalization which necessarily requires efforts to protect and grow the country’s domestic manufacturing base. Classical populist leaders were staunchly nationalistic, opposed foreign investors and often nationalized multinational firms (Edwards, 2019). New populists tend to oppose globalization more broadly championing national identity and fighting the loss of their domestic cultural heritage, criticize multilateral organizations and use government controls as a way to redirect income to particular groups, in particular via industrial policies like nationalization and general protectionism to support domestic industries (Edwards, 2019).

Sonno et al (2017), Margalit (2019), Tabellini (2019), Docquier et al (2024) and others identify the rise of populism with the perceived harm to traditional domestic manufacturing due both to imports and foreign competition as well as technological advances. In their view, broadly, the spread of globalism generally and the rise of China, specifically, since the late 1990s has combined technological improvements to harm a specific demographic “socially conservative and less educated social strata” (Tabellini, 2019) that has led to support for a more conservative new populism in recent years. Others such as Docquier et al (2024) highlight that migration issues have also been on the rise adding to the populist backlash against globalization.

Colantone and Stanig (2019) argue, however, that economic issues are the main driver of the rise of populism in Europe starting with growing economic nationalism reflected in campaigns such as Brexit and other anti-globalist movements. In Europe, they argue that “[e]ntire manufacturing regions have lost prosperity over time. All this provides fertile ground for the electoral success of parties promising protectionism” (Colantone and Stanig, 2019, p. 136). And in the US, industrial policy to rebuild manufacturing has found support from the work of Autor, Dorn, and Hanson (2013) which highlights “the negative effects of the China shock on the US economy due to the displacement of domestic manufacturing.” (Colantone and Stanig, 2019, p. 136). Their own work

then indicates that the China shock has had effects larger than even Autor, Dorn, and Hanson (2013) claimed, especially on the electorate and, hence, on support for populism.

With the ascent of more right-leaning populism in more recent years, academic interest in the subject returned and initially focused on the causes of the rise. The first article we know of to ask the next logical was Ball et al (2019) who asked about the effects of the policies of populism generally and if there is any difference between the likely economic outcomes of classical and new populist movements. Their work largely updated and formalized the populist boom-bust cycle identified by Dornbusch and Edwards (1990) which they called a walking-stick pattern (i.e., “inverted J-curve”) to capture that the boom is followed by prolonged decline, even under new populist regimes. Their work was followed by Funke et al (2023) who additionally developed an updated index of populism that includes more modern populist regimes. Asutay et al (2025) combined the insights of Ball et al (2019) and Funke et al (2023) with a theoretical model of populist policies that generates walking stick patterns and allowed one to distinguish between classical populist and new populist policies in the data.

The results of this line of populist macroeconomics research is, however, largely based on macroeconomic outcomes of GDP, inflation, unemployment and the TFP growth (in the case of Asutay et al, 2025). But, while we know new and old populist regimes tend to generate booms and busts, do they at least succeed at rebuilding manufacturing? The most recent populist political movements answer that, this time, they will. Trump’s MAGA Republican party in the USA (Trump 2024), Prime Minister Meloni’s Fratelli d’Italia (Fratelli d’Italia 2022) and the AfD in Germany (Alternative für Deutschland 2025) have all claimed their policies will rebuild the industrial base or reshore manufacturing, back from foreign competitors.

The program of Fratelli d’Italia (Prime Minister Meloni’s party) for the political elections 2022 (which they won) included two sections dedicated to sustaining “people who are creating welfare and jobs in Italy, incentivize relocation of production in Italy and discourage relocation abroad” and to “reliance made in Italy, our mark, our proud” (Fratelli d’Italia 2022, sections *Sostenere il Sistema Imprenditoriale italiano*, [Sostenere il sistema imprenditoriale italiano – Programma Fratelli D'Italia](#) – Programma Fratelli D'Italia and *Made in Italy e orgoglio italiano*, [Made in Italy e orgoglio italiano – Programma Fratelli D'Italia](#)). After their first two years of government, they claimed success in employment and GDP growth (Fratelli d’Italia 2024, p. 3ff). Other Italian populist parties, such as Berlusconi’s Forza Italia and Lega Nord (now only called Lega), also sold themselves as protectors of the manufacturing class (Lega 2022, p.16ff and 117; Forza Italia 2022, p.29f).

The AfD, Germany’s largest populist party, argued that “Germany as an industrial location has lost attractiveness and trust” and that the AfD should change this with new energy, tax, labor policies (Alternative für Deutschland 2025, p.13ff). Not surprisingly, the AfD received wide support in East

Germany where manufacturing has fallen relative to the rest of the country. In their programs in regions like Saxony, Thuringia and Brandenburg (where they often are the strongest party), their representatives promised to sustain quality, local, small-sized manufacturing that create jobs and acts as a “motor” for the whole country (AfD Sachsen 2024, p.24ff; AfD Thüringen 2019, p. 37ff; AfD Brandenburg 2024, p.23ff).

The Trump administration in the United States made growing manufacturing’s share of GDP and employment an explicit policy goal in their 2024 agenda (Trump 2024). Since winning the election, the administration’s policies have pursued this through the tax code, deregulation, targeted industrial policy and protectionist tariff policy. The Trump administration even published an article on the White House website entitled “President Trump Continues to Drive an American Manufacturing Boom” (White House, 2025), listing actions the administration has taken to reshore manufacturing.

The history of populists claiming to increase industrialization/manufacturing is a long one and continues today with new populists. We next turn to testing whether populists, once in office, had any effect on manufacturing output and/or employment. We start by describing our data and global trends, then define relevant peer groups for comparisons and finally proceed with static then dynamic econometric analysis.

Local Manufacturing in a Global Context

The general trend in manufacturing worldwide provides some insight for why economic insecurity, especially for those likely to rely on traditional manufacturing jobs, might have lent support to populism. As Graph 1 shows, the average manufacturing share of GDP was rising in the 1970s but plateaued in the 1980s, flattening during the period when support for classical populism was on the rise in Latin America. It has been declining since the 1990s and the rate of decline accelerated in the 2000s, during the period when support for new populism has been on the rise.

GRAPH 1: Global average manufacturing share of GDP, 1970 – 2020

That the trend indeed is global means one needs to account for it when exploring any particular country's policy successes or failures. Critics of the Trump administration, for example, have already been pointing to the global trend as evidence that Trump's policies are failing and doomed to fail given the global trend (see The Economist, 2025, and CNN 2025 as examples). In Italy, critical voices have also called into question whether Meloni's administration is sustaining industrial growth as it promised to do (See Il Sole 24 Ore 2025).

To account for the global trend, all our analysis is conducted as performance relative to peers. We create six peer groups, each designed to capture various aspects of the local country's economy: Regional, GDP-size, Population, GDP per capita, Manufacturing-share and Manufacturing-employment. These are discussed further below. We then compare domestic manufacturing's share of GDP and total output as well as manufacturing's share of employment and total employment relative peer performance during local populist regimes. Our econometric approach relies on a two-way fixed effects dynamic panel model as a first pass to find any evidence on average. We then turn to event studies to explore whether there are dynamic effects or delayed effects in order to give populist regimes the best possible chance to present positive results in the data. Finally, we conclude.

Data

Our data comes from the Global Macroeconomic Database (Müller et al. 2025) merged with World Bank data (Jongrim Ha and Ohnsorge 2023) on manufacturing as a share of GDP and of employment. Our populist regime classification comes from Funke, Schularick and Trebesch (2023) combined with Asutay et al (2025).

We are generally interested in manufacturing as a share of GDP as the key metric of “rebuilding manufacturing” or “re-industrializing”. Of additional interest is manufacturing employment as a share of total employment. Since our data on manufacturing’s share of GDP and of employment both come from the World Bank, we use World Bank data on the total labor force and on GDP for to reconstruct them in levels. Thus, manufacturing’s total output in levels is its manufacturing share of GDP multiplied by GDP and manufacturing’s total employment level for a country is its employment share times total employment. Political leaders could easily claim success in reindustrializing if manufacturing’s share of GDP increases but, failing a relative improvement, they might still claim success if they the total level of manufacturing rises. Similarly, they can claim success in bringing back traditional manufacturing jobs if they increase relative to overall employment but also if the total number of jobs increases.

A complete table covering the time periods for our data by country is in the Appendix TABLE A.1. Our earliest data for GDP and manufacturing shares of GDP starts in 1960. While some of our data runs until 2023 or even 2024, we restrict analysis up to 2020 due to Covid. We are interested in general trends evolving over long horizons and data for 2020 and 2021 only add distortions to all the trends.

Peer Groups

We create six peer groups against which we compare populist regimes: Regional, GDP-size, Population, GDP per capita, Manufacturing-share and Manufacturing-employment. The peer groups are designed to capture various aspects of being “a peer”. Regional peers are more likely to have similar cultures, political institutions and potentially similar levels of economic development as well. Population and GDP per capita peers are included to capture market size similarities while GDP per capita also captures the level of economic development. Finally, manufacturing-share (of GDP) peers and manufacturing-employment (share of total employment) peers capture peers with the similar manufacturing base structures in the two dimensions we try to measure: GDP and employment.

Further details on each peer group can be found in the Appendix. It is worth noting, however, that data on manufacturing’s share of GDP starts in 1970 or earlier while data on manufacturing’s share of employment starts around 2000. In identifying peers by population size, GDP and other

variables that evolve over time, therefore, we identify the group based on their position at the approximate midpoint date of the data. A few countries have GDP and manufacturing shares of GDP back to 1960 but most have those variables by 1980 therefore we use 2000 as the reference year to create all our peer groups except manufacturing's share of employment¹. 2000 is an approximate midpoint between 1980 and 2019 and therefore appropriate for the majority of our data. Since data on manufacturing's share of employment only starts around 2000 or 2001 for most countries, we use 2010 as an approximate the midpoint between 2000 and 2019.

We calculate everything relative to a peer group. For example, manufacturing's share of GDP in the populist country relative manufacturing's share of GDP in each peer group is the difference of domestic minus peer. Thus, positive numbers imply higher relative values in the populist country.

Empirical Analysis: Two-Way Fixed Effects

We estimate two-way fixed effects (TWFE) regressions to examine the association between populist regimes and our manufacturing outcomes (manufacturing share of GDP, manufacturing share of employment, manufacturing's total output and total manufacturing employment), each computed relative to various peer-group benchmarks. All specifications include country and year fixed effects, so identification comes from within-country changes over time, net of common global shocks. Standard errors are clustered at the country level to account for serial correlation within countries. Each column corresponds to a different peer-group definition used to construct relative manufacturing performance measures.

For country i in year t , we estimate:

$$Y_{it} = \beta \text{Populist}_{it} + \alpha_i + \gamma_t + \varepsilon_{it},$$

where Y_{it} is a manufacturing outcome measured relative to a peer-group benchmark, i.e. manufacturing's share of GDP, manufacturing's employment share, or manufacturing output/employment levels relative to peers; Populist_{it} is an indicator equal to one if country i is governed by a populist regime in year t , and zero otherwise; α_i are country fixed effects, capturing time-invariant country characteristics such as geography, long-run industrial structure, or institutional features; γ_t are year fixed effects, capturing global shocks and common trends affecting all countries (e.g., business cycles, commodity price shocks, globalization); and ε_{it} is an idiosyncratic error term.

¹ In 1960 we only have data on 65 countries, 12 of which have data on manufacturing as a share of GDP, about 18% of the data. By 1980, 31 countries (or 48%) of the 65 countries have data on manufacturing as a share of GDP. Finally, in 2000, 75 countries are included and 66 (or 92%) have manufacturing as a share of GDP data.

Table 1 reports two-way fixed effects (TWFE) estimates of the association between populist regimes and manufacturing outcomes measured relative to alternative peer-group benchmarks. Each specification includes country and year fixed effects, so identification comes from within-country variation over time, net of common global shocks. The coefficient β in this model then captures the average within-country difference in the manufacturing outcome between populist and non-populist years, relative to the chosen peer group, after removing permanent cross-country differences, and common global time effects. Identification therefore comes from within-country changes over time in populist status. Because treatment effects may vary with time since entry, the TWFE estimates are interpreted as weighted averages over heterogeneous dynamic effects rather than as constant causal impacts.

TABLE 1: TWFE Results

Variable for Populist Regime	PEER GROUP					
	Region	GDP-size	Population	GDP per capita	Manuf % GDP	Manuf % Employ
Manuf % GDP Obs.: 2,807	0.3927 (0.5409)	0.5359 (0.5627)	1.284* (0.5783)	0.6338 (0.5800)	0.6362 (0.5774)	0.5334 (0.5979)
Within R2	0.00127	0.00174	0.0108	0.0027	0.00314	0.00183
Manuf % Employ Obs.: 2,203	0.4888 (0.4048)	0.7101 (0.5120)	0.6900 (0.4555)	0.3210 (0.4349)	0.8343 (0.5102)	0.7184 (0.5052)
Within R2	0.00452	0.00736	0.0076	0.00236	0.01007	0.00768
Manuf Output Level Obs.: 2,807	3.28e+12. (1.68e+12)	3.98e+11 (1.46e+12)	1.52e+12 (1.81e+12)	-2.73e+12 (1.99e+12)	1.15e+12 (1.1e+12)	-3.59e+11 (9.34e+11)
Within R2	0.00758	0.00012	0.00153	0.00585	0.00112	0.00011
Manuf Employ Level Obs.: 2,200	876,921.5 (1,071,508.9)	502,905.0 (1,226,713.0)	93,916.9 (728,969.5)	510,422.7 (1,627,515.6)	3,227,571.0 (3,916,655.4)	1,627,832.5 (1,189,652.3)
Within R2	0.00048	0.00035	1.45E-05	9.64E-05	0.00176	0.00288

Notes: All results use country and year fixed effects. All standard errors are clustered at the country level and numbers in parentheses are cluster-robust standard errors. Significance indicated by 0 '***' 0.001 '**' 0.01 '*'

Each column presents results according to the peer group used to construct the relative outcome variable, allowing one to assess the robustness of results to alternative comparison sets. The overwhelming finding is that the results are generally not statistically significant, suggesting that populist regimes have no meaningful effect on manufacturing in their countries.

Across outcomes, the estimated association between populist regimes and manufacturing performance is generally positive but statistically insignificant. For manufacturing shares of GDP and employment, point estimates are positive across all peer-group definitions, and significant in only one case, for populist manufacturing shares of GDP compared to similar sized population peers. For manufacturing output and employment levels, estimated effects are mixed and

uniformly statistically insignificant, with large standard errors reflecting substantial heterogeneity across countries and time.

The within R^2 values are small across specifications, reflecting the fact that most of the variation in manufacturing outcomes is absorbed by country fixed effects and global time trends. The coefficients therefore capture relatively small within-country deviations from long-run manufacturing trajectories.

Taken together, the TWFE results in Table 1 suggest that populism has no discernable effect on manufacturing's output or employment levels and little to no effect on manufacturing's share of output or employment. Moreover, TWFE estimates summarize the average difference in outcomes between populist and non-populist years within countries, net of common time shocks. By construction, this approach is static. It imposes a single coefficient that is constant over the entire duration of a populist regime. Any dynamic response is therefore averaged out. When treatment effects evolve over time, as is plausible for manufacturing outcomes responding to policy and reallocation decisions, TWFE can mask economically important dynamics by collapsing heterogeneous effects at different horizons into a single mean estimate. To address this, we turn to a more dynamic, event-study analysis.

Dynamic Analysis: Event Study

To capture the more dynamic effects of a populist regime's policies, we estimate dynamic treatment effects using the Sun and Abraham (2021) estimator which measures manufacturing performance relative to peer benchmarks before and after populist entry while accounting for staggered treatment timing and heterogeneous effects. This allows us to compare the manufacturing metrics of interest in a country prior to the populist regime entering office and after entering office. The key idea is to detect any trend differences preceding the populist entering office and after entering office. This helps rule out cases when a populist regime appears to have a meaningful effect on manufacturing when it's likely just the continuation of a longer-run trend in the country, independent of populists coming to power. Finally, governments may not implement new policies immediately upon entering power and, even they do, the effects of those policies will only be seen over time as the economy adapts to the new policy environment. For that reason, we compare populist manufacturing outcomes relative to appropriate peers pre, during and post time in office, all relative to the date just prior to the populist entering office.

For country i in year t , we estimate:

$$Y_{it} = \sum_{k \neq -1} \beta_k \mathbb{1}(t - T_i = k) + \alpha_i + \gamma_t + \varepsilon_{it},$$

where Y_{it} is a manufacturing outcome measured relative to a peer-group benchmark, including manufacturing GDP share, manufacturing employment share, manufacturing output level, or manufacturing employment level; T_i denotes the year of entry into a populist regime for country i , $\mathbb{1}(t - T_i = k)$ is an indicator equal to one if year t is k years relative to populist entry; α_i are country fixed effects; γ_t are year fixed effects; and, ε_{it} is an idiosyncratic error term.

The model is estimated by the Sun and Abraham (2021) interaction-weighted event-study estimator. This estimator is designed for settings with staggered treatment adoption and allows treatment effects to vary flexibly by both cohort and event time. Event time $k = -1$ is omitted and serves as the reference period. The specification then estimates cohort-specific dynamic effects and aggregates them into event-time coefficients β_k that are robust to heterogeneous treatment effects across cohorts.

To conduct the analysis, one first determines the window of time when a populist regime takes office. Exact window lengths are a choice. Our data runs from 1960 to 2019 and includes 86 countries in total, 31 of which had a populist regime in office for at least 1 year. Populist regimes in our sample last on average 7.55 years with a standard deviation of 5.96 years. This is slightly biased by a few long regimes, the max length being 37 years. The median length in our sample is 6 years. See Appendix Table A.6. for more details.

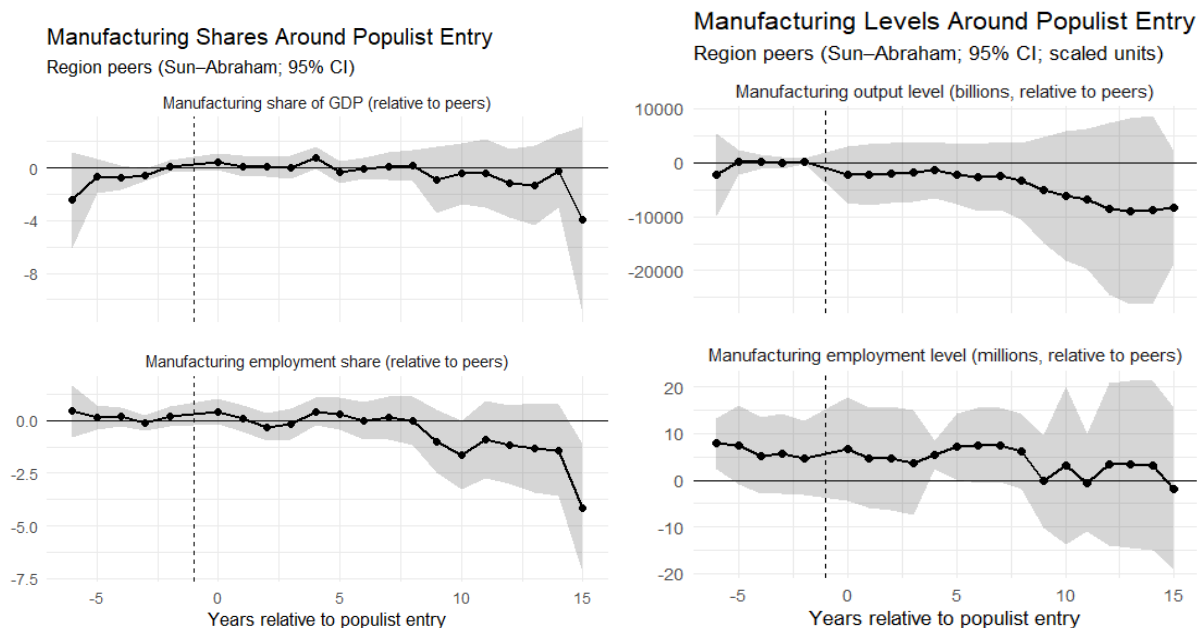
After a regime comes into existence, we want to give the best chance for a regime's policies to show an effect in the data. If new policies are passed in year 1, they are likely implemented in year 2 and only have meaningful effects thereafter. To account for a range of regime lengths and not bias our work against populist regimes, we set the post-regime event horizon to the mean length, for 14 years (8 years plus one standard deviation of 6 years) of observations. Since the final year reported is the average of all periods longer than 14 years after a regime, we report +15 years. This means our reported window runs from -6 to +15 years, $k \in [-6, +15]$, allowing meaningful annual estimates for 5 years prior and 14 years post populist regime entry to office.

Each coefficient β_k measures the average difference in the outcome at event time k relative to the year immediately preceding populist entry ($k = -1$), after controlling for country and year fixed effects. Pre-treatment coefficients ($k < 0$) provide a diagnostic for pre-trends. Post-entry coefficients ($k \geq 0$) trace the dynamic evolution of manufacturing outcomes following populist entry.

Standard errors are clustered at the country level allowing for serial correlation and heteroskedasticity within countries over time. Confidence intervals shown in figures correspond to 95 percent confidence intervals based on clustered standard errors. Joint significance of event-time coefficients is assessed using Wald tests.

For political economy reasons, we feel that regional comparisons are most relevant and we focus on them first. They are more likely to compare countries with similar political, cultural and structural features. As a result, any differences are more likely to come from policy differences. Pre-trends also, tangentially, provide some insight into motivations for populist voting bases which are more likely to compare their situation to those in neighboring countries.

GRAPH 2: Event Study Results Relative to Regional Peers

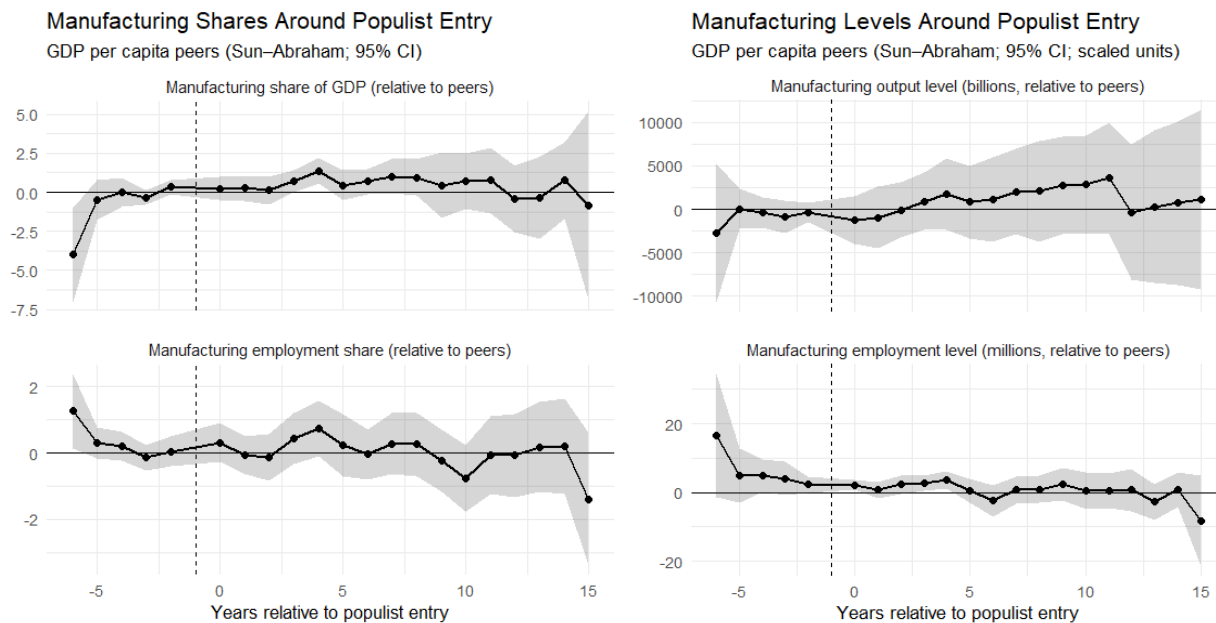


Graph 2 presents results for regional comparisons. We see in the first three panels (top row and bottom left) that populist regimes had zero statistically significant effects. We also see that, prior to the populist regime, there was no clear trend. But, in the last panel (bottom right), there are two statistically significant differences. First, in the -6 year case – which is the average result of all years before year -5 – we see the pre-regime trend was positive. This suggests that at least at some point prior to populist regimes entering office, the country had average total levels of employment in the manufacturing sector that were higher than those of their peers. This fits the narrative that the decline internally may have driven demand for a “return to past glory days” and/or a decline in current performance relative regional peers could drive voters. Finally, we see in year 4 that manufacturing employment levels in the populist country did enjoy a temporary increase relative to regional peers.

Both results are statistically significant but also one-off events suggesting that they are not representing a significant trend, especially for the result in year 4. If populist policies started to influence manufacturing in a meaningful way but only in their 4th year in office, one would expect the effect to persist in subsequent years, but it does not.

We argue that GDP per capita is the next most relevant peer comparison since domestic residents are likely to compare their country's economic performance against countries they see as similar: first regionally, secondly in terms of economic development. This category also attempts to control for similar stages of economic development.

GRAPH 3: Event Study Results Relative to GDP per capita Peers



Graph 3 present results relative to GDP per capita. Those results comparing against peers with similar total GDP sizes are shown in the appendix (Graph A.1) and are essentially the same as those shown in Graph 3.

The results suggest no significant effect of populism despite a few individual years of significance. In the upper left panel we see manufacturing's share of GDP is positive in year 5 relative to the year prior to populism. As with manufacturing's employment level in Graph 2, this is a one-off effect, however, and not part of a more meaningful trend. It is, however, notable that both occur in year 5. We also find a positive effect on manufacturing's share of GDP in year 5 in Graph 4, discussed below.

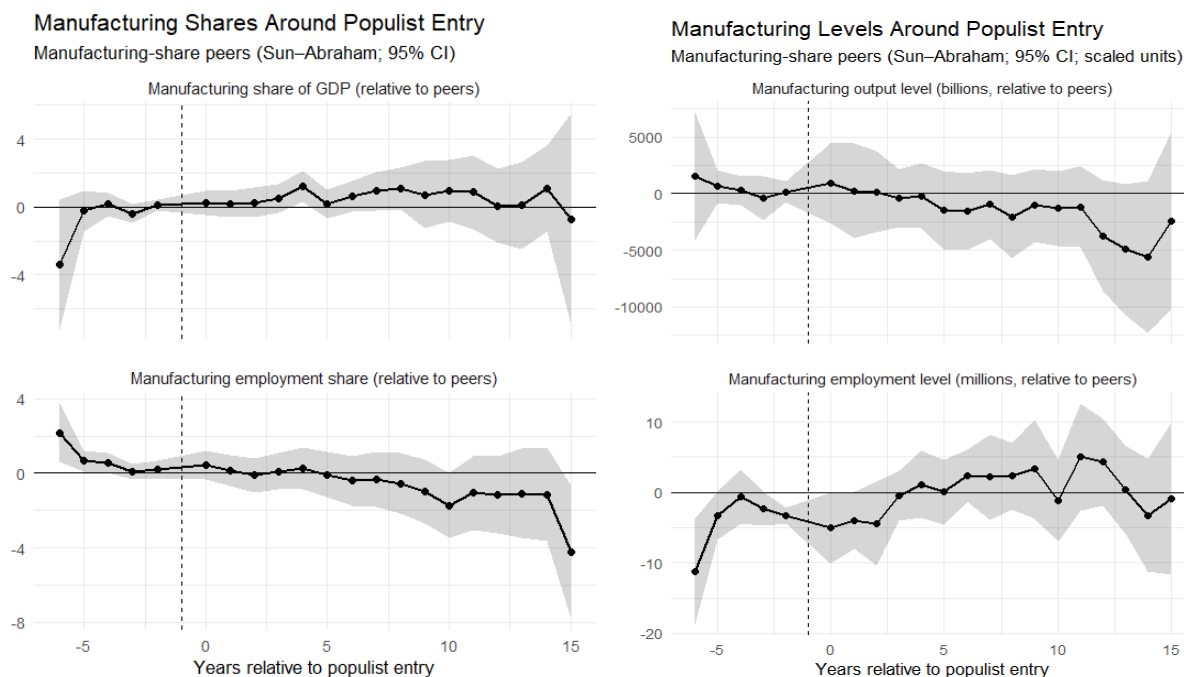
That, when we find a statistical result, it happens to be in year 5 in several graphs suggests we are picking up something but it is not clear how to interpret it. In all cases the year 5 effect is positive yet populists leave office around years 7-8. Perhaps there is a temporary and positive effect from their policies, the dissipation of which leads to political discontent. That there could be a temporary positive effect would be consistent with classical populism's boom-bust cycles *à la* Dornbusch and Edwards (1991) or boom-bust walking sticks *à la* Asutay et al (2025) but those

should rather occur earlier in the regime. This 5th-year effect may provide a starting point for future research to investigate.

Graph 3 also shows that the -6 bin estimate is statistically negative. This suggests that, on average, and after controlling for country and year fixed effects, manufacturing as a share of GDP was lower in the past than in the year prior to populist entry. While this is again a one-off effect (technically the average of all years prior to the -5 year) it is mild evidence against the argument that manufacturing was declining and hence is the genesis of a desire to re-industrialize leading to support for the populist regime. Finally, the -6 bin and -5 year estimates are both statistically positive for the manufacturing employment levels (bottom panel). This suggests the opposite result. Combining the two however mildly suggests that the intuition about support for populism growing due to poor economic performance relative to peers was accurate and that employment matters more than output. This would make sense since it's the voters who are employed and could see the "good old days" when there were more traditional manufacturing jobs in their country.

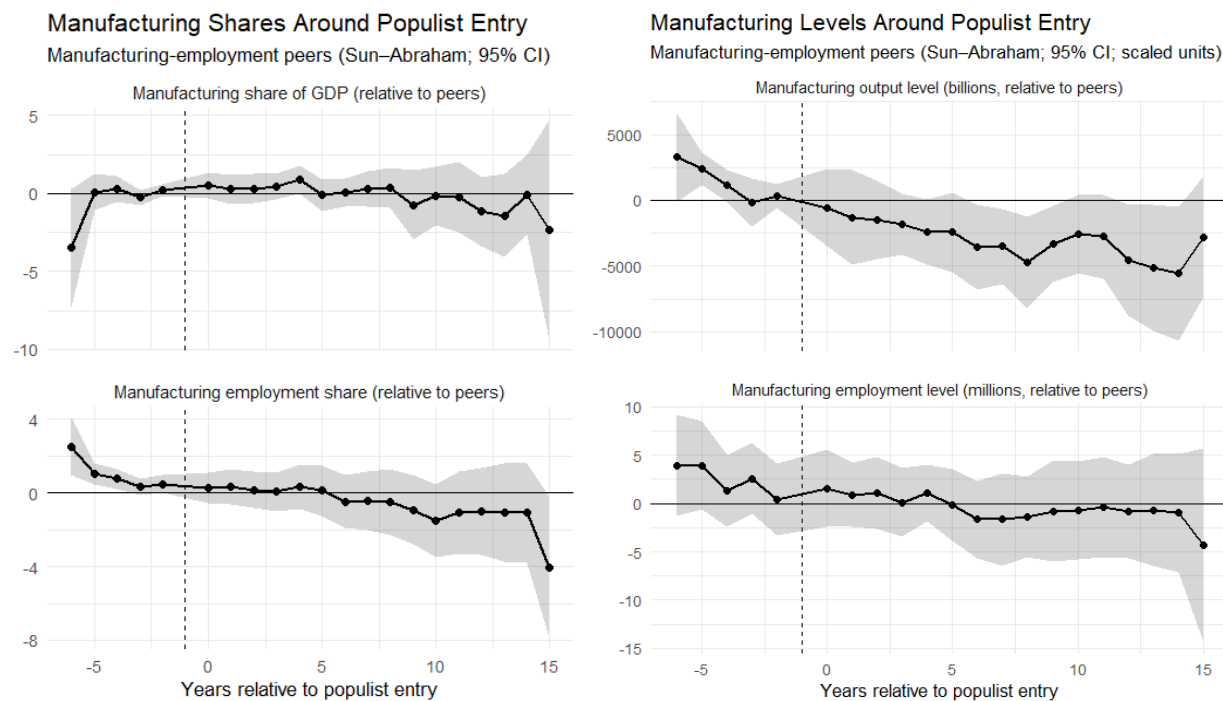
We next attempt to compare economically similar countries. "Similar" here means in terms of the economic structures that are relevant to understanding manufacturing dynamics such as countries with similar manufacturing shares of GDP (Graph 4) and manufacturing shares of employment (Graph 5). The results here are, once again, largely statistically insignificant, reinforcing the overwhelming evidence that populist regimes do not have an impact on manufacturing in their countries.

GRAPH 4: Event Study Results Relative to Manufacturing share of GDP a Peers



Graph 4 shows performance relative to peers with similar manufacturing shares of GDP. The results show no general support for populist effects on manufacturing but do reveal four individual cases of statistical significance. First, in the upper left panel, we see manufacturing's share of GDP is positive in year 5, as mentioned earlier. Second, in the bottom left panel, the -6 bin is statistically positive for manufacturing's share of employment. This is an average for all years prior to the -5th year and is in contrast to the negative result found in Graph 3 (also manufacturing's share of employment) and Graph 2 (manufacturing's total employment level). Finally, we find two cases of negative statistical significance in the bottom right panel suggesting that manufacturing had lower levels of total employment prior to populists entering office. Rather than suggesting any effect from populism itself, we interpret this as further, albeit still mild, support for the view that the perception of being relatively worse off than your peers was a reason to support populism.

GRAPH 5: Event Study Results Relative to Manufacturing share of employment Peers



Graph 5 shows performance relative to peers with similar manufacturing employment. We again see (upper left panel) the small uptick in manufacturing's share of GDP in the 5th year post populism but it is not statistically significant here. We do, however, see what appears to be a positive and statistically significant trend of high shares in manufacturing employment prior to populists entering office. These results are significant for bin -6, and years -5 and -4 providing the strongest evidence we found for a pre-populism trend. But, taken with the other results – also positive in Graphs 3 and 4 – this suggests there is something meaningful being captured. To see it as support for the view that populism gains voter traction when they feel downtrodden relative

to peers one must interpret this as evidence, again, of a nostalgic past when employment was higher.

Graph 5 additionally shows the only significant results of manufacturing's total output (upper right panel) being higher pre-populism and lower post populism with statistically significant positive results for pre-populism year -5 and post-populism years 7 – 10 and again years 13-15. Since this is the only peer group comparison for which we found such results, we treat them with caution. Nevertheless, considering the work of Dornbush and Edwards (1990), Ball et al (2019) and Asutay et al (2025) this would support the walking stick interpretation of the populist economies where there is an early boom (not detected here in our data) followed by a prolonged bust (here in years 7-10 and 13-15). That manufacturing output was high prior to populism is, again, mild support that voters might remember better past times.

Finally, while Graph 5's upper panels both suggest that manufacturing's share of GDP (left upper panel) was relatively unaffected by populism, we find that total manufacturing output was declining and statistically significantly in more than one year post populist entry (right upper panel). To see if this could be due to GDP overall declining post-populist regime, consistent with the walking stick hypothesis, we tested if real GDP was different after populist entry and find it was not statistically different from zero. This suggests that the interpretation is not as general as the walking-stick which is in terms of real GDP or overall macroeconomic performance but is instead a manufacturing-specific phenomenon. That we only find it in this last peer group comparison is a reminder that it is also a result that is sensitive to peer group choice unlike some of the other results which we found consistently across most peer groups.

Evidence, observations and areas for further research

Our paper contributes to the growing literature on populism by looking at the effects populist regimes have had on one policy area they nearly all claim to address: (re)building traditional manufacturing industries. The overwhelming evidence is that populists do not increase manufacturing output or employment in either levels or relative to GDP. If anything, the evidence is that of general decline over time or zero improvement, at best, which is consistent with the walking-stick view of Ball et al (2019) and Asutay et al (2025) or the macro performance found by Dornbusch and Edwards (1990) and others.

Nevertheless, some of our results also suggest there are some differences between the “populist countries” and their peers that could be worth further investigation. In all our event studies, manufacturing's share of GDP starts (event years -6 to 0) at a lower level for the populist countries relative to peers. At the same time, all our results suggest those same countries have higher levels of employment in the manufacturing sectors. This may suggest a large amount of employment in an underperforming sector that may lead to a voter base susceptible to populist

promises to (re)build the sector. That is, while not the focus of our work, we see it as lending support to the notion that populists are more likely to come to power when the domestic populations see their country as underperforming relative peers. This leads to more votes or support for populists in the hope that they will recover the disadvantage and close the gap. We hope our results provide insights for future research investigating drivers of populism.

Conclusion

This paper examines whether populist governments succeed in achieving one of their most frequently stated economic objectives: the revitalization of domestic manufacturing. While prior research has documented the macroeconomic consequences of populist governance—particularly in terms of growth, inflation, and boom–bust dynamics—less attention has been given to whether populist policies measurably affect sectoral outcomes such as manufacturing output and employment. Using a panel of 86 countries between 1960 and 2019, we evaluate whether manufacturing performance improves during populist regimes relative to appropriate peer-country benchmarks defined by region, income level, economic size, population, and initial manufacturing structure.

Across a wide range of specifications, we find little evidence that populist governments systematically increase manufacturing output or employment, either in absolute terms or relative to the broader economy. Two-way fixed effects estimates suggest that the association between populism and manufacturing performance is generally small and statistically indistinguishable from zero once common global trends and country-specific characteristics are accounted for. Dynamic event-study estimates likewise reveal no persistent improvements in manufacturing outcomes following populist entry into office. Where statistically significant effects appear, they are typically short-lived and not part of sustained trends consistent with structural re-industrialization.

If anything, the evidence is more consistent with the broader macroeconomic literature on populist governance. In some specifications, manufacturing output declines relative to peer countries several years after populist entry, while manufacturing shares of GDP remain largely unchanged. These patterns are consistent with the view that populist regimes may temporarily reallocate resources toward politically salient sectors without producing durable structural change, echoing the boom–bust or “walking-stick” dynamics documented in earlier work.

At the same time, our results provide suggestive evidence regarding the political economy of populist entry. Prior to populist governments taking office, countries in our sample tend to exhibit relatively lower manufacturing shares of GDP but comparatively higher manufacturing employment levels relative to peers. This pattern may reflect an over-representation of labor in a declining or underperforming sector, helping to generate a constituency receptive to political

promises of industrial revival. While not the primary focus of this study, these pre-treatment differences offer a potential explanation for the electoral appeal of re-industrialization rhetoric in contexts of perceived relative decline.

Taken together, our findings suggest that while populist leaders frequently campaign on restoring domestic manufacturing, there is little systematic evidence that such policies succeed in reversing long-run structural trends. Future work may usefully explore whether populist support is driven less by actual deindustrialization than by perceived underperformance relative to peer economies.

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Appendix

TABLE A.1. Countries and Data Availability.

Country	Manuf %GDP	Manuf %Emp	Country	Manuf %GDP	Manuf %Emp
Albania	2005–2017	2005–2017	Korea	1960–2020	1991–2020
Argentina	1965–2020	1991–2020	Kyrgyzstan	2005–2017	2005–2017
Armenia	2012–2018	1998–2018	Latvia	1995–2020	1991–2020
Australia	1990–2022	1991–2022	Lithuania	1995–2020	1991–2020
Austria	1976–2020	1991–2020	Luxembourg	1995–2020	1991–2020
Azerbaijan	2008–2013	2008–2013	Macedonia	2006–2016	2006–2016
Belarus	2001–2022	2001–2022	Malaysia	1960–2020	1991–2020
Belgium	1995–2020	1991–2020	Malta	1970–2020	1991–2020
Bolivia	1970–2020	1991–2020	Mexico	1965–2022	1991–2022
Brazil	1960–2022	1991–2022	Moldova	2001–2019	2001–2019
Bulgaria	NA	1991–2021	Mongolia	2005–2009	2005–2009
Canada	1997–2021	1991–2022	Montenegro	2008–2018	2008–2018
Chile	1960–2022	1991–2022	Myanmar	2011–2022	2011–2022
China	2004–2020	1991–2020	Netherlands	1969–2020	1991–2020
Colombia	1965–2020	1991–2020	New Zealand	1971–2020	1991–2020
Costa Rica	1970–2018	1991–2018	Nicaragua	1994–2022	1991–2022
Croatia	1995–2022	1991–2022	Norway	1970–2021	1991–2021
Cyprus	1975–2020	1991–2020	Panama	1970–2019	1991–2019
Czechia	1993–2020	1991–2020	Paraguay	1962–2020	1991–2020
Denmark	1966–2020	1991–2020	Peru	1960–2020	1991–2020
Dominican Rep.	1965–2020	1991–2020	Philippines	2000–2022	1991–2022
Ecuador	1960–2021	1991–2021	Poland	1995–2020	1991–2020
Egypt	1974–2020	1991–2020	Portugal	1995–2020	1991–2020
El Salvador	1999–2022	1999–2022	Romania	1991–2022	1991–2022
Estonia	1995–2020	1991–2020	Russia	2002–2020	1991–2020
Finland	1975–2020	1991–2020	Serbia	2001–2017	2001–2017
France	1960–2022	1991–2022	Singapore	1997–2022	1997–2022
Georgia	2004–2018	2004–2018	Slovakia	1995–2020	1991–2020
Germany	1991–2020	1991–2020	Slovenia	1995–2020	1991–2020
Ghana	2005–2009	2005–2009	South Africa	1960–2022	1991–2022
Greece	1995–2020	1991–2020	Spain	1995–2020	1991–2020
Guatemala	1965–2020	1991–2020	Sweden	1980–2021	1991–2021
Honduras	1960–2022	1991–2022	Switzerland	1990–2021	1991–2021
Hungary	1995–2020	1991–2020	Tajikistan	1994–2022	1994–2022
Iceland	1995–2020	1991–2020	Thailand	1960–2020	1991–2020
India	1960–2022	1991–2022	Turkey	1960–2020	1991–2020
Indonesia	1983–2022	1991–2022	Turkmenistan	1993–2004	1991–2022
Iran	2005–2013	2005–2013	Ukraine	2005–2019	2005–2019
Ireland	1995–2020	1991–2020	United Kingdom	1990–2020	1991–2020
Israel	1995–2020	1991–2020	United States	1997–2021	1991–2021
Italy	1990–2021	1991–2021	Uruguay	1983–2020	1991–2020
Japan	1994–2020	1991–2020	Uzbekistan	2010–2015	2000–2015
Kazakhstan	1999–2015	1999–2015	Venezuela	1968–2011	1991–2022

TABLE A.3: Summary statistics on populist regimes

	Years	Pop Years	Pop Share
Total Countries (n = 86)	4219	453	0.11
Countries With Any Pop Regime (n = 31)	1551	453	0.29

TABLE A.4: Populist Regimes and Country Details from Asutay, Ball, Andreas (2026)

Country	Leader	Years
Argentina	Peron	1946–1955
Argentina	Peron	1973–1974
Argentina	Martinez	1974–1976
Argentina	Raúl Ricardo Alfonsín Foulkes	1983–1989
Argentina	Carlos Saúl Menem Akil	1989–1999
Argentina	Néstor Carlos Kirchner Ostoić	2003–2007
Argentina	Cristina Fernández de Kirchner	2007–2015
Bolivia	Hernán Siles Zuazo	1982–1985
Bolivia	Jaime Paz Zamora	1989–1993
Bolivia	Evo Morales	2006–2019
Brazil	Vargas	1930–1945
Brazil	Vargas	1951–1954
Brazil	Fernando Affonso Collor de Mello	1990–1992
Brazil	Jair Bolsonaro	2019–2022
Bulgaria	Borisov I ('09-12), II ('14-17), III ('17-20)	2009–2021
Chile	Ibanez	1927–1931
Chile	Ibanez	1952–1958
Chile	Patricio Aylwin Azócar	1990–1994
Colombia	Belisario Antonio Betancur Cuartas	1982–1986
Colombia	Álvaro Uribe Vélez	2002–2010
Ecuador	Velasco	1968–1972
Ecuador	Rodrigo Borja Cevallos	1988–1992
Ecuador	Abdala Jaime Bucaram Ortiz	1996–1997
Ecuador	Lucio Edwin Gutiérrez Borbua	2003–2005
Ecuador	Rafael Correa Delgado	2007–2017
Greece	Tsipras	2015–2019
Guatemala	Otto Pérez Molina	2012–2015
Hungary	Viktor Orbán	2010–2025
India	Narendra Modi	2014–2025
Israel	Netanyahu	1996–1999
Israel	Netanyahu	2009–2025
Italy	Silvio Berlusconi	1994–1995
Italy	Silvio Berlusconi	2001–2006
Italy	Silvio Berlusconi	2008–2011
Italy	Legu/M5S	2018–2020
Japan	Koizumi	2001–2006
Mexico	Cardenas	1934–1940
Mexico	Luis Echeverría	1970–1976
Mexico	López Portillo	1977–1982
Mexico	Andrés Manuel López Obrador	2018–2024
Nicaragua	Sandinistas	1979–1985
Nicaragua	José Daniel Ortega Saavedra	1985–1990
Nicaragua	José Daniel Ortega Saavedra	2007–present
Paraguay	Fernando Armindo Lugo Méndez	2008–2012
Peru	Fernando Belaúnde Terry	1979–1985
Peru	Alan Gabriel Ludwig García Pérez	1985–1990
Peru	Alberto Kenya Fujimori	1990–2000
Peru	Alejandro Celestino Toledo Manrique	2001–2006
Peru	Alan Gabriel Ludwig García Pérez	2006–2011
Peru	Ollanta Moisés Humala Tasso	2011–2016
Philippines	Estrada	1998–2001
Philippines	Rodrigo Duterte	2016–2022
Poland	Law and Justice (PiS)	2005–2007
Poland	Law and Justice (PiS)	2015–2023
Slovakia	Meciar I (1992–94), II (1994–98)	1992–1998
Slovakia	Robert Fico	2006–2010
Slovakia	Robert Fico	2012–2018
Slovakia	Robert Fico	2023–present
South Africa	Zuma	2009–2018
Taiwan	Chen	2000–2008
Thailand	Thaksin Shinawatra	2001–2006
Thailand	Yingluck Shinawatra	2011–2014
Turkey	Recep Tayyip Erdoğan	2003–present
USA	Donald J. Trump	2017–2020
USA	Donald J. Trump	2025–present
Venezuela	Carlos Andrés Pérez Rodríguez	1974–1978
Venezuela	Carlos Andrés Pérez Rodríguez	1989–1993
Venezuela	Hugo Rafael Chávez Frías	1999–2013
Venezuela	Nicolás Maduro	2013–2025

Group 1: Region

Our regional peer groups (and country count) are as follows: **North America:** Canada, Mexico, and the United States. **Latin America & Caribbean:** Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. **Western Europe:** Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. **Central & Eastern Europe:** Albania, Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, and Ukraine. **Former Soviet Union / Eurasia** (Non-EU post-Soviet states): Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, and Uzbekistan. **East Asia:** China, Japan, Korea, and Mongolia. **South & Southeast Asia:** India, Indonesia, Malaysia, Myanmar, Philippines, Singapore, and Thailand. **Middle East & North Africa (MENA):** Egypt, Iran, Israel, and Turkey. **Sub-Saharan Africa:** Ghana and South Africa. **Oceania:** Australia and New Zealand.

Our other peer groups are based on GDP, population and manufacturing shares. Since countries can move in and out of various non-regional peer groups over time, we choose a base year to define a country's peers.

Group 2: GDP Size (baseline year: 2000).

Countries are grouped by overall economic size using log GDP in the baseline year 2000. We use log GDP rather than levels to reflect the highly skewed global distribution of output and to ensure that differences between small and large economies are economically meaningful rather than mechanically driven by scale. Countries are assigned to quartiles based on the cross-country distribution of log GDP in 2000, creating four size-based peer groups that are stable over time and comparable in relative economic mass.

Group 3: Population Size (baseline year: 2000).

Population groups are defined using population levels in the year 2000, which is approximately the midpoint of the main sample period (1980–2019). Thresholds are chosen to be roughly log-spaced, reflecting the nonlinear scaling of population across countries, while remaining interpretable in absolute terms. This grouping captures demographic scale independently of economic size and allows comparisons between countries facing similar labor-force and market-size constraints.

Group 4: GDP per Capita (baseline year: 2000).

GDP per capita groups are constructed using income levels in 2000, reflecting differences in development rather than scale. Two complementary approaches are used. First, countries are

grouped using standard income categories (low, lower-middle, upper-middle, and high income), which align with conventional development classifications and facilitate interpretation. Second, for robustness, we also construct quartile-based GDP per capita groups, which ensure equal group sizes and avoid sensitivity to external income thresholds.

Group 5: Manufacturing Share of GDP (baseline year: 1990).

Countries are grouped based on their manufacturing value-added share of GDP in 1990, an early pre-period benchmark that precedes most of the major structural changes studied in the paper. Using an early baseline minimizes endogeneity concerns and helps capture long-run differences in industrial structure. Quartiles of the cross-country distribution are used to define groups, allowing countries to be compared against peers with similar initial manufacturing intensity.

Group 6: Manufacturing Employment Share (baseline year: 2010).

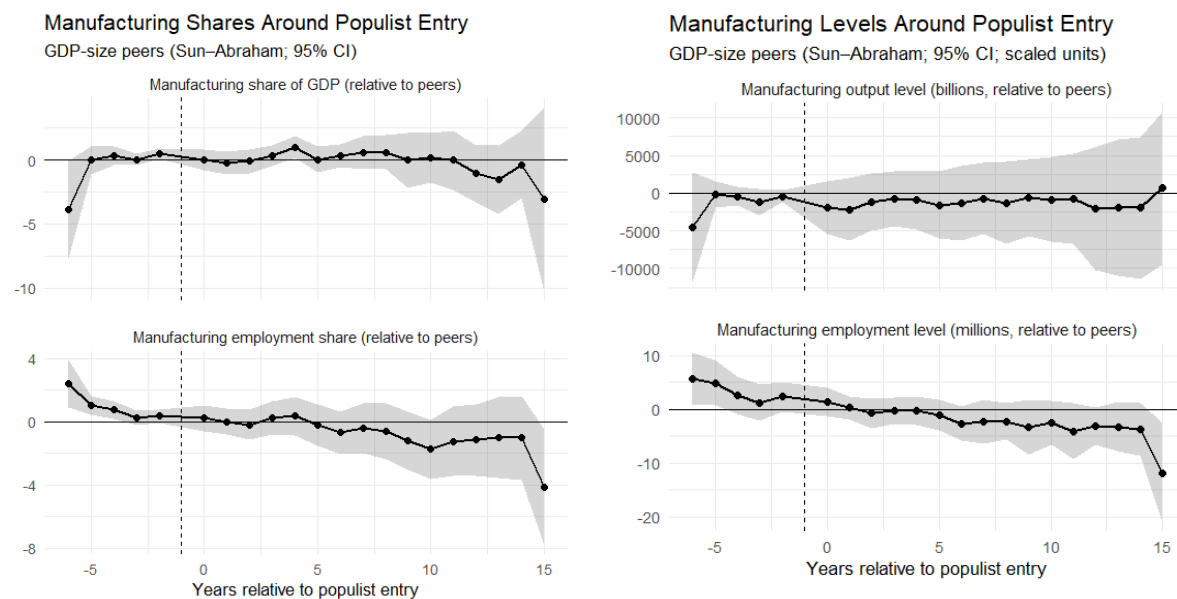
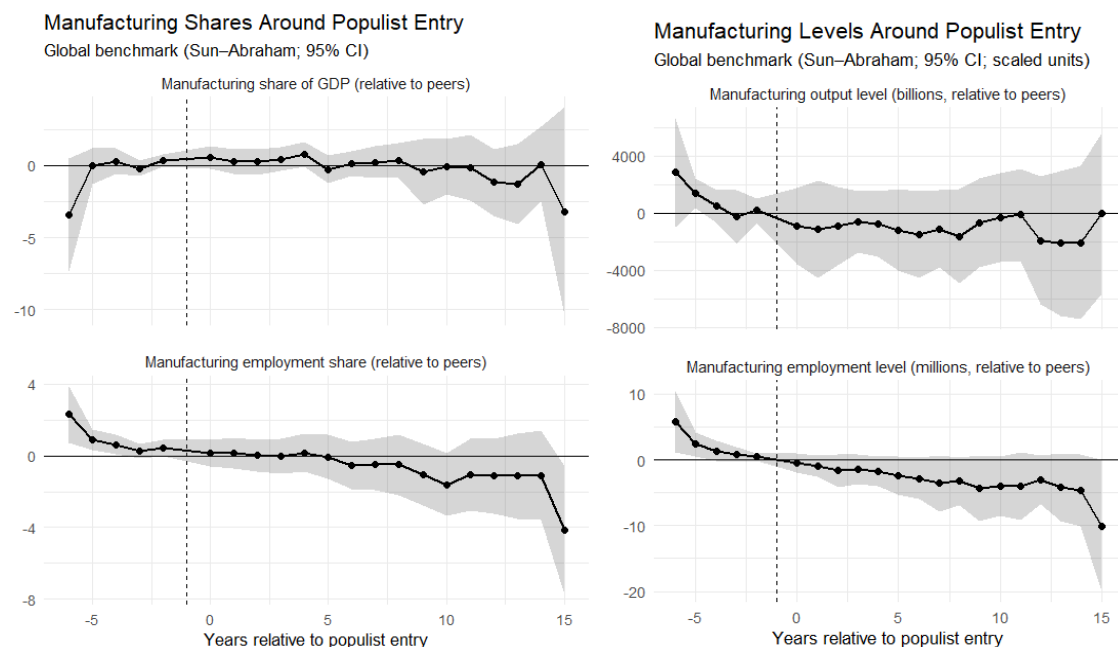
Manufacturing employment groups are defined using the manufacturing share of total employment in 2010. Unlike other variables, manufacturing employment data are only available from 2000 onward, making 2010 the approximate midpoint of the 2000–2019 sample window. Grouping countries by quartiles of manufacturing employment share captures differences in labor allocation across sectors while preserving comparability across countries with varying labor-market structures.

TABLE A.5: Peer Group Bin Details

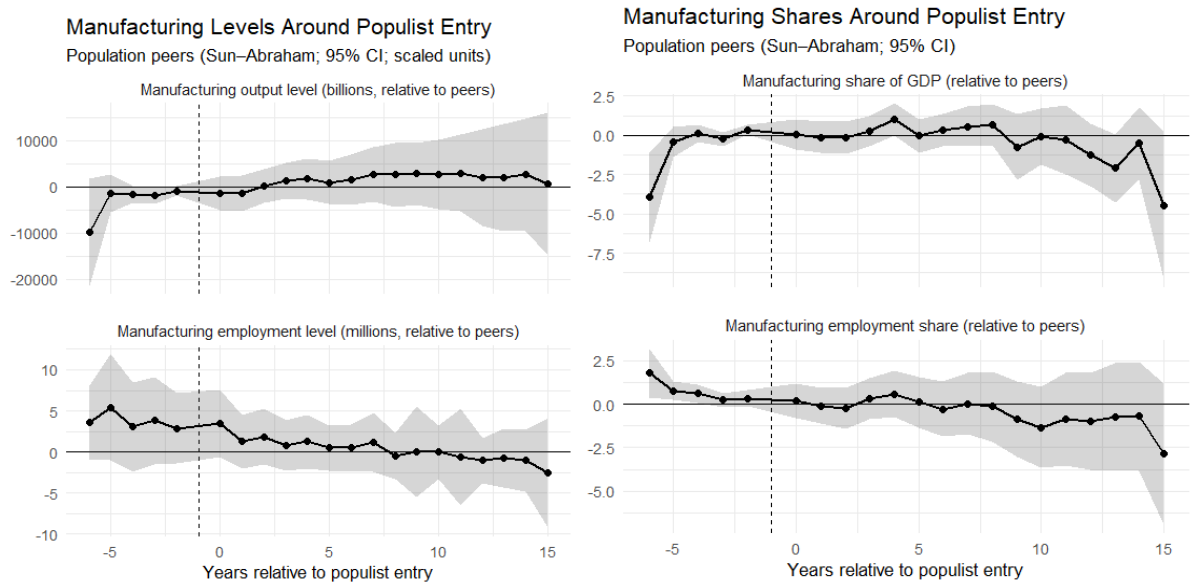
<u>GDP-size Peer Groups</u>	<u>Count</u>	<u>GDP per capita Peer Groups</u>	<u>Count</u>
Large GDP	18	High income	24
Upper-middle GDP	18	Upper-middle income	17
Lower-middle GDP	18	Lower-middle income	23
Small GDP	18	Low income	8
No baseline GDP (2000)	14	No baseline GDPpc (2000)	14
<u>Region Peer Groups</u>		<u>Population Peer Groups</u>	
Western Europe	20	Large population	8
Central & Eastern Europe	17	Upper-middle population	11
Latin America & Caribbean	17	Lower-middle population	20
Former Soviet Union / Eurasia	10	Small population	33
South & Southeast Asia	7	No baseline population (2000)	14
East Asia	4		
Middle East & North Africa	4		
North America	3		
Oceania	2		
Sub-Saharan Africa	2		
<u>Manuf. Share of GDP Peer Groups</u>		<u>Manuf. Share of Employment Peer Groups</u>	
High manuf/GDP (Q4)	17	High manuf emp (Q4)	21
Upper-middle manuf/GDP (Q3)	16	Upper-middle manuf emp (Q3)	20
Lower-middle manuf/GDP (Q2)	16	Lower-middle manuf emp	21
Low manuf/GDP (Q1)	17	Low manuf emp (Q1)	21
No baseline manuf/GDP (2000)	20	No baseline manuf emp (2010)	3

TABLE A.6: Event Study Regime Descriptive Statistics

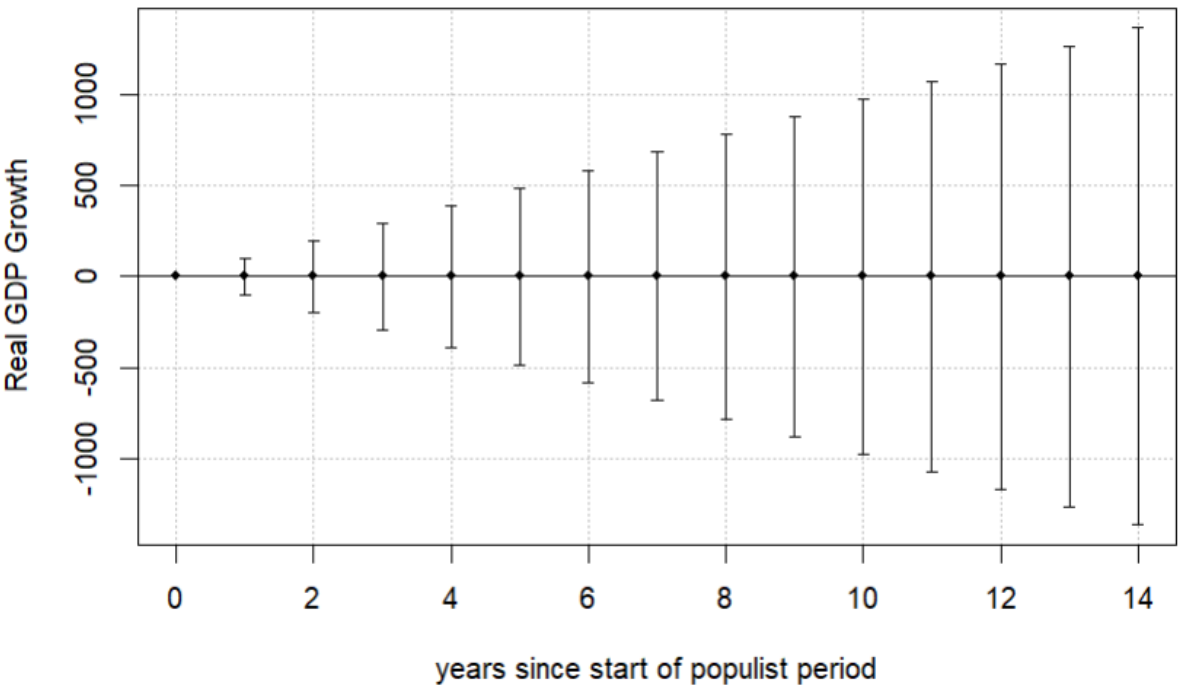
Regime Durations	
Regimes (any length)	60
Mean Length	7.55
Standard Deviation	5.96
Median Length	6
Min Length	1
Max Length	37

GRAPH A.1: Event Study Results Relative to GDP Peers**GRAPH A.2: Event Study Results Relative to Global average**

GRAPH A.3: Event Study Results Relative to Population Peers



GRAPH A.4: Event Study Results for real GDP growth post populist entry



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