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‘Build a wall’. ‘Tax a shed’. ‘Fix a debt limit’. The constructive and destructive potential of populist anti-statism and ‘naïve’ statism

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Abstract: Populist surges, movements and parties often centre around radically simplifying policy proposals, sometimes anti-statist in intent (e.g. fix a limit to state borrowing in cash terms), and at other times pushing naïve statist solutions (e.g. build a giant wall to keep out migrants; or tax companies activities in a given shed, not their profits). Most liberal political science condemns the crudity and often unrestrained vigour of populist ‘solutions’. But on occasion they can have value in counteracting the increasing complexities that elites often build into public policies. Two case studies show populist pressure for simplification working effectively in one instance – the ‘tax shaming’ campaign against multi-nationals avoiding corporation taxes; and engendering only disorder in another instance – the effort to enforce national debt limits in nominal terms in the USA.

The scope of feasible policy-making in liberal democracies is limited, often to coping with developments initiated elsewhere in societal and global systems. Some uncontrolled changes announce themselves with a bang, while others may creep up on citizens and civil society in ways that for a long time are barely perceived. As Brian Wynne noted:

‘Science and technology lie almost completely outside the realm of political decision. No electorate ever voted to split atoms or splice genes; no legislature ever authorized the iPod or the internet. Our civilization, consequently, is caught in a profound paradox: we glorify freedom and choice, but submit to the transformation of our culture by technoscience as a virtual fate’ (Wynne, 2012).

But at least, ordinary people might have felt, there are some aspects of societal development that are more controllable, more within the reach and competence of the nation state – a ‘multi-system’ that remains the absolutely key vehicle for liberal democratic action on the world (Dunleavy, 2014). Yet liberal political elites have often signalled otherwise – as Tony
Blair did in telling the 2005 Labour conference: ‘I hear people say we have to stop and debate globalisation. You might as well debate whether autumn should follow summer’ (Guardian, 2005).

Dissatisfaction with an apparent lack of control often underpins populist movements or parties. At particular junctures, they can grow strongly (or surge) by attacking ‘self-serving elites’ (Mudde, 2017), a development that certainly always require democratic vigilance, to guard against infeasible or intolerable policy prescriptions. Yet the advent of a populist wave also always signals in a confused way the recurring potential for elite-controlled policy systems in liberal democracies to deviate from public interest pathways into overly complex configurations that need to be periodically re-visioned. I first consider how these movements confusingly advocate a mix of anti-statist or naïve statist prescriptions, but always with a hallmark push for making sweeping changes, in a manner that may break or corrode previous conventional restraining rules and barriers. I next look at two case studies. Section 2 (‘tax a shed’) shows how corporate ‘tax-shaming’ campaigns successfully disrupted the G20 and OECD consensus on company taxation, raising radically new demands that multi-nationals especially ‘pay their share’, and visibly obsolescing previous overly-complex systems. Section 3 (‘fix a limit’) shows how the populist backing for nominal limits on US government debt has been ineffective, serving only to engender fiscal crises when pushed in a thorough-going way. The conclusions argue that populist surges may sometimes be both well-based and effective in securing policy change, especially where they bring into previously closed policy debates the views of genuinely unrepresented groups.

1. Interpreting complex policy systems, and populist critiques

Social scientists often cite complexity in a vaguely boosterish way as factor in modernization, and globalization, but rarely measure it in any systematic fashion. For Niklaus Luhman (1995; and see Mattheis, 2012) it was axiomatic that discrete social sub-systems are continuously differentiating both internally and by moving further away from each other, so as to manage growing environmental complexity (Mattheis, 2012). Globalization theorists take greater trade and finance flows as ipso facto evidence of greater specialization and inter-dependency. And regulation watchers count pages on statute books or in executive instruments to argue that the scope of government becomes ever more intricate and esoteric. By contrast, in economic markets many recent major developments (especially involving
digital changes and the GAFA platform corporations) involved breakthroughs in simplifying products and consumer experiences, ‘legacy’ market roles and interactions, or production processes (Koch and Lockwood, 2016). Such key innovations can confer lasting comparative advantage on those that achieve them.

Formal theories of complex systems identify multiple features that generate complexity, especially heterogenous components, numerous agents, multi-level interactions, the importance and unexpectedness of emergent effects, and systems which do not approach any regular equilibrium (Johnson, 2010, p.120). Some of these features many not be seen in national-level policy-making in advanced industrial states. For instance, is the development of policy outcomes either particularly fast or especially hard to predict, given the insulation of technocratic systems and the stability imparted by bureaucratic autonomy (Dunleavy, 2016). Certainly these features are not generally applicable to the two policy fields analysed below. But we can probably all accept that policy systems have become more resistant to single-state or single-government solutions; interactions have become more multi-way; and the knowledge needed to master how legal and government rules operate has become more esoteric and professionalized.

Populist movements and parties are suspicious of elites and ‘experts’ dominating or monopolizing policy fields (Motta, 2017). They often argue that professions foster greater complexity in how policies are formulated, implemented and delivered only for self-interested reasons. In these terms greater complexity is self-serving because it

- creates greater government, political and public dependence upon the skills and knowledge of professional groups involved; which
- improves the demand for their labour; and
- tends to insulate their sphere of activity ever more completely from outside (‘inexpert’) forces.

So it seems highly problematic that one recent treatment of populism and technocracy makes no references at all to problems of policy complexity (Bickerton and Accetti, 2017), and gives only a single (second-hand) recognition of the demands for simplification that often underlie populist pressures. This is surely now an integral connection that political science cannot ignore.

This key intuition, that policy systems can become overly complex, lies behind populist movements of the left and right. And it is not wrong, certainly where public policy professions are concerned. However, in the American right in particular, the critique evolved
into a root-and-branch, fundamentalist and often religiously motivated critique of experts (especially social scientists) as a ‘new class’ (Bruce-Biggs, 1979):

‘The essence of the New Class critique was that expertise was simply a masquerade for a particular kind of group self-interest. Liberal professionals in the government and non-profit sectors used their educational credentials and the language of expertise to gain power… Government was the problem; the citizenry was its victim’ (Horwitz, 2013, Ch.1).

It is easy to discount such viewpoints as unfounded political/ideological convictions. For instance, Dahl (1978) critiqued Kristol (1978)’s view that: ‘At base, its [the new class’s] members are moved by goals as crass as those of the businessmen they detest’. But the subsequent spread and resonance of such views (at least in the USA) tend to belie easy, dismissive interpretations.

Consider the case of the legal profession (originally number 2 on Kristol’s hitlist, but which he later amended to cover only public sector lawyers). In any capitalist society, the process of developing legal expertise always shows a strong over-time bias towards differentially protecting capital interests. This operates constantly, incrementally and not very visibly via

- Initiating most legal and scientific clarifications in areas favourable for business and wealthy people, skewing knowledge development by creating legal case law and precedents differentially in areas favourable for capital;
- recruiting the most qualified and effective staff /experts to work on the corporate sides of disputes with other societal actors; and
- funding research and innovation efforts that are differentially favourable to business and capital interests in their disputes with government, trade unions, environmental groups and consumers.

The only offsetting influences counteracting these cumulative effects are

- the continued involvement of juries in some kinds of legal cases, which tends to act as a counter-force for the simplification of principles and arguments, and against key principles developing in ever more counter-intuitive ways;
- funding from philanthropic foundations, charities and NGOs that allows a fraction of possible counter-cases to be initiated (Walker, 1983; 1991)
- the continued role of a somewhat more ‘liberal’ academia law sector, plus some residual private practice professionals, in sustaining a more impartial or differently slanted development of knowledge – acting against the weight of corporate patronage of professionals and large private practice firms; and
public-interested actions by a minority of state lawyers that sporadically challenge over-weaning business hegemony, and promote the development of effective countervailing policy actions to politicians.

Other policy professions (like policing, public health care, social care and welfare state management) show less strong pro-business pressures, because they handle issues where capital interests are less directly involved. And governments are allowed by most constitutions and the courts to retain some executive action capabilities that limit the legalization of administration – at least outside the USA.

However, there are other forms of pressure for complexity across public services. Some ineffective ‘policy churn’ is produced by adversarial parties succeeding each other in government, and by ambitious (even ‘hyperactive’) ministers or executives each trying to displace their predecessors’ policy initiatives with new policies of their own. Layering new policy initiatives on top of the established ones inevitably adds to overall policy complexity, especially given:

- the disputed but underlying ‘immortality’ of government departments and functions (Kaufman, 1976),
- the protections against change given to previous policies by their embedding in legislation and behind independent institutions (Horn, 1995), and
- the strong inertial effects of established administrative and ICT systems (Dunleavy et al, 2006).

Even if minimum changes are made to incorporate a new logic or tweak, the pyramiding of rules and systems gets more elaborate, arcane, and sometimes harder to predict.

The critique from populist movements gains momentum from this pattern of development. Looking from a distance, and adopting the ‘dispositions’ interpretation common to outside observers, populist leaders argue that experts have willfully ignored available, obvious and simpler policy solutions, for self-interested reasons. This claim sits easily with the (post-automation) trend for more senior staff in government departments over time (Institute for Government, 2018). Given that complexity is both avoidable and scandalous, populist movements can better justify being radically anti-statist. It is OK in their terms to manifest extreme impatient with elite-constructed processes, and to advocate simply ‘tearing them down’ in order to reinstate ‘common sense’ or intuitive substitutes.

Fierce anti-statism can easily transmute into the apparent ‘anti-modernism’ of the American Tea Party movement, whose many demonstrations often harked back to an eighteenth century, autonomous way of life:
‘The events precipitating the Tea Party movement [the global financial crisis of 2008-12]… demonstrated, emphatically and unconditionally, the depths of the absolute dependence of us all on government action, and in so doing they undermined the deeply held fiction of individual autonomy and self-sufficiency that are intrinsic parts of Americans’ collective self-understanding.

The implicit bargain that many Americans struck with the state institutions supporting modern life is that they would be politically acceptable only to the degree to which they remained invisible, and that for all intents and purposes each citizen could continue to believe that she was sovereign over her life; she would, of course, pay taxes, use the roads and schools, receive Medicare and Social Security, but only so long as these could be perceived not as radical dependencies, but simply as the conditions for leading an autonomous and self-sufficient life. Recent events have left that bargain in tatters’ (Bernstein, 2010).

Yet if anti-statist populism is alarming in its radicalism, at least it often contains within itself some pressures for modulation and maintaining efficacy. Groups who may vigorously criticize and oppose current policies at an abstract level may not easily agree on a replacement. People who ideologically align against government intervention may baulk at the implications when they come home to them in a concrete fashion. And so

‘When it comes to the Tea Party’s concrete policy proposals, things get fuzzier and more contradictory: keep the government out of health care, but leave Medicare alone; balance the budget, but don’t raise taxes; let individuals take care of themselves, but leave Social Security alone; and, of course, the paradoxical demand not to support Wall Street, to let the hard-working producers of wealth get on with it without regulation and government stimulus, but also to make sure the banks can lend to small businesses and responsible homeowners in a stable but growing economy’ (Bernstein, 2010).


However, populism’s championing of ‘naïve’ statism may have far fewer internal controls. These strands propose to replace current (corrupted) policies by imposing new forms of blanket-applied and state-lead solutions to chronic problems. Cutting the Gordian knot of past, process-bound inertia is to be achieved by legislating de novo in ways that are inherently simpler, and intuitively more workable. Dumping an existing policy tradition is where the ‘lynch law’ qualities of full-blown populism often manifest (Goodin, 2013), not in a reluctance to resort to state power and legal coercion, but instead in

– a willingness to trample down previously understood rights or obligations
– a push to ignore evidence or complications, or any need to prototype new policies before implementation
– a preference for surges of simplistic or direct action,
— supposed to secure the *immediate* redress of the majority’s grievances about or concerns with existing policy.

Because naïve statism appears as frankly forceful and (in its novelty) exceptionally unconstrained, in liberal democracies it tends to get actualized politically only where a majority of ‘people’ can envisage applying it against ‘others’ in their population - such as clearly demarcated linguistic, religious or ethnic minorities, or temporary workers, or foreigners.

When naïve statist policies fail to work, the tendency may be to ‘double down’ on them rather than to admit any inherent inefficacy, potentially creating exactly the ‘cascade of interventions’ that populism in its anti-statist mode decries. For instance, if large-scale movements of undocumented or illegal migrants occur from Mexico into the USA, building a wall 1,954 miles long and 30 foot high might seem like an answer that ‘must’ work - even if the capital works cost $28 billion, with vastly more recurring expenditure needed to maintain, monitor and police the wall effectively (Skerry, 2006). If evidence subsequently mounts up that most Latin American illegal migrants in fact enter the USA by air or sea and then overstay their visas (and not land movements after all) (Yee et al, 2017)), some kind of sea-wall or air-wall extension can underpin the Maginot Line so expensively constructed. Where flows of migrants begin to be interdicted, they may re-present in new forms, for instance as arrivals from third countries. The legal and regulatory/policing barriers to illegal visitation or overstaying must also be strengthened, and the autonomous growth of family and community linkages across borders which past immigration implies has to be counteracted by greater restrictions, with more immigration officials (*Independent*, 2017). Limiting incomers cuts across the family lives of some citizens, and may spark their defensive mobilization (Kukathas, 2015). Trying to expel illegal migrants can mushroom into a withdrawal of consent by affected groups, plus allies, triggering further actions to counteract ‘sabotage’ by ‘disloyal’ or ‘unpatriotic’ communities.

These are disturbing features of populism. Yet liberal political theory’s reactions have generally been unhelpful, tending to:

- deplore the ‘ignorance’ of those caught up in these movements – and too glibly denigrate the legitimacy or empirical foundation of their views;
- build higher hedges around due process limitations on governments so as to make *any* policy changes more difficult;
- legitimize too readily the frustrating of voters’ intent by parties and elites resuming ‘normal service’ in affected policy areas;
• under-estimate the extent to which professional elites and state bureaucracies and systems may pursue sectional self-interests in systemic ways; and
• deny an important democratic impulse, and the foundation for political equality, namely the possibility of ordinary people finding viable alternatives to constructed-complexity (Kaltwasser et al, 2017).

In short ‘populism is unreflectively understood only as a sort of “hypertrophy” [a radical over-enlargement] of popular sovereignty’ (Bickerton and Accetti, 2017, p. 13).

Yet a fundamental promise of any liberal democracy is that voters at large (‘the people’) can on occasion fundamentally re-set policy problems through an exercise of will. Populist surges of the left and right differ in many important ways. But at root they are alike in

• signalling a need for legal and political re-simplification,
• insisting that issues are shifted into forms more accessible to wider public understanding and decision,
• affirming the possibility of re-democratizing technocratic systems, and
• demanding policy innovation (even if it is just an infeasible, ‘turn back the clocks’ or ‘bring back an earlier golden age’).

To demonstrate something of how these dynamics can help policy improvement sometimes, and at other times fail pretty comprehensively, I turn next to two contrasting case studies.

2. Making multi-national firms pay corporation taxes

Most business corporation taxes are levied on declared net profits, typically at rates of 12% to 25% - with the USA an isolated outlier at a high 35% (until 2018). Of course, what companies can net off against profits is subject to numerous exemptions in different countries, with corporate ‘tax expenditures’ variously designed to foster investment, grow research and development spending, and foster other purposes judged economically beneficial by governments.

The growth of multi-national corporations was facilitated by and also stimulated the post-war formulation of internationally agreed tax rules. At first these were mainly bi-lateral tax treaties between countries, designed to avoid the ‘dual taxation’ of company profits. From 1995 onwards the OECD and the World Bank played key roles in developing an international consensus on ‘good practice’ rules about ‘transfer pricing’ - how corporations could charge for within-firm movements of intellectual property rights, trade marks, patents and corporate
services, and for movements of components and parts between countries. The rules were initially quite complex, but quickly became more so over time, especially as companies began to push the limits of their profits-hiding strategies. None the less 19 out of the G20 countries signed up, keen to attract foreign direct investment – and another 41 countries followed also (Christians, 2010).

Yet the import of the rules was transformed by changes in corporate behaviour. A measure of patriotism and ‘noblesse oblige’ values persisted for within-American operations, and in 2016 most large profitable US corporations still paid corporate income tax – although ‘effective tax rates differed significantly from the statutory rate’ (Government Accountability Office, 2016). However, beginning in the 1990s, overseas operations were a different matter. With executives increasingly rewarded on their short-term performance, and with US activist shareholders constantly lobbying (and oftentimes suing) for their firms to take a maximalist approach to realizing profits and minimizing tax payments, executives took an ever-more opportunist stance. Companies began creating more complex corporate structures and shelters within which to move profits around, so as to radically reduce net profits, or even make them disappear altogether (Khan et al, 2017). There is evidence too (over more than a decade) that ‘politically connected [US] firms are more tax aggressive because of their lower expected cost of tax enforcement, better information regarding tax law and enforcement changes, lower capital market pressure for transparency, and greater risk-taking tendencies induced by political connections’ (Hyde and Choe, 2005; and see Kim and Zhang, 2016).

Under the OECD’s ‘arms length pricing’ (ALP) rules, companies are supposed to charge their subsidiaries for goods and services what they would charge an outside corporation. Yet if the things involved are trademarks or patents or other intangibles, and where such components are not actually circulating amongst companies anyway, the sums allocated need bear no relation to much else. Similarly, lax definitions and concessions by countries keen to attract HQs, meant that where companies were notionally located or ‘head-quartered’ for tax purposes came to differ dramatically from their actual managerial patterns. So firms developed the practice of running two sets of books, one for internal company management and development, and the other for declarations to tax authorities (Hyde and Choe, 2005; Habu, 2017). The legal and accounting professions responded with an explosive growth of new tax-minimization and avoidance schemes (Mulligan and Oats, 2016; Harrington, 2016). A boom in companies using these services, plus the regular differential development of tax law towards corporate interests, quickly created exceptionally esoteric specialisms, accessible only to the most highly trained tax lawyers and accountants.
The consequences of these developments has been unambiguously harmful for the tax bases of most substantial nation states, especially liberal democracies where governments must carefully observe rule of law restrictions. Multi-national corporations have essentially run rings around the rules, especially American MNCs on their overseas profits. A long series of giant companies (especially the Silicon Valley IT giants like Google, Apple, Facebook, and Amazon (GAFA), plus Microsoft) were able to construct corporate architectures and prices for transferring intellectual property that made their net profits in many overseas territories vanish completely. It became routine for them to declare billions of dollars in turnover over a decade in markets like the UK while paying virtually no corporation taxes at all.

Similarly MNCs maintained large operations in terms of employees and visible corporate ‘headquarters’ buildings in countries, while apparently having little or no corporate existence there for tax purposes, and remitting huge sums as royalty payments to other localities like tax havens where they received exceedingly generous concessionary tax deals (Christians, 2015). For instance, in 2011 Google swept $9.8 billion of profits from subsidiaries into its Bermuda base (80% of its pre-tax profits for the year). And across all its European jurisdictions the company paid a rate of 3.2% on its earnings. The then chairman of the company, Eric Schmidt, saw nothing unusual here. ‘It’s called capitalism’, he said (Sydney Morning Herald, 2012).

This perfectly predictable history of government regulatory complexity breeding corporate opportunism clearly eroded the corporation tax base (Dillon, 2016). It created big differences in tax exposure for MNCs, versus nationally- or regionally-based companies. A 2017 UK study examined ‘systematic differences in the amount of taxable profits that multinational and domestic companies report’. On average domestic standalone companies reported a ratio of taxable profits to total assets of 25.2%, while foreign multinational subsidiaries reported the same ratio as only 12.4% - that is ‘12.8 percentage points lower than that of comparable domestic standalones’.

‘If we assume that all of the difference can be attributed to profit shifting, foreign multinational subsidiaries shift over half of their taxable profits out of the UK. The difference is almost entirely attributable to the fact that a higher proportion of foreign multinational subsidiaries report zero taxable profits (59.2 percent) than domestic standalones (27.5 percent), suggesting a very aggressive form of profit shifting. Comparison of propensity score matching results using accounting and taxable profits data reveals that the extent of profit shifting estimated using accounting data is much smaller than that estimated using tax returns data’ (Habu, 2017, p. 1).
It may seem perverse for any state to facilitate developments that disadvantage its home players, but the internationally binding web of laws and obligations (combined with the US and overseas vulnerability of many British multi-nationals) all militated against UK governments taking any corrective action, for year after year.

Giant overseas corporations avoiding so much tax also inflicted wider damage on domestic ‘tax morale’, that is, other actors’ willingness to comply with tax laws (Kornhauser, 2007; Christians, 2014). ‘While those publicly accused of “tax-dodging” point to their full compliance with all applicable laws, they are substantially less forthcoming about their efforts to influence the shape of the law to their own benefit’ (Christians, 2016a, p. 152).

From the high corporate sector alone, knowledge of tax avoidance and evasion schemes and techniques ineluctably spread out to the wider accounting and legal professions, stimulating an intensive growth of interest amongst domestic companies in levelling their playing field with foreign competitors, and amongst wealthy people generally in strengthening their ability to avoid paying tax. In the UK almost anyone with a professional advisor was aware of the greatly increased potential for avoiding taxes by 2010. For instance, millions of relatively wealthy people decided to reduce their exposure to income taxation (which is levied immediately and is hard to evade) by shifting resources into wealth instead (e.g. converting a conventional pension instead into owning rental housing, thus benefiting from betterment gains). By 2015 the top 1% of UK income taxpayers (earning £170,000 or more annually) paid 31% of all income tax, making total receipts exceptionally vulnerable to even slight increases in avoidance (King, 2018).

Wide public knowledge of corporate tax avoidance and evasion only began to develop with the growth of tax populist movements aiming to use adverse publicity to force the companies involved into making different arrangements, and to pressure domestic politicians to correct the evident decline of tax collection from companies. Four different waves made up the ‘tax shaming’ movement (Figure 1).

The first wave focused attention in the acute differentials in power between MNCs and poor country governments, even if resource rich Christians, 2013). The NGOs involved aimed to generate adverse publicity for corporations that had cut ‘sweetheart deals’, forcing greater corporate social responsibility to poor countries (Forstat, 2015). Around 80% of the variance in tax avoidance practices by MNC subsidiaries can be explained by the parent firm’s influence: ‘the MNC corporate style is largely responsible for the design and orchestration of subsidiary local tax avoidance strategies’ (Beuselinck and Pierk, 2017, p. 1). The countervailing effort here involved researching and publicizing low corporate tax
Figure 1: Four waves of ‘tax shaming’

<table>
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<tr>
<th>Wave</th>
<th>Key actors</th>
<th>Key focus</th>
<th>Achievements</th>
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<tbody>
<tr>
<td>1 (from early 1990s)</td>
<td>International NGOs (e.g. Action Aid, Oxfam)</td>
<td>Publicizing MNCs cutting severely asymmetric resource and corporate tax deals with developing countries. Force them to re-negotiate via adverse publicity in advanced industrial country markets; and by increasing pressure on poor countries’ politicians to secure better deals.</td>
<td>Substantial media coverage, and MNC practices have moderated. But most studies find little gain as yet for developing countries.</td>
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<tr>
<td>2 (2010-now)</td>
<td>Domestic NGOs, e.g. UK Uncut, Tax Justice Network</td>
<td>Publicizing MNCs and major corporations paying little or no corporation tax, dramatizing non-payment against turnover levels, opposing ‘cosy’ negotiations with tax avoiders, and dramatizing the costs of avoidance for public services via demonstrations</td>
<td>In UK, high levels of media engagement and strong public support, pulling in greater political pressures on companies. But only a few rare corporate behaviour changes (e.g. Starbucks in response to a consumer boycott).</td>
</tr>
<tr>
<td>3 (from 2011 to now)</td>
<td>Audit &amp; other committees of national legislatures; leading politicians; major left-wing political parties</td>
<td>Firming up and institutionalizing continuous pressure on companies to pay more tax by public disclosure of how little they pay; strengthening tax rules and enforcement, introducing new rules or taxes to curb abusive transfer prices; strengthening rules on where HQs are deemed to be, overhauling the whole domestic tax regimes applying to corporation tax.</td>
<td>Tax authorities’ powers have been strengthened and previous ‘cosy’ dealings with MNCs curbed. Pressure for enforcement has increased. Some new domestic laws have sought increased revenues (e.g. “Google law” in the UK).</td>
</tr>
<tr>
<td>4 (2011 to 2020)</td>
<td>Activist academics and professionals, OECD and European Commission</td>
<td>Combating the long-run ‘base erosion’ of corporation taxes, and curbing profits-shifting via new, internationally agreed rules. Examining alternative systems to past ‘arms length pricing’ regimes, such as unitary taxation.</td>
<td>The EU has made some concerted progress on curbing tax avoidance and has major actions in the pipeline. Too early to say if OECD will actually promote meaningful change in approach.</td>
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payments, using newspapers and broadcast media, plus some campaigning by the NGOs’ local groups in advanced industrial countries and inside developing nations, and involving allies like churches in ethical pressure. At least one substantial study concluded ‘that the public scrutiny sufficiently changed the costs and benefits of tax avoidance such that tax expense increased for scrutinized firms’ (Dyreng et al, 2016) – although other studies failed to find an effect.

The second wave in Figure 1 followed the 2008 great financial crisis in many advanced economies. Innovative campaigning approaches like UK Uncut developed from progressive people meeting in a local pub in London, who decided to take dramatic direct actions (like sit-ins, protests and ‘occupations’ of the HQ or other premises of offending companies). They targeted businesses paying little or no UK corporation taxes, demanding that they ‘pay their
share’. Research into company accounts allowed the contrasting of their minimal corporation tax payments with huge turnover levels (BBC, 2013) – but not profits because of pervasive secrecy on company tax affairs, insisted on by tax agencies like HMRC in the UK and the ATO in Australia. The longer-lived Tax Justice Network (founded in 2003) worked tirelessly on media and elite-level analyses, and saw an explosion of its coverage of corporate tax avoidance after 2009 (Dallyn, 2017).

The new revelations found a wide positive response. One boycott campaign against the iconic coffee chain Starbucks contrasted its ‘ethical’ image and marketing with zero corporation taxes. An observable if small loss of custom followed (Campbell and Helleloid, 2016). Within six months the company announced that it was ‘voluntarily’ paying tax of £20 million to bring it somewhat in line with UK competitors. Publicizing celebrities’ involvement in tax avoidance schemes has also been a secondary area of success, limiting the damage that knowledge of others’ avoidance does to tax morale (Bramall, 2017). A constant string of British film and TV stars, sports personalities and authors have had to publicly abandon tax avoidance measures that threatened to bring their public reputations into disrepute.

However, most big companies like Google and Amazon have simply ridden out the adverse publicity, confident that their users and customers will not be deterred from using their services. Some right-wing media and academics have argued that tax shaming can have and has had zero or miniscule effects on companies (Datt, 2016). Others argue that even official or government publication of details of tax avoiding goes too far in trying to shame companies (Blank, 2009). A recent empirical study in Australia also shows only short run reputational damage for companies from tax avoidance media coverage, followed by a medium term recovery - but the authors also suggest that cumulative scandals can mount up (Akhtar et al, 2017). In the USA, some analysts argue that publicizing aggressive tax avoiders just attracts similarly-minded shareholders seeking optimal returns (many of them also institutional investors) to those firms, raising their share prices that easily offsets any reputational harm suffered.

The third wave in Figure 1 institutionalized popular pressures for changes in companies’ treatment, beginning with senior political figures individually lending the campaign legitimacy and political weight. Next scrutiny or select committees of the legislature put pressure on tax collecting agencies and Treasuries to change their ‘legacy’ stances of hand-ringing ineffectiveness. Going beyond MPs’ standard refrain over many years to boost tax collection staffs and move more swiftly against constantly emerging new
forms of tax avoidance, continued pressure from elite ‘tax shaming’ groups forced the abandonment of longstanding secrecy practices concealing how few corporate taxes were being paid (Brooks, 2013). In the UK the Chair of the Public Accounts Committee forced both the tax agency HMRC and major IT companies to public hearings and to reveal details of their tax payments. The tactic was later followed in Australia, forcing the ATO to reveal which companies were ‘targets’ of their major investigations. Media publicity was huge and the issues reached the widest possible public.

Key impacts included tax agencies risking more in taking major companies to court, swifter action to clamp down emerging forms of avoidance, and greater effectiveness in seeking international details of people and firms using tax shelters. Previous ‘cosy’ tax deals (where agencies settled claims with major companies out of court for a fraction of their putative liabilities) became harder to justify (Worstall, 2011) as criticisms mounted that the agencies were ‘failing at their basic job’ (Shaheen, 2014). National governments who take companies to court for taxes due do not always win - e.g. France lost a major case worth $1.3 billion in 2017 against Google (Maidenberg and Breeden, 2017). But the European Commission (operating with a simpler legal code) has been much more successful in forcing (belated) reappraisals of corporate deals within the EU. In addition, some ad hoc national efforts included the ‘Google Tax’ introduced by UK chancellor George Osborn in 2015 – mainly a response to small and medium firms complaining of paying more taxes than the multi-nationals. Originally touted as likely to hit Google, in fact that company was never targeted, and by 2017 the tax was raising only 281 million, short of initial hopes (Houlder, 2017).

In many countries major political parties have at last begun to respond the emergence of radically new and different corporation tax policy options, by reappraising their previous fatalistic adherence to the failed OECD consensus rules. ‘Tax shaming’ is most enthusiastically a pressure from the left, so its effects have been felt most in social democratic parties like Labour in Britain (Thorsen et al, 2015). But arguments parity of treatment for national or regional businesses with trans-national giants also have considerable traction with centre-right parties.

The final wave in Figure 1 reflects work done by activist academics and professionals in pushing for simpler tax approaches internationally that treat corporations as unitary actors and let taxation take place on a ‘common sense’ basis, where economic activities are visibly taking place. Options include:
– **Formulary apportionment** (also known as ‘unitary taxation’) as used inside federal countries like the USA and Canada. Taxes due are based on objective metrics of activity (e.g. sales volumes processed in a given warehouse or big shed) and all companies in a given corporate group must report in an integrated way, with profits allocated according to the relevant metrics chosen – e.g. the volumes of goods supplied to residents in different states. Previously accounting systems variations and currency exchange calculations meant that ‘waters’ edge’ limits were imposed against use such rules internationally. But the failure of existing OECD rules has caused a reappraisal of past objections.

– The EU’s (2016) *Common Consolidated Corporate Tax Base* proposal was first set out in 2011 but stymied by UK and Irish objections. Countries would still set their own corporation tax rates, but would have to use common accounting standards and ways of attributing turnover and profits to markets across the EU member states.

– The *Independent Commission for the Reform of International Corporate Taxation* (2015; and see Dillon, 2016, pp. 54-6) has made intellectually key recommendations for treating MNCs as unitary organizations, and its case is supported the economist Joseph Stiglitz.

The OECD was forced by its member governments (themselves under political pressure) to look at its past system again in a thoroughgoing way, launching a Base Erosion and Profit Shifting (BEPS) project. This will require transparent country-by-country reporting of sales, profits, assets, and employees by corporations for the first time (OECD, 2014, 2018; Bradley, 2015). The full details and implementation of BEPS are still under development, with intergovernmental sharing of company data not likely to take place until 2018.

Many observers expect that the high hopes of tax reformers will actually come to little, and are undisturbed by this prospect:

Important areas of policy should not simply be ‘left to the experts’. But maintaining public and corporate engagement on such complex cross-jurisdictional challenges depends on the debate developing through stages of maturity and learning – from initial campaigns based on weak evidence, met by defensive responses, through messy and difficult processes of organisational learning and collaboration towards more effective problem solving across sectors and national boundaries... The first phase of the BEPS process has involved a massive and welcome widening of attention and engagement on taxation issues and brought a wider sphere of academics, civil society organisations and tax experts into dialogue and engagement. Campaigners have succeeded in getting the complex and difficult topic of international taxation onto the public agenda, and have advanced progress on previously ‘impossible’ solutions such as automatic exchange of information. But in the process they have also contributed to, and perhaps become
dependent on maintaining unrealistic public expectations about a corporate tax ‘pot of gold’ which may become a liability to future progress’ (Christians, 2016b, p. xx)

Yet BEPS is clearly ‘more forceful than previous OECD initiatives’ (Christians, 2016b, p. 1604). And the new information releases (in combination with Panama papers and other leaks documenting the scale of tax avoidance and evasion), could yet trigger more far-reaching changes in corporate tax regimes (International Consortium of Investigative Journalists, 2016).

Overall, comparing the 2018 landscape with 2010, the tax shaming movement can claim much of the credit for a widespread governmental and professional recognition that the arcane complexities of the old system have to change. Some observers have concluded optimistically that: ‘The widespread development of “tax shaming” reveals the power of the commons to fight back’, and is ‘rapidly developing into a global movement’ (Urry, 2014, Ch. 4). Such claims may prove over-stated - given the scale of the capital interests involved; the inertial weight of ‘legacy’ tax bureaucracy modes of operating; and the depth and resilience of the corporate and professional interests that multi-nationals can command (Mulligan and Oats, 2016; Harrington, 2015), when set against the meagre resources of a few elite tax activists, their grass-roots supporters and their sporadic media campaigns and successes. But that ‘tax shaming’ populism made a huge and constructive difference to policymaking and debate is not in doubt.

3. The populist push for nominal national debt limits

States use national public debt for several main purposes (Blommestein, 2014; Bhon, 1988), only a few of which are widely known or appreciated by mass publics. The best known roles are to cover a gap between the spending that a government wants (or needs) to do, and its current receipts in terms of tax revenues. There are three key situations here, shown at the top of Figure 2. But in addition there three further roles, not to do with deficit financing, shown in the lower part of the Figure.

These roles are differentially visible, with the public construing debt chiefly in terms of function 1, but some coverage of function 2 in the media (often in a more sceptical vein). The third role was previously appreciated a little, because of long-running debt legacies from the Second World War. But wider public opinion does not now see this as a different role from short-run deficit financing. Outside people working in financial markets, few if any voters appreciate the fourth, fifth and sixth functions here.
Figure 2: Six key roles of national debt

<table>
<thead>
<tr>
<th>Role</th>
<th>What is achieved</th>
<th>Causes</th>
<th>Costs and drawbacks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Regular deficit financing</td>
<td>Bridges between current year taxes raised and expenditures undertaken</td>
<td>Government inflates spending too far; or raises insufficient taxes</td>
<td>Financial markets get more reluctant to buy government securities, raising borrowing costs</td>
</tr>
<tr>
<td>2. Countercyclical smoothing</td>
<td>Government runs a surplus in upswing, and deficits in downswing years</td>
<td>Fits with Keynesian demand management strategies; promote fiscal responsibility, but with enough flex</td>
<td>Disciplinary framework needed to stop backsliding on re-balancing long-term (e.g. UK Office of Budgetary responsibility)</td>
</tr>
<tr>
<td>3. Phase crisis costs over a longer period</td>
<td>An acute debt burden is spread over multiple years/decades</td>
<td>War or acute financial crises (such as 2008 GFC) creates big hangover debts, not payable in short term or by current generations alone</td>
<td>Creates a long-run unfavourable backdrop for measures 1 and 2 above. Interest costs may rise more than planned where debt has to be re-financed.</td>
</tr>
<tr>
<td>4. Creating a domestic asset class vital for financial sector</td>
<td>Domestic financial sector can use own-government securities as a liquid asset. This role is key to expanding credit and money supply (via the central bank buying a % of government debt)</td>
<td>Relying on other governments’ bonds introduces foreign exchange costs and variations. Foreign securities’ growth may not sync well with domestic economic/finance needs</td>
<td>No separate drawbacks beyond deficit financing – e.g. see Singapore’s national debt at 100% of GDP, but government runs budget surplus and invests bond receipts only in productive assets/ventures.</td>
</tr>
<tr>
<td>5. Financing ‘development state’ investments</td>
<td>Long-term finance is raised for infrastructure and other productive, long-term investments, at low cost</td>
<td>Interest rates on state bonds may be much lower than on private bond issues – even negative in recent times.</td>
<td>Critics on the right argue that government agencies will/must mismanage investments, lowering or negating future returns</td>
</tr>
<tr>
<td>6. Technical functions</td>
<td>Daily, weekly, monthly and seasonal variations in timings of state receipts and spending are covered at low cost</td>
<td>Government is run more cost effectively by controlling the debt mix, short-run funding notes, and use of any surpluses</td>
<td>This role is little known and public/political attention may focus on it only if things on occasion do not go well.</td>
</tr>
</tbody>
</table>

Growing the economy smoothly

Source: Dunleavy (2016)

Normally most countries’ debt management policy-making is also a relatively closed and technocratic process, as Figure 3 below shows. The key domestic players are always the Treasury or Finance Ministry head, the sections of her department responsible for overall economic management, a specialist Debt Management Office controlling market operations, the central bank, budgeting sections of the Treasury/Ministry of Finance setting public spending levels, and forecasting agencies. Less often PMs or Presidents may get involved, and (even more rarely) cabinets as a whole in parliamentary systems. The most important interactions for decision-makers are instead with domestic and international market forces.
Figure 3: The institutions normally involved in setting national debt policies

They must also respond to treaty and international obligations, and expectations about what other central banks and governments will do that could bear on bond market movements. This technocratic set-up is closely studied by many market and business-media observers, but its decision-making remains largely a mystery to the wider public.

The ‘Washington consensus’ in the World Bank, IMF and other international bodies, plus the consensus view amongst actors in much of the world’s government bond markets, has been critical of high levels of public debt that may give the countries involved less room for manoeuvre in economic crises, or greater exposure to paying high bond interest rates (World Bank, 2007; Wheeler, 2004). Yet even studies conducted by IMF economists recognize that slashing public spending in order to cut debt levels is rarely a useful strategy: [I]f fiscal space remains ample, policies to deliberately pay down debt are normatively undesirable. The reason is that for such countries, the distortive cost of policies to deliberately pay down the debt is likely to exceed the crisis-insurance benefit from lower debt. In such cases, debt-to-GDP ratios should be reduced organically through growth, or opportunistically when less distortionary sources of revenue are available’ (Ostry et al, 2015, p. 0).
By contrast, the most widespread view of public debt in western public opinion is an unremittingly hostile one, for reasons that remain close to Mrs Thatcher’s oft-repeated (and apparently ‘common sense’) dictum that every household or ‘well-run business’ must ‘live within its means’ (Streek, 2013; Chin and Cohen, 2014). Levels of debt, and decisions about them, that go against the simple view of a ‘public household’ (Bell, 1974) often rankle with much of the public. This is especially the case in countries with a history of past currency crises or hyper-inflation periods, like Germany (Miller et al, 1990). Business lobbyists, right-wing parties and conservative politicians often cite nominal debt levels per person, and aggregate interest payments in nominal terms, in arguing for debt reductions or repayments – usually to be achieved by cutbacks in public spending. In typical media discussions, all public debt is construed as being solely caused by deficit spending. The political right also lent strong support to the (now-discredited) Rheinhart-Rogoff economics paper (2012), which claimed that economic growth is always reduced if national debt to GDP levels rise above 90%.

This potent cocktail of public attitudes has blended with some significant academic backing from neo-liberals, and strong support from conservative business and right-wing politicians and parties, to make fixing a limit on debt in ‘hard cash’ terms a constantly recurring populist theme in the USA. Historically, nominal debt limits have been central in demands for an American ‘fiscal constitution’. Specifying a total permissible amount for federal debt has been advocated as creating a political tripwire against any further expansion of state roles, not just in symbolic terms (although that signal too is very important) but also as question of immediate practicality. For fiscal ultras, a nominal debt limit is vastly preferable to the main alternative of specifying government debt as a fixed percentage of GDP – e.g. the EU’s limit of 40%, which allows for continuous increases in state spending provided only that GDP grows. A nominal limit means that there is no auto-uprating of public spending and is far more electorally visible and explainable. Voters can intuitively understand it, even if the scale of numbers in $billions largely eludes them. Comparing demands from lobbies for further spending with a cash limit is also far easier.

In practice, Figure 4 shows that US nominal debt limit has actually been adjusted upwards in a ‘just in time’ manner by Congress on most post-war occasions when it came near to being exceeded, usually somewhat before any breach occurs. Often large increases in permissible debt levels have been designed to make the issue go away for a considerable period, even in inflationary times (Austin, 2015). Usually these decisions form part of wider
complex political deals between the Democrat and Republican parties across the executive, House and Senate, spanning multiple issues.

Sometimes, however, national debt policy-making dramatically expands from the closed world of Figure 3, becoming a macro-political decision that sucks in the president, Congressional leaders and all senators and representatives – and largely marginalizes all the ‘normal’ actors except finance markets. With increasing frequency in recent times, raising the debt ceiling has provoked intense controversy and become an integral part of acrimonious Republican versus Democratic feuding. Here the party not holding the presidency, but with a veto in at least one house of Congress, has tried to extract concessions, mostly on spending levels but sometimes on fairly unrelated issues. On occasion, ‘special measures’ have been adopted to ‘kick the can down the road’ for a while, or the debt ceiling has been suspended while negotiations take place on it.

Especially when populist politicians and movements become involved, the radical simplifications of the issue that they promote can create a chaotic disruption of even the ‘normal debt crisis’ mode of US decision-making. The result is a uniquely American set-up: ‘the weird and destructive institution of the debt ceiling; this lets Congress approve tax and spending bills that imply a large budget deficit — tax and spending bills the president is legally required to implement — and then lets Congress refuse to grant the
president authority to borrow, preventing him from carrying out his legal duties and
provoking a possibly catastrophic default’ (Krugman, 2013).

Unpacking the last sentence here a bit more, given a history of past debt offerings, some of
which will be expiring at any given time, then their principal sums involved will need to
either be repaid or be renewed, by ‘rolling over’ the debt with new issues. So the implications
of a fixed debt ceiling are even more serious than not being able to borrow more or fund
immediate spending commitments; they will normally extend to not being able to repay past
debt when due. Governments that fall into default in this way can take a long time (decades
even) to recover the trust of financial markets and investors, and so typically pay higher
premiums for years to come.

The most notable recent case followed the 2012 elections, when President Obama was
re-elected but the influence of the Tea Party on the Republicans was at its height, particularly
amongst its majority in the House of Representatives. By the end of the year the debt ceiling
was technically exceeded, and the US Treasury had to resort to ‘extraordinary measures’ to
enable government financing to continue. So the federal government was right up against the
nominal debt ceiling by mid-January 2013. However, the House Republicans lead by John
Boehner held out against any increase in an effort to force spending cuts or concessions that
would erode the president’s signature first-term policy, the ‘Obamacare’ expansion of
medical insurance. In later interviews Obama argued: ‘This was scariest night of my
presidency’ (Bryan, 2017), as the threat of a debt default got closer and closer, with the
Treasury unable to roll over maturing debt.

He also recounted a serious debate within the desperate White House about using a
little-known piece of legislation allowing the minting of platinum coins of any denomination,
originally intended for collectors. This authority would allow the President to create a
(possibly giant) coin denominated at $1 trillion (that is a thousand billion dollars) - almost
certainly on a once-only basis, since Congress would surely close the loophole (see
Wikipedia, 2018). In the same way that the US Federal Reserve regularly buys up between 15
and 40% of newly issued US government securities, this new coin would be deposited with
the Reserve so as to reduce the level of outstanding US national debt, and permit the
continued issuing of new bonds. In the end the US Treasury announced that they would not
use the $1 trillion coin ploy, and in response the House Republicans (plus those in the Senate)
backed down.

The debt ceiling was then repeatedly suspended for short periods, then increased by the
amount of extra debt incurred during suspension, brought back and then suspended again – a
process that eventually dragged on to the spring of 2015. Subsequently the ceiling was the suspended long term from October 2015 until March 2017, following Trump’s election, and then again in September 2017. Each time populist Republican politicians struggled to demonstrate their hard ‘conservative’ credentials by revivifying the concept of a nominal debt limit (although the Tea Party wave had now waned). The effort of small government exponents was still to exploit the ‘blackmail’ potential for forcing expenditure cutbacks, but increasingly without incurring the unpopularity involved in creating a government shutdown or (still worse) a debt default.

Conclusions
Influenced by populism’s ‘dark side’ potential, much of political science and liberal democratic theory adopts a critical, almost condemnatory tone. Populist movements are seen as dangerous because they take insufficient account of complexities, fasten on unproven but intuitively ‘obvious’ connections or causations, and give policy credence to shallow measures that cannot work (Motta, 2017). Laclau’s On Populist Reason (2005) stands out for its defence of a viable (left-wing) populism.

In the mainstream literature on populism and technocracy there is no significant association between such movements and the growth of policy complexity (Bickerton and Accetti, 2017). By contrast, I have argued that over time many policy systems and state organizations can show strong tendencies for complexity to increase, raising the transactions costs of the people and groups who must interact with them, and decreasing the transparency and responsiveness of the systems involved, even for expert actors involved in administering them. These trends respond to

- pressures to continuously differentiate internal systems so as to match new developments in external environments;
- the differential development of knowledge and regulation by powerful stakeholders at the expense of less powerful ones;
- public opinion and media pressures for continuous improvement in the efficacy, diversity-handling and transparency/accountability of public service systems; and
- a degree of elite self-interest in maintaining/ expanding their needed roles as managers of complex (even esoteric), professional set-ups.

Bear in mind too that many government and state functions are effectively ‘immortal’ or very long-lasting (Kaufman, 1976), even if the organizations immediately handling them get repackaged and relabelled a lot. This creates a far stronger premium on internal
innovation inside the public sector than in private industries – where competition and succession processes typically account for half of all productivity increases in a decade, forces largely absent inside government (Dunleavy and Carrera, 2013, Ch. 9).

‘Normal politics’ alone may often not generate enough new energy or disruption to solve such accumulating problems, as the saga of the OECD leading the G20 countries into passive helplessness in the face of corporate tax evasion amply demonstrates. By contrast, populist waves, either running through already established parties, or operating via radically new parties or social movements, can sometimes propose useful re-simplifications that lie latent and neglected in the armoury of nation states. As ‘tax shaming demonstrates, populist politics can on occasion successfully highlight key policy anomalies to which established professions and political elites are either blind or fatalistic.

Nor is this an isolated instance. The political history of social democracy, ethnic minority, environmental and feminist movements repeatedly shows the importance of populist political simplifications and mobilizations in effecting changes. Defining and dramatizing alternatives to elite and institutional complexities and fatalisms, populist movements championing excluded views and interests can offset and reject the weight of accumulated policy traditions and ‘expertise’. They can articular clear and intuitively attractive alternative solutions, that stimulate debate, reactions and the implementation of what were previously denounced as ‘fantasy’ options. Using ‘shock’ tactics and ‘Gordian knot’ approaches that violate some privileged groups’ interests (without infringing people’s legitimate rights) are perhaps inevitable costs involved in forcing ‘complacent’ policy elites out of their accustomed rut and into thinking creatively about alternative solutions - as the ‘abrasive simplification’ tactics of the tax shaming movement demonstrate. In Jan Zielonka’s words (2016): ‘There’s nothing wrong with simple solutions if they are just, efficient, and based on democratic procedures’.

On the other hand, the anti-elitism inherent in populist parties and movements may adhere only to simplifications (like ‘flat tax’ proposals) that are strikingly on the side of, or congruent with, or funded by ‘vested interests’ - that is, powerful stakeholders whose interests are already well entrenched in the political and policy systems. They can expend energy only on seeking to revive ‘zombie’ policies and fundamentally outdated policy technologies, despite their repeatedly failing - as the case study of the USA keeping nominal fiscal limits in an inflationary period and with expanding finance market needs for government securities clearly shows. Here populist movements and parties are highly unlikely to have any useful corrective effects in reducing over-complexity in policy systems -
as Australia recognized by quickly dropping an initial nominal debt limit (Nicholl, 2015). They can serve only to entrench and further insulate the privileged positions of the already powerful.

In a darker way too populist surges on behalf of a majority or already politically powerful groups may often battle against the cumulative development of rights and social cultures that outlaw once-socially-acceptable legislation and policy solutions - as with past liberal democratic state practices that criminalized homosexuals and tolerated many forms of eugenics. Here their naïve state ‘solutions’ are often parts of the ‘dynamic knowledge inventory’ of society (Bastow et al, 2014, pp. 248-58) that most people fervently wish to stay buried. Right-wing, nationalist, nostalgic forms of populism (especially when ‘pallingenetic’ or harking back to a former golden age (Griffin, 1991)) often sweep up long-discarded policy “solutions” in ‘anti-statist/ naïve state’ programmes that may have pretty undiluted ‘lynch law’ qualities (Goodin, 2013).

This is not the same as saying ‘left populism good, right populism bad’ (March, 2017). For instance, it is perfectly conceivable that a right-populist movement could crystallize and express the legitimate ‘naïve statist’ views of ‘left-behind’ or relatively excluded social groups – as has been suggested lay behind UK voters narrowly choosing Brexit (to ‘take back control’), or a minority of American voters securing a Trump presidency (to ‘build a wall’). How empirically important in fact such participation-mobilizing effects were in either case, and whether they really involved ‘left behind’ groups, are issues still fiercely disputed amongst psephologists. But the close association of populist themes and movements here with anti-elite simplifications is not in doubt. And the fuel that lights and sustains such forest fires of distrust stems partly at least from needless policy complexity and its universal concomitant, inadequate citizen control over how democracy operates.

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