Right-Wing Populism and Support for Central Bank Independence: Evidence from India and Turkey

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Right-Wing Populist (RWP) Leaders Around the World
RWP Parties vs. Central Bankers
RWP Leaders and Decline in CBI

Share of RWP Incumbents (90 Democracies Since 1970)
RWP leaders frame independent central banks as “elitist”, “foreign agents”, and “anti-people”

Questions:

• Does such nationalist framing of independent central banks by RWP leaders influence support for an independent central bank among politicians?

• Who responds by reducing support for CBI?
Who responds to anti-national rhetoric by reducing support for CBI?

1. **Members of RWP leader’s party**
   - If they share leader’s belief or follow his lead => less supportive of CBI
   - If just electoral rhetoric => no difference between RWP & non-RWP politicians

2. **Politicians with authoritarian personalities**
   - Authoritarian personality types defer more to “authority”
   - Whose authority – party leaders or CB authority?
   - Non-Authoritarians – driven more by beliefs or incentives
Cross-Pressured non-RWP Politicians and CBI

1. Electoral Pressures:
   • Increased salience of CBI as part of globalization’s “elite-capture” narrative
   • Changes some voters’ perception of CBI as beneficial for the nation

2. Financial market pressure to support CBI

3. Sincere beliefs => CBI supports/damages macroeconomic health/growth of country

4. Strategic Reason: Regain control of monetary policy
   • Pro - realize future political benefits
   • Con – prospects of future victory?
Expectations

**Micro-Level Prediction:** Nationalist framing of CBI
- reduces support for CBI among RWP Party politicians
- reduces support for CBI among non-RWP Party politicians
- reduces support for CBI among politicians with authoritarian personalities
- reduces support for CBI among politicians with non-authoritarian personalities will

**Aggregate Prediction:**
- Presence of RWP leaders in office will lead to reduced CBI
Empirical Analysis

• **Micro-Level Test Using Elite-Level Data:** Survey experiment fielded to politicians

• **Survey Experiment:** 2 treatments + control

• **2 Countries:**
  • Turkey, 2016: n=349 (12.7% of Total Population of candidates)
  • India, 2019: n=165 (11% of Total Population of candidates)
  • Typical samples sizes for politicians!

• **Aggregate Prediction:** Sample of 3,335 *leader-years* (unit of analysis)
  • (Total 1,012 Leaders from 90 Democracies, 1970-2012)
Common narrative: “Inflation has increased steadily in India recently and the Indian rupee has also lost a lot of value in international currency markets. This affects Indian citizens and Indian businesses badly. Political leaders from different parties have expressed very different ideas about how to handle these economic problems.”

1. **Expert Treatment:** “Some parties’ leaders say that the economic experts at the RBI are the best people to handle these problems because they have the training and experience to decide which policies best serve our nation’s interests. These leaders think the government should deal with these important economic problems by respecting the RBI’s independence and letting the economic experts at the RBI decide which policies to adopt to address inflation and losses in the rupee’s value.”

2. **Nationalist Treatment:** “Some parties’ leaders say that the elites at the RBI can’t be trusted to take care of these important national problems because they care more about the interests of elites like foreign companies and traders, and the IMF than they do about the problems and welfare of their own ordinary citizens. These leaders think the government should deal with these important national problems by taking charge of the RBI itself and choosing which policies the RBI will implement to address inflation and losses in the rupee’s value.”

**DV:** “How do you think the government should address these important economic problems?

- Government should *respect the RBI’s independence and let the RBI decide* which policies can solve these problems => *(Reduce CB Autonomy, coded 0)*

- Government should *take charge of the RBI and select the policies* it wants to use to solve these problems and direct the RBI to implement them => *(Reduce CB Autonomy, coded 1)*
Reduce CB Autonomy: RWP Party Politicians

INDIA: RWP-BJP

TURKEY: RWP - AKP

Control | Expert | Nationalist
---|---|---
13.8 | 12.5 | 22.1
10.5 | 10.2 | 15.1
Reduce CB Autonomy: Non-Right Wing Populist Party Politicians

INDIA

Reduce CBA (%)

TCB Autonomy:

Non-Right Wing Populist Party Politicians

TURKEY

Reduce CBA (%)

TCB Autonomy:

Non-Right Wing Populist Party Politicians
Reduce CB Autonomy: Authoritarian Personality
4-Question Childrearing Index (Hetherington and Weller 2009, 2021)

INDIA

TURKEY

Reduce CBA (%)

Control Expert Nationalist

16.9 26.2

12.5

20.1

13.1

29.3

10.0 20.0 30.0 40.0

Reduce CBA (%)

Control Expert Nationalist

13.1

29.3
Reduce CB Autonomy: Non-Authoritarian Personality

**INDIA**

- Control: 18.3%
- Expert: 19.8%
- Nationalist: 39.3%

**TURKEY**

- Control: 13.8%
- Expert: 15.1%
- Nationalist: 40.1%
Conclusion & Implications

1. RWP Leader rhetoric attacking CBI does influence political support for CBI

2. Politicians respond heterogeneously depending on their personal traits

3. RWP Nationalist framing of CBI reduces support among non-RWP party members, less authoritarian politicians

Implications:
• RWP parties don’t have to win office for CBI to fall
• As inflation becomes more politically salient, expect more RWP attacks on CBI => CBI may fall in RWP-led countries and in non-RWP-led countries with RWP parties
Appendix Slides
Why do RWP Leaders frame CBI as “anti-national”? 

**Sincere Reasons:**
- Experts as “elites”
- Genuinely believe independent central bankers care more about elite interests and foreign interests than “ordinary” domestic citizens

**Strategic Reasons:**
- Want to facilitate monetary manipulation for political purposes  
  - Post-Covid inflation and interest rate cuts?
Figure 6. CBI regional averages
<table>
<thead>
<tr>
<th><strong>Survey of Indian Politicians: During 2019 Parliamentary Election Campaign</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date Fielded</strong></td>
</tr>
<tr>
<td><strong>Sampled States</strong></td>
</tr>
<tr>
<td><strong>Sampled Parties</strong></td>
</tr>
<tr>
<td><strong>Sampling Method</strong></td>
</tr>
<tr>
<td><strong>Population Size</strong></td>
</tr>
<tr>
<td><strong>Response Rate</strong></td>
</tr>
<tr>
<td><strong>Sample Size</strong></td>
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</tbody>
</table>
## Survey of Turkish Politicians: During 2017, before referendum

<table>
<thead>
<tr>
<th></th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date Fielded</strong></td>
<td>Feb.-March, 2017</td>
</tr>
<tr>
<td><strong>Sampled Provinces</strong></td>
<td>76 of 81</td>
</tr>
<tr>
<td><strong>Sampled Parties</strong></td>
<td>AKP, Saadet, CHP, MHP, HDP</td>
</tr>
<tr>
<td><strong>Sampling Method</strong></td>
<td>Stratified, clustered random sampling</td>
</tr>
<tr>
<td><strong>Population Size</strong></td>
<td>2750</td>
</tr>
<tr>
<td><strong>Response Rate</strong></td>
<td>65% (of 537 contacted)</td>
</tr>
<tr>
<td><strong>Sample Size</strong></td>
<td>349</td>
</tr>
<tr>
<td>Balance Tests -- INDIA</td>
<td>Treatment: Expert</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td></td>
<td>Mean</td>
</tr>
<tr>
<td>Age</td>
<td>56.8</td>
</tr>
<tr>
<td>Education</td>
<td>2.08</td>
</tr>
<tr>
<td>Male</td>
<td>.83</td>
</tr>
<tr>
<td>Rel. Pty Member</td>
<td>.25</td>
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<tr>
<td>Authoritarian Score</td>
<td>2.85</td>
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<tr>
<td>Religiosity</td>
<td>.73</td>
</tr>
<tr>
<td>Office Experience</td>
<td>.520</td>
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<tr>
<td>Party Position Holder</td>
<td>.27</td>
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<td></td>
<td>Balance Tests -- Turkey</td>
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<td>------------------------</td>
<td>-------------------------</td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>46.77</td>
</tr>
<tr>
<td>Education</td>
<td>1.59</td>
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<tr>
<td>Male</td>
<td>.79</td>
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<td>Islamist Party Member</td>
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<tr>
<td>Authoritarian Score</td>
<td>2.91</td>
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<tr>
<td>Religiosity</td>
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<td>Office Experience</td>
<td>.38</td>
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<tr>
<td>Party Position Holder</td>
<td>.50</td>
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Although there are a number of qualities that people think children should have, every person thinks that some are more important than others. Although you may feel that both qualities are important, please tell me which one of each pair you think is more important for a child to have.

1. Would you say that it is more important for a child to be INDEPENDENT or RESPECTFUL OF THEIR ELDERS?
2. Would you say that it is more important for a child to be OBEDIENT or SELFRELIANT?
3. Would you say that it is more important for a child to be WELL-BEHAVED or CONSIDERATE?
4. Would you say that it is more important for a child to be CURIOUS or GOOD MANNERED?
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Authoritarian politicians NOT Exclusive to RWP Parties
- India
Authoritarian politicians NOT Exclusive to RWP Parties
- Turkey
Reducing CB Autonomy: RWP Party Politicians

**INDIA: RWP-BJP**

![Graph showing change in probability for Indian cases](image)

**TURKEY: RWP - AKP**

![Graph showing change in probability for Turkish cases](image)

MEs based on parametric probit models
Reduce CB Autonomy: Non-Right Wing Populist Party Politicians

**INDIA**

- No Cues
- Expert
- Nationalist

**TURKEY**

- No Cues
- Expert
- Nationalist

Change in Pr(Reduce CBA)
Reduce CB Autonomy: Authoritarian Personality
4-Question Childrearing Index (Hetherington and Weller 2009, 2021)

INDIA

TURKEY

Change in Pr(Reduce CBA)
Reduce CB Autonomy: Non-Authoritarian Personality

**INDIA**

<table>
<thead>
<tr>
<th>Condition</th>
<th>Change in Pr (Reduce CBA)</th>
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<tr>
<td>No Cues</td>
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<tr>
<td>Expert</td>
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<tr>
<td>Nationalist</td>
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**TURKEY**

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<tr>
<td>Control</td>
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<tr>
<td>Expert</td>
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<tr>
<td>Nationalist</td>
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Large-N Analysis Research Design: Test Aggregate Prediction

Sample
- 3,335 leader-years (unit of analysis)
- 1,012 Leaders (90 Democracies, 1970-2012)
- Sources
  - Archigos dataset version 4.1 (Goemans et al. 2016)
  - Leader Experience and Attributes Description (LEAD) (Ellis et al. 2015)
  - Coded incumbents as Right-Wing Populist, Left-wing Populist, and Centrist
Large-N Analysis Research Design: Test Aggregate Prediction

- **Sample**: Leader-Year data from 90 Democracies, 1970-2012
  - Democracies defined as per Cheibub et al criteria
  - Democracies defined using Polity Index (Robustness test)

- **Dependent Variable**
  - Garriga (2016) *De Jure* Measure of CBI (0-1 Index)
  - Bodea and Hicks (2015) CBI Measure: Robustness Check

- **Models**: GLS Fixed Effects; TWFE models, System-GMM Model
Independent Variable: **Right-Wing Populist Incumbent**

1. Anti-Elite
2. Ethno-nationalist Xenophobia
3. Authoritarian strongman

**Binary Variable**

- 1 if a RWP Incumbent; 0 otherwise
Control variables

Economic Controls:
- Growth; Terms of trade shock; Log inflation (lagged), Log GDP per capita; Capital account open; IMF Program

Political Controls:
- Veto Players, Federal, PR electoral system

Leader-level Controls:
- Male, Education, Time in Office, Left-wing Populist Incumbent (Centrist Incumbent as reference category)
GLS Fixed Effects Models: select variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Garriga CBI Measure (1)</th>
<th>Bodea-Hicks CBI Measure (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>-.057 (.109)</td>
<td>-.045 (.078)</td>
</tr>
<tr>
<td>LWP incumbent</td>
<td>.136 (.112)</td>
<td>.171 (.234)</td>
</tr>
<tr>
<td>RWP incumbent</td>
<td>-.100*** (.034)</td>
<td>-.104*** (.041)</td>
</tr>
<tr>
<td>lag dependent variable</td>
<td>.044*** (.012)</td>
<td>.065*** (.020)</td>
</tr>
<tr>
<td>Log inflation (lag)</td>
<td>.020** (.010)</td>
<td>.036** (.019)</td>
</tr>
<tr>
<td>fixed exchange rate</td>
<td>.032 (.019)</td>
<td>.025 (.017)</td>
</tr>
<tr>
<td>log GDP per capita</td>
<td>-.062** (.030)</td>
<td>-.037** (.019)</td>
</tr>
<tr>
<td>Veto Players</td>
<td>-.024 (.044)</td>
<td>-.037 (.051)</td>
</tr>
<tr>
<td>Capital account open</td>
<td>.022** (.010)</td>
<td>.036*** (.012)</td>
</tr>
<tr>
<td>N</td>
<td>3842</td>
<td>3842</td>
</tr>
</tbody>
</table>

***,**,* significance, 1%, 5%, 10% level. Cluster-Robust Std Errors.
Change in CBI

RWP Incumbent  LWP Incumbent

Populist Incumbent Type