

Populism and War*

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Abstract

Populist rulers in economic superpowers have important effects on international relations, conflict risk, and inequality. We show that the consequences for civil war risk and inequality are largely negative, while interstate conflict risk increases for symmetric country pairs and for asymmetric dyads in terms of trade openness and relative military power.

Keywords: Populism, Protectionism, Strategic Disengagement, Conflict Risk, Inequality.

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1 Introduction

In recent years, there has been a significant rise in populism worldwide, including in the United States – the world’s dominant superpower. Donald Trump epitomizes the quintessential populist, a fact clearly manifested in a rhetoric that emphasizes concentrating resources domestically, prioritizing “national interests first”, and opposing the use of “taxpayer money” to “create jobs elsewhere”. Trump is also a champion of short-term measures, such as protectionist and anti-immigration policies, disregarding their long-term consequences while pandering to voters’ fears and resentments. As his actions have shown, he holds great disdain for traditional politics and institutions, both national and international.¹ This paper examines the consequences of populism on international relations, specifically investigating its impact on the spread of inequality, the risk of civil conflict in ethnically divided societies, and the incidence of interstate wars around the world.

The rise of populism may lead to profound global repercussions, particularly in the areas of international trade and security. The foreign policy of Trump’s administration was notorious for aggressively resorting to “economic statecraft”, defined as the strategy of using economic means, particularly protectionism and economic coercion, to pursue foreign policy goals (Drezner [6]). The trade war against China initiated in 2018 was perhaps the most significant instance of the use of such a strategy.² Between January 2018 and November 2019, the trade war led to a tripling of the average U.S. tariff on imports (Amiti et al. [1], [2]), which in turn prompted U.S. trading partners, particularly China, to retaliate by increasing tariffs on U.S. exports. The result was a significant reduction in U.S.-China bilateral trade that, in conjunction with subsequent events – most notably the COVID-19 pandemic and Russia’s invasion of Ukraine – led to a substantial reallocation of trade flows, disruption of global value chains and an overall increase in uncertainty and geopolitical

¹Bellodi et al. [4] rationalize the demand and supply for such shift of politics in the U.S., theoretically and empirically, extending the analysis to all congressional districts.

²In March 2018, Donald Trump expressed his views on Twitter, stating: “*When a country (USA) is losing many billions of dollar on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down \$100 billion with a certain country and they get cut, don’t trade anymore – we win big. It’s easy!*”

risk (Benguria et al. [3], IMF [11]). All these factors pose a significant threat to future global growth and poverty reduction, and may contribute to the spread of inequality, both across and within countries (Goldberger and Reed [9]).

Another hallmark of Trump’s foreign policy was the strategic disengagement from conflicts around the world (Posen [15]). This aligns with his “America First” commitment and the rejection of the notion that the U.S. should assume the leading role in world affairs. His business-oriented approach to foreign policy strongly underscores the expectation that countries should finance their own defense and reimburse the U.S. for its support and protection. Trump is particularly committed to disengaging from unwinnable foreign wars, and has repeatedly asserted his intent to withdraw from the North Atlantic Treaty Organization (NATO).³ The expansion and intensification of these policies are likely to create security vacuums, undermine regional stability and balance of power, and increase geopolitical risk and uncertainty.

With the upcoming 2024 U.S. presidential elections, it is natural to question which of these risks are most significant, what additional risks we may face globally, and which countries are most vulnerable to them. More broadly, we ask: What are the consequences of a populist leader taking office in a superpower such as the United States? To answer these questions, we propose a flexible theoretical framework that can be adapted to study both civil and interstate wars. In light of the facts highlighted earlier, our analysis starts with the premise that populism in a superpower (1) significantly increases the likelihood of protectionism and trade wars, and (2) leads to strategic disengagement. The combination of these factors could result in dire and far-reaching consequences.

We introduce a stylized model in the spirit of Fearon [7] that predicts the risk of civil war in ethnically divided societies. The model allows us to examine the impact of a U.S. shift towards protectionism and disengagement on the likelihood of civil conflict, as well as its effects on within-country inequality. Our analysis shows that protectionism, and the associated reduction in the gains from trade due to a populist taking office in a superpower, unambiguously increase the risk of civil

³In February 2024, he told Republican voters at a rally in South Carolina that he would encourage Russia to attack any NATO nations that fall short on defense-spending goals.

conflict. Intuitively, a reduction in the gains from trade, and the resulting reduction in the size of the domestic distributable surplus, leads governments in ethnically divided societies to renegotiate their “social contract”. This renegotiation amounts to a reduction in the share of resources offered to the ethnic group(s) not in power, yielding either a peaceful acceptance of greater inequality or a more likely war.⁴ Our analysis provides the novel insight that populism leads to the spread of inequality across the world.

Next, we adapt our basic model to study the incidence of interstate conflict. Our analysis characterizes the conditions under which a protectionism shock may raise the risk of interstate wars by reducing domestic output and decreasing bilateral and global trade flows. Specifically, we show that a reduction in domestic output in one or both countries always increases the probability of conflict if they are initially symmetric. Interestingly, when countries are asymmetric, a reduction in domestic output leads to more wars if the negative shock disproportionately affects the ex-ante more aggressive and militarily more powerful country. Moreover, consistent with the liberal view, we find that a reduction in bilateral trade always increases the likelihood of war. Finally, our analysis shows that a reduction in global trade flows lowers the opportunity cost of interstate conflict, leading to more wars, when the two countries are symmetric or when the more aggressive, militarily powerful country is also more open to international trade.

Finally, as previously discussed, populism drives superpowers to strategically disengage from international disputes. Which types of conflicts will populist leaders choose to disengage from? We argue that they will withdraw from civil or interstate conflicts where the probability of success is low and where they had previously backed the weaker side. Intuitively, these are the most costly situations, offering little to no domestic benefit for populist leaders. Therefore, we expect superpower disengagement to further unbalance relationships between countries and among groups within countries, leading to an increase in internal inequality and a heightened risk

⁴This result appears to be in contrast with existing mismatch-theories of power wars such as Herrera et al. [?], which emphasize instead that a reduction in the divisible surplus of a country should lead to lower appetite for conflict for a given distribution of political power within the country. We discuss this point in section 2.1.2.

of interstate conflict worldwide.

Our theoretical analysis yields a number of predictions about the potential effects of electing a populist leader in a superpower on the global risk of conflict. Based on these insights, we conclude by examining key economic and political indicators that our analysis identifies as linked to a heightened risk of war. Focusing first on civil conflict, and leveraging a novel measure of power mismatch from Morelli et al. [14], we identify the set of countries in Africa and the Middle East with significant internal power imbalances and high exposure to international trade, as indicated by a high export-to-GDP ratio. According to our theory, the countries most likely to experience an escalation in their risk of civil conflict arising due to a populist shock are: Botswana, Chad, Congo, Democratic Republic of the Congo (Congo DRC), Equatorial Guinea, Ghana, Iraq, Jordan, Mali, South Africa, and Zambia. More broadly, we document that many countries across different parts of the world are highly susceptible to fluctuations in commodity prices, economic downturns and rising uncertainty, particularly in Southeast Asia, Eastern Europe, and the Middle East. The situation in these regions is particularly concerning due to their location in traditionally unstable geopolitical areas, which further increases the risk of interstate war.

In the tradition of rationalist theories of conflict, this paper characterizes conditions under which the risk of war or bargaining break-down due to asymmetric information increases with a negative populism shock (protectionism and strategic disengagement).⁵ Our analysis is consistent with other papers in the literature that have shown that the probability of civil war increases during economic downturns (Chassang and Padro-i-Miquel [5]). However, while previous studies have focused primarily on the direct impact of economic shocks on the opportunity cost of war, our analysis emphasizes the crucial role of endogenous inequality and bargaining between ethnic groups not in power and government as mechanisms linking protectionism, adverse economic shocks and civil conflict.

We also contribute to another strand of the literature that studies the relationship

⁵See e.g. Fearon [7], Powell [16], Jackson and Morelli [12] and Ramsay [17] for surveys of the literature.

between international trade and interstate wars. Martin et al. [13] have shown that the probability of conflict is lower between countries that are more bilaterally dependent, while the ability to trade with other partners increases the likelihood of war by reducing the relevance of bilateral trade. Our analysis contributes to this literature by studying the effect of a trade shock that impacts all countries simultaneously in an environment where nations may be asymmetric in terms of wealth, openness to international trade and military power. We show that taking these asymmetries into account is crucial. In particular, we conclude that the risk of interstate conflict may increase as a result of protectionism and strategic disengagement by exacerbating imbalances among initially asymmetric countries.

2 Conflict and Inequality, within and across States

We divide our analysis of the consequences of populism on inequality and on the risk of conflict into two parts, initially examining its impacts at the domestic level and then at the international level.

2.1 Civil Wars

We begin our analysis by proposing a model to examine the incidence of within-state civil conflict. There are two players, the government G and the rebels R (associated to an ethnic group not in power). The amount of resources at stake is $W > 0$, which represents the present discounted value of the country's total revenues from natural resources and other forms of divisible surplus. When a conflict occurs, the winning side secures control over the totality of the country's remaining resources, ξW , where $\xi \in (0, 1)$ represents the share of domestic wealth and natural resources not destroyed during the conflict. When a war occurs, the probability that the rebels win is $\lambda \in (0, 1)$. We suppose that the country's wealth, W , degree of destructiveness of the conflict, $(1 - \xi)$, and relative strength of the rebels, λ , are all common knowledge.

In addition to the common destruction caused by the war, each group incurs a cost of conflict, $c_i \geq 0$, $i = G, R$, which we interpret as capturing the financial and

psychological burdens of war, and sustaining war and civilian casualties. We assume that the cost of war for the government, c_G , is common knowledge, whereas the cost of war for the rebels, c_R , remains their private information. The assumption that c_G is known reflects the idea that, generally, more information is available about the government compared to other groups. We assume that c_R is drawn from a uniform distribution with support $[0, \bar{c}]$, and that this information is common knowledge.

The payoffs under peace depend on the share of resources $x \in [0, 1]$ that the government (endogenously) commits to sharing with the rebels. The payoffs are given by $u_R^P = xW$ for the rebels and $u_G^P = (1 - x)W$ for the government, where the superscript P denotes peace.

The timing of the events is as follows. First, the government chooses a concession level $x > 0$ under uncertainty about the cost of war for the rebels, c_R . Then, the rebels observe the realization of c_R and, upon receiving the government's offer, decide whether to accept or reject it. If the offer is rejected, a civil war ensues. The expected payoffs under conflict are $u_R^C = \lambda\xi W - c_R$ for the rebels and $u_G^C = (1 - \lambda)\xi W - c_G$ for the government, where the superscript C stands for conflict.

2.1.1 Equilibrium Analysis

We solve for Subgame Perfect Nash equilibrium. First, note that for any given offer $x \in [0, 1]$ chosen by the government at the initial stage of the game, peace will ensue if and only if:

$$xW \geq \lambda\xi W - c_R \Rightarrow c_R \geq (\lambda\xi - x)W$$

For simplicity, we perform our analysis under the following assumption, which guarantees that the probability of conflict is strictly between 0 and 1:

Assumption 1: $\bar{c} > \lambda\xi W$

Thus, the probability of war as a function of x can be expressed as:

$$p(x) = \begin{cases} \frac{(\lambda\xi - x)W}{\bar{c}} & \text{if } 0 \leq x \leq \lambda\xi \\ 0 & \text{if } \lambda\xi < x \leq 1 \end{cases} \quad (1)$$

At the beginning of the game, government chooses a concession level x that maximizes its expected utility. Formally, the government solves the following problem:

$$\max_{x \in [0,1]} p(x) ((1 - \lambda)\xi W - c_G) + (1 - p(x)) (1 - x) W$$

Note that it is never optimal for the government to choose $x > \lambda\xi$, for otherwise a reduction in x would increase its peace payoff, $(1 - x)W$, while still maintaining the probability of war at zero. In an interior solution, the optimum is characterized by the following first-order condition:

$$p'(x) ((1 - \lambda)\xi W - c_G) - p'(x) (1 - x) W - (1 - p(x)) W = 0,$$

Solving for x , we obtain:

$$x^* = \frac{1 - (1 - 2\lambda)\xi}{2} - \frac{(\bar{c} - c_G)}{2W}. \quad (2)$$

The solution is interior, provided that the assumption below is satisfied:

Assumption 2: $1 - \xi \leq \frac{\bar{c} - c_G}{W} \leq 1 - (1 - 2\lambda)\xi$.

Thus, under assumptions 1 and 2, the equilibrium probability of war is given by:

$$p^* = \frac{1}{2} - \frac{c_G + (1 - \xi)W}{2\bar{c}}, \quad (3)$$

where $0 < p^* < 1/2$.

2.1.2 Comparative Statics

We perform comparative static analysis with respect to key parameters of our model. As we discussed previously, a populist leader in a superpower country is expected to implement protectionist policies that are likely to lead to a reduction in both economic growth and gains from trade worldwide. The following proposition characterizes the effects of changes in domestic wealth W , on the share of redistributed resources, and on the risk of civil war in divided societies.

Proposition 1. *Under assumptions 1 and 2, a reduction in W due e.g. to a protectionism shock causes both a reduction in the concessions made to rebels – and hence to higher inequality – and an increase in the probability of conflict.*

Proof. Under our assumptions, the derivatives of the concession level and probability of conflict with respect to domestic wealth are:

$$\frac{\partial x^*}{\partial W} = \frac{\bar{c} - c_G}{2W^2} > 0$$

and

$$\frac{\partial p^*}{\partial W} = -\frac{1 - \xi}{2\bar{c}} < 0$$

QED.

Therefore, our analysis suggests that the election of a committed populist in a superpower *spreads inequality* around the world and raises the likelihood of civil wars in divided societies, which, we believe, is a novel finding that adds to the existing discussions on the global consequences of a potential election of Donald Trump as President of the U.S.

To see the importance of inequality in our model, note that from equation (1) it follows that, for a fixed x , a decrease in W actually *reduces* the probability of war. Intuitively, *ceteris paribus*, a reduction in the size of the “prize” decreases the incentive for the rebels to attack. In equilibrium, however, the government takes this effect into account and responds by renegotiating the social contract and reducing the concessions made to the opposing group. In fact, the reduction in x is large enough to make the probability of war go up.

The intuition behind this result is that the difference between the government’s payoffs under war and peace diminishes as W decreases, leading the government to become less concerned about appeasing the rebels. Note that, as compared to existing mismatch theories of power wars such as, for example, Herrera et al. [?], the endogenous revision of the distribution of the surplus reverses the sign of the effect of changes in W on probability of conflict. Since in democratic polities with checks and balances and multiple veto players revisions of economic and especially political

power are more difficult, whereas an autocratic ruler can indeed implement take-it or leave-it offers with little constraints, our results are particularly likely to occur in countries with low levels of democracy. Finally, notice that our analysis yields results similar to Chassang and Padro-i-Miquel [5], however our model emphasizes the role of inequality and the renegotiation of the social contract in mediating the impacts of populism and economic shocks in divided societies.

Another common feature of the foreign policies championed by populist governments is their focus on national interests, which involves concentrating resources domestically and strategically withdrawing from conflicts abroad that yield low or negative domestic return. We capture the effects of disengagement by varying the magnitude of the parameter λ , which represents the probability that the rebels win in the event of a war. Our analysis predicts that if the superpower was previously backing politically and militarily an ethnic group not in power, then disengagement is expected to lead to a reduction in the share of resources received by such groups, x , thereby exacerbating inequality. Conversely, if the superpower was previously supporting the government, then disengagement is expected to result in an increase in x and a corresponding reduction in inequality. Interestingly, our analysis shows that any shift in the balance of power in this case is fully absorbed by adjustments in x , with no impact on the probability of civil conflict p .

We can summarize the main results of our analysis in this subsection in the following proposition.

Proposition 2. *Populism in the form of protectionism and disengagement raises the likelihood of civil wars in ethnically divided societies. Furthermore, if the superpower had been engaged on the rebels side, populism exports inequality through both channels.*

2.2 Interstate Wars

We now analyze the consequences of populism – and specifically the effects of a reduction in international trade flows and strategic disengagement – on the risk of interstate conflict among country dyads where none of them is a superpower. As

previously discussed, we anticipate that a populist leader in a superpower will adopt protectionist policies and disengage from conflicts worldwide, leading to a general reduction in international trade, as well as to a disruption of the balance of power among countries.

Our analysis adapts the structure of the model from the previous subsection, now focusing on two countries, denoted by $i = \{A, B\}$. We assume that the amount of resources at stake for each country is given by:

$$W_A = Y_A + T_{AB} + \alpha_A T \quad (4)$$

$$W_B = Y_B + T_{BA} + \alpha_B T, \quad (5)$$

where Y_A and Y_B are the domestic products of both countries, and T_{AB} and T_{BA} represent the bilateral gains from trade between A and B . We also suppose that the gains that each country obtain by trading with the rest of the world are expressed as a fixed fraction of the global gains from trade. In other words, the parameters α_A and α_B represent each country's exposure to trade outside the dyad. Note that by imposing a structure on the countries' wealth, we are able to study in detail the effects of different types of economic shocks on the risk of interstate conflict.

The two countries simultaneously decide whether to initiate a conflict or maintain peaceful relations, with war ensuing if either country chooses to initiate a war. We assume that the payoff of a country in a peaceful state is W_i , while in the event of conflict, the winning side gains control of the combined remaining resources of both countries, denoted by ξW^C . As before, $\xi \in (0, 1)$ represents the share of resources that remains intact after the conflict. Furthermore, we assume that the bilateral gains from trade, T_{AB} and T_{BA} , are completely wiped out in the event of a war between A and B . Thus, the combined resources controlled by the winning side of a conflict can be expressed as:

$$W^C = Y_A + Y_B + (\alpha_A + \alpha_B)T \quad (6)$$

The probability of winning for country i is denoted by $\lambda_i \in (0, 1)$, with $\lambda_i + \lambda_j = 1$,

irrespective of whether country i initiated the conflict or was attacked.⁶ As before, we suppose that in the event of war, each country incurs a cost of conflict $c_i > 0$, when it chooses to initiate the conflict. Conversely, a cost $d_i > 0$ is incurred when a country is attacked by surprise – that is, when it opts to maintain peaceful relations while the other country chooses war. We assume that the costs c_i are independently drawn from a uniform distribution with support $[0, \bar{c}]$, while d_i are fixed, with $d_i > \bar{c}$ for both countries. Intuitively, this assumption captures the idea that the cost of war in terms of sustained casualties, for instance, is always larger when a country is caught unprepared. The distribution of c_i and the values of d_i for both countries are common knowledge.

The timing of the events is as follows. First, the cost parameters c_i are realized and become common knowledge. Then, under complete information, the two countries decide simultaneously whether to initiate a conflict or maintain peaceful relations. If both countries choose peace, their payoffs are W_i ; otherwise, if at least one of them chooses to initiate a conflict, their expected payoffs are $\lambda_i \xi W^C - c_i$ if a country decides to attack, regardless of the other country's decision, or $\lambda_i \xi W^C - d_i$ if this country chooses peace and the other country attacks.

2.2.1 Equilibrium Analysis

Note that after the realization of each country's cost of war c_i , we have a simultaneous game of complete information, which we solve for a Nash equilibrium in pure strategies.⁷ Observe that conditional on one country choosing to initiate a conflict, the best response for the other country is to attack, given that $d_i > c_i$ for any realization of c_i . Thus, both countries choosing to initiate war is always a Nash equilibrium.

⁶As will become clear below, our results are robust to incorporating a first-mover's advantage in the probability of winning.

⁷While within a country we have assumed that the government can renegotiate the social contract with a new sharing proposal, in the interstate context we do not consider realistic such a possibility since there is no international social contract that can credibly alter the market determinants of W_i in peace.

Moreover, the decision to attack is a dominant strategy for country i if and only if:

$$\lambda_i \xi W^C - c_i \geq W_i,$$

that is, if the expected payoff of interstate war is larger than the peace payoff. Rearranging, we obtain the following condition:

$$c_i \leq \hat{c}_i \equiv \lambda_i \xi W^C - W_i \quad (7)$$

Intuitively, threshold \hat{c}_i captures the degree of aggressiveness of country i in the sense that a higher \hat{c}_i implies a greater likelihood that initiating a conflict is a dominant strategy. Note that \hat{c}_i increases with the military power of country i , λ_i , and with the amount of resources controlled by the winner after the war, ξW^C , but it decreases with country i 's own wealth, W_i .

If $c_A \geq \hat{c}_A$ and $c_B \geq \hat{c}_B$, then the simultaneous game features two possible equilibria: either both countries choose to attack, or both choose to maintain peaceful relations. In this case, we assume that countries coordinate on the peaceful equilibrium. Otherwise, if either $c_A < \hat{c}_A$ or $c_B < \hat{c}_B$, then the game has a unique equilibrium where both countries attack.

For simplicity, our analysis focuses on the case where the probability of conflict is strictly between 0 and 1, so that both countries might have an incentive to unilaterally initiate a war. Observe that we have an interior probability when $0 < \hat{c}_i < \bar{c}$ for $i \in \{A, B\}$. Therefore we impose the following assumption:

Assumption 3: $0 < \lambda_i \xi W^C - W_i < \bar{c}$, for $i \in \{A, B\}$.

Under assumption 3, the ex-ante probability of interstate war is given by:

$$p^* = 1 - \Pr(c_A \geq \hat{c}_A \text{ and } c_B \geq \hat{c}_B) = 1 - \left(1 - \frac{\hat{c}_A}{\bar{c}}\right) \left(1 - \frac{\hat{c}_B}{\bar{c}}\right) \quad (8)$$

Note that the likelihood of conflict is strictly increasing in both \hat{c}_A and \hat{c}_B . As previously discussed, these thresholds are a function of the parameters of the model

(see equation (7)) and capture the level of endogenous aggressiveness of the two countries.

2.2.2 Comparative Statics

We now perform comparative statics with respect to the key parameters of the model. A populist leader in a superpower is likely to adopt protectionist policies that may impact the probability of interstate conflict around the world by decreasing countries' domestic products, Y_A and Y_B , or by reducing bilateral trade, T_{AB} and T_{BA} , and global trade flows, T . Note that while shocks to these variables impact the domestic resources of countries linearly (see equations (4) and (5)), accounting for the way in which they might be correlated is crucial for understanding how different components of the populist shock affect the risk of war. Furthermore, commitment to an "America first" policy is expected to lead to disengagement from conflicts worldwide, particularly from situations where the superpower was previously backing the weaker side, thereby exacerbating the disequilibrium in the distribution of power among countries.

Formally, for a given parameter of interest θ , we are interested in examining the effect of a change in θ on the probability of war as captured by the following partial derivative:

$$\frac{\partial p^*}{\partial \theta} = \left(1 - \frac{\hat{c}_j}{\bar{c}}\right) \frac{\partial \hat{c}_i}{\partial \theta} + \left(1 - \frac{\hat{c}_i}{\bar{c}}\right) \frac{\partial \hat{c}_j}{\partial \theta}, \quad (9)$$

which is a function of how the countries' thresholds, \hat{c}_i and \hat{c}_j , respond to a change in the parameter of interest. Interestingly, the magnitude of the overall effect is more significantly influenced by how the shock impacts the ex-ante relatively more aggressive country, that is the country with higher \hat{c} .⁸ Moreover, observe that when the two countries are symmetric in the sense that $\hat{c} = \hat{c}_i = \hat{c}_j$, then equation (9) simplifies to:

$$\frac{\partial p^*}{\partial \theta} = \left(1 - \frac{\hat{c}}{\bar{c}}\right) \left(\frac{\partial \hat{c}_i}{\partial \theta} + \frac{\partial \hat{c}_j}{\partial \theta}\right), \quad (10)$$

⁸To see this, suppose that $\hat{c}_i > \hat{c}_j$. Note that in this case we have $(1 - \hat{c}_j/\bar{c}) > (1 - \hat{c}_i/\bar{c})$, so that the weight assigned to the impact on country i , $\partial \hat{c}_i/\partial \theta$, is larger than that assigned to country j , $\partial \hat{c}_j/\partial \theta$.

so that the sign and magnitude of the impact are determined by the sum of the effects on the two countries' thresholds.

We summarize the main implications of our discussion in the following proposition.

Proposition 3. *Suppose that Assumption 3 holds. If the two countries are asymmetric, with $\hat{c}_i > \hat{c}_j$, then the impact of a shock to a variable of interest on the risk of conflict is predominantly determined by its effect on the more aggressive country. Conversely, if the two countries are symmetric, with $\hat{c}_i = \hat{c}_j$, then the impact is determined by how the shock affects the sum of the countries' thresholds, \hat{c}_i and \hat{c}_j .*

In what follows, we examine in detail the implications of a change in each specific component of the populist shock on the risk of interstate conflict. Throughout our analysis, we focus on two main cases where countries are: either (i) completely symmetric, with the same degree of aggressiveness and military strength, $\hat{c}_i = \hat{c}_j$ and $\lambda_i = \lambda_j = 1/2$, or (ii) asymmetric, with the more aggressive country being also militarily stronger, $\hat{c}_i > \hat{c}_j$ and $\lambda_i > \lambda_j$.

Domestic Product. Suppose first that T_{ij} , T_{ji} and T are held constant and let us examine the impact of an economic shock via changes in the domestic product of countries. Observe that an increase in domestic product of country i , Y_i , has opposite effects on the two countries, reducing the incentive for country i to attack while at the same time making country j more aggressive. Formally, we have:

$$\frac{\partial \hat{c}_i}{\partial Y_i} = \lambda_i \xi - 1 < 0 \quad (11)$$

and

$$\frac{\partial \hat{c}_j}{\partial Y_i} = \lambda_j \xi > 0 \quad (12)$$

If the two countries are symmetric in the sense that $\hat{c}_i = \hat{c}_j$, then we have that a reduction in the domestic product of either country, say country i , results in an

increase in the probability of conflict, since:

$$\frac{\partial \hat{c}_i}{\partial Y_i} + \frac{\partial \hat{c}_j}{\partial Y_i} = \xi - 1 < 0,$$

so that by equation (10), $\partial p^*/\partial Y_i < 0$.⁹ Furthermore, we can also show that if the domestic products of two initially symmetric countries with equal military strengths, $\lambda_i = \lambda_j$, fall by the same amount, then not only does the likelihood of conflict increase, but both countries become more aggressive.¹⁰

Next, consider the case where the two countries are asymmetric with the ex-ante more aggressive country, $\hat{c}_i > \hat{c}_j$, being also militarily stronger, $\lambda_i > \lambda_j$. In this environment, we show that an adverse economic shock that reduces the domestic product of country i leads to an increase in the probability of conflict.¹¹ Moreover, if the shock simultaneously reduces the domestic product of both countries, but disproportionately impacts country i , then the probability of conflict still increases. Intuitively, our analysis suggests that the effect of the shock on the more aggressive and militarily powerful country is crucial in determining the risk of interstate war. The next proposition summarizes our main results.

Proposition 4. *Suppose that Assumption 3 holds. If the two countries are completely symmetric, then a reduction in the domestic product of either or both countries leads to an increase in the probability of conflict. Furthermore, if the two countries are asymmetric and the negative economic shock disproportionately affects the ex-ante more aggressive and militarily powerful country, then the risk of interstate war also increases.*

International Trade. Next, suppose that both Y_A and Y_B remain constant, and let us examine the impact of a protectionist shock on the risk of conflict through

⁹In this case, country i becomes more aggressive when its domestic product decreases, while country j becomes less aggressive; but the overall probability of interstate conflict still increases.

¹⁰By differentiating (7) with respect to the domestic products of both countries and assuming that the magnitude of the variation is the same, i.e. $dY = dY_i = dY_j$, we obtain $\frac{d\hat{c}_i}{dY} = \xi - 1 < 0$.

¹¹Conversely, an adverse shock that reduces the domestic product of country j diminishes the risk of conflict.

changes in international trade flows. Note, first, that from equation (7) it follows that a reduction in bilateral trade, T_{AB} and T_{BA} , increases the probability of conflict by reducing the opportunity cost of a war. This result is consistent with the liberal view that trade promotes peace, and follows from the fact that, in our model, bilateral trade gains are completely destroyed in the event of conflict. Second, regarding the impact of a change in global trade T , observe that:

$$\frac{\partial \hat{c}_i}{\partial T} = \lambda_i \xi (\alpha_i + \alpha_j) - \alpha_i \quad (13)$$

and

$$\frac{\partial \hat{c}_j}{\partial T} = \lambda_j \xi (\alpha_j + \alpha_i) - \alpha_j \quad (14)$$

Thus, the overall effect on the probability of war is ambiguous and depends on the characteristics of each country. In particular, an increase in T makes both countries richer and, while an increase in one country's wealth due to trade reduces its willingness to attack, an increase in the other country's wealth raises its incentive to initiate conflict. Interestingly, however, it is possible to show that if countries are symmetric, with $\hat{c}_i = \hat{c}_j$, then a reduction in global trade due to protectionism increases the probability of war, since:

$$\frac{\partial \hat{c}_i}{\partial T} + \frac{\partial \hat{c}_j}{\partial T} = (\xi - 1)(\alpha_i + \alpha_j) < 0$$

so that by equation (10), $\partial p^*/\partial T < 0$.

When the two countries are asymmetric, with the more aggressive country being *both* militarily stronger and sufficiently more open to international trade – when α_i is sufficiently larger than α_j – then the probability of conflict also increases. Intuitively, under these conditions, a reduction in international trade T leads to an increase in the willingness of the relatively more open country to initiate conflict by reducing its wealth and, consequently, lowering the opportunity cost of war. As previously discussed, the overall impact on the probability of conflict is predominantly determined by its effect on the ex-ante more aggressive country, which is sufficient to guarantee the result in this case. Thus, a global economic shock that reduces in-

ternational trade can lead to more interstate conflicts worldwide, particularly among countries that are asymmetric in terms of military power and openness to multilateral international trade. The next proposition summarizes our main results.

Proposition 5. *Suppose that Assumption 3 holds. A decrease in bilateral trade flows always increases the probability of interstate wars. Furthermore, a reduction in global trade due to protectionism increases the risk of conflict among symmetric countries. Additionally, if the two countries are asymmetric, with the more aggressive country being both militarily stronger and significantly more open to international trade, then the probability of interstate conflict also escalates.*

Proof. From equation (9), under general asymmetry, we have:

$$\frac{\partial p^*}{\partial T} = \left(1 - \frac{\hat{c}_j}{\bar{c}}\right) (\lambda_i \xi (\alpha_i + \alpha_j) - \alpha_i) - \left(1 - \frac{\hat{c}_i}{\bar{c}}\right) (\lambda_j \xi (\alpha_j + \alpha_i) - \alpha_j)$$

Note that, for any strictly positive degree of openness of country i , $\alpha_i > 0$, by taking the limit $\alpha_j \rightarrow 0$, we get:

$$\frac{\partial p^*}{\partial T} = \left(1 - \frac{\hat{c}_j}{\bar{c}}\right) (\lambda_i \xi \alpha_i - \alpha_i) - \left(1 - \frac{\hat{c}_i}{\bar{c}}\right) (\lambda_j \xi \alpha_i),$$

where $\lambda_i \xi \alpha_i - \alpha_i < 0$, with $(\lambda_i \xi \alpha_i - \alpha_i) + \lambda_j \xi \alpha_i = (\xi - 1)\alpha_i < 0$. Under assumption 3, both terms in parenthesis are positive, so that if $\hat{c}_i > \hat{c}_j$, then $\partial p^*/\partial T < 0$. Thus, for any $\alpha_i > 0$, there is a α_j small enough such that a reduction in global trade leads to an increase in the probability of conflict.

QED.

Our analysis highlights the idea that an adverse protectionist shock may substantially increase the risk of interstate wars due to reductions in both bilateral trade and international trade flows. In this respect, we contribute to the literature on conflict by deriving the implications of trade shocks on both symmetric and asymmetric country dyads, showing that the specific nature of the asymmetries significantly influences the results. Interestingly, our results partially contrast with those obtained

by Martin et al. [13], who find that an increase in multilateral trade raises the probability of conflict by decreasing the bilateral dependence among country pairs. Our analysis instead highlights the fact that an increase in multilateral trade can have a direct impact on a country’s economy (Frenkel and Romer [8]), beyond just altering the composition of trade relationships, and in this respect our study complements the findings of Martin et al. [13]. The concerns raised by our model are in line with the empirical results obtained by Ahsan et al. 2020 [?], who show that the growth in Atlantic trade between mid-17th to the early-19th century decreased the likelihood of intra-European conflict.

Strategic Disengagement. Finally, we study the effect of strategic disengagement on the risk of interstate conflict. As previously discussed, we expect a super-power committed to a “national interests first” agenda to withdraw support from conflicts where it was previously backing the weaker side, resulting in increased disparity in military strength. To fix ideas, suppose that $\lambda_j \leq \lambda_i$, so that country j is the militarily weaker country. In this scenario, disengagement can be represented as an increase in the probability of winning of country i , λ_i .

Note that, under Assumption 3, we have:

$$\frac{\partial \hat{c}_i}{\partial \lambda_i} = \xi W^C \tag{15}$$

and

$$\frac{\partial \hat{c}_j}{\partial \lambda_i} = -\xi W^C \tag{16}$$

Thus, we find that the impact of disengagement is generally ambiguous, with an increase in λ_i raising country i ’s propensity to initiate conflict, while simultaneously reducing the aggressiveness of country j . However, starting from a situation where countries are symmetric, $\hat{c}_i = \hat{c}_j$, it is possible to show that these two effects completely cancel each other out, since:

$$\frac{\partial \hat{c}_i}{\partial \lambda_i} + \frac{\partial \hat{c}_j}{\partial \lambda_i} = 0, \tag{17}$$

so that by equation (10), the probability of conflict remains unchanged in spite of disengagement from the superpower, i.e. $\partial p^*/\partial \lambda_i = 0$.

On the other hand, when the two countries are asymmetric, with $\hat{c}_j < \hat{c}_i$, and the superpower withdraws support from the ex-ante less aggressive country and militarily weaker country, then the probability of conflict goes up. Intuitively, in asymmetric situations such as this one, the overall impact on the probability of war is determined by the effect on the ex-ante more aggressive country. Thus, we find that strategic disengagement can heighten the risk of conflict worldwide by increasing the imbalances in military strength among asymmetric countries.

Proposition 6. *Suppose that Assumption 3 holds, then strategic disengagement increases the probability of interstate conflict when the superpower was backing the ex-ante less aggressive and militarily weaker country.*

Proof. From equation (9), under general asymmetry, we have that:

$$\frac{\partial p^*}{\partial \lambda_i} = \left(1 - \frac{\hat{c}_j}{\bar{c}}\right) \frac{\xi W^C}{\bar{c}} - \left(1 - \frac{\hat{c}_i}{\bar{c}}\right) \frac{\xi W^C}{\bar{c}}$$

Note that under assumption 3, both terms in brackets are positive. Thus, if $\hat{c}_i > \hat{c}_j$ then $\partial p^*/\partial \lambda_i > 0$. **QED.**

3 Prediction Maps

Our theoretical analysis yields several predictions about the potential effects of the election of a populist government in a superpower on the risk of conflict worldwide. Based on these insights, we are able to pinpoint countries particularly sensitive to a populist shock by examining key indicators which our study identifies as linked to a heightened risk of war.

Focusing first on civil conflict, our model suggests that the election of a populist leader in a superpower is likely to escalate tensions in ethnically divided societies,

where the consequent renegotiation of the social contract can induce inequality and more likely bargaining failures. A necessary condition is therefore that in a country there are identifiable ethnic groups and at least one of them has grievances regarding a significant mismatch between their relative strength and their relative political-economic standing. To see where such relative mismatch grievances are strongest, we can use the measure of mismatch between governments and ethnic groups in opposition provided by Morelli et al. [14] for Africa and the Middle East.¹² The map shown in Figure 1 depicts the countries subject to the highest risk of civil conflict, according to the mismatch dummy. Overall, we find 21 countries with significant power mismatches, dispersed throughout the region.¹³

Within this set of countries where mismatch related grievances exist, our theory in this paper suggests that the most likely to see an increase in conflict risk as a consequence of a protectionism shock should be those with a large fraction of divisible surplus coming from net exports. In Figure 2, we illustrate these dependencies by presenting a map depicting the share of exports as a percentage of GDP for Africa and the Middle East, based on trade data from CEPII BACI for 2022. Note that a significant number of countries in these regions are heavily dependent on international trade, particularly in their role as exporters of commodities such as oil and minerals. For instance, the list of top five countries and their respective shares of exports (% GDP) includes: United Arab Emirates (80%), Congo (73%), Oman (65%), Libya (62%), and Equatorial Guinea (57%).

Taking the intersection between the set of countries with power mismatches and those whose export-to-GDP ratio exceeds the regional median (25.7%), we identify the countries that, according to our theory, are most likely to experience an escalation in their risk of civil conflict arising due to a populist shock. Our list of high-risk countries, as depicted in Figure 3, includes the following eleven countries: Botswana,

¹²They construct a measure of power mismatch for the period between 1992 and 2012 at the country-ethnic group level. Our analysis employs data from the final year of the sample (2012), aggregating their measure to the country-level to create a binary variable that indicates whether a particular country contains a disputant group with a relative power mismatch.

¹³The countries flagged on the map include Bahrain, Botswana, Chad, Congo, Congo DRC, Equatorial Guinea, Ethiopia, Ghana, Iran, Iraq, Jordan, Kenya, Lebanon, Malawi, Mali, Senegal, South Africa, Sudan, Syria, Zambia, and Zimbabwe.

Chad, Congo, Democratic Republic of the Congo (Congo DRC), Equatorial Guinea, Ghana, Iraq, Jordan, Mali, South Africa, and Zambia. These are the nations where scholars and the international community should remain particularly vigilant, as the combination of power mismatches and economic vulnerabilities heightens the risk of civil conflict and political instability.

While civil wars remain the predominant issue in Africa and the Middle East, our analysis also highlights the significant susceptibility of countries in these regions to fluctuations in commodity prices, economic downturns, and rising uncertainty. These vulnerabilities may have major consequences in terms of inequality—both within and between countries—as well as an increased risk of interstate conflict, particularly in the Middle East.

Similar dependencies are also observed in other parts of the world where inequality and geopolitical tensions pose significant challenges. Southeast Asia is a region of particular concern, with several countries featuring exceptionally high exports-to-GDP ratios; these include Vietnam (101%), Cambodia (101%), Malaysia (100%), Singapore (71%), and Thailand (65%), according to 2022 data from CEPII BACI. In East Asia, Taiwan also exhibits significant dependence on trade, with an export-to-GDP ratio of about 63% according to IMF data. Countries in these regions are particularly vulnerable to economic and geopolitical shocks due to their proximity to China.

Central and Eastern Europe also comprise a number of countries highly dependent on trade, including Slovakia (93%), Slovenia (83%), Hungary (81%), Czech Republic (79%), North Macedonia (62%), Lithuania (81%), Estonia (71%), Bulgaria (66%), Latvia (61%), and Poland (55%), as well as Azerbaijan (52%) in the Caucasus region. This region remains highly vulnerable to geopolitical instability, in part due to its proximity to, and historical ties with, Russia’s sphere of influence.

4 Concluding Remarks

Even though economic and domestic policy issues weigh far more than foreign policy issues in U.S. presidential elections (and most elections anywhere) — “...it’s the

economy, stupid!” — our analysis suggests that when considering the consequences of electing a populist president, the order is likely to be reversed. Indeed, while the U.S. Congress controls the legislative agenda in domestic policy, the two significant foreign policy changes discussed in this paper — namely, aggressive economic statecraft (including protectionism and trade wars) and strategic disengagement — are not subject to Congressional oversight. Our paper highlights that the most significant consequences of populism lie in international security and conflict risk, an area surprisingly understudied by scholars studying the consequences of populism in general. Specifically, we find that the election of a populist president in a superpower has important spillover effects on the risk of civil and interstate conflict worldwide, as well as for the spread of inequality both within and across countries.

We have shown that protectionism and disengagement can increase conflict risk also in symmetric cases in terms of the economy AND in terms of military power, hence the highlighted concerns should be of interest for neo-realist as well as liberal theory advocates in international security studies.

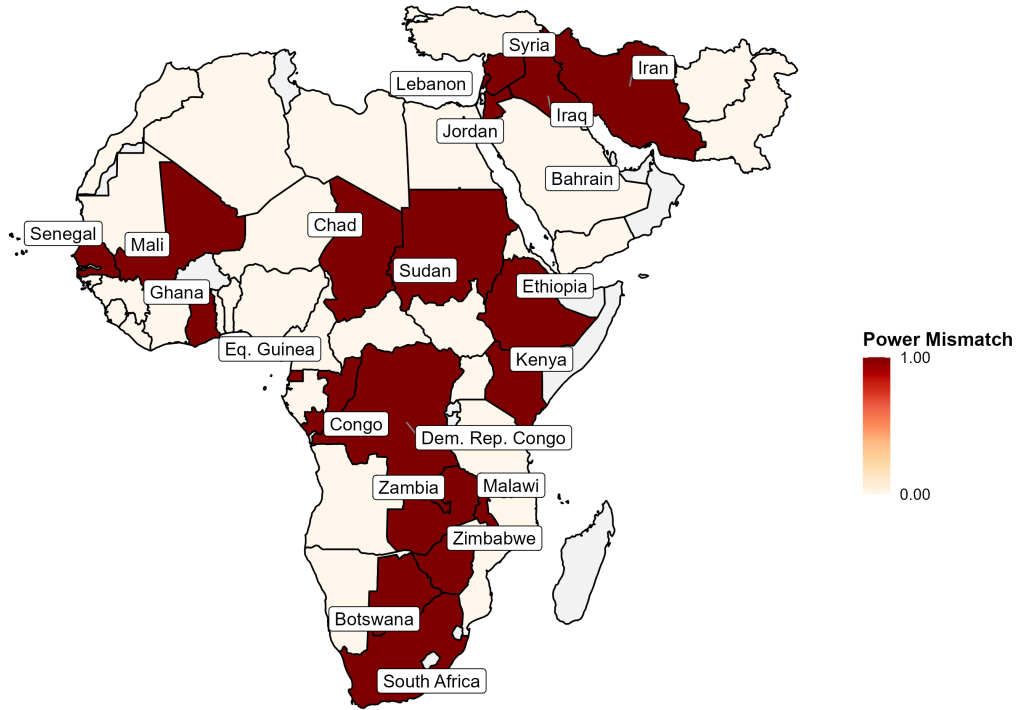
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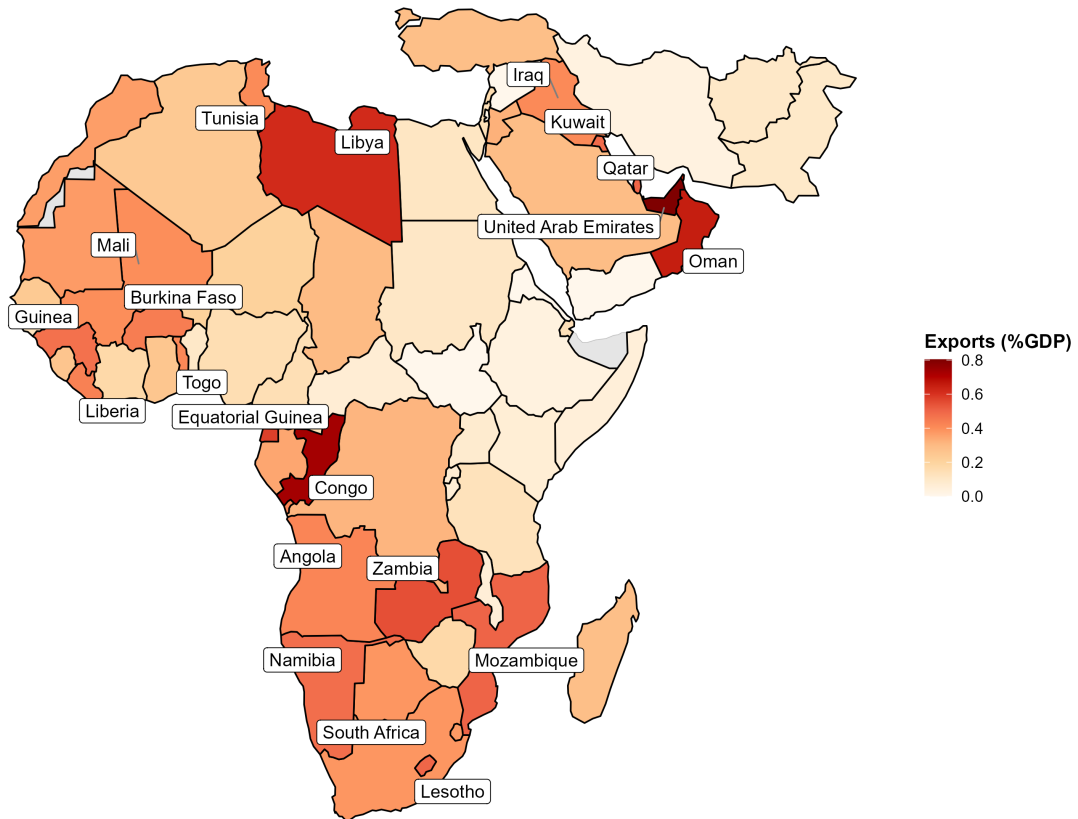
Figures

Figure 1: Power Mismatch



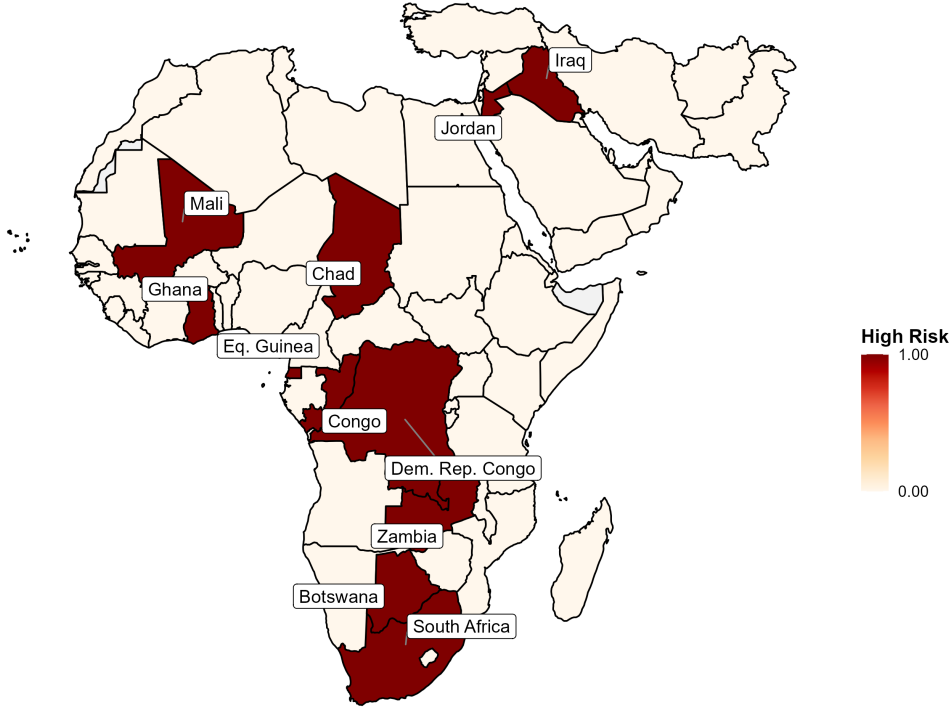
Notes: This map plots the geographical distribution of the power mismatch dummy for the year of 2012 across countries in Africa and the Middle East. Darker shades indicate countries with a power mismatch. For details on the construction of the mismatch measure, see Morelli et al. [14].

Figure 2: Share of Exports (%GDP)



Notes: This map plots the geographical distribution of the export-to-GDP ratio for the year of 2022 across countries in Africa and the Middle East. Darker shades indicate countries with higher exports as a percentage of GDP.

Figure 3: High Risk of Civil Conflict



Notes: This map plots the geographical distribution of the high-risk civil conflict indicator across countries in Africa and the Middle East. Darker shades indicate high-risk countries, defined as those with a power mismatch and whose export-to-gdp ratios are above the median (25.5%) for the region.