

Why Is Populism On the Rise and What Do the Populists Want?

Global populism is on the rise, and it appears to be defined by no single definition or theory. The populists' demands can differ widely—united only by rage at the elites and the drive for change.

What problems are today's populists seeking to address? Are followers of populist leaders driven by economic insecurity at a time of rising economic inequality and subpar growth, or by a reaction against progressive values, or both? Psychiatrists suspect hate is often tied to feelings of humiliation. Is today's populist hate tied to feelings of humiliation that the great globalization train of prosperity has left the station—and the populists weren't on it? Or would populist movements thrive regardless of the economic environment? Finally, to what extent is the populist movement being hijacked by political opportunists shrewd at riding widespread grievance to political power? Put another way, are free and open societies more vulnerable than we think?





Fear can be manifested as resentment. It triggers instinctive fight-or-flight behavior.

ROBERT E. LITAN
*Non-Resident Senior Fellow,
Brookings Institution*

Single explanations for events or trends are almost always simplistic, but sometimes they still carry a punch and can be mostly right. A case in point comes to mind: rising populism, where one word or emotion—fear—is the driving factor.

The Great Recession has greatly aggravated the legitimate, growing fear held by many citizens of many countries that rapid change—Alvin Toffler’s *Future Shock* from almost fifty years ago—not only will leave them behind but allow others with better skills or willing to work for lower wages to take their place. Fear can be manifested as resentment—toward immigrants, minorities, and as *Atlantic* writer Peter Beinart has persuasively argued, also against the rising political power of women.

Fear triggers instinctive fight-or-flight behavior, what Nobel Prize-winning economist/psychologist Daniel Kahneman calls “System 1” or reflexive, emotional, non-critical thinking. Populists thrive in such environments, finding receptive audiences for easy targets to blame and simple solutions, and for divisive appeals that prompt angry rather than thoughtful responses by voters. Truth can all too easily—and has—become a casualty in the process, especially when leaders entrusted with political power tell their supporters that truth-seekers—journalists and scientists—are enemies of the people or simply fake.

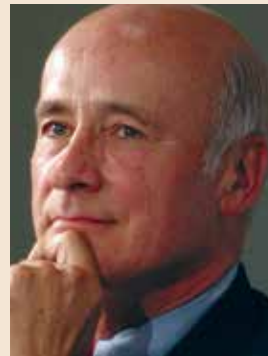
There are economically sensible, pragmatic, and fiscally responsible ways to mitigate citizens’ economic fears, which may reduce their resentments. In the United States, such a program would combine enhanced government support for lifetime training to enable everyone to gain more marketable skills over time, if they wish, with wage subsidies for those at or below the median income to fill the gaps in income inequality that even enhanced skills

can’t narrow but still reward work. The program would also shore up the weaknesses in Obamacare (perhaps through a public option, or lowering the age for Medicare, but not the fiscally irresponsible Medicare for all) and substantial improvements to our aging infrastructure, which would also employ semi-skilled workers.

All of this must be linked, in the United States more so than elsewhere, with a common-sense long-term deficit reduction program that combines additional revenue (ideally including a carbon tax and possibly a value-added tax, with rebates for low-income citizens) with means-tested changes in entitlement benefits for future beneficiaries.

Unfortunately, it may take a recession to wake up some of those who have embraced populist solutions or leaders to the fact that they’ve been had. Ideally, these (and other) voters would turn to political leaders offering sensible, pragmatic solutions.

The danger is that they won’t, and the next downturn will only deepen fear and resentment. In that case, expect to see even more ineffective and/or fiscally irresponsible policy responses to continuing technological change, which has been and will continue to be the single most important reason for many workers’ legitimate fears.



Populism is likely to continue in the United States.

JOSEPH S. NYE, JR.
*University Distinguished Service Professor,
Harvard University, former U.S. Assistant Secretary
of Defense, and author, Do Morals Matter?
Presidents and Foreign Policy from FDR to Trump
(forthcoming)*

Populism is a vague word with a lot of baggage, but its common denominator is resentment of powerful elites. Its particularism makes it an unlikely candidate for a broad ideological movement that enthusiasts proclaim.

Some analysts attributed Trump's election to a populist reaction to liberal elites and the liberal international order, but that analysis is too simple. The outcome was over-determined by many causes and foreign policy was not the main issue in the election.

Populism is not new and it is as American as pumpkin pie. Some populist reactions are healthy for democracy (think of Andrew Jackson in the nineteenth century or the Progressive era at the beginning of the last century), while other nativist populists such as the anti-immigrant Know-Nothing Party in the nineteenth century or Senator Joe McCarthy and Governor George Wallace in the twentieth century have emphasized xenophobia and insularity. The recent wave of American populism includes both strands.

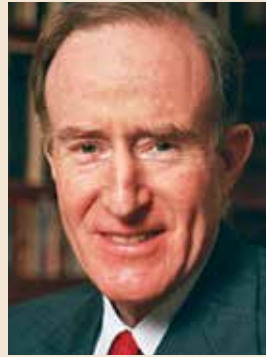
Pippa Norris of Harvard and Ronald Inglehart of the University of Michigan have found that cultural factors long predating the 2016 election were very important. Voters who lost jobs to foreign competition tended to support Trump, but so also did groups such as older white males who lost status in the culture wars that date back to the 1970s and involved changing values related to race, gender, and sexual preference.

Alan Abramowitz of Emory University has shown that racial resentment was the single strongest predictor for Trump among Republican primary voters. But the economic and cultural explanations are not mutually exclusive and Trump explicitly connected these issues by arguing that illegal immigrants were taking jobs from American citizens. The symbolism of building a wall along America's southern border was a useful slogan for uniting his base around these issues. That is why he finds it so hard to give up.

Populism is likely to continue in the United States as long as jobs are lost to robotics (not just trade), and cultural change continues to be divisive. The lesson for policy elites who support globalization and an open economy is that they will have to pay more attention to issues of economic inequality as well as adjustment assistance for those disrupted by change, both domestic and foreign.

Attitudes toward immigration improve as the economy improves, but it remains an emotional cultural issue. In a Pew survey, in 2015, 51 percent of U.S. adults said immigrants strengthened the country, while 41 percent believed they were a burden, compared to 39 percent believing immigrants were strengthening the country and 50 percent viewing them as a burden in mid-2010, when the effects of the Great Recession were at their peak.

Immigration is a source of America's comparative advantage, but political leaders will have to show that they are able to manage the nation's borders if they wish to fend off nativist attacks, particularly in times and places of economic stress.



The issue is immigration.

BENJAMIN M. FRIEDMAN

*William Joseph Maier Professor of Political Economy, Harvard University, and author, **The Moral Consequences of Economic Growth (2006)***

One of the most striking regularities in how economic growth or its absence has historically affected a nation's society and politics is the tendency for stagnating incomes to foster antipathy toward immigrants. In one country after another, opposition to immigration and negative attitudes toward recent arrivals have typically emerged as the leading edge of public reaction to periods when significant segments of the population have lost any sense of progress in their living standards, and lost too their optimism that the progress they once knew will resume. Because immigrants from abroad often profess religions different from that of the native-born population, these anti-immigrant sentiments often emerge as religious prejudice as well.

Examples are numerous. In America, the stagnation that followed the Panic of 1837 spawned the often-violent Know-Nothing movement (immigrants then were mostly German and Irish Catholics); the lengthy agricultural depression of the 1880s and early 1890s lent the Populist movement of the day a strong anti-Semitic and anti-Catholic flavor (in running for president in 1896, William Jennings Bryan had to deny that he or his backers were anti-Semites); and the rapid-fire series of recessions that followed World War I, culminating in the Great Depression, led to the rise of the second Ku Klux Klan.

France, since the founding of the Third Republic, has seen the Boulangists (1880s), the Action Française (1920s), the Croix-de-Feu and the Jeunesses Patriotes (Great Depression era), and more recently the Front National—all anti-foreign and anti-Semitic.

Britain experienced similar waves of sentiment in the late 1870s, just before World War I, and in the 1930s (recall Oswald Mosley's British Union of Fascists). Germany during the Great Depression speaks for itself.

The common element today in the wave of popular politics confounding the western democracies is again opposition to immigration among those segments of each

country's population that have been falling behind economically. In 2016, Hillary Clinton in effect told voters that while she knew they didn't like all the immigration the country was receiving, they had to accept it nonetheless; key parts of the electorate disagreed. Democrats continue to champion immigration, and in 2018 the party won in areas of the country that are doing well economically but lost where people's incomes have stagnated.

In Britain, David Cameron pledged to reduce immigration from 300,000-plus to 100,000; immigration remained unchanged, and the country is now pursuing a potentially disastrous Brexit. In Germany, Angela Merkel took a principled stand to admit one million immigrants fleeing Syria and other Middle Eastern countries; she is stepping down. Italy has a new, radically anti-immigrant government. The list goes on.

It is wrong is to label the resulting political movements "populist." Populism has historically meant the pursuit of policies intended to benefit citizens in the middle and lower part of the income distribution. The political forces riding today's anti-immigrant sentiment mostly favor economic policies that will further skew incomes toward the top, with little if any benefit to their countries' less well-off. But the mistaken label aside, the phenomenon we are seeing is thoroughly consistent with prior history. The issue is immigration.



*Do not call in
the shrinks.
The problem is
exclusively political.*

EDWARD N. LUTTWAK
ENL Associates

No, ladies and gentleman when it comes to populism do not call in the shrinks. The problem is exclusively political.

When the career politicians of both Right and Left simply refuse to listen to ordinary people who do not want their lives violated by abrupt government-favored ("free trade") employment changes, government-imposed value changes, or government-allowed mass immigration, they will vote for whoever jumps in the fray who does listen to them, even if they suspect that governing will be hard for

them. Hence the British, Norwegian, Swedish, Austrian, Italian, German, and Brazilian political upheavals, some pre-Trump and some post-Trump—with more to come.

The Left will not listen to that 50 percent of the voters of every country (yes even of the United States) because they are not privileged by identity—they are not transgender nor even homosexual, are not of one of the approved colors, and so forth.

Nor can the Left be against immigration because they agree, or must pretend to agree, with the Pope on the right of the poor—persecuted or not—to enter rich countries at will, illegally of course. The Pope of course does not care a fig for the rule of law—no Buenos Aires intellectual ever did—and though the American Left is too lawyer-ridden for that, it is also white guilt-ridden, profoundly so, as per toppled statues of Confederate generals and Christopher Columbus.

Nor can the Right listen to that 50 percent of the population, because it fervently believes in the unfettered "free trade" that Adam Smith did not write about (read his books sometime, *The Theory of Moral Sentiments* and not just the *Wealth of Nations*). If the Chinese wish to donate grossly over-produced steel, we should take it, and do nothing at all to offset the immediate and huge effect on the steelworkers. Nor did the Right stand in the way of frivolous environmentalist decrees that destroyed employment—the fashionable and foodie Right also believes that it is okay to grab 1,351,849 acres (of Bears Ears) with a hey-presto "National Monument" decree when Congress refuses to legislate another National Park.

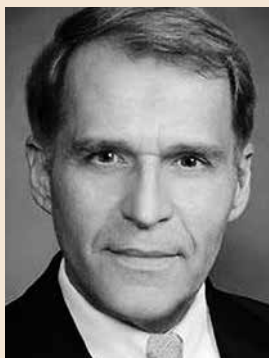
When the professional politicians refuse to pay attention, the ignored 50 percent must vote for others. In France they missed out because Marine Le Pen was too tainted (contrary to a thousand smears, the 50 percent is not racist *per se*). So they went out instead to occupy the Champs d'Elysee in yellow over-jackets. It happened because French President Emmanuel Macron was preparing to claim the global-warming throne in Davos (with the United States out, and Germany and the United Kingdom down, France is finally "it") by promulgating a showy, new, big, global-warming fuel tax. The ignored French 50 percent, who are already squeezed hard by low salaries and high taxes, erupted—and Macron had to capitulate, when it was noticed that many were wearing police shoes below the yellow vests—because they were policemen.

Many years ago, long before the recent upheavals, I published two very boring books crammed with statistics: *The Endangered American Dream* (1994) and *Turbo-Capitalism: Winners and Losers in the Global Economy* (2000).

Although both were widely reviewed, and also translated in some ten languages—*Turbokapitalismus* is now in the German dictionary—they made not a bit of difference.

The learned fools on the Left simply missed the point: because I was not advocating redistribution by taxation, they stopped reading before my prediction of how it would all end, while the right-thinking could not swallow my contention that sometimes free markets and free trade were best impeded for a bit, to slow down their effects to a human pace.

But now I find 783,000 Google entries for Turbocapitalism, many more for “Geo-economics,” and 14,000 comments on “Why Fascism Is the Wave of the Future,” all duly attributed to me. Because I can now claim prophetic status, here is another prophecy: If Trump is not re-elected (because of his lack of career skills), Trumpism will still be—just as it has won almost every election held since his own, in Europe and beyond.



The short answer is three decades without real wage growth and a staggering increase in income disparity.

KEVIN G. NEALER
Principal, Scowcroft Group

Historian Yuval Harari offers a context for the current populist neuralgia in observing, “For the first time in history, more people die today from eating too much than from eating too little; more people die from old age than from infectious diseases; and more people commit suicide than are killed by soldiers, terrorists, and criminals combined.” It is not a bad time to be alive and it is far from obvious why everyone is so grumpy.

My senior partner, Brent Scowcroft, wryly questioned us about the source of the current anger. Waving toward our office window, he challenged us: “I lived here in 1968. I know what chaos looks like. Where are the cars burning in the street? What is the reason for the current anger?”

In America, the short answer is three decades without real wage growth and a staggering increase in income disparity. Globally, the top 1 percent of earners has captured twice the share of growth as the bottom 50 percent of earners. The World Inequality Report notes, since 1980, much of public wealth has become private wealth across the range of national incomes, with real

public wealth now negative or close to zero in many of the world’s richest countries.

As an example, oil and gas assets have gone from over two-thirds publicly owned in the late 1970s to less than one-third public now. Private wealth is not at the extremes of the first decades of the twentieth century, but the asymmetry of benefits resulting from economic growth is a durable source of unrest.

Grievances arising from this disparity are genuine and their impact on the polity real. What has become especially worrisome is the exploitative use of this anxiety by fringe groups and—most alarming—state actors.

The 2016 report by the Office of the Director of National Intelligence on Russian interference in U.S. elections and subsequent revelations about misuse of social media suggests an unparalleled manipulation of American public opinion by a hostile government. Any attempt to characterize those events as similar to foreign intelligence operations of the past is intellectually dishonest and just plain risible. It was stunning in its audacity and reach. Nothing like it has ever been attempted.

The resilience of democracies has been tested by immigration, the pace of technological change, and growing disparities of income. While economic inequality may have lit the fuse, the failure of Europe to deal with immigration may be the proximate disappointment that raised questions about lack of deep EU capacity to manage challenges to civil society. Russia took note.

Democracies are highly adaptive, but must become more so in responding to exploitative attempts to turn populist concerns into threats to popular governance.



The greatest challenge might be the rise of the billionaires.

ANDERS ÅSLUND
Senior Fellow, Atlantic Council

Beginning in 1979, Margaret Thatcher and Ronald Reagan led a revival of classical liberalism as the social welfare state had gone too far and lost its allure. A quarter of a century later, liberalism has gone too far and failed to deliver what it promised. Economic

security has deteriorated, as private pension systems have underperformed together with economic growth.

In parallel, Samuel Huntington's third wave of democratization ended a decade ago, and so did the expansion of the rule of law with the enlargement of the European Union. A common view is that successful emerging economies have benefited more than the West from free trade and new technologies leading to greater global convergence. As market reforms have delivered less than expected, the ideological commitment to them has waned.

Demography poses seemingly insurmountable problems. Europe's birth rates are only two-thirds of what is needed to maintain a steady population. The rational response is strong family support combined with an orderly immigration policy based primarily on merits, as is the case in Australia, Canada, and Ireland. Alas, most nations seem to be unable to think rationally about immigration, swinging from excessive liberalism in the United Kingdom, Germany, and Sweden until 2015, to the opposite in most countries. Demography must become an area of rational policymaking. Fear of immigrants has been a major cause of populism.

The greatest challenge, however, might be the rise of the billionaires, who have seized many purported democracies. This problem is particularly pronounced in the United States. The truly rich have benefited greatly from new technologies and enormous economies of scale on an open global market. They pay little or no taxes because they can keep their assets protected in anonymous companies in tax-free havens and their capital gains are taxed little. With their large funds, the billionaires can buy legislative decisions about taxation and regulation, especially after the *Citizens United* Supreme Court verdict in 2010. The billionaires can also buy such good lawyers that criminal law does not really apply to them, and they can buy entry for their children to the best U.S. colleges legally. The equality of opportunity in politics, law, and education no longer applies. People see it and regret it.

Populists have succeeded in mobilizing popular fury with the failure of the existing system, but their policies are likely to aggravate these shortcomings. The opponents of populism need to reconsider their own policies in defense against populism. A modern state must offer elementary social security with decent publicly financed pensions, health care, and education, as Friedrich Hayek argued in *The Constitution of Liberty*. The billionaires' dark money should be revealed and taxed. No democratic country should allow anonymous companies or lower taxation of capital income than of labor income. Dark money should be prohibited in politics. But free trade and technological development must not be hampered, while immigration should be reasonable.



One reason populism has thrived is because policymakers have not offered compelling, practical, effective solutions.

JARED BERNSTEIN

Senior Fellow, Center on Budget and Policy Priorities, and former Chief Economist and Economic Adviser to Vice President Joe Biden

Rather than try to expound on the psychiatry or politics of populism, as both are above my paygrade, I'll restrict my comment to the political economics, which I view as the intersection of economics and power.

Populist leaders invariably depend on a backlash against "elites" perceived to be out of touch with the needs and aspirations of the broad middle class. In this regard, trade, immigration, and globalization have long been perfect targets for populists, as elites sing the praises of these forces, while significant groups of people find it economically and culturally challenging to adjust to them. Simply put, you can get a lot of people to vote for you if you're willing to blame globalization for their woes.

It should go without saying that this assertion holds regardless of the extent to which globalization (versus, say, technology, the decline of unions, the rise of finance, firm concentration, diminished labor standards, and so forth) is really the culprit. Consider, again through an electoral lens, which message resonates more with voters who feel left behind: The elites' message of "Your problem is you lack the skills to keep up"; or the populists' message of "Your problem is that our leaders sign horrible trade deals, China cheats, and immigrants take your jobs."

Demonstrably, the latter "trumps" the former, especially when laced with racism and xenophobia, forces powerfully tapped by Trump, Brexiteers, authoritarians in Latin America, and others. But we must also admit that the latter's favorability is boosted by elites' denial that globalization creates winners and losers, and there's not a lot of evidence to support the lack-of-skills argument.

Economics teaches us that the gains from expanded trade are such that winners can compensate losers, but at least in recent American politics, not only do the winners fail to compensate those hurt by international competition. They use their winnings and our money-driven politics to "buy" policies that will build on their outsized market gains with tax cuts and deregulatory policies.

Outrageously, when budget deficits invariably appear, they argue that public programs providing some degree of economic security for the middle-class and the poor must be cut to close fiscal gaps.

Empirical economics also reveals the emptiness of the elites' admonition to "get more skills." Research by the Economic Policy Institute has documented wage stagnation among young college grads, and new research finds employers' skill demands rise and fall inversely with the unemployment rate (anecdotally, we see this clearly in the current tight U.S. labor market, as employers have sharply reduced job requirements to get the workers they need to meet elevated demand). Of course, higher educational attainment strongly correlates with higher pay, but especially in the context of rising populism, we should recognize the political implications of implicitly telling a displaced factory worker that if only he would move to a coastal city and learn computer science, he'd be fine.

In other words, one reason populism has thrived is because economists and policymakers have not offered compelling, practical, effective solutions to the many forces that have left non-trivial shares of people and places behind. What happens next depends on whether our political institutions can deliver my preferred outcome: an agenda that finally helps those on the wrong side of the inequality divide by providing real, gainful opportunities alongside affordable basic needs and core aspirations, including health care, housing, and higher education.



Legislatures are not very effective. Unless we change that, our democratic traditions are extremely vulnerable.

RUDOLPH G. PENNER

Institute Fellow, Urban Institute, and Former Director, Congressional Budget Office

Populists have many complaints. Many are legitimate and that is why the movement is so important. There is one unifying theme. There is a profound distrust of experts, especially economists, and the establishments to which they belong. Populists did not believe a majority of British economists regarding the potential harm done by

Brexit; they are skeptical of the economic consensus that free trade provides a net benefit (and it doesn't to many of the populists); and they are losing confidence in the effectiveness of free markets.

In many countries, there is a legitimate reason for the distrust. Decision-making, democratic institutions are not serving the population well. The British parliament has been in a shambles over Brexit; many former Communist and other countries have not been able to develop institutions that control corruption; and according to a recent poll, the approval rating of the U. S. Congress is 11 percent.

Improving confidence in decision-making institutions is a necessary step in improving confidence in the policies that they produce. That does not mean that populists will like the policies, but they must have a sense that the policies were arrived at fairly after careful deliberation. They must think that their interests were considered even if they did not prevail.

Reforms will not restore the reputation of experts, but they may improve the quality of the debate. There will still be groups of disgruntled citizens angry about immigration, trade, oppressive regulations, and about cultural developments where government has little influence. But we can hope that their anger is constrained and channeled away from violent responses.

In the United States, one of our most dysfunctional institutions is the U.S. Congress. It cannot complete an annual budget; compromise has become a lost art; and partisan conflict frequently overwhelms rational discourse. I believe that there are a few doable reforms that could improve conditions significantly, although I do not want to claim that populism will quickly disappear.

First, we should no longer require that important legislation in the Senate needs sixty votes to pass. There may be good intellectual reasons for requiring a super majority for certain types of policy changes, but the sixty-vote requirement has mainly led to gridlock and a very inefficient legislative process.

Second, we should require that House districts be designed by independent commissions. The current approach is outrageously unfair in many states.

Third, we should persuade the legislature to spend more days per week working in Washington. The time spent legislating has become shorter and shorter.

Fourth and most controversial, we should do away with sunshine laws. Legislators do not bargain effectively while the media is watching intently and their every move is monitored by lobbyists and donors.

These suggestions may seem far removed from what's motivating the populist movement, but I don't think that they really are. Currently, legislatures are not very effective. Unless we change that, our democratic traditions are extremely vulnerable.



Trump's surprising election did not create this crisis. Rather, it is the crisis that created him.

SIMON SERFATY

Professor and Eminent Scholar in U.S. Foreign Policy, Old Dominion University, and Zbigniew Brzezinski Chair (emeritus) in Global Security and Geostrategy, Center for Strategic and International Studies

It's the voters, stupid; but don't blame them for their detestable choices, one election at a time. It's leadership, stupid; and don't be surprised by their eagerness to disrupt the "system" which political opportunists pretend is "rigged."

Now regrouped into ever larger pelotons of angry and resentful citizens, they are first heard one issue at a time—it's the economy, it's the immigrants, it's the world—until, well, it becomes Democracy itself. From we the people to I the nation, the distance shrinks gradually until it disappears altogether.

For many in the United States, the *crise du jour* is Donald J. Trump—his offensive personality, his chaotic presidency, his divisive politics. But Trump's surprising election did not create this crisis in American democracy; rather, it is the crisis that created him.

Use almost any other names—Orban, Erdogan, Salvini, Putin, or that of any other head of state or government who earned or claims a constitutional majority for his mal-governance; and go to nearly any other country—Hungary, Turkey, Italy, Russia, and others—and the process repeats itself, though with different grounds for resentment: A for austerity, B for bigotry, C for corruption, D for decline, E for Europe, and so forth. But the United States is not a country like any other, and accordingly *le mal* Trump is proving especially contagious and dangerously consequential.

At the start, there is nothing undemocratic about populism. The goal is not to bring democracy down but to adapt and reform it. Make us great again or rich at last, to be sure, and in so doing punish those who made us become what we did not want to be, and do it all quickly, loudly, and visibly.

The problem, though, is that those leaders democratically elected often lack most democratic credentials:

A for accountability, B for balance, C for competence, D for discipline, E for ethics, and so forth. This places free and open societies at risk while they enforce the impossible mandate received from but soon imposed on their people.

These are no echoes of earlier populist surges, however. Now, the conflict is between "them" and "us"—whoever "they" or "we" is—but ultimately it will be among them: for a moment united by what they reject generally, they remain divided over what they seek specifically. Brexit is one example of what happens when the shouting ends, the yellow jackets in France another, or the budget debate in Italy and the wall in the United States.

Put another way, populist movements will retreat when they are faced with the very reality they attempted attempt to escape, and their moment will end the same way it emerged—over one issue per election and one election per issue.



Macron and the Yellow Vests are products of the debasement and gradual disappearance affecting the old social institutions.

PHILIPPE RIÈS

Co-author, Shift: Inside Nissan's Historic Revival (with Carlos Ghosn, 2005)

After years of spreading fake news and rumors, nurturing conspiracy theories, hurling insults at any contradictor brave enough to oppose them, resorting ultimately to death threats, all that under the cover of anonymity, and abusing the badly named "social networks," it was only a question of time before the populists would shift from words to deeds. And violence.

In France, historically a world record-holder for strikes and street demonstrations, it took the disguise of the "Yellow Vests."

France counts more roundabouts than any other country in Europe, estimates ranging from 30,000 to double that number. That makes for a lot of places to demonstrate. And since the seed for the revolt grew from a lowering of the speed limit on secondary roads, fertilized by an eco-tax increase on fuels, there was a certain logic to occupying the nodes of the network.

When the target quickly became the country, head of state, and central government, it was only natural to invade and vandalize the world's most famous roundabout, Place de l'Étoile in Paris.

The Yellow Vests, true to their reliance on the Us versus Them networks (mainly Facebook), made very clear from the beginning that neutrality was not an option. You would have to be with them, the "people," or against them, although their numbers went from a high of around 240,000 demonstrators, dwindling Saturday after Saturday, to around 60,000 at the last count. By and large, the people stayed at home, watching the events on news channels.

The designated costume of the demonstrators—the yellow vest, a cheap garment made in some Asian sweatshop—is mandatory in any vehicle in Europe for use in emergency situations. Displaying it on the dashboard of your vehicle became also mandatory in order to cross the numerous and illegal checkpoints set up by the Yellow Vests at roundabouts across France. I was reminded of the *ausweis* imposed on the French by the Nazi occupiers during World War II.

In May 2017, the totally unexpected presidential victory of Emmanuel Macron, defeating far-right populist Marine Le Pen in a run-off, was hailed as a turning point. The tide of populism threatening to submerge the Old Continent had reached a high point and was expected to retreat.

But this prediction did not come to pass, as the underground forces subverting the old post-war order remain active. Observers have been struck by the level of hatred exhibited by the Yellow Vests against Macron, as if change at the top could by itself solve the problems at the (near bottom) of the social hierarchy.

The Yellow Vests are just one expression of the lower-middle-class distress in advanced democratic countries, squeezed by globalization, too poor and not qualified enough to enjoy its windfalls, but not poor enough to receive their fair share of the benefits from what remains of the bankrupt welfare state.

But in reality, Macron and the Yellow Vests are two products of the debasement and gradual disappearance affecting the old social institutions: political parties (social democracy and Christian democracy, after the long-gone communist parties), unions, churches, cities, and territories. Low-cost airlines, tourist resorts, shopping centers, roundabouts, and "social" networks are no substitute.

In that respect, former British Prime Minister Margaret Thatcher got it wrong. People do need a well-structured society. It's populism, chaotic and violent, that doesn't.



We must return to the principles of true liberalism.

THOMAS MAYER

Founding Director, Flossbach von Storch Research Institute, and former Chief Economist, Deutsche Bank

Populism is the result of the latest failure of attempts to reconcile liberalism with socialism in the modern welfare state. The reconciliation has been called the Third Way. Its latest version was designed by the British sociologist Anthony Giddens and championed in the 1990s by politicians such as Tony Blair, Bill Clinton, and Gerhard Schröder.

Although it was well intended, the policy of the Third Way raised expectations it could not fulfill. Disappointment then set the stage for the backlash, in which populist politicians portray the liberal economic order as the culprit.

At first glance, the policy of the Third Way seemed to be a sensible compromise between economic flexibility and social safety. Unlike in a socialist, centrally planned economy such as that of the Soviet Union—which collapsed in 1989—companies were supposed to enjoy sufficient flexibility to react to market signals.

At the same time, unlike in the liberal market economy, people were to be socially protected against adverse economic developments. At the micro level, the social safety net was to protect individuals, and at the macro level economic policy was to minimize fluctuations in the business cycle.

Since fiscal policy had proved itself to be an ineffective instrument for economic stabilization in the 1970s, monetary policy was supposed to do the job. It came in handy that central banks at the end of the 1980s began moving to inflation targeting as their preferred strategy.

An inflation-targeting central bank would ideally have lowered rates below the long-term average in cyclical downswings and raised them above it in the upswings, thus contributing to economic stabilization. In view of a long-term decline in nominal GDP growth owing to lower productivity growth, rates should have broadly declined on trend in line with the trend in nominal GDP growth.

In fact, however, central bank policy rates fell more on trend than nominal GDP growth: Central banks were

quick to lower rates in downturns but slow to raise them in upturns. The decline in policy rates exerted downward pressure on market rates beyond what would have been justified by economic fundamentals, boosted asset prices, and bloated the financial sector. This set the stage for a series of financial crises, which culminated in the Great Financial Crisis of 2007–2008.

The failure of the Third Way had social and political implications. First, people mistakenly blamed free markets for their disappointments and lost trust in the liberal economic order. Second, people lost trust in the elites, who benefited from globalization and the financialization of the economy, but failed to protect the welfare state against immigration.

And last, having lost trust in politics, people turned to populist politicians who promised them economic safety in a nation state with high barriers to international trade and migration.

Some say we need more income and wealth redistribution and a stronger state. But this is only a watered-down version of the national-socialist policies offered by the populists. If we want to preserve the benefits which the liberal economic order has provided us, we must return to the principles of true liberalism.



Today's elites should go back to read Adam Smith's The Theory of Moral Sentiments.

KISHORE MAHBUBANI

Professor in the Practice of Public Policy, National University of Singapore, and author, Has the West Lost It? (Allen Lane, 2018)

Why are people abandoning the mainstream political parties, the traditional pillars of the establishment, and voting for populist leaders, from the Philippines to the United States, from Italy to Brazil? Has something gone wrong with the people? Or have the political and economic systems which were supposed to deliver social justice and take care of the bottom half failed?

The answer is the latter.

One shocking statistic illustrates how badly our political and economic systems have failed. The United States

has always prided itself on its open and level playing fields. Yet it has become the only major developed society where the average income of the bottom half has not just stagnated, but declined markedly, as my colleague Professor Danny Quah of the National University of Singapore has documented.

Even more shockingly, the average income of the top 1 percent was 138 times that of the bottom 50 percent in 2010, up from 41 times higher in 1980.

These shocking statistics show that the implicit social contract that had promised rising incomes for both the elites and the masses had failed spectacularly. The elites were creaming off most of the rising national income, while ignoring the plight of the bottom half.

In theory, this result of inequality of income and wealth was morally and politically justifiable because American society promised equality of opportunity. In theory, it didn't matter whether a child was in the bottom 10 percent or top 1 percent of families.

American society provided ladders that would enable the meritorious from the very bottom to rise to the very top. Quite a few did. This is true. As for those who didn't make it, the explanation given was that they were just not smart enough.

In practice, sadly, money has distorted the political system and created a non-level playing field. Take the financial sector, for example. Despite the major errors committed by major banks in the Global Financial Crisis in 2008–2009, no bankers were punished. Instead, the profits were privatized while the losses were socialized.

The Senate and the House could not act because of regulatory capture. To make matters worse, while Wall Street benefitted immensely from massive globalization, the working classes in America lost their jobs to new global competition.

It is therefore not surprising that the disgruntled working classes have switched away from the mainstream figures to vote for populist politicians like Trump. They are angry. They got even angrier when a member of the elite, Hillary Clinton, called them a "basket of deplorables." Actually, they have legitimate concerns and fears.

The good news is that their legitimate concerns and fears can be met. Several old-fashioned methods of social and economic redistribution of a society's wealth can work, without a dramatic restructuring of society.

Hence, today's elites should stop blaming the bottom half for electing populists. They should look into the mirror first. Then they should go back and read Adam Smith's *The Theory of Moral Sentiments* to see how well they have heeded one of his key points: "The corruption of our moral sentiments...comes from [the] disposition to admire the rich and the great, and to despise or neglect the downtrodden and poor."



*Campaigning
is far easier
than governing.*

MOHAMED A. EL-ERIAN

Chief Economic Advisor, Allianz; Chair, President Obama's Global Development Council; and author, The Only Game in Town: Central Banks, Instability, and Avoiding the Next Collapse (Random House, 2016)

The rise of populism is in large part a reflection of the deep economic malaise that has permeated a growing number of advanced economies around the world—that of too many years of low and insufficiently inclusive growth.

The result has been a growing sense of insecurity, marginalization, and alienation on the part of segments of society. Together with the worsening of the inequality trifecta (that is, of income, of wealth and, critically, of opportunity), they have fueled the politics of anger, anti-establishment waves against public and private sectors, and a deep erosion of trust in expert opinion.

As of now, only a few populist movements have been able to pivot from promising to dismantle the past to building a better future. Most of them have either ended in the position of the Syriza party in Greece, an early example of the current phase of populism in advanced countries, or that of Brexit—namely, either end up by essentially following, or being forced to follow the approach of prior establishment parties; or remain suspended in an unsettled and ultimately unsustainable situation of “no war and no peace.”

There are good reasons for such messy and incomplete transitions. Campaigning is far easier than governing. National, regional, and global structures often have built-in checks and balances to slow or limit radical changes, even when desirable. It's not easy to undo years of under-investment in the social sectors (such as health and education), in productivity-enhancing initiatives, and in other enablers of high, inclusive, and sustainable growth. And once unleashed, it is takes a lot of time and effort to turn back fears of cultural alienation and loss of identity.

A more effective focus on promoting inclusive prosperity, while not sufficient, is a necessary part of channeling the current malaise to a constructive and sustainable place. It starts with greater investments in people,

infrastructure, and other enablers of individual accomplishments and attainments.

Economists mostly agree on what's needed and even how, from an engineering dimension, to get there. What is required is determined and steadfast implementation—a task not only for politicians and governments, but also for companies that can play an important supportive role through their labor retooling/retraining, apprenticeship and mentorship initiatives, and social responsibility programs.



*The situation is not
unlike the build-
up to the French
Revolution in 1789.*

JØRGEN ØRSTRØM MØLLER

Associate Senior Fellow, ISEAS Yusof Ishak Institute, and former State-Secretary, Royal Danish Foreign Ministry

The cocktail composed of capitalism, market economies, and technology has turned toxic. For decades it worked wonders lifting millions out of poverty, but no longer. A considerable number of people in the United States and Europe feel ignored, blocked from getting their share of increasing wealth by social and educational barriers nullifying social mobility. For them, society is unfair, turning them into social losers.

For decades, they have voted for the opposition only to discover that the promise of change was an electoral slogan. A sense of hopelessness and despair led them to look for a way out. Having tried other options, they have nothing to lose by giving a chance to politicians outside the system.

Voting for these politicians allows them to give substance to their grievances against the establishment and the elite while at the same time blaming foreigners for their misery. As Hitler clearly saw, telling social losers that problems are due to foreigners and not their own fault is a winner. They are not able to adapt and adjust to the effects of globalization and the repercussions of technology, but do not want to admit it. Therefore, they buy into the slogans of blaming foreigners and rolling back the changes, so their jobs that were outsourced or victims of technology can come back.

Many such workers are the backbone of the industrial age—skilled manufacturing workers doing jobs that have disappeared and will never come back. Many are destined to a miserable life with no prospect of solutions to their problems.

The establishment has failed and let these workers down. It withdraws into its own shell without much communicating with the social losers. It also focuses globally while the social losers become more and more inward-looking and nationalistic. A huge gap opens up between those who think they have the right to lead and those whom they are supposed to lead.

Democracy has failed to deliver solutions. In reality, it has brought about deeply divided nations, allowing a monopolization of economic wealth and political power to take place.

This becomes an existential problem because the populists want the society of yesterday. That is the lesson from Brexit and the election of Donald Trump. This is out of reach and cannot be delivered, but creates a platform for those promising to do so.

The situation is not unlike the build-up to the French Revolution in 1789. Clear-sighted people saw the problems, but could do little about them due to past mistakes, the elite refusing to give up privileges, and the system not susceptible to fending off the growing discontent.



The lie is that the rise in inequality is something that happened, not the result of conscious policy.

DEAN BAKER

Senior Economist, Center for Economic and Policy Research

In the United States, the pay of a typical worker has badly trailed productivity growth over the last four decades, allowing only marginal improvements in living standards over this period. At the same time, a small number of people have gotten incredibly rich in the finance and tech sectors and by being top executives in major U.S. corporations. There is a similar, if somewhat less stark, picture in most other wealthy countries.

The standard story for this rise in inequality is that this is just the inevitable course of globalization and

technology. While many in the elite may feel bad for those left behind, and even propose policies to help them, the line is that the rise in inequality is something that happened, not the result of conscious policy.

That is a lie. And the persistence of this lie is one of the reasons that populist politics has so much resonance in Europe and the United States.

There was nothing inevitable about who would be winners from technology and globalization. Those who won have been successful because they wrote the rules and run the institutions. It is that simple.

Starting with technology, the fact that people like Bill Gates can get incredibly rich is not only due to the fact that they may be smart and hardworking. People like Bill Gates can get incredibly rich because we have patent and copyright laws that give them monopolies over items like Windows. Without these government-granted monopolies, there would be far less money in software, pharmaceuticals, medical equipment, and many other important sectors of the economy.

Patent and copyright monopolies are explicitly policy levers to provide incentives for innovation and creative work. We can make them shorter and weaker if we choose, as opposed to longer and stronger, which has been the pattern over the last four decades. Pretending that the money going to the winners from these monopolies is natural is an absurdity that deserves nothing but ridicule. Instead, this is the accepted wisdom in intellectual circles.

The comparable wisdom about globalization is that manufacturing workers in rich countries lose because hundreds of millions of people can do the same work in the developing world for a fraction of the pay.

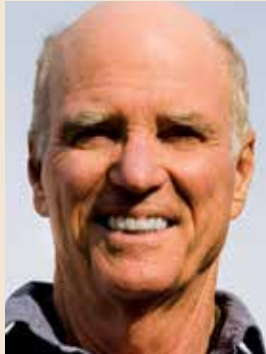
This is true, but it is also true that there are tens of millions smart and hardworking people in the developing world who would be prepared to work as doctors, dentists, and in other highly paid professions in the rich countries at a fraction of the pay of the people now in those positions. We structured our trade policy so manufacturing workers have to compete with workers in the developing world and doctors and dentists mostly do not.

We have structured our financial system to allow a small number of people to get tremendously rich at the expense of the economy as a whole. This was demonstrated most clearly in the wake of the collapse of the housing bubble when political elites raced to save the big banks from the consequences of their own actions, but there are many ways in which the rules have been structured to support a bloated financial sector.

And we have had macroeconomic policy that has needlessly kept millions of people from having jobs. It has also reduced the bargaining power of tens of millions who do have jobs.

It is not surprising that policies designed to redistribute income upward would lead to resentment, especially

when our elites pretend they do not exist. Until these policies are acknowledged and changed, populist anger is not likely to go away.



U.S. and Western European policymakers have been systematically tearing up the post-World War II social contract.

JEFF FAUX

Distinguished Fellow, Economic Policy Institute

Debating whether populism is rooted in economic conditions or “values” conflict gets us nowhere. Cultural tensions (including racism and xenophobia) are always with us. But they are muted so long as the majority of people feel secure and hopeful about their future.

For the past several decades, U.S. and Western European policymakers (both liberals and conservatives) have been systematically tearing up the post-World War II social contract. Trade deals that privilege investors over workers, financial and labor market deregulation, tax policies that favor the rich, and—in Europe—a stubborn policy fetish of budget austerity, have relentlessly redistributed income and wealth to the top.

Rubbing salt in the wounds of job instability and stagnant wages is an elite culture of thinly disguised contempt for those who have been marginalized in the new world order.

As the share of people who feel left behind has grown, their simmering anger has been skillfully exploited by political grifters. The result—the absurdity of Donald Trump, the lunacy of Brexit, the shift to the hard right in continental Europe—should be no surprise.

There is much handwringing among mainstream politicians and pundits over the loss of American leadership, dangers to the liberal international world order, and the retrograde nationalism of the new populism. Yet elites on both sides of the Atlantic continue to ignore the contribution of their own policymaking.

Thus, for example, American policy intellectuals scold the working class for its lack of compassion toward the influx of immigrants, who provide cheaper labor for business by depressing wages at the lower end of the income and education ladder. Yet they never acknowledge their own

morally suspect support for the corrupt Central American regimes who protect the violent narco-gangs driving people to the U.S. border. Similarly, European leaders continue to pursue foreign policies that have led to the surge of immigration from the Middle East and Africa—and the rise of a reactionary populist European right.

Incompetence and egomania may cause Donald Trump to self-destruct. Britain and Europe may yet work through the Brexit crisis. But thanks to Trump’s tax cuts and inattention to a building debt bubble—championed by Wall Streeters who bankroll both parties—the United States is in a much weaker position to lead the world out of the next recession, which is likely to exacerbate the divisions that drive populist politics.

Instead of fixating on the question of what’s wrong with *them*, Western policymakers need to start asking, what’s been wrong with *us*?



Until we find a way to rebuild the vital center, populism will be a powerful force.

ROBERT A. MANNING

Senior Fellow, Brent Scowcroft Center on International Security, Atlantic Council

The continuing surge of populism, centered in the United States and Europe at the moment, is driven by a sense of anger and rage at “elites” who they feel have rigged the system, and particularly that globalization has left them behind.

This has several dimensions. In the United States, the loss of millions of people’s mortgages, while not one single perpetrator of the financial crisis went to jail (not to mention the finance industry was bailed out, not common folk’s mortgages), is one stark inflection point.

Another aspect is manifested by the loss of jobs to China and other low-wage countries, mainly from the late 1990s to about 2010, and by relatively flat middle-class wages or slow wage growth since the late 1970s. More recently, the vast majority of job displacement has been caused by automation/technology, though in the public mind, reflected in the views of President Trump and many in Congress, it continues to be blamed on trade.

There is also a nativist element, reflected in anti-immigration views. This is partly economic—for example, the perception that “Mexicans are taking our jobs”—but also partly cultural and demographic.

It is not a coincidence that this anti-immigrant sentiment along with more visible white nationalist/supremacist views, exploited by both candidate and President Trump, occurs amidst historic demographic change in the United States. In some states such as California and Texas, minority numbers rival or surpass the white majority.

This is a national trend. In 1965, 85 percent of Americans were white. Now that number is 60 percent, and various projections suggest that sometime between 2040–2055 minorities will become the majority. This adds a cultural dimension, with more people speaking Spanish, or other languages. One can imagine the popular reactions to non-white Muslims speaking Somali or Amharic in downtown Minneapolis.

Historically, populist movements have been fodder for the rise of authoritarian, charismatic politicians. Germany in the 1920s and 1930s comes to mind. Trump, for example, is a master showman of P.T. Barnum proportions, and has used fear of immigrants as a major source of garnering support.

That this populism is occurring in the United States at a time of record low unemployment (less than 4 percent) and low inflation suggests that it is about more than economic grievances. In Europe, however, protracted slow growth and high unemployment—in the 10–12 percent range, and in the 25 percent range for youth—in many EU nations, combined with the massive refugee influx from the conflict in Syria and other conflict zones, has more predictably fueled populism of both the left and right. An additional factor in Europe is the widely held view that unaccountable Brussels bureaucrats have too much power.

Another not inconsequential factor is the explosion of social media and the internet, and the decline of journalism as we have known it. Long gone are common sources of information—think pre-24/7 cable news when everyone watched the three networks. The slow but persistent death of newspapers and of fact-based news is lamentable. It allows the reinforcement of tribal politics, with each tribe living in its own echo chamber.

This all points up the fragility of democracy, which, as I reread the Federalist papers, is premised on a well-informed civil society. Add to that a dysfunctional political system in which some 40 percent or more of the voters are independents or independent-leaning in the Democratic and Republican parties, while we have an electoral financing system that rewards extremes, left and right.

Until we find a way to rebuild the vital center (perhaps an American version of Macron), populism will be

a powerful force. The good news is it is difficult to see populism delivering and building the sort of less-unequal economic growth and social justice that is the antidote to the anger and rage that is populism.



The central opportunity is to foster policy bridges to economic possibility and mass prosperity.

GLENN HUBBARD

Dean, Columbia Business School, and former Chairman, Council of Economic Advisers under President George W. Bush

Free and open societies are certainly more vulnerable than many think. From the early 2020 campaign rhetoric in the United States to the ongoing Brexit drama to movements in continental Europe, populism’s winds blow strong. And those winds blow in opposing directions, making a storm more likely.

Right-wing populism has not so much brought forth a normalizing response from center-right elites as it has brought forth an undisciplined left-wing populism. The failure of center-left and center-right elites to offer a coherent response to populism fans flames that engulf open markets and mass prosperity.

Economic forces of technological change and globalization have led to transformative prosperity around the world, but have raised the anxiety level of low-skill and middle-skill workers in the industrial world, importantly including the United States. Economic and policy elites, quick to embrace the gains from technological change and globalization for business and GDP per person, have been slow to recognize the adverse shifts in current and almost certainly future buffeting of many workers and citizens.

Policy responses have either been small-bore (think Trade Adjustment Assistance in the United States) or frustrating to many (for example, the U.S. bailout of banks, while ignoring the economic plight of average homeowners). As Harvard economics professor Benjamin Friedman observed in *The Moral Consequences of Economic Growth*, this erosion of prosperity and possibility for many fans fears of “the other,” fears exploited by populists.

The failure of economic policy elites to note and address these forces has left both a central challenge and a central opportunity. The central challenge is to combat the “wall” impulse from right-wing populists toward physical barriers and national and social barriers and, from left-wing populists, the economic-security-state version.

Combating these impulses will not succeed if grounded only in technocratic arguments about lost GDP or average income gains. The central opportunity is to foster “bridge” alternatives—policy bridges to economic possibility and mass prosperity. Places to start include supporting preparedness for work and for earnings from low- and middle-skilled work.

Two gains come from a policy emphasis on economic bridges over walls. The first is the return of arguments from the Scottish Enlightenment focusing government on assisting mass prosperity by strengthening opportunities citizens could not do on their own. The second is that these interventions will force a discussion of budget priorities, as funds for “opportunity” and “security” square off. If we fail to seize this “bridge” opportunity, populism’s winds will blow stronger and the damage to economic institutions will be more long-lasting.



Populist movements fester, until at some point things collapse and a new order has to be built.

JAMES K. GALBRAITH

Author, Inequality: What Everyone Needs to Know (2016), and Lloyd M. Bentsen, Jr., Chair in Government/Business Relations, Lyndon B. Johnson School of Public Affairs, University of Texas at Austin

By history and definition, populism is the movement of the despised unlettered, of farmers, laborers, and indebted against landlords, bosses, and bankers. Compared to other mass movements, what populism generally lacks is an ideological vanguard such as led by Lenin, Trotsky, Mao, or Castro, or in our democratic era by such tame social democrats as Sanders, Corbyn, and Lula. That is why populist movements such as Occupy or the Yellow Vests tend to operate without leaders or well-defined programs.

Still, the core demands are clear enough. In economics, populists demand better jobs, higher pay, better prices, and relief from debts and taxes. A key demand of the Five Star movement in Italy in the last elections was for a basic income—a policy-of-despair that appealed in Southern Italy where promises of economic revival have long since lost credibility.

In foreign policy, populists are anti-war and anti-empire, preferring not to lose children and partners in fights from which only others reap a benefit. Thus they distrust financiers, generals, white-shoe lawyers, and pin-stripe diplomats.

Most of all, populists wish to be heard, respected, and if necessary, feared. As such, populists are indeed a threat to their genteel and entitled social betters. They often rally behind frauds and oligarchs—a Berlusconi or Bolsonaro or Trump—and their cause may be infected by racism and xenophobia and prone to violence, as has been the case since the days of Pitchfork Ben Tillman. This is a measure of the decapitation and dismemberment of an authentic democratic Left and the frustrations of an evidently rigged political process.

By the same token, so long as their threat is contained, allegedly inchoate and enraged populists are the perfect foil for an establishment that prefers pretense over progressive action. Elites, from the Bourbons to the Boyars and beyond, almost always take the view that the smallest concession necessarily opens the door to revolution. And this is why populist movements fester, until at some point they become strong enough, and the status quo sufficiently rotten, that things collapse and a new order has to be built.



We are not enough focused on the plight of the individual. Individuals matter in society. Individuals vote.

PIPPA MALMGREN

Former Advisor to President George W. Bush, Founder, DRPM Group and H Robotics, and co-author, The Leadership Lab: Understanding Leadership in the 21st Century (2018)

Populism is driven in large part by a data disconnect. Populism starts with data points that don’t accurately convey human pain. Policymakers rely on

numbers that reflect broad averages. The actual human impact, however, is very different from what the average implies.

The Consumer Price Index, for example, may be rising only marginally, thus giving policymakers confidence that inflation is inside the target and under control. But the move from the 1 percent inflation of the past to something closer to 2 percent or more now is a massive change for a poor family. It also a massive change for the allocation of a pension fund.

The problem is that we are so analytical when assessing the economy. We can measure the math but completely miss the mood. We can be right about the mathematical concepts but utterly surprised by the human pain. We can all agree that the charts show little inflation and yet the only thing people talk about in bars or at parties is how they cannot afford the relentless increases in rent. They are choking on the cost of a beer or cocktail.

Different people also have different inflation rates. Millennials face higher cost pressures because of what they happen to consume. No one can miss the astronomical rise in the price of education and student housing in recent years.

So when we say “there is no inflation,” we should mean there isn’t any on average. But there is enough to cause a lot of pain. Millennials respond to this pain by voting left. They want redistribution of wealth. They want more free stuff. That’s a key driver behind “The Bern.” Bernie Sanders and the narrative of the left offer this crowd a way out of their pain—handouts.

Those with stymied wages—the Trump crowd—have also felt the higher cost of living more sharply than the data reveals. As the cost of rent and buying a car has risen, they’ve been unable to garner higher wages.

The problem is that wages are rising on average but not for everybody. If you are highly skilled these days, you get 10 percent per annum quite easily. After all, the world is experiencing a skills shortage.

If you are unskilled, though, you have no pricing power. You can only get your wages up by having politicians raise the minimum wage. When that happens, all the prices jump because suddenly everybody has the extra cash. So you feel gypped. You got a wage increase on paper, but no actual benefit. This crowd turns their anger on Washington and on foreigners. The reality is that they were, and are still, getting left behind even when the economy is powering ahead. These folks respond to this pain by voting right.

The answer is simple. The quants and statisticians can measure the aggregate beautifully, but they are not enough focused on the plight of the individual. Individuals matter in society. Individuals vote. We are right about the data points but wrong about the pain. That is giving rise to populism.



It is not necessary to overcome globalization or shatter capitalism. It is essential to organize it better.

JÖRG ASMUSSEN

Managing Director and Head of Mergers and Acquisitions for Europe, Lazard, and former Member of the Executive Board, European Central Bank

It is not just about the money. Donald Trump’s victory over his liberal rival candidate, the British referendum on leaving the European Union, the implosion of the traditional party system in France, the new governing coalitions in Italy and Austria, the success of the Alternative für Deutschland in Germany—a populist dynamic has been on the rise recently on many scenes, signaling a growing polarization of society: top and bottom, rich and poor, content and unsatisfied, mobile and settled, urban and rural, cosmopolitan and local.

The French geographer Christophe Guilluy spoke of a peri-urban world, which loses connection to the global developments. Those living in the periphery of the old industrial parks and in the rural areas are united by a two-fold insecurity: a financial and a cultural one. According to Guilluy’s evaluation, this group amounts to 60 percent of the populace in France, for the United States of America, estimations amount to over 70 percent, and similar figures apply to other countries, explaining the popularity in elections.

Maybe David Goodhart succeeded in formulating the catchiest concept for the explanation of this schism, in that he differentiates between the “anywheres” and the “somerwheres,” between the mobile, cosmopolitan people, whose education and further qualities enable them to live in any global city, and their stationary counterparts, who live in their tight and stable social and geographical environment.

The dividing line between the “anywheres” and the “somerwheres” is never as evident as looking to the subject of migration: the “anywheres” understand immigration as an advantage and enrichment, the “somerwheres” as a threat.

Precisely the receptivity of the “somerwheres” is, however, crucial to the process of integration, for the new inhabitant hardly migrates into the upper class. To be honest with reference to the “anywheres”: a high income

simplifies an invisible seclusion in residential districts, educational institutions, and the vocational world while simultaneously propagating an open society.

We witness a clash between the economy and society: the economy can prosper, while a substantial part of society suffers. The rise of the populists can partly be countered by higher minimum wages like the Fight for \$15 movement to raise the minimum wage in the United States or the call for more purchasing power by the *gilets jaunes* in France, at large through distribution, housing, and education policy.

But the loss of significance, of meaning, weighs just as heavily and cannot be battled precisely with financial improvements. For that—easier said than done—a reformation of the social contract is imperative. All societies live in a fundamentally charged relationship between economic freedom and social security. It is not necessary to overcome globalization or shatter capitalism. It is, however, essential to organize it better to adjust and tune the relationship between freedom and security in the parameters of an increasingly digitalized economy. It is about moving the periphery back to the center.

A first step would be an honest dialog on it. If we fail with this, the open society is indeed endangered.



Democracies need dialogue and a deeply rooted sense of the value of compromise.

THOMAS MIROW

Chairman, German National Foundation, former President, European Bank for Reconstruction and Development, and former German Deputy Finance Minister

We know quite well why populism is on the rise, from the United States electing Donald Trump, to the United Kingdom voting for Brexit, to Italy with its peculiar coalition government of left-wing and right-wing populists, to France's *gilets jaunes*, not to forget Europe's north (including Germany) with relevant populist parties that make it more and more difficult to form cohesive governments, and Central Europe (Poland, Hungary, and others) that nowadays is dominated by authoritarian, illiberal political forces. It's foremost about fear and anger.

It's about anger that governments preached austerity but saved banks after the financial crisis with billions of taxpayers' money. It's about anger that many hard-working people saw, for many years, no increase of their real income. It's about anger that the intellectual and political mainstream seemed more and more dominated by the big cities' intelligentsia.

It's about fear that immigration would destroy cultural homogeneity. It's about fear that the next industrial revolution would put millions of jobs at risk. It's about fear that rural areas would be left behind. It's about fear of losing (white) men's supremacy. Of course, all of this blended with national specificities.

But as clear as the answer to this question may appear, much more difficult seems to be the answer to the next question: what to do to successfully combat populism, stabilize our liberal democracies, and foster a rules-based, multilateral international order. Neither the political left nor traditional conservatives seem to have found the necessary recipe yet.

So, here a few hints at what could be helpful remedies to this extremely dangerous disease of our time.

To help the "working poor," there should be joint efforts of governments—through tax legislation and other levies, trade unions, and the private sector, to secure a sustainable growth of purchasing power that counters feelings of deprivation and brings back trust in our economic system.

Regarding federalism and decentralization, Washington and Brussels have been serving as ideal scapegoats in terms of allegedly aloof technocrats that despise ordinary people and are out of touch of real life.

This might be partly true, even though a good portion of hypocrisy is behind this all too often. Anyway, more real decision-making in the French provinces or outside of London and even in federalized countries such as the United States or Germany may help to reduce alienation and reinstall a basic sentiment that people can hold decision-makers accountable.

In the case of rural and de-industrialized regions, here again joint efforts are needed. Investing in modern public infrastructure is as important as private investments and, as we know, they are fundamentally intertwined.

Populists' strong efforts to destroy serious medias' credibility is key to their ascension. Credibility needs to be restored. Economic models that help sustain quality press and broadcast are in demand.

Helped by so-called "social media," we have witnessed, during the past couple of decades, the development of "closed loops"—people just communicating with their like-minded peers, avoiding any exposure to those with different experiences and values. But democracies need dialogue and a deeply rooted sense of the value of compromise as the only possible way out of confrontation and division.



If populism means something like illiberal democracy, then the central feature of today's political moment is not populism but its opposite.

J. W. MASON

Assistant Professor of Economics, John Jay College-CUNY, and Fellow, Roosevelt Institute

As a political category, populism is uniquely slippery. Far from describing any consistent doctrine, program, or form of organization, it is applied to Die Linke and Alternative for Germany, Geert Wilders and Elizabeth Warren, Podemos and Le Pen, Bernie Sanders and Jair Bolsonaro—to people and organizations whose substantive programs and bases of support are diametrically opposed on every point.

A cynic might say the word simply refers to democratic outcomes of which the speaker doesn't approve. More cynically, but more precisely, one might see it as an attempt to discredit the left by linking it with the far right, via a portmanteau political category that somehow includes both outright fascists and anyone to the left of today's established social-democratic parties.

A more charitable reading would be that populism describes the elevation of popular support over other criteria of legitimacy, such as law or business support or professional expertise. This is a reasonably clear definition that fits most common uses of the term. But does it fit developments in the real world?

It seems to me that if populism means something like illiberal democracy, then the central feature of today's political moment is not populism but its opposite.

In the United States, President Donald Trump is widely seen as populist. Certainly in his public persona he rejects established norms and expert opinion. But it's important to remember that he lost the popular vote by a wide margin, and became president only thanks to the electoral college—one of a number of anti-democratic features of the U.S. Constitution that exist precisely to limit the power of popular majorities. To the extent Trump has advanced a policy agenda, it has been essentially the same as an establishment Republican would have. And it has been enacted into law only thanks to the non-majoritarian character of the Senate. His most lasting impact may well come through his Supreme Court appointments—which have been made in strict accordance with law and will be

consequential precisely because of the Court's power to overrule popular majorities.

In Brazil, Jair Bolsonaro did win the popular vote—but only after the previous president was removed from office in what was effectively a soft coup, and the country's most popular politician was banned from running by the courts. This judicial preemption of democracy is the opposite of what is usually meant by populism.

In Europe, the rise of anti-establishment parties, mainly on the right, would seem to give a stronger basis for fears of populism. It is certainly true that many countries have seen a rise in new parties, thanks to the discrediting of the established ones by a decade of economic crisis. But consider Italy. Yes, the governing League and Five Star Movement show up on many lists of populist political parties. But the real novelty in Italian politics today isn't the election of politicians claiming a mandate from the people—who doesn't?—but the fact that their proposed budget was overruled by the European Commission. The right to approve budgets has been the fundamental right of legislatures since the origin of the modern state, so its surrender is a political watershed. The projected deficits that justified the Commission's intervention are not even exceptional by European standards; France, for instance, has had larger deficits every year for the past decade. So it's hard to see this as anything but a shift in the center of political authority. And the new authority, framed in terms of a mathematical formula, is based on exactly the anti-populist grounds of expertise and impersonal rules.

The recent history of the European Union is a series of such victories of liberalism over democracy. The takeover of Greece by the "troika" of the European Commission, the European Central Bank, and the International Monetary Fund was the most dramatic example, but it was simply a continuation of the ECB's strategy of using financial crises on the periphery to push through an agenda of deregulation, privatization, and liberalization that democratically accountable governments could not enact on their own. When the ECB intervened to stabilize the market for Spanish bonds in 2011, it was only after imposing a long list of conditions, including labor market reforms far outside the normal remit of a central bank, and even a demand that the government take "exceptional action" to hold down private sector wage growth. Other governments under bond market pressure were subject to similar demands. What's striking in this context is not the occasional victory of anti-European political parties, but how consistently—so far at least—they have backed down in confrontations with the European authorities.

All this may change. But for the moment, concerns about "populism" seem like an evasion of the actual political realities—perhaps a sign of bad conscience by an elite whose authority, more than in many years, lacks a basis in popular consent.



There is a big debate about whether far-right populism is driven primarily by economic issues or cultural ones.

PHILIPPE LEGRAIN

Senior Visiting Fellow, European Institute of the London School of Economics and Political Science, and Founder, Open Political Economy Network (OPEN)

“Populist” is often used as a derogatory label for any popular political view that someone deplores. But although populism can take many forms, it has a specific meaning: populists claim to stand up for “the people” (their supporters) against the elites (their opponents, whom they tend to view as enemies). Most populists are on the far right or the far left, but they need not be: witness Italy’s heterodox Five Star Movement. And the elites they lambast are often (but not always) economically and/or socially liberal.

Some voters have always hated liberalism and openness. But the main reason why populism is on the rise is that this core support has been swelled over the past decade by a broader constituency of voters who are angry and fearful.

While populists don’t have the answers, voters’ rage against the establishment is understandable. The financial crisis and its unduly austere aftermath have discredited elites, who often seem incompetent, self-serving, out of touch, and corrupt. Both bailed-out bankers and politicians have inflicted misery on ordinary people without being held accountable for their mistakes.

Meanwhile, communities that have suffered from economic change (mostly due to automation, not globalization) have often been neglected. No wonder many voters feel the system is rigged against them.

Populists tap into the resentment of people who feel ignored, looked down on, and hard done by—who have lost status or fear they will. Fears about the future include both economic worries that robots, Chinese workers, and immigrants are threatening people’s livelihoods, and cultural ones that white Westerners are losing their privileged status both locally and globally.

Far-left populists tend to target their fire at billionaires and big businesses that abuse their clout to buy political power and screw workers and consumers. But there is a big debate about whether far-right populism—which

focuses its hostility on foreigners in general and immigrants in particular—is driven primarily by economic issues or cultural ones.

In practice, these often can’t be neatly separated. In difficult times, distributional cleavages come to the fore—over access to shrivelled public services, for instance—and are often then overlaid with identity clashes. When people lose status as individuals, they often prize their group identity more. In insecure times, some hanker for the perceived security of leadership by a strongman. In times of economic decline, people are more nostalgic for the past. And so on.

Our age of discontent provides rich pickings for opportunists such as Donald Trump (who was previously a Democrat) and Hungary’s Viktor Orban (who was once a liberal). But successful politicians often are opportunistic: witness Emmanuel Macron, France’s self-styled Jupiterian president who earlier stormed to power posing as an anti-establishment outsider.

To defeat the populists, mainstream politicians need to address the economic and cultural insecurities that create a wider constituency for populism in positive and constructive ways. That includes bold economic policies to promote greater opportunity and fairness and unifying cultural narratives such as progressive patriotism.



Force the populists to define their objectives, giving them something to work towards instead against.

MILTON EZRATI

Contributing Editor, The National Interest, Chief Economist, Vested, and author, Thirty Tomorrows: The Next Three Decades of Globalization, Demographics, and How We Will Live (2014)

The answer to why global populism is on the rise is the more straightforward. These movements, diverse though they are, have all arisen because elites have failed: failed to meet the challenge of growing income inequalities or even explain what the difficulties are; failed to cope with the complexities of globalization and in some cases even admit that such complexities exist; failed to take seriously citizen concerns over the elite social agenda

or even admit that such concerns are valid. Worse still, elites have shown a sad inability to reflect on their many failures and deride any who point them out, using favored groups in society as a foil with which to humiliate their critics.

As for what these populists want, that is a more difficult question. Populists seem not to know themselves. Different movements in different locales have little in common and very different priorities. Even within the same movement, priorities shift from day to day, depending on the flow of news.

All seem to share an anti-immigrant posture, but beyond that agendas look very different. Some populists clearly want all immigrants excluded, others want limits, and still other focus on legalities. All seem to exhibit a wariness of globalization, but the degree of concern varies greatly between movements, and beyond tariffs, none have much of an agenda, certainly nothing approaching a consensus about what is wrong, much less a coherent plan on how to handle globalization's ill effects. The same can be said about income inequality or elite steps to deal with questions of climate change or any of the other issues that occasionally capture the attention of one populist group or another.

Elites, including much of the media, have labeled populism a threat to free and open societies. They would make such claims. Populism challenges them, and to their collective mind it must therefore be evil. They have cherry-picked historically to make their point.

But if elite accusations smell of self-serving rhetoric, such a threat nonetheless does exist. It lies in the vague agendas of these groups. The lack of coherent plans, or even priorities, keeps populists focused more on their perceived enemies than on what they want to accomplish. It renders them less rational and more emotional, and so vulnerable to opportunists who would bend their vague feelings toward actions that followers might not otherwise embrace.

So far, elites have also failed to blunt this trend. By dismissing the populists under a fusillade of all the popular pejoratives of the day, elites have only fueled the dangerous emotionalism in these movements. Instead of reacting as they have, these same elites might reduce the risks implicit in this situation by engaging these populist movements. Such an engagement might disarm some of the animus that infects populists, but more, it would perhaps introduce into the discussion the rationalist skills on which elites pride themselves and so far have refused to exhibit. Still more useful, such an introduction might force the populists to define their objectives, giving them something to work towards instead of just something to work against and providing them with a shield against the unscrupulous demagogues who would hijack such movements for their own purposes.



The collapse of traditional media is a major source of political radicalism and extremism.

MAREK DABROWSKI

Non-Resident Scholar, Bruegel, and CASE Fellow, CASE - Center for Social and Economic Research

Looking only for economic roots of the recent wave of populism may lead to one-sided diagnosis. It is true that many countries suffer from slow or no growth, financial turbulence, excessive polarization of income and wealth, crisis of welfare state, structural costs of globalization, technical innovations, and other economic difficulties. However, these difficulties were also experienced in the past and did not lead to such strong political polarization, at least not in advanced economies.

Furthermore, if we look for the list of countries where populist parties, leaders, and ideas made progress recently, we will find both countries with serious economic problems (Hungary, Greece, Brazil, and Italy) and those which have done relatively well (the United States, Poland, Turkey, Philippines, Czech Republic, Slovakia, Austria, Sweden, and the United Kingdom). This suggests there are also non-economic factors in play.

Changes in information and communication technologies is one such factor. The ICT revolution brought progress in every sphere of economic and social life leading to substantial productivity gains, especially in late 1990s and early 2000s. It also facilitated cultural, educational, and scientific globalization, giving easy access to various information sources, global knowledge and expertise, and helped in cooperation of people both across the borders and within individual nations.

However, there are also negative side effects which are not always fully understood. For example, the ICT revolution undermined traditional media, which served not only as the source of information but also as the platform of political and professional debate and played an important public education role. Some traditional media disappeared, while others moved to market niches previously occupied by tabloids. Information there must be brief, with sensational highlights, appeal to emotions, including feeling of insecurity, nationalism, and xenophobia. Factual accuracy plays a secondary role and there is no space for deeper analyses or even elementary factual

dossiers. Paradoxically, in an era of increasing global interdependence, media information has become increasingly local.

The same applies to social media and various internet fora which help people connect to each other, exchange information and opinions, do business, or undertake spontaneous bottom-up initiatives. However, these platforms are often misused by both those who want to manipulate intentionally public opinion and the political process and those who are just professionally incompetent or obsessed with conspiracy theories. The general public faces difficulty in distinguishing real knowledge from information garbage, including fake news.

Changes in media had also dramatic impact on politics. The decision-making horizon was shortened from years to weeks or days, from one opinion poll to another. Politics has become a media arena with “gladiators” fighting each other, where deep polarization (using social and traditional tabloidized media) replaces political dialogue and search for compromise. This in turn gives opportunities to radical leaders who otherwise would remain on a political margin.

It is perhaps too early to find effective solutions to address this problem, but at least we must realize that this is a major source of political radicalism and extremism.



Americans don't simply disagree with each other—we actively dislike each other.

W. BOWMAN CUTTER

Senior Fellow and Director, Economic Policy Initiative, Roosevelt Institute

The United States along with almost every developed nation is experiencing a seismic reaction to change. These reactions—all differing forms of populism—seem to be driven by broadly common sources and, importantly, all are as much political-social-psychological as they are mechanistically economic.

The thirty-year period after World War II was an exceptionally favorable economic era for the developed world. It was also probably a one-time event, and disproportionately beneficial to the United States. Economic

growth was consistently high, inequality decreased, and employment was high. Globalization was working for normal Americans and was supported across much of the political spectrum. Partisanship was at a hundred-year low. The civil rights revolution seemed to be effectively confronting America's great moral flaws stemming from the long-term effects of slavery. The feminist revolution was underway: equal rights for women seemed broadly accepted if not yet accomplished, and female participation in the U.S. labor force was increasing dramatically.

The fundamental creeds of both the American right and left are anchored in the experience of these thirty years and the expectation that these good times would roll on forever.

They couldn't and didn't. Instead, the United States began to be hit by several simultaneous forces of change. In reaction to the diminishing of the good times and the emergence of transformative change, populist forces began to rise and coalesce.

During that period, long-term economic growth slowed from roughly 3.5 percent per year in the 1970s to below 2 percent.

America's biggest moral blemish—racism—persisted, and racial tension has been an important strand of the emergent populism.

For average American families, the time required for incomes to double increased from twenty years to forty years. Economic inequality increased. Men without college educations were increasingly marginalized economically. A geographic chasm opened between regions where prospects were good and improving, and where they seemed increasingly hopeless.

Political and social reactions to the “objective” economic changes have been at least as disturbing and consequential as the changes themselves. Deep urban versus rural resentments have erupted. Political polarization has reached a hundred-year-plus high, and a growing number distrust core American institutions.

Today's extreme polarization is unique because of a rise in negative partisanship, according to political scientists Alan Abramowitz and Steven Webster of Emory University. Americans don't simply disagree with each other—we actively dislike each other.

The populist revolutions will never have a coherent set of goals. They are about protest, not solutions.

Forging any solution at all will require compromise, balancing extraordinarily disparate interests. But in a political crisis in which both the leaders and the rank and file despise each other, anything like significant compromise seems a bridge too far.

Any real programmatic change can only be achieved by working across existing ideological boundaries. And any resulting set of changes will take time to be realized. But our political system today is so dysfunctional, so driven by

negative partisanship, and so saturated by distrust that it is nearly impossible to conceive of a way forward.

Such an environment is ripe for hijacking. When the elites display no interest in creating a new story, a populist can build a power base offering a different story to explain the discontent and anger. The politics of resentment become a national force.

Our central dilemmas will not be solved by some new program. Until America's leaders begin to reach across the partisan and ideological chasms, until there is a genuine effort to revive the American political system and to restore trust in America's institutions and in America's promise, we cannot begin to work out of this dead end in which we are trapped.



The apparent rise of populism in the West may have profound consequences for the world as a whole.

JIM O'NEILL

Former Commercial Secretary to the Treasury, United Kingdom, and former Chairman, Asset Management, Goldman Sachs International

I am not entirely sure that the premise is truly accurate as a portrayal around all the world. Yes, it appears to be true in the United States, perhaps Brazil, many western European countries, and maybe another handful. But collectively, these countries are no more than one billion against a full world population probably in excess of 1 trillion. Is it true for most parts of Asia? I doubt it—there isn't much evidence. Is it true in Africa? Again, I doubt it. So, as with many "big" global questions posted by western commentators, these are not really true global questions.

Of course, the consequences of the apparent rise of populism in the West, if we can understand its main causes, may have profound consequences for the world as a whole, including all the countries where it isn't evident. What is relevant is that one of the most widely perceived causes is the apparent rise of inequality in many western economies.

It is extremely important to separate fact from perception here, which sadly is not often done, and it is also the case that we are not living through an era of rising

inequality on a global basis. On the contrary, we continue to witness an extraordinary reduction in global inequality as the number of people escaping genuine inequality around the world is so vast, especially in Asia, but also parts of Latin America and Africa.

Within western societies, where there is the clearest decline of mainstream political parties and an increase in the polarization either leftward or rightward of existing political parties, I suspect there are two main causes, one which I have absolutely no personal expertise about, so I will be brief in mentioning this suspicion. For much of the 1990s and for most of the 2000s, it became increasingly difficult to tell the difference between major political parties in a number of western societies, with the United Kingdom, the United States, and perhaps Germany being three good examples, and this may have sowed some seeds for the emergence of more genuine alternative political choices, especially post-2008 and the severe recession that appeared in many economies.

The second likely reason is the one pondered in the question, and in many of these same western societies. There has been strong evidence of increasing inequality especially as it relates to lower-middle income groups, who have been, rightly or wrongly, exposed to the arguments that this is because of globalization, the associated decline of many western-based manufacturing societies, and of course, generally stagnant wages. An additional key indirect ingredient for some countries is probably the level of and increase in house prices, especially in urban areas, although it is also interesting that younger generations, who are likely to be the most negatively affected by house price affordability, don't seem to be so attracted to populist political forces.

I have personally become quite involved in aspects of this complex broad area in the United Kingdom, with respect to the so-called Northern Powerhouse, which is what attracted me temporarily to joining the Cameron-Osborne government, as it was a concept that derived from the Cities Growth Commission that examined the domination of London in the UK economy. The core concept was to explore ways in which the historically important economic powerhouses of northern England can be restored, or reactivated in some way. As I have said publicly in the domestic British media, if someone had thought of the idea some years before it was adopted by the Cameron government in 2014, and it had been seriously implemented, it is not impossible that many northern communities that voted to leave the European Union in the summer of 2016 referendum might not have voted out.

In this regard, I continue to believe that, as important as the EU topic is for Britain, it is not the most important issue facing our economic or social future. UK persistent productivity weakness, especially in the north and Midlands, along with geographic inequality and the

ongoing education and skills challenge, are all far more important. As crucial as successful trade engagement is with the rest of the world, a country's trade policy shouldn't be an end goal. I suspect this is equally as true for many other western countries.



More global solidarity will also provide higher well-being.

KLAUS F. ZIMMERMANN
Professor of Economics, Bonn University, and President, Global Labor Organization

Populism is nurtured by the dream that regular people can take over from the elites and drive the fate of societies. But as is well known, populist movements end in autocratic regimes where a few narrow-minded people run the world in their own interest.

The natural enemy of populism is evidence-based policymaking, whereas populism relies on policy-based evidence making. This is also not new. Since elites conquer the facts, it is not surprising that the global rise in populism goes hand-in-hand with a devaluation of knowledge in favor of emotions.

While elites prefer to foster efficiency to create a larger amount of welfare, policymakers like to debate redistribution since this is closer to the hearts of their voters. Thus, policymaking is always endangered by populism. Openness makes people feel uncomfortable. Hence, free and open societies are more vulnerable than most elites think.

Globalization brings the ultimate openness to challenge and threaten people's lives, at least in their perceptions. In the growing territory of an evidence-avoiding world, migrants including refugees, and robots with other forms of digitalization, are the gundogs of globalization which seems to bring large uncertainty, if not even misery. Ignorance has become so strong that the clear evidence of the positive consequences of global economic and political integration is pushed aside. Since not all benefit from these processes equally, growing global inequalities engender tensions and cleavages with detrimental effects on economic development and security.

More and more people are feeling left behind in economic terms and with future perspectives. They have lost direction and economic position, with declining hope for future improvement. They no longer trust that internationalization, sharing, diversity, and integration will bring greater well-being and economic growth. Traditional parties everywhere are in decline after failing terribly by not providing guidance, social cohesion, and vision. People fear economic and social decline and try to escape by supporting nationalistic and anti-migrant policies.

There is no hope that this societal climate will quickly change. Ignoring important economic and social constraints will soon reduce wellbeing. But the price has to become significant to induce a turnaround.

Brexit is an excellent case study of the dilemma. Delivered by surprise, and despite substantial evidence of the huge irrationality of this decision, the country remains largely split and undecided. When the harsh reality after a cold Brexit shows its painful effects, it will be too late to return.

To avoid such mistakes and to oppose populism, it is not enough to present statistics about the positive effects of globalization and to redistribute part of the gains from the winners to the losers. One needs to add the human face of globalization and the vision that more global solidarity will also provide higher well-being.



The G-20 summit legacy from the past decade is badly in need of updating or replacement.

GARY KLEIMAN
Senior Partner, Kleiman International Consultants

Populism as an anti-establishment and xenophobic political philosophy reflecting economic backlash against globalization, technological change, and income inequality is part of the historical cycle in both the developing and industrial world, and modern financial markets as instantaneous transmission mechanisms magnify strains.

In the Americas and Europe, with the United States, Brexit, Central Europe, and Brazil-Mexico examples, the phenomenon is best known, but no region has been spared

and the playbook applies in democracies as well as in authoritarian regimes.

Populism has succeeded in bringing in new parties and leaders on the national level and upsetting existing trade, monetary, development, and diplomatic arrangements internationally, but election campaign platforms are typically abstract and sentiment-based. Translating aspirations into durable policy shifts, with tangible benefits for disgruntled lower- and middle-class voters, has proven elusive. In recognition of difficulties in producing definitive changes aligned with promises and rhetoric, populist movements and representatives are now “globalizing” to share experiences and forge alliances. Real breakthroughs in handling automation and artificial intelligence with employment and privacy implications, and trying to moderate growing cross-border and in-country wealth gaps, can best be assured through joint efforts to forge the future landscape, even if international cooperation and formal treaties are discarded as last-century establishment remnants.

Revamping the free trade model to add skills and retraining provisions, services along with goods coverage, and currency considerations is an evolving consensus, even if the United States prefers to resort to bilateral pacts and tariff threats. Africa in contrast has tabled a continental formula encompassing these features.

The world and Washington in their own interests seek to reduce reliance on the dollar as the main reserve unit, and individual central bank diversification and IMF special drawing right creation have been the traditional paths with limited progress.

On development, infrastructure building is viewed in both Western and Asian practice as a paramount driver for increasing per capita income across working classes, and recent institutions on the scene such as the Asian Infrastructure Investment Bank acknowledge the need to partner on large projects and avoid heavy debt.

In economic diplomacy, the G-20 summit legacy from the past decade is badly in need of updating or replacement to a more inclusive setting to address the disconnect populists easily grasp.

On migration, Eastern Europe opted out of the EU resettlement plan, as Hungary also joined the United States in rejecting the United Nations’ voluntary Global Compact for Refugees, which for the first time outlines a twenty-first century approach to frequent permanent large-scale dislocations. It is not legally binding but an expression of common political will to determine processing, protection, and integration norms including on labor access and job creation. Citing fiscal costs that have spurred taxpayer discontent amid cultural tensions, the agreement calls for a move away from chronically inadequate government and international organization aid and toward private funding and investment for business, infrastructure, and

social purposes. Populist revolt hastened the long-overdue shift and fresh alternatives will be a collective success as modernized multilateralism, even as country-first slogans are routinely deployed.



Chances are still that major pillars of the global liberal order will survive.

HOLGER SCHMIEDING
Chief Economist, Berenberg

So far, the interconnected rise of populism and protectionism is just a faint echo of the destructive forces that ravaged the industrial world some eighty years ago. Some of the forces feeding today’s revolt against the global liberal order resemble those of the 1930s. Rapid technological and cultural change nurtures a backward-looking longing for a stable “identity” with a strong “us against them” element. A great financial crisis has stoked resentment against the urban liberal elite.

We also find a number of key differences. First, today’s perceived losers from globalization and crisis have not fallen on anything like the hard times of the unemployed of the early 1930s. Well-developed welfare states and a much better policy response after the Lehman disaster can take the credit for that.

Second, migration fears play a bigger role now than they did then. Although migration usually benefits both the newcomers and most of the incumbents over time, spikes in migration often cause a temporary nativist backlash.

Third, at least in Europe, the divisive “us against them” political entrepreneurs whom we call populists benefit from an element of boredom and complacency. After seventy years of unprecedented peace and prosperity, many people no longer appreciate how much the European Union, NATO, and other institutions of cross-border cooperation have contributed to these achievements.

On the technological side, the revolution in how people communicate with each other has exacerbated the problem. As old patterns of distinguishing between reliable and rogue sources of news have broken down, many people tend to reinforce each other in their potentially mistaken beliefs in their own echo chambers. The global

village is very fragmented. Societies will likely learn over time how to cope with the new information chaos. But that will be a long process.

The key task for those who believe in the global liberal order is to preserve as much of it as possible in coming years. That includes upholding NATO, the World Trade Organization, the European Union, and the euro. So far, the eurozone has managed that task less badly than the United States and the United Kingdom, which have suffered the biggest populist accidents based on false claims and “us against them” negativism, Trump, and Brexit.

Unfortunately, the populist tide is not waning yet. In some cases, we will have to wait for populists to fail in power. Beyond credit-financed spending sprees, they

cannot deliver their fairy-tale promises. They either will need to change or will get booted out after a while in countries where democratic institutions are embedded enough to withstand populist attempts to hollow them out.

That populists can get real after a reality shock is not just a pipe dream. It has happened in Greece, where erstwhile firebrand Greek Prime Minister Alexis Tsipras is now German Chancellor Angela Merkel’s good friend, and in Austria, where the right-wing FPÖ has abandoned its euro-skepticism. Even in Italy, the largely self-inflicted recession is forcing radical leader Matteo Salvini to mellow his economic populism.

Chances are still that major pillars of the global liberal order will survive the populist onslaught in the end. ◆

THE **INTERNATIONAL
ECONOMY**

**THE MAGAZINE OF INTERNATIONAL
ECONOMIC POLICY**

220 I Street, N.E., Suite 200

Washington, D.C. 20002

Phone: 202-861-0791

Fax: 202-861-0790

www.international-economy.com

editor@international-economy.com