

Populism and the fate of globalization

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We are now in a world in which the political costs of globalization are escalating out of control. Against all expectations, we see victories of populist candidates and agendas in Europe and the United States that threaten to wipe out the centrist and social democratic politics of the postwar world. The victories of Brexit in England, of Donald Trump in the United States, the rise of AfD (Alternative for Germany), of Front National in France and Five Stars in Italy threaten to have many serious consequences for liberal democracies. Today—only 4 days before Donald Trump assumes power as president of the United States— I can hardly express to you the sense of apprehension and fear for liberal democratic values and for international peace and stability that is widely felt across our country.

Tonight I will focus on one among the many potentially disastrous outcomes of populism. That outcome would be a radical reversal of globalization and a closing up of national borders to flows of goods and services, of capital, and of people. I am going to start with two assumptions: first, that globalization *can be* significantly reversed. We have already seen this happen in the past with the end of the first globalization. When the first world war broke out, barriers went up everywhere. Globalization did not return to its 1914 level until 70 years later, in the 1980s. So first: despite the difference between the world economy of 1914 and that today, I do believe that globalization can be reversed. Secondly I will assume that most of us here today believe that globalization *should not* be reversed; that it is worth defending. Of course you may challenge either of these assumptions, and I hope you will do so in the discussion. But for now I will proceed as if we have agreed on these two points and I will focus on laying out my views on two other points that I believe require much further consideration.

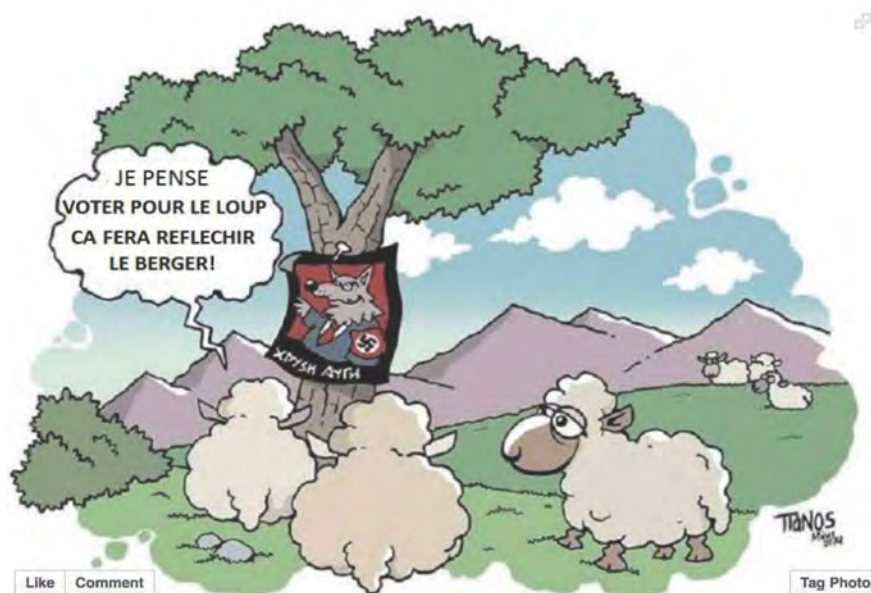
The first: why and how populism and anti-globalization have managed to win so much support? And the second: what we can do and what should we do about it.

What is populism?

Populism can most usefully be defined as a form of political interaction “predicated on a moral vilification of elites and a concomitant veneration of the common people”. (Bonikowski & Gidron, 2016). What people mean by “the elite” today is understood expansively to include the rich, politicians, well-educated professionals, and globally-connected big business leaders. The populists’ supporters are disproportionately drawn from the losers of globalization, workers whose jobs have vanished because

of outsourcing, offshoring, and imports, and from communities whose economies have collapsed along with their traditional manufacturing base. Populists appeal to older people in the population and to those with less education. Anti-immigrant campaigns and proposals are another powerful draw for populists, even in regions with few immigrants and refugees in the population. We are seeing the “double-movement” of backlash against global markets and against globalization’s rapid, radical disruption of social life that Karl Polanyi described in his great work, *The Great Transformation*—a book from 1944 translated into French only 8 years ago. The double-movement against markets seems once again at work producing authoritarian anti-liberal politics. We are entering into a radically new and dangerous period.

The essential dynamic in today’s rage against the elite has been succinctly expressed in a single frame political cartoon that appeared first in Greece, then in France, and that now circulates widely on the Internet. Drawn by Panos Maragos, the cartoon shows three sheep looking at an electoral poster. The candidate is a wolf with a swastika armband. One sheep tells the others: “I think I’ll vote for the wolf. That will really show the shepherd.”



The point the cartoon makes is that populist politics is not a politics of interest representation. It’s the politics you get when interest representation has failed. It’s not that the sheep believes the wolf will act in the sheep’s interest. It’s that voting for the wolf gets back at the shepherd—even at the expense of the sheep’s eventual fate as dinner for the wolf.

Economic causes of populism

Today in the United States, as we try to understand how Donald Trump could have been elected president, we are likely to attribute the eruption of populist voting to economic or social or cultural characteristics of the voters. And these economic and social factors are undoubtedly a large part of the story. The unbelievable successes

of Donald Trump and of Bernie Sanders in the Democratic primaries do clearly reflect the destructive impact of globalization on large segments of the population. Seventeen years ago the anti-globalization protests at Seattle against the WTO involved mostly marginal groups in the population, aside from some unions. Today in contrast, populist voters come from core groups across American society. The success of Trump (and of Sanders to some degree) in the primary elections was strongest in areas with large numbers of white male working class voters. They have good reason to be distressed. From the entry of China into the WTO in 2001 onward, the impact of imports from low-wage countries hit the U.S. manufacturing workforce. Economists who have studied the localities hardest hit by imports have concluded that about a fifth of the job losses between 2000 and 2007—so even before the financial crisis—were due to Chinese imports (Autor *et al.*, 2013). If laid-off workers found jobs at all, it was usually at lower wages and benefits at a Walmart, for example. In a break with past patterns, unemployed workers did not move to other parts of the country to try to find jobs. Moving is expensive and chancy and laid-off workers might not have been able to sell their now-underwater mortgaged houses. Many ended up out of the workforce on permanent disability rolls. Nationwide the income of white males without college degrees fell by 20% between 1990 and 2013 and about 1/5 of these working-age men are permanently out of the workforce (Brookings Institution research cited in Bonvillian, 2016, p. 27).

The last two decades have been ones in which income inequality has been growing rapidly. Although per capita GDP was 78% higher in 2015 than in 1979, the average household income of a family in the 20th percentile of the income distribution rose only by 6.9% over the period. The gains overwhelmingly went to those at the top of the income distribution. The pain of inequality and job loss affects not only those who directly lose jobs. It extends to many middle class groups in the same communities. It's not only the Cleveland steelworker who lost his job who is up in arms; it's the Cleveland Ohio pharmacist and Cleveland dentist and Cleveland lawyer all of whose businesses and houses declined in value as the community went down. So these middle-class voters are furious, too. This is not the American Dream. White middle class voters also overwhelmingly voted for Trump.

How did we get to this point without noticing what was happening to large groups in our society? Why did we not stop to consider what their reaction might be? Perhaps because our understanding of how globalization works has been shaped by standard economic trade theory: Ricardian theories of comparative advantage, Heckscher-Olin, Stolper-Samuelson. The heirs of that tradition today, like Paul Krugman, now plead innocent. They claim they always said there would be losers under globalization, but that the gains of globalization for the community at large would outweigh the losses. And somehow the gains would be used to compensate the losers. Those thrown out of jobs in one industry would be absorbed into jobs in other more promising sectors of the economy. Or else be compensated by government and the political system. So what would become of the losers was not part of the economics model. It was up to politicians and not the fault of economists or of globalization that a broken, polarized political system did not do its job. Government did not provide the kinds of new job training, education, and income supports that would allow the losers to get new jobs and re-integrate into healthy communities. If wage stagnation has led to a great new surge of inequality, there, too, the economists point

the finger of blame to a broken political system, which failed to use fiscal policy to protect those at the bottom or even those on middle rungs of the ladder.

One problem with this line of reasoning, though, is that it fails to push the explanation one step further back to analyze why government failed to act. The broken politics of the past decades can be understood as itself a product of globalization. Research by MIT economist David Autor and colleagues shows that in the zones in which Chinese imports had the largest impact on killing manufacturing jobs, the response of voters in subsequent elections was to choose more and more radical candidates (Autor *et al.*, 2016). In primary elections between 2002 and 2010 in these heavily hit districts Republican voters chose more and more radical Republicans and Democrats chose more and more radical Democrats; and thus the polarization of the political system proceeded and came to paralyze all action in Washington. Out of the Tea Party came the likes of Rand Paul, Ted Cruz, Mario Rubio and they prepared the terrain for the emergence of Donald Trump. Out of the impotence of polarized government grew the rage of the citizens against elites and politicians. And as an integral part of the populist reaction there was a strong attack against globalization.

Social and cultural causes of populism

Alongside these economic explanations of the rise of the populist electorate that attribute most of the blame to globalization, there has also been a return to an older tradition of cultural and psychological explanations of populism. Much of the work in this vein in the United States points to relatively stable cultural traits of segments of the population, like the Scotch-Irish Appalachian families depicted in the J.D. Vance autobiography, *Hillbilly Elegy* (2016) or the Louisiana people in Arlie Russell Hochschild's *Strangers in Their Own Land. Anger and Mourning on the American Right* (2016)—see also Cramer (2016). These subcultures typically accord high value to individualism, self-sufficiency, and personal honor and denigrate “dependency”—even when those espousing these values may themselves be regular recipients of government subsidies. Suspicion of foreigners, negative views of non-Caucasians, anti-intellectualism, and nationalism are other recurrent themes in these subcultures. These attitudes and values are not new, but they have been reactivated and leveraged into greater salience by the economic strains that globalization has imposed on these communities. These cultural identities have also been aroused by political shifts in national politics that make these communities feel even more marginalized and looked down on.

Among these political shifts, perhaps the most painful is the rise in social status of the very groups to whom poor whites once felt superior and the conviction that these groups are rising because of favoritism from national government. Arlie Russell Hochschild writes that it feels to poor whites in Louisiana as if they are in a long line leading towards the American Dream. They feel they are patiently waiting for economic improvement, while things seem to be getting worse not better. They believe that other people—blacks, women, immigrants, gays, refugees—are cutting ahead in line because they are being helped unfairly by special political dispensations. Even the government's environmental policies seem determined to advance animals ahead of humans—so as Arlie Hochschild writes about the Louisiana people who went through the Deepwater Horizon oil spill that they feel as if “unbelievably, standing ahead of[them] in line is a brown pelican, fluttering its long, oil-drenched wings” (Hochschild, 2016, p. 138).

Failures of representation

These economic and cultural explanations of populism are powerful and largely mutually complementary, but they also seem incomplete. The phenomenon we want to explain—the recent surge in populism—is a radical break, while the economic and cultural factors have been long in the making without producing anything that even began to look like an advanced anticipation of the Brexit and Trump victories. What has changed is that the grievances of these groups in the population used to find expression through unions and the Democratic Party. Liberal democracies become vulnerable to populist politics when parties of government and of opposition, unions, and interest groups fail to transmit the interests and grievances of significant groups in the population into political deliberation and policy making. Thirty-five per cent of American workers were unionized in the 1950s; by 2015 only 11.1% of all workers, and only 6.7% of private sector workers belonged to unions.¹ The anger over wages and working conditions and inequality that once was channeled by unions into collective action and strikes at the workplace now remains bottled up in desperate, angry individuals vulnerable to the appeals of demagoguery.

As for the Democratic Party—an institution which from the days of the New Deal on through the most prosperous years of the postwar world used to represent the interests of working class people—it now seems to many of these citizens to have been captured by the elites of Wall Street, the high tech industries, and the well-paid professional classes. The Democratic Party, which in the New Deal of Franklin Roosevelt and Harry Truman used to represent workers, has over the past three decades shed its commitments to lower and middle income groups (Frank, 2016). It increasingly presents itself as the defender of the interests of rich and upper-middle class voters, highly educated professionals, and a diversity of ethnic and identity groups: Hispanics, African-Americans and gays. The outcome in the 2016 elections was a massive shift of white working class and white middle class voters who once were stalwarts of the Democratic electorate to voting for Donald Trump.

The atrophy of union and party channels for expressing the concerns of working class citizens is hardly a phenomenon restricted to the United States. In France the despair of lower and middle class citizens over the failures of both Right and Left governments has turned to rejection of the Left and Right parties of government². A survey carried out at the end of 2013 reported that 69 percent of the respondents believed that democracy is working badly in France—up from 49 percent who gave this negative assessment only four years earlier³. An 11 December 2013 Ipsos/*Le Monde* survey found only 13 percent of the respondents expressing confidence that government could relaunch growth; indeed two-thirds of them thought growth would require limiting the role of the state as much as possible (Frank, 2016). The public's faith in the possibility of bringing about change through collective action is collapsing. Perhaps this might be considered a desirable development if one believed that the French had previously held unrealistically high expectations of politics and had now come to recognize, as the former Socialist prime minister Lionel Jospin once put it (impolitically at the time): "*l'État ne peut pas tout*." On the contrary, however, the frustration of citizens over their inability to use the channels of established parties for changing the state seems to be resulting in a search for alternative channels. The Front National seems to be reaping the harvest of this frustration. Perhaps, as mon maître Stanley Hoffmann argued about the Poujadists, the support for the Front National does not mean some whole-hearted popular adherence to the

1. Bureau of Labor Statistics, "Union Members 2015" <http://www.bls.gov/news.release/pdf/union2.pdf> (accessed December 10, 2016). See also Neil Gross, "The Decline of Unions and the Rise of Trump," *New York Times* August 12, 2016. <http://nyti.ms/2bc7a1U>

2. I have analyzed the current French situation in "La Grande Désillusion," in Jean-François Sirinelli (ed), *La France qui vient* (CNRS Editions, 2014).

3. Thomas Wieder, "Les Français s'enfoncent dans la 'dépression collective'", <http://www.lemonde.fr/journalectronique/donnees/protégé/20130114/html/946498.html>. The "baromètre de la confiance politique" was a study conducted for the Centre de recherches politiques de Sciences Po (CEVIPOF) and the Conseil économique, social, et environnemental. The survey was conducted 25 novembre-12 décembre 2013.

FN's ideology—itself a shifting and unstable mix of old and new elements (Kauffmann, 2016). As Hoffmann presciently suggested in the 1950s, the support for the populists might evaporate if the political system were reformed and representation functioned better to channel the interests of the angry citizens. Indeed in 1958, the Poujadists did disappear in the new Fifth Republic. What would it take in France to defeat populism in 2017?

What should we do about globalization?

Is it the case that globalization is responsible —wholly or in large part for the ills for which it has come under attack? Is globalization responsible for the loss of jobs and decline of wages for less-educated workers? It's true that about 1/5 of job loss over the past 15 years can be attributed to trade. But surely technological change and automation explain a significant part of this outcome. Is globalization responsible for the enormous increase in inequality in advanced industrial countries? Or is politics largely responsible for this outcome? Politics in this case would include tax policy, deregulation, changes in the welfare state. Is globalization responsible for the cultural gap between rural and small town communities and urban centers? Or are changes in values and in the media responsible? All of these are good questions for research and many of my colleagues in political science, economics, and sociology will be busy examining these issues for years to come. The fact is, though, that the public today *does largely believe* that globalization is to blame.

The populist response across the board has been to close up the borders. In the case of Brexit, this chiefly means withdrawal from the European Union and closing the frontiers to free entry of European Union citizens. What it will ultimately mean for Britain's trade policies is not so clear. Trump's proposals, in contrast, squarely promise trade protectionism. They range from threats against China to retaliate against currency manipulation, threats to levy high tariffs on goods imported by companies who have off shored some production, to Republican plans for a corporate tax reform (Destination-based cash flow tax with border adjustment) that would have heavy negative impact on importers, consumers and retail stores⁴. The countervailing effect here is supposed to be a major strengthening of the dollar—which would of course have huge impact on the global economy. Any of these trade threats if implemented would likely set off a trade war. The Chinese have already explicitly promised this. Here the negative consequences are unimaginable.

As for the movement of people across borders: there's the famous wall that Trump threatens between the US and Mexico. Trump's statements, or "tweets" change from day to day —most recently suggesting that we'll pay for it, and the Mexicans will "owe us." There are also the unconstitutional threats to restrict entry to the United States by Muslims. As for the flow of capital across borders—while Trump's remarks during the campaign suggested the tightening up of financial regulation, his appointment of Goldman Sachs bankers to the key economic cabinet positions makes it seem very unlikely that the campaign threats against Wall St will come to pass.

Should we accept some part or all of these populist proposals to limit globalization as an acceptable price to pay for reducing the levels of populist rage? Obviously new trade agreements, like the Trans Pacific Partnership (TTP) and the Transatlantic Trade and Investment Partnership (TTIP) are now out of the question for the foreseeable future. But beyond those new initiatives, I would be very reluctant to see any retreat

4. Neil Irwin, "The Major Potential Impact of a Corporate Tax Overhaul," <http://nyti.ms/2jeVcVI> (accessed January 7, 2017).

on old trade commitments. First of all—I would argue that any level of trade protectionism sufficient to increase jobs in the U.S. would also be sufficient to produce huge consequences through retaliation and reprisals from other countries. It's true that Trump by making specific threats against Carrier and Ford about leveling import taxes on their products made abroad was able to get them to rescind the off shoring of some of the jobs they had planned to move to Mexico. But this company by company approach just can't work on any scale. I do not see Apple responding to Trump's threats by bringing iPhone production to the U.S. The iPhone is assembled in plants with 100-200,000 workers in China. We have no such production sites in the U.S. Assembly is responsible for a very small fraction of the value of an iPhone. These jobs are bad jobs; and the Chinese workers in the Foxconn plants that produce for Apple rarely stay more than a year on the jobs. They would be very low wage bad jobs in the US and the demand for iPhones would decline as the price went up steeply.

Secondly, I think it would be mistaken patriotism to yield to the demands of a Trump on where to locate jobs. I think the principled position for business leaders is to resist these demands. The real ethical obligation for business leaders is to accept responsibility for nurturing the capabilities of the workforce and for building innovative resources in our society. We need to make our societies ones in which good jobs are created and good jobs stick. What does it mean to be sticky? I'll give you a local example. Why do biotech and pharma companies keep opening new businesses in the mile and a half between MIT and Harvard? The rents are high. Wages are high. And as for taxes—Massachusetts is otherwise known as Taxachusetts. But in this mile and half companies have access to the great research labs of Harvard and MIT and on a daily basis can track the progress of different technologies. They have access to a large labor pool of very well educated scientists and engineers. That's why they feel they need to be here and those jobs stick there.

Let me make this point a different way: When I first came to France in the 1960s for my doctoral research on Breton peasants, the French I met often told me how different French farming was from American farming. In America, they said, you have so much land that farmers don't think of maintaining and investing in the fertility of the soil. They just exploit it and exhaust it and move to new land. The result was vividly illustrated by something like the great Dust Bowl of the 1930s. In France, with limited land, even the peasant farmers devoted enormous effort and precious resources to maintaining the fertility of the soil. That ethos of massive investment in maintaining and enhancing the resources that make our societies prosperous is one we need to bring into corporate culture today, both in France and in the United States. It means educating the workforce with skills that can be renewed over the course of a lifetime; it means investing in research capabilities that can produce not just a cute social media app that takes 2 or 3 years to get going as a start up but 10-15 year investments in developing new storage batteries or new materials or better solar cells. Our responsibility is to enhance the fertility of the soil.



*Parc du château de Méridon,
Chevreuse (17 octobre 2016)*

Third, perhaps a more realistic approach to dealing with the impact of globalization on employment—and one that would not incite trade wars with our neighbors—would be to provide better compensation to the “losers” in globalization. There are many forms such compensation might take: wage insurance, real retraining, portable pensions, guaranteed health benefits. In fairness, I think we should do all this. But I do not believe that any kind of compensation we could devise for the losers would be sufficient. The losers are not just individuals, but whole communities. And all the evidence suggests that people don’t want pay-outs: they actually want jobs. What I see as most telling against the hope that better economic compensation for losers would lower the support for populists is the experience of countries like Denmark, Sweden and Germany. Those countries have done virtually everything we could imagine in the way of support for workers who lose jobs that were killed by international competition. They have excellent unemployment benefits; they provide excellent coaching and retraining for new jobs; they provide incentives to find new jobs—and still the populist parties are growing there. So yes: we need to do far better for the losers of globalization. We ought to make good on our old and never-honored commitments to use globalization as a lever to raise everyone’s well being. This will take massive expenditures on education and job retraining, rebuilding of our infrastructure, and also: flat-out compensation for lost incomes and benefits. But I don’t think it will be enough.

Finally, in conclusion, I turn with great personal reluctance to the main demand of the populists both in Europe and in the United States. It’s the demand to stop or to limit the flow of people—whether economic migrants or refugees—across borders. As we can see even in countries like Germany, Sweden and Denmark, where the economies have been doing well and where workers who lost jobs because of globalization were reasonably well compensated—even there, populist parties are flourishing because of fear and anger over immigration. Given the levels of anxiety, even hysteria, about the dangers that flood in as migrants and refugees come in over unprotected borders, I do believe that to contain populism we need to reinforce the national state on its frontiers. However reluctant we may be to lose the gains for individual freedom and for European integration that the Schengen regime represented, stronger controls at the border and controls that are national may be necessary.

The basic legitimacy of the national state has to do with protection of the citizenry within borders. In 1993, Philippe Séguin wrote: « *L’idée des frontières est démodée? Il y a un dogme à attaquer. Revenir aux frontières est la condition de toute politique* » (Séguin, 1993, p. 39). When I read this in 1993 I thought this idea was rather extreme. And interestingly, M. Séguin must have come to think so too, because after I quoted him in an interview, he wrote to me in great indignation in 2006 to deny that he had ever written such a phrase. Which he had. But today I think we might consider his statement as a kind of harsh statement of the realities of what it will take to fight back populism. Drawing a distinction between refugees and migrants is difficult and somewhat artificial, since many of the migrants are seeking to leave countries in which poverty, ethnic hatreds, and violence will inevitably shorten their lives. But I do believe we need to use this distinction. We are morally obliged to admit and to try to assist the refugees. But I think that to save our own liberal democratic polities, we need to turn back many of the migrants. Slowing the entry of migrants into our countries is really only a stop gap measure, though perhaps a necessary one. Protecting globalization means not only ultimately defeating the

policies and the threats of President Trump. It will take moving beyond our broken, polarized politics and the paralysis at the center to governments capable of massive new initiatives in economy and society. The real solutions lie in tackling the failures of representation and the failures of hope for the future for themselves and their children that have led so many of our fellow citizens to vote for the wolf against the shepherd ■

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