

The economic losers are in revolt against the elites



Martin Wolf

Nativist populists must not win. We know that story: it ends very badly indeed



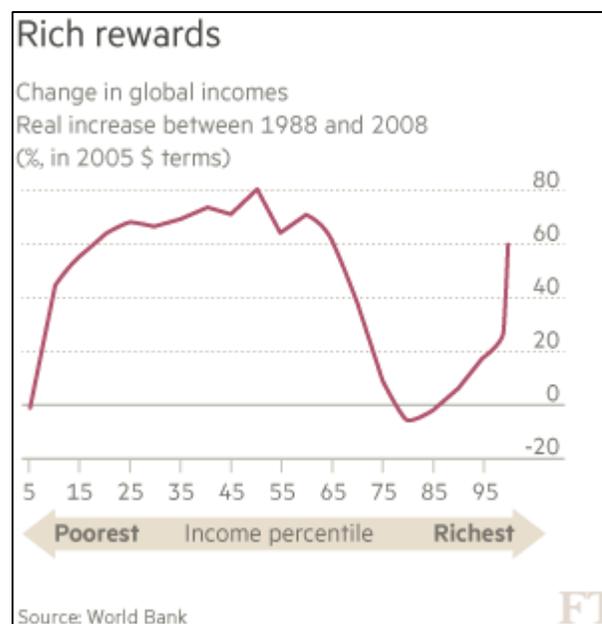
Losers have votes, too. That is what democracy means — and rightly so. If they feel sufficiently cheated and humiliated, they will vote for Donald Trump, a candidate for the Republican party’s presidential nomination in the US, Marine Le Pen of the National Front in France or Nigel Farage of the UK Independence party. There are those, particularly the native working class, who are seduced by the siren song of politicians who combine the nativism of the hard right, the statism of the hard left and the authoritarianism of both.

Above all, they reject the elites that dominate the economic and cultural lives of their countries: those assembled last week in Davos for the World Economic Forum. The potential consequences are frightening. Elites need to work out intelligent responses. It might already be too late to do so.

The projects of the rightwing elite have long been low marginal tax rates, liberal immigration, globalisation, curbs on costly “entitlement programmes”, deregulated labour markets and maximisation of shareholder value. The projects of the leftwing elite have been liberal immigration (again), multiculturalism, secularism, diversity, choice on abortion, and racial and gender equality. Libertarians embrace the causes of the elites of both sides; that is why they are a tiny minority.

In the process, elites have become detached from domestic loyalties and concerns, forming instead a global super-elite. It is not hard to see why ordinary people, notably native-born men, are alienated. They are losers, at least relatively; they do not share equally in the gains. They feel used and abused. After the financial crisis and slow recovery in standards of living, they see elites as incompetent and predatory. The surprise is not that many are angry but that so many are not.

Branko Milanovic, formerly of the World Bank, has shown that only two parts of the global income distribution enjoyed virtually no gains in real incomes between 1988 and 2008: the poorest five percentiles and those between the 75th and the 90th percentile. The latter includes the bulk of the population of high-income countries.



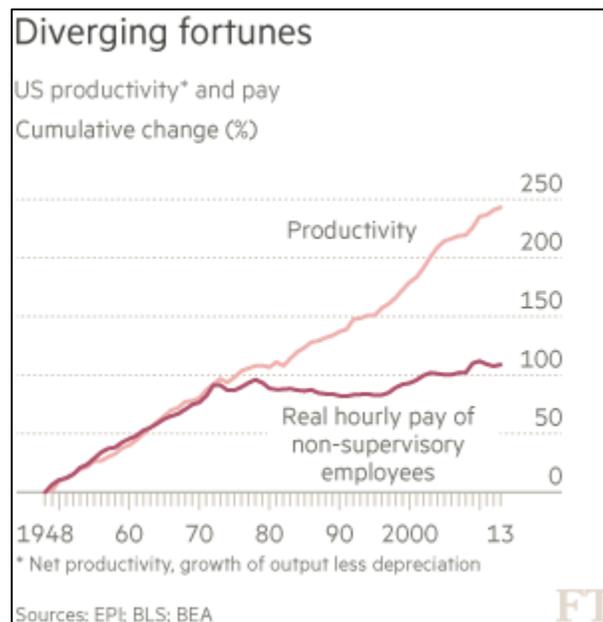
Similarly, a study by the Economic Policy Institute in Washington shows that the compensation of ordinary workers has lagged significantly behind the rise in productivity since the mid-1970s. The explanations are a complex mixture of technological innovation, liberal trade, changes in corporate governance and financial liberalisation. But the fact is unquestionable. In the US — but also, to a smaller extent, in other high-income countries — the fruits of growth are concentrated at the top.

Finally, the share of immigrants in populations has jumped sharply. It is hard to argue that this has brought large economic, social and cultural benefits to the mass of the population. But it has unquestionably benefited those at the top, including business.

Despite offering its support for welfare benefits one might think very valuable to the native working classes, the respectable left has increasingly lost their support. This seems to be

particularly true in the US, where racial and cultural factors have been particularly important.

The “southern strategy” of Richard Nixon, a former Republican US president, aimed at attracting the support of southern whites, has generated political results. But the core strategy of his party’s elite — exploiting middle-class (especially male) rage over racial, gender and cultural change — is bearing bitter fruit. The focus on tax cuts and deregulation offers little comfort to the great majority of the party’s base.



Mr Trump, Republican ideologues complain, is not a true conservative. That is indeed the point. He is a populist. Like the other leading candidates, he proposes unaffordable tax cuts. Indeed, the notion that Republicans object to fiscal deficits looks absurd. But, crucially, Mr Trump is protectionist on trade and hostile on immigration. These positions appeal to his supporters because they understand they have one valuable asset: their citizenship. They do not want to share this with countless outsiders. The same is true for supporters of Ms le Pen or Mr Farage.

Nativist populists must not win. We know that story: it ends very badly. In the case of the US, the outcome would have grave global significance. America was the founder and remains guarantor of our global liberal order. The world desperately needs well-informed US leadership. Mr Trump cannot provide this. The results could be catastrophic.



Yet, even if such an outcome is avoided this year, elites have been warned. Those of the right take big risks in cultivating popular rage as a way to secure lower taxes, increased immigration and weaker regulation. Elites of the left are also taking risks if they are seen to sacrifice the interests and values of a struggling mass of citizens to cultural relativism and lax control of borders.

Western countries are democracies. These states still provide the legal and institutional underpinnings of the global economic order. If western elites despise the concerns of the many, the latter will withdraw their consent for the elite's projects. In the US, elites of the right, having sown the wind, are reaping the whirlwind. But this has happened only because elites of the left have lost the allegiance of swaths of the native middle classes.

Not least, democracy means government by all citizens. If rights of abode, still more of citizenship, are not protected, this dangerous resentment will grow. Indeed, it already has in too many places.