

## МЕТОДОЛОГИЯ ЭКОНОМИЧЕСКОЙ НАУКИ

UDC 330.1

*F. van der Ploeg*POLITICAL ECONOMY OF THE WEST:  
POPULISTS VERSUS POLICY WONKS<sup>1</sup>

An attempt is made to understand the political upheaval in the West following the Brexit vote, the election of Donald Trump as President of the United States, and the emergence of populist patriotic parties throughout Europe, and why much of the anger is directed at economists and other experts. One possibility is that migration, international trade, technological advances, the introduction of the Euro and climate policy hurt the working and much of the middle classes without them being properly compensated. Part of the anger is directed at new people who seem to be able to jump the queue and at the rich who seem to get richer why wages for the poor remain stagnant. Refs 9. Table 1.

*Keywords:* political economy, experts, populations, trade, immigration, technology.

*Ф. ван дер Плоег*ПОЛИТИЧЕСКАЯ ЭКОНОМИЯ ЗАПАДА:  
ПОПУЛИСТЫ ПРОТИВ ПОЛИТИЧЕСКИХ ЛИДЕРОВ

В статье предпринята попытка проанализировать политический подъем на Западе, последовавший после голосования о Brexit, выборов Дональда Трампа президентом Соединенных Штатов, появления в Европе популистских патриотических партий, и выяснить, почему недовольство людей политикой и уровнем жизни в основном направлено на экономистов и других экспертов.

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<sup>1</sup> These ideas were first presented at the Political Economy Conference at the St Petersburg State University, 1 and 2 December 2016, St. Petersburg. Comments from Celia Kingham, Niko Jaakkola, Jacob Janssen, Marleen Janssen Groesbeek, Ammara Maqsood, Gerard van der Meijden, Nadezda Pakhomova, Armon Rezai, Knut Richter, Slava Shavshukov, Cees Withagen and an anonymous reviewer are gratefully acknowledged.

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Эти явления, скорее всего, связаны с тем, что отрицательные последствия миграции, международной торговли, технологических достижений, введения евро, ущерба от климатической политики должным образом не нашли компенсации для большинства средних слоев населения. В значительной степени отрицательное отношение общественности направлено на новых лидеров, для которых, кажется, не существует препятствий в политике, и тех богатых, которые рассчитывают стать богаче, а при этом заработная плата бедных остается стагнирующей. Библиогр. 9 назв. Табл. 1.

*Ключевые слова:* политическая экономия, эксперты, население, торговля, иммиграция, технология.

## Introduction

A spectre is haunting the West — the spectre of populism and revolt against the establishment.<sup>2</sup> The British have voted for Brexit and the Conservative government under Theresa May is now planning to leave the European Union without a clear exit plan to the dismay of most of the rest of Europe and is trying her utmost best to help the just about managing (the JAMs). In France Marine Le Pen may well become the new President of France if she beats the rural conservative Thatcher-like Francois Fillon at the coming elections. In the Netherlands the populist, anti-Moslem politician Geert Wilders is leading in the polls. In Austria the populist candidate was only narrowly defeated as the new president. This is largely a ceremonial function, but it may give a taste of more political turmoil to come. In Poland and Hungary populist conservative governments have been in office for some time now whose trademarks consist of demagogic assertions of ethnic, religious and national identity and rallying against the liberal politics of the European Union.

These political swings should be seen as votes against the establishment politics and the elites governing and failing to respond to the needs of ordinary people. The populists are against elites, against the European Union, against the Euro, against migration, and against climate policies. They want not to be run by foreign unelected officials and therefore want to return power to their own countries, so that people can decide what to do by themselves.

### 1. The rise of Donald Trump

This new wave of patriotism that is sweeping Europe is familiar in countries like Russia, Poland and Hungary. Interestingly and even more spectacularly, the Americans have voted in the billionaire Donald Trump and rejected the Secretary of State Hillary Clinton to become the next President of the United States. Donald Trump's campaign was rough and at times racist, sexist and nasty to individual persons, and very unpleasant to Mexico with his promise to build a wall paid for by the Mexicans. Hillary Clinton also made clear that Trump treated his staff in his own business terrible and paid them very badly and might have been cheating or at the least not paying a fair amount of taxes. Nevertheless, Trump managed to get huge support in the rust belts among many working people who have not seen their wage increase in real terms for decades. Gerrymandering, fake news, a weak opponent and racism also helped Trump.

The unconventional political style and gesticulative manner of Trump to critique the political system and caricature his opponents generated spectacle and value as comedic

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<sup>2</sup> This is a variant on the opening line of the Manifesto of the Communist Party by Karl Marx and Friedrich Engels.

entertainment and brought momentum to his campaign and has undoubtedly helped him to win the elections [Hall et al., 2016]. By crafting exaggerated depictions of the socio-political world and opposing political correctness with his hands, Trump manages to disarm political adversaries. It illustrates that late capitalism values style over content.

Trump did this by promising to kick out Muslims out of the United States, to bring jobs back by scrapping free trade agreements and reverting back to protectionism, by promising a huge infrastructure programme to rebuild the decaying sewers, roads, school and hospitals of the United States, promising tax cuts at an unprecedented scale presumably to boost both aggregate demand and aggregate supply (like a double-edged sword), and scrapping climate policies. It is not clear that these policies will bring back jobs, but they might well stimulate the economy and thus avert the dangers of secular stagnation that is facing the United States and the rest of the world economy. The tax cuts are for the very rich only and past experience shows that trickle-down economics does not work well for the poorest people in society. Furthermore, these policies will boost the government debt of the United States by 5.3 trillion US dollars compared to a mere 0.3 trillion dollars under the policies of Hillary Clinton. Once President Trump has left office, perhaps on an economic high, the long-term costs of protectionism and potential world-wide trade wars might kick in.

It is thus not clear whether President Trump and his advisers will revise capitalism (going back perhaps to the ideas of one or another of the classical philosophers and economists Adam Smith, David Ricardo, William Petty, Alfred Marshall, John Maynard Keynes and Milton Keynes) or whether they are the product of capitalism. Given that all the members of his government that are responsible for financial market and the economy come from Goldman Sachs, it is not clear whether his electorate realises that they are back in the hand of people who were in the driving seat at the time of the 2008 financial crisis. Or will President Trump and his team be inspired by alternatives such as the Chinese model of state-managed capitalism, market socialism or the mixed economy with a human face? Or even borrow elements of neo-Marxist or institutionalist models? It is clear and the future will have to tell us.

Interestingly, President Trump seems to have at least appointed various billionaires who must have been smart enough to make their own fortunes. In contrast, May's cabinet has many members of the privileged upper class who never had to work for their money and went to very privileged schools and universities. It remains to be seen which administration, if any, manages to represent the interests of the disenchanted people who voted for Trump and Brexit.

## **2. Establishment and experts are no longer trusted**

Let us now go into some more detail into why ordinary voters abandoned the established with their policies based on evidence-based research carefully studies and advocated by expert (the wonks) and why they choose to vote for populists who distort the truth for their own political gains. Why is it that populists get away with this behaviour? Is it that the press is seen as part of the establishment and is no longer trusted either? Is that a few bold tweets in Twitter space unleashes much more support than a carefully argued full-length article in a newspaper or magazine? Has the world entered the post-truth society or are there deeper forces at work? Economists have particular reasons to be concerned as the popular vote rejects many of the recommendations of the mainstream of

their profession. It is important to understand why this attack on our profession has been so widespread.

### 3. Those left behind have seven reasons to be discontented

#### 3.1. Free trade

Most of the neo-liberal consensus in the West, whether in the United States or in Europe, has been based on the principles of globalisation with unfettered markets, free entry and exit of firms, and free international movements of capital, good, services, labour and information. These principles, of course, go back to the fundamental ideas of Adam Smith and the creation of capitalism in the 16<sup>th</sup> and 17<sup>th</sup> centuries. But since the Second World War these principles of free trade including TTIP governing the global economic environment have gained more traction. Protectionism and interference with the process of globalisation has been frowned upon by the elites of the United States and Europe, but the Occupy Movement and a growing number of people in the population at large have been questioning this neo-liberal consensus.

This leads to the first reason why the left behinds or the JAMs have reason to be angry is that free trade agreements are not working or are not seen to be working in their favour. Free trade of goods and services led to massive displacement of jobs from Europe to China. It is true that most people benefited from lower prices of t-shirts, jeans and pc's. But many of the least educated and unskilled people in the old industrial towns and in the rural areas of the West lost their job and saw their wages go down and their real wages stagnant. They did not see free trade agreements working in their favour, and Trump and other populists addressed these concerns more than others. Of course, China, India and the Tigers saw an enormous spur in growth which lifted hundreds of millions of people out of poverty but that does not concern ordinary voters in the West. Economists from David Ricardo to Adam Smith and most modern economists afterwards have argued and shown formally that international trade is Pareto efficient provided the losers are compensated. The problem in the West was that the losers were not or insufficiently compensated and thus this led to a huge army of discontented with no voice in the political landscape for decades. Furthermore, the gains from trade are thinly distributed over hundreds of millions whilst the losses from trade are concentrated on hundreds of thousands. This sows the seeds of social unrest.

#### 3.2. The Euro and the European Project

The second reason for popular dissatisfaction was the introduction of the Euro in Europe. This was seen to be project of the elite and unelected bureaucrats. It was meant to save costs on transactions when changing currencies and to save costs on hedging risk when trading with firms abroad. It was also seen to be a natural complement to the European zone of free trade in goods, capital and services. However, the Euro is not loved as much as the Franc, the guilder or the Krone and is viewed as a loss in national identity. The introduction of a common currency in Europe gets rid of an important instrument to adjust to asymmetric shocks especially as in Europe labour mobility and wage flexibility are low and thus Europe is unlikely to be an optimum currency area. The problem is compounded because the Euro-zone was modelled on the former D-mark European Monetary System zone, where monetary policy is dictated by a strong anti-inflation objective

at the expense of fighting unemployment. Although this can be understood as stemming from the German historical fear of hyper-inflation, such a monetary policy did and does not serve the interests of ordinary Europeans. Furthermore, there is a widespread belief that the Euro caused higher prices which hurt the poorest in society. In other words, the Euro and the European Project more generally are seen to be in the interests of the elite and business but not in the interests of ordinary people. The problem got worse with the liberalisation of capital flows in Europe. The reason is that the indecently high current account surpluses of Germany and the Netherlands were to an extent the counterpart of the deficits of countries such as Greece and Italy, so those countries were as much to blame for the Dutch disease effects occurring in the Mediterranean countries upon freeing up capital flows in Europe. The establishment simply failed to address the imbalances in the European Union, thus contributing to the unpopularity of the European project.

Now interest rates are close to zero and even negative, the European Central Bank is running out of ammunition whilst European including the UK governments seem to be fixated at budgetary anorexia and austerity. To avoid the risk of prolonged periods of stagnation, politicians will have to step in and stimulate demand by cutting taxes or boosting infrastructure to get economy going again. The monetary policy instruments (both conventional and unconventional quantitative easing programmes) of the Federal Reserve Bank of the United States have also lost much of their potency. President Trump with his promises of huge tax and a substantial investment boom seems to have understood this better than the governments of Europe, and the many people who voted for him might have too.

Regardless of reforms that may occur, it is important that the European project becomes more transparent if necessary with the help of public enquiries and peer groups. This requires much better publicised criteria of when projects have failed and much better publication and justification of value for money information.

### *3.3. Bail-out of fat cats*

The third reason is that the financial crisis of 2008 led to many banks being bailed out by the tax payers of the US and Europe. People rightly felt this to be unfair: the fat cats could gamble with their pension and other monies; when they made profits they could keep them but when they made losses the state, i. e., ordinary tax on low incomes, had to bail them out and the fat cats could walk away loaded with money. Furthermore, the rating agencies were in the pockets of the banks and did a lousy job. Politicians from President Bush Senior to President Clinton were encouraging this to make sure as many people as possible bought a house even if they were a bad credit risk. The top of Goldman Sachs was and is closely interwoven with the Washington and European elite. People feel therefore that the fat cats and the political elite and establishment are one and the same, handing jobs to each other without any concern for ordinary people. To avoid secular stagnation in Europe, unelected officials of the ECB are creating billions of new money every month under the unprecedented programme of quantitative easing, but these monies do not seem to really flow in to the real economy leading to extra jobs and more purchasing power of ordinary people. Politicians fail to prop up demand by boosting spending on infrastructure and purchasing power of the poor, so from this point of view Trump's pledge to boost infrastructure and put ordinary people first was a master stroke. The sovereign debt crises in Greece, Italy etcetera were caused by imbalances in Europe.

The huge bail-outs that are required turn ordinary working people of northern Europe against the European project.

More generally, ordinary hard-working people are rightly disgusted when they realise that the richest people and the biggest multinationals manage to evade taxes or pay a ridiculously low amount of taxes. They do this by shifting money to tax havens such as and by making creative use of transfer pricing to ensure taxable profits are shifted to these havens. Governments should collaborate internationally and do their utmost better to make sure that the richest people and companies pay a fair share of taxes; else, the upset about the disconnect between crime and punishment will further feed the dissatisfaction with the establishment.

From behavioural economics and the economics of happiness it has become clear that people care about relative incomes as much as about absolute incomes. From this point of view stagnating incomes of ordinary people at the same time as rapidly rising incomes of the fat cats makes for a lot discontented people. Economies of the West are stagnating after decades of growth rates of 2 or 3 percent per year. No wonder that his bred discontent: “Even the wealthiest of nations puts its democratic values at risk when income levels stand still. Merely being rich is no protection against a turn towards rigidity and intolerance when a country’s citizens loose the sense that they are getting ahead” [Friedman, 2005].

#### *3.4. Free migration of labour*

The fourth reason is the antipathy of free and unfettered migration of labour and of capital. A key feature of the European project is that free trade in goods and services goes hand in hand with migration of labour within Europe and controlled immigration of labour from outside the Schengen zone. And free movement of labour as expositied in economics textbooks is also Pareto efficient. The Polish, Romanian and other Eastern-European workers are hugely popular with the elite of the rest of Europe for they get cheap nannies, cleaners, painters, nurses, doctors, etcetera, but many of the existing especially less educated workers in these countries feel threatened in their jobs and wages and dislike the jumping of queues at welfare services when these new immigrant get a house or health care before them. The free movement of labour is as neo-liberal as the practiced free trade: migrant labourers are allowed to replace domestic ones, often at low wage (for example, due to loopholes in EU regulations). No wonder that this is also feeding the revolt of the provincial JAMs against the urban elites. The absorption capacity has been put under strain by the huge inflows of immigrants from Syria and other conflict zones. The brunt of the upheaval seems to be borne by the poorer, less educated people, not by the elites living in zones with few immigrants. Of course, xenophobia has always been present even long before migration was as strong as it is today, especially in districts and countries where the share of migrants is lowest.

#### *3.5. New technology*

The fifth reason has to do with the aversion against technological advances, which seem to benefit mostly the middle and upper classes but not ordinary people. There is much protest against the introduction of new labour-saving technologies. This reminds one of the printing presses being replaced by electronic ones, but newspapers in the United Kingdom were printed for many years in the old-fashioned, expensive, labour-intensive

way as well as in the cheap modern way. In the Victorian age the Luddites took to smashing up spinning machines and other new technologies threatening jobs. But in theory and empirically the new wealth from centuries of technological advances (and free international trade and migration too) has led to more demand for new jobs leaving aggregate unemployment stable. This is an example of the lump of labour fallacy, which operates on the false premise that there are a fixed number of jobs in the economy. However, the poor are hurt most by advances in new technologies that displace their jobs or put downward pressure on their wages. In fact, the stagnation of median wages in the United States and elsewhere might have empirically more to do with technology than with free trade or immigration.

Technology is good from the efficiency point of view as it expands production possibilities, but it is not good from an equity point of view. The gains will, however, generate enough funds for workers to be retrained and properly compensated. If they are not, the poor and the JAMs will revolt. In coming decades the advanced of robots in all parts of society and the economy will kill jobs of the middle educated classes (doctors, notaries, estate agents, etcetera) too with half of employment in the United States at risk [Frey and Osborne, 2013]. Such upheavals in the labour market will undoubtedly further boost the extremes of the political spectrum.

In the medium to long run the technological revolution of robots and lots more will change society more fundamentally than globalisation with free trade and migration has done. Not just the poor and the unskilled will lose their jobs to technology, but increasingly the educated classes such as doctors, teachers, notaries, accountants, designers etcetera will lose profession and their way of life too. This will fuel demand for a universal basic income, but the key question how is this going to be funded. Or to put it more succinct, how are we going to tax the owners of the new technologies to finance the basis income for the masses? And given the difficulties in taxing multinational at the moment, is this going to be at all feasible?

### *3.6. Marketization of public services*

The sixth reason for the social unhappiness with the political establishment has to do with the marketization of public services such as health, education and care for the elderly. Many people in the United States (a quarter) were uninsured, so one would have thought that Obamacare (one of the flagships of the Democratic President Obama administration) would be really popular among the ordinary people and the JAMs. But it turns out that this is not the case. One of the reasons may be that poor people are forced to choose between paying for school of their children rather than health care premiums, or perhaps the merits of Obamacare have not cottoned on yet. The education system in the United States and Europe has become increasingly segmented with the more educated sending their children to better schools and universities than the less educated. This has led to an erosion of ideal of meritocracy and a destruction of the belief in the American Dream; Trump being a billionaire might have offered some hope to many people of a better life. Public transport has been or has always been farmed out to private companies who do not shy away from putting prices up a lot during peak times and using other forms of price discrimination. This is fine for the rich but not good for the poor on low pay or benefits. The problem has been compounded, especially in the United Kingdom, where governments have accompanied the marketization of services with strong cuts in subsidy for rail

and bus transport. One also sees unpalatable coalitions between local politicians and land developers and property tycoons (like Donald Trump) where the profits and gains go to feed the pockets of these people whilst ordinary people feel left out and cannot find an affordable home to rent or buy, especially in the United Kingdom. Often, marketization leads to new riches for some. This also occurs in Russia, where some oligarchs got very rich under President Jeltsin when oil, gas, steel and utilities were privatised. The problem is that markets do not always work very well, since the profit motive leads to cherry picking and problems of moral hazard in health, education and housing markets. Due to the presence of big informational asymmetries, large monopolies develop which lead to huge financial gains to the financial and corporate elite. No wonder that ordinary people got fed up and believe that these marketization reforms are not working in their favour. And yet the status quo of how public services are offered to the people is not working and it is not clear which model will work.

### *3.7. Climate policy*

Finally, Trump has stated forcefully against all the scientific evidence that global warming does not exist and is a hoax. However, there is consensus among the thousands of scientists of the Intergovernmental Panel on Climate Change that man-made carbon emissions in fact do contribute to global warming. If nothing is done, temperature rises to 4–6 degrees above pre-industrial. To keep the planet safe, Paris has agreed to keep temperature below 2 or even 1.5 degrees Celsius. This requires pricing of carbon (either via taxing carbon or via the setting up of markets for emission permits) and making sure that globally 80 % of coal reserves are not burnt, and that a third of oil half of gas reserves are left in ground forever [McGlade and Ekins, 2015]. For the United States to meet the Paris obligations to restrict global warming to below 2 degrees Celsius it needs to abandon 92 percent of its coal reserves and leave them untouched and unburnt. But this hurts the poor disproportionately, since they rely more on jobs in coal and coal-dependent sectors of the economy and consume relatively more coal-powered electricity. This is why Trump does not like climate and even calls global warming a big hoax. Phasing out of coal can lead to destruction of jobs of ordinary people and higher electricity pricing. Hence, fighting global warming is seen as an elitist hobby at the expense of purchasing power and jobs of ordinary people. However, it must be noted that due to the rapid advances driving down the costs of solar and wind energy as well as of shale gas, much of coal is no longer profitable anyway which makes Trump's aggression against climate policy more difficult to understand.

## **4. Populists versus policy wonks**

Policy wonks have captured the political elites with their pleas for free international trade in goods and services, unfettered and ravishing international capital flows, adaptation of new technologies, free flow of migration, marketization of public services such as health and education and care for the elderly, bailing out of rogue capitalists, and battling global warming. But the experts have ignored the adverse effects of these well intended policies and policy reforms on the left behinds, JAMs and less educated people typically living outside the big cities in the rural areas. Furthermore, “targeted” policies and increases in the minimum wage do not seem benefit those who are doing well but not too

well, the JAMs [Williams, 2016]. The feelings of unrest that result from these failed policies that fail to recognise the adverse consequences on large parts of the electorate have been mobilised by populists such as Trump and the campaigners for Brexit such as Nigel Farage and the current Foreign Secretary Boris Johnson. However, it is not clear that their policies and leaving the European Union help the left behind. Also, populists decry 'experts' and 'culture' as excuses and hobbies for the rich and elite. Facts are no longer proof and this has led to the emergence of the so-called post-truth society. As a result of all this, there is a real danger that populists stir up hatred against minorities, and may even start a war against a foreign state to muster support among their people and electorates.

## 5. Populists fill up the hitherto empty spots in the political landscape

Politics is not one-dimensional. It is therefore important to realise that political manifestations occur on at least two dimensions as shown in the table below. The first dimension (or cleavage as it is sometimes called by social scientists) is shown along the rows and indicates the social-economic dimension. Left-wing social-economic policies are, for example, high housing, education and health subsidies and benefits for the poor, high unemployment benefits and a high minimum wage. Right-wing social-economic policy would aim to curb monopoly power of trade unions, scrap or lower minimum wages and get rid of all kinds of subsidies for the poor to give them better incentive to get up and look for a job and better their lives. This first dimension is how the conflict has played out for many decades in the West. But with the advent of popular discontent, as explained above, a second cultural dimension (or cleavage) has become at least as important and one could argue much more visible and present in the political debates. Progressive cultural policies are, for example, the right of abortion and euthanasia (both controlled by regulation, of course), gay rights and gay marriage, and tolerant attitudes to foreigners, migration and the Islam especially. Conservative cultural policies stress the rights of the unborn and forbidding abortion, ensure that euthanasia is a criminal offence, do not care much for gay rights and are vehemently against gay marriage, and are extremely hostile to foreigners and migrants.

The top-left of table 1 corresponds to left-wing social-economic policies and progressive cultural policies and are relevant for the Hillary Clinton and the Democrats more generally, the Labour Party in the United Kingdom (with the current Labour Party leader Jeremy Corbyn being more left-wing than Prime Minister Tony Blair), and other social-democratic parties in Europe. To be fair, these left-wing political movements have accepted the neo-liberal consensus including the need for strict budgetary policies with a bigger emphasis on redistribution than right-wing political movements. Only people on the left such as Jeremy Corbyn and Bernie Sanders in the United States have been bold enough to be inspired by Keynesian thinking and mixed economic schools and policies. The bottom-left of table 1 corresponds to right-wing social economic policies and progressive cultural policies and are relevant for the old-school Republicans like Presidents George Bush Senior and Junior and the Conservative Party in the United Kingdom (with Prime Ministers Therese May and David Cameron being less right-wing perhaps than Prime Minister Margaret Thatcher). These are characterised by an appeal to monetarism and supply-side policies.

*Table 1. Social-economic and cultural dimensions of the political spectrum*

	Progressive cultural policies	Conservative cultural policies
Left-wing social-economic policies	Labour Party, Democrats under Obama and Clintons	Trump (stated), Le Pen, Wilders
Right-wing social-economic policies	Thatcher, Cameron, Reagan	Trump (in fact), Fillon

In the current political landscape the interesting cells are the top-right and bottom-right ones in the table. President Trump in line with other populists like Le Pen in France or Wilders in the Netherlands seemed to have occupied the spot top-right spot with conservative cultural (politically incorrect) policies and left-wing social-economic policies. Trump's outcry 'I love the poorly educated' seems to confirm this. But in fact Trump's policies are likely to be right-wing benefiting the very rich and conservative and are thus more likely to be in the right-bottom cell. This is also true for the conservative and right-wing presidential candidate in France, Francois Fillon.

It is for many still difficult to fathom why the poorest people in states that depend to a large extent on federal government transfers are so dismissive of government and vote in populists like Trump with policies that benefit the very rich. In a wonderful account of how supporters of the Tea Party live in Louisiana, a very influential sociologist from Berkeley who lived among these supporters argues that those people belief in honest hard work and loyalty but are very discontented about how people jumping the queue when it comes down to getting benefits from welfare [Hochschild, 2016]. If these are perceived to be blacks and immigrants, this feeds discontent and support for populists. The fear of cultural eclipse and economic decline combined with distrust in government further amplifies this discontent. Trump responded more and better to these feelings than politically democrats. So perhaps supporters of Trump in poor states and neighbourhoods have not voted against their own interests as often argued by progressive liberal commentators.

Populist unrest will find a way out irrespective of the political system. In countries with more or less proportional voting systems such as the Netherlands, Belgium or Austria it is easy for populists to grab a big share of the votes, but then to decline taking power for fear of being found out that their promises to the poor will not work in practice. One could argue that to get to grips with the political unrest it is important that such populists should not be banned from office, but that they should govern so that their electorate can then judge them not on their promises but on their actions. Even in countries with non-proportional or first-past-the-post voting systems populists can obtain massive political support (witness the Brexit referendum in the United Kingdom, and Trump's victory despite Hillary Clinton winning the popular vote).

## 6. Was Rousseau right after all?

The famous philosopher Jean-Jacques Rousseau, author of "The Social Contract" in 1762, was despised by contemporaries such as Voltaire. It was perhaps his lowly background that made him one of the great outsiders of the Enlightenment. He warned many times not to ignore the plea of ordinary people and warned against greed, vanity, moral decay and malice of the establishment. He distrusted the ruling, intellectual and corporate classes as well as journalists who tell ordinary people how to run their life and disliked

their vanity. He also disliked free trade, and advocated traditional moral value. In this Rousseau seemed to have better understood the concern of the many ordinary people, JAMs and left behinds who indicated loud and strongly that they are against the liberal and neo-liberal social-economic policies that favour the well off more than themselves. Vladimir I. Lenin also understood this when he put forward his conditions for revolution: the prevailing regime is in crisis, ordinary people no longer want to live the way they do, the establishment is unable to do something about it, and new parties with strong leaders stand up to take up the challenge.

One may therefore argue that Rousseau predicted the global protest against modernity as well as the rise of President Trump and many other populists throughout the West [Mishra, 2016]. Unfettered marketization and liberal policies where human beings are seen as atomised agents miss that societies need to stick together and that marketization and the right of the economically strongest above else eventually destroys the moral fibre of society. The double movement argument has already a long time made the case for protection against the process of marketization where all things including “fictitious” commodities such as land, labour and money are commodified as ultimately economies are embedded in societies [Polanyi, 1944/2001]. It is thus not strange that populists try to favour a new morale by pushing conservative cultural policies that promise to take back control of countries that are ostensibly under threat of open borders with unfettered migration and free trade, unelected bureaucrats and experts with little feeling for what happens to ordinary people. This resonates well with the surge of the anti-globalism movement, which Trump has also responded to when he pointed the finger at the elite’s “false song of globalism”. The current situation is not unlike a requiem for the Enlightenment which puts back decades of progress in economic integration and liberal cultural values. It is important to remember that Rousseau and also Lenin would have concluded that societies that become too unfair with little prospect for improvement would lead to revolution or in the contemporary context political upheaval at an unprecedented level.

## Conclusions

Remain politicians in the United Kingdom or politicians like Hillary Clinton who take the arrogant attitude that “those who voted against them are stupid” do so at their peril. How will things ever change if mainstream politicians stick to this attitude towards half the population? The people who voted for Brexit and President Trump have genuine concerns and deserve to be treated seriously. They were not. It is very sad to see that the new government of the United Kingdom is developing policy on the hoof as it did not have a firm plan under what conditions to leave the European Union. The policies advocated by President Trump seem to benefit the very rich rather than the poor or the left behind, so one needs huge faith in trickle-down economics to believe that his policies will work out for the people that voted for him. It is not just that coming into power might deflate or expose the lack of policies that will deliver on the promises put forward by populists in their campaigns, but also that such populists need to shift towards the centre in order to be able to govern with sufficient support. In countries with coalition governments other political parties sometimes put a “cordon sanitaire” around populist, anti-Muslim parties (e. g., around the Vlaamsch Blok in Belgium). It seems better to let such parties govern, so that they have to deliver on their promises, adjust or be deflated at the next elections.

Economists with their emphasis on first best and market-oriented policies should also shoulder part of the blame and would do better to devote more of their efforts to second-best policies that improve welfare of the poorest and the JAMs and that are affordable and can count on political support. Furthermore, economists should perhaps be more modest and restrict themselves to bring into the arena evidence-based research that helps to aid policy making. It is true that this has not helped in the debate on climate change and to get facts and evidence to count is getting harder and harder in a post-truth society where fake news can spread widely in this digital era. If economists fail in this task, they will be continued to be seen as the dismal science. So, however challenging this may be, there must be much better communication of the hard evidence on the seven issues discussed above. This requires hard evidence on the following type of questions:

- (i) How much jobs are lost and by how much have real wages been depressed by international trade agreements, migration and technological progress?
- (ii) What is the evidence that foreign workers are just doing the jobs local workers do not want to do?
- (iii) How much jobs were lost and how much did purchasing power fall if any at all due to the introduction of the Euro?
- (iv) Would not bailing out the fat cats have led to the total collapse of the world financial system?
- (v) What is the evidence that poor people are better off under Obamacare?
- (vi) By how much does global temperature rise if countries do not wean themselves off fossil fuel
- (vii) What is the evidence that climate policy hurts poor people relatively more than rich people?

It is clear that supra-national organisations such as the IMF, the World Bank, the OECD, the WTO and the United Nations and businesses have not offered all the answers to deal with how economic policies affect the poorest people and the left behinds. There also has not emerged a satisfactory way of organising geo-politics and supra-national organisations to deal with the big challenges facing the global economy. Although evidence offered by economists suggests that diverging wage gaps between the skilled and the unskilled is due to rapid technological change much more than trade or immigration, economists still quibble about the evidence for the questions posed above and quibble about the nature and origin of the global financial and economic crises. Furthermore, experts suffer from the wider crisis of civilisation and worsening ethics, the questioning of scientific evidence by populists, and the deterioration of ecology and the environment.

Let me conclude with a final observation. The populists emerging in power in the West have in common that, in their ambition to serve the wishes of the ordinary people, people who deviate from the average white heterosexual human being have a tough time whether they are female, lesbian, gay, bisexual, transgender, black, Muslim, Mexican or foreign. Also, people that live in ways that do not correspond to the traditional division of tasks of men and women are under threat. It remains a mystery how God fearing Republicans can have such an unwelcoming attitude to foreigners and to people who lead unconventional life styles.<sup>3</sup> People are not only fearful of changes in the global economy,

<sup>3</sup> Matthew, 25: 31–46. URL: <https://www.biblegateway.com/passage/?search=Matthew%2025:31-46> (accessed: 05.12.2016).

migration and technological advances, but also of other people have different tastes and ways of life and not hiding it behind their front doors. One should be careful that elected populists are playing into this by restricting personal and press freedom and playing up ethnic and nationalistic divisions.

Every epoch has people who suffer from economic and societal change, and those who are angry make their voices most clear and also turn up at the voting box to punish the failing establishment and elite than people who are not or less fearful of these changes. This is part of the reason why populists win elections. However, it would be very sad if in attempts to pacify the concerns of the angry people who feel unrepresented societies lose their values of tolerance and humanity for people that are different.

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**For citation:** Van der Ploeg F. Political economy of the West: Populists versus policy wonks. *St Petersburg University Journal of Economic Studies*, 2017, vol. 33, issue 1, pp. 4–16. DOI: 10.21638/11701/spbu05.2017.101.

Статья поступила в редакцию 22 декабря 2016 г.  
Статья рекомендована в печать 19 января 2017 г.