Populism at Home and Abroad

PS 142A.17
Summary

- Populism is the most serious challenge ever to the Liberal International Order from within that order.
- Rooted in a backlash to globalization
- This is not (just) about Trump or Sanders
  - They are populists riding a wave of discontent but did not cause that wave
  - Challenge is similar across LIO countries
What is Populism?

- An ideology that pits “the people,” who are fundamentally “good,” against the “elite,” who are corrupt and self-serving.

- Today, right populism depicts a “heartland” against a cosmopolitan and internationalist elite
  - Foreign policy of distrust of elites more than substance
  - More nationalist and xenophobic
  - Protectionist
  - Sovereigntists, skeptical of multilateralism

- “Left” populism in Democratic Party rallies against corporate power
  - Anti-globalization

- Both populisms challenge LIO
Globalization

- Globalization done more to increase wealth than any other process in the postwar period.
  - One of the most significant accomplishments of the LIO.
- But it has clear and strong distributive implications:
  - In richer democracies, unskilled labor loses, capital and human capital gain
  - Import-competitng sectors lose, export competitive sectors gain
  - Less productive firms lose, more productive firms gain
- Often large community effects when industries and firms are geographically concentrated
  - Silicon Valley tech prospers in California
  - Auto industry suffers in upper Midwest
Embedded Liberal Compromise

- Embedded liberalism mix of
  - Classical liberalism — free trade
  - Modern liberalism — social welfare policies
- Embedded liberalism attempted to cushion the distributional effects of trade liberalization with offsetting social policies
- Aimed to build political support for freer trade despite its distributional consequences
Trade and the United States

FIGURE 7.1  *Importance of Trade to the U.S. Economy, 1960–2013*

Real Wages by Sex and Education

Changes in real wage levels of full-time U.S. workers by sex and education, 1963–2012

Real weekly earnings relative to 1963 (men)

A

Real weekly earnings relative to 1963 (women)

B

> Bachelor's degree

Some college

High school graduate

High school dropout
Returns to Education Increasing Over Time

Figure 4. Median Wage by Educational Attainment
Wages in 2018 dollars

Median Real Wages by Educational Attainment

- Advanced Degree: $36.71
- Bachelor's Degree: $28.37
- Some College: $19.80
- High School Diploma: $17.00
- No High School Diploma: $13.50

Time periods: 1980 to 2018
Gains Concentrated in Highly Educated

**Table 2. Wage Trends by Education and the Higher-Education Wage Premium**

<table>
<thead>
<tr>
<th>Education Group</th>
<th>Real Wage Trends</th>
<th>Cumulative % Change in Real Wage Levels over 1979-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shaded Bars = Recessions</td>
<td>10th percentile</td>
</tr>
<tr>
<td>College Degree Holders</td>
<td>$75</td>
<td>4.0%</td>
</tr>
<tr>
<td></td>
<td>$0</td>
<td>-3.7%</td>
</tr>
<tr>
<td>High School Diploma or Less Education</td>
<td>$75</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>
Increasing Income Inequality

Top 1% Share of Total U.S. Income, 1913-2015

Top .01% Share of U.S. Income, 1913-2015
Increasing Income Concentrated at the Top

FIGURE 1

Income Gains Widely Shared in Early Postwar Decades — But Not Since Then

Real family income between 1947 and 2018, as a percentage of 1973 level

Note: Breaks indicate implementation of a redesigned questionnaire (2013) and an updated data processing system (2017).

Source: CBPP calculations based on U.S. Census Bureau Data
Social Welfare Spending

[Bar chart showing net public social spending share of total consumption for various countries, with Luxembourg having the highest and Chile having the lowest.]
U.S. Social Welfare Spending

Blue is Medicare; Red is all other federal social spending
Trade Adjustment Assistance

Spending on active labor market adjustment programs as percent of GDP, 2014
The “China Shock”

- China joins the WTO in 2001 and exports surge
- China Shock
- Increased imports from China
  - Reduce employment and earnings, raise the prevalence of idleness, and increase premature mortality among young males relative to females
  - Reduce rates of marriage and fertility and increase share of mothers who are unwed and children living in poverty
  - Increase polarization: trade-impacted conservative districts elect more conservative Representatives and liberal districts elect more liberal Representatives
Why Populism Now?
Real Wages since the Great Recession

Cumulative percent change in real average hourly wages, by education, 2007–2014

- Less than high school
- High school
- Some college
- College
- Advanced degree
Why All This Matters

- Real incomes of less educated, low skilled workers in the U.S. have declined over time
- Income inequality has increased
- Changes have been especially acute since the Great Recession in 2008-2011
- Overlaps with changes in U.S. society in gender, race, and social relations
- Together, these economic and social changes combine to fuel populism
  - Tea Party begins Feb. 2009 as anti-systemic movement
Political Realignment

- Reagan’s Republican Party a coalition of economic and social conservatives
  - Core was internationally-oriented business and finance
  - VP Cheney: “Reagan proved that deficits don’t matter.”
- Republican Party increasingly torn between “base” and its business supporters
  - Congressional leadership sticking to Trump and the base
  - Business has the tax cuts it wanted
  - But trade war is central; business allied in opening China, but at odds over protectionism in general
  - Business nervous about challenge to LIO
- Democratic Party shifting to left with populism as well
Populism Elsewhere

- As globalization spreads, get similar backlash
- In Europe, populism challenges the European Union and its policies of free trade and immigration
  - Brexit is the most extreme example
- Central Europe still connected to U.S. through security cooperation, but Western Europe is beginning to contemplate a future without U.S. leadership
The Future of the LIO

- As manifested in President Trump, populism
  - Challenges collective security and global engagement
    - Withdrawing U.S. troops
    - Questioning commitment to NATO and allies
  - Rejects free trade for balanced trade
    - Opposes immigration
  - Indifferent towards political liberalism
    - Eschews promotion of democracy and human rights
  - Embraces America First and unilateralism
- All erode the Liberal International Order from within