The geopolitics of populism

Anxiety over income gaps narrowing among countries, not growing within countries, is the real driver of unease

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The big question in Asian countries right now is what lesson to take from Mr Donald Trump’s victory in the United States’ presidential election, and from the Britain’s Brexit referendum, in which voters opted to leave the European Union. Unfortunately, the focus is not where it should be: geopolitical change.

Instead, for the most part, academic narratives assert that technological advances, more than globalisation, have exacerbated economic inequalities, setting the stage for political disruptions in developed countries. In either case, policymakers in emerging countries have identified inequality as a major problem, and rallied around efforts to improve social mobility, least globalisation and new technologies displace their middle and working classes, and clear a path for their own versions of Mr Trump and Brexit.

For Asian countries, the policy prescription is clear: take care of disadvantaged populations and provide retraining and new employment opportunities for displaced workers.

Of course, all societies should look out for their poorest members and maintain social mobility, while also rewarding entrepreneurship and challenging people to improve their lot. But focusing on such policies would not address the public dissatisfaction underlying the populist uprising, because inequality is not its root cause. Feelings of lost control are.

Even if countries closed their domestic income and wealth gaps and ensured social mobility for all their citizens, the forces fuelling public dissatisfaction around the world today would remain.

Consider the US, where the inequality narrative’s poster child has become the displaced, older, less-educated, white working-class male. Many people credit these voters for Mr Trump’s victory, but the poster-child cohort did not actually have the biggest impact on the election outcome.

According to exit polls, Mr Trump won 53 per cent of white male college graduates, and 52 per cent of white women (only 43 per cent of the latter group supported Mrs Hillary Clinton); he won 47 per cent of white Americans between the ages of 18 and 29, compared with 43 per cent for her; and he beat her by 48 per cent to 45 per cent among white college graduates overall. These Trump supporters do not fit the stereotype at the centre of the economic narrative.

Meanwhile, over half of the 36 per cent of Americans who earn less than US$50,000 (S$71,500) annually voted for Mrs Clinton, and of the remaining 64 per cent of voters, 49 per cent and 47 per cent chose Mr Trump and Mrs Clinton, respectively.

Thus, the poor were more favourable towards Mrs Clinton, and the rich to Mr Trump. Contrary to the popular narrative, Mr Trump does not owe his victory to people who are most anxious about falling off the economic ladder.

A similar story unfolded in the UK’s Brexit vote, where the “Leave” campaign asserted that the EU’s supposedly burdensome regulations and exorbitant membership fees were holding back the British economy. This hardly amounts to an agenda to fight economic inequality and exclusion, and it is revealing that rich businessmen wrote the largest cheques to support Leave.

Moreover, the street-level emotions that contributed to Leave’s victory were not rooted in income inequality or “the 1 per cent”: alienated poor voters directed their anger at other alienated poor people – particularly immigrants – not at the rich.

The mayor of London’s office reported a 64 per cent increase in hate crimes in the two weeks after the referendum, compared to the six weeks before it. So, while income equality may have been a part of the Brexit campaign’s background noise, it was not the focus of Leave voters’ minds.

What unites Trump and Leave supporters is not anger at being excluded from the benefits of globalisation, but rather a shared sense of unease that they no longer control their own destinies.

Widening income inequality can add to this distress, but so can other factors, which explains why people at all levels of the income distribution are feeling anxious. Indeed, many people in Eastern Europe felt a sense of lost control during the harsh socialist experiments of the post-war era, as did many Chinese during the Cultural Revolution, and these societies had minimal visible income inequality.

Paradoxically, Brexit and Trump supporters might be feeling the effects of globalisation because overall inequality has actually declined. Globalisation’s largest effect has been to lift hundreds of millions of people in emerging economies out of poverty.

Throughout the 1990s, emerging countries’ combined gross domestic product (at market exchange rates) amounted to barely one-third of the G-7 countries’ combined GDP. By 2016, that gap had essentially vanished.

Low international income inequality, rather than growing income inequality in individual countries, is putting unprecedented stress on the global order. There is a growing mismatch between what Western countries can provide, and what emerging economies are demanding.

The transatlantic axis that used to run the world is slipping away, and the sense of losing control is being felt by these countries’ political elites and ordinary citizens alike.

Mr Trump and the Leave campaign appealed to voters by raising the possibility that transatlantic powers can reassert control in a quickly changing world order. But with the geopolitical rise of emerging economies, especially in Asia, that order will have to achieve a new equilibrium, or globalisation will persist.

Closing the income gap can help the poor; but, in the developed countries, it will not alleviate their anxiety. PROJECT SYNDICATE