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WORLD AFFAIRS**DANNY QUAH**

Danny Quah is Li Ka Shing Professor of Economics at the Lee Kuan Yew School of Public Policy at the National University of Singapore. He is the author of *The Global Economy's Shifting Centre of Gravity*.

**KISHORE MAHBUBANI**

Kishore Mahbubani, Dean of the Lee Kuan Yew School of Public Policy at the National University of Singapore, is the author of *The Great Convergence: Asia, the West, and the Logic of One World*. He was selected as one of *Prospect* magazine's top 50 world thinkers in 2014.

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The Geopolitics of Populism

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

Instead, for the most part, economic narratives have prevailed: globalization, while improving overall wellbeing, also dislocates workers and industries, and generates greater income disparity, creating the anxious electorates that backed Brexit and Trump. An alternative narrative asserts that technological advances, more than globalization, 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, lest globalization and new technologies displace their middle and working classes, and clear a path for their own versions of 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 maximize social mobility, while also rewarding entrepreneurship and challenging people to improve their lot. But focusing on such policies would not address the public disaffection 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 fueling 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 Trump's victory, but the poster-child cohort did not actually have the biggest impact on the election outcome.

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

Meanwhile, more than half of the 36% of Americans who earn less than \$50,000 annually voted for Clinton, and of the remaining 64% of voters, 49% and 47% chose Trump and Clinton, respectively. Thus, the poor were more favorable toward Clinton, and the rich toward Trump. Contrary to the popular narrative, 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 are 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 checks to support Leave.

Moreover, the street-level emotions that contributed to Leave's victory were not rooted in income inequality or "the 1%": 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% increase in hate crimes in the six 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 first issue on Leave voters' minds.

What unites Trump and Leave supporters is not anger at being excluded from the benefits of globalization, 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 experiencing anxiety. 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 globalization because overall inequality has actually declined. Globalization's largest effect has been to lift hundreds of millions of people in emerging economies out of poverty. Throughout the 1990s, emerging countries' combined GDP (at market exchange rates) amounted to barely one-third of the G7 countries' combined GDP. By 2016, that gap had essentially vanished.

The Globalization Lift

Emerging countries' combined GDP as a share of G7 GDP



Note: GDP data are measured in constant USD

Sources: the authors' own calculations, IMF *World Economic Outlook* (Oct 2015, updated)

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 power of 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.

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

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