

THE POPULIST TEMPTATION

ECONOMIC GRIEVANCE
AND POLITICAL REACTION
IN THE MODERN ERA

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The Populist Archetype

EFFORTS TO DEFINE populism remind one of Justice Potter Stewart's definition of pornography: "I know it when I see it." The awkward fact is that there is no agreed definition. Populism is a multidimensional phenomenon, with multiple perspectives on each dimension. "To each his own definition ... according to the academic axe he grinds," wrote the political economist Peter Wiles half a century ago.¹

Here I define populism as a political movement with anti-elitist, authoritarian, and nativist tendencies. Since populist movements combine these tendencies in different ways, there are different variants of the phenomenon. In particular, there are populist movements of the Left, which emphasize the anti-elitist element, and of the Right, which emphasize hostility toward foreigners and minorities.²

At the most basic level, populists divide society into the elites and the people.³ The elites control government, business, and banking, reproducing themselves through favored access to education, the executive suite, and higher echelons of the public sector. Superficial differences notwithstanding, they form a united front. There is little difference, for example, in the backgrounds and interests of the families and networks controlling the major political parties. It follows that there is little difference, in the populist conception, in the policies they espouse. Populists invoke these notions to advance the idea that mainstream politics is an elite conspiracy that produces results inimical to the interests of the people. "Politicians prospered but the jobs left and the factories closed. The establishment protected itself, but not the citizens of our country. Their victories have not been your victories. Their triumphs have not been your triumphs," was how President Donald Trump put it in his inaugural address.

The people may lack the education of the elite, but they possess a basic common sense,

passed down through collective traditions, religion, and community, to which populist politicians can appeal. “Virtue resides in the simple people, who are the overwhelming majority, and in their collective traditions,” to again quote Peter Wiles.⁴ Populist politics is then the process by which the general will, informed by this common sense, is translated into policy.

But who, exactly, constitute the people is easier said in theory than in practice. In nineteenth-century America, members of the agrarian movement, comprising midwestern wheat farmers and southern cotton growers, faced the dilemma of whether to ally with disaffected factory workers, and vice versa.⁵ In Donald Trump’s America, the candidate sought to broaden his base by appealing not just to blue-collar workers left behind by technological change and globalization but also to a middle class concerned about the decline of traditional American values.

One way of resolving these ambiguities is by defining the people in opposition to the other. In nineteenth-century America, the other was identified as financiers, railroad barons, and industrialists who gained great wealth by exploiting honest, hardworking farm and factory workers. The unity and homogeneity of the people were further defined by the exclusion of visible minorities like indentured Chinese labor and so-called new immigrants from southern and eastern Europe. This same definition by opposition is prevalent in other populist movements. The hostility of populist politicians to not just concentrated economic power but also immigrants and racial and religious minorities thus is intrinsic to the movement.

Viewing society this way breeds an instinctual antagonism to technocrats and governmental agencies. Technocrats are members of the elite, by definition.⁶ They use privileged information and preferential access to achieve their objectives. Agencies of government staffed by technocrats, by virtue of their statutory independence and the complexity of their procedures, are remote from the people. Populist politicians regularly impugn the integrity of central bankers, those most technocratic of technocrats, and question the independence of their institution. The Federal Reserve System, together with its early American progenitor, the Bank of the United States, has been a favorite target of politicians with populist leanings, from Andrew Jackson in the nineteenth century to Huey Long in the twentieth and Donald Trump in the twenty-first. In the run-up to the 2016 referendum on whether the United Kingdom should leave the European Union, UK Independence Party leaders like Nigel Farage similarly appealed to voters by criticizing the integrity and competence of EU technocrats and demanding that decision-making power be restored to the British people.

Populism thus favors direct over representative democracy insofar as elites are disproportionately influential in the selection of representatives. It favors referenda over delegat-

ing power to office holders who can't be counted on to respect the will of the people. The pioneering referendum processes adopted in Oregon, California, and other western states at the turn of the twentieth century, in which citizens could petition to place questions on the ballot and pass them by simple majority vote, were part of a populist revolt against corruption and a political establishment dominated by large corporations and other powerful interests. The Oregon referendum and initiative movement championed by William Simon U'Ren, for example, was immediately informed by these concerns. Referendum U'Ren, as he was known, mobilized the Farmers' Alliance and trade unions, the two principal sources of support for the Populist Party, of which he was Oregon state secretary, in support of the referendum law adopted in 1902 as a way of making an end run around what he and his followers saw as corrupt politicians, unresponsive elites, and self-aggrandizing railroad monopolies—classic populist tropes all.⁷ This value imputed to the will of the people is also a way of understanding why Donald Trump attached such importance to the idea that he would have won the popular vote for the presidency in 2016 but for “pervasive and widespread” voter fraud.⁸

In the case of the Brexit referendum, supporters of Leave defended the outcome on analogous grounds: the result reflected the will of the people.⁹ The Brexit campaign was visibly tinged by anti-elite, anti-expert rhetoric, with supporters seeking to discredit the view of professional economists and others that leaving the EU would have significant costs.¹⁰ As Michael Gove, justice secretary in the soon-to-be-former Cameron government and leading supporter of Leave, put it in a television debate, “People have had enough of experts.”¹¹

Populism is also a political style. Candidates portray themselves as no-nonsense leaders prepared to knock sense into establishment figures unwilling to address society’s urgent needs, an intention they communicate using harsh, unconventional words and tactics. Disregarding the niceties of political convention is a way of demonstrating independence and force of personality. Political incorrectness and off-color language are ways of signaling seriousness of purpose and speaking directly to the people. In the extreme, forcefulness is conveyed by the assertive dismissal of inconvenient facts and a menacing undercurrent of violence.¹²

Populist politicians regularly rely on new technologies to circumvent channels of communication controlled by mainstream parties and convey their views directly to their followers. As Michael Conniff wrote of Latin American populism two decades ago, “Skillful use of ... new media [is] an important attribute of ... populists.”¹³ In Latin America in the 1920s and the United States in the 1930s, radio played an important role in disseminating populist views, bypassing the establishment press.¹⁴ Decades earlier, in his 1896 campaign for the U.S. presidency, William Jennings Bryan, the candidate of the Democratic and Populist Parties,

made unprecedented use of the railway, a revolutionary transportation and communications technology if there ever was one, delivering more than six hundred speeches directly to the people. Bryan raised few funds, made little use of pamphlets and other conventional political media, and leaned only lightly on the Democratic National Committee for campaign support. There was no little irony in Bryan's reliance on the railway, since he consistently criticized it as exemplifying corporate abuse of monopoly power. But no matter. Bryan's campaign similarly made unprecedented use of the telegraph to schedule and publicize his appearances. His "Cross of Gold" speech at the 1896 Democratic National Convention made such a splash partly because the telegraph was used to transmit his message nationally, rather than relying on reports by newspaper correspondents and their publishers, many of whom were hostile to his candidacy.¹⁵

Bryan's strategy was in contrast to that of William McKinley, the candidate of the Republican Party establishment, who remained firmly planted on his front porch. McKinley drew—successfully, in the event—on the ample financial and organizational resources of the National Republican Party and its chairman, "Dollar" Mark Hanna. The mainstream Republican newspapers were also firmly in McKinley's camp. For an outsider like Bryan, competing with a generously financed establishment candidate, new technology was the only option. If McKinley triumphed in the end, Bryan's approach exemplified populist tactics.

Later, in the mid-twentieth century, populists in Latin America and elsewhere used small planes to bring their message directly to the people, again circumventing established media channels. The twenty-first-century variant is of course Donald Trump's use of Twitter for bypassing traditional print media and communicating directly with voters. (In his reliance on Twitter, Trump was unwittingly following the precedent of another exemplar of the populist temperament, Venezuela's Hugo Chávez.) Meanwhile, cable television channels, satellite radio talk shows, and alt-right Internet websites undermined control by the political mainstream and party establishment of news flow and political narrative. Resort to these new technologies and outlets enabled Trump, like his populist predecessors, to disintermediate the establishment media and disable its interpretative influence.

A further dimension of populism is its characteristic economic policies. Rudiger Dornbusch and Sebastian Edwards, drawing on Latin American experience, define populism as an approach to economics that emphasizes distribution while deemphasizing the risks to economic stability from sharp increases in government spending, inflationary finance, and government interventions overriding the operation of the market.¹⁶ While mainstream politicians have also been known to run on platforms promising faster growth with greater

equity, populists differ in the ambition of their claims. They are distinctive in the directness with which they speak to popular concerns about growth and distribution, their denial of constraints, and their disregard of expert opinion about limits. Populist politicians dismiss objections that ambitious policies intended to spur growth will only fan inflation, create worries about indebtedness, and aggravate balance-of-payments deficits. They deny the existence of trade-offs between restricting immigration and redistributing income toward their working-class supporters, on the one hand, and doubling the rate of economic growth, on the other. The existence of such constraints, as they see it, is falsely promoted by forces hostile to their economic and political agenda.

But pro-growth is not the same as pro-market. Populists, whether of the Left or the Right, are more than willing to see government intervene in markets in order to advance their policy agenda and personal position. This helps to explain the association of populist rule with favoritism toward companies and individuals allied with the regime and its charismatic leader.

Here comparisons of the populist tradition in Latin America and President Trump speak for themselves. In both cases one sees the ambitious goal of significantly boosting economic growth. One sees a similar denial of constraints. If the feasibility of that goal is questioned, then in both cases the doubters are technocrats and entrenched members of the political establishment hostile to the leader and his followers. If its achievement is frustrated, then in both cases the villain is outside forces, the International Monetary Fund in one case and unfair competition from China and Mexico in the other. One sees similar readiness to forswear economic purity and intervene in markets, something that has been common to Latin American governments of the populist Left (Dilma Rousseff in Brazil) and Right (Cristina Fernández de Kirchner in Argentina) and equally in Trump's use of the leverage attached to his office to criticize manufacturers moving jobs abroad and renegotiate the price of government-purchased aircraft.

Against this background, my goal in this volume is to understand the wellsprings of populist movements. Specifically, I seek to identify the economic and political circumstances under which populism takes hold, and the economic and political responses that most effectively combat it.

I do so by enlisting the history of populist and proto-populist movements and parties in the nineteenth and twentieth centuries. My focus is on populism in the advanced Western democracies, although no discussion of the question can be entirely uninfluenced by the large literature on Latin American populism. But whereas Latin American populism is of long standing, the upsurge of populist sentiment in the advanced countries, evident in the election

of Donald Trump, the Brexit referendum, and support for populist parties across Europe, is more recent.¹⁷ It is this phenomenon in the advanced countries that motivates what follows. For that reason I concentrate on the United States and Europe, starting with the Populist Revolt in the United States at the end of the nineteenth century, arguably the first populist movement of the modern era, before moving on to its twentieth-century successors.

I exclude another case sometimes cited as a pioneering populist movement: the Narodniks, who sought to organize a revolt of Russian farmers in the 1870s and 1880s. Google Translate, which, conveniently for present purposes, utilizes crowdsourcing, translates *narod* as “people” and *narodniki* as “populists,” echoing the contemporary presumption that this abortive agrarian revolt had elements in common with its American counterpart.¹⁸ But Narodnik leaders were in fact urban intellectuals without roots in the countryside. They rejected religion, which is dear to the people, and embraced modern science, of which populists are skeptical because it empowers technocrats and legitimizes experts. I therefore see the Narodniks as a fundamentally different phenomenon.¹⁹

More generally, there is the challenge of whom to classify as populist. Disagreement about the definition of populism means, inevitably, that there is disagreement about any such classification. Even the definition here, of populism as a political movement with anti-elite, authoritarian, and nativist tendencies, implies uncertainty about specific cases, since politicians may display some of these tendencies but not others. Whether William Jennings Bryan is properly viewed as a populist is disputed, for example, since Bryan, while positioning himself as anti-elite, did not prominently exhibit the authoritarian and nativist tendencies of classic populism.²⁰

As the above should make clear, not every political figure described in these pages is necessarily a populist. In some cases my concern is to understand why members of the political establishment responded effectively to popular grievances, preventing a more violent anti-establishment reaction. Franklin Delano Roosevelt is an example of such a figure. FDR and his political allies responded to popular discontent with economic and financial reforms visibly intended to get the economy moving again. He advanced unemployment insurance and Social Security to address popular concerns with economic insecurity. But FDR was nothing if not a member of the elite. He was the son of a wealthy country gentleman, graduated from Groton and Harvard, and had been the Democratic nominee for vice president in 1920 on a ticket with the media mogul and governor of Ohio, James Cox. FDR was neither authoritarian nor nativist.²¹ But because he addressed popular concerns with economic hardship and insecurity, sometimes using harsh anti-business rhetoric, there is a tendency to think of him as a

populist.²² Nothing could be less accurate. Whether Donald Trump is a populist politician or simply a pro-business president is similarly open to question.²³

Nor are populist and anti-system movements necessarily the same. Anti-system movements and leaders seek to subvert the operation of prevailing political institutions. They are opposed to pluralist democracy and the territorial unity of the state.²⁴ Examples include Nazi, fascist, authoritarian, and Communist parties seeking to replace pluralist democracy with an authoritarian regime where power is concentrated in the hands of an entity or group not directly accountable to the people. Other examples include secessionist and irredentist parties that seek to replace the existing political system with one in which a subset of the people, defined by region, religion, or ethnicity, is represented separately or exclusively.

Conceived this way, populism is not anti-system. Populist politicians and their followers can work through prevailing political institutions to advance the interests of the people as they define them. They can voice their support for the courts, their regard for permanent civil servants, and their respect for freedom of the press. Like William Jennings Bryan, they can attempt to harness existing parties and processes to advance their political agenda. As Charles Postel wrote of Bryan and his followers, most “sought economic and political reform, not the overthrow of the existing systems.”²⁵

But while nothing prevents populists from working through the political system, populism in practice can be conducive to anti-system tendencies. Because populism as a social theory defines the people as unitary and their interests as homogeneous, populists are temperamentally impatient with the deliberations of pluralistic democracy, insofar as this gives voice to diverse viewpoints and seeks to balance the interests of different groups. Since the people are defined in opposition to racial, religious, and ethnic minorities, populists are intolerant of representative institutions that protect minority rights.²⁶ To the extent that populism as a political style emphasizes forceful leadership, it comes with a natural inclination toward autocratic, even authoritarian rule. And the longer popular grievances are allowed to fester, the more willing are followers to embrace leaders with this inclination.

Thus, even when there is no intent on the part of members of a populist movement to subvert the prevailing pluralistic system, there may be a tendency for its leaders to do so by weakening or circumventing checks on executive power. Seeing political institutions as captured and irredeemably corrupt, they will seek to advance the interests of their followers by weakening the system. Even when they take office through legitimate means, as a result of electoral support or by being asked to form a government, they may advance legislation or issue emergency decrees that abrogate the operation of representative institutions, as in the

cases of Benito Mussolini in Italy or, more recently, Nicolás Maduro in Venezuela. They may use force and violence, or at least fail to reject them, while curtailing the rights of minorities and denying the legitimacy of rival politicians and governments.²⁷ When I describe in [Chapter 6](#) how in Weimar Germany the popular reaction against economic instability and a succession of ineffectual governments set the stage for the rise of the Nazis, this is not because I see National Socialism as populist, but rather because I wish to show how populist grievances, if left unaddressed, can descend into something worse.

In explaining why populist movements gain traction in some cases but not others, an obvious starting point is economic factors. Poor economic performance, which manifests itself in slow or no growth, feeds dissatisfaction with the status quo. It fosters support for populist alternatives when that poor performance occurs on the watch of mainstream parties. Rising inequality augments the ranks of those left behind, fanning dissatisfaction with economic management. Declining social mobility and an absence of alternatives reinforce the sense of hopelessness and exclusion. Rapid economic change heightens insecurity—the sense that even if there is no lack of opportunity now, there will be a lack of opportunity in the future—when the political establishment fails to buffer the effects.²⁸

Such economic grievances are not equally likely, however, to give rise to populist reactions in all circumstances. Rather, economic hardship, exclusion, and insecurity are most likely to do so when they result from, or at least are closely associated with, developments that highlight the divergent interests of the people and the elite. Banking and financial crises are an example, combining as they do the classic ingredients of a populist reaction. Not only are the financiers and plutocrats who are the precipitating agents of such crises indisputably members of the elite, but they are seen as profiting at the expense of taxpayers—that is to say, at the expense of the people. Hence financial crises and bailouts regularly induce political swings to the extremes and popular reactions against the political establishment.²⁹ The banking crises of the 1930s had this effect, as have banking crises in other times, including our own.

Populist politicians, moreover, are best able to capitalize on these economic circumstances in polarized, low-trust societies where unfavorable conditions are readily attributed to outside forces, either elites or immigrants and foreigners—the antipodes with reference to which the people are defined.³⁰ In such circumstances, populist leaders can more easily capitalize on anti-immigrant, anti-foreigner, and anti-elite sentiment to drain mainstream parties of popular support.

Non-economists will object that populism is about more than economics—it is also about identity. “It’s no longer the economy, stupid: our identity politics are polarizing us” is how

Fareed Zakaria put it in describing the Trump phenomenon.³¹ Populism is about the challenge to the majority from immigrants and racial, religious, and ethnic minorities. It is a protest against the declining influence of the traditions, beliefs, and community of the once-dominant group. It is a reaction against the challenge posed by immigrants and minorities to the people as a homogeneous, well-defined entity. Populists seeking to capitalize on these feelings appeal to a glorious, mythologized past grounded in the collective traditions of that once-dominant majority. They invoke nationalism as intrinsic to that vision and criticize mainstream politicians who embrace diversity, open borders, and equal rights as out of touch with the people.

Those emphasizing identity politics have a point. But identity politics is most powerful against an unfavorable economic backdrop. Once-dominant groups can blame their economic plight on immigrants, foreigners, and minorities, and populists seeking to make hay from their economic dissatisfaction can play up those identity politics. In this way economic grievances and identity politics feed on each other.

The question ultimately is why the populist alternative is marginalized at some times but not others. It is why some campaigns, like Donald Trump's, succeed, while others, like William Jennings Bryan's, fail to loosen the grip of mainstream politicians on power. In answering this question, it is again tempting to start with economic factors. In the same way deteriorating economic conditions breed support for populist movements, improving conditions limit that support. Bryan campaigned against the gold standard, an arrangement dear to the political establishment, painting it as an engine of deflation injurious to the people. But by the time he rose to national prominence in 1896, deflation had given way to inflation. This change may have been fortuitous, or it may have been intrinsic to the operation of the monetary system. The discoveries of gold in the Klondike and Western Australia that ended the deflation of the 1870s and 1880s can be interpreted either way.³² But whatever the interpretation, the end of deflation meant lower borrowing costs for farmers, more investment, and faster employment growth, which together took the wind out of the Populists' sails.³³

Similarly, when Huey Long broke with Franklin Delano Roosevelt in 1934, preparing to launch a left-wing populist campaign for the presidency, the U.S. economy, after suffering through four years of depression, was firmly on the road to recovery. The low point was in March and April 1933, coincident with FDR's bank holiday and just preceding his decision to take the United States off the gold standard. In 1934, the first full year of recovery, U.S. GDP jumped by an impressive 10.9 percent. Unemployment was still painfully high, and the worst Dust Bowl year, 1935, was yet to come. But there was no question that the economy was

improving dramatically, 10.9 percent growth being nothing if not dramatic. Whether this improvement was due to better policies or because even dead cats bounce is beside the point. The economic upturn is reason to think that the incipient populist movement of the 1930s would have failed to prevent the reelection of a sitting president even had its charismatic leader, Long, not fallen to an assassin's bullet in 1935.

Admittedly, Donald Trump's success rests uneasily against this backdrop. By the time of his election in 2016, the U.S. economy had been expanding for seven straight years. Real GDP was 15 percent higher than at the apex of the 2008 financial crisis. One can object that Barack Obama's achievement in raising GDP by 15 percent in seven years was less impressive than FDR's feat of raising it by 11 percent in one. It can be argued that income gains under FDR were more widely shared. Average per capita weekly earnings in manufacturing, deflated by the cost of living, rose by 4 percent between 1933 and 1934, while employment in manufacturing rose by 14 percent.³⁴ In 2016, in contrast, there was much discussion of how real hourly earnings had stagnated or even fallen for workers at all wage levels, not just since the financial crisis but for decades. There was anger over how economic gains accrued exclusively to those at the top of the income distribution. In 2015, real median household income as measured by the U.S. Census Bureau was still nearly 2 percent below its 2007 peak and nearly 3 percent below its level at the end of the twentieth century.

This is a reminder that the economic argument about the success or failure of populist insurgencies is as much an argument about distribution as about aggregates. It is less about past economic performance than it is about expectations of the future and the response—or lack thereof—of the political establishment. In the late nineteenth and early twentieth centuries, mainstream politicians and parties responded to the complaints of the Populists with railroad regulation, interest rate regulation, and, eventually, a federal income tax and monetary reforms culminating in the Federal Reserve Act, a crowning achievement that William Jennings Bryan, no less, described as “a triumph for the people.”³⁵ All this gave disaffected voters grounds for hoping that the future would be better than the past. In the 1930s, Roosevelt and the Congress responded to popular discontent and working-class insecurity with legislation creating unemployment insurance and Social Security, as noted above. It wasn't called the *Social Security Act* for nothing, in other words.

The gridlock between President Obama and the Republicans in Congress in the wake of the 2008 financial crisis was not conducive to this kind of activist response. As a result, recovery from the crisis was underwhelming, regulatory reform more limited.³⁶ The ultimate irony is that the principal measures addressing economic insecurity under Obama, the Affordable Care

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Containment

THE POPULIST TEMPTATION is greatest when economic concerns fuse with identity politics and when the two are inadequately addressed by mainstream parties. In some cases the political establishment has responded with policies that address voters' concerns about living standards, equity, economic security, and the sense that their voice is not being heard. The Populist Revolt in nineteenth-century America was defused by freight rate regulation, interest rate regulation, and changes to the gold standard, limited reforms that went some way toward addressing the complaints of farmers and others, together with political reforms such as the referendum processes and direct election of senators advocated by the Populist Party. These steps took the wind out of the populists' sails. Mainstream politicians also appropriated certain less savory elements of the populist agenda, restricting immigration from Asia and taxing imported manufactures, for example. But these and other questionable tactics were more limited than they would have been in the absence of constructive responses.

Those constructive responses and their positive reception were favored by good luck and good institutions. Growth accelerated in the 1890s, creating new opportunities and diminishing the sense that change was a zero-sum game. Not just more favorable U.S. monetary conditions but also a more benign global environment helped to banish deflation. This was good luck at the best possible time. But the decentralized nature of the country's political institutions also helped in this period of limited federal powers. Rather than having to organize a successful national movement, as the Populists ultimately failed to do, reformers in Oregon and California organized locally, using referenda to enhance the voice of the people and address the concern that legislators were beholden to moneyed interests. Oregon and Nebraska could push ahead with the direct election of senators, again bypassing suspect state legislators, until the requisite three-quarters of states finally agreed to amend the Constitution

in 1913.

Time will tell whether we are as lucky this time and whether the political establishment is as capable of mounting a constructive response. The ultimate good luck would be a better economy. Productivity growth fell sharply across the advanced countries in the 1970s, as we saw in [Chapter 8](#). It then recovered during the 1995–2005 period before declining again. One can imagine that the years after 2005 were the anomaly and that growth is now poised to accelerate. Just as it took time to figure out how to apply new information technologies to retail trade, wholesale trade, and financial services, the sectors that led the recovery of productivity growth in 1995–2005, it may simply be taking time to figure out how to apply the cloud, quantum computing, artificial intelligence, and other recent IT advances outside the IT sector. Firms throughout the economy must first reorganize how they interact with their customers and how they recruit and deploy their workers.¹ If we're lucky, the results will materialize quickly.² Growth will accelerate, obviating the need for hard choices and blunting political extremism. Or not.

For those willing to be patient, there is a plain-vanilla recipe for fostering faster growth. It starts with investing in basic literacy and numeracy but also in vocational training, university education, and lifelong learning. It includes relaxing excessive regulation, but also retaining regulations that correct market failures. It requires sound and stable economic policies making for a favorable investment climate. This means not boosting demand in unsustainable ways, as before 2007, but also avoiding policies that actively depress spending, as in Europe after 2010.

But one thing these policies have in common is that they take time to work their effects. It takes time to train a more skilled and productive labor force. It takes time to renew the capital stock. It takes time to translate principles into policies and to develop a consensus around their implementation. The plain-vanilla recipe for fostering growth is like the dietician's advice to "eat healthy." Enhancing the environment for growth, like changing one's diet, takes discipline, attention to detail, and time to see the effects. And time doesn't favor those seeking to head off a populist reaction.

If faster growth fails to materialize, then it is all the more pressing to address distributional concerns. This will require new thinking, since the forces that made for greater equality in the third quarter of the twentieth century are unlikely to return. Trade unions, which advocate for factory workers, will find it more difficult to organize people working remotely from home. They will be less able to extract rents in a world of internationally integrated markets, where emerging economies with lower wages welcome employers with open arms. Capital

mobility makes it harder for governments to use tax policy to level the income distribution as they did after World War II, since the wealthy and the corporations in which they invest can now shift their assets to lower-tax jurisdictions. The ethnic, racial, and religious diversity of Western societies, reflecting the cumulative effects of immigration, limits political support for governmental transfers. And the bias of technological change no longer favors blue-collar workers; it is the routine jobs of less skilled workers that are being disproportionately automated, while more-skilled workers oversee the automatons.

Insofar as offshoring of the labor-intensive component of manufacturing supply chains in the advanced countries has raised capital's share of GDP, one way of addressing inequality is by ensuring that capital is held more widely.³ Anthony Atkinson suggested strengthened inheritance taxes to prevent concentrated claims on capital from passing down to the fortunate few and using the revenues to provide every citizen with a capital grant at the age of majority.⁴ But if the dead are in no position to lobby or flee to lower tax jurisdictions, wealthy parents can do both. Moreover, Atkinson's proposal centers on redistribution, which is politically fraught. It implies transfers from more to less fortunate ethnic, religious, and racial groups, which clashes with identity politics.

Subtler approaches would start with giving firms tax incentives to adopt employee stock option plans. Workers can be given tax incentives to invest in them. Individuals can be required to opt out of retirement and other payroll-linked savings plans instead of being given the choice to opt in. These policies won't redistribute capital ownership at a stroke. But they can give capital-poor individuals hope that the distribution of holdings will evolve in more equitable directions. And hope is what it's all about.⁵

Insofar as inequality reflects the very different labor incomes of top earners and others, societies again have the choice of whether to address this directly. In 2013 Switzerland voted on a referendum that would have limited executive pay to twelve times that of a company's lowest-paid employees. Voters rejected the proposal as too radical and too easily circumvented by non-salary compensation and perks. In the United States such regulation would likely be regarded as beyond the pale. Still, absent other measures to curb excesses, one can imagine more such proposals from left-wing populists in a variety of countries, including even the United States, where the average ratio of the pay of CEOs of big firms to that of their workers is a staggering 200 to 1.

Curbing those excesses should start with making corporate boards and compensation committees subject to stronger legal and administrative sanctions if they too readily acquiesce to CEO requests for higher pay, neglecting their fiduciary responsibility to other stakeholders.

Regulators should require companies to disclose the existence of executive stock option plans. Only independent directors should be allowed to sit on compensation committees. Shareholders should be entitled to vote on—and veto—pay packages for top executives, as U.S. investors were empowered to do by the Dodd-Frank Wall Street Reform and Consumer Protection Act, put in place in 2010 in response to the financial crisis.⁶ The fact that the increase in the share of labor income accruing to the top 1 percent has been heavily concentrated among employees in the financial sector, not just top executives but also others, suggests that restraining the growth of the financial industry, another intended effect of Dodd-Frank, can help to limit pay inequality in addition to limiting stability risks.⁷ Whether Dodd-Frank will survive the backlash against post-crisis regulatory reform is uncertain. These are arguments for why it, or at least something like it, should.

In the United States, high rates of social mobility are traditionally cited as a reason not to be fixated on inequality. Even those at the bottom, the argument goes, have a chance of rising to the top. It follows that declining social mobility is part of the explanation for why inequality has become more of a concern. The economists Michael Carr and Emily Wiemers found evidence of a significant decline in lifetime earnings mobility in the United States since the early 1980s. The probability of an individual remaining in the same decile of the earnings distribution over his or her working lifetime went up for every decile of the distribution in the post-1980s period. Meanwhile, the chance that someone who starts in the bottom 10 percent of the earnings distribution will move above the 40th percentile dropped by 16 percent. The likelihood of workers who started their careers in the middle of the earnings distribution moving to the top deciles similarly declined by 20 percent.⁸

And what is true over an individual's working lifetime is true across generations as well. Fully 50 percent of a parent's earnings advantage, recent studies suggest, is passed on to the next generation. The intergenerational elasticity of earnings, the technical name for this form of persistence, is as much as two-thirds for those in the top half of the distribution.⁹ Current estimates of intergenerational persistence are noticeably higher than those in the second half of the twentieth century.

Raj Chetty and his coauthors have shown further that the probability of a child from a family in the bottom fifth of the income distribution reaching the top fifth varies greatly across the United States. Areas with high earnings mobility have better primary and secondary schools; they better prepare children to succeed economically. Those areas have less residential segregation, enabling children from poor families to interact with people from different economic backgrounds and to acquire the social skills needed for getting ahead in the labor

market. They have fewer single parents, a larger middle class, and more civic and religious organizations. Some of these variables are easier to influence with public policy than others, but these findings are at least suggestive that investing in primary and secondary education and legislating against residential segregation, using anti-discrimination and appropriate zoning laws, can enhance economic mobility and thereby ameliorate inequality concerns.¹⁰

When comparing regions, Chetty and colleagues do not find that people in places with better access to higher education, in the sense of sheer physical proximity, display higher earnings mobility. Physical access is less of an issue today than after World War II, given the proliferation of public, private, and for-profit institutions.¹¹ The University of California, to pick an example not entirely at random, added four general campuses in the 1950s, five in the 1960s, and a further one in the twenty-first century. Those campuses were situated where they were precisely in order to serve neglected communities.

Access to elite education still matters, however. The higher education that most affects the probability of an individual moving from the lower or middle part of the income distribution to the top 1 percent is attending an Ivy League-type school. This is a problem for those concerned with inequality of income and opportunity, since, as another Chetty-coauthored study shows, children from families in the top 1 percent of the income distribution are seventy-seven times more likely to attend an Ivy League-type school than children of families in the bottom fifth of the income distribution.¹²

This suggests eliminating favorable treatment by admissions committees of children of alumni, so-called legacy admissions.¹³ It points to limiting the tax advantages of private universities with large endowments that cater to the children of the wealthy. It is an argument for providing additional funding to middle-tier public institutions like the City University of New York and California's system of state and community colleges (as opposed to the university) that enroll disproportionate numbers of lower-income students who, after graduation, have high rates of earnings mobility.¹⁴

All this can better equip young people preparing to enter the workforce, but there remains the question of what to do for those well into their working years. In a variety of times and places, from Bismarckian Germany and Edwardian Britain to the United States in the 1930s, a populist reaction against economic change has been contained by public programs that compensate the displaced and comfort others who fear the same fate. Unemployment insurance, health insurance, and old-age insurance address this need, as does assistance with retraining, job search, and relocation. These programs help workers cope with circumstances that they are less than fully capable of handling themselves, thereby addressing the anxieties of creative

destruction. In some countries administration of these programs is top-down, while in others, like the United States, it is heavily decentralized—essentially for historical reasons, as we have seen. In Canada, the United Kingdom, and many European countries, health care provision and insurance are directly administered by the government, while in the United States, again for historical reasons, the direct role of government is limited to those with special needs—namely, the elderly (Medicare), the poor (Medicaid), and the military (the Veterans Administration)—to providing subsidies for people for whom health coverage is prohibitively costly, and to providing tax deductions for large medical expenses.¹⁵

It is not coincidental that the United States, where for historical and ideological reasons the role of government in providing social insurance is most limited, is also where the backlash against free trade and concern with the decline of manufacturing employment have been especially intense. Americans understand that they will not receive much help from publicly provided unemployment insurance, health insurance, and old-age insurance and little assistance with retraining and relocation if they lose their jobs to globalization and automation. Ethnic, racial, and religious heterogeneity has worked against the extensive provision of social assistance, with each group resisting calls to fund programs they believe benefit mainly others.

What is true of racial divides is true equally of socioeconomic divides. Insurance is not provided under a veil of ignorance. Skilled workers whose jobs are secure understand that they are being asked to finance insurance and income maintenance for less skilled workers whose livelihoods are at risk from globalization and technology. But this very observation suggests a bargain. Whereas less skilled workers are disproportionately on the receiving end of social insurance benefits, more skilled workers in the advanced economies benefit disproportionately from globalization, since their countries export mainly skill-intensive goods. Skilled workers also benefit disproportionately from new technologies that complement their skills. The high-wage workers in question may be funding transfers to others, but in return they are getting a social consensus favoring economic openness and technical change.

In other words, globalization and technological progress may be good things, as economists argue, but even good things are rarely free. Otto von Bismarck understood this when he advanced health, disability, and old-age insurance to reassure Silesian weavers displaced by technical change and imports that the German Empire had their backs. David Lloyd George and the New Liberals understood this when they adopted unemployment insurance to fend off pressure for tariff reform from workers in the shipbuilding, engineering, and iron-foundry trades. Franklin Delano Roosevelt understood this when, at the same time as he sought

to walk back the import restrictions of the 1920s and 1930s under authority granted him in 1934 by the Reciprocal Trade Agreements Act, he spearheaded a historic expansion of the welfare state.¹⁶ John F. Kennedy understood this when he signed the Trade Expansion Act of 1962, which authorized the president to cut tariffs by 50 percent but also created programs to provide job training, job search assistance, and exceptional income support to workers displaced by foreign trade, enlisting the support of union leaders for the trade expansion bill.¹⁷ The failure of twenty-first-century politicians, specifically in the United States, to make this connection is either a failure of courage, to the extent they are intimidated by hardcore ideological opponents of government action, or a simple failure of logic.

There are also more ambitious ideas. If jobs for unskilled workers are gone for good and not everyone can acquire the necessary skills, then there is a solidarity argument for a basic income for all. This was another idea the Swiss considered in a referendum, this one in June 2016. Although the ballot measure didn't specify the amount, campaigners suggested that it would be some 2,500 Swiss francs per month per adult, or roughly \$2,500—almost exactly the same in 2016 dollars, as fate would have it, as the allowance proposed under the Townsend Plan, described in [Chapter 5](#), or under Huey Long's "Share Our Wealth" plan, as described in [Chapter 9](#).¹⁸ The Swiss proposal was defeated, with 77 percent voting against, on grounds of cost (the measure would have cost 4 to 5 percent of GDP) and also for fear that an unconditional scheme would encourage indolence. It's not hard to anticipate the same reaction elsewhere.¹⁹

Better would be to question the presumption that there is a large class of citizens unable to acquire the skills to make them employable and to reject the proposition that jobs for humans are gone for good.²⁰ Also better would be to redesign education and training to prepare workers for non-routine jobs that are difficult to automate—to impart the adaptability, interpersonal skills, and oral communication ability required for twenty-first-century work. This suggests focusing from an early age not just on literacy and numeracy but also on cultivating empathy, compassion, and other human instincts that machines find it difficult to emulate (so far) but which the elderly, ill, infants, and others value in interactions.

But if there are limits on the ability of society, through education and training, to raise the productivity of workers to the point where employers who have the option of using robots are willing to pay those workers a socially acceptable wage, then the solution is subsidizing wages and work. This would be cheaper and more socially acceptable than an unconditional basic income. It would enable workers to learn on the job. It would give people the satisfaction of having work. Wage subsidies could be extended to the worker or employer through the tax

code. Even countries traditionally as suspicious of social engineering as the United States have experience with such programs. The U.S. federal government provides an Earned Income Tax Credit, for example, which reduces the taxes of low-income families so long as they work and which may even give them a refund (a negative tax liability). This tax credit scheme is in fact the country's third-largest social welfare program after Medicaid and food stamps. The United States similarly provides a Work Opportunity Tax Credit to firms that hire certain types of low-skilled workers, thereby making it more economical for employers to take them on.²¹

Also fashionable, since it has been suggested by no less than Bill Gates, is taxing robots to level the playing field.²² Why should people pay taxes while robots get off scot-free? The resulting revenues could then be used to fund socially worthwhile programs.

But where, one might ask, do we draw the line between robots and ordinary machines? Is an ATM a robotic bank teller, and if so, should ATMs be taxed? Should all machines be taxed?

Definitional problems aside, a moment's reflection reveals that the owners of robots don't, in fact, get off scot-free. If robots are a source of profits, then their corporate owners pay tax. To the extent that those profits end up as dividends and capital gains, the recipients of these forms of income pay tax as well. And if they don't, then the fix is to reform corporate profits and personal income taxation.

Consumers, meanwhile, benefit from the cheaper goods and services provided by the new technology embodied in robots. From this vantage point, taxing robots is ultimately no different from taxing technological progress. It is also no different from taxing international trade. Taxing international trade limits the ability of a country to transform the goods it can produce most cheaply and efficiently into goods that can be produced more cheaply abroad. Taxing trade therefore reduces the purchasing power and living standards of residents overall. A tax on robots is no different.²³

Not just these ambitious schemes but also more traditional interventions such as unemployment insurance and job training must confront the erosion of social solidarity in ethnically, religiously, racially, and economically diverse societies. The mechanical ties of kinship and the shared values emphasized by Emile Durkheim as sources of social solidarity no longer bind as tightly in countries whose residents lack the hegemonic belief system, the basis in community, the equality of incomes, and the access to opportunity of a fabled past. The organic ties of economic interdependence—the solidarity rooted in mutual economic interest also emphasized by Durkheim—no longer bind now that high- and low-tech industries are located in different places, out of sight of one another, and now that people of different political persuasions cluster in red and blue states.²⁴ This problem is, in a sense, even worse in

the European Union, insofar as the majority of residents stubbornly self-identify as Spanish or Italian rather than European, notwithstanding the fact that “solidarity” is one of the six pillars of the European Union’s Charter of Fundamental Rights.

In this setting, inequality and lack of social cohesion feed on one another. If income disparities result less from individual merit than from inheritance, family connections, and access to elite education, then those disparities will rightly be seen as unfair. This perception will in turn undermine trust in fellow citizens and in society generally.²⁵ As a result, government will not be trusted to undertake programs that reduce inequality, in turn making disparities worse and eroding trust and solidarity still further.

What’s a heterogeneous society to do? One answer is federalism. Americans with a high level of trust in government and in one another can congregate in blue states, while the less trusting congregate in red states, and both can pursue their preferred policies. Blue states can offer higher minimum wages and more public support for education, training, and relocation, while red states do the opposite. If Californians want to organize a single-payer health plan and finance it with a wealth tax on residents with assets of more than, say, \$20 million, and with a tax on the global profits of companies levied on the basis of the share of their sales occurring in California, then the U.S. Constitution allows them to proceed.²⁶ This would be not unlike the response to economic change and inadequate political voice that motivated reformers in Oregon and California to push for direct democracy at the state level in the early twentieth century. No less an authority than Mick Mulvaney, Donald Trump’s budget director, said as much when Congress was debating repeal of the Affordable Health Care Act in 2017: “If you live in a state that wants to mandate maternity coverage for everybody, including 60-year-old women, that’s fine.” And if you don’t, “then you can figure out a way to change the state that you live in … Change … state legislatures and state laws. Why do we look to the federal government to try and fix our local problems?”²⁷

But the federal solution has limits. Some things, like providing a strong national defense, securing the nation’s borders, and regulating immigration, can be done only at the national level, and in Europe’s case at the European level. This is true of trade policy, so long as a country has free interstate commerce (in European terms, as long as the EU is a single market). Different trade policies are feasible only with restrictions on interstate commerce, since otherwise goods will enter through the state with the most liberal policy, which will then become the de facto standard. Decentralization therefore doesn’t solve the problem of displacement of labor by import competition. And it doesn’t reconcile different attitudes toward immigration.

Different states can still pursue different approaches to displacement, providing more or

less ambitious retraining programs. But there are limits, since workers receiving retraining in one state can seek employment in another that doesn't share the cost of imparting the new skills. The same is true of environmental policy. California can follow its own ambitious environmental policy, since it's a big state and the wind blows off the ocean. But smaller states that are downwind will find adopting a stringent environmental policy more costly.

Clustering by taste will also limit interaction between individuals with different attitudes, thereby eroding trust and solidarity still further. This will make it even harder to agree on the provision of collective goods and services at the federal level. Familiarity breeds trust, not contempt, as James Coleman famously put it.²⁸ Communities with high levels of ethnolinguistic diversity spend less on collective goods like health, education, and infrastructure, as we saw in [Chapter 1](#). But the more those different groups mix—the greater the extent to which they are co-located geographically—the more those effects are attenuated.²⁹ Also consistent with this view is the observation in [Chapters 9](#) and [10](#) that natives of regions that are home to the fewest foreign-born residents display the least trust of immigrants.

This brings us finally to the vexed question of immigration. The narrowly economic case for more immigration in the advanced countries is impeccable. The immigrants themselves benefit enormously: both unskilled and skilled workers in developing countries see the purchasing power of their earnings rise by a factor of ten when they move to an advanced country where better infrastructure, technology, and contract enforcement render them more productive.³⁰ It's hard to point to another way that income gains of this magnitude can be conjured up overnight. The advanced countries on the receiving end benefit as well. They are capital abundant and labor scarce. Their dependency ratios are high. The labor force is growing slowly or, in some cases like those of Japan and Italy, not at all.³¹

The narrowly economic objections and alternatives to more immigration are not compelling. Although immigrants consume public services, they also pay taxes, on balance contributing more than they take.³² Foreign aid might seem like an alternative to immigration: aid that fosters economic development can reduce the incentive to move and, not incidentally, make the donors feel less guilty about closing their borders. Both motives were apparent in the so-called Marshall Plan for Africa unveiled by the German Development Ministry in 2017. But even the most optimistic assessments do not suggest that development assistance can raise living standards tenfold overnight.³³ Additional trade preferences can be extended to poor countries, but access to export markets is not enough to bring incomes up to advanced-country levels when local institutions are the problem and, for historical reasons, remain difficult to change.

It can be objected that immigrants bring with them not just their manpower but also the culture and experience that lie behind the low productivity of their native country.³⁴ But the literature warning of such adverse effects is entirely evidence free.³⁵ It runs counter to historical experience with successful assimilation, and specifically to the historical experience of the United States, which has successfully assimilated successive waves of immigrants, raising their productivity to the level of natives rather than the other way around. It runs counter to the observation that immigrants are not randomly selected, it being the industrious and hard-working who have the get-up-and-go to migrate.

Maybe assimilation is harder now because the religion, race, or ethnicity of the current wave of immigrants is so different from that of natives. But every generation argues that assimilation is harder now. In the United States, the same argument was made about Irish and Italian immigrants in the nineteenth century, and then about Eastern Europeans and Asians. It could be that assimilation is harder when immigration reaches high levels. Immigrants then cluster in their own communities, reinforcing traditional values, and have less contact with natives. But this argument, if valid, is an argument against unlimited immigration, not against current levels of immigration, which have not obviously disrupted assimilation in this economic sense.³⁶ And insofar as residential and economic segregation make it difficult for immigrants to adapt to host country practices, it is in the interest of the host country to pursue housing policies that allow immigrants to interact more with natives, job training and nondiscriminatory employment policies that give immigrants more contact with other workers, and education policies that allow the children of immigrants to mix with the children of natives and be exposed to host country mores.

And apart from these economic arguments, there is also a humanitarian argument for admitting more refugees from impoverished, strife-torn countries.

These economic and humanitarian arguments of course run headlong into distributional and identity concerns—they run headlong, in other words, into populist politics. Where immigrants are unskilled, their arrival in large numbers is likely to have some impact, or at least to create fears of some impact, on the wages of less skilled natives.³⁷ This effect is especially problematic in advanced countries where import competition from low-wage countries and skill-biased technical change similarly disadvantage the less skilled and widen inequality.³⁸ And it is easier to point the finger of blame at immigrants and shut the door on new arrivals than it is to blame inventors and investors and turn back the clock on technology.

More education and training is an obvious policy response to pressure on the wages of less skilled natives. This is the same formula economists regularly recommend for addressing the

negative impact on unskilled labor of skill-biased technical change and globalization. This observation is a reminder that simply shutting the door on immigration will not relieve the pressure on working-class living standards or reverse the rise in inequality that has fanned nativist sentiment, since shutting the door to foreign labor will not eliminate the unequalizing effects of technology and trade. It is a reminder that additional immigration creates a dilemma for those seeking to increase funding for education and training, insofar as ethnically, religiously, and racially heterogeneous societies find it harder to cultivate the trust in government and in others needed to maintain popular support for such programs. Again, this suggests that policies countering residential and economic segregation should be a priority, since they facilitate interaction between groups, building trust and thereby neutralizing the negative impact of increased diversity on society's willingness to provide education, training, and other services collectively.³⁹

Some have suggested reforming the immigration system to deal with economic and identity concerns. U.S. immigration policy could move away from family unification and toward a Canadian-style point system that rewards education and training, as Donald Trump proposed in 2017. Since immigrants will be more skilled, they will not drive down wages for unskilled work. But this change, which downgrades humanitarian motives, would not be universally embraced. It would not be helping the poorest but rather favoring the relatively advantaged possessing advanced degrees. Alternatively, countries could move to a fixed-term guest worker system, like the Bracero Program implemented by the United States and Mexico in 1942 to alleviate wartime labor shortages and the German *Gastarbeiter* system of the 1950s and 1960s.⁴⁰ Since temporary workers won't set down roots, they won't be perceived as posing a threat to identity. Since they will be in the country for a limited period, they won't be inclined to bring their families, establish their own houses of worship, and found their own civic organizations. Since there is a large pool of farmworkers and software engineers in the developing world, the advanced countries can easily meet their labor force needs through a system of rotating fixed-term contracts.

But there are good reasons to doubt the feasibility of such schemes. The *Gastarbeiter* system broke down because German employers objected to the costs of training new workers every two years and pressured the authorities to let the incumbents stay. The Bracero Program was abolished in 1964 because of complaints that farmers were providing substandard wages and housing, problems that neither the Department of Labor nor the Department of Agriculture saw as priorities to solve, while Mexican farmworkers for their part lacked the civic and economic organizations, starting with unions, through which they could insist that these

deficiencies be corrected.⁴¹ Such systems can be made to work, it is said, if the authorities are sufficiently vigorous about enforcing fixed-term contracts and holding employers to the same wage and safety standards that apply to other workers. But the fact that guest workers lack a path to citizenship and are wards of the state for only a limited period suggests that their treatment will not be seen as a priority and that they would have few advocates and channels through which to press their case.

Lastly, there is the question of what kind of political system is best placed to respond to the populist threat. The traditional answer is a presidential system like that in the United States, where winner takes all. In this system, populist movements find it hard to make political headway against the established parties. Nominees appealing to the median voter have an incentive to move to the political center in the general election and to shun divisive, us-against-them policies.

But however sensible these rules of the road, recent experience suggests that the U.S. system is also dangerously accident prone. Against a backdrop of economic insecurity and contested identity and with his rivals at one another's throats, it is not impossible for an unconventional politician to capitalize on anti-elite, nativist sentiment and capture a major party nomination. Faced with a weak opponent and benefiting from a bit of foreign meddling, it is not impossible for that nominee to win an election without moving to the political center.

In the American winner-takes-all system, the 49 percent of the electorate that voted for the other party may then be left with no political voice. Indeed, under the U.S. Electoral College system, which apportions electors mostly on a state-level winner-take-all basis, it is possible for an absolute majority of voters to be left without voice in the executive branch, as happened in 2016. Because the Electoral College was designed to enhance the representation of sparsely populated rural states—the number of electors equals the size of each state's congressional delegation, one for each member in the House of Representatives plus two senators for each and every state—the system aggravates the urban-rural divide that is regularly a feature of populist politics and was a feature of the 2016 U.S. campaign. It may be fun to imagine Electoral College reform, but it's hard to envisage three-fourths of state legislatures, necessarily including a number of smaller rural states, agreeing to amend this provision of the Constitution.⁴²

Then there's the problem of buyer's remorse. Even if mainstream Republicans develop deep reservations about the actions of President Trump, they will hesitate to impeach him, because doing so would call into question the process through which he secured his party's nomination and therefore the integrity of the party itself. In the U.S. system, populist leaders

are hard to remove once in office. A robust political system, like a driverless car, must be capable of course correction. In the United States, midterm elections that regularly produce divided government are the main course-correction mechanism. But because the president is able to appoint Federal Reserve Board members for fourteen years and Supreme Court justices for life, the course set previously may be impossible to correct.

Recent experience suggests that systems of proportional representation, as in the Netherlands, and two-stage general elections, as in France, are more robust when it comes to coping with populist insurgencies. In the Dutch system, parties are represented in parliament roughly in proportion to their share of the popular vote, ensuring a hearing for different religious and regional voices. Government is by coalition, and other parties can refuse to ally with an extremist party. The knowledge that this party will not be part of the policy-making coalition will discourage some voters from throwing away their ballots by supporting what will almost certainly be the opposition. These were the incentives that limited electoral support for Geert Wilders, his Freedom Party, and their racist, anti-Muslim message in 2017. In the French system, a large number of candidates compete in the first round, but only the two leading vote-getters proceed to the second. Even if an extremist wins a plurality in the first round, supporters of the other mainstream candidates have an incentive to unify around her rival in the second, allowing the center to hold. This was the system that hobbled Marine Le Pen in 2017.⁴³

The French system isn't perfect. If the non-populist survivor is too far to the left or the right, voters from the other end of the political spectrum, whose preferred candidate doesn't make it to the second round, may fail to unite behind the non-populist alternative. Proportional representation systems similarly have drawbacks. Coalitions are fragile. Governmental turnover is high, and if elections are frequent, officials may devote more energy to campaigning than to governing. Government instability and the difficulty of making progress on policy when parliament includes many splinter groups can breed dissatisfaction with mainstream parties and leaders, and this frustration may feed support for more extreme alternatives, as in Italy in the 1920s. Minimum thresholds for parliamentary representation and hurdles to no-confidence votes, as in Germany, while helpful, do not eliminate these problems entirely.

In the end, all political systems are imperfect. But some are more imperfect than others.