

# THE AGE OF PERPLEXITY: RETHINKING THE WORLD WE KNEW



“The world as we have created it is a process of our thinking. It cannot be changed without changing our thinking.”

**Albert Einstein**

# >PREFACE

This book, *The Age of Perplexity: Rethinking the World We Knew*, is the tenth in the annual series that BBVA has been dedicating to the spreading of knowledge on the important matters of our times.

We started this series in late 2008, concurrently with the first edition of the Frontiers of Knowledge Awards, given by the BBVA Foundation and that, in these few last years, have achieved worldwide renown. To celebrate the launching of these awards, the first book was titled *Frontiers of Knowledge*. In it, some twenty renowned scientists and specialists from all over the world reviewed the latest advances and the perspectives of the several scientific disciplines and the arts recognized by the awards. These first few books were received very favorably and inspired us to create OpenMind ([www.bbvaopenmind.com](http://www.bbvaopenmind.com)) in 2011, an online community for debating, spreading and generating knowledge. OpenMind has grown steadily, and today it covers a wide range of subjects: science, technology, economy, business, the environment, ecology, and an assorted combination of social and humanistic disciplines. And it does this in many different formats: books, articles, posts, reports, infographics, videos, etc., with a growing volume of audiovisual materials. All this is available, totally free, in Spanish and English.

The major asset of OpenMind is its more than 250 authors and collaborators, all top specialists in their fields. Another asset is its community: by the end 2017 it will have received some four million visits, and more than 150,000 followers on social networks help through their participation, their comments and the dissemination of contents all of which help OpenMind to grow.

Our books are collections of articles written by leading figures in their fields that address, in a very transversal way and using different points of view, the issues that really affect our lives and futures. In previous volumes we have addressed subjects that range from globalization to the future of Europe, including the great ethical questions of our era; and also the mainstay of our subject matter: scientific and technological progress and its impact on the future of economy, society and our daily life.

Last year's book (*The Next Step: Exponential Life*) looked at how the technological revolution that we are undergoing is giving rise transformation that not only impacts our lives, but also the future of humanity. This not only affects the economy, politics, society and daily life, but even what seemed to be the basic constants of the human species: our physical and mental capabilities, longevity and our place as the dominant species in our world, something put in to question by the coexistence and, eventually, the fusion with increasingly intelligent machines.

All this has opened up what this book calls an "age of perplexity" in the face of changes for which we do not have guidelines or instructions to operate with. The impact of globalisation, of technological progress and

of the insecurity that they cause is reflected in people's decisions, and by the path that our society is following. This path that will decide our future, in the sense that it will determine our capability of facing the challenges and taking advantage of the opportunities offered up by the advances in science and technology.

This is the subject of this book, and to produce it we have been lucky enough to count on the participation of more than twenty world-renowned specialists and leading academics, and I wish to thank them all for their magnificent contributions and for their support to our OpenMind project.

In this book, first we look at the more generalized subjects, taking in the transformation that computing and the greater availability of information brings to our perceptions and understanding of things, and in the social imaginaries, that shape our attitudes and reactions to the events that we observe.

All this underpins the changes in politics we are witnessing, the appearance of populist movements or, more generally, the lack of commitment or disaffection with political institutions and the values that support the existing democracies. In these arenas, the new digital media, new types of digital political activism, and the rise of movements that question the dominant economic and political paradigm all play a key role.

This is the basic content of the second group of articles, which gives way to a third group that takes all these trends to the supranational and geopolitical level:

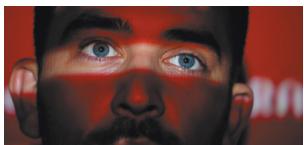
in these articles we discuss the importance of incorporating a feminist perspective to international relations (as well, of course, as to all the spheres of human activity); new types of warfare, in which neither the contenders, strategies or media resemble anything we knew before; the huge geopolitical challenge represented by the complex and diverse Arab Islamic question; the end of the brief unipolar world era, with the emergence of powers that question the United States' hegemony, among which we highlight China; or the future role of Latin America in the global map.

The last group of articles deals with economic questions that are, to a great extent, at the root of the current perplexity, insecurity and discontent: in them, we examine the impact of globalisation and technological change on growth, the welfare state and, above all, employment. From this base, we look at which are the most suitable economic policies and forms of organization for harnessing the potential of the digital revolution, and also for minimizing the risks of a society with increasing inequality, with a huge number of jobs taken over by machines, or even the loss of control of individual or collective decisions. This technological revolution will undoubtedly require a complex transition process, but we also have before us a wonderful opportunity to better tend to the needs and demands of people: with more growth, jobs and a fairer distribution of wealth, and a richer and fuller life for the whole of humanity.

**Francisco González**  
Group Executive Chairman BBVA

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# >FROM THE AGE OF PERPLEXITY TO THE ERA OF OPPORTUNITIES: FINANCE FOR GROWTH



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Image: The age of robots. Technology ushers in a new era, foreshadowing the fourth industrial revolution.



Graduated in Economics and Business Administration from the Complutense University in Madrid. **Francisco González** has been Executive Chairman of BBVA since 2000. Francisco González is a Member of the Board of Directors of the Institute of International Finance (IIF), where he is also a Member of its Executive Committee. He is a Member of the European Financial Services Round Table (EFR), the Institut International D'Études Bancaires (IIEB), the International Advisory Panel of the Monetary Authority of Singapore (MAS), and the International Business Council (IBC) of the World Economic Forum (WEF), among other international fora. He is also Vice-Chairman of the Board of Trustees and a member of the Global Advisory Council of The Conference Board (TCB). He represents BBVA in the International Monetary Conference (IMC). He is also Chairman of the BBVA Foundation. Prior to the merger between Banco Bilbao Vizcaya and Argentaria, Francisco González was Chairman of Argentaria from 1996 to 1999, where he led the integration, transformation and privatisation of a diverse group of State-owned banks. He began his professional career in 1964 as a programmer in an IT company. His ambition to transform 21st-century banking with the support of new technologies dates back to this time.

# >FROM THE AGE OF PERPLEXITY TO THE ERA OF OPPORTUNITIES: FINANCE FOR GROWTH

We are undergoing an era of social and political change that is, at the same time, the cause and effect of a state of perplexity, uncertainty and insecurity among citizens. At its foundations are a fear of the future of the economy and employment in the context of rapid technological change and progress. This article argues that the technological revolution will produce, in the medium term, more wellbeing, growth and employment, but only after a transition period that could be difficult for many. Appropriate economic policies would help to speed this transition and minimize its costs. Among these policies must be included the promotion of a digital transformation of the financial system that contributes to greater and more inclusive growth.

## Change and Perplexity

In this last decade, we have witnessed phenomena that (especially when considered in retrospect) were probably not unforeseeable, but that systematically catch even the most expert political, economic and social agents off-guard.

After eighty years in which the possibility of another Great Depression was considered unthinkable, we have suffered an intense economic and financial crisis. Concurrently, but not independently, we are witnessing profound changes in political, economic and social models: long held beliefs and assumptions are being questioned; institutions that have anchored domestic and supranational policies for many years are severely weakened.

In the geopolitical area, the regime after the end of the Cold War, in which the United States emerged as the only superpower, guarantor of an increasingly open and interconnected world, consolidating a global order of ever more integrated democracies and market economies, has given way to a much more uncertain world. Now there is no longer a clear hegemonic power. Not only because the influence of the United States in the global economy is weakening, but because other areas, especially Asia, are growing more quickly. It is also because the United States, which during Obama's presidency already reduced its involvement in foreign conflicts, after the election of President Trump, is appearing to renounce its role as a global promoter of democracy, the rule of law, free trade and human rights to adopt a more unilateral view and use its economic and military power (the latter being clearly hegemonic) only in defense of the interests of the United States, in a much more restrictive way.

This, of course, weakens the United States' closest, unconditional allies: Western Europe, Japan, etc., and leaves Russia or China more room to expand their political and economic influence: firstly in their closer hinterlands, and from there, to the rest of the world. Other smaller regional powers are also gaining the ability to influence their immediate surrounding areas, increasing global instability.

At the same time, supranational economic and/or political cooperation projects and the free trade agreements are losing impetus in different regions (Asia/America, America/Europe...). Even the European integration project, that has had seen unprecedented success for decades, now faces Brexit, deep disagreements with several members in Central and Eastern Europe, and a growing disaffection of Europeans with the common project.

At the root of these geopolitical shifts we can observe changes in nations, societies and citizens themselves; we see, around the world, the growth of populist political parties, as well as a downward trend in people's participation and trust in politics, institutions, elections, and the liberal democratic system in general. In return, 'state authoritarianism' and what is sometimes called 'direct' democracy (that is, the formulation of political proposals in which there is no institutional intermediation, supported by public opinion and that supposedly represent the will of the people, and the making of decisions based on referendums) develop.

Political rhetoric and its narratives are also changing in the case of politicians, the media or social media, with an increase in polarization and a growing tendency towards the 'framing' of the news or deliberate ways of disinformation, such as the use of 'fake news'.

The result of all this is a less transparent political debate focused on solving problems in the short term, one much more oriented towards confrontation, the creation of enemies and the 'othering' of those who think differently, rather than the search for common ground.

The problem of refugees and their impact on the economy, security and politics is pivotal in the Middle East.



In this setting, citizens feel ‘attacked’, insecure and pessimistic, and tend to support drastic solutions to their problems, and ‘defend themselves’ taking on extreme identities (nationalistic, religious or other kinds) that exclude any that are perceived as different, and therefore dangerous.

In social terms, this results in a loss of cohesion, especially between different ethnic and religious groups, and growing integration problems, with increased restrictions for different groups, but particularly in immigrant’s access to housing, citizenship, public services, the social safety net, etc.

We are living in an age that Darrell West (2016) calls an era of “mega-change”, in which social, economic and political models are no longer fixed, and this causes insecurity and fear: fear of others, fear of the future. This feeling may resemble what the sociologist Zygmunt Bauman (1998) called *Unsicherheit*: a complex combination of uncertainty, insecurity and vulnerability that he blamed on the economic, social and cultural consequences of globalisation and their complex adaptation in more limited contexts: national, regional or local. Similarly, before the economic and financial crisis, many economists like Mary Kaldor (2004), thought that political phenomena such as the boom of the ‘new nationalisms’ were an answer to globalisation.

Today, most researchers attribute these phenomena to a more complex combination of factors: to the effects (perceived or feared) of globalisation we must add those linked to the technological revolution. These effects frequently get mixed up or are identified with those of economic crisis and the austerity policies that have been imposed in many countries.

Years before, the predominant view regarding globalisation was that, ultimately, the increase in international trade and growing interdependence would promote greater global growth and consolidate democratic political systems worldwide, supporting stability and welfare at a global level. Today, these benefits only provoke more controversies: the loss of jobs (moving from developed countries to emerging nations with lower labor costs) is feared, as well as costs of all kinds—including social costs and an increase in the risk of terrorist acts—associated with migration flows.

Technological change speeds or multiplies the effects of globalization, and improvements in telecommunications, connectivity, the internet, etc. encourage economic, political and cultural globalisation. Globalized markets are the natural habitat of the technological revolution, where it can develop its potentialities.

But, beyond all this, these technological advances also harbor their own complications; they improve communication and the access to knowledge, productivity and efficiency, but they are also tools for political destabilization, crime and terrorism, because they facilitate the planning and financing of these acts. And they also create new targets for these activities: cyberattacks are directed precisely towards the enormous data volumes and the infrastructures

that store, protect and transmit them, which are essential for the smooth running of the global economy and society.

## Globalisation and Technology: Fears and Facts

Periods of both globalisation and great technological acceleration, have been recurrent throughout the history of humanity, and these have both normally overlapped: technological advances encourage the search for new fields where they can be applied with an advantage over the more outdated local technologies.

In this manner, the intense phase of globalization that took place immediately before this current one occurred in the latter decades of the 19th century and the first few years of the 20th century, and was driven by steam, electricity and the internal combustion engine, telegraphy and the telephone. It was a period of accelerated growth, only interrupted by World War I. This was why, after the war's end, Keynes (1919) proposed returning to globalisation in order to relaunch growth and consolidate peace.

## “WHAT CAUSES MORE CONCERN REGARDING THE TECHNOLOGICAL REVOLUTION IS ITS IMPACT ON THE FUTURE OF EMPLOYMENT.”

However, the interwar period was a time of regression for globalisation, marked by the Great Depression of 1929, and the protectionist and nationalistic reactions caused by it; however after World War II, the globalisation process restarted again with great dynamism (continuing, to a great extent, Keynes's ideas), and this also coincided with the information revolution, that started in the 1950s and which has had seen exponential growth since then.

The second half of the 20th century and the first few years of the 21st century have seen unprecedented global expansion. The increase in productivity has made it possible to support rapid growth of the global population from less than 2.5 billion in 1945 to 7.5 billion at present. And all this with unparalleled improvement in living conditions.

According to the methodology of the World Bank, which counts the number of people that live on less than USD 1.90 per day<sup>1</sup> - in 1945, more than two thirds of the world population was under this threshold: that is more than 1.6 billion people who lived in conditions of extreme poverty. In 2015, extreme poverty affected less than 700 million people (less than 10% of the world population).

This encouraging trend has increased in the last few decades. The proportion of those in extreme poverty with respect to the global population had been decreasing, although slowly, since the beginning of the 19th century, but its absolute number still grew until the 1970s. Since then, not only the proportion, but the number of people living in extreme poverty has been falling at a quicker

pace since the 1990s. In 1990, those in extreme poverty accounted for 35% of the world population (some 1.5 billion people). Today, the total number has dropped to less than half of that figure, and the percentage that they represent with respect to the total population has fallen to a fourth.

Globalisation and technological advance have been the main driving force behind this progress. And recently another not entirely independent factor has also played a significant role: the strengthening of institutions in many emerging nations, with the consolidation of more stable and reliable political, legal and economic structures; the spread of the free market and the principle of the rule of law; and the improvement of legal guarantees.

As a result, emerging countries, especially in Asia, have undergone an unprecedented leap in their development, leading and driving world growth.

The growth in developed countries from the end of World War II to the great depression of 2008 has been lower than that in the emerging countries, but nevertheless extraordinary in historical terms.

In countries such as the United States and the United Kingdom, that are very technologically advanced, and have been the principal actors in the current wave of globalisation, GDP per capita has multiplied by 7.5 (in the United States) and by 5.7 (in the United Kingdom) since the beginning of the 20th century. At the same time, standard working hours have dropped from 55-60 per week to some 40 per week currently.

That is to say, globalisation and the technological progress have entailed dynamic increases in production, income and employment, with clear improvements in working conditions (Doménech et al., 2017). Other contemporary analysis, which compared economies with varying degrees of technological advance and digitalization (see Gregory et al., 2016) did not show that higher automation implies higher unemployment rates.

Undoubtedly though, there are still hundreds of millions of people that live in extreme poverty in the world, and billions of people whose living conditions are very unsatisfactory. A good number of countries, especially in Africa, have been left out of this wave of prosperity; but overall, the course of the global economy in the last decade does not warrant the growing insecurity, frustration and pessimism seen, particularly in developed countries.

To explain this, we must resort to an extremely complex combination of truths and fears, the fears being partly generated by the pessimistic extrapolation towards the future of some of these truths.

Undoubtedly, a key factor has been the global crisis, and its consequences such as the increase in unemployment, the damage inflicted on public accounts and austerity policies. The adjustments to social policies have had an especially significant impact on the population of developed countries, which is more protected and ageing rapidly. The doubts surrounding the sustainability of the

welfare state, which already came to surface in previous decades and that instigated liberal-style reforms have become exacerbated after the crisis.

And the insecurity caused by this has worsened due to a combination of other factors: on one hand, immigration, which is certainly necessary (in fact, it is indispensable) for the sustainability of growth, public accounts and social protection systems. However immigrants have frequently been considered a cheap workforce that competes 'unfairly' against locals for jobs, keeping wages low, overloading social services and increasing their cost. And, on the other hand, the accelerated eastwards shift of the global economy, towards the large emerging countries that have been growing more quickly in the last few years.

Twenty-five years ago, the developed economies represented, approximately, 60% of the global GDP in terms of purchasing power parity (PPP); and the emerging economies the remaining 40%. Today, the proportions are the reverse: the emerging economies represent a little more than 60% of the global GDP, and the developed hardly reach 40%. In terms of the PPP, the Chinese economy is now larger than that of the United States. Even when assessed using market exchange rates, the emergent economies represent almost 45% of world GDP, and now, taken together China (14%) and India (6%) almost reach that of the United States (22%).

According to all predictions, this process will continue: until 2050, when the average annual growth of emerging countries will approximately double that of developed countries. China will overtake the United States as the largest world economy around 2030, and India will achieve that in around 2050. By then,

**Asia is on  
the road to  
modernity. Cities  
like Shanghai  
are changing to  
adapt to their  
people.**



six of the seven largest world economies will belong to emergent countries: Indonesia, Brazil and Mexico will overtake Germany and Japan, and Turkey will overtake Italy. The whole of Europe will represent less than 10% of global GDP.

This process denotes a partial return to the positions existing before the Industrial Revolution, which powered the West's economic growth and political hegemony from the 19th century onward. By the end of the 18th century, Asia represented 80% of the world economy: China and India, on their own, represented more than 65%, whilst Europe did not reach 10% (Marks, 2002). In 1950, Western Europe and the United States represented more than 50% of the global GDP, and China 5%.

This swift loss of prominence of the developed countries in the global economy has reduced their political influence, and has affected their collective psychology, contributing to the sensation of decline and greater pessimism. But, surely, the fear of the effects of globalisation and the technological change on labor markets is even more significant.

As we have already highlighted that there is no evidence of negative impacts on aggregate income and employment. Nevertheless, there have been very relevant changes in the composition of employment and wages.

Globalisation has particularly affected the manufacturing sectors, which have to a large extent been moved to emerging countries, with lower labor costs. As for automation and digitalization, they have made routine and repetitive jobs redundant, and are mainly concentrated in the same sectors.

Conversely, jobs in the service sector, many of them being low-skilled with low wages (and for which most immigrants also compete), are more difficult to automate (Autor and Salomons, 2017), and the very high-skilled jobs, that are more abstract and less routine, have both increased. On the other hand, labor market instability and higher job rotation has generated a growing proportion of part-time, temporary or self-employed jobs, and this has been dubbed the 'Gig Economy'.

This polarization of the labor market has had very significant effects on the allocation of product and income, in detriment to the share of wages in GDP.

The weakness of the rise in wages in developed countries has been one of the more clearly substantiated effects of globalisation and technological progress. According to many authors, the second factor would have been the most predominant: see, for instance, the excellent contribution by Qureshi to this book (Qureshi, 2017).

According to the OECD, the real average income of families in the United States, Germany, Japan, Italy and France has grown by less than 1% per year from the mid-1980s to 2008. This data contrasts with the previous decades that followed World War II, and the situation has worsened, in general terms, since the global financial crisis. In 2014, the real income of two thirds of families in the developed economies was below that of 2005 (National Intelligence Council, 2017).

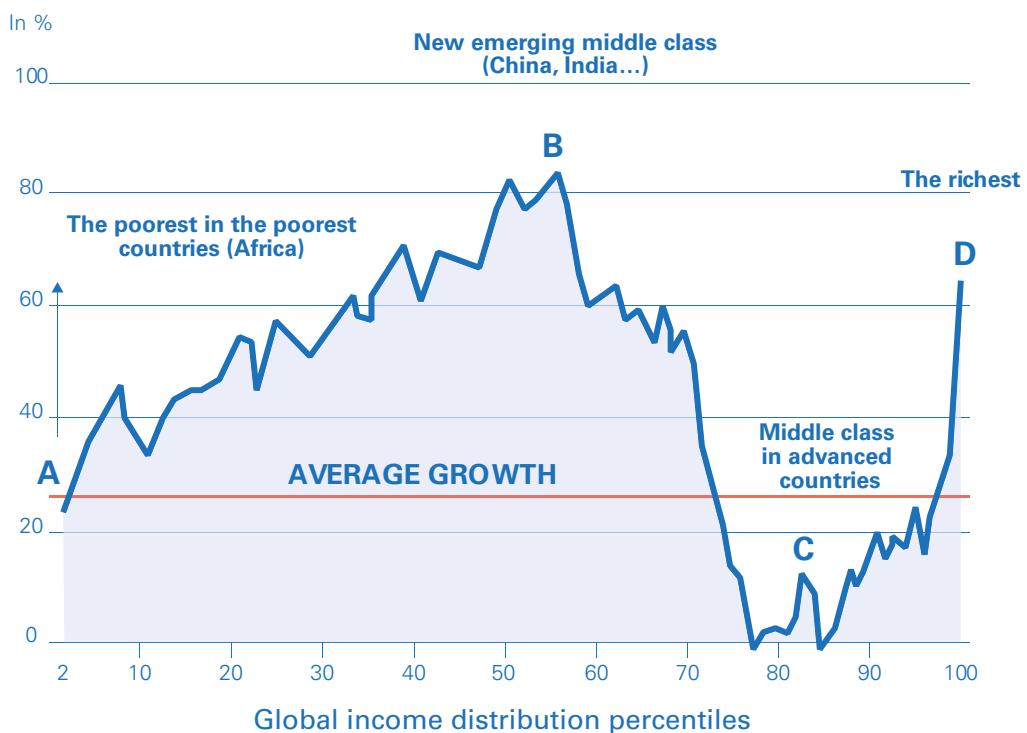
Lastly, the significant increases in productivity and economies of scale and network produced in the most digitalized sectors ("winner takes it all") have given rise to a great accumulation of wealth and income in small, concentrated sectors of the population.

All this has very substantial implications on global income distribution, which are summarized very well in Branko Milanovic's (2016) well-known 'Elephant Chart'.

In this chart, which has now become widely known, we see the real income accumulated growth of the population of twenty (developed and emerging) countries arranged according to income percentiles between 1988-2008.

The average of the real increase in income is 25%, but the curves that give the chart its elephant shape, tell us that the distribution was very uneven: those that came off better in the two decades were the ones that are, on the one hand, between percentiles 10 and 70, and on the other hand the ones above percentile 95 (especially percentile 99). However, the lowest percentiles (below 10%) and the higher ones (between percentiles 70 and 90) have had much lower increases in real income (close to 0 for certain segments).

### REAL INCOME ACCUMULATED GROWTH (1988-2008)



Source: Branko Milanovic

This is to say, the winners in these two decades of globalisation and technological progress are the wealthy, both in developed and emergent countries, working women and the new middle classes, mainly in India and China. Conversely, the losers have been, on the one hand, mainly the poorest among the poor, but not only in sub-Saharan Africa, and the lower and middle classes in developed countries and in many of the nations of the old communist bloc.

## **“GLOBALISATION HAS PARTICULARLY AFFECTED THE MANUFACTURING SECTORS, WHICH HAVE TO A LARGE EXTENT BEEN MOVED TO EMERGING COUNTRIES, WITH LOWER LABOR COSTS.”**

In conclusion, the global economy has had a very favorable evolution since the mid-20th century. Nevertheless, the depressing effect of the financial crisis and of the subsequent austerity policies, wage stagnation and the increase in inequality in developed countries and, also, the greater global geopolitical instability, that has triggered flows of immigration, have augmented a body of opinion that is against globalisation, and which is very distrustful about the effects of the technological revolution, especially regarding employment. All this has meant, in the political scenario, a consolidation of defensive, nationalistic and protectionist trends.

### **The Technological Opportunity**

Today's accelerated technological change makes it even more difficult to predict the future of the global economy. Undoubtedly, for many this makes it all the more encouraging, but for others it only adds more risk to a situation already full of threats.

The 'current technological revolution could change our economy, our society, our everyday life... to a magnitude even greater than the Neolithic Revolution or the first Industrial Revolution, and at a much higher speed'. Brynjolfsson and McAfee (2014) have called the period that is now underway 'the Second Machine Age', and there is a basic difference with respect to the first: that was based on the steam engine to get over the physical limits of men and animals. The current revolution relies on the digital technologies to overcome the limits of human intellectual abilities. The rapid progress of artificial intelligence, robotics or biosciences will force us, in the not very distant future, to undergo a far-reaching reassessment of the bases of our economy, society and culture, our ethical principles and even our basic ontological foundations.

To all this uncertainty, we must add that, in the last few years, global economic growth and productivity have experienced lower performance than in previous decades, in contradiction to the historical evidence that periods of technological acceleration cause substantial increases in productivity and growth.

This contradiction has provoked intense debate among economists, and I have referred to it in more detail in a previous book of this same series (González, 2016). In short, the controversy appears to be that the ‘techno-pessimists’, think that digitalization is having a lower impact on productivity than other innovations of the past (Gordon, 2016) and/or that its positive effect is counteracted by the demographic decline in developed countries and/or by the increase in inequality, that persistently depresses aggregate demand (Piketty, 2013; Stiglitz, 2015).

On the other hand, we find the ‘techno-optimists’, who are those that think that there is problem of under measuring products, because improvements in quality and their benefits are not calculated correctly, or because they are increasingly concentrated in services and intangible assets, that are much more difficult to assess (Feldstein, 2017); or, in other cases, that we are in a transition stage that is still greatly affected by the consequences of the crisis. The global economy may still be going through a much-needed period of deleverage and correction of the weaknesses of the global banking system, which depresses consumption and investments along with the provision of public services. If this is the case, this stage would be followed by another one of much quicker growth encouraged by the technological progress.

In fact, historical experience shows that new technologies, and especially the most disruptive ones, need some time until the moment comes when their price and level of adoption allow their widespread use, when they also combine with other technologies. And from that point on, they have an increasingly stronger impact on productivity and living conditions. Brynjolfsson and McAfee (2014) think that we are reaching that turning point, which would equate to the start of what Klaus Schwab (2016) calls ‘the Fourth Industrial Revolution’.

If this were so, we could be entering a period of high growth and improved well-being driven by a combination of different technologies, including computing, increasingly complex, interconnected networks, artificial intelligence and cybernetics, biotechnologies and, probably, others that we do not even know of yet.

History shows that in the same way that technological progress brings about growth and wealth, it also creates jobs. More jobs, very different from any previous, more productive, that improve people’s lives—in spite of growing inequality— (Mokyr, 2014; Autor, 2015). This is also what we have seen in the last few decades.

Despite all this, some authors have pointed out that this time it could be different, even if growth accelerates. In the first place because the advances in robotics and artificial intelligence will replace not only the people that carry out routine jobs, but also those with increasingly higher qualifications who carry out non-routine jobs. Secondly, because technology offers people the possibility of doing more things for themselves, reducing the need for jobs in the service sector. And lastly, because swift technological progress would force people to

retrain themselves and to change jobs more frequently as more and more tasks are susceptible to automation. This higher friction (the need for more frequent adjustments in people's skill set) would increase unemployment structurally.

Using these arguments, authors like Frey and Osborne (2013) have pointed out that up to 47% of the employment in the United States would be at risk of being automated. Others (Arntz et al., 2016), however, show that if we bear in mind the different tasks implied in each job, only 9% of the employment is automatable, as an average, in 21 OECD countries. The latter would, for instance, be a much lower figure than that of the jobs lost in the agricultural sector in the last few decades, which have been regained, undoubtedly, in other sectors.

In conclusion, it is impossible to foresee the magnitude and the speed at which the effects on growth, employment, equity and general welfare caused by such a vast technological revolution that is being born will show.

We can fear all kinds of dystopias, but we can also consider the technological revolution as a great opportunity to improve the welfare of citizens all around the world.

Even if, as many of us believe, progress and social welfare have always been the result of technical advances (and that this time does not have to be an exception), positive effects have always appeared after a transitional process, with winners and losers. And this Fourth Industrial Revolution poses especially complex challenges.

In any case, the results will always be better and the costs lower if the right policies are implemented: policies that do not create any resistance against technological progress, but rather promote equal opportunities; that means, making them available for all, and reducing transition costs in the short and the medium term.

There are lines of action that contribute, simultaneously, in order to reach all these goals. To attain this, we must promote research, development and innovation, as well as entrepreneurship, and encourage transparency and competitiveness in the markets, and develop the required infrastructures.

Equal opportunities require an exceptional effort in the area of education: education focused on obtaining additional skills that do not replace those required for technological progress, that promotes continuous education and ongoing training, and which evolves along with the needs of society.

The labor market must be another important priority. Barriers to the growth of companies, investment and job creation must be eliminated; better active and passive policies against unemployment must be developed; a balance in taxation must be found so that redistribution does not damage investment; and regulation must be updated to care for the wider diversity of employment status and the needs of self-employed workers.

In spite of these policies, transition costs could still be considerable for certain segments. Due to this, it is vital to develop social protection systems that guarantee equal opportunities and provide protection for people in a very changing environment, with high employee turnover and very different kinds of jobs. These policies must be closely integrated with education and employment systems designed to reduce economic and human costs.

But this task of encouraging the adaption of our economy and our society to the technological revolution, obtaining the most from it while reducing its costs to a minimum, does not only belong to the public authorities. It is also the task of companies and people, the whole civil society. And in this scenario, the financial system and its institutions can play a very important role.

### A Financial System for Inclusive Growth

There are differences in opinion regarding the direction, magnitude and speed of the impact of the technological revolution on the global economy, but there are none regarding its disruptive effect on production sectors and companies.

The first sectors that experienced disruption coming from the development of the internet and the digital economies were those with a greater informational content in their inputs or outputs: communications, media, music, many distribution sectors, etc. These industries have already transformed completely, with great improvements in efficiency and productivity, and therefore they have been able to offer consumers new and better products at a very low cost.

In most cases, these changes arrive to the market brought by new, more innovative and agile competitors. This is much better to satisfy the demands of a quickly growing wave of consumers that have developed new needs and habits, thanks, to a great extent, to the access to more and better information and to the greater connectivity permitted by intelligent mobility.

## “THE POSITIVE EFFECTS OF TECHNOLOGICAL CHANGE HAVE ALWAYS APPEARED AFTER A TRANSITIONAL PROCESS, WITH WINNERS AND LOSERS.”

In most of the cases, these changes arrive to the market brought by new, more innovative and agile competitors. This is much better to satisfy the demands of a quickly growing wave of consumers that have developed new needs and habits, thanks, to a great extent, to the access to more and better information and to the greater connectivity permitted by intelligent mobility.

All this forces companies to reinvent the way in which they design, produce and distribute products and services, and generates profound changes in companies and their sectors. This is already happening in industries that rely completely on material assets and on physical services to clients, such as the hotel or the

transportation industries. Airbnb or Uber both show us that the technological revolution has no sectorial barriers.

Something that is demonstrating great power regarding the disruption of consolidated sectors is the development of platforms that are leveraged in exponential technologies (cloud computing, mobile connectivity, big data, artificial intelligence, blockchain, etc.) that traverse supply and demand, putting numerous suppliers and clients in touch. These innumerable interactions produce an enormous amount of data and information that allows companies in turn, to create and distribute products and services with new features that offer clients a much better experience.

Today, the five largest companies in the world in terms of market capitalization (Apple, Google, Microsoft, Amazon and Facebook) are, basically, platforms of this kind.

The banking system is an industry with an extremely large amount of information: its inputs and basic products are data, or information, and money; and the bank's money is, ultimately, an ensemble of accounting entries, which is, information.

As a result of this, it could have been an early example of digital transformation. But even though the banking system has changed very much in the last two decades, it has not undergone changes of a magnitude similar to those in other aforementioned sectors. And this is due to several reasons: in the first place the conservatism of most of the people that have money; secondly, the strong growth and profitability of the industry in the period previous to the great crisis did not encourage radical change; and thirdly, and this is fundamental, regulation, that on one hand limited the freedom of banks to innovate and, on the other hand, protected them against the entrance of new competitors.

But all this is changing. Basically, it is the clients who are changing. A new generation of clients has grown up in a digital environment and it demands different services and new ways of gaining access to them. Banking's traditional clients also attracted by the advantages of a new offering, and are increasingly following this trend.

Hundreds or thousands of new suppliers (mainly start-ups or, in some segments, large digital companies) are already supplying solutions to these demands. These companies do not have the costly legacy of banks, in the form of obsolete structures and systems, and can work faster, more flexibly and cheaply.

On the other hand, the banking system faces an environment of much lower growth and profitability, with very low interest rates and much more demanding regulation, stemming from the global financial crisis. All this increases the pressure and the urgency for banks to take advantage of the abilities of technology to improve their productivity radically.

Lastly, regulators already perceive, together with the risks, the ability of technology to improve the financial industry and, as a consequence, they are already modifying

regulation to reinforce competition, preferably in those segments or products that have a lower impact on its stability. This has favored the entrance of new competitors in market niches such as retail payments and others.

Present technologies (not to mention those that may be developed) have enormous potential to transform the banking system. We are already witnessing great changes, but the future implications are almost unimaginable: cloud computing allows the storage and processing of an unlimited volume of data with greater agility at much lower prices. The mobile phone has already radically changed people's lives, and has become the main contact point with banks, with increasingly larger and better functionality. Big Data analysis has innumerable applications, and it is absolutely decisive for dealing with the multitude of different financial and non-financial demands in a customized way in real time. Biometry allows for secure operations with clients, without the need of the physical presence or documents. Distributed ledger technologies (such as Blockchain) could eliminate the need for intermediaries in a great variety of transactions, changing the status quo of the banking system (as well as that of many other industries). Artificial intelligence makes it possible to automate increasingly complex cognitive tasks, and this alters the way in which clients are served and the solutions that they may be offered.

Powerful forces such as increasing diversity and rising inequality require a response from banking industry.



All this entails, potentially, enormous benefits for consumers and companies in terms of quality, variety, convenience and the pricing of products. And it will also allow thousands of millions of people, in the lower income strata, and to whom the conventional banking system cannot reach efficiently and profitably, to gain access to financial services, increasing their chances of prosperity and improving their lives.

In the macroeconomic sphere, this transformation of the banking system equates to a formidable structural remodeling: price cutting, the expansion of financial resources and their fine-tuning to the needs of each user will have a very positive effect on growth and reducing poverty and inequality. But the degree to which we achieve that depends, to a large extent, on the decisions that we all take, both the banks that operate in the market and the public authorities, and in this case, and principally, on financial regulators and supervisors.

The profound evaluation of financial regulation is an indispensable task, but it is also extraordinarily difficult. In the first place because the technological and competitive scenario changes constantly and will continue to do so in the future; and in the second place because digital means global, and the new regulatory framework must have a much larger degree of international homogeneity than the current one.

The challenge for authorities is to design and implement a regulatory and supervisory framework that accomplishes an appropriate balance between the improvements in efficiency and productivity, and the preservation of financial stability and consumers' protection. And all this in a changing environment with a multitude of new suppliers provided with state-of-the-art technologies whose implications may not have been tested well enough. That is to say, to support innovation by maintaining an adequate degree of protection against the risks that it entails.

Together with this, and given the initial diversity of the organizations that participate in the market, from the closely regulated big banks to the start-ups, including the large digital companies, a balanced competitive field must be created, focused on the fact that similar products and services must receive a similar treatment, regardless of the organization that provides them. And lastly, it must have a 'holistic' comprehensive approach, in the sense that it must have in mind all the angles of the question: technological, legal, financial and competitive. And finally, it must be a closely coordinated framework at the supranational level, open and flexible enough to face future changes.

Regarding the participants in the market themselves, they face a very complex scenario. The sector is becoming fragmented due to the entrance, every year, of hundreds of new competitors that join the more than 20,000 banks that still exist around the world. On the other hand, the industry is becoming disaggregated as these new entrees break the banking system value chain, offering highly specialized products and services focused on very specific market niches in this

value chain. Most probably this trend will reverse in the future: primarily because the banking system is a sector that already demonstrated strong overcapacity, something the aforementioned phenomena exacerbated even more. Therefore, we must expect that many banks will disappear together with many start-ups, whose mortality rate is always very high. In this way, technological change might be the factor that triggers a much-needed consolidation of the sector.

On the other hand, the users' convenience demands much more complex and integrated solutions, and points towards the need of re-aggregating supply, and this will require the combination of different products and services offered by different suppliers.

In light of what has happened in other sectors, this re-aggregation will most likely be achieved through platforms where different suppliers will complete and will also, and very frequently, cooperate to better meet the demands of clients.

Probably, the number of these platforms will decrease, and their scope will become wider due to the huge economies of scale and network that they may generate.

A future might be foreseen in which there are a multitude of participants in the financial industry, most of them highly specialized, and that cooperate and compete in a few large platforms. Therefore, only a few of these participants will have a central role, as the 'owners' and 'managers' of these platforms. By implementing the rules, validating the transactions, and thereby controlling the information generated and the accesses to the final clients, they represent an enormous source of value.

Obviously, the competition to reach this lofty position will be very fierce, and we do not know what kind of companies will actually arrive there: particularly successful start-ups? Large digital companies? Banks that know how to adapt to this new environment? Unquestionably, very few of the present banks will accomplish it, but those who do will have to have started well in advance, a very complex and radical transformation process. This is the process that BBVA began a decade ago in search of excellence in the digital era.

And it is this competition, this search for excellence, what will take us to a much better, more efficient and productive financial system capable of designing and offering better solutions for a larger number of users (including the thousands of millions that cannot currently access the financial services) capable of encouraging growth and an increase in wellbeing that includes everybody.

## Financial Inclusion: The Digital Opportunity

Nowadays there are some 3.2 billion banking customers, that is to say, people who have an account with which to make financial transactions (more than 90% in banks, but also in credit unions, postal banks, microfinancing institutions, etc.).

But more than 2 billion people (40% of the adults in the world) do not have access to any kind of 'formal' financial service. These people are concentrated in the areas of the world with lower incomes, but also in countries with medium or high incomes.

The rate of people excluded from financial services is even higher in the case of women and of people that live in rural areas, and even higher as we descend the scale of poverty. Also, around 200 million small and medium-sized enterprises in the world do not have access to enough credit or to no credit at all.

## **"BASICALLY, IT IS BANKING CLIENTS WHO ARE CHANGING"**

It is well known that entrepreneurship, and along with it, investment, economic growth and welfare, are severely damaged when savings are not directed productively, when payments become difficult and credit is scarce and expensive.

The benefits people receive from financial inclusion are extremely important: they can increase spending, resist shocks, manage their risks, invest in durable goods, health and education, and start small businesses. Due to the positive effects of the creation of small and medium-sized enterprises, individual and collective wellbeing and economic growth reach a significant level in the medium and long term. There is also strong evidence that the expansion and deepening of financial intermediation also improves the distribution of income.

Up to now, the expansion of the financial services to wider population strata met with the problem of costs. The conventional banking system was incapable of profitably offering financial products and services for small costs, frequently in distant places, at prices assumable for their clients.

Nevertheless, little by little, advances have been made. In the last few years, access to banking services has improved notably. In the last decade almost 200 million accounts have been opened each year around the world.

Many of them were opened in countries with medium and low degrees of development; and increasingly higher percentages are accounts of people in the 40% lowest income group. As a result, from 2011 to 2014, the proportion of adults in this segment with access to financial services grew from 41% to 54%.

More than 90% of these accounts were opened in financial institutions, and therefore, less than 10% were accounts in mobile phones. In conclusion, in 2014 only 3% of the poorest had an account on their cell phone, and the rest (97%) in financial institutions (Demirguc-Kunt et al., 2015).

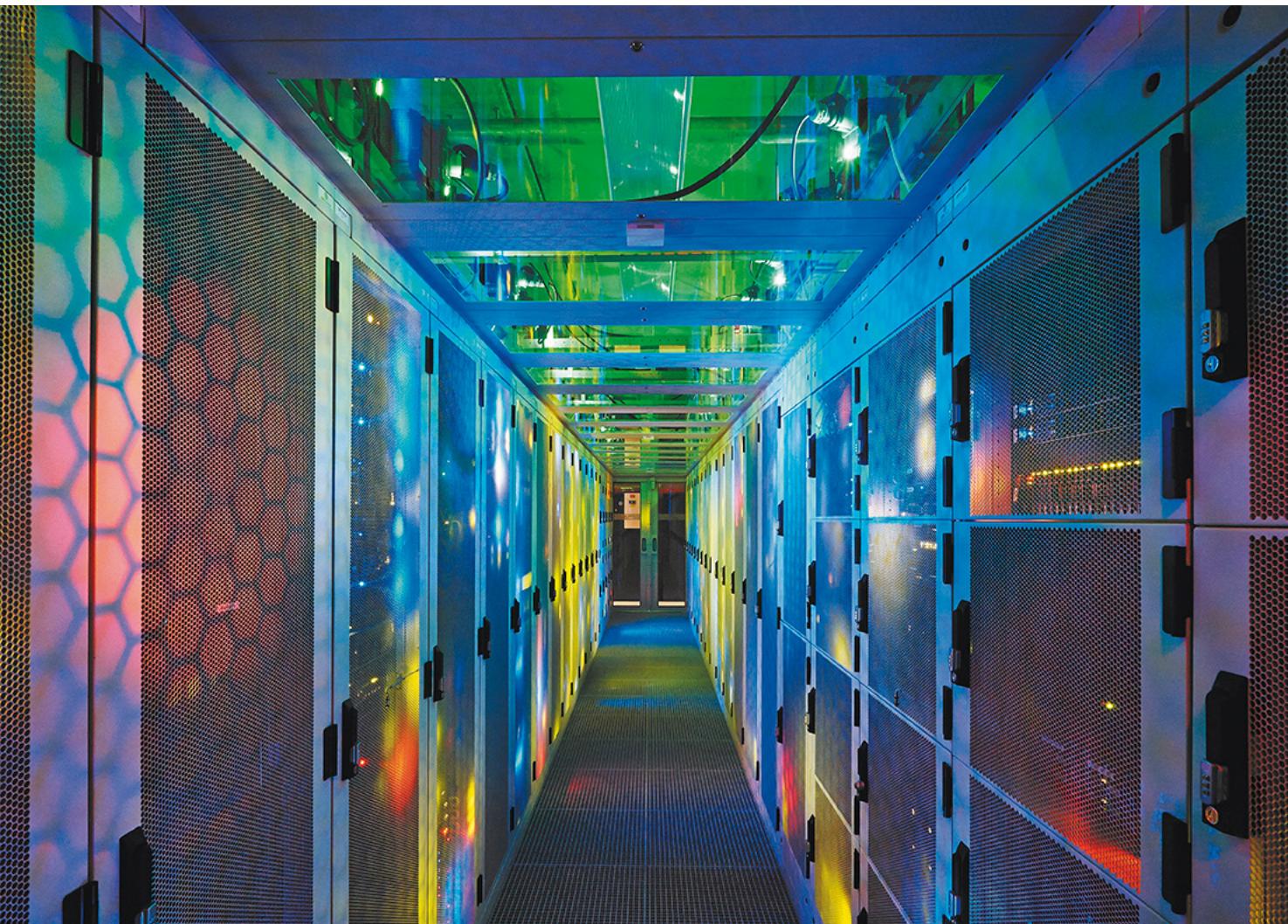
To maintain this access to banking services, financial organizations have resorted to several strategies to lower service costs: the more penetrating use of ATMs; agreements with 'retailers' that provide access to low-cost and convenient service points for the user; the use of agents, normally small businesses,

especially useful in remote areas; investments or association agreements with microfinance institutions; and, increasingly more, digital banking (including electronic money). Digital banking also opens up possibilities for collaboration with partners that contribute to the improvement and the reduction of the price of the supply to the clients: telecommunications companies, fintechs, governments, multilateral organizations...

All these options have been useful and will still remain so, but today, the greatest influence for encouraging financial inclusion is, without a doubt, the expansion of the digital finances supported by mobile phones.

Mobile phones are becoming omnipresent and offer increasingly more features as the networks increase their coverage. Today, some 85% of the adults in the emergent economies have a mobile phone contract, and this proportion is still growing. It has been calculated that the cost, in the emergent countries, of offering a client a digital financial account is between 10% and 20% of that of a physical account. This allows the opportunity of a profitable supply of many more products for the clients. And as more and more people and businesses use these services, economies of scale and network are being created that improve the products and make them cheaper, generate a better efficacy for the users and

Data centers store and process information sending it around the world for analysis. Nowadays, processing large amounts of data is an essential function.



encourage their adoption. An example of this is the case of the mobile money M-Pesa system in Kenya, that was launched in 2007 and that now includes 70% of the adults in that country. It is certainly a restricted system, and the supply of a wider range of financial services may take more time, but payments through mobile phones are the entrance door for other products and services. And, in any case, the 'digital' financial inclusion process will always be quicker than the conventional alternative, which could go on for generations.

In this process, the general interests and those of the financial services suppliers converge.

A report by the McKinsey Global Institute (Manyika et al., 2016) estimates that financial inclusion could reach 1.6 billion people in a decade. Of this number, 880 million are women and this will further their emancipation and will greatly improve their families' economic situation and welfare.

All this could increase the GDP of emerging countries by 6% by the end of this decade, and create almost 100 million additional jobs, with obvious improvements in people's living conditions, the encouragement of businesses and improvement in the public accounts of these countries due to the increase in sales and to a better fiscal control. In turn, the suppliers of these services will be able to add up to 380 billion in revenue (CARE Accenture, 2015).

Because of this, financial inclusion is also going to become an area of competition between the more qualified financial institutions to face this challenge and also other companies: fintechs, payments providers, telecommunications companies, large retailer companies, etc. In many cases, this competition is already giving way to collaborative agreements between different kinds of companies: mainly, but not only, between banks and telecommunications companies. These agreements are being joined into by NGOs with local implementation, which improves credibility and client access, and can advise in the development of the most appropriate products and services, as well as of national or multilateral development public bodies.

This competition and collaboration process will favor the development of better products and service, at lower cost and with more convenience for users. In this way, financial inclusion will become a driver that encourages gradual access to more complex products and services, enhancing opportunities and the welfare of people, speeding up economic development and contributing to gender equality and social stability.

It is, therefore, a great opportunity that, what is more, one that does not require enormous investment or infrastructure with a long operating cycle. Mobile phone technology is the factor that is changing the rules of the game. Some 85% of the adults in emergent countries have a mobile phone, and more than 90% have access to networks whose bandwidth is increasing: 3G and 4G coverage is growing quickly.

Nevertheless, resolute and arranged action carried out by governments, companies and NGOs are needed as well.

In first place, it is important to expand mobile networks to many remote areas of these countries (generally the poorest ones). And the interoperability between communications and the payment and finance networks is crucial.

In second place, the problem regarding identification must be solved. In emergent economies, an average of 20% of the population is unregistered or has no ID. And many more do not have the documents needed for signing a contract, opening a bank account, etc. On the other hand, identification documents are not always appropriate for digital authentication. Fortunately, technology offers increasingly reliable and cheap biometric systems. And it is the job of the governments to implement universally accepted identification systems that use technological advances to control fraud (and, therefore, facilitate and make the expansion of financial services cheaper).

Governments, in collaboration with the industry and NGOs, also have, when appropriate, other tasks: foremost is to improve financial education. Another is to strengthen their country's payment infrastructures. And lastly, to design and implement appropriate regulation that protects consumers and which, at the same time, allows suppliers to invest, compete and innovate.

All these are complex tasks, sometimes postponed in favor of others that are apparently more urgent. Nevertheless, their consequences are very positive shown by the fact that they have occupied increasingly important positions in the agendas of many emergent countries' governments and of the multilateral organizations concerned with development. And the final objective is not far away now. The World Bank has set itself the goal of reaching universal financial inclusion in 2020. But although this goal is very ambitious, there is a very real hope of reaching it before the end of the decade.

## **BBVA: Transforming to Create Opportunities**

BBVA is a financial group with a history dating back more than 150 years, the result of the incorporation of more than 150 banks and financial institutions of all kinds. The group is present in more than 30 countries, with an especially strong presence in Spain, Latin America, the United States and Turkey; with 71 million clients, 84,000 offices, and more than 132,000 employees around the world. It is a successful financial institution, among the most efficient and profitable in the world.

Despite this efficiency and profitability, in 2007 BBVA started a long, difficult and uncertain transformation process in order to adjust to the accelerated technological advances and the changes they are producing in the economy, society and people; changes that are unquestionably disrupting the status quo and that are going to create a completely new industry in which BBVA wants to play a leading role.

First of all, it is important to highlight that this is not only a technological, but also an organizational and, mostly, a cultural transformation. We have worked for many years on our platforms, which we have been adapting to suit the new paradigms, from the development of cloud computing, to building an open platform that allows collaboration with our developers on client technology, and the contribution of external specialists. At the same time, we have radically transformed our organization to place digital transformation at the core of all our business, to promote cultural change, and provide ourselves with the skills needed to successfully compete in the new banking industry (in González, 2016, there is a more detailed description of BBVA's transformation process).

And lastly, we have approached the fintech ecosystem to understand, learn and incorporate new ideas and abilities. We have collaborative agreements with different state-of-the-art digital companies, and we have developed a very ambitious acquisition and investment program in very promising start-ups. Also, in 2009 we launched OpenTalent, a program for entrepreneurs that connects these start-ups with BBVA in a search for opportunities of collaboration. In this latest 2017 edition, 798 start-ups from 73 countries participated. In short, we are leveraging ourselves in the fintech system to develop a better value proposition for our clients.

Because, at the end of the day, the focus of all our efforts is the client. We want to provide them with clear, simple, transparent and fair solutions, the very best that exist. More than that, we aspire to help them to make the most appropriate financial decisions, providing them with the most suitable

In Mexico, new technologies help smaller companies in rural communities and support their growth.



advice. And all this, by means of an easy, convenient customer experience that is fully attuned to their needs, completely autonomous when they prefer ('do it yourself') or, in other cases, through digital channels or with human interaction.

Ultimately, our transformation strategy is expressed perfectly our well-defined purpose: "To Bring the Age of Opportunity to Everyone". At BBVA we see ourselves as facilitators of these opportunities for our clients.

In order to do that, we are creating a multitude of better products and functionalities; and we are developing new relationship models with our clients by combining all the different channels, improving them so that clients can interact with them any time they choose at their convenience.

## **"THE GREATEST INFLUENCE FOR ENCOURAGING FINANCIAL INCLUSION IS, WITHOUT A DOUBT, THE EXPANSION OF THE DIGITAL FINANCES SUPPORTED BY MOBILE PHONES"**

The results of all this effort are already becoming apparent. In the few last years we have radically enhanced of our digital and multichannel offer. Our Mobile Banking app was judged to be the best in the world in 2017 by the most prestigious consultancy firm regarding these matters.

In June 2017 we already had 20 million digital clients, with an increase of 22% on the previous year. Among them, almost 15 million were mobile clients, with an increase of 42%. And this all makes for a better client experience: by the end of 2016, BBVA was already the leader in terms of our client satisfaction, as measured with the NPS (Net Promoter Score) index, in seven of the eleven countries in which we work in retail banking, and we hold the second or third place in three other countries.

Today, BBVA is at the cutting edge of the global financing system. There is still much to do; technology changes constantly and competition is increasingly fiercer. But we are contributing, through our daily work, to make the opportunities afforded by the digital era increasingly available to our clients; our objective is that people and companies may realize their hopes and dreams. This goal hopefully translates into growth and wellbeing for those in the countries where we work.

BBVA has an important presence in emerging countries; and in these countries, it is especially important to promote financial inclusion. BBVA has developed a financial inclusion model that allows us to reach people with the lowest income in these countries through alternative solutions with a lower cost than that of the conventional banking model. This strategy is based on some 50,000

correspondent banks, businesses and institutions (chain stores, chemists or supermarkets) that act on behalf of the bank and where clients can carry out simple operations, such as deposits or withdrawals derived from the mobile banking model.

Mobile banking is the second and increasingly more relevant tool that BBVA uses for financial inclusion: it allows us to create low-cost financial solutions with non-traditional methodologies for risk evaluation and for creating an integrated client experience by combining different channels.

Smartphones allow us to operate anytime and anywhere, opening up new worlds of opportunity.

At the same time, BBVA has developed specific initiatives for promoting entrepreneurship among those people that have fewer opportunities. We began The Momentum Program in support of social entrepreneurship, to promote innovative social businesses (since its launch in 2011, 112 companies have participated in this comprehensive support program that includes financing, of course, but also training, strategic accompaniment and promotion).



Concurrently, BBVA has created the BBVA Microfinances Foundation, which offers vulnerable entrepreneurs personalized attention, giving them access to a complete set of financial products and services, as well as advice and training so they can improve the management of their businesses.

Since its creation, the Foundation has disbursed USD 8.4 billion for low-income entrepreneurs in Latin America. It has almost two million clients, 58% of them women, and it has a direct social impact on almost 7.5 million people.

Lastly, BBVA has an area specialized in financial inclusion within its research department that is responsible for designing and following reliable indicators, as well as analyzing improvement opportunities and facilitating in-depth discussions regarding financial inclusion.

BBVA also undertakes very important work in the area of education and the generation and dissemination of knowledge.

A very significant part of this task is concerned with financial education: in 2008, BBVA launched a Financial Education Global Plan that, since its foundation, has benefited more than 4 million people (more than 2.1 million children, 400,000 adults and more than 34,000 small and medium-sized businesses in 2016).

The BBVA Foundation is this banking group's main tool to support knowledge: on the one hand, through research grants, and on the other hand with specific focus on the recognition and visibility of those who contribute to scientific-technological advances. The principal example of this work is the Frontiers of Knowledge Award, which are already well-known globally. Concurrently to the work of the Foundation, BBVA develops other education and knowledge diffusion programs, among which are programs concerning education in ethical values and the access to education to promote social integration and the training of children and young people. The OpenMind Project, our knowledge community, of which this book forms a part, stands out too.

To sum up, BBVA is involved in an ambitious project with which it aspires to lead the transformation of the financial industry; a transformation that must produce a financial system able to take full advantage of technological progress in order to improve opportunities for everyone and encourage more inclusive, sustainable growth, thereby improving the lives of citizens all over the world.

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## Notas

1. In terms of purchasing power parity (PPP) in 2011

# >REALITY REGAINED: AN INQUIRY INTO THE DATA AGE



Image: The Internet is already part of our lives, but to what extent are we taking advantage of everything it offers us?



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# >REALITY REGAINED: AN INQUIRY INTO THE DATA AGE

The ongoing data revolution drives the establishment of a comprehensive cultural habitat that induces the framing of ordinary life issues in terms of data availability and the data permutations this encourages. These same developments are linked to the understanding of the process of knowledge creation as predominantly computational operations performed upon large data volumes. Placed in a wider historical purview, these trends seem to indicate a cultural transition of wider dimensions that attest to the rising importance which formal, data-based models of cognition acquire as a means of knowing and experiencing the world.

## Introduction: Data and Human Behaviour

Human experience is always wavering between what is confronted through the senses (the sensible) and what is or can be thought (the intelligible) or remembered without immediate reference to palpable reality. Perception is a vital and inseparable component of living and, though shaped by culture (Jay 1994), it is firmly anchored into the human sensorium (Borgmann 1999; Gibson 1986). At the same time, human experience stretches beyond the givens of perception and entail contemplation and thought operations of an abstract nature that lack immediate reference to ostensive reality and the givens of perception (Anderson 1983; Cassirer 1955; Neisser 1976).<sup>1</sup>

These observations acquire poignant importance these days, as the result of the diffusion of computational models of cognition that inevitably accompany the growing involvement of information artefacts in human experience. In what follows, I claim that the relatively recent developments that coincide with the pervasiveness of data in most walks of life refigure the balance between the sensible and the intelligible and accentuate the typically modern preponderance of formal models of cognition over perception and situated experience (Borgmann 1999, 2010; Couldry and Kallinikos 2017; Flachbart and Weibel 2005). Essential strips of reality are increasingly mediated and acted upon by means of digital marks (e.g. data) and the extraction of abstract or analytic relations between human and things that data and information enable (Borgmann 1999, 2010; Hayles 2005, 2006). The recent debate on big data and the advent of data science (see e.g. Brynjolfsson and McAfee 2014; Pentland 2014) are indicative of these trends and of a cultural and social change of wide proportions.

In thus, intervening in living and knowing, data and data-driven analytics drive experience away from the associative gestalts of perception, sensation and

intuition, and the knowledge built on observation, trial-and-error and world involvement or acquaintance (Alaimo and Kallinikos 2017; Ayres 2007; Kallinikos 2011). The perception of the world is always linked to what Rosch et al. (1976) call basic concepts or categories by which human communities order their world impressions. Basic objects or categories are units of the social and natural world abstract enough to achieve an economy of perception yet tied to the palpable reality of things. For instance, a basic object such as a “chair” subsumes the differences underlying a variety of types of chairs but it can still be perceived and experienced as a tangible object of a particular materiality and shape. This is opposed to the concept of “furniture” that helps us apprehend a population of domestic objects (chairs, tables, drawers, etc.) in terms of the function they perform by grouping them together into a more inclusive and thus abstract entity.

## **“THE PERCEPTION OF THE WORLD IS ALWAYS LINKED TO BASIC CONCEPTS OR CATEGORIES BY WHICH HUMAN COMMUNITIES ORDER THEIR WORLD IMPRESSIONS.”**

While recounting some of the earlier worries concerning the impact of computing on human practices (see e.g. Dreyfus and Dreyfus 1986; Winograd and Flores 1986), the claim I put forward is not precisely concerned with the ill-fated prospects of experientially-based knowledge and skills that have commonly been subsumed under the label of tacit knowledge. The problems I seek to pinpoint are of a rather different nature, even though they have far reaching implications for expert knowledge and the ways it is acquired and exercised (Ayres 2007; Ekbja and Nardi 2017; Shirky 2008). Let me explain.

Advances in computing power, methods of computing and machine learning all hugely expand the type of tasks that can be addressed and successfully resolved by machines. At the same time, the unprecedented uptake of lightweight technologies, the diffusion of digital platforms and social media grant the current online environment a social dimension that was only vaguely present in the early Internet, analysed by such insightful scholars such as Borgmann (1999), Dreyfus (2001) or Turkle (1995). It is worth pointing out that the environment of social media and the Internet more generally construct a comprehensive living and knowing habitat that stretches far beyond the work and professional settings in which information technology and its cognitive outputs (i.e. data) have commonly been studied (Kallinikos 2011; Zuboff 1988). Taken together, these developments establish a cultural context that increasingly quantifies daily pursuits and induces the framing of ordinary life issues in terms of data and whatever relations can be inferred out of the crunching of large data volumes across lay and expert cultures (Alaimo and Kallinikos 2017). This is, on many counts, an epochal transformation through which the marks of a digital culture (data and data relations) crowd out the

immediate reality of personal experience, experiential knowledge and situated interaction. Even though depersonalization and the diffusion of formal methods of living and knowing have been intrinsic to modernity (Borgmann 1984, 1999; Giddens 1991), the current developments differ in some important respects that are worth of being observed and analysed.

In the rest of this paper I try to provide a few analytic arguments that expose some of the issues that data-based cognition raises for lay and expert cultures. Next section goes into some detail in describing the importance which data and the technical models through which they are analysed assume in knowledge development and expert practices. Following it, I endeavour to show how the proliferation of data items combines with the diffusion of computer-based devices across the social fabric to construct new forms of experience, in which a wide spectrum of daily life issues are increasingly framed in terms of data and data relations. In the last section, I place my argument in a broader social science purview and confront a few widespread positions that are reluctant to accept the interpretation of the current developments in the terms I discuss here.

## The Analytic Reductionism of Computation

Massive data generation is the distinctive mark of our age, and data availability its holy grail (Ayres 2007; Pentland 2014; Kallinikos 2007). If only available, data are assumed to be able to tell us who we are, what exactly is the profile of our preferences beyond our delusions, or how our body feels even if our awareness fails to register its condition; how markets and organizations work, what friends to choose and what communities to join; what travels, mortgage or insurance to undertake this year, what flights may be cheaper today, what stocks to invest over the coming few months, which films or plays to see this week and what tunes to listen, how to drive to a destination in the urban mazes of modern cities and so forth. This is only a small list of a quickly expanding population of issues that are claimed to be successfully addressed by data crunching. The common assumption underlying these claims is that, if rightly perused, the data that are massively and meticulously captured and stored everyday in all walks of life would be able to illuminate personal, social and natural realities and address an impressive array of issues confronting contemporary people and societies. A large range of technologies and services are already in place (Ayres 2007; Brynjolfsson and McAfee 2014; Ekbja and Nardi 2017; Pentland 2014).

While many of these issues may appear trivial, their implications are not. As I claim in some detail in the next section, conducting an essential portion of ordinary dealings by relying on solutions or recommendations produced out of available data by machines considerably reframes everyday patterns of living and signifies an important change in longstanding human habits (Alaimo and Kallinikos 2016, 2017). The implications of the use of data extend, however, beyond the restructuring of daily living and impinge upon economic relations

and behaviours by means of diffusing new ways of creating, distributing and monetizing value (e.g. Brynjolfsson and McAfee 2014; Parker et al. 2016). They further impact upon core institutions and institutional relations. Reconstructing, for instance, the profile of people's preferences by means of computing data provided by Internet surfing habits and social media is an intricate practice with serious institutional and legal repercussions (Boyd 2014; Hildebrandt and Gutwirth 2008; Hildebrandt and Rouvroy 2011). How people are related to their data raises serious epistemological but also ontological questions. Am I solely my data? In what other ways can I be known; What else am I or might be? Who has the right to know my data?

Visitors look at installations by artists Paolo Cirio and Alessandro Ludovico at the Big Bang Data exhibition at Somerset House on December 2, 2015 in London, England. The exhibition showcases the data explosion that's radically transforming our lives.

These serious and perplexing matters bring us to the fundamental question of data and truth and, by implication, place us at the centre stage of contemporary science and its institutions (Khalidi 2013). There is some evidence to suggest that scientific practice increasingly becomes entangled with the production and computational manipulation of data in ways that far outstrip empiricism's reliance on facts (see, e.g. Borgmann 1999, 2010; Couldry and Kallinikos 2017; Flachbart and Weibel 2005). The first step in this process of 'data-basing' knowledge development is the comprehensive mapping of reality through the technological generation of huge amounts of data. An important part of such data corresponds to the footprint of the online pursuits of humans, another part results from the systematic recordings of facts and performances in fields such as medicine, law, education, finance or city traffic and still another from those technological advances that are referred to as the Internet of Things (Brynjolfsson



and McAfee 2014; Pentland 2014). The data that thus become available are subsequently subjected to elaborate statistical, computer-driven, techniques of data aggregation and computation that are assumed able to expose the underlying regularities of reality. The ordinary assumption is that larger volumes of data lead to more adequate descriptions of reality and this is what renders the quest for data the holy grail of much scientific and expert practice.

Obviously, most of the conditions under which data are technologically captured and aggregated far surpass the attention span, the register capacity and memory of humans (both lay men or experts). In most contexts of life in which data are amassed the purpose is not to provide ostensive evidence to the expert eye (traditional practice), at least not principally. Even though particular problems can be addressed by the careful identification of facts that pertain to individuals or small groups, the ultimate aim of data recoding is to reach beyond specifics and describe reality at a far more aggregate level (Desrosières 1998). In fact, individually-tailored solutions (e.g. personalized medicine, personalized service or product recommendations) are the outcome of a complex journey whereby knowledge of individuals is derived from the comparison of their data with data of similar others. The evidence produced by the observation of particular cases is always subordinated to the aim of producing an adequate description of reality at inclusive levels through the meticulous recording of facts and their aggregation. This would seem as a remarkable shift in the traditional use of many scientific practices such as medicine or education in which experts have tended to address the needs of persons or small groups (e.g. treatment in medicine or knowledge acquisition in education).<sup>2</sup>

Under these conditions, the development of knowledge through big data and the scientific practices it supports refigure not simply the role of perception in human life but also key conceptual habits and traditions of scientific research and practice. Data recording and the statistical permutations performed upon large volumes of available data move far away from theory and the use of concepts as essential means for unravelling the opaque constitution of reality. No theory is needed to detect patterns in the data. On this view, the patterns, if there are any, should emerge from bottom-up processes of data manipulation and clustering through a range of statistical techniques that have been currently assigned the prestigious name of data science (Pentland 2014).

Some of these epochal shifts have been popularised early on by the information age guru and then editor-in-chief of *Wired* Chris Anderson. In an article in the journal, Anderson (2008) provocatively predicted the end of theory and of scientific knowledge in the standard sense of conceptual development linked to evidence of one or another type. Anderson's claim is simple, perhaps even simplistic, but has the merit of straightforwardly conveying a central problematic of the age. Due to greater data availability and more accurate data, the reliance on theory and conceptual frames, he claimed, will eventually decline and knowledge will finally be derived inductively and exclusively through correlations

performed upon huge masses of data.<sup>3</sup> The age in which data without theory meant noise is over, says Anderson, putting new oil in the empiricism/rationalism fire burning over centuries. In this post-empiricist context, not only perception, even conceptual analysis (or at least a vital part of it) is rendered redundant. Cognition in the form of data analytics increasingly takes command. Nature and social reality are regained, if ever, after a long analytic retreat, out of the cognitive dust of computational particles (data) (Kallinikos 2009).

While science may seem as a context akin to the revival of the empiricism's dream, the trends I single out here are far from limited to the development of knowledge and science. Indeed, they extend over to an increasing range of mundane practices some of which carry, important economic or business implications. As indicated above, much has already been written about the emerging data economy and the new ways of creating and distributing economic value in which data are both key resources and the medium of value creation (Brynjolfsson and McAfee 2014; Parker et al. 2016). Here is an illustrative case I take from the same issue of *Wired* in which Anderson advanced his provocative ideas<sup>4</sup>:

Last October, agricultural consultancy Lanworth not only correctly projected that the US Department of Agriculture had overestimated the nation's corn crop, it nailed down the margin: roughly 200 million bushels. That's just 1.5 percent fewer kernels but still a significant shortfall for tight markets, causing a 13 percent price hike and jitters in the emerging ethanol industry. When the USDA downgraded

Visitors look at installation Ryoji Ikeda at the Big Bang Data exhibition at Somerset House on December 2, 2015 in London, England. The exhibition showcases the data explosion that's radically transforming our lives.



expectations a month after Lanworth's prediction, the little Illinois-based company was hailed as a new oracle among soft-commodity traders—who now pay the firm more than \$100,000 a year for a timely heads-up on fluctuations in wheat, corn and soybean supplies.

The USDA bases its estimates on questionnaires and surveys—the agency calls a sample of farmers and asks what's what. Lanworth uses *satellite images*, *digital soil maps* and *weather forecasts* to project harvests at the *scale of individual fields*, it even looks at crop conditions and rotation patterns—combining all the numbers to determine future yields.

## **“THE ORDINARY ASSUMPTION IS THAT LARGER VOLUMES OF DATA LEAD TO MORE ADEQUATE DESCRIPTIONS OF REALITY”**

Founded in 2000, Lanworth started by mapping forests for land managers and timber interests. Tracking trends in sleepy woodlands required just a few outer-space snapshots a year. But food crops are a fast-moving target. Now the company sorts 100 gigs of intel everyday, adding to a *database of 50 terabytes* and counting. It is also moving to world production prediction—wheat fields in Russia, Kazakshtan and Ukraine are already in the data set, as are corn and soy plots in Brazil and Argentina. The firm expects to reach *petabyte scale* in five years. ‘There are questions about how big the total human food supply is and whether we as a country are exposed to risk’, says Lanworth’s director of information services, Nick Kouchoukos. ‘We are going after the global balance sheet.’<sup>5</sup>

This rather colourful case illustrates how the developments I discuss here lift a field such as agriculture, traditionally immersed in the obstinate reality of nature, out of its physical embedment. It is important to observe that such a shift is made possible by: 1) the remarkable expansion and aggregation of data sources about the conditions on which food crops are dependent and 2) the calculation of future yields on the basis of statistical techniques of data aggregation and analysis. The remarkable expansion of data is the outcome of technological advances of reality documentation (satellite images, digital soil maps, weather forecasts), far beyond any human perception and register capacity. They are also contingent on the (technological) ability to lump up these data into databases or data repositories of standardized tokens that thus make them portable across data sources and possible to aggregate and crunch by statistical techniques.

There are undeniably blind spots, hidden assumptions and simplifications in these stories of scientific journalism. One could certainly question the degree to which they represent an adequate description of the processes of knowledge development and expert practice. However, the technological trends that make data such a pervasive element in knowledge development and expert practice

and the computer based statistical techniques of data aggregation and analysis they are associated with are hard to dismiss (see, e.g. Ayres 2007; Brynjolfsson and McAfee 2014; Pentland 2014). Even though these trends can be differently interpreted, it would seem as a displaced gesture to question the current importance of data and the technological revolution through which data are made a vital component of economic and institutional life.

### The Technological Context of Daily Living

Gradually, technology is moving into areas that historically have remained on the sidelines, as is the case of agriculture, which has been strongly impacted.

These same technological changes acquire a poignant importance in the current settings of daily living. Quantitative techniques have no doubt been ubiquitous in modernity (e.g. states, markets and corporations) but they failed to deeply penetrate personal, domestic and community life. This is no longer the case. Several developments that were alluded to above combine to establish new habits and a context of social interaction that differ from earlier contexts of daily living, including the context of the early Internet. It is worth looking at them in a little bit more detail.

An important development over the last decade so coincides with the unprecedented uptake of lightweight technologies, such as smart phones and



tablets, by large population segments. Lightweight technologies do not simply link large masses of people to the Internet. Crucially, they establish a convenient space of use, whereby a great deal of people's pursuits is lifted out of the ordinary contexts of living and placed in the stimuli and action environment of the various online settings characteristics of the current Internet.

These changes are, however, only the visible and immediate outcome of the developments I refer to. Less evident is the datafication of daily living, consequent upon these technological advances. Every click that lightweight technologies enable people to perform in the multiple online environments to which they hook them is transformed into data. Used skilfully and innovatively by digital platforms and the wider business ecosystem of the Internet (e.g. advertisers, marketers, data analytics companies, start-ups), these data form the basis for constructing an entirely new context of behavioural relevance made of relations between data items, essentially abstractions. For instance, by relating a user's preferences *qua* clicks to the clicks of other uses, important digital stakeholders can advance personalised services and recommendations that put ordinary processes of preference formation such as observing, talking and imitating at bay. An entirely different behavioural context is thus established in which the ordinary stimuli of perception and embedded living are undergoing a radical transformation.

A second group of developments that distinguish the current Internet from earlier contexts of daily life, including the context of the early Internet, is associated with the diffusion of social media and the massive migration of people's daily pursuits in the online platforms social media command. It wouldn't be an exaggeration to claim that social media are eating away the ordinary contexts of domestic, community and civic life (Alaimo and Kallinikos 2017; Borgmann 2010; Gerlitz and Helmond 2013) and create entirely different environments in which people carry on their daily pursuits. Similar to the diffusion of lightweight technologies with which they are anyway closely connected, social media engineer an online stimuli and action environment (e.g. liking, tagging, sharing) in which each action performed by human users is made a countable click and used together with the clicks of other users to construct profiles of persons and advertising audiences, or political audiences out of online communities and groups. New forms of personal and social experience are thus derived from the data footprint of the engineered social interaction of social media and fed back to people in the form of personalized services, targeted advertising and recommendations (Alaimo and Kallinikos 2016; 2017; Couldry and Kallinikos 2017; Van Dijck 2013).

The dissemination of lightweight technologies and the diffusion of social media platforms are, as briefly alluded to above, closely related to one another. It is hard to imagine the lively and constantly updatable context of social media platforms without smartphones while the acquisition of such devices is often driven, at least in younger segments of the population (Boyd 2014), by the desire to join what may seem as the vibrant world of social media. The two trends are, no doubt, separate and should be distinguished from one another.

Both, however, impact and reconstruct the forms of action, communication and experience that have been characteristic of modernity and of the early Internet. These developments are further amplified and reinforced by yet another trend that is popularly referred to as The Internet of Things (IoT). In many respects, the IoT offers a straightforward and vivid example of the transition I seek to describe in this chapter. Through the IoT the bulky appearance of things and their obstinate reality are transformed into a mass of computable marks (i.e. data) that are deployed as the basis for developing a range of services to both human users and other machines of the domestic complex. Such services are thus no more than data relations extracted out of the meticulous recording and datafication of human use of domestic appliances and utility networks and other mechanical settings that industrial capitalism bequeathed us and which the IoT currently expands.

These developments forcefully indicate that people's daily and domestic habits are increasingly lifted out of the ordinary contexts of daily living and accordingly inserted in an environment in which they are framed, understood and monitored as tokens or cognitive inputs for building abstract relations. For first perhaps time in history, technology in the form of computation is extensively involved in the framing of life issues, as predominantly issues of information and communication possible to address by computational means.

## Cultural Evolution

The transformation of human perceptual and cognitive habits analysed above and the move away from immediacy and perception is of course a pervasive theme in modern scholarship. Much has been written about the effects of writing and literacy on culture, human thinking and perception (see e.g. Beniger 1986; Gardner 1985; Goody 1977; Hoggart 1957; Mumford 1934, 1952; Ong 1982). There is also significant scholarship on the advent of numeracy and the effects numbers and quantification have had on humans, and the culture and institutions characteristic of modernity (see e.g. Cline-Cohen 1982; Desrosières 1998; Hacking 1990; Porter 1995). The growing social involvement of writing and the diffusion of numerical systems have considerably redefined the role of perception and cognition in human affairs. Both literacy and numeracy have given data a stronger importance in personal and social dealings and progressively instigated new habits that have given priority to abstract modes of reasoning and abstract relations at the expense of immediacy and perception.

A case can further be made concerning the effects which industrial capitalism has produced over the course of the last century on domestic life and human experience more generally through the production of goods and technologies that have reordered the significance of what are commonly called local realities. Placed in a historical purview, the diffusion of industrial appliances and goods across the social fabric remade the infrastructural basis of everyday living and

profoundly altered the contours of personal and cultural experience (Borgmann 1984; Giddens 1991; Heller 1999).

Current developments certainly continue, deepen and expand the effects which literacy and numeracy, writing and quantification and industrial capitalism have had on cognitive habits, modes of reasoning, experience and culture (Beniger 1986; Kallinikos 2011). However, the shifts I seek to depict in this text are, if not of a substantially different nature, distinct enough to warrant attention. The diffusion of data along with the technological nexus in which data production and use are inscribed establish a context that tends to frame a large array of cultural, economic and behavioural issues as cognitive problems of either computational or navigational nature. These developments, I suggest, signify a deepgoing redefinition of many social practices and daily habits of living comparable perhaps to the life styles that diffused as a sequence of industrialism and mass production. The issues this historical comparison evokes are of course different. The redefinition of everyday living brought about by the ongoing data revolution features the prominence of formal and abstract models of cognition, as distinct from physical devices, and the concomitant retraction of perception as the axial principle of everyday conduct (Borgmann 2010; Alaimo and Kallinikos 2017; Hayles 2005, 2006).

## **“LITERACY AND NUMERACY HAVE GIVEN DATA A STRONGER IMPORTANCE”**

Even in the case of the portrait I have painted in this chapter is taken as a valid depiction of contemporary developments, it would seem legitimate to raise objections as regards the kind of impact these developments may have on human practices and institutions. Can one really assume the unified refraction of these trends across the social and institutional fabric? Do not people and institutions appropriate these developments, interpret and remake them to fit their realities? After all, the changes I describe in this paper occur against the background of thick cultural and institutional relations that variously condition the introduction of new technologies and whatever habits these may propagate.

The developments I have singled out in this chapter are and will undeniably be refracted across fields and professional domains of contemporary life in different ways; medicine, for instance, is different from agriculture, architecture from law or the running of a business. Each of these institutional domains confronts specific problems. In addition, each one addresses these problems by historically specific ensembles of knowledge, skills, traditions and practices (Kallinikos and Hasselbladh 2009). Given, thus, the distinctive profile of problems, skills and practices underlying each one of these domains, it makes sense to assume that the implications of the developments I refer to are bound to manifest differently across them (see e.g. Lessig 2006; Terzides 2005).

This is no doubt in this case. But the varied impact which data, big data and data analytics may have upon different social fields is a manifestation of wider changes that also require attention and critical analysis. The comprehensive and deepgoing character of the developments I point to alters important premises on the basis of which reality is conceived, punctuated and addressed and expertise enacted. It does so in ways that are generic enough to transcend the specificities of particular domains of social life (Kallinikos 2011). A new institutional reality is brought about by these techniques and ways of construing and assessing problems and situations in which data availability and data analytics prevail. In this regard, the reality outlook of computation and the techniques of capturing, storing, making available and analyzing data transcend the confines of particular social fields and the professional practices by which these are associated (Kallinikos and Hasselbladh 2009) and remake some of the basic premises on the basis of which facts are produced, made available, assessed and addressed across markets and institutions. By the same token, the forms of expertise intrinsic to each professional domain (e.g. medical, legal, economic, architectural) are changing in ways that seek to accommodate the computational rendition of reality I have been at pains to describe in this text (see, e.g., Hamburg and Collins 2010; Siemens and Long 2011).

Demonstration in Honk Kong, 2014. A mobile messaging app that does not need Internet to work becomes the main headache for the Chinese authorities.

Though differently, these developments carry implications, I have claimed, for the lifeworld and the patterns of everyday life. They cast human living



in a complex environment in which data availability and the computations it encompasses increasingly provide the coordinates of daily life patterns. Again, the individual or collective appropriation of these life styles and patterns inevitably entails the re-contextualization and situated interpretation of abstract and freely circulating data tokens. It is beyond any doubt that individuals and groups transform and complement the generic and de-contextualized solutions mediated by technologies (Esposito 2004). Yet, by the same token, they become accomplices in the framing and sampling of the world these technologies, and the services they enable, mediate (Heidegger 1977, 1998). Re-contextualization (and interpretation) is double act that changes not only what is re-contextualized, but also the agents of re-contextualization. Seen in this light, the tasks and patterns of daily life that have predominantly been shaped by all those qualities and faculties we associate with human experience are subject to change, as computational techniques infiltrate the everyday living habitat. This seems to me an important shift in which the front-and-backstage (the tacit, unconscious, forgettable, beyond awareness) of human living change position.

In other words, the technological and cultural developments I describe in this chapter exhibit generic attributes that cut across specific contexts of social and institutional life. These generic attributes ¾ which I have identified with the prominence of cognition over perception, the preponderance of information and computational principles in defining reality ¾ cannot be wished away by the widespread rhetoric of technological appropriation, technological malleability or contextual adaptation that has become common over the last few decades (Bijker 2001; Bijker et al. 1987; Orlowski 2000). They need to be conceptually decomposed and studied empirically with the view of exposing the distinctive ways through which they are manifested, change and fuse into the fabric of social practices.

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## Notes

- 1 Some may find the distinction I make between perception and cognition overstated. Little wonder, perception is essential to cognition and the abstract operations that underlie cognition whereas the cognitive templates underlying cognition furnish as important receptacles to the activities of attention and perception. By perception, then, I predominantly mean situated observations and experiences that differ from sheer sensations in the sense of entailing cultural mediations that do not, however, evolve into deliberate mental exercises. The distinction cannot be drawn unproblematically, but it does have the merit of placing perceptual and cognitive operations at a different distance from ostensive reality.
- 2 For more details see Hamburg and Collins (2010) and Siemens and Long (2011).
- 3 Chris Anderson, The End of Theory, *Wired*, July 2008.
- 4 Ben Paynter, Feeding the Masses, *Wired*, July 2008.
- 5 All italics are mine.

## >DIGITAL DISRUPTION AND ADJUSTMENT: IMAGINING NEW PATHWAYS



Image: Is everything in digital technology beneficial?



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# >DIGITAL DISRUPTION AND ADJUSTMENT: IMAGINING NEW PATHWAYS

This chapter assesses the benefits and problems encountered in the face of disruptive digital technologies. It considers the social imaginaries that underpin claims that everyone must adjust to a natural pathway of technological innovation, even if this means an increasing risk of humans ceding control over their lives to large digital platform operators and governments or to artificial intelligence-inspired technologies. The discussion sets out why it is essential to foster a debate about potential counter-worlds and to make assessments of whether we are moving along a misguided pathway with negative consequences which may not be possible to address through ex post policy interventions.

## Introduction

With the possible exception of nanotechnology and biotechnology, no other technology is seen to hold as much promise to improve the lives of citizens as digital technology. These technologies are distinguished by their ubiquity and multiple aspirations for their use. Digital technologies are implicated in how we work, shop, learn and play and they have a vital role in empowering individuals and communities. The application of these technologies is expected to increase productivity and competitiveness, change education and cultural systems, stimulate social interchange and democratise institutions. Nevertheless, there are constant calls for reassessment of their governance when the promised benefits are accompanied by real or perceived threats to consumers and citizens. The spread of these technologies throughout society is challenging taken-for-granted assumptions about power, privilege and influence in society. It is urgent to assess whether these aspirations are being fulfilled because of the possibility that the claimed benefits will turn out to be empty promises or that they will be only crude approximations of profound transformations.

From social media driven by algorithms, to the Internet-of-Things (Amazon's smart home Alexa), to tests of driverless cars, personal care robots, wearable computers, robot lawyers for personal justice, and scalper bots to purchase tickets or discount deals, for some, the digital world is creating new potentials for making the world a more equitable place. Over the past several decades, innovation in digital technologies has occurred at the intersections of established industry boundaries. Technological convergence is offering many novel ways of configuring digital components, but it is generally associated with market consolidation. Although some see convergence in the digital

marketplace as a welcome development, others see it as reproducing power asymmetries in society. Convergent technologies and market consolidation appear to be leading to new structures of hierarchical control and inequalities that are enriching the welfare of the few at the expense of the many. These same developments are also seen by some as yielding anarchic wastelands, interspersed with walled online spaces, and admitting only those who submit to the authority of particular digital service providers. What if the providers of digital technologies and services are following a misguided pathway with negative consequences for all human beings?

### Digital Innovation: Benefits and Problems

All these developments are influenced by policy and regulation as well as by the values designed into digital technologies. Because of their modularity, as these technologies evolve, they increasingly take on 'system' features. This gives rise to considerably greater unpredictability than in the past, which, in turn, makes it difficult to envisage the future benefits and problems associated with disruptive digital technological innovation.

On the benefits side, the algorithms that are increasingly driving digital services can yield information that helps to mitigate the damage caused by disasters, to protect people in public spaces, to signal health risks and to monitor climate change. The use of algorithm-supported services is enabling companies to boost their profits. New types of risk are commanding global public attention and innovative digital technologies and applications are expected to come to the rescue when, for instance, power grids fail, financial crises worsen, or information leaks occur. These services are also providing citizens with information that supports a politics of resistance to unfair policies and practices.

### **"FOR SOME, THE DIGITAL WORLD IS CREATING NEW POTENTIALS FOR MAKING THE WORLD A MORE EQUITABLE PLACE."**

On the problem side, the innovative business models devised by companies operating in the digital economy are enabling companies such as Amazon to sell products at discounted prices selectively to targeted customers, but this squeezes the margins of independent and hyper-bookstores. Digital content is rapidly becoming the advertising for paid-for services that aggregate, filter and integrate information that can be sold to a minority of discriminating customers who are willing and able to pay. Public media, including public service broadcasting, are being challenged as they face intense competition in the face of the digital platforms which aggregate content and function as gatekeepers. The combination of rapid innovation and asymmetrical power in the marketplace is disempowering various groups through technologically

induced unemployment, the rise of criminality, the loss of privacy and, often, the curtailment of freedom of expression. Social and economic inequality is increasing within countries, even as digital connectivity divides are closing with the spread of mobile phones. Automated decision making systems are commonly used by banks, employers, schools, and the police and social care agencies. If they are poorly designed and untransparent, they can result in significant harm through discrimination and social marginalization. In Europe, the European Union's General Data Protection Regulation (GDPR) may help to minimize negative effects by giving citizens a right to an explanation for decisions which rely on these systems, but the regulation has not been tested and the challenges of protecting adults and children's fundamental rights in the digital age continue to grow in all regions of the world.

## Adjusting to Digital Disruption

In the wake of all these developments, effort is being devoted to developing visions of equitable and welfare-enhancing information societies. In both wealthy and poor countries, some experts claim that investment in digital technologies is providing opportunities for lower and middle-income countries to leapfrog generations of technology. They are expected to catch up with, and even surpass, the wealthy countries in securing the benefits of digital technology for their societies. Although the Declaration of Principles agreed at the World Summit on the Information Society in 2003 emphasises a 'common desire and commitment to build a people-centred, inclusive and development-oriented Information Society' in line with the Charter of the United Nations and the Universal Declaration of Human Rights, a technology-centred approach predominates in the policy and trade literature and in many branches of the academy. Some experts do emphasise that there is no 'one-size-fits-all' model of a digitally mediated society, but a homogeneous model persists which downplays the social, cultural, political and economic factors that can lead to highly differentiated outcomes of digital investment. Even when visions of a transformative digitally inspired pathway to the future emerge from multistakeholder deliberation, the underlying assumption is that competitive markets will deliver it, despite the fact that digital service markets do not operate according to the assumptions of perfectly competitive market theory. The prevailing view is that innovation in the digital realm should be left to the marketplace with as little proactive policy intervention as possible.

An exception to this is in the digital skills domain. The skills gap is substantial and there is much debate about deskilling and up-skilling. The direction of digital innovation is affecting income distributions of populations by replacing humans with machines to accomplish growing numbers of tasks with varying forecasts of how severe the threat to worker livelihoods is and how quickly job displacement will occur. Skilled workers in areas such as artificial intelligence (AI), data management, data quality control and data visualisation are in short supply. Research on digital divides often focuses on up-skilling in technical

domains of expertise. Many countries are introducing strategies to boost skills in STEM subjects - science, technology, engineering and maths, including coding. These skills are needed for employment in data analytics, data driven science and the AI field, but inequality in the digital world cannot be addressed without also paying attention to other determinants of inequality and exclusion.

Inequalities exacerbated by the spread of digital technologies cannot be addressed mainly by increasing the numbers of computer scientists and graduates with specialized technical training. Citizens need to be able to manage information creatively. They need the ability to select information, to disregard irrelevant information and to interpret patterns in information; and these are not technical skills. This feature of the skills deficit is especially important in relation to media content production and consumption where 'fake' or 'false' news is a growing problem. Online hoaxes are being created for profit and to foment political disruption. Social media content of this kind misleads citizens, it is creating a culture of mistrust and confusion, and there are growing signs of inequality between those who trust the media and those who do not. In principle, anyone can set up a home page but discriminating Internet use depends upon a range of skills to engage in interactive communication, information dissemination and collection, as well as information interpretation. The failure to make significant progress in developing broadly based digital literacies means that people who lack appropriate skills are being progressively marginalized and excluded. They may be excluded by their inability to recognize the value or usefulness of digital services or because they do not realize how services can be used in socially or economically productive ways.

Digital illiteracy is a growing problem. There are tools for filtering and censoring information but when children and adults cannot discern the difference between an ad or 'fake news' and reliable news, the foundational assumptions of civic participation in the polity are challenged. In the United Kingdom, research shows that only 25 per cent of 8 to 11 year olds can understand the difference between an advertisement or a sponsored link and an ordinary post in social media. Some 33 per cent do not know how to tell the difference. Just less than 50 per cent of 12 to 15 year olds and only 6 in 10 adults could tell the difference.<sup>1</sup> Researchers in the United States tested students across the country, also finding that relatively few could distinguish an ad from a news story or information from a political lobbying group. They concluded that 'we worry that democracy is threatened by the ease at which disinformation about civic issues is allowed to spread and flourish'.<sup>2</sup>

The burden of responsibility and the costs of engaging in technologically convergent, digitally mediated societies are falling increasingly upon individuals. Digital technologies and platforms are creating opportunities for direct and intermediated relationships between companies and customers (and between governments and citizens) and price comparisons can be done on a global basis. Competition among the biggest platform operators may be creating variety

and choice for some, but the risk is that these developments are excluding the disadvantaged or encouraging their inclusion on terms that are less favourable than they are for the well off.

## Next Generation Technologies and Futures

With advances in computational power and the spread of digital applications, for those who are included and do acquire skills appropriate to the digital world, their inclusion is problematic if it also results in a loss of their control over their lives. The aim in the AI field for many years has been to automate human intelligence. Contemporary examples of 'intelligent' technologies are the augmented soldier and the digitally enabled consumer. The commitment is to code algorithms that 'reason' about reliability and honesty. The automation of everyday life, in the form of the Internet-of-Things or of advanced robotics, is often depicted in the popular literature as signifying progress with the promise of a better life for all, and, ultimately, a reduction in social and economic inequality.

Digital  
technologies are  
changing the  
world market  
and consumer  
habits.

Existing means for governing innovation in the digital technology field are not well positioned to tackle fundamental questions about the kinds of information societies that are desirable, in contrast to those that might be possible. Discussions about a better future usually privilege expectations about the benefits of the existing digital technological innovation pathway. The potential economic value



of achieving these expectations sooner, rather than later, means that policies to mitigate problems with the current pathway are introduced only with caution and after evidence of harm has been collected. Measures that might address social and economic inequality and the potential for the loss of human authority over advanced digital information processing systems are often seen as damaging to the pace of innovation and the market. Nevertheless, it is crucial to ask whether the pathway towards technological systems that transform the machine-human relationships are consistent with human flourishing in the sense that people should be able to engage in ‘a kind of living that is active’;<sup>3</sup> a kind of living where human values such as altruism, solidarity and dignity are respected. If this kind of living is to be secured in the long term, the pathway towards algorithmic or calculative information societies with reduced human authority must be averted.

**“CITIZENS NEED TO BE ABLE TO MANAGE INFORMATION CREATIVELY. THEY NEED THE ABILITY TO SELECT INFORMATION, TO DISREGARD IRRELEVANT INFORMATION AND TO INTERPRET PATTERNS IN INFORMATION; AND THESE ARE NOT TECHNICAL SKILLS.”**

Manuel Castells noted the large gap between our ‘technological overdevelopment’ and our ‘social underdevelopment’ in the late 1990s and this gap continues to widen.<sup>4</sup> A narrowing of this gap requires consideration of alternative pathways for the future of digitally mediated societies, but contemporary debate focuses principally on how to ensure the public right to access information, freedom from undesirable surveillance and the protection of individual privacy using present technologies which are available in the market. In work aimed at unpacking the digital black box, research is focusing on the impact of advanced computational systems on social sorting and discrimination, on whether people who are active online are aware of these systems and their biases, and on whether those who operate the systems are accountable to a ‘higher authority’ when something goes wrong. However, with the development of the AI and its applications and its strong prospects as an economic growth industry, there is a fascination with the quantifiable, with data, and with evermore-accurate predictions of human and non-human behaviour. In industry, the goal is to provide assurances that, whatever the biases of computational systems and learning machines, research and development is conducted with the aim of keeping human beings safe, happy, and potentially, wealthier. The challenge for policy makers is determining, not only whether contemporary digital systems are exploitative or liberating, inclusive or exclusive, but also to assess whether innovation is moving along a pathway where technical systems will become the main drivers of societal outcomes and, increasingly, negate human agency.

## Social Imaginaries and Counter-Worlds

Assessments of this kind require that we think beyond short term management strategies and business models to consider the 'deeper normative notions and images' that are widely held about how a given society is, and should be, organized. The way people make sense of the world in which they live, the values they privilege and their preferred pathways to the future are crucial determinants of long-term outcomes. As philosopher Charles Taylor demonstrates, these notions and images can be treated as social imaginaries that influence collective practices in a society. It is these imaginaries that give rise to the stories that people tell themselves about likely technological developments and their consequences.<sup>5</sup> Taylor notes that, historically, there have always been competing social imaginaries that make claims to the way authority and accountability should be constituted in society.

In the contemporary period, the dominant social imaginary about the role of digital systems in society privileges rapid innovation and the diffusion of technologies that exhibit some degree of 'emotional' intelligence. This imaginary encourages the processing and interpretation of larger and larger quantities of digital information and massive increases in the technological capacity to produce, process, distribute, and store information. In this imaginary, it is necessary to adjust to shocks to the social, economic, cultural and political order as a result of rapid technological innovation.<sup>6</sup> The assumption is that a 'higher authority', for example, the state, the business sector or the customer, has control over the outcomes of the innovation process. This social imaginary underpins programmatic visions of scientific research, engineering and mathematics that focus on feedback systems and automation as control systems for both military and non-military digital applications. Efficient markets and individual choice are assumed to guide changes in the digital system. The interaction of the prevailing social imaginary with manifestations of the power of digital platform companies that operate in highly concentrated markets means that these companies play the role of intermediaries with the capacity to block or filter digital information and to process customer data. Their financial strength gives them a near monopoly, substantial decision making power and the ability to influence whether and how they are regulated. According to this imaginary, sometimes residual factors skew the trajectory of change in unexpected ways, but the possibility that technological progress might be harmful for human beings is not part of this imaginary.

In a less prominent, but still very influential social imaginary, the 'higher authority' is assumed to be the collaborative, non-hierarchical or heterarchical, authority organized by decentralized networks of actors. This imaginary is inspired by a commitment to open digital systems, open access to information, minimal restraints on freedom of expression and the preservation of privacy, but it is, nonetheless, also dependent on increasingly sophisticated computational systems and AI applications. The social imaginary that underpins this vision of

the technological innovation pathway is generally assumed to favour commons-based production, transparency, and the capacity for human authority in the digital world.

In both these social imaginaries, however, the imagined (or real) 'higher authority' is a human being and, in this regard, the pathway of technological innovation is not, or only very rarely, questioned. In the first social imaginary, the emergent properties of a complex digital system are expected to yield positive outcomes for individuals mediated by market, and occasionally, by government intervention. In the second, it is the generative activities of technology designers and online participants that are expected to achieve these outcomes. In both cases, the role of the engaged digital world participant is to search, tag and review data, with a 'higher authority', the corporate, state, and/or civil society governance mechanisms, being charged with taking actions based on the results of data analysis. It is assumed that these decisions will align with interests in commercial gain and with fairness and justice, at least, in the long term. Both the dominant and the subordinate social imaginaries are of a digital environment that augments human-machine, machine-machine and human-human relationships, in each case, with manageable risks to human beings.

## Shaping the Digital Pathway

Extending the range of futures that can be imagined requires a proactive agenda with a view to guiding the digital technology innovation pathway. The prevailing social imaginaries, which assume a 'natural' trajectory of innovation, are being called into question. For instance, Luc Soete asks 'could it be that innovation is not always good for you?'<sup>7</sup> He suggests that rather than a mainly beneficial process of Schumpeterian creative destruction relying on a continuous process of technological innovation, in the contemporary period, we are witnessing a period of 'destructive creation'.

Governance arrangements influence the kinds of societies that emerge; they inform perspectives on the fundamentals of life, the quality of life that people ought to be entitled to, and whether, by any measure, societies are inclusive, respectful, and enabling for all. Algorithms can be understood to govern because they structure understandings of future possibilities. When the results they produce are treated as if they are certain, the capacity to think about alternative worlds and technological development pathways is discouraged. When we rely principally on the dominant social imaginary, individuals are assumed to be subject to the choices of the large digital platform operators or the state. When we rely on the second social imaginary and the generative power of globally distributed online communities, there is no guarantee that outcomes will be equitable or harmless because online movements are not always benign. In both instances, it has been assumed until fairly recently that humans are the 'higher authority' and that they are retaining control of the computational systems.

In the digital environment of today, for the most part, when the economy or polity is understood through the algorithmic lens of visualizations of risk maps and scores and flags, it is still usually a human being or a group of individuals who take a decision to act. Asymmetrical power distributions mean that those with the power to act are more often than not the military, another branch of the state, or large companies, but they also can include online activist groups organized through social protest movements. Together with technology designers who embed values in the digital system, these actors are making choices about the pathway towards our future digital environment. Yet, if the quantification of everything means that societies are at risk of becoming humanly ungovernable, then the notion that the quantification of life, enabled by sophisticated AI systems and applications, is synonymous with the best interests of human beings needs to be reassessed. Alternative outcomes may be possible, but only if a different social imaginary starts to become prominent and to shape choices about equity and justice in the present, and *also* about whether the 'higher authority' should continue to be human beings.

Virtual reality is an example of a technology that embraces emotional intelligence.

The digital technological innovation pathway historically was not achieved in a linear way although it is sometimes assumed to have been a 'natural' progression from analogue to digital, from segmented industries specialized in



telecommunications or computing, to converged industries and technologies which comprise today's digital platforms and services. Organized in untransparent webs of modular technologies and complex hierarchical, horizontal and diagonal linkages, digital applications, including robots, supported by algorithms and machine learning, are expected by industry and government leaders to raise income levels. Some civil society activists expect these applications to underpin successful protest movements. But again, their aspirations are predicated on movement along a singular technological innovation pathway.

The view that digital technologies will offer solutions to societal problems is a common theme. When the focus is on the diffusion of innovations and on the competitive dynamics of digital platforms and services, the second-and further-order effects that give rise to uncertainty and outcomes that cannot be anticipated or easily modelled makes it seem as if the only alternative is to exploit the technological pathway that appears most likely to lead to economic gain in the short and medium term. Innovation and creative destruction historically have been the features of the economy that generate economic growth, productivity gains, and improved social welfare. This leads to a 'wait and see' attitude whereby human actors adjust to disruptive technological change in the short term. The market, the state and/or civil society are expected to deliver ameliorative responses to disruption and the after effect of technological change is assumed to be positive. Any necessary adjustments are seen as being largely spontaneous leading to claims that 'we know that gains in productivity and efficiency, new services and jobs, . . . are all on the horizon'.<sup>8</sup> The dominant policy orientation is toward stimulating economic competitiveness based on the premise that, if a country does not achieve a leadership position in emerging fields of technological innovation such as machine learning and AI, another country will. The consequence of this is an overwhelming emphasis on *ex post* policies that aim at influencing company strategies after technologies have reached the market.

Some government, industry and civil society actors are starting to acknowledge that the fourth industrial revolution 'will fundamentally alter the way we live, work, and relate to one another' in the wake of the ubiquity of digital sensors, AI and machine learning, and the way they are being combined with the physical and biological world.<sup>9</sup> Change is happening at great, even transformative, speed and citizens, public officials, and business leaders find it difficult to understand advanced digital computational systems. In the short and medium term, digital technology applications do have a great potential to tackle social and economic inequality and global socio-technical challenges and it is entirely reasonable for actors to seek to maximize the benefits of technological innovation. But the prevailing social imaginaries are persistent and they foster the view that connecting the unconnected to achieve inclusive information societies, combined with enhancing technical digital literacies and marginal interventions in the market to respond to threats, are sufficient responses. Even in the context

of the two most prominent social imaginaries, adults and children need a wide range of digital literacies if they are to learn to navigate effectively in the digital environment.

In addition, if the long term technological trajectory is towards a digital world that is incompatible with maintaining the rights and freedoms that many countries value, including accountable democracy, it is essential to promote debate about counter-worlds or alternative pathways and the changes that would be needed to

## **“IT HAS BEEN ASSUMED UNTIL FAIRLY RECENTLY THAT HUMANS ARE THE ‘HIGHER AUTHORITY’ AND THAT THEY ARE RETAINING CONTROL OF THE COMPUTATIONAL SYSTEMS.”**

achieve them. Insofar as the more digitally enabled benefits there are, the fewer opportunities there are for human beings to exercise control and authority in their lives, it is essential to challenge the view that adapting to whatever is produced in the laboratory is the only option. The prevailing social imaginaries make it difficult to conceive of alternative digital technological pathways, but it is not impossible. Advances in AI and machine learning applications are triggering consultations on ethical frameworks that discuss matters of human dignity, freedoms, equality, solidarity, and justice. In these forums questions are consistently being raised about how to ensure that digital technology systems will not be harmful to humans, but the policy stance remains still strongly oriented to *ex post* intervention.

### **Conclusion**

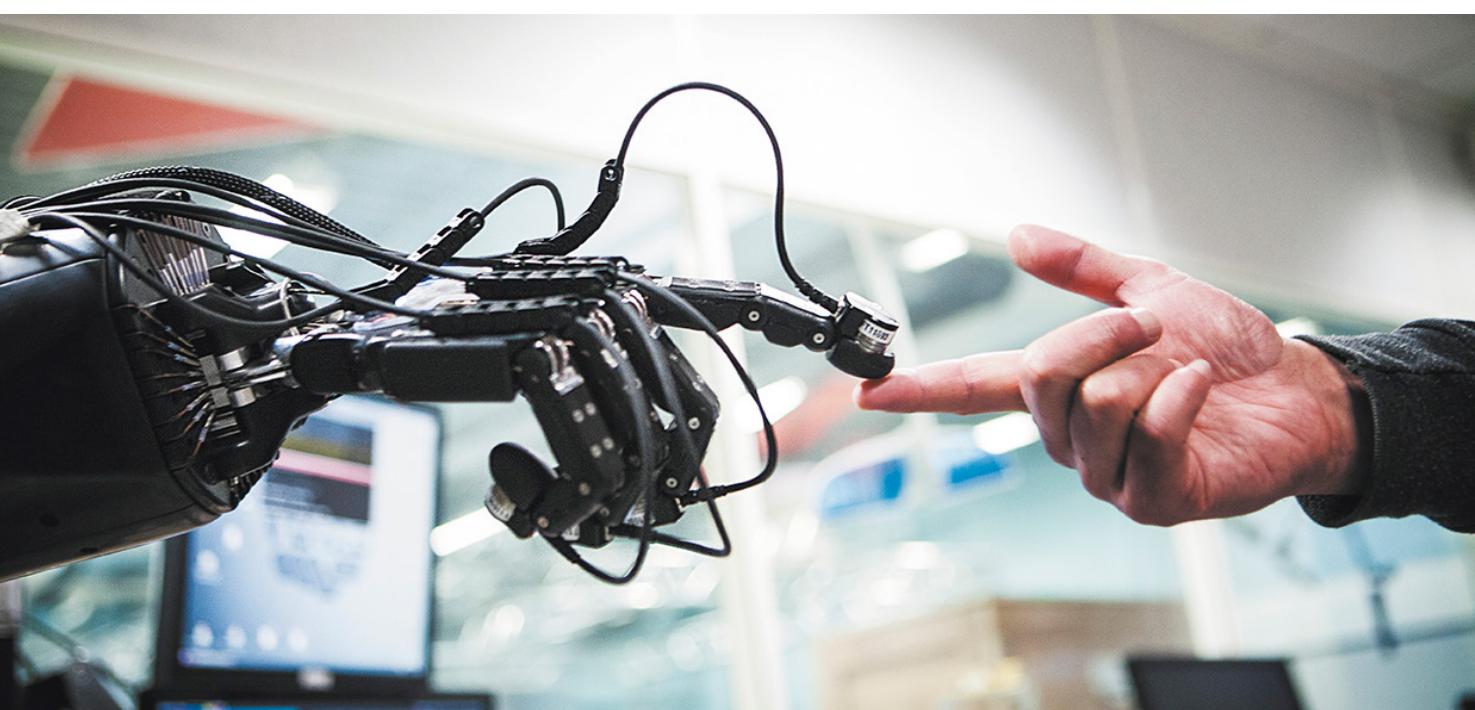
Policies are needed to improve skills, address market failures, limit harms and reduce inequality, but the larger issues raised by the encroachment of AI and machine learning should not be left to business and the market, to the state or to civil society actors, on their own. The greatest need is to secure a robust multistakeholder dialogue that enables a consideration of the ‘deeper normative notions and images’ which sustain the widespread belief that the overall direction of technological change is, in fact, consistent with human autonomy and flourishing. It is important to recognise that the direction of technological change was not inevitable historically and it is not inevitable now. The discourse around technological inevitability and adaptation to secure industrial economic competitiveness is deeply entrenched as is the view that civil society, without the aid of formal institutions, can be depended upon to generate outcomes consistent with achieving equity. If ‘destructive creation’ is indeed the likely outcome of the digital technological innovation pathway, then action is needed before it is too late and there is no opportunity to turn back because human autonomy has been compromised. It is necessary to reveal the norms and power dynamics of ‘governance by social media’ or ‘governance by infrastructure’,<sup>10</sup> in

the current period, but this needs to be coupled with much greater attention to actively fostering social imaginaries consistent with human beings remaining in an authoritative and accountable position in relation to technology.

The immersion of all the human actors as stakeholders in what Chantal Mouffe regards as forums that allow for agonistic confrontation<sup>11</sup> is one way to stimulate the necessary discussions. In confrontations of this kind, alternative, and often oppositional, social imaginaries could be debated. The goals and values that should govern choices about technological innovation pathways could be assessed in this way. As long as the principal assumption underpinning the social imaginaries is that the optimal organisation of societies is through greater untransparent computational complexity, this view will continue to be internalised, limiting the capacity of all actors to imagine alternatives. A dialogue, even if adversarial, is needed about what human beings will do in their lives in the future and about how, by whom or by what 'higher authority' people's life chances will be established.

Debate and the ensuing controversy about human authority in the digitally mediated world is likely to produce one or more new hegemonic social imaginaries; potentially including imaginaries which could inculcate values and lead to decisions that encourage a future in which human beings retain authority and in which social and economic inequalities and harms are addressed more effectively than they are today. This is likely to require greater proactive or *ex ante* intervention in the market than is countenanced by those informed mainly by one or other of the two social imaginaries discussed earlier. As Raymond Williams put it, 'once the inevitabilities are challenged, we begin gathering our resources for a journey of hope'.<sup>12</sup> The digital world, ultimately, may be constructed in a way that favours equity and inclusiveness, but also, and crucially, in a way that values human beings retaining mastery over their destiny.

Robotics is an example of a technology that is already improving our productivity and efficiency.



## Notes

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- 8 House of Commons (2016) *Robotics and Artificial Intelligence*. London: House of Commons Science and Technology Committee, Fifth Report of Session 2016-17, para 36.
- 9 Klaus Schwab (2016) 'The Fourth Industrial Revolution: What it Means, and How to Respond'. *World Economic Forum*, 14 Jan, para 1, <http://tinyurl.com/hlah7ot>, and (2017) *The Fourth Industrial Revolution*, London: Portfolio Penguin. For Schwab the 4th industrial revolution follows the 1st, 1760-1840 (railroads and the steam engine), the 2nd in the late 19th and early 20th centuries (mechanical production), and the 3rd, from the 1960s to around 2010 (computerization). There are different periodisations in the literature. For Chris Freeman and Francisco Louça in *As Time Goes By: From Industrial Revolutions to the Information Revolution*. Oxford: Oxford University Press, 2001, digital technologies constitute the 5th techno-economic revolution. For Erik Brynjolfsson and Andrew McAfee in *The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies*. New York: W. W. Norton & Co, 2014, the contemporary period is the second machine age.
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## >THE RISE AND RISE OF POPULISM?



Share

Image: Why is populism a threat to democracy?



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## >THE RISE AND RISE OF POPULISM?

The chapter<sup>1</sup> argues that populism should not be understood as primarily a form of anti-elitism. Rather, the hallmark of populists is that they claim that they, and they alone, represent the people (or what populists very often refer to as “the real people”). Populists deny the legitimacy of all other contenders for power and also suggest that citizens who do not support them can have their status as properly belonging to the people put in doubt. The chapter also analyzes the behavior of populists in power – arguing that we can see the emergence of a distinctive pattern of authoritarian governance where populists have large enough majorities and countervailing forces are too weak. Finally, the chapter suggests a number of strategies of how populism can be countered.

Today, the deeper meaning of every election in Europe (or perhaps even around the globe) appears to be exhausted by the answer to one question: “Is it a win or a defeat for populism?” Until the Dutch vote in March 2017, an image of an irresistible populist wave – or, as Nigel Farage put it, a populist “tsunami” – dominated the public conversation; especially after Emmanuel Macron’s big wins in both the presidential and the legislative elections in France in spring 2017, we are frequently told that we are already living in a “post-populist moment.” Both diagnoses are wrong and merit the very label which is usually stuck on populism itself: “simplistic.”

This chapter propose a proper understanding of populism and lay out the reasons why populism is dangerous for democracy (and not, as some observers hold, a useful “corrective” for democracy’s flaws).<sup>2</sup> Against this background, I explain why the narratives of “inevitable triumph” and “it’s all already over” are both so misleading. I shall also offer some hypotheses about the likely “causes” of populism and point to some possible strategies to counter populist actors.

### Is Populism The Same As “Being Anti-Establishment”?

The notion of an unstoppable wave took it for granted that both Brexit and the election of Donald Trump were triumphs for populism. To be sure, both Farage and Trump are populists, though not because, as the clichéd phrase goes, they “criticize elites.” Not everyone who criticizes elites is automatically a populist. After all, any civics textbook would instruct us to be vigilant with the powerful; keeping a close eye on elites can in fact plausibly be seen

as a sign of good democratic engagement by citizens. Of course, when in opposition, populists criticize governments. But, crucially, they also claim that *they and they alone* represent what populists often call “the real people” or “the silent majority.” As a consequence, they denounce all other contenders for power as fundamentally illegitimate. At stake is never just a disagreement about policy or even values, for that matter – which is of course completely normal (and, ideally, productive) in a democracy; rather, populists immediately personalize and moralize political conflict: the others, they insist, are simply “corrupt” and “crooked.” They allegedly do not work for “the people,” but only for themselves (i.e. the establishment), or multinational corporations, or the EU, or what have you. In this respect, Donald Trump’s rhetoric during the 2015-2016 presidential campaign was an extreme case – but he was not really an exception. All populists in one way or another engage in the kind of talk we heard from Trump about Hillary Clinton.

## “NOTE THAT POPULISTS CAN DO SIGNIFICANT DAMAGE TO A DEMOCRATIC POLITICAL CULTURE EVEN IF THEY NEVER GOVERNMENT.”

Less obvious is that populists insinuate that all citizens who do not share their conception of “the people” and hence, logically, do not support the populists, should have their status as belonging to the proper people put into doubt. Think of Farage claiming, during the night of the fateful referendum, that Brexit had been a “victory for real people;” he implied that the 48 per cent who voted to stay in the EU might not be quite real – which is to say: not part of the real British people at all. Or think of Trump announcing at a campaign rally last year: “The most important thing is the unification of the people – because the other people don’t mean anything.” In other words, the populist decides who the real people are; and whoever does not want to be unified on the populist’s terms is completely and utterly excluded – even if they happen to have a British or an American passport.

So the crucial indicator, if that’s the right word, of populism is not some vague “anti-establishment sentiment;” criticisms of elites may or may not be justified, but it is not automatically something problematic for democracy. Rather, what matters is populists’ anti-pluralism. They always exclude at two levels: at the level of party politics they present themselves as the only legitimate representatives of the people, and hence all others are at least morally excluded; and, less obviously, at the level of, if you like, the people themselves, those who do not share the populists’ symbolic construction of the “real people” (and, as a consequence, do not support the populists politically) are also shut out. Put differently: populism inevitably involves a claim to a moral monopoly of representing the supposedly real people – and also inevitably results in exclusionary identity politics.<sup>3</sup>

Note that populists can do significant damage to a democratic political culture even if they never govern. After all, populist parties that do not do so well at the polls have to face an obvious contradiction: how can it be the case that the populists are the people's only morally legitimate representatives and yet fail to gain overwhelming majorities at the ballot box? Populists do not all opt for what might seem the easiest way out of this contradiction – but plenty do, when they in effect suggest that one should think less of a *silent* majority and more of a *silenced* majority. By definition, if the majority could express itself, the populists would always already be in power – but someone or something prevented the majority from making its voice heard. Put differently: populists more or less subtly suggest that they did not really lose an election at all, but that corrupt elites were manipulating the process behind the scenes. Think again of Trump: when he left it open whether he would accept an election victory by Hillary Clinton, he effectively called into question the integrity of the US election system. Plenty of supporters understood well enough what he really meant: according to one survey, 70 per cent of his followers thought that if Clinton became president, the outcome must have been "rigged."

The presidency of Donald Trump was not only a victory for populism. Trump also had the support of Republicans and conservative elites in the United States.

To be sure, anyone can criticize the US election system – in fact, there's clearly plenty to criticize. And, once again, such criticisms can be a sign of good democratic engagement. What is not compatible with democracy is the populists' claim which comes down to saying: "Because we did not win, our system must be bad and corrupted." In this manner, populists systematically undermine the trust of citizens in their institutions – and thereby damage a given political culture, even if they never get anywhere close to the actual levers of power.



I do not mean to suggest that all populists will necessarily resort to conspiracy theories to explain away their failures. At the very least, though, they will be tempted to make a distinction between the *morally* and the *empirically* correct outcome of an election (think of Hungarian right-wing populist Victor Orbán claiming after losing the 2002 Hungarian elections that “the nation cannot be in opposition”; or think of Andrés Manuel López Obrador, arguing, after his failed bid for the Mexican presidency in 2006, that “the victory of the right is morally impossible” – and declaring himself the only “legitimate president of Mexico”).

## **“IN MANY SITUATIONS, POPULISTS WILL PLAY OFF SENTIMENTS AGAINST NUMBERS – NOT RECOGNIZING THAT, IN THE END, NUMBERS, AND THE PROCESS OF CORRECTLY COUNTING, ARE ALL WE HAVE IN A DEMOCRACY.”**

Populists will thereby keep invoking an amorphous “real people” who would have made a different political choice. For instance, the losing candidate in the 2016 presidential elections in Austria, far-right populist Norbert Hofer, claimed about the winner, the Green politician Alexander Van der Bellen that the latter had been “counted correctly, but not elected” (*gezählt, aber nicht gewählt*); in other words, he insinuated that his opponent had indeed received more votes – but that nevertheless he had not really been chosen (as if a real choice could somehow happen by acclamation or some other process not involving the secret ballot). As the German constitutional lawyer Christoph Möllers has put it, there is a difference between *counting* majorities and *feeling* majorities. In many situations, populists will play off sentiments against numbers – not recognizing that, in the end, numbers, and the process of correctly counting, are all we have in a democracy.

Let me illustrate this populist sleight-of-hand with another recent example. In October 2016, Hungary’s Prime Minister Viktor Orbán held a referendum on the question whether the EU could settle refugees in Hungary without the consent of the country’s parliament. He received the answer he had hoped for: 98 per cent of those who participated said “no.” Still, Orbán faced a problem: not enough citizens had voted to meet the quorum; technically, the result was invalid. Now, the prime minister could not have claimed what other losing populists often claim, namely that their system had been rigged. After all, as many observers have pointed out, Orbán and his party Fidesz have been creating a political, economic, and even cultural system purely to their own taste since 2010, when Fidesz gained a two-thirds majority in the Hungarian parliament. In addition, the government had literally spent millions of Euros on billboards and glossy brochures sent to each household to warn Hungarians of the dangers of an influx of Muslim terrorists posing as refugees, all in order to generate the one morally correct referendum result. No matter – in this case the government

could simply pretend that those who had stayed away from the vote were actually a silent majority in favor of “No;” hence, nothing would prevent Orbán from asserting that, at last, the people themselves had been allowed to speak on the question of European refugee policies – and that they did not like the proposals by the “liberal nihilists” in Brussels (Orbán) one bit.

## An Unstoppable Rise...?

This understanding of populism as a particular form of anti-pluralism should help to avoid lazily repeating the image according to which supposedly everywhere “the people” are rising up against “the establishment.” This is not an innocent, let alone neutral, description of political developments; it is actually populist language. It accepts that populists really are the authentic representatives of “the people.” But in fact figures like Farage or the Dutch far-right populist Geert Wilders are not even close to being successful among a quarter of the electorate.

Yet, strangely, politicians and journalists often switch from one extreme perspective on populists – namely assuming that they are all demagogues whose utterances can automatically be discounted – to another, which is to say: they all of a sudden concede that populists ultimately articulate people’s “real concerns.” Giving the populists a monopoly on telling us what really worries citizens betrays a deep misunderstanding of how democratic representation works. It should not be thought of as a mechanical reproduction of objectively given interests and identities; rather, the latter are dynamically formed in the process of politicians (as well as civil society, friends, neighbors, etc.) making political offers of representation and citizens responding. So it’s not that everything that populists say is necessarily fictitious – but it is a mistake to think that only they know what is truly happening in society. Trump, for instance, undoubtedly succeeded in making some Americans see themselves as part of something like a white identity movement. But citizens’ self-perceptions can also change again.

It would be a mistake, then, to think that populists reveal to us the ultimate objective truth about society. Yet many non-populist actors precisely work with this assumption. Think about how some socialists and Social Democrats in Europe these days seem essentially to be saying to themselves: “The working class simply doesn’t like foreigners, as the success of right-wing populists demonstrates. Nothing we can do about it.”

There’s another mistake when thinking about the electoral successes of populists. One should not just assume that all voters for populist parties are themselves necessarily populists, which is to say: share the anti-pluralist views of populist leaders. For instance, a voter of the French National Front might not at all agree with Marine Le Pen’s criticisms of the other parties as effectively immoral and betraying France – and yet prefer the FN because they offer what that voter considers the most attractive policies on agriculture. Granted, a bit a stretch – but the point remains that we cannot simply take it for granted that those who cast a ballot for a populist

politician or party are necessarily on board with an anti-pluralist program. This is a basic empirical point – but it is also one with implications for political strategy. Just remember how Hillary Clinton’s remark about “deplorables” backfired. She could have just relentlessly criticized her opponent – without generalizing about those attracted by him.

Still, is there not something to the notion of a wave of populism – even if it might be receding for the moment? In fact, the image has always been deeply misleading. After all, Nigel Farage did not bring about Brexit all by himself. He needed the help of established conservatives such as Boris Johnson and Michael Gove (both now serve in Theresa May’s cabinet). It was Gove who infamously told a British TV audience in spring 2016 – in the face of many dire warnings about Brexit by experts – that the British people had had enough of experts. The irony was that Gove himself had long been seen as a kind of intellectual among Tories. In other words, it wasn’t just anybody who told the people that expertise was overrated – it took an expert to do so.

Trump, of course, did not become president as the candidate of a grassroots protest movement of an angry white working class; rather, he represented a very established party and needed the blessing of Republican heavyweights such as Rudy Giuliani, Chris Christie, and New Gingrich. It was the latter who told a CNN reporter in summer 2016, during the Republican convention, that he did not trust statistics on crime, but believed in what people feel. In other words, he did the trick Gove had performed in the UK: whatever else one thinks about Gingrich, he is considered a sort of intellectual among American conservatives. So, just as in the UK, it took an established expert to devalue expertise.

What happened on November 8th 2016 was not a free-standing triumph for populism, but a confirmation of how partisan US politics has become: 90 per cent of self-identified Republicans voted for Trump; they clearly could not fathom voting for a Democrat, even if many Republicans in surveys registered deep doubts about candidate Trump. Clearly, the demonization of Hillary Clinton by many Republicans had something to do with this outcome – and that demonization had started long before Trump – in fact it had started when members of the American Right began to refer to Bill Clinton as “your president” in the 1990s, denying his legitimacy (Hillary Clinton already then spoke of a “vast right-wing conspiracy” against the Clintons – it wasn’t a conspiracy, but it’s hard to deny that many on the Right have dedicated their lives to discrediting the Clintons). The fact remains: to this day, no right-wing populist has come to power in Western Europe or North America without the collaboration of established conservative elites.

After the Dutch and the French elections, many observers were quick to declare a “post-populist moment;” what had become the supposed “new normal” of one populist triumph after another was already declared *passé*. Such a perspective fails to see the distinction between populism as a claim to a moral monopoly on

representing the real people and particular policy positions which have an affinity with right-wing populism – think of restrictions on immigration – but which are not populist as such. In other words, anti-pluralism and particular policy content are analytically different.

In the Netherlands, Wilders, who really is a populist, did less well than expected – but his officially “mainstream” competitor, the right-liberal prime minister Mark Rutte, adopted very Wilders-like rhetoric – telling immigrants that they should leave the country if they do not want to behave “normally.” Rutte has not become a populist – he is not claiming to be the only representative of the authentic Dutch people. But he is doing something unusual and, I would say, unacceptable: it is not for the Dutch prime minister to define cultural “normality” in the Netherlands (with the implication that there is a “real” Dutch people and then those who behave “abnormally”). As a consequence of such opportunistic concessions to populists, political culture is shifting to the right, without any kind of proper democratic authorization by citizens. Rather than seeing a post-populist moment, we might be witnessing populists winning, even though they are nominally losing; after all, conservatives, rather than officially collaborating with them, are now simply copying their ideas. This dynamic was also evident in the spring 2017 general election campaign of Theresa May who bet that she could destroy Farage’s UK Independence Party through imitating it.

Finally, apart from collaboration or copying, there is an option for conservatives effectively to condone right-wing populism. Think of how the European People’s

Pro-government demonstration in support of Venezuelan president Nicolás Maduro. Even in power, “Chavism” blames the deposed oligarchy and US imperialism for the country’s critical situation.



Party (EPP), the very mainstream supranational party family of Christian Democrats and moderate conservatives, have effectively protected Viktor Orbán from outside criticism (including criticism by the EU Commission). Orbán has been the pioneer of populism in power in Europe; he could never have built his by now in many ways authoritarian regime without the de facto cover provided by the EPP. Again, it is not that EPP members have become populists themselves – far from it. But strategic choices, mostly to do with wanting to keep the EPP the largest party in the European Parliament, have made conservatives the enablers of right-wing populism.

In this context it is also worth remembering a recent election before which many conservatives decided against collaboration. Arguably, the whole image of an unstoppable wave had already been called into question empirically with one counter-example: Austria, where the victory of Norbert Hofer had been widely predicted. Many conservative politicians explicitly came out against Hofer; this was especially true for local mayors and other provincial heavyweights who had credibility with rural Austrians in ways Green bobo leaders dropping in from Vienna clearly could not have mustered. Contrary to an emerging conventional wisdom, a complete split between the countryside going populist and cities committing to cosmopolitan liberalism is by no means inevitable.

## **“RATHER, WE MUST HOLD ELITES WHO COLLABORATE WITH POPULISTS OR COPY THEIR IDEAS OR EFFECTIVELY CONDONE THEIR CONDUCT AND SHIELD THEM FROM CRITICISM ACCOUNTABLE.”**

As the political scientist Daniel Ziblatt has argued, the consolidation of democracies in Europe depended crucially on the behavior of conservative elites. During the interwar period, they opted for working with authoritarian and even fascist parties – in many places democracy died as a consequence. After the war, they chose to stick to the rules of the democratic game even if what they took to be core conservative interests were not faring well. We do not live in anything comparable to the interwar period and today's populists are not fascists – but the lesson still holds that the destiny of democracy is as much a matter of the choices of established elites as insurgent outsiders. As Larry Bartels, one of the leading scholars of US politics, has pointed out, it is also empirically highly dubious just to assume an increase (let alone a “tsunami”) of right-wing populist sentiment; what can be shown, though, is that both political entrepreneurs and more established actors have decided either to defuse or mobilize and exploit such sentiments over time.<sup>4</sup> It is crucial not to remain fixated on populists in isolation (and regularly over- or underestimate their strength). Rather, we must hold elites who collaborate with populists or copy their ideas or effectively condone their conduct and shield them from criticism accountable.

## Populism in Power

Hopefully it has become clear enough that I do not mean to suggest that somehow populism is not real or does not pose a threat to democracies. It might have seemed from what has been said so far that populists all live in a kind of political fantasy world and hence are bound to fail in practice. Many liberal observers think that populists only offer very simplistic prescriptions which will quickly be exposed as un-workable, or even that populists, deep down, are afraid of actually winning, because they are clueless about what to do next (an impression confirmed by Nigel Farage's flight from political reality after the referendum). Conventional wisdom has it that populist parties are primarily protest parties and that protest cannot govern, since, logically, one cannot protest against oneself: anti-politics cannot generate real policies. More specifically still: if populists are all about anti-elite rhetoric, they will by definition have to cease being populists once they have acquired power and themselves become the political elite.

The notion that populists in power are bound to fail one way or another – or that they will necessarily moderate – is comforting. It is also an illusion. For one thing, while populist parties necessarily protest against elites, this does not mean that populism in government will become self-contradictory. All failures of populists in government can still be blamed on elites acting behind the scenes, whether at home or abroad (here again we find the not so accidental connection between populism and conspiracy theories). Many populist victors continue to behave like victims; majorities act like mistreated minorities. Hugo Chávez, for instance, would always point to the dark machinations of the opposition – that is to say, the officially deposed “oligarchy” – and to the US trying to sabotage his „twenty-first century socialism”. Turkish president Erdoğan would present himself as a plucky underdog; he'd forever be the street fighter from Istanbul's tough neighborhood Kasımpaşa, bravely confronting the old, Kemalist establishment of the Turkish republic – long after he had begun to concentrate all political, economic, and, not least, cultural power in his own hands. One side-effect of the summer 2016 military putsch has been to reinforce this self-presentation as struggling with the people against the visible and invisible forces of evil – the military and the shadowy Gülen network – as opposed to the face of a sultan-in-the-making, holed up in his pompous presidential palace, which Erdogan had been showing in the past few years.

More worryingly still: when populists have sufficiently large majorities in parliament, they try to build regimes that might still look like democracies, but are actually designed to perpetuate the power of the populists (as supposedly the only authentic representatives of the people). To start with, populists colonize or “occupy” the state. Think of Hungary and Poland as recent examples. One of the first changes Orbán and his party Fidesz sought after coming to power 2010 was a transformation of the civil service law, so as to enable them to place loyalists in what should have been non-partisan bureaucratic positions. Both Fidesz and Jarosław Kaczyński's Law and Justice party (PiS) also immediately moved against

the independence of courts. Media authorities were captured; the signal went out that journalists should not report in ways that violate the interests of the nation (which were equated with the interests of the governing party). Whoever criticized any of these measures was vilified as doing the bidding of the old elites, or as being outright traitors (Kaczyński spoke of “Poles of the worst sort” who supposedly have “treason in their genes”). The end result is that political parties create a state to their own political liking, and in their own political image: a PiS state and a Fidesz state, if you will.

Such a strategy to consolidate or even perpetuate power is not exclusive to populists, of course. What is special about populists is that they can undertake such state colonization openly: why, populists can ask indignantly, should the people not take possession of their state through their only rightful representatives? Why should those who obstruct the genuine popular will in the name of civil service neutrality not be purged?

Populists also engage in the exchange of material and immaterial favors for mass support – what political scientists often call “mass clientelism.” Again, such conduct is not exclusive to populists: many parties reward their clientele for turning up at the voting booths, though few would go so far as Austrian arch-populist Jörg Haider, who literally handed out hundred-euro bills to “his people” on the streets in his Austrian state of Carinthia. What – once more – makes populists distinctive is that they can engage in such practices openly and with moral justifications: after all, for them, only some people are really *the* people and hence deserving of the support by what is rightfully their state. Without this thought it’s hard to understand how Erdoğan could have politically survived all the revelations about his regime’s corruption, which had started to come out in 2013.

Some populists have been lucky to have the resources to build up entire classes to support their regimes. Chávez benefited crucially from the oil boom. For regimes in Central and Eastern Europe, funds from the European Union have been equivalent to oil for some Arab authoritarian states: governments can strategically employ the subsidies to buy support or at least keep citizens quiet. What’s more, they can form social strata that conform to their image of the “real people” – and that are deeply loyal to the regime. Erdoğan continues to enjoy the unshakeable support of an Anatolian middle class that emerged with the economic boom under his AK Party (and that also embodies the image of the ideal, devout Turk, as opposed to Westernized, secular elites, and as opposed to minorities such as the Kurds). Hungary’s Fidesz has built up a new group which combines economic success, family values (having children brings many benefits), and religious devotion into a whole that aligns with Orbán’s vision of a “Christian-national” culture.

There is one further element of populist statecraft – or what one might even call a populist art of governance – that is important to understand. Populists in

power tend to be harsh (to say the least) with non-governmental organizations that criticize them. Again, harassing civil society is not a practice exclusive to populists. But for them opposition from within civil society creates a particular symbolic challenge: it potentially undermines their claim to exclusive moral representation. Hence it becomes crucial to argue (and supposedly “prove”) that civil society is not civil society at all, and that what can seem like popular opposition on the streets has nothing to do with the real people. This explains why Putin, Orbán and PiS in Poland have gone out of their way to try to discredit NGO’s as being controlled by outside powers (and also legally declare them to be “foreign agents” – or tweet about them as “paid-up activists”, as Trump did when millions came out against his proposed “Muslim travel ban”).

If nothing else, populists have used protest to prolong and deepen the culture wars on which all populists thrive: they point to a minority of protesters that is allegedly not part of the real people – in fact, the protestors are actively betraying the homeland, according to the populists – and reassure their own supporters that they are the real, righteous people. The lesson here is of course not that citizens should refrain from going out on the streets to protest; it is only that one has to be aware of how swift and sophisticated populists are when it comes to incorporating protest into their own narratives to justify their exclusionary identity politics.

In a sense, populists try to make the unified people in whose name they had been speaking all along a reality on the ground: by silencing or discrediting those who refuse Putin and Orbán’s representative claim (and, sometimes, by giving them every incentive to exit the country and thereby to separate themselves from the pure people: 500 000 Hungarians have left in recent years). Thus, a PiS government or Fidesz government will not only create a PiS state or a Fidesz state – it will also seek to bring into existence a PiS people and a Fidesz people. In other words, populists create the homogeneous people in whose name they had been speaking all along: populism becomes something like a self-fulfilling prophecy.

There is a tragic irony in all this: populists in power often end up committing the very sins of which they had been accusing “the elites” when the populists had been in opposition: excluding citizens and usurping the state. What the establishment supposedly has always done, populists will also end up doing. Only with what they think is a clear moral justification and, perhaps, even a clean conscience. Hence it is a profound illusion to think that populists can improve our democracies. Populists are in the end different elites who try to acquire power with the help of a collective fantasy of political purity.

## Causes

Political purity might be a fantasy – but the success of populists has been all too real (just think of their result in the 2017 elections in Germany, so far considered

somehow “immune” to populism); and that success is not just based on fictions or conspiracy theories. Asking about the underlying causes of populism is urgent – but many of the answers given to that question have, again, been surprisingly simplistic. In fact, it is striking how often liberal observers on the one hand claim that populists in effect are all liars, or at the very least *terribles simplificateurs* – but, on the other hand, the same analysts always seem ready to buy the explanation that populists offer up when it comes to their own victories. If the latter are telling us that it’s all about “losers of globalization,” we simply repeat that assertion. For it appears that, in the end, we want to have an easy life, too. And to have that, it’s much easier to repeat such one-liner explanations as opposed to grappling with populism as a highly complex phenomenon. To be sure it is tempting to think that if populism is similar everywhere in involving a claim to a moral monopoly of representation, then the underlying causes must also be similar. But, in fact, that does not follow at all.

## “WHAT THE ESTABLISHMENT SUPPOSEDLY HAS ALWAYS DONE, POPULISTS WILL ALSO END UP DOING.”

So how should one think about the causes of populism in a more complex way? First of all, it is important to recognize that national contexts matter. The reasons for the emergence of a Haider are not the same as those for the success of a Le Pen, which in turn are not the same as the reasons for Trump’s completely unexpected triumph. As many studies have shown, economic grievances can play an important role, but nowhere is populism reducible to something like “the socialism of fools;” the quick answer “It’s all about neoliberalism” is indeed all-too-quick. Instead of immediately having such mono-causal explanations ready, one should pause to remember the actual central claim by populists: they tell us that they are the only ones who represent the real, virtuous people, and all the others are corrupt elites. It follows that it helps populists if they can plausibly conjure up the image of a homogeneous (and self-serving) elite. And that is easier in some contexts than others (for instance, it is *prima facie* easier in France than in Germany, which is not to say that the latter is somehow more egalitarian).

Secondly, it can help populists if a country has already been experiencing something like a “culture war.” Populists will try everything to confirming their supporters in the belief that they, and they alone, are “the real people” and that those on the other side of the “war” do not truly belong and/or are fundamentally immoral. This is not to say that perceived cultural differences, or diversity in general, will always necessarily give rise to populism; conflict around such issues can be addressed without engaging in exclusionary identity politics. In fact, it would be wrong to suggest that talk of “peoplehood” is always automatically pernicious and likely to strengthen populists; on the contrary, having to offer

a vision of who “we the people” want to become – or, put differently: the direction in which the country as a whole should move – is virtually part of the “job description” of a professional politician. Such visions should be treated as calls to follow a “vision,” or, if you prefer, as fallible hypotheses; the populist, by contrast, will assume that he and only he knows the true voice of the people and that there is only one direction in which to go. Witness a remark by Indian Prime Minister Narendra Modi that he was “merely the medium” and that “it is the people whose voice is resonating.” This is not offering the people different visions of different principles on the basis of which they might live together in the future; rather, it is pretending that the people have always already spoken and that the populist is actually just following their lead.

Thirdly, and at the risk of stating the obvious: there need to be grievances. Populists will not get an oppositional narrative about elites going, if there’s seemingly nothing to complain about. However, as hinted above already, it is a mistake to take these grievances as somehow objectively given: who gets blamed for what when and how depends on the representational offerings by politicians, by civil society, family, etc. Moreover, the further framing of these grievances will be conditioned by a government’s initial response to them. It would be foolish to argue that, let’s say, Turkey had been a perfectly pluralist democracy and society until Erdoğan came along and wrecked it; it would be ridiculous to argue that Venezuela had been a wonderfully egalitarian democracy until Chávez and Maduro messed it all up. For all we know, they might have taken their countries in an authoritarian direction no matter what. But we also have to allow for the possibility of an escalation of populist rhetoric (and ensuing practices) because legitimate concerns were simply rebuffed by the powerful in what were less than perfect liberal democracies.

Fourthly, there is the dynamic of what, for shorthand, one might call liberal technocracy strengthening populism. Technocrats – again, this is a crude characterization but also not a complete caricature – will hold that there is only one rational solution to a particular policy challenge (think of the German government’s stance during the Eurocrisis). Citizens, and parliaments, can only really consent to such solutions; there is simply no room for reasonable debate. Whoever opposes such policies reveals themselves to be irrational. This stance makes it easy for populists to exclaim: “Where are the people in all this? How can there be a democracy without choices?” To be sure, as has hopefully become clear enough in this chapter, populists are not really advocates of more participation by “ordinary people.” And if citizens actually flock to populists under such circumstances, technocrats will feel further justified in taking as many decisions as possible away from the people. A vicious circle ensues.

What might be less obvious is that technocracy and populism seem like two extremes opposed to each other – and yet they share an important characteristic: they are both forms of anti-pluralism. Technocrats hold that there’s only one correct policy solution; populists claim that there is only one authentic will of the people

(and only they represent it); whoever disagrees with them, reveals themselves as traitor to the people. For both sides, there is no point in exchanging arguments, no space for debate, and, in the end, no real need for an institution like parliament. In short: both pose dangers to democracy, and the fact that they can perversely reinforce each other compounds the peril.

Lastly, let me at least gesture to a more fundamental conflict of our time which does not in and of itself “cause” populism, but which facilitates the role of populists in democratic politics. Our era is characterized by an increasing conflict between two sides: one the one hand those who want more openness – which takes the clichéd versions of economic and cultural globalization, but can also mean the recognition of ethnic, sexual and religious minorities in one’s own country – in other words, it doesn’t have to be something to do with the international, and it does not neatly map onto a conceptual distinction between globalism and localism.<sup>5</sup> On the other hand, of course, are those who want more closure. In this conflict, the populists appear as actors who have answers ready; after all, they always do identity politics and they have an account of who the real people are, about who belongs and who doesn’t. This does not mean that they are right, but this is an issue where they can say something.

## Counter-Strategies

Arguably, it has become clearer what does not work – in particular two extremes of how to deal with populists. One is complete exclusion – not least the kind of moral exclusion which populists themselves practice (along the lines of: “We good democrats won’t even appear on TV together with populists” or “when populists ask a question in parliament, I walk out,” etc.). This is a mistake both on a strategic and, less obviously, on a normative level: it is bound to fail as a strategy, because it in fact confirms populists in what they have been telling their supporters all along: namely, that the corrupt elites never listen or are afraid to debate certain subjects (and not least, that these elites will all unite against the populists to preserve their undeserved privileges: “one against all, all against one”).

There is also a distinct problem from the point of view of democratic theory: especially when these parties are already represented in parliaments, excluding them from debate means effectively excluding all the citizens who voted for them. And, as said above, not all voters of populist parties can be assumed to be committed anti-pluralists who have not truly accepted the rules of the democratic game.

Then there is the other extreme: instead of excluding or at least ignoring them, one starts to run after populists. But no matter how fast you run, you will of course never quite catch them. Whatever you say or do about immigration as a supposed “mainstream politician,” you are unlikely to satisfy, for instance, the Danish People’s Party or the “Alternative for Germany.” But here as well, the

problem is not just on the strategic or, if you prefer, instrumental level; there are also normative issues: after all, copying populists can be based on the mistaken view of democratic representation discussed above. It is simply assumed that the populists have at last revealed many citizens' true political preferences, instead of realizing that representation is a dynamic process. Think, once more, of Trump: quite a few Europeans may well have felt with a certain Schadenfreude that, on November 8th last year, at least a long-held suspicion about the US was officially confirmed: it's a country with 63 million racists! As some social scientists were quick to point out, while there are plenty of racists in the US, racism cannot be the explanation of the entire Trump vote – at least some citizens opted for Trump after having voted for Obama twice.

## **"NOT ALL VOTERS OF POPULIST PARTIES CAN BE ASSUMED TO BE COMMITTED ANTI-PLURALISTS WHO HAVE NOT TRULY ACCEPTED THE RULES OF THE DEMOCRATIC GAME."**

There is no alternative to engaging with populists. But talking with populists is not the same as talking like populists. One does not have to adopt their descriptions of political, economic, or social challenges in order to be credible in a debate with them. At the same time, it is important to recognize that a whole range of policy positions that liberals find highly problematic are nevertheless permissible in a democracy – and that one has to argue against them with the best arguments and evidence available, not with the polemical charge of "populism." However, when populists reveal themselves as specifically populist – which is to say: when they try to deny the legitimacy of their opponents or the membership of certain citizens, or when they fundamentally question the rules of the democratic game – it is crucial that other politicians *draw the line*. For instance, if a populist asserts that Angela Merkel is pursuing a secret plan to replace the German *Volk* with Syrians, it is imperative that other parties to the debate signal that the territory of normal, legitimate democratic conflict has now been left behind decisively. Of course, the populist is unlikely then to recoil and apologize for propounding conspiracy theories suggesting democracy as Germans know it is only a façade; but the hope inspired by democratic theory – and it may well turn out to be a pious hope – is that citizens watching such a debate might well be put off by the populists. Perhaps they will conclude that they do indeed share some of the policy positions of the populist party – but still rather not be in the same boat with conspiracy theorists.

And the role of what is often patronizingly referred to as "ordinary citizens"? Think back to the first occasion when the "wave" did not sweep away "the establishment:" Austria. The campaign of the winning candidate mobilized many citizens by making it clear that they did not have fully to agree with a Green party

program; all they had to agree with was the proposition that the far-right populist candidate posed a genuine threat to Austrian democracy. More important still, the campaign encouraged citizens to leave behind their accustomed circles and milieus, and instead enter conversations with people they would not normally meet – and, above all, it encouraged them not to deploy accusations of “racism” and “fascism” after the first five minutes of such conversations. Again, this might be a pious hope on the part of democratic theorists; much social science research claims that the “contact hypothesis” is too good to be true, i.e. it is not enough to meet people very much not like us in order to foster tolerance and a respect for pluralism. But anything that can pierce the populist fantasy of a fully united, homogeneous people might be of help. Contrary to what liberals like to believe sometimes, not everything populists say is necessarily demagogic or mendacious – but, ultimately, their self-presentations *is* based on one big lie: that there is a singular people of which they are the only representatives. To fight them, one needs to understand, and undermine, that core claim.

## Notes

- 1 This chapter draws on the paperback edition of my book *What is Populism?* (London: Penguin, 2017) and the article "Trump, Erdogan, Farage: The attractions of populism for politicians, the dangers for democracy", in: *The Guardian*, 2nd September 2016.
- 2 I shall concentrate in this piece on right-wing populism, but in no way wish to suggest that there cannot be any left-wing populism. Left-wing populists also claim a moral monopoly of representing the people; however, the content with which they try to substantiate this claim is drawn for leftist sources. The most obvious examples of our time are Chávez and Maduro.
- 3 Which is not to say that all identity politics has to be exclusionary, let alone populist.
- 4 Larry Bartels, "The Wave of Right-Wing Populist Sentiment is a Myth", *Washington Post*, 21 June 2017, at: <https://www.washingtonpost.com/news/monkey-cage/wp/2017/06/21/the-wave-of-right-wing-populist-sentiment-is-a-myth/> [last accessed 24 September 2017].
- 5 While this cleavage has been much discussed recently, it is important to distinguish different forms of "openness": clearly, being in favor of free trade is not the same as being in favor of open border, which in turn is not the same as open-mindedness vis-à-vis minorities at home and abroad. Moreover, "openness" is not a first-order political value like liberty or equality.

## >DISCONTENT IN POLITICS



Share

Image: Although the causes and symptoms are different, in all democracies there is a significant discomfort among citizens towards politics.



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# >DISCONTENT IN POLITICS

Two phenomenon have merged from the political turmoil installed in advanced democracies since the financial crisis of 2008. Firstly, the discontentment of a big part of the population severely affected by a worsened social environment –perfectly valid and comprehensible– and secondly the transmutation of such discontentment into a political *malaise*, or to be more precise the emergence of a clear discontent within politics itself. In this article, we will review the nature and origins of this latter phenomenon to discover it goes back before the crisis and finds its roots in an old bitter resentment towards social democracy in its turn reawaken into a new form of “discontent policies” that dispute the legitimacy of the Rule of Law.

## Intro

The following reflections should be considered from a philosophical perspective. For better or worse philosophy doesn't merely represent an immediate and abundant storehouse of solutions, but more like a particular system of thought procedures for posing, outlining and defining problems in a conceptual manner. For the last three decades I've been conducting research enclosing what I could currently describe as “discontent” or “discomfort”. Naturally, this is a very ambiguous term –unreservedly vague to envisage any definite concept. Nevertheless, it has been strategically chosen on account of three main reasons. Firstly, and probably the most obvious argument, is the negative reference to the political project generally known as the ‘welfare state’. Whichever the interpretation of discontent I am trying to diagnose, it is evident that it is controversially connected to the welfare state, and will therefore demand clarification of its present avatars. Secondly, the evocation of Freud's 1930 book Civilization and Its Discontents. It must be underlined that the parallelism here is only occasional: my field study does not involve psychoanalytic methodology, therefore my research is not focused in the anthropological sense Freud gives to the term *Kultur*, but rather the cultural sphere in industrial and postindustrial societies where political turmoil is transformed into a ‘culture of discontent’ that particularly rejects the legacies of the Enlightenment meant to guide individuals through knowledge.

The third reason is, by far, the most important of all: it aims to address the vagueness of the term ‘discomfort’: from a nosographic point of view, it describes a slight uncomfortable pain that clinical medicine is unable to treat or cure. Precisely because of the uncertainty of its causes and the variety of its symptoms, modern medicine cannot confront a condition that doesn't seem

to stem from any specific syndrome. In similar ways, social discomfort or discontent has become resistant to the core institutions of the welfare state that should channel political conflicts, among other things because it is found within those same institutions. Therefore social discontents consolidated by policies of discomfort have transformed the public sphere.

### The Obvious and the Non-Obvious of the Current Discontent

There is a type of discontent that will not be referred to here: the irritation of populations that have become impoverished, factually or legally, due to successive budgetary adjustments through which some of the most advanced democracies have tried to cut the accumulating public debt.

The 2008 public debt crisis was frequently intensified by the ‘political corruption’ scandals that have come to light during the same period of time. The uneasy feeling shown towards the immorality of politicians, injustice, poverty, or inequality is nothing but a perfectly natural reaction — one that could even be considered socially healthy. Therefore we see the need to reflect on the evolution of this social dissatisfaction into political discontent, or rather, the discontent with and in politics. There is a leap, which is neither obvious nor immediate, in (let us say it with this image) feeling indignation toward the decline in social conditions, versus being ready to vote for a xenophobic political party (or to one that questions the legal framework of representative democracy). This ‘leap’ is precisely what I have decided to analyze.

**“THIS TRANSFER OF RESPONSIBILITY TOWARDS ‘THE POLITICIANS’ (AND THE RESULTING SENSATION OF INNOCENCE IN THE PEOPLE THAT VOTED FOR THEM) IN THE CAUSE OF AN UNDERSTANDABLE FRUSTRATION THAT LEADS TO SOCIAL DIVISION.”**

It is understandable that, before the situation triggered by the financial crisis, certain organizations were ready to capitalize on, politically speaking, that discontent. On many occasions, these organizations described themselves as ‘instrumental’ — meaning they did not have a determinable philosophy of their own in the already-known ideological spectrum (or if they had it, they were ready to shelve it), and that they offered themselves obligingly to the people as more or less neutral instruments (‘not left-wing nor right-wing’ in the usual sense) to politically assemble that discontent. They have generally been instrumental in an even more aggressive manner by trying to exploit discontent for electoral gain. It is worth noting that these organizations would have not reached their current level of success if their ideas had not permeated through a part of the population. The current political parties (in some cases consisting of a century

of tradition) were incapable of offering solutions for this discontent. This idea is far from spontaneous because it is precisely the center-left and the centre-right parties who built the welfare state.

If these ‘welfare parties’ appeared soon, in the eyes of many voters, as residues of ‘old politics’ that had to be overtaken, and if it was against these parties that these voters pronounced the slogan “They do not represent us”, it was not because they had failed to fulfil the rules of the representative democracy (because, of course, they were, to this end, their legal representatives, as they had been for many years). It was because the supposedly ‘instrumental’ and ‘neutral’ organizations (the ‘discontent parties’) had a very well defined ideology, at least in its negative dimension: namely that the center-left and center-right parties that had taken turns in the government since World War II (or in Spain since the restoration of democracy in 1978) were precisely the culprits responsible for this discontent. This ideology was not proposed to subjects of a dictatorship or to the victims of a tyrannical government, but to citizens of the world most established democracies. By accepting this narrative, citizens were responsible for keeping the ‘guilty ones’ in power by giving them their vote; and consequently they would also have to accept some responsibility for their own discontent. Acceptance of this kind would have been very unpopular, and it would have hardly reached a relevant impact. How could it be possible, then, that a sector of the population (let us suppose we are talking about the people that has seen their jobs, their economic conditions and their prospects worsen) gets to blame the political parties they have supported for decades without accepting any responsibility for this decline?

To go from “I am not doing well” (or “I am worse”) to “politics are guilty for my discontent” needs a middle ground, that is, the breaking of the representational link between citizens and elected officials (symbolized, in the propaganda field, by the aforementioned “They do not represent us.”).

In other words, this transfer of responsibility towards ‘the politicians’ (and the resulting sensation of innocence in the people that voted for them) in the cause of an understandable frustration that leads to social division. Additionally, a part of the electorate that was until recently ‘their supporters’ are now ‘their opponents’ that consider the public agents not as representatives of the voters, but as their predators, as the ‘instruments’ of a privileged social class that has decided to deprive the citizens from their rights and that are, as such, the enemies of the people. This upheaval cannot be explained solely because of the worsening of materialistic conditions or the growth of social inequality because, among other things, although inequality rates are sometimes dramatically pronounced, such as in the early 20th century, in the countries concerned, and despite their flaws, there are still social protection structures that no other society has ever enjoyed. If it has not been possible to substantiate dissatisfaction as it had been done since 1945, for example by the alternation in government of conservatives and

social democrats, it is because the demand of another alternative has become necessary. This is due to a general distrust that is not the discredit of certain policies or of some specific politicians, but a total discontent towards politics, at least, towards what we have been considering ‘politics’ in the advanced democracies since the end of World War II. And as what we have been considering as ‘politics’ in this context is, precisely, the Welfare State based on the rule of law, the emerging discontent (although it is marked by the rhetoric of the defense of the law and universal public services) is really a discontent within the welfare state (that is now interpreted as a fraud or an optical illusion).

It is, therefore, a kind of ‘political disaffection’ that goes beyond the disappointments caused by the illicit enrichment scandals of people holding public office or by the irregular financing of political parties as it points to suspicion, essentially, towards representative democracy. It implies it implicitly because it presupposes that these institutions have been, for more than half a century, a simple ‘disguise’ for the domination of the privileged over the rest. Furthermore, the economic crisis would only have uncovered its grimmest facet: a domination that would have been exerted through means that outpace the legal and institutional controls of the parliamentary democracies and that, therefore, could only be fought through means that also go beyond this political framework (hence the need for ‘new politics’).

Streets full  
of whistles,  
symbols of  
opposition  
to the  
government's  
austerity  
measures in  
Greece.



Needless to say that, clearly, the success of such an implausible account (in the case of Spain, it entails accepting an objective political continuum between Francoism and the ‘regime of 1978’) would have been impossible without this other contributing factor: the clumsiness (or maybe the excess of craftiness and tactics) of the political parties that I have called ‘the welfare parties’. This foundational negligence, which was being used to take turns in holding onto power with little effort and even less discourse, had become, little by little and to a large extent, electoral machinery. These machinery, when threatened by an unexpected rival, reacted too little and too late, underestimating, scornfully, their rivals in the first place, and trying later to imitate their slogans to stem the leak of supporters which increased ironically the support and credibility of the ‘political parties of the discontent’.

As a consequence of all this turmoil we tend to lean towards certain ‘anthropological pessimism’: the fact that today we speak of ‘political disaffection’ seems to presuppose that, before the financial crisis, citizens seemed interested in participating in political debates. But, when we see how quickly the (apparent) confidence in social democracy based on the rule of law has become a detestation of the ‘political leaders’, does this not incite us to think how much patronage there was in this presumed confidence?

It would be an error to think that this discontent is a radically new phenomenon and that it is exclusively related to the recent financial crisis: its roots are much deeper and its history much older.

## Social Agreement and Modern Politics

Although we frequently tend to forget, the origin of states based on the rule of law —a rule of law that still confers meaning to our actual understanding of ‘politics’—, goes back to the 17th century as the result of endless religious wars which devastated Europe for more than a hundred years. In order to put an end to a dreadful situation, an unprecedented political legitimacy (the so-called ‘social contract’) was established to pacify identity conflicts and to settle a new frame of cohabitation that would strengthen the forthcoming liberal revolutions. The ‘original position’ of the social contract — that contains the legal grounds of the liberal state as a form of social organization— posit free individuals (“liberated” from any previous attachment: family, social, military, religious, cultural, ethnic, hierarchic or of loyalty) that have consented to meet in an assembly to agree under equal conditions and without any external coercion, the rule of law according to which they accept to live together in exchange for protection of their rights. In this setting, Hobbes, so to speak, placed ‘at the beginning’ (as if it was an existing reality) what could only be ‘at the end’ (if society has success, and this being its most exquisite achievement): a group of individuals. It could not be any other way because, as we have already said, it was about (in the Europe of the 16th and 17th centuries) reaching the peace treaty that would

Activists in  
the streets  
protest  
against the  
scandalous  
increase of  
corruption in  
São Paulo,  
Brazil, in  
2016.

put an end to the devastating and hateful religious wars that seemed endless, precisely because they stemmed from the irreducibility of the antagonistic cultural identities (that condemned them to resolve their superiority in the battle field). The social agreement demands as a precondition for cohabitation that only after having been signed, individuals can acquire a certain identity (family men, firemen, Bretons, Protestants, priests or soldiers) based on the understanding that it is compatible with the private identity of each of the remaining signatories. This is the reason why public law is always the precondition and the foundation of private law. It has always been known that this setting is a 'fiction', and that it does not match any empirical reality. But, it has also been known that the political legitimacy of the state based on the rule of law and of the laws that derive from it can only be thought of as if fiction would have been (and still is) a fact granting legal reality to what lacks material reality and hence using that ideal model as the aim towards which legislation should tend.

Hobbes knew that in real societies individuals came from a certain identity (at least that of the lineage community that they belong to), but he subjected those communities to the jurisdiction of a society that makes their members free enough to judge, independently of their identity and, therefore, of their prejudices. The same objectivity is demand, nowadays, to a citizen that is a member of a



jury, a representative of the parliament, or a judge that presides over a court — that is the ability to place public interest over private interests —related either to their community or their identity. And that is what the educational institutions of the Enlightenment have always professed: those individuals, once in the limits of the institutions, can get rid of their identity and communities' characteristics (not to betray or eliminate them, but to relativize them) in order to rise to a virtually universal level (in which arts, science and philosophy are to be found, as they happen to be disciplines that demand universality and refuse to accept excludable communities) where they will be able to empathise with any other individual when it comes to judge legislate or rule.

During the 19th century, the liberal societies experienced several forms of discontent and received very articulated and well-deserved criticism from (or in the name of) those deprived of civil rights and liberties that should constitute citizenship. Some of them were deprived *de iure*, regardless of their financial condition, just because they belonged to stigmatized groups (that is, they could not 'free' themselves from their identity and, therefore, sign the agreement); others owed this exclusion to their material poverty that prevented them, *de facto*, from exercising these rights. We must say, of both, that they had good reasons to feel discontentment towards the rule of law (which was not such for them), and that they reclaimed their nature as citizens with full rights. Their claims were, therefore, totally integrated in the frame of the principle that law should govern a nation, and their "discontent" was the type of discontent that we previously said couldn't be questioned because it was already fully justified. It took its time for the complaints regarding this flagrant inequality to make its way. Although it is somehow 'obvious' that the exercising of the civil rights is impossible in practice for those who lack all material welfare or the legal status of individuals, this circumstance goes unnoticed for those that already enjoy both things and that, therefore, tend to think of civil rights (and, likewise, of their absence) as something relatively 'natural', blaming the 'nature' of the workers, women, or colonized populations for their lack of material resources or public liberties. What the labor movement laid on the table was the evidence that a society that grants 'civil rights' to all of its members but denies some of them the material resources that would allow them to exercise them cannot be considered fully democratic. But, it would not have been possible to interpret the labor movement of the 19th century as a political movement if it had had material welfare as its only goal. It had political relevance because the aspiration for social rights was a mean to reach higher purposes: the full acquisition of civil rights and public liberties.

## What is the Welfare State?

Regardless of how we define it, it is clear that what we call 'welfare state' is, in turn, the result of this double deficit of the state based on the rule of law that was incapable of managing the identity tensions emblazoned as nationalism and the social tensions shown by the labor movement. Consequently,

the state had to witness the enormous disasters of the two World Wars and all of their sequels. Due to this turn of events, after World War I, many politicians, intellectuals, jurists, philosophers and mere citizens experienced specifically political discontent against states based on the rule of law: they were convinced that this institution had been overwhelmed by unprecedented circumstances and that it had to be replaced by a new type of state in which many laid their hopes. But after World War II, it was dramatically clear that these “new states” were nothing more than totalitarian fascist states (that were defeated during the war) and communist states (that survived it). Since the coming of the Russian Revolution, the communist states had erected a universally material welfare coverage project. However, they denied their subjects the civil rights of representative democracies, which they considered a simple make-up for exploitation, so they never granted them even though they had enough material welfare to exert them. In fact, from communism’s ideological orbit, fascism was considered the contemporary form adopted by capitalism once it ended its ‘bourgeois’ stage (i.e., civil), in which public rights and liberties would still have been a façade that tried to hide the class domination, whilst fascism would have eliminated the façade for keeping only sheer domination. Hence communism appeared (for its supporters) as the only ‘force’ able to confront this domination with its own weapons, that is, from the perspective of the ‘improvement’ of the state based on the rule of law (and likewise, fascism became ideologically legitimated as the only ‘force’ capable of stopping communism and justified in this way its authoritarian structures). In this sense, fascism and communism were already mutually part, and despite their antagonism, of that ‘new post-bourgeois world’ in which so many believed before starting to use the term ‘totalitarianism’. In 1945, the ‘state of discontent’ was viewed as a ‘Cold War’ between the totalitarian states (gathered around the USSR)—that rejected parliamentary democracy—and states based on the rule of law that presented themselves as ‘socialist states’, and liberal democracies that had kept its institutions alive but that were by then tragically conscious of their social and political deficits. And it was the latter’s that, in order to meet the huge challenge, signed new civil agreements (symbolized by the consensus between the center-left and center-right parties) around a political project that defended a state that had to be both social (as the fascist and communist states were, in their own way) and based on the rule of law (as the modern parliamentary democracies had always been). This combination of juridical welfare (civil rights) and material welfare (social rights) is the so-called ‘welfare state’, that had never been proposed so explicitly before, although it was implicitly inscribed in the social contract. It was probably John Rawls, in the 20th century, who analyzed in more detail what I previously called the ‘original position’ of the social contract. Rawls understood that the state based on the rule of law had no other alternative than to be thought not only as a pacifier of identity tensions, but as what we nowadays call social state. As legislators, the citizens have the legal power to endow public rights, but they cannot

legislate on the amount of material welfare that shall belong to them (because it depends on circumstances that are not legally controllable) nor, therefore, foresee their private identity. And this means that, when establishing common law, they ignore their luck and the place they will hold in society because they do not know who they are or, in other words, who they are going to be (Rawls spoke of a ‘veil of ignorance’ that prevents the contractors from having this knowledge). And it is because of this ignorance that, when legislating, they will do it, necessarily, in such a way that those that are the unluckiest are not totally abandoned by their partners because any of them could be in the same situation in the future. And it is in this sense that it should be said that the liberal state has, implicitly and since its own creation, the need for democracy to be social, as well as juridical, despite the welfare state being the only entity which has set out this condition in a clearly obvious and manifest way.

## **“ANY SOCIAL IDEA ABOUT ‘WELFARE’ MUST REFER, IN THE FIRST PLACE, TO MATERIAL WELFARE: THAT IS, THE COVERAGE OF THE BASIC NEEDS OF LIFE.”**

This being the state of things, the construction of a democracy that was social and based on the rule of law at the same time, was an explicit and unprecedented programmatically experiment. World War II, with its devastating destruction and brutality, was the sinister setting in which this wager became necessary because the state based on the rule of law itself (this is, ‘politics’, as they had been developing since the 17th century) was risking its survival in the face of totalitarianism.

With any type of doubt, any social idea about ‘welfare’ must refer, in the first place, to material welfare: that is, the coverage of the basic needs of life and solving of human shortages, despite the notion of ‘basic needs’ being always an object of debate. We can see that material welfare depends, on the one hand, on the production activity of individuals and, on the other hand, on the circumstances, never fully manageable, which are external to them. In this sense, no state can guarantee to all its members the ‘right to be always well’, but only (and that is what the welfare state is about) the right to be as well as the collective material conditions allows it in each and every moment. In other words, the state grants the right to expect a fair distribution of wealth and poverty in each historical situation (this is an important observation, because in 1945, when the project of the welfare state appeared specified in the advanced liberal democracies, Europe was economically destroyed by the war, and there was not much wealth to share out).

This is normally what we refer to when we talk about the acknowledgement by the state of social rights of the population or of social cohesion programs, and the programs for fighting against financial inequalities, which are some of the

distinguishing features of the welfare state. Nevertheless, the mention of ‘law’ in previous paragraphs already tells us that welfare is not only material. Material welfare (and the social rights that guarantee it) is the condition for a superior type of welfare: juridical welfare that entails the exercising of civil rights that transform individuals into politically free citizens ‘of legal age’, responsible for their public life, and masters of their private life.

Material welfare is necessary because (up to where it is possible) it ‘frees’ individuals from nature and external circumstances. Nevertheless juridical welfare will only be satisfied if it guarantees that this material liberty will become political liberty: that is to say, the liberty to choose the public law that will allow one to live in peace with the rest of individuals, regardless their origin or social position, and the liberty for individuals to choose their own life paths.

## The Origins of Discontent

The citizens of the countries where the welfare project had started in 1945 supported with a large majority the ‘moderate’ parties that backed it (which actually meant a new definition of the terms ‘left’ and ‘right’ in politics). Only those who took side with totalitarian political solutions (communists or fascists) were left out of this consensus —they were, electorally speaking, a minority and therefore were rejected towards the ends of the political spectrum, and were almost always left outside from parliaments.

But the fact that ‘discontent within the welfare state’ was parliamentary invisible or comprised a minority does not mean that, from a general social viewpoint, it lacked importance. On the contrary, the ‘extreme left’ (that is the name adopted then by those who defended the validity of the communist project as an ‘improvement’ of the state based on the rule of law and, by extension, of the welfare state) occupied the intellectual front with great success (no wonder Kolakowski, the great historian of Marxism, stated that ideas are the respiratory system of communism) and gave place to the so-called ‘new left’, a merely rhetorical name because in fact it was in principle that ‘old communist left’ that had been politically discarded by the victories of the welfare state. When talking about ‘intellectual success’ I am not only referring to the hegemonic communist ideology within the intellectuals in Europe between 1945 and 1980 (and the resulting discredit of the writers that, like Berlin, Aron, Arendt, Koestler and many others, were expelled from the field of legitimate ideas under the accusation of being ‘reactionaries’), but also, and above all, to the construction of the so-called cultural left. From positions of power at universities, in publishing houses or on the art scene, the new left produced a genuine ‘culture of discontent’ within the welfare state compensating its parliamentary irrelevance. That gave place —especially in France— to a series of leading figures that kept alive the myth of the ‘moral superiority’ of the left (the authentic left that was certainly different to the one occupying its seats in parliaments) based on its ‘intellectual

supremacy" — "ideas" still were the "respiratory system" of leftism. From the moral and intellectual superiority which disregarded parliamentary democracy as being an optical illusion (resuming in this way the traditional speech of the revolutionary communist parties), the cultural left adopted political models that were no longer historical heirs of the Russian Revolution (because they had lost, in their opinion, their revolutionary authenticity when agreeing on a pax oligophrenica with capitalism). However, the leaders of communist revolutions in the Third World questioned the 'international order' of the Cold War.

May 1968  
in Paris,  
University of  
the Sorbonne.  
The popular  
movement  
exploded  
against  
traditional  
society and  
capitalism, but  
also against the  
Gaullist power  
of the French  
government.

Without the implementation of the authentic left (that was not the real political left) in the cultural front, the first great explosion of 'discontent within the welfare state' that meant the events of May 68 events in France, preceded by Guy Debord's *The Society of the Spectacle* — because that was, for Debord, the welfare state: a spectacle that distracted people from their revolutionary destiny —, would be inexplicable. Many thought that this explosion was 'unimaginable' and 'unmotivated'. What then was the reason for young students who had enjoyed liberty and materialistic conditions never before achieved, to revile the European and North American democratic societies in the 1960s and idealize, romantically, those of other places in the world like Cuba or Vietnam where, to be honest, there was little welfare? They disdained what Foucault or Deleuze called 'macropolitics' (those developed in parliaments, governments and courts), and they promoted micropolitics of desire that, in the words of Guattari, announced a molecular



revolution where the frame of the state was no longer a reference because it was positioned beyond (in a stage of international movements) or nearer to it (in what had, up to then, been called 'civil society'). For all of them, the welfare state, with its dense and powerful social assistance, could be interpreted as a micropolitical (biopolitical, more specifically) control device against populations. And the discredit that this entailed for the concept of 'class' (that had been a fundamental reference for articulating the political speech of the left) made its replacement emerge strongly: the concept of identity. This concept was not only valid for 'Third World' countries where it was impossible to talk about a 'proletarian' or a 'working class', but was also used to designate new political agents accredited by these 68's events (The Feminism Difference, the LGTB movement, ethnic minorities, the 'psychiatrised', etc.), whose claims, precisely because they did not demand an independent state (not even, a party nor a union), did not fit well in the institutional fabric of the welfare state and defined a new territory of 'cultural fights'.

## "POPULISM IS TO POLITICS WHAT SENSATIONALISM IS TO JOURNALISM."

Naturally, the criticisms towards the welfare state are legitimate and even essential in a political regime that, just like parliamentary democracy, makes criticism its fundamental device for rational deliberation. Without a doubt, during those years there were many things open to criticism in national and international stages (starting with the Vietnam war). But the most remarkable aspect of this movement was that the political organisations that developed it (that were and still are politically marginalized) used the same militant rhetoric of war and considered the authentic political leaders to be Che Guevara or General Giap, whilst the Presidents of the republics and the Prime Ministers of the liberal democracies were considered wimps of the Great Capital. In other words, 'criticism' of the welfare state was not made in the name of a state based on the rule of law or social democracy, but precisely from a project consisting in overcoming those institutions that in the times of the World Wars gave place to totalitarianisms (certainly, its geopolitical models were no longer the USSR and its satellites but, as we have said, Castro's Cuba, Mao's China or Ho Chi Min's Vietnam; although those regimes seemed then much more exotic, they were not less totalitarian as a result); a project that excluded every form of criticism within its own functioning, and where any 'anti-system' movement like the one that took place in France in 1968 would have been literally impossible. The political goals of the 68' movements were far-fetched (the establishment in France of a Soviet government, the dissolution of the family, etc.), and in this sense, they may have appeared as a tantrum without any political consequences (De Gaulle won the elections of June 1968 and, so, both the communist and the socialist parties lost deputies). But it wasn't the case because the cultural consequences were incalculable, starting with a rooted bitterness against the

welfare state due to its social nature (in which the Foucaultians, as we have said, saw a clear attempt of biopolitical control of the populations). And, although it is common to speak about the ‘cultural revolution’ of 1968, the truth is that these movements, despite not achieving the revival of class conflict, are to be found at the base of the ‘cultural wars’ that would end up taking shape, by the late 20th century, of the so-called ‘identity policies’. In spite of their emancipating orientation, these ‘identity policies’ are already part of what we could call the policies of the discontent to the extent that in its most ‘radical’ facet, despite not proposing any alternative model to the welfare state, they contribute to the systematic undermining of the central figure of the ‘system’ erected in 1945 in advanced western democracies: that of the autonomous citizen and subject of rights. If at this point we can talk of a “discontent in the culture sphere” it is necessary to mention a kind of ‘resentment’ against the welfare state which found refuge in the territory of culture because those cultural wars which focused on identity soon went on to become hostility policies. That way the concept of identity ended up replacing that of ‘social class’ as target of the new conflict because the identity, understood as political identity, is always antagonistic (it is based on the denial of the identity of the enemy), and it attacks the pillars of the state under the rule of law.

From 1970 onwards, the criticism and the attacks against the welfare state came mainly from the right (although certain elements of this criticism became politically transversal, and part of the ideological language born in 1968 became generalized). It was from here that a ‘new right’ (that is not that new) who had a higher profile in the media, rather than a ‘cultural’ one, was born, and it quickly set up, with a great electoral success, its own policies of discontent, discrimination, social hostility and division in which the notion of identity also played a starring role. Because policies of discontent are all those that in spite (as happened with the ‘goals’ of May 1968 in France) of proposing positive chimeric and extremist targets (the total closure of the national borders or their total elimination, for example), tend to divide society into friends and enemies, mining the pre-political consensus that supports the civil agreement. During that same decade, the businessman and economist, John Harsanyi, submitted Rawls’s assumption mentioned before to criticism regarding the implicitly social nature of the civil agreement that supports the state based on the rule of law.

This theorist held that, from the rational decision point of view, the gamble of the signatories of the social contract (that legislate thinking that they may have the worst of luck and hence promote a social state based on the rule of law) is too conservative because if they accepted higher risks (this is, if they cease putting themselves in the place of the most disadvantaged) they could obtain greater benefits. From an apparently antagonistic position, this argument does not only express its “discontent with and in the welfare state” (criticizing its condescendence towards the less fortunate), but it directs its attack towards the same goal (the public welfare policies). If the ‘new left’, reviving the Marxist philosophy of the

'ideological fight', saw in this group a biopolitical control apparatus of the dominant classes over the people (Althusser, for instance, considered public education one of the main 'ideological apparatus' of the 'bourgeois state'), the 'new right' (also recycling populist arguments from the 1930s), identifies them with overspending, corruption and social parasitism. The sociologist Richard Sennett, at the end of his book *Respect in a World of Inequality*, shows us an image that could serve as a symbol of 'the last supper' of the welfare state or, even better, of the first of the 'state of discontent'. Let us imagine a group of friends, colleagues or neighbors that gather once a year at a restaurant for dinner. As time has gone by, they have established a habit: when supper is over they share the bill, each contributing with the same amount. But one night, one of the dinner guests refutes this habit and announces that he will only pay for what he has actually consumed. This unexpected decision forces the rest to proceed equally, and as a result, one of the guests does not have enough money to pay the bill.

Consequently, what had for years been a group of friends becomes suddenly divided into two sides: those who can pay and those who cannot.

These "can-nots" are suddenly considered 'scroungers' who have been taking advantage of the first group (it is important to point out that the book was written in 2003, some years before the effects of the 2008 global crisis, because it warns us that the 'decline' of the welfare system is previous to the financial crisis, although the latter conferred it its most sinister tinges).

Of course, this isn't about defending, in any sense, cadgers: the only way for citizens to pay their taxes with serenity and conviction is that they have the safety that any abuse or fraud will be prosecuted (the 'veil of ignorance' must also, and very specially, affect the Ministries of Finance). It's about understanding that welfare is not a 'natural' social condition, but the result of certain public policies regarding the fiscal redistribution of income and wealth. The important thing here, in one case or the other, is the replacing of the image of the agreement for that of the confrontation between the 'scroungers' and the 'payers'. Regarding that point, it is an unimportant matter who we place under the label of scroungers (immigrants, millionaires, politicians...) or of payers (businessmen, the 'underground' workers, the uncomplaining citizens...). What counts is the replacement of welfare policies for policies of discontent (segregation and discrimination) that have as a reference, in all the cases, identity (that of the presumed and mythical 'majority' that supports the 'western values' or the 'national essences', or the sum of the minorities whose offended identities demand reparation) and therefore only shine under antagonism.

## A False Alternative

For a while, the idea has spread that the political expression of this antagonism would take shape, currently, in the apparent confrontation between 'populist' policies (those that guarantee that nobody will receive a bill that cannot be paid,

but that, unfortunately, cannot guarantee us that we have food to bring to our table), and the ‘neoliberals’ (the ones that guarantee us that we will not have to defray some scrounger’s expenses, but that, unfortunately, cannot guarantee us that we may ourselves have to become scroungers someday). But under these labels there is no mention to two political programs as it is to a same (and paradoxical) emotional and rhetorical load with two heads. In its polemical meaning, the term ‘neoliberalism’ refers sometimes to Hayek, other times to Friedman, occasionally to Tony Blair, and in some cases to concepts so different as corporatism, protectionism or the so-called ‘social liberalism’, and its only stable feature seems the roughly sketched reference to the politics of Margaret Thatcher and Ronald Reagan in the 1980s, two leaders that were the first ones to be described, in their day, as... populists! This description has been, for its part, also used so profusely, with such variety and for so many different cases that it seems, due precisely to this overuse, to have lost all its conceptual value. Or, in other words, it seemed that it had lost all its conceptual value until some of its receivers decided, more or less in the turn of the century, to transform this sign of infamy into a sign of distinction (so to use the terminology of Pierre Bourdieu) and give this term a positive meaning. By providing the term ‘neoliberalism’ with theoretical content (at least apparently) and a new semantic it not only changed into a legitimate political instrument, but even the essence of politics itself (maybe as the only way for politic making to keep up with the times). And this is the subtle sense that makes it more interesting.

The dome of  
United States  
Capitol building,  
the seat of the  
United States  
Congress.



I normally say that populism is to politics what sensationalism is to journalism.

There are probably very few journalists that have not accused their rivals of being ‘sensationalist’, but there are even less that have not resorted to sensationalism to embellish sales figures or the number of visits to their webpage. Despite the irony, this does not mean that we must give up to the confusion of ‘journalism’ and ‘sensationalism’ (or at the most, to distinguish between good sensationalism —the one put at the disposal of ‘popular’, ‘politically correct’ or morally irreproachable causes— and bad sensationalism).

Regardless of how widespread the disease is, sensationalism is still a disease that makes journalism bleed and move away from public interest (that is, serving as an instrument for the formation of public opinion which is essential in democratic societies) to merely follow, as someone said, the flow of concern of the public, frequently with the lowest and meanest interests, often contradictory and always changing and opaque, and that have certainly nothing to do with the public interest. Despite all, it is worthwhile to keep the difference (at least the *de iure* difference) between journalism and sensationalism, as even the noblest purposes become corrupt when they are pursued through miserly means that transform information into sentimental propaganda. Something similar happens with populism (and with neoliberalism as one of its facets). It is very easy for a politician to discredit their rival as being ‘populist’ by saying to the people what they want to hear despite not being true and promising them things that they know are impossible to achieve. But it would be very difficult to find a politician who, during a campaign, has not resorted sometimes to these messages or promises to obtain a handful of votes or to obtain better results in the surveys. Nevertheless, the solution cannot consist in accepting the confusion between politics and populism as a fatality, resigning oneself to choose between better or worse populists. Although in an apparently imprecise way, the term ‘populism’, as it happened in the past with the term ‘totalitarianism’, helps us to understand something the different political stratagems, which seem separated by great ideological barriers, have in common and to see that all of them constitute one of the main transversal dangers that stalk representative democracy from the inside. When democracy works well (something that does not happen every day nor in every place), the politician that fosters the base instincts of their followers, or that makes implausible promises, ends up paying for these excesses in the ballot boxes. There is only one way of getting rid of this punishment. It involves disbelieving political representation and forging the myth of an omnipotent and ruthless enemy that penetrates all the institutions, that perverts conspiratorially all the spaces of liberty and criticism, and that is immune to the formal mechanisms of liberal democracy. And this is precisely the populist formula. When this formula is successful, when it effectively leaves a mark on citizens, the idea that in order to beat this enemy we need something more than social democracy based on the rule of law and something better than politics in the modern sense also permeates. And to achieve it is necessary to

appeal to the people that must go beyond their Constitution to fight against their enemies.

Then politics are replaced by morality (or by ‘moralized’ politics that demand to close ranks against the enemies of the people annulling pluralism). And what then takes its toll in the ballot boxes is contradicting the desires of the followers or rejecting promising chimeras.

The discontent in today’s politics consists, specifically, in the consideration of an alternative between those supposed extremes, as if they were the terms of a new political confrontation. That we have to accept populism (whose vices we know more than enough thanks to recent politics) to avoid falling into neoliberalism or that we must resign ourselves with neoliberalism to avoid the populist drift is the ‘populist’ approach to which we must not give up to. It is this exact approach that repeats (only in the discursive sphere) the old justification of communism as the ‘last barrier’ against fascism, or of fascism as the only obstacle for communism, leaving aside the bet for the social state based on the rule of law that was able at that time to neutralize both dangers. Populism is not an alternative to neoliberalism (neither is the other way around): both are symptoms pertaining to the same political decline syndrome, of the breaking

Building exterior  
of the European  
Parliament in  
Brussels and  
a row of EU  
member states  
flags.



of the social contract that has been at its foundation since the appearance of modern society.

Something similar to what I have described on the occasion of the founding of the welfare state happened, mutatis mutandis, in Spain in 1978: those who had been irreconcilable enemies during the Spanish Civil War and the 40 years of Franco's dictatorship, and those who rejected this agreement (especially the extreme left, including the Basque and the Catalonian nationalist left) became electorally irrelevant and, except the minority that kept on with the 'armed fight', they took cover in the university lecture rooms, the theaters, the newspapers and the art galleries. And it was there that they forged this cultural-revolutionary speech according to which the social state based on the rule of law born from the Constitution of 1978 was a dream (a 'spectacle', according to Debord) that actually hid a continuation of Francoism. Those of us who were unlucky enough to know the Francoist Spain know that the identification between Francoism and parliamentary democracy is a historic fabrication of evidence, but, when transformed into an ideology, it produces a great emotional yield to those who practice it. This practice reinforces their moral and aesthetic identity, and it even brings them economic benefits. Without this poetic license creating the image that Spain was asleep, first because of the Francoist nightmare, and later by capitalist drowsiness, it would be impossible to consider the '15M' as an 'awakening'. But, just as it happened in May 1968 in France, unexpectedly this 'political poetry' was no longer a minority and became (even electorally) plausible, it mixed up with history, and for an important part of the people, the transition to democracy boiled down to a jumble of corruption and conspiracy.

## **"THE IDENTITY, UNDERSTOOD AS POLITICAL IDENTITY, IS ALWAYS ANTAGONISTIC AND IT ATTACKS THE PILLARS OF THE STATE UNDER THE RULE OF LAW."**

It is true that, in this case, their logic is much more transparent than in the case of May 1968. It was justified enough with the difficulties caused by the budgetary adjustment with which the public debt crisis was fought for the sake of appearance in 2011 with little difference in a few months, of the awakening of the oppressed people and of the abused nation, that had been kept (according to this account) in a comatose condition for 70 years through the anesthesia of the damned 'welfare'. The result of all this has been a fictitious shift of the ideological spectrum thanks to which, in the imaginary revolutionary 'awakening', those who, by then, were in the center-left or the center-right (but against nationalism and caviar communism), have, without changing ideas, been cornered in a 'reactionary' position. The result is that their positions are even more extreme than that of Trump or Le Pen, because these two are at least

'anti-system' and this gives them an extra dose of authenticity; and extreme ideologies have, nevertheless, occupied the center of the political spectrum. I would say that this, rather than an 'awakening', is an optical-political illusion. But I understand that when millions of voters act like they believed in this hallucination and they join their policies of discontent and confrontation, insisting on a clear differentiation between poetry and history may be a lost battle. These kinds of battles take place very frequently, in an intellectual sphere. Because the policies of discontent do not triumph because the voters 'believe' in the viability of their 'positive' goals (unearthly and badly defined), but because they 'want' the 'negative' or aggressive means that their propagandists propose, because they want to see their enemies punished: those enemies (the 'caste', the 'immigrant', the 'enemies of the people'...) are constructed ad hoc and are considered guilty for all their misfortune.

Thousands  
of citizens  
mobilized by the  
Movement 15-M  
in the Puerta del  
Sol of Madrid,  
on May 8, 2011.

In conclusion, situational losses are not enough to understand why this same sector of the population, which until yesterday seemed to identify itself with social democracy based on the rule of law, is now capable of supporting at the ballot boxes political leaders that defend without too many scruples racism, xenophobia, excluding nationalism (providing there is any other kind of



nationalism), sexism, and quitting the European Union, free trade agreements or agreements regarding environmental policies. We often ridicule these ‘new leaders’ saying that they are ‘clowns’, ‘louts’ or ‘second class comedians’, because many of us cannot accept that they take the things they say seriously. But, if they are so ridiculous and undependable, how is it that the same population, which until little time ago seemed ‘sensible’ and ‘well-balanced’ regarding their electoral behavior, let themselves ‘be fooled’ by lies that we consider so crude? The social discontent caused by the degradation of social welfare structures would have not devolved into political malaise in the sense outlined right now if it had not connected, in the first place, with a malaise with the welfare state that occurred far before the financial crisis, that became already visible when there was full scale ‘welfare’, and that, therefore, is not only related to material scarcities; and secondly, with a criticism towards the state based on the rule of law and the fundamentals of the social contract that support liberal democracy, and that has even deeper historical and philosophical roots. It has sometimes been upheld, abusing Marx’s well-known dictum, that whilst discontent—e.g. the one that appeared already in the 19th century, and later on, during the times of the two World Wars—has a tragic expression, it has in our time the traits of a comedy. I mistrust any ‘philosophy of history’ and therefore, also this presumed law of political events that says that all the great occurrences appear first as a tragedy and then as a farce among other things because it is easy to laugh at Hitler and Stalin and reduce their tragedies to the category of comedies when we do not have to endure their consequences.

Ultimately, as history has a tendency to repeat itself, I am sceptical because the farce can easily become a tragedy when the deceitful seize power.

## >THE NEW MEDIA'S ROLE IN POLITICS



Share

Image: It has reached a point where the mass of information causes laughter and fear in equal parts, as exemplified this costume at the Halloween Carnival in Hollywood.



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## >THE NEW MEDIA'S ROLE IN POLITICS

**The new media environment is dynamic and continues to develop in novel, sometimes unanticipated, ways that have serious consequences for democratic governance and politics.**

**New media have radically altered the way that government institutions operate, the way that political leaders communicate, the manner in which elections are contested, and citizen engagement. This chapter will briefly address the evolution of new media, before examining in greater detail their role in and consequences for political life.**

New political media are forms of communication that facilitate the production, dissemination, and exchange of political content on platforms and within networks that accommodate interaction and collaboration. They have evolved rapidly over the past three decades, and continue to develop in novel, sometimes unanticipated ways. New media have wide-ranging implications for democratic governance and political practices. They have radically altered the ways in which government institutions operate and political leaders communicate. They have transformed the political media system, and redefined the role of journalists. They have redefined the way elections are contested, and how citizens engage in politics.

The rise of new media has complicated the political media system. Legacy media consisting of established mass media institutions that predate the Internet, such as newspapers, radio shows, and television news programs, coexist with new media that are the outgrowth of technological innovation. While legacy media maintain relatively stable formats, the litany of new media, which includes websites, blogs, video-sharing platforms, digital apps, and social media, are continually expanding in innovative ways. Mass media designed to deliver general interest news to broad audiences have been joined by niche sources that narrowcast to discrete users (Stroud, 2011). New media can relay information directly to individuals without the intervention of editorial or institutional gatekeepers, which are intrinsic to legacy forms. Thus, new media have introduced an increased level of instability and unpredictability into the political communication process.

The relationship between legacy media and new media is symbiotic. Legacy media have incorporated new media into their reporting strategies. They distribute material across an array of old and new communication platforms. They rely on new media sources to meet the ever-increasing demand for content. Despite competition from new media, the audiences for traditional media remain robust, even if they are not as formidable as in the past. Readers of the print edition

of *The New York Times* and viewers of the nightly network news programs far outnumber those accessing the most popular political news websites (Wired Staff, 2017). Cable and network television news remain the primary sources of political information for people over the age of thirty (Mitchell and Holcomb, 2016). Consequently, new media rely on their legacy counterparts to gain legitimacy and popularize their content.

Ideally, the media serve several essential roles in a democratic society. Their primary purpose is to inform the public, providing citizens with the information needed to make thoughtful decisions about leadership and policy. The media act as watchdogs checking government actions. They set the agenda for public discussion of issues, and provide a forum for political expression. They also facilitate community building by helping people to find common causes, identify civic groups, and work toward solutions to societal problems.

New media have the potential to satisfy these textbook functions. They provide unprecedented access to information, and can reach even disinterested audience members through personalized, peer-to-peer channels, like Facebook. As average people join forces with the established press to perform the watchdog role, public officials are subject to greater scrutiny. Issues and events that might be outside the purview of mainstream journalists can be brought into prominence by ordinary citizens. New media can foster community building that transcends physical boundaries through their extensive networking capabilities. Although legacy media coverage of political events correlates with increased political engagement among the mass public, mainstream journalists do not believe that encouraging participation is their responsibility (Hayes and Lawless, 2016). However, new media explicitly seek to directly engage the public in political activities, such as voting, contacting public officials, volunteering in their communities, and taking part in protest movements.

## **“THE DIVERSITY OF CONTENT DISSEMINATED BY NEW MEDIA HAS CREATED OPPORTUNITIES, SUCH AS THE ABILITY FOR MORE VOICES TO BE HEARD.”**

At the same time, the new media era has acerbated trends that undercut the ideal aims of a democratic press. The media disseminate a tremendous amount of political content, but much of the material is trivial, unreliable, and polarizing. The watchdog role pre-new media had been performed largely by trained journalists who, under the best of circumstances, focused on uncovering the facts surrounding serious political transgressions. *Washington Post* reporters Bob Woodward and Carl Bernstein inspired a generation of investigative journalists after revealing President Richard Nixon’s role in the break-in at the Democratic Party headquarters at the Watergate Hotel, forcing his resignation (Shepard, 2012). Much news in the new media era is defined by coverage of

a never-ending barrage of sensational scandals—be they real, exaggerated, or entirely fabricated—that often are only tangentially related to governing.

This chapter begins by briefly addressing the evolution of new media in the United States to establish the core characteristics of the current political media system. We then will focus on the role of media in providing information in a democratic polity, and will examine the ways in which new media have impacted this role. The diversity of content disseminated by new media has created opportunities, such as the ability for more voices to be heard. However, the questionable quality of much of this information raises serious issues for democratic discourse. Next, we will discuss how the new media are integral to political coverage in a post-truth society, where falsehoods infused with tidbits of fact pass as news. Finally, we will contemplate the ways in which the watchdog press is being overshadowed by the mouthpiece press which serves as a publicity machine for politicians.

## The Evolution of New Media

New media emerged in the late 1980s when entertainment platforms, like talk radio, television talk shows, and tabloid newspapers, took on prominent political roles and gave rise to the infotainment genre. Infotainment obscures the lines between news and entertainment, and privileges sensational, scandal-driven stories over hard news (Jebril, et al., 2013). Politicians turned to new media to circumvent the mainstream press' control over the news agenda. The infotainment emphasis of new media at this early stage offered political leaders and candidates a friendlier venue for presenting themselves to the public than did hard news outlets (Moy, et al., 2009). During the 1992 presidential election, Democratic candidate Bill Clinton famously appeared on Arsenio Hall's television talk show wearing sunglasses and playing the saxophone, which created a warm, personal image that set the tone for his campaign (Diamond, et al., 1993). The fusing of politics and entertainment attracted audiences that typically had been disinterested in public affairs (Williams and Delli Carpini, 2011). It also prompted the ascendance of celebrity politicians, and set the stage for a "reality TV" president like Donald Trump decades later.

Political observers and scholars contemplated the advent of a "new media populism" that would engage disenfranchised citizens and facilitate a more active role for the public in political discourse. New media had the potential to enhance people's access to political information, facilitate wider-ranging political discourse, and foster participation. Initially, the public responded positively to the more accessible communication channels, calling in to political talk programs and participating in online town hall meetings. However, new media's authentic populist potential was undercut by the fact that the new political media system evolved haphazardly, with no guiding principles or goals. It was heavily dominated by commercial interests and those already holding privileged positions in politics and the news industry. Public enthusiasm eventually gave way to ambivalence

and cynicism, especially as the novelty of the first phase of new media wore off (Davis and Owen, 1998).

The next phase in the development of new media unfolded in conjunction with the application of emerging digital communications technologies to politics that made possible entirely new outlets and content delivery systems. The digital environment and the platforms it supports greatly transformed the political media system. Beginning in the mid-1990s, new political media platforms quickly progressed from the rudimentary “brochureware” website, used by Bill Clinton’s presidential campaign in 1992, to encompass sites with interactive features, discussion boards, blogs, online fundraising platforms, volunteer recruitment sites, and meet-ups. The public became more involved with the actual production and distribution of political content. Citizen journalists were eyewitnesses to events that professional journalists did not cover. Non-elites offered their perspectives on political affairs to politicians and peers. Members of the public also were responsible for recording and posting videos that could go viral and influence the course of events (Wallsten, 2010). In 2006, for example, the reelection campaign of Republican Senator George Allen was derailed by a viral video in which he used the term “macaca,” a racial slur, to refer to a young man of Indian ancestry who was attending his campaign rally (Craig and Shear, 2006).

A third phase in the evolution of new media is marked by Democratic candidate Barack Obama’s groundbreaking digital campaign strategy in the 2008 presidential election. Obama’s team revolutionized the use of social media in an election they felt was unwinnable using traditional techniques. The campaign made use of advanced digital media features that capitalized on the networking, collaboration, and community-building potential of social media to create a political movement. The Obama campaign website was a full-service, multimedia center where voters not only could access information, they also could watch and share videos, view and distribute campaign ads, post comments, and blog. Supporters could donate, volunteer, and purchase campaign logo items, like tee shirts and caps. The campaign was active on Facebook, Twitter, and YouTube, as well as a range of other social media platforms that catered to particular constituencies, such as BlackPlanet, AsianAve, and Glee. The campaign pioneered digital microtargeting tactics. It used social media to collect data on people’s political and consumer preferences, and created voter profiles to pursue specific groups, such as young professional voters, with customized messages.

The new media trends established in the 2008 campaign have carried over to the realm of government and politics more generally. Social media have become a pervasive force in politics, altering the communication dynamics between political leaders, journalists, and the public. They have opened up wider avenues for instantaneous political discourse and debate. Research indicates that people’s access to social media networks has a positive effect on their sense of political efficacy and tendency to participate in politics (Gil de

Zuniga, et al., 2010). However, there also has been backlash when social media discourse has become too nasty, and users have blocked content or dropped out of their social media networks (Linder, 2016). Social media allow people to efficiently organize and leverage their collective influence. Thus, political leaders are held more accountable because their actions are constantly probed on social media.

## **“MEMBERS OF THE PUBLIC ALSO WERE RESPONSIBLE FOR RECORDING AND POSTING VIDEOS THAT COULD GO VIRAL AND INFLUENCE THE COURSE OF EVENTS.”**

At the same time, legacy media organizations have come to rely on aspects of new media. Newspapers, in particular, have experienced financial hardships due adverse financial market conditions, declining advertising revenues, and competition from proliferating news sources. The size of traditional newsrooms in the U.S. has shrunk by more than 20,000 positions in the past twenty years, and global newsrooms have experienced a similar decline (Owen, 2017). Legacy news organizations have cut investigative units, and only around one-third of reporters are assigned to political beats (Mitchell and Holcomb, 2016). Alicia Shepard, a former media ombudsman and media literacy advocate, opined, “When newspapers can’t even cover daily journalism, how are they going to invest in long-term, expensive investigative reporting?” (2012). Still, journalists working for legacy organizations continue to do the yeoman’s share of serious news gathering and investigative reporting. Mainstream journalists have come to rely heavily on new media content as a source of news. These trends have seriously influenced the quality and nature of news content as well as the style of political reporting, which has become more heavily infused with infotainment and quotes from Twitter feeds.

### **Providing Political Information**

The complexities of the new media system are reflected in the diversity of available content. The information distributed via the vast communications network runs the gamut from fact-based, investigative reporting from professional journalists to brash fabrications or “alternative facts”—to use the term coined by President Trump’s advisor Kellyanne Conway—proffered by the alternative press (Graham, 2017). In the new media era, the boundaries that separate these disparate types of information have become increasing muddled. Professional media editors who regulate the flow of information by applying news principles and standards associated with the public good have become scarce (Willis, 1987). They have been replaced by social media and analytics editors whose primary motivation is to draw users to content regardless of its news value. Audience members have

to work hard to distinguish fact from fiction, and to differentiate what matters from what is inconsequential.

A number of explanations can be offered for the shift in the quality and quantity of political information. The technological affordances of new media allow content to propagate seemingly without limits. Social media have a dramatically different structure than previous media platforms. Content can be relayed with no significant third-party filtering, fact-checking, or editorial judgement. Individuals lacking prior journalism training or reputation can reach many users at lightning-fast speed. Messages multiply as they are shared across news platforms and via personal social networking accounts (Allcott and Gentzkow, 2017).

In addition, the economic incentives underpinning new media companies, such as Google, Facebook, and Twitter, are predicated on attracting large audiences that will draw advertising revenue. Political content is used to drive consumers to social media products, rather than to perform the public service function of informing the citizenry. Commercial pressures lead media organizations to feature incendiary stories that receive the most attention. Further, while platforms proliferate, similar content is dispersed widely as media power is concentrated in a small number of old and new media corporations (McChesney, 2015). Search engines direct users to a limited selection of heavily trafficked and well-financed sites (Hindman, 2009; Pariser, 2011).

Other explanations focus on the nature of the American political environment that has become extremely polarized, prompting the emergence of political agendas that promote rogue politics. A 2017 Pew Research Center study revealed that the gap between Democrats and Republicans on core political values, including the role of government, race, immigration, the social safety net, national security, taxes, and environmental protection, have grown to epic proportions for the modern era. Two-thirds of Americans fall solidly in the liberal or conservative camp, with few holding a mix of ideological positions (Pew Research Center, 2017; Kiley, 2017).

Speech on new media reflects these stark political divisions, and frequently devolves into expressions of hostility and ad hominem attacks. President Donald Trump used Twitter to ignite a controversy over NFL players who protested racial oppression during the playing of the national anthem before games. He used a derogatory term to refer to players, who are predominantly African American, and urged team owners to fire those supporting the demonstration. Trump's social media blasts accused the players of disrespecting the flag and the military, which misrepresents the protest agenda and has divided the public along political and racial lines.

Political divisions are reflected in the presence of media "echo chambers," where people select their news and information sources based on their affinity for the politics of other users. Modern-day new media echo chambers began to form during the first phase of new media, as conservative talk radio hosts,

like Rush Limbaugh, attracted dedicated followers (Jamieson and Cappella, 2010). Social media has hastened the development of echo chambers, as they facilitate people's exposure to information shared by like-minded individuals in their personal digital networks, with 62% of adult Americans getting their news from social media platforms. Even politically disinterested social media users frequently encounter news articles unintentionally as they scan their feed (Gottfried and Shearer, 2016). The ability of social media to isolate people from exposure to those with differing viewpoints exacerbates political polarization.

A significant segment of the public perceives journalists as removed elites who do not share their conservative values. Political analyst Nate Silver (2017) contends that the national press has been operating in a politically homogenous, metropolitan, liberal-leaning bubble that has become attached to "Establishment Influentials". He maintains that the mainstream media are out-of-touch with a wide swath of the public. During the recent election this became clear as legacy media institutions are unable to connect effectively with the frustration and anger of people outside of high education and income circles (Camosy, 2016).

Some scholars argue that new media are closing the gap between distant journalists and the mass public by giving voice to those who have felt left out (Duggan and Smith, 2016). The Tea Party, a conservative political movement focused around issues about taxation and the national debt, used social networks for political mobilization in the 2010 midterm elections. Tea Party candidates employed social media to reshape public discourse around the campaign, forging a sense of solidarity among groups who previously felt disenfranchised (Williamson, Skocpol, and Coggin, 2011). Candidates pushing an extreme agenda have amplified this trend. Highly partisan, flamboyant congressional candidates, on both sides of the aisle, who spark political disagreement and indignant rhetoric garner the most supporters on Facebook. They use social media to solidify their political base (Messing and Weisel, 2017).

## Post-Truth Media

American author Ralph Keyes (2004) observes that society has entered a post-truth era. Deception has become a defining characteristic of modern life, and is so pervasive that people are desensitized to its implications. He laments the fact that ambiguous statements containing a kernel of authenticity, but falling short of the truth, have become the currency of politicians, reporters, corporate executives, and other power-brokers.

Journalist Susan Glasser (2016) argues that journalism has come to reflect the realities of reporting in post-truth America. Objective facts are subordinate to emotional appeals and personal beliefs in shaping public opinion. The public has difficulty distinguishing relevant news about weighty policy issues from the extraneous clamor that permeates the media. The work of investigative journalists has in some ways has become more insightful and informed than in the past due

to the vast resources available for researching stories, including greater access to government archives and big data analysis. However, well-documented stories are obscured by the constant drone of repetitive, sensationalized trivia-bites that dominate old and new media. Reflecting on coverage of the last American presidential contest, Glasser states, “The media scandal of 2016 isn’t so much about what reporters fail to tell the American public; it’s about what they did report on, and the fact that it didn’t seem to matter” (2016).

Evidence that Glasser’s concerns are well-founded can be compiled by examining media content on a daily basis. Post-truth media was prominent during the 2016 presidential election. Media accounts of the election were infused with misinformation, baseless rumors, and outright lies. False stories and unverified factoids emanated from fabricated news sites as well as the social media accounts of the candidates and their surrogates. Republican nominee Donald Trump used his Twitter feed to push out sensational, unverified statements that would dominate the news agenda, a practice he maintained after assuming the presidency. He alleged that the father of Ted Cruz, his challenger for the nomination, was involved in the assassination of President John F. Kennedy, and perpetuated the false claim that President Barack Obama was not born in the United States (Carson, 2017). False news stories infiltrated reports by legacy media organizations as they relied heavily on digital sources for information. Cable news organizations like CNN and MSNBC amplified Trump’s unfounded claims, such as his allegations that Muslims in New Jersey celebrated the fall of the World Trade Center on 9/11, even as they criticized their veracity (Shafer, 2015).

Contrived controversies detract from coverage of important issues related to policy, process, and governance (Horton, 2017). In October of 2017, President Donald Trump and Senator Bob Corker (R-TN) exchanged a series of insults as Congress considered major tax reforms. The feud dominated coverage of the battle over tax legislation on new media, and commanded the front page of *The New York Times*. Among the many insults slung over the course of several weeks, Trump referred to Corker as “Liddle Bob,” and tweeted that Corker “couldn’t get elected dog catcher.” Corker called the White House “an adult day care center,” and labeled Trump “an utterly untruthful president” (Sullivan, 2017).

## The Ascendance of Fake News

The most extreme illustration of the concept of post-truth reporting is the rise of fake news. The definition of fake news has shifted over time, and continues to be fluid. Initially, the term “fake news” referred to news parodies and satire, such as *The Daily Show*, *The Colbert Report*, and *Weekend Update* on *Saturday Night Live*. During the 2016 campaign, the concept of fake news was attached to fictitious stories made to appear as if they were real news articles. These stories were disseminated on websites that had the appearance of legitimate

news platforms or blogs, such as *Infowars*, *The Rightest*, and *National Report*. A 2017 compilation documented 122 sites that routinely publish fake news (Chao, et al., 2017). Authors are paid—sometimes thousands of dollars—to write or record false information. Some of these authors are based in locations outside of the United States, including Russia (Shane, 2017). They make use of social media interactions and algorithms to disseminate content to specific ideological constituencies. Fabricated stories are spread virally by social bots, automated software that replicates messages by masquerading as a person (Emerging Technology from the arXiv, 2017).

Fake news stories play to people's preexisting beliefs about political leaders, parties, organizations, and the mainstream news media. While some fake news stories are outright fabrications, others contain elements of truth that make them seem credible to audiences ensconced in echo chambers. Conspiracy theories, hoaxes, and lies were spread efficiently through Facebook, Snapchat, and other social media, and reached millions of voters in the 2016 election (Oremus, 2016). For example, a fabricated story on *The Denver Gardian*, a fake site meant to emulate the legitimate newspaper, *The Denver Post*, reported that an F.B.I. agent connected with an investigation into Democratic candidate Hillary Clinton's emails had murdered his wife and shot himself. Other erroneous reports claimed that Pope Francis had endorsed Donald Trump and that Hillary Clinton had sold weapons to ISIS (Rogers and Bromwich, 2016).

## “OBJECTIVE FACTS ARE SUBORDINATE TO EMOTIONAL APPEALS AND PERSONAL BELIEFS IN SHAPING PUBLIC OPINION.”

Conditions in the new media age have been ripe for the proliferation of fake news. The new media system has lifted many of the obstacles to producing and distributing news that were present in the previous mass media age. While vestiges of the digital divide persist, especially among lower-income families (Klein, 2017), barriers to new media access have been lowered. The cost of producing and distributing information on a wide scale have been reduced. The logistics and skills necessary to create content are less formidable. Social networking sites make it possible to build and maintain audiences of like-minded people who will trust posted content. Fake news proliferates widely through social media, especially Facebook and Twitter. In fact, fake news stories are spread more widely on Facebook than factual mainstream media reports (Silverman, 2016). Audiences are fooled and confused by fake news, which confounds basic facts about politics and government with fiction. A 2016 Pew Research Center report found that 64% of the American public found that made-up news created a great deal of confusion about the basic facts of current events, and an additional 24% believed fake news caused some confusion (Barthel, Mitchell,

and Holcomb, 2016). Finally, legal challenges to fake news and the distribution of false content are much more difficult to pose, as it is costly and time-consuming to sue publishers for spreading false information.

An alternative meaning of fake news emerged after the presidential election. At his first press conference as President-elect, Donald Trump appropriated the term “fake news” as a derogatory reference to the mainstream press. Pointing at CNN journalist Jim Acosta, who was attempting to ask a question, Trump exclaimed, “You are fake news!” Trump and his acolytes frequently employ the “fake news” moniker when attempting to delegitimize the legacy media, including *The New York Times* and *The Washington Post*, for reporting they consider to be unfavorable (Carson, 2017). Weary of Trump repeatedly invoking the “fake news” label, CNN launched a “Facts First” campaign in response to “consistent attacks from Washington and beyond.” A thirty second video shows an image of an apple, with the voice over:

This is an apple. Some people might try to tell you this is a banana. They might scream banana, banana, banana, over and over and over again. They might put banana in all caps. You might even start to believe that this is a banana. But it's not. This is an apple.

Facts are facts. They aren't colored by emotion or bias. They are indisputable. There is no alternative to a fact. Facts explain things. What they are, how they happened. Facts are not interpretations. Once facts are established, opinions can be formed. And while opinions matter, they don't change the facts. ([https://www.cnncreativemarketing.com/project/cnn\\_factsfirst/](https://www.cnncreativemarketing.com/project/cnn_factsfirst/))

### Watchdog Press or Politicians' Mouthpiece

The notion of the press as a political watchdog casts the media as a guardian of the public interest. The watchdog press provides a check on government abuses by supplying citizens with information and forcing government transparency. Public support for the media's watchdog role is substantial, with a Pew Research Center study finding that 70% of Americans believe that press reporting can “prevent leaders from doing things that shouldn't be done” (Chinni and Bronston, 2017).

New media have enhanced the capacity of reporters to fulfill their watchdog role, even in an era of dwindling resources for investigative journalism. Information can be shared readily through formal media sources, as local news outlets can pass information about breaking events to national organizations. News also can be documented and shared by citizens through social networks. When a vicious category 5 hurricane devastated Puerto Rico and the American government's response was slow, journalists were able to surface the story as residents and first responders took to social media to provide first-hand accounts to national journalists who had difficulty reaching the island (Vernon, 2017).

However, there are aspects of the media's watchdog role that have become more difficult to fulfill. Countering outright lies by public officials has almost become an exercise in futility, even as fact-checking has become its own category of news. *The Washington Post's "Fact Checker"* identified almost 1,500 false claims made by President Trump in just over 250 days in office ([www.washingtonpost.com/news/fact-checker](http://www.washingtonpost.com/news/fact-checker)). Sites focusing on setting the record straight, such as PolitiFact, Snopes, and FactCheck, can barely keep pace with the amount of material that requires checking. Despite these efforts, false information on the air and online has multiplied.

There is evidence to suggest that the new media allow political leaders to do an end-run around the watchdog press. In some ways, the press has moved from being a watchdog to a mouthpiece for politicians. This tendency is exacerbated by the fact that there is a revolving door where working journalists move between positions in the media and government. Some scholars maintain that this revolving door compromises the objectivity of journalists who view a government job as the source of their next paycheck (Shepard, 1997).

The media act as a mouthpiece for political leaders by publicizing their words and actions even when their news value is questionable. President Donald Trump uses Twitter as a mechanism for getting messages directly to his followers while averting journalistic and political gatekeepers, including high ranking members of his personal staff. Many of his tweets are of questionable news value, except for the fact that they emanate from the president's personal social media account.

Donald Trump's Twitter account not only communicates decisions and sets goals but also responds aggressively to accusations.



Yet the press act as a mouthpiece by promoting his tweets. A silly or vicious tween can dominate several news cycles. In an interview with Fox Business Network's Maria Bartiromo, President Trump gave his reason for using social media to communicate with the public and the press that supports the notion of the mouthpiece media:

Tweeting is like a typewriter—when I put it out, you put it immediately on your show. I mean, the other day, I put something out, two seconds later I am watching your show, it's up... You know, you have to keep people interested. But, social media, without social media, I am not sure that we would be here talking I would probably not be here talking (Tatum, 2017).

Successful news media such as *The New York Times* or *The Washington Post* are often accused of publishing fake news when that information is not of the interest of some elites.

When rumors and conspiracy theories are believed, they can have serious consequences. This point is illustrated by the "PizzaGate" conspiracy theory that spread on social media during the 2016 presidential election. Democratic presidential candidate Hillary Clinton and her campaign chairman, John Podesta, were accused of engaging in satanic rituals where they personally "chopped up and raped" children. WikiLeaks released personal emails from Podesta's account indicating that he enjoyed eating at a pizza restaurant Washington, D.C. The Twitter hashtag #pizzagate began trending. Rumors alleging that the restaurant's owner was running a child sex ring began circulating. Believing the rumors to be true, a man drove from North Carolina to liberate the purported



child sex slaves. He fired an assault rifle inside the pizza restaurant as staff and patrons fled. He is currently serving a four-year prison sentence (Aisch, et al., 2016; Fisher, et al., 2016).

## Conclusion

New media have both expanded and undercut the traditional roles of the press in a democratic society. On the positive side, they have vastly increased the potential for political information to reach even the most disinterested citizens. They enable the creation of digital public squares where opinions can be openly shared. They have created new avenues for engagement that allow the public to connect in new ways with government, and to contribute to the flow of political information.

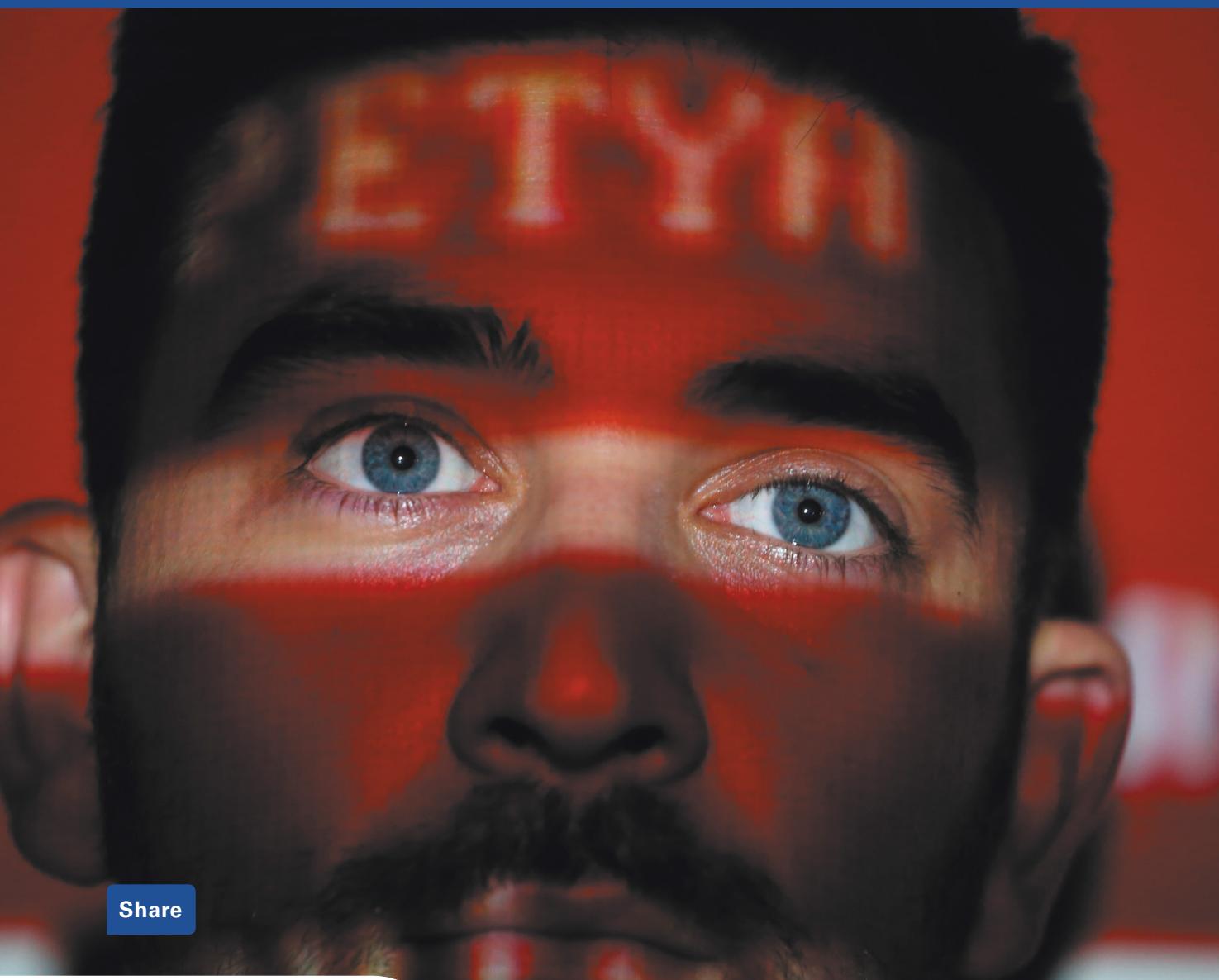
At the same time, the coalescence of the rise of new media and post-truth society has made for a precarious situation that subverts their beneficial aspects. Presently, it appears as if there are few effective checks on the rising tide of false information. Substituting scandal coverage for serious investigative journalism has weakened the press' watchdog role. The ambiguous position of the media as a mouthpiece for politicians renders journalists complicit in the proliferation of bad information and faulty facts. It is important to recognize that American journalism has never experienced a "golden age" where facts always prevailed and responsible reporting was absolute. However, the current era may mark a new low for the democratic imperative of a free press.

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## >THE IMPACT OF DIGITAL ACTIVISM ON POST-COLD WAR POLITICS



Share

Image: A message related to the Petya ransomware projected on a young man; on 27 June 2017 a variant of the Petya ransomware virus hit computers of companies in Russia, Ukraine, and other countries in a cyber attack.



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## >THE IMPACT OF DIGITAL ACTIVISM ON POST-COLD WAR POLITICS

This article surveys the ups and downs of digital activism since 1990s, analyzing its various forms and effects on the political process in the post-Cold War era. While there has been no shortage of claims about its revolutionary potential, its actual impact has proved somewhat more limited than originally expected. Nonetheless, the emergence of new forms of digital protests - ranging from cyber-attacks to advanced forms of computational propaganda - poses new challenges, revealing that the traditional political landscape has been greatly affected by digitalization.

One major problem with grasping all the effects of contemporary digital activism is that today, almost three decades after the end of the Cold War, one's view of its ultimate potential very much depends on how one interprets the sudden end of that protracted conflict. So what exactly brought down the Berlin Wall?

Those who see the end of the Cold War as a product of invisible, structural forces that pushed the Soviet Union into oblivion – e.g. a moribund economy made worse by excessive military spending on adventures like the war in Afghanistan – are unlikely to see the end of that civilizational struggle as the well-deserved reward for the patient work done by social movements, dissidents, and their foreign supporters.

The latter actors, on the other hand, typically opt for historical explanations that attribute far greater importance to the contribution of human agency – i.e. themselves. Inadvertently, such explanations often project rather hopeful views of the future, for they assume that the tactics used to crush the Soviet regime can also be deployed elsewhere. On this reading, it was information – or, rather, the far cheaper and easier access to critical resources of creating awareness and social mobilization made possible by the technological revolution – that undermined the Soviet system. “How Information Ended the Soviet Union” was the subtitle of a popular 1994 book by a New York Times journalist; it very much reflects this worldview.

Given that many policymakers, primarily in Washington but also in many European capitals, also believed that history itself was ending and that liberal democracy was quickly becoming the only game in town, it's easy to see how easy it was to equate the global march of digitization with the global march of democratization: as fax and Xerox machines – and, eventually personal computers – continued to conquer the globe, it was almost inevitable that strong authoritarian governments that had built their empires primarily by limiting

information flows would get undermined and swept away by history. And, to accelerate the process, one could always invest resources in training the latest breed of activists – the proud successors to the Soviet dissidents – in using such tools as well as proudly celebrate Western technology companies, the global exporters of the democratic revolution. In the end, it did produce the formula which shaped digital activism for several decades to come: more information + more capitalism = more democracy.

Throughout the 1990s, there were several campaigns and movements that did not fit this pattern; the clever use of electronic media by the Zapatistas in Mexico —which many military analysts in Washington found quite alarming—is only the most prominent one. Likewise, the emergence of Indymedia, a highly distributed networked of anti-systemic media initiatives that played an essential role in various antit-globalization struggles, was another sign that the cheaper and wider access to digital technology would not only benefit those who firmly believed in the “end of history” but also plenty of those who were actively trying to falsify that thesis from either side of the political spectrum.

## “IT SEEMS LOGICAL TO ASK JUST HOW MUCH MORE EFFECTIVE VARIOUS SOCIAL AND POLITICAL MOVEMENTS ON THE GROUND COULD HAVE BEEN IF THEY DID NOT PROFESS NEARLY BLIND FAITH IN THE ABILITY OF THE ‘INTERNET MODEL.’”

Even the clever use of electronic networks by Al Qaeda and related groups, especially as the Global War on Terror was getting underway, did not do much to undermine the thesis that information networks would eventually help mobilize civil society across the globe to demand more democracy, more globalization, more cosmopolitanism. There were certain events in the 2000s – above all, a wave of so-called “color revolutions” starting in Serbia in 2000 and culminating in Ukraine in 2004 – which lent some truth to such expectations.

It didn’t take too much time to redeploy the vast institutional apparatus for democracy promotion that, on Cold War’s unexpected end, was standing idle; now, the ever-expanding networks of NGOs, foundations, and media like the Voice of America or Radio Free Europe were building anti-censorship tools for dissidents, offering trainings in secure communications, as well as using computer games and text messages to mobilize the crowds to join anti-government demonstrations. And as the hardline regimes in Serbia and Ukraine fell under such immense civic pressure, many found it quite logical to believe that the march of democracy and digitization would continue unabated.

Such aspirations by predominantly Western observers reached their apogee towards the end of the last decade, first with a series of “Twitter Revolutions” – first, in Moldova, then in Iran – where the preferred explanation of large crowds of mostly young people pouring into the public squares to protest their governments was that it was the smartphones in their hands that were responsible for such impressive social mobilization. There was always a certain one-sidedness to such postulations: all the successes of social mobilization campaigns were ascribed to technology, while all the failures – including, by the way, in Iran, where the “Twitter Revolution” produced little by way of tangible political results – were ascribed to political and historical factors, never to the excessive faith placed in the power of technology.

Moreover, amidst all the technological utopianism of that era, it was all too easy to overlook a key development: unlike, say, in Serbia of 2000 or Ukraine of 2004, governments that found themselves on the receiving end of “digital activism” were increasingly fighting back with a sophisticated counter-strategy that leveraged a clever use of online propaganda, excessive surveillance, and a heavy dose of cyber-attacks. Often, they were doing so with the help of products and services purchased from various Western companies – so much for the joint march of capitalism and digitization towards the ever-greater democratization. It didn’t much matter that one consequence of the wide use of social media by protestors in Iran in 2009 was that the Iranian government had no trouble searching various digital platforms in order to identify – and, later, arrest – who all those protesters were: the cyber-utopian narrative lived on.

It took the spectacular and very unfortunate failure of the Arab Spring – widely touted as yet another Facebook or Twitter Revolution – to seed some doubt into the minds of most observers. With all such events, there are two types of critiques that have traditionally been aired. One – operating primarily at the level of media and cultural criticism – has sought to identify the factors that produced the excessively optimistic coverage of the use of digital media by forces on the ground, framing the result of decades of social mobilization by various political movements – as was the case in Egypt – as the nearly spontaneous outcome of a call to action over Facebook group. Here one needs to draw no conclusions about the influence of digital tools on the outcome of the protests; what matters is to single out the factors that made foreign observers view the events through a lens that gave such an excessive importance to Facebook and Twitter.

This was not all necessarily negative: the obsession of Western media with social media probably also helped to draw attention to rather exotic political causes that would never receive proper coverage had they not been framed as a “Facebook Revolution.” No one knows for sure as to how long this type of fetish with social media would last – one might as well say it’s already in decline – but it’s also undeniable that many movements and causes had tremendously benefited from the media’s unhealthy fascination with digital tools and platforms (to some, it eventually came at a huge cost, as, for example, the entities behind the “Stop

Kony” campaign on Twitter – aiming to catch the famed warlord Joseph Kony – found out on attracting millions of people to their cause).

The other type of critique stems primarily from strategic considerations about the advantages and disadvantages of a) putting social media needs above one’s organizational needs b) integrating many enthusiastic but politically untrusted supporters found via social media into some broader political operation behind a movement or a cause. The trouble with social media is that, in reducing the costs of joining a campaign, it has made it harder to exercise some broader editorial control over the direction of campaigns and protests.

The immense decentralization afforded by digital platforms might have made it harder to act strategically, even if it has allowed to spread awareness about particular causes and attract newcomers into the fold. However, in the absence of well-formulated, granular tasks for such newcomers, it’s not obvious how exactly they could help – and, without immediate tasks that can stimulate a feeling of belonging and solidarity, it might prove difficult to retain them in the longer-term. Perhaps, they can donate money or they can create “likes” on Facebook and Twitter, but are such contributions really worth it? The ultimate failure of the Arab Spring was too tragic – and, some might argue, we are still seeing its ultimate consequences in Syria or Yemen – so there was little time to draw the necessary lessons from that experience.

Nonetheless, it seems logical to ask just how much more effective various social and political movements on the ground could have been if they did not profess nearly blind faith in the ability of the “Internet model” – a faith that finds its expression in persistent queries as to whether we can run everything like Wikipedia – to resolve age-old social and political contradictions. This, of course, is not to deny that digital networks could – and have made – a difference; only to inquire if the main problem with the efficacy of digital activism today is that it insists on distilling some broader lessons from “the Internet” and then reshaping the political reality accordingly. But what if those lessons are, at best, illusory and the match – between the Internet model and the real world – is not as tight as we think?

Digital activism, of course, is not limited only to dissidents and anti-systemic movements; if anything, the big change of the last decade or so has been the way in which it has gone mainstream and mundane, with tools and techniques that were previously reserved for well-organized social movements being used by a much wider pool of people and for causes that are hardly revolutionary. From boycotts of consumers goods to fund-raising efforts to repair a piece of malfunctioning city infrastructure, such campaigns – propelled by the low cost of organizing them and the wide and immediate reach nearly guaranteed thanks to exposure via platforms like Facebook and Twitter – have become a normal part of our everyday life.

There is, nonetheless, a major change underway in the depth and vector of digital activism, especially of the more local everyday variety. Civic engagement has

been redefined as well: we are moving away from the republican political ideal of a fully engaged, permanently deliberating public to the one of a fully automated, low-cost and low-bandwidth algorithmic citizenship. Under this new model, we are not expected to regularly partake in important local political debates; the assumption is that we simply have neither time nor desire for such trifles.

Rather, the hope is to leverage the highly sophisticated network of sensors and algorithms that is springing up all around us, due, mostly to the rise of the Internet of Things and the smart city, in order to silently report some of the problems we are facing, in the hopes that, once communicated to the relevant authorities, such information could make much of traditional politics unnecessary. Consider various apps that purport to tap the sensors in our mobile phones in order to monitor the state of the roads that we drive upon and report any encountered potholes to our municipality. From the perspective of increasing quality with the least resources, this does look like a major improvement: why, after all, should we be wasting any of our cognitive energy on reporting potholes?

The downside, though, is also quite apparent: by automating much of deliberative, causal thinking about why it is that we have potholes in front of us – is it because local municipal budgets have been cut? – we are also cutting ourselves off from the stuff of traditional politics, and especially its preoccupation with questions of justice (that preoccupation itself has always been a matter of articulating a causal historical narrative as where our problems come from).

Image taken by a Syrian youth in Raqa. Thanks to new technologies, we can share information and keep up to date with what is happening in the rest of the world.



There are no easy answers here: it very well might be that the future of “digital activism” will be precisely this fully automated, sensor-based way of doing politics, whereby all that is required of us as citizens is to activate our phones into the “always on/ always record” mode or agreeing to a license to share the data we generate with the relevant authorities and so on. While there might be some interesting ethical and moral questions surrounding such practices, it seems that a turn towards such fully automated digital activism might also lead to some moral and political impoverishment of the activists themselves.

The broader social trend underpinning such developments is that the goals and rationales of narrating our common experience historically – often by “hanging” it onto some common backbone of causality that links our current state to a number of antecedent causes – are giving away to a more pragmatic agenda of managing the effects of our problems. Big Data, for example, is still relatively helpless when it comes to tracing deep causal relationships, while crowdfunding and various instruments making up toolkits of Civic Tech have made it so much easier to keep problems under control, even without attempting to identify and resolve their original causes.

## “HOW COULD DIGITAL ACTIVISM NOT BECOME A VICTIM OF ITS OWN SUCCESS?”

Hence the downside to much of contemporary digital activism: this is primarily activism aimed at fixing the effects of existing social and political problems rather than resolving them at a deeper, more fundamental level. There’s, however, a big difference between a digital politics that is primarily about finding more efficacious ways to adapt to problems around us – e.g. via crowdfunding, task-sharing, deploying sensors that promise more efficiency, etc – and a digital politics that seeks to undo those problems altogether.

This brings us to another problematic issues linked to digital activism: how could it not become a victim of its own success? In other words, when there are so many tools for digital engagement, when the costs of doing it so low, when the skills required to do it are also quite minimal – how does one settle for a set of tools and strategies that, over the long term, will make the most impact? How does one resist the temptation of taking the easy path of signing Facebook petitions or raising money online or tapping into vast networks of sensors and, instead, try to articulate a more ambitious – and, hopefully, far more transformational – path of action?

To some extent, of course, this question has a very simple answer: this is what leadership is for. Or, at least, this is what it used to be for: social movements, however decentralized, still had a brain – composed, perhaps, of democratically elected wise and experienced members trusted by the rest of the movement. It

was this brain of the movement that was supposed to think tactics and strategy, optimizing the use of tools given their long-term costs and opportunities.

Leadership is not such an easy problem to resolve in the realm of digital activism. Most such movements, in as much as the word “movement” even applies to such networks, many of which are short-lived, might have faces of the movement – the photogenic people who, having been involved with some early campaigns early on, might go to CNN or BBC to explain the movement’s reasoning. But being a spokesperson, while important, is not the same as offering genuine strategic guidance and helping to choose between alternative paths of action. The problem is often further aggravated by the fact that many such movements explicitly reject the premise that they can ever have a leader, preferring to defend themselves as fully decentralized and structureless organizations.

Not all of contemporary digital activism is of the passive variety, of course. The last few decades have witnessed not just an immense fall in the costs of getting in touch with one’s peers but also in, say, launching sophisticated cyber-attacks. Initially pioneered by movements like Anonymous, such “hacktivist” measures have become a nearly permanent feature of the contemporary digital landscape, with many important online platforms and sites occasionally held hostage by waves of devastating cyber-attacks.

Many such attacks are also tied to various political causes and are often conducted under the banner of patriotism; hence they are particularly prevalent in times of geopolitical conflict, as was the case, for example, with the first major publicized instances of such attacks (Russia vs. Estonia and, later, Russia vs. Georgia). In a sense, they often combine an active political attitude – since many such attacks are clearly illegal, people who participate in them are clearly committed to the cause – with a rather low-cost and low-commitment set-up: normally, one participates in such attacks simply by lending one’s bandwidth and computing power. With the march of digitalization and the arrival of the Internet of Things and the smart city, one should expect such attacks only to intensify: on the one hand, there are many more critically important resources to target, and, on the other hand, there are many more devices that can now participate in launching such attacks.

A related phenomenon is the rise of what some researchers dub “computational propaganda” – the deployment of bots, Big Data, and algorithms in order to spread fake news and other types of propaganda, often for openly political purposes. Of all the unexpected consequences of the digital revolution was the discovery that the production of propaganda – set against the profound profitability crisis of the traditional news industry – would be democratized as well. The kinds of propaganda activities that have been previously reserved to governments can now be pursued on the cheap – and with extreme effectiveness, especially once combined with photos, videos, and other types of meme-friendly content.

Much like with DDoS attacks, there's often a patriotic dimension driving this phenomenon; hence, it's not uncommon for bottom-up, highly decentralized movements that support a particular geopolitical cause favored by their government leverage their social media skills to push professional propaganda content produced by the traditional media of that government. The name "computational propaganda" should not distract us from the fact that many of the bots responsible for producing it have to be programmed by somebody; in a sense, this is the propaganda equivalent of distributed DDoS attacks – bored but passionate hi-tech people lending their skills and spare computer power to steer political arguments one way or another.

## "THANKS TO THE ONGOING DIGITIZATION OF EVERYTHING, THE POLITICAL SPHERE HAS BECOME MUCH MORE ACCESSIBLE TO SOCIAL FORCES."

The tremendous online success of the Trump campaign, for example, owes much not only to the stealthy work conducted by the likes of Cambridge Analytica but also to the ad-hoc volunteer work performed on behalf of the campaign on sites like Reddit or 4Chan. Some of it might have seemed banal and amateurish at the time – and it barely broke out from the meme echo-chamber where it started – but it probably ended up having more impact than we give it credit for. For example, it's still relatively hard to access the damage done by techniques like "hashtag hijacking" where online conversations focusing on a particular topic are taken over by one's opponents and made useless via constant injection of spam or any other damaging materials.

Both of the above-mentioned tactics – DDoS attacks and computational propaganda – entail huge reputational costs for those unlucky targets who find themselves on the receiving end of such attacks. Unsurprisingly, this has led to new types of insurance offerings that many companies and even public institutions are beginning to ponder over: from reputational insurance that will ensure immediate help from the PR professionals to help offset any reputational damage to cyber-insurance which will pay compensation should the cyber-attacks disrupt regular business flow or result in data leaks.

Unlike earlier tactics honed and practiced by many activist movements, from consumer boycotts to blocking entrance to corporate headquarters or strategic warehouses, the new slew of interventions allows for remote, cheap, and rather modular participation: tasks that are farmed out to participants can be unique while the participants themselves can join in from anywhere on the planet. It's unlikely that this new headache for corporations and public institutions will go away any time soon; if anything, with the rise of artificial intelligence, we are likely to see even more sophisticated examples of such algorithmic sabotage, not least because it also helps to draw media attention to the cause.

Examining the changes in the digital media landscape from a historical perspective, it's hard to miss one major difference between 2017 and, say, 2000. By now, it has become obvious that much of digital activism, especially actions aimed at mobilizing crowds to take action, depends on the benevolence of so-called digital platforms like Facebook and Twitter. Digital activism has never been so intermediated by these firms; their algorithms make or break certain causes, helping to divert the attention of the global audience that they control. There's very little transparency in this process and little can be taken for granted: some causes and campaigns might receive phenomenal success while others might tank or even disappear completely if they run counter to the rules, explicit or even implicit ones, embraced by the platform.

And it's not just social movements or NGOs that see Facebook as the default digital infrastructure for their advocacy and outreach work; political parties, too, have increasingly come to depend on it – a dependence they are likely soon to regret. However, given the prevalence of cyber-attacks and the role that instruments such as artificial intelligence now play in helping to guard against them, it's not obvious if political parties can really do it alone, building their own platforms and operating systems, for internal communication: given the mismatch between their own cybersecurity expertise and that of Facebook, they might just eventually prefer the easy way out and quietly accept the fact that they will no longer be in charge of their own digital infrastructure.

Supporters  
take photos as  
Donald J. Trump  
speaks at his  
presidential  
rally at Xfinity  
Arena in Everett,  
Washington.



Moreover, it's not uncommon for these firms to mobilize their own users on issues that affect their own business interests. Thus, the likes of Facebook and Uber – as well as Google and Wikipedia – didn't hesitate to alert their users when some form of unwanted government regulation of those platforms was imminent. Often, such purely advisory notices are accompanied by calls – and opportunities – for action, calling on users to sign a petition or let their elected representative know where they stand on the issue, all with a click of a button. This, of course, raises some rather thorny questions about the neutrality of the platforms on which much digital activism is conducted, as mobilizing huge crowds in support of a given issue is much easier for, say, Uber or AirBnb, than for your local municipality that is trying to regulate them.

## **"IT HAS BECOME OBVIOUS THAT MUCH OF DIGITAL ACTIVISM, ESPECIALLY ACTIONS AIMED AT MOBILIZING CROWDS TO TAKE ACTION, DEPENDS ON THE BENEVOLENCE OF SO-CALLED DIGITAL PLATFORMS LIKE FACEBOOK AND TWITTER."**

All in all, thanks to the ongoing digitization of everything, the political sphere has become much more accessible to social forces, including many anti-systemic ones, that have previously lingered on its periphery. This does not need to imply that the consequences of such "democratization" would necessarily be negative; it could also lead to a healthy "rejuvenation" of the public sphere. There are, however, several additional factors – including the growing role of digital platforms in intermediating most of our online activities – that do not bode well for the future of politics in the digital realm.

The main test of the efficacy of digital activism is in whether, over the next ten years or so, there emerges a way to translate immense online energy that can now be harvested from all over the globe into deeply transformative and sustainable action plans. This will require us to rethink what it means to lead in an age of decentralization but would also probably make us question how much power we'd like to continue delegating to the digital giants. The other, more ominous future is the one where, failing to find such a path, we settle for the kind of digital activism of low-energy but high-damage which today represented today DDoS attacks and various forms of computation propaganda. This would not only be a rather destructive turn of events but, also, a terrible waste of online resources that could be better be deployed to resolve many of the world's toughest problems.

## >NEOLIBERALISM AND ANTIESTABLISHMENT MOVEMENTS



Share

Image: Guy Fawkes's mask, the symbol of Anonymous, an international movement of anonymous activists that defends freedom of expression and which first appeared on the Internet in 2008.



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# >NEOLIBERALISM AND ANTIESTABLISHMENT MOVEMENTS

This chapter argues that the nebulous nature of neoliberalism helps to explain why the discourse has successfully convinced so many that its carceral capacities are somehow representative of our collective liberation. I trace the histories of antiestablishment movements and the influences that have shaped its current trajectories, from the rise of indigenous movements like the ELZN in Mexico to the global force of the Occupy Movement. In examining the solidarities that are being expressed in the form of anti-austerity movements and supports offered to migrants in the neoliberal fallout, this chapter insists that our collective capacity to engage in direct action and prefigurative politics will ultimately allow us to awaken from the neoliberal nightmare.

## Introduction

Resistance to neoliberalism has become as pervasive as neoliberalism itself. As the world becomes evermore entrenched in the grip of a dystopian world order that views the market as the grand leveler of all human relations, more and more people are willing to fight back. The neoliberal narrative of equality that presumes ‘a rising tide lifts all boats’ has been shattered by the material reality of deepening divisions among the rich and poor. The ratcheting up of a security state to protect the status quo sends an important message to those who would seek to contest the imbalanced power arrangement that neoliberalism has wrought. Yet the prospect of intense conflict with the police and military forces employed by the state to protect the wealth of an elite minority poses less of a risk than watching the creeping darkness of neoliberalism consume the planet. No longer content to watch the sunset, where to stay the course would be to commit planetary suicide, people are gathering in greater numbers to push back. As twilight moves in and the neoliberal nightmare seems assured, there is increasing recognition that this state of affairs can only be met by a new dawn. And so we see the vestiges of hope beginning to entwine themselves through a broad range of social phenomena. Defiance of neoliberalism comes in the form of large-scale protests that capture global media attention, but equally, and arguably more importantly, in everyday acts of resistance (Purcell 2016), where people continue to organize their lives in ways that break with market logic, bringing light back into the world (White and Williams 2014). It is the intersection between mundanity and spectacle that marks the current moment of protest, where people are illuminating their struggles and enlightening their opposition

in a variety of spaces and encounters as they reassess the world we live in. Unraveling the lies that the apostles of neoliberalism have spun is not an easy prospect, and yet when committed in solidarity, the task becomes one that intensifies our proclivity for fellowship and convivial forms of being.

I begin this chapter by conceptualizing neoliberalism and its shape-shifting character, suggesting that this nebulous nature at least in part explains why the discourse has been so successful in its enchantments, convincing many that its carceral capacities are somehow representative of our collective liberation. I then trace some of the histories of antiestablishment movements and the influences that have helped to shape its current trajectories, from the rise of indigenous movements like the ELZN in Mexico in the 1990s, to the global force of the Occupy Movement in the 2010s. Next I draw attention to the situation in Cambodia, where resistance to forced evictions and land grabbing provides a case study within the wider trajectories of neoliberalism's new regime of accumulation. I then examine the solidarities that are being expressed in the form of anti-austerity movements and the supports that are being offered to refugees and migrants in the fallout that neoliberalism has produced. In the conclusion I insist that it is our collective capacity to engage in direct action and prefigurative politics that will ultimately turn the tides in allowing us to awaken from the contemporary neoliberal nightmare.

## **Towards a Global Harmonious Village or the Rise of the Prison Planet?**

Neoliberalism is a difficult proposition. The concept is a difficult one to define and its amorphous character as it expands into new institutional settings means that precision is necessarily lacking. Yet in very broad terms neoliberalism refers to an emergent set of political, economic, and social arrangements emphasizing market relations, a recalibration of the state, and heightened individual responsibility. In short, neoliberalism represents the extension of market-based competition into all areas of life (Crouch 2011; Mirowski 2013). Paramount to this process is the construction of new subjects, defined by values and social practices that align with market logic (MacLeavy 2008). As they become embedded in individuals, these values also begin to appear in local level governance practices, giving neoliberalism the appearance of being everywhere (Peck and Tickell 2002). While omnipresence is seemingly the case, it is important to appreciate the diverse manifestations of neoliberal ideas as they have appeared in state projects and socio-political imaginaries. Neoliberalism should be understood as a dynamic and unfolding process (England and Ward 2007; Springer 2011), rather than a monolithic project or paradigmatic condition. The fact that neoliberalism continues to mutate as it enters into new political, social, economic and institutional contexts means that many scholars have picked up on the idea of 'neoliberalization', in the form of an active verb, as being a more

appropriate rendering of the concept insofar as it acknowledges hybridization and transformation as being imperative. This raises new conceptual challenges though, since the inability to pin down a ‘pure’ version of neoliberalism means that we instead have a series of geopolitically distinct blends (Peck 2004). Here again, we therefore once more find difficulty in pinpointing what ‘neoliberalism’ actually means. So while we may be inclined to paint with broad strokes in terms of resistance to neoliberalism, where the word itself can serve as galvanizing political slogan for desired change, we can’t assume that all participants to any given protest or social movement are necessarily attuned to the same issues or desire the same outcomes.

In spite of the variations, one of the key tenets of neoliberalism is that it ostensibly advocates for a leveling of the playing field, where by assigning all social interactions, political connections, and economic transactions to market relations, each individual has an equal opportunity in advancing their status. This is an argument that was perhaps made most overt in Thomas Friedman’s (2005) *The World is Flat: A Brief History of the Twenty-First Century*, which

## “NEOLIBERALISM REPRESENTS THE EXTENSION OF MARKET-BASED COMPETITION INTO ALL AREAS OF LIFE.”

unapologetically reduces us to ‘lions’ and ‘gazelles’ on the savannah of capitalism, where we can choose to kill or be killed. Lacking in such popular analyses is the fact that systemic conditions of impoverishment (Bush 2007), racism (Roberts and Mahtani 2010), gender discrimination (Kingfisher 2013), and other forms of social marginalization have meant that we have never had an equal shot. It further ignores the fact that a system that creates winners and losers will see those who come out on top necessarily attempt to manipulate the structure in ways that consolidate their elite status (Rapley 2004). In other words, Friedman and his ilk lack a theory of power, when neoliberalism is fundamentally entangled within and inseparable from this very question (Springer 2016c). Consequently, and in very tangible ways, we can see how neoliberalism has not led us not towards a promised ‘global harmonious village’, but instead lends itself to a vast system of poverty that imprisons the poor both metaphorically and materially through its carceral logic (Schept 2015; Wacquant 2009). Those who fail to come out on top are suspect, not only for their supposed lack of responsibility in accounting for their own lives and wellbeing, but also because of the threat they represent to revealing the lie we are all being sold through their very presence in public spaces. Incarceration then becomes a key medium for negotiating societies under neoliberal rule, where we see intensive criminalization of the homeless and a tightened policing on urban space to ensure that the grand neoliberal façade remains intact (Clore et al. 2011). The squeaky clean neoliberal narrative cannot be allowed to be disrupted by bodies that do not conform to its desired subject position of ‘good consumer’, and so a violent order of security,

surveillance and outright authoritarianism increasingly defines neoliberalism (Bruff 2014, Springer 2009). When seen in this light it should be clear why anti-establishment movements have arisen in direct response to neoliberalism and the threat it poses to our collective wellbeing. When everything from our labour to our bodies to natural resources to the planet itself is reduced to a commodified relation, the terror of neoliberalism becomes all too real (Giroux 2005).

## Anti-Establishment Influences and Expressions

Antiestablishment movements have deep historical roots, but when it comes to the current incarnation of capitalism in the form of neoliberalism we can trace a direct lineage to the so-called 'anti-globalization movement', sometimes called the 'alter-globalization movement' or the 'global justice movement'. Within this movement of movements, diverse as they are, we see a general thematic emerge that distinctly aligns with an anti-neoliberal trajectory. The primary issue of importance is opposition to large multinational corporations and the lack of regulation that surrounds their activities, particularly when it comes to unfavorable trade agreements and profit maximization without regard for workplace safety, poor labour relations and compensation, environmental ruination, and respect for national sovereignty and legislative authority (Ayers 2004). Participants are thus not necessarily anti-global in their outlook, but rather want to see a more democratic and egalitarian basis of global relations wherein human rights, fair trade, and sustainable development are embraced (Epstein 2001). By the early 1990s, neoliberalism was already becoming firmly established in the policy and practices of many states on the heals of the reforms that Margaret Thatcher and Ronald Reagan had implemented in the United Kingdom and United States of America (USA) respectively (Harvey 2007). The emergence of the Organisation for Economic Co-operation and Development's (OECD) proposal to liberalize cross-border investment and reduce trade barriers through its Multilateral Agreement on Investment in 1995 was a catalyst for explicit opposition to neoliberalism. Intensive public scrutiny and widespread protests in affected countries ensured that the agreement was scrapped in 1998, but this was not the end of neoliberalism or resistance to its ongoing implications. Around this time the Zapatista was becoming very active in Mexico (Stahler-Sholk 2007), the Homeless Worker's Movement in Brazil was on the rise (Boito 2007), while the Narmada Bachao Andolan were ramping up opposition in India (Chandra and Basu 2014). Each of these movements expressed a distinct opposition to the now established logic of neoliberalism, organizing in ways that sought to not only undermine the influence of neoliberal policies, but also to express new forms of community and togetherness that broke with a competitive market-based approach to social organization.

The 1990s culminated with the largest mobilization of the movement to date, as a massive 40,000 person strong protest erupted on the streets of Seattle in response to the World Trade Organization (WTO) meeting in the city (Smith

Demonstrators from Occupy Wall Street, which began in Zuccotti Park in New York on September 17, 2011 and has promoted the movement against economic inequality worldwide.

2001). Beginning on November 30<sup>th</sup> and lasting the duration of the meeting until December 3<sup>rd</sup>, protesters clashed with police resulting in over 600 arrests. The city was effectively placed under marshal law and a curfew was imposed, thrusting the 'Battle in Seattle' onto the world stage as media coverage intensified. The City of Seattle has since paid over \$200,000 in settlements for lawsuits filed against municipal police for assaults and wrongful arrests. The protesters employed Black Bloc tactics first developed in Europe in the 1980s, marking the first time that they were used on such a large scale in North America (Dupuis-Déri 2014). The targeting of corporations like Old Navy, Starbucks, and other multinational retailers forced the media to respond. Prior to this event 'anti-globalization' was almost entirely absent from US media reporting, but this time the protests provoked some shallow soul searching to gain insight into why anyone would oppose the WTO. The media was baffled and bemused and misrepresentations were rife. The New York Times ultimately printed a retraction on a story that claimed protestors threw Molotov cocktails at police, yet in spite of their subsequent indication that the protests were largely peaceful, wilful distortions and false reporting remained commonplace (Kahn and Kellner 2004).

Seattle was a moment of awakening for the movement, as subsequent protests in Washington, Gothenburg, Quebec City, and Genoa, would employ a similar ethos of contestation on the streets. A little over a decade latter, in 2011, we can



see how it helped to lay the groundwork for the Occupy Movement. Like the Seattle protest, this was a leaderless movement against social and economic inequality. There were a range of issues prioritized among various local groups, but the overarching imperative was to question how large corporations and the present global financial system was undermining democracy (Gitlin 2012). The idea for Occupy originated from an art piece in the Canadian anti-consumerist magazine Adbusters, which depicted a ballerina standing atop the Wall Street Bull, with the hashtag "#OCCUPYWALLSTREET" (Gould-Wartofsky 2015). People showed up on Wall Street on September 17<sup>th</sup>, 2011, and a movement was born as the idea was replicated in cities around the world as news broke. The slogan for the movement, "We are the 99%", credited to anarchist scholar David Graeber, speaks to the vast inequality that now exists under neoliberal rule, where 1% of the population controls an inordinately disproportionate amount of the planet's wealth (Bray 2013). It is the inclusiveness of this sentiment that at least in part explains its rapid dissemination and replication outside of New York City. Within a month of the first occupation in Zuccotti Park, Occupy protests had popped up or were ongoing in over 951 cities worldwide (Steinberg 2016). While the movement was criticized for not articulating clear demands, doing so would legitimize the type of power structures that the movement was calling into question through its commitment to participatory democracy (Graeber 2011). Ultimately, inspired by the global wave of anti-austerity movements that sought to push back against neoliberal belt-tightening, the Occupy Movement forced the issue of inequality onto the world stage like never before. It made us recognize that equality is a deeply political question that touches us all. To stay the course of neoliberalism was not in keeping with the ethics and ethos that inspired the many participants of this global mobilization.

## Anti-Eviction and Land Grabbing

Occupy was critiqued for not having support in some of the most impoverished places in the world, like sub-Saharan Africa and mainland Southeast Asia. Yet rather than lack of support, the absence of Occupy in these locations may be more related to the authoritarian structures that presently exist than with a lack of sympathy for the objectives of the movement. Indeed, in places like Cambodia, where the ripple effects of colonialism still permeate the landscape, we have seen neoliberalism arrive in the form of an intensified push to construct a property regime (Lim 2013; Springer 2010). What this has meant for many rural Cambodians is an intensive pattern of proletarianization as they are stripped from their land and thus their ability to sustain themselves, having been transformed into a working class that now labors for wages (Springer 2015). In the urban context similar patterns play out, as traditional landholding practices have prioritized possession, or actual occupation, while the new juridico-institutional system of land tenure has constructed a cadastral system around formal written documentation (Springer 2013). And so we see profound violence meted out against so-called 'squatter'

settlements that are forcibly removed by police and military forces to make way for casinos, hotels, and modern apartment buildings. This is all done in the name of 'development', which is clearly not meant to serve the needs of the poor and marginalized, but rather the interests of capital accumulation for an elite minority. So not only do we see the marketization of vast swaths of the country in the guise of securing land rights, but so too do we see vulnerable people rendered even more so as they now have to contend with the vagaries of a job market that makes little use of unskilled labour. Homelessness is consequently rampant in the capital, Phnom Penh, and the strains of neoliberalization in the country have become abundantly clear (Springer 2016b). For most, neoliberalism represents a miserable failure and Cambodians have accordingly pushed back in the form of major protests. The social movements that have come to define contemporary Cambodia are not explicitly targeted against an enemy called 'neoliberalism', where instead protesters will acknowledge and identify a range of factors that have ultimately persuaded them to pursue a course of action that strives for the realization of social justice.

A masked protester in front of a line of police during the Million Mask March on November 5, 2016 in London. The anti-establishment demonstration, which falls on Guy Fawkes night, is one of several that take place in cities around the world.

Many of the emergent protests are centered on very specific experiences of forced eviction, or particular employers, rather than wider movements against land grabbing and labour relations more generally. There are obvious limitations to how effective such movements can be when wider solidarities have not been as forthcoming as one might hope. Yet there are indications that a broader movement is beginning to emerge, particularly around election times. The official opposition party in Cambodia has been quick to claim that the swelling discontent is in fact an affirmation of their political platform, but this is simply the hubris of party politics and not a reflection of the intentions and interests of the population as a whole (Morganbesser 2017). Indeed, when we look at policies, what the opposition offers is really more in the way of neoliberalism, but with different leaders at the helm. They are not offering systemic changes to the orientation of the country's economic or political systems, and in this sense they are decidedly out of touch with the frustrations of everyday Cambodians (Brickell and Springer 2016). The importance of discussing the Cambodian context here is not limited



to the country itself, as indeed we have seen similar patterns arise in a variety of countries that have been embroiled in intensive processes of neoliberal reform. Contextual variations are an inevitable part of this larger picture (Brenner et al. 2010), but it is nonetheless worthwhile to consider how the unfoldings of resistance in one location may afford teachable moments to other locations when we reflect on what works and what doesn't. The emerging lesson from Cambodia is the importance of solidarity. For resistance to be more effective in the country there needs to emerge a greater sense of solidarity among those affected by neoliberalism's regime of accumulation, recognizing that they are not alone either as individuals or communities. Fragmentation and individualization plays into the hands of a neoliberal modality, and so if we are to succeed in dethroning this worldview, we must seek to come together.

## **“EQUALITY IS A DEEPLY POLITICAL QUESTION THAT TOUCHES US ALL.”**

### **Austerity, Migration, and the Monopoly of Violence**

Relations of solidarity are much more obvious in some of the anti-austerity movements that we have witnessed with increasing frequency since about 2010 when the global financial crisis hit full stride. Ireland was the first European country to see major opposition to austerity, as protesters took to the streets of Dublin en masse in November 2010 (Kearns et al. 2014). In the UK, students were becoming increasingly mobilized as spending on higher education and tuition subsidies were cut by 80% in December 2010 (O'Hara 2015). The Indignant Citizens Movement in Greece was another particularly marked example of people coming together with a common cause against austerity, as between 300,000 and 500,000 people assembled in front of the Greek Parliament in Athens in a protest that lasted over a month before brutal police crackdowns in August 2011 (Gerbaudo 2017). Major protests were also held in Spain and Portugal that same year. The response by the state in each of these incidences was to use violence against protestors, who were for the most part very peaceful in presenting their concerns and demands. The implication insofar as neoliberal austerity is concerned, is that violence is part and parcel of its logic (Springer 2016d). Should the people disagree with the exclusionary and divisive status quo that the neoliberal conjuncture has produced, they put themselves at the mercy of the full force of the monopoly of violence claimed by the state. So while neoliberal states represent a rolling back of social supports like education and health care as part of their austerity measures, spending on the security and policing apparatus has not been subject to the same sorts of cuts, and indeed there appears to be an increasing appetite for states to funnel money into these particular channels. What this says about neoliberalism as an ideological system is quite clear: it is an expression of a deeply held authoritarianism that positions the interests of financial elites and the security of their wealth as the apex of its concerns (Tansel 2017).

Aside from the austere nature of neoliberalism, the unfolding of its policies undoubtedly plays a central role in economic migration (Mitchell 2016). As its competitive relations manifest in the form of speculative and extractive economies, neoliberalism tears apart local communities by stripping the basis of their livelihoods, which sets in motion a process of what in many ways can be considered a forced migration. This phenomenon is particularly acute in the Mexican context as people risk their lives to enter the USA in search of a better life having been denied that within their own villages, towns, and cities (Bacon 2013). The frequency of migration is often expressed as internal displacement, but it has an increasingly international composition, where wealthy nations like Australia, Germany, and the UK are viewed as ideal destinations. The response, both unofficial and official, from these states has been one of considerable xenophobia and fear mongering against ethnic 'others' in support of a nationalist agendas (Hogan and Haltinner 2015). Yet there is a glimmer of light amid the dark racist shadow that hangs over neoliberalism, which is to be found in the ways that communities are organizing supports for migrants, often in direct defiance of state policies. The Sanctuary City movement in North America, the UK, and Ireland can accordingly be seen as an anti-establishment approach

A protester outside the Bank of England protesting against welfare cuts.



that responds to the broader currents of neoliberalism (Bauder 2017). At a smaller scale migrant supports are being set up by anarchist communities in Greece to provide shelter to those fleeing the carnage in Syria, a war triggered by economic liberalization and lack of political reform (Hinnebusch and Zintl 2015). Greece has received over 1 million refugees since 2015, and as the country struggles to deal with the implications, some are taking direct action by re-appropriating abandoned buildings and setting up squats for migrants, reconnecting the water and electricity to ensure livable conditions (Mudu and Chattopadhyay 2017).

## **“NEOLIBERALISM ESPOUSES AUTONOMY IN THE SENSE OF MARKETS UNFETTERED FROM REGULATION SO THAT THE ACCUMULATION OF WEALTH CONTINUES TO FLOW IN ONE DIRECTION.”**

### **Conclusion**

One of the key lessons to come out tracing the lineages of the various iterations of anti-establishment movements that have arisen around the world in response to neoliberalism is that taking action into our own hands may be the best and only response. The reclamation of our own authority in the face of neoliberalism represents a means without ends. It is a constant struggle, where winning means that resistance is an ongoing and continuing commitment to the unraveling of the world we knew in the hope of stitching together alternatives that are empowering and affirming for us all (White 2012). Those who would seek to disempower the majority to their own benefit come in many guises, and even when neoliberalism does finally recede into the annals of history, there will be new threats posed to our collective wellbeing and the bonds of solidarity that we forge. The remaking of the world then is fundamentally up to each one of us. What we do with our lives and how we interact with our fellow travellers on this journey we call ‘life’ actually matters. While some on the political left, like David Harvey (2012), may lament the notion that matters are always in our own hands as being an avenue for the intensification of neoliberal values, such an argument entirely ignores the substantive content of the forms of direct action and prefigurative politics that are evolving. It misses the point of collective resistance and paints in broad strokes, where any an all initiative outside of the parameters of the state is somehow pro-capitalist. Unyielding Marxist that he is, Harvey (2017) is more than willing to caricature anarchist ideals and disingenuously misrepresent their intentions.

Fortunately it doesn’t require much in the way of critical thought to see how stunted the political imagination is that would align neoliberalism to anarchism, as the forms of prefiguration that are evolving in the form of anti-establishment movements break significantly with capitalism and create new and alternative ways of relating

with each other and being in the world (Springer 2017). Prefigurative politics are a practicing of a movement's shared political vision in here and now of our daily lives (Springer 2012). They are a creation of a new world 'in the shell of the old' (Ince 2012), a making of other worlds possible (Roelvink et al. 2015), or what Carl Boggs (1977: 100) called "the embodiment, within the ongoing political practice of a movement, of those forms of social relations, decision-making, culture, and human experience that are the ultimate goal." So instead of waiting for state or municipal authorities to do things for us, we instead take action for ourselves. Instead of handing over our autonomy to the interests of a minority of individuals who purport to have our best interests in mind, we articulate and realize the vision of our best interests by ourselves. This is the heart of what an anti-establishment ethos is and should be all about. Neoliberalism espouses autonomy in the sense of markets unfettered from regulation so that the accumulation of wealth continues to flow in one direction (Springer et al. 2016).

Idomeni's refugee camp, on the border of Greece with Macedonia, on March 4, 2016. Hundreds of refugees try to follow the route towards Western Europe.

Prefiguration in the form of anti-establishment movements espouses autonomy in the sense of people unfettered from the chains of both state and capital so that accumulation is undone, and instead redistribution is ensured on our own terms through our collective means in the here and now (Springer 2016a). The realization here is simple: if we are to shift the direction of the planet toward the realization of a more equitable arrangement for all, we have to be willing to do the hard work ourselves. It is a path that we cannot be lead down. In fact, there is no trail to follow, for "the reinvention of daily life means marching off the edge of our maps" (Black 1986: 33).



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# >FEMINIST APPROACHES TO INTERNATIONAL RELATIONS THEORY IN THE POST- COLD WAR PERIOD



Share

Image: A placard using an image by Shepard Fairey on the March of Women in Salt Lake City, Utah.



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# >FEMINIST APPROACHES TO INTERNATIONAL RELATIONS THEORY IN THE POST- COLD WAR PERIOD

This article reflects on the trajectory and development of feminist scholarship since the end of the Cold War. It begins with a statement of 'feminist intent', moving then to consider the post-Cold War introduction of feminist scholarship into the academic study of international politics, namely the discipline of *International Relations* (IR). I will then offer some snapshots of key feminist approaches connecting these up with contemporary global political issues. The concluding sections will return to re-consider the opening statement of 'feminist intent', first through a discussion of four globally significant women, then offer my views on the contemporary relevance and import of feminist scholarship in the context of global politics both in theory and in practice.

## **Opening Statement**

All these theories yet the bodies keep piling up (Zalewski 1996).

It is quite an undertaking to discuss the range of feminist approaches in relation to international politics over a 30-year period, not least given the vast amount of feminist scholarship that has been done over that time. But this opening statement or 'pause for thought', is less about the commonplace challenge of academic distillation and review, but rather specifically connected to the relentless consistency of problematic assumptions made about this provocative body of thought which can rob it of its primary worth. As such, I start with the statement that the work of feminist scholarship on global politics is largely intended to be powerfully destabilising. This remains the case even if destabilisation seems politically and educationally unpalatable. Undeniably, a primary aim of this corpus of feminist scholarship is to create a body of theory and practice with enough agency and traction to make significant structural, epistemological, conceptual and political changes both to the ways international politics is studied, as well as fundamentally alter the violent ways in which much of global politics continues to manifest itself. It might be considered that this scholarly aim of feminist work sounds provocative and overly ambitious, not least given the consistently assumed goal of feminism is typically understood to be simply about including women into the varied realms of high politics. An accompanying assumption is that this inclusion is merely in the service of supporting the theoretical and political agendas of conventional international politics. My claim is that this branch of feminist scholarship has a exceedingly far-reaching aim, and indeed very similar to the one that the discipline of international politics itself was founded

upon (and has manifestly failed to achieve), namely to impose a significant halt to the egregious and relentless violence that continues to blight the contemporary global political landscape. Furthermore, the claim of feminist scholarship is that it has much greater potential than the discipline of International Relations to bring about this kind of change. I open with this somewhat provocative statement as the serious intention and work of feminism can so readily evaporate. I hope to seize reader's attention in this important volume right from the start; the stakes are far too high to not take the destabilizing work of feminism seriously.

## Introduction: Feminist Scholarship and International Relations

The discipline of International Relations (IR) is integrally linked to the rhythms of the global political landscape. Emerging as an academic discipline in 1919 subsequent to the horrors of the Second World War, IR's theorizing, methodological approaches and political attention have since been focussed on producing effective knowledge about the international realm (Brecher & Harvey 2005). Traditionally this has involved attention to the more obvious political sites of states, government, politicians and globally significant wars, with conceptual and empirical attention consistently revolving around security, anarchy and violence. Theoretically, the discipline has been dominated for many decades by the triad realism, pluralism and structuralism, though it is realism – a form of 'realpolitik' - which remained the overwhelmingly dominant theoretical approach (Smith 1994). It was not until the 1980s that other theoretical approaches began to garner some traction. Indeed, following the fall of the Berlin Wall and the emergence of the post-cold war period, there was something of an explosion of theoretical approaches in IR, a list of these would include critical theory, postmodernism, poststructuralism, feminism, and constructivism (Brecher & Harvey 2005). This plethora of theories (especially compared to the previous six decades) spawned an abundance of articles, books, workshops, conferences and new teaching programmes notably in the US, Canada, the UK and Australia. In tandem with these theoretical inroads, critiques of the philosophical and epistemological underpinnings of most, if not all, conventional theories and methodological approaches was underway, typically framed as the 'post-positivist' debate (Smith, Booth & Zalewski 1996). As such, the post-Cold War period appears as a distinctly apposite political and intellectual moment from which to give an account of one of these new approaches, namely feminism. Yet given the heavy dominance of realism for over six decades, it is important to question more closely why these global changes would have had such a disciplinary and theoretical impact? *What exactly changed in 1989?*

One answer is that two stark instances of failure and surprise triggered the avalanche of new work in the discipline of IR. The surprise was the collapse of the Soviet Union and the thawing of the Cold War; the failure belonged to the discipline of IR. As Christine Sylvester put it, 'Few realists of any ilk would have argued that

states voluntarily go out of business and dismantle their territorial authorities. This the Soviet Union did' (2002: 7). For scholars and practitioners of 'realpolitik', this abandonment of power and sovereignty was astonishing. And as a discipline integrally connected to high political analysis and policy making, especially in the United States, IR's failure of insight and predictive powers was forcefully felt. The rapidity of the changes led many to challenge academic understandings of international politics focusing attention on IR's limitations (Brown 1993: 2). Further fuelled by many of the insights of 'continental philosophy' (insights which had been taken up in other disciplines such as Sociology and Political Theory some decades before), epistemological critiques of IR's theoretical foundations grew exponentially. As such, this confluence of IR's theoretical weakness and a potentially unruly world order paved the way for theoretical and empirical intrusion by a host of scholars ushering in the 'destabilizing decade' of the 1980s (Sylvester 2002: 9). Here feminism took centre stage with conferences and workshops for mainstream IR audiences in London, Boston and Los Angeles, the birth of the 'Feminist and Gender Studies' section of the *International Studies Association*, and the 'Gender and International Relations Group' at the *British International Studies Association*. These developments worked to place feminist scholars and their work in institutionally recognised positions. Books and articles then proliferated,<sup>1</sup> and mainstream IR teaching programmes began to include some feminist or gender courses, at least on the Anglo-American educational scene.

## "THE IMMEDIATE POST-COLD WAR PERIOD SAW FEMINIST SCHOLARSHIP ENTERING A VIGOROUS INTELLECTUAL CLIMATE IN THE DISCIPLINE OF IR."

Thus, the immediate post-Cold War period saw feminist scholarship entering a vigorous intellectual climate in the discipline of IR. One of the ground-breaking books published at that time was Cynthia Enloe's *Bananas, Beaches and Bases* (1989). This remains a core text in the study of feminist international politics to this day.<sup>2</sup> In 1989, it was notable for its prolific use of visual methodologies, its very limited reference to the core theories, texts or authors of conventional IR, and, crucially, its central attention to women and the workings of gender, specifically masculinity and femininity, both in the context of behaviours and concepts. This inevitably meant that *Bananas, Beaches and Bases* focussed on sites of international politics long deemed irrelevant, trivial or 'simply' domestic', including diplomatic wives, prostitution, tourism and domestic servants. Enloe's ground-breaking 1989 book is rightly credited for starting an intellectual and political feminist trail exposing how deeply the international political system was indebted to the work of women and the working of masculinity and femininity.<sup>3</sup> This work was not 'simply' about women, it was about demonstrating that by focusing on women and gender, it could be much more clearly illustrated the extent to which power goes into the constitution of

international politics than conventional theories could comprehend. As Enloe put it, 'the international politics of debt, investment, colonization, national security, diplomacy and trade are far more complicated than most experts would have us believe (1989: 197)

### Post 1989 In Feminist Theory And Practice

In the midst of a fluid European order and the sudden loss of what was assumed to have been a stable bi-polar world (Smith 1994), the immediate post-cold war era seemed an unlikely time to focus undivided attention on Cynthia Enloe's central question about international politics which was, and largely remains, 'where are the women'? Though in the context of the (new) Europe, it was becoming increasingly apparent that women were regularly faring badly, especially in the former Eastern Europe. In one of the more obvious sites of politics – political participation and representation – women had previously been very active. Post 1989, their representation began to rapidly decline (Einhorn 1992). As contemporary writers noted, 'women had been present at the big demonstrations, on the happy streets, but disappeared from the negotiating tables' (Kiss 1991). In employment too, women were amongst the biggest losers. Additionally, their reproductive rights became a prime target for political management often becoming the first issue to which post-communist governments turned their attention (Kiss 1991, Einhorn 1993).

However, in order to properly cultivate feminist analyses post-1989, rigorous theoretical analyses were clearly called for. Early formulations of feminist scholarship in IR included developing theoretical typologies, specifically liberal, socialist Marxist, radical and postmodern. This was accompanied by more philosophically inspired analyses with the labels empiricist, standpoint and poststructural (Zalewski 1993). Liberal and social Marxist feminisms were obviously aligned politically with liberalism and socialist/Marxism. Thus, liberal feminism drew heavily on liberalism paying clear attention to the sanctity of the human 'self' and all the rights that have developed attached to that self especially since the Declaration of Human Rights in 1948. Ostensibly simple, liberal feminist scholars wanted the 'rights' of man' to extend to include 'the rights of woman'. Key to this kind of analysis was the distinction between sex and gender, which in truth, was a ground breaking move within the annals of feminist thought as it severed the supposedly natural or biological realm of 'sex' from the culturally and socially constructed realm of 'gender'.<sup>4</sup> If women had traditionally appeared to not belong in the political or public realm, or not to have the same rights as men given their more natural (or indeed 'God-given') private or familial and reproductive roles, the relatively new knowledge that women were 'simply' humans too, meant women might, indeed should be included empirically, representationally as well as in theoretical analysis. That women were not included in this way, in relation to the study and practices of international politics, was manifestly apparent. Indeed, the absence of women in

the teaching or IR, or the authorship of work on international politics works was stark. As J. Ann Tickner noted about the discipline of IR in 1992:

Why are there so few women in my discipline? If I teach the field as it is conventionally defined, why are there so few readings by women to assign to my students? Why is the subject matter of my discipline so distant from women's lived experiences? Why have women been conspicuous only by their absence in the worlds of diplomacy and military and foreign policy-making (1992: 1)?

The absence of women in the high political landscape of wars, inter-state relationships and political leadership was indeed obvious. The lack of interest in what might be regarded as women's more traditional activities and concerns was clearly securely regarded as an appropriate omission. What use could theorizing motherhood or domestic work be to the study and practice of global politics? It might be the case that women were 'sometimes' visible as occasional leaders or mythical warriors, but the high politics of the international was very clearly understood as 'man's work', oftentimes explicitly stated as such (even today). As such, a central aim for liberally inspired feminists was to have the equal worth (to men) of women recognised, for women to have the same political and public opportunities as men, and, crucially, for gender – that cultural artifice deemed responsible for so much damage – to steadily evaporate with the end aim of a future without gender, a just future would be one without gender'. In its social structures and practices, one's sex would have no more relevance than one's eye color or the length of one's toes (Okin 1989: 171).

## **"WHY HAVE WOMEN BEEN CONSPICUOUS ONLY BY THEIR ABSENCE IN THE WORLDS OF DIPLOMACY AND MILITARY AND FOREIGN POLICY-MAKING?"**

How has liberal feminism fared in global politics? There are many women political leaders now, still a minority if perhaps a decreasing one. Women serve in large numbers in militaries around the world and the bans on women serving in close combat are disappearing almost daily.<sup>5</sup> Gender as a concept has been mainstreamed in the thinking and practice of many national governments and international organisations. The United Nations is a key actor here, not least since the ground-breaking Security Council Resolution 1325 introduced in 2000 which was the first formal and legal document from the Security Council that required parties in a conflict to prevent violations of women's rights, to support women's participation in peace negotiations and in post-conflict reconstruction, and to protect women and girls from sexual and gender-based violence.<sup>6</sup> The two most recent relevant Resolutions include SCR 2106 & SCR 2122 both in 2013.<sup>7</sup>

In many ways the success of liberal feminism seems clear. Though for many feminist international relations scholars, this success is dubious. It is the case that the majority of feminist scholars welcome inclusive practices for women, rather

the troubling issue relates to the tacit acceptance of conventional (oftentimes articulated as 'malestream') political and theoretical agendas and practices. Plus, the acceptance of the standard of 'human', which is, by historical default, most often elite, white and male. As a corollary, liberal feminist work tends to support the invisibility and lesser worth of women's traditional lives, behaviours and work, be default ignoring the imbalances and biases and discriminations this wreaks upon many women globally. In the current geo-political order, liberal feminism has, many argue, been co-opted in the service of neo-liberal agendas and practices. I will return to this point.

As might be expected, the philosophical underpinnings and political commitments of socialist/Marxist<sup>8</sup> feminisms are integrally connected to analyses of the economic realm and the class system. The conjoining of Marxist work on the economy, class and capitalism and the everyday turmoil of lived lives, along with the socialist feminist emphasis on the distinctive use-value and exploitation of women in the global system, has produced a wealth of insightful scholarship on global gendered political economies. Early work included Maria Mies' tracing of work of the 'consumer-housewife' as an exemplar of the 'optimal labour force' (1986), both in the 'underdeveloped and overdeveloped countries' (1986: 126). Also, Cynthia Enloe's work on the gendered politics of 'the banana', through the figure and life of the singer Carmen Miranda (1989/2014). Enloe also began the dense trail of work tracking the international use of 'domestic servants' and the links with international debt policies' (1989/2014). Significant conceptual work in the area of gender and political economy has demonstrated that perceptions about appropriate roles for men and women (and accompanying race and class dimensions) saturated and structured many of these personal kinds of decisions and activities. Beliefs around romance and love as well as reproduction and family honour nurtured rich grounds for huge reservoirs of cheap or free labour. However, they remained typically understood as private, domestic and/or cultural. And certainly not the business of international politics analysts.

Currently the tracks of this work are theoretically and practically very well illustrated in the Global North's entrepreneurial ambitions for women and girls in the Global South. One example of this involves the corporate social responsibility agendas of international big business and finance. The World Bank, for example, has embarked on major collaborations with two private sector actors: the 'Global Private Sector Leader's Forum' and the 'Girl effect campaign' (see Calkin 2016; also Calkin 2015). The latter is also notable for its sports-conglomerate and celebrity endorsements. Philanthropic intentions notwithstanding, Sydney Calkin argues that the co-mingling of gender and big business/finance capitalizes on the potential entrepreneurial power and resources of women and girls in a globalized economy in the service of agendas of the Global North. The political use of gender to pursue the humanitarian and other agendas of the Global North is not new; a significant moment marking the immediate post 9/11 period was the radio address by the then First Lady Laura Bush on the plight of the women

of Afghanistan offering further rationale for the subsequent invasion by the United States. Serious questions remain in the current international political landscape about the ever increasing economic and development focus on women and girls including: Girl Effect, Girl Up, Girl Rising, G(irls)20 Summit, Because I am a Girl, Let Girls Learn, Girl Declaration.<sup>9</sup> What might we make of the current use of gender as a tool of such financial and political use-value to the Global North?

The final dual stream of feminist-theorizing work in International Relations involves radical and postmodern feminism which are both much less obviously connected to familiar political commitments or the conventional political spectrum. Though the radical tributary of feminist work is very closely associated with the revolutionary and resistance political and social movements evident in many western societies in the 1960s and 1970s, including women's rights and civil rights/black power movements. A central aim of this genre of work was to place women at the centre of political and analytical attention, and to raise issues traditionally of more concern to women, right to the top of political, education and cultural agendas. 'Where are the women' - a deceptively important question at the core of much radical feminist work, appears a seemingly benign one at one level, or just an empirical or issue based one. Yet it raises profound epistemological questions about the foundations and systems of knowledge going back to the alleged founding fathers of modern thinking including Plato and Aristotle, as well as those more recent such as Jean Jacques Rousseau, John Stuart Mill and Immanuel Kant to name just a few. The critique of foundational knowledges is also a hallmark of postmodern and/or poststructural feminisms. I will return to these points. In the subsequent three decades since the end of the Cold War, a vast amount of feminist scholarship has been produced and

Athena, in the center of the painting, the goddess of wisdom and the arts, crowned with a helmet and wearing a mantle to which is tied the head Of Medusa. Athena is an icon of femininity that has been projected intensely in the contemporary political and social imaginary.



gender has become central to United Nations policy and discourse. Women and gender, it seems, have a secure place in the theory and practice of international politics. Currently in feminist IR scholarship, the 4-pronged typology of feminist theory which I have introduced are less visibly deployed, however, they were very much part of the development of the field. Subsequent academic work represents more of an amalgam of approaches, perhaps with a leaning toward poststructural methods, and with a great deal more work being done using postcolonial, queer theory and associated creative methodological approaches which includes analyses of images and popular culture and the 'everyday'. I want to move now to add some nuance to the discussion by taking a brief diversion to consider four women of international political significance, two contemporary and two from ancient times.

## Four Women

The four globally significant women are Aung San Suu Kyi, Malala Yousafzai, Athena and Medusa. First, I will briefly introduce them, moving then to consider some reasons we might regard them as important to reflect on, if in something of an interlude in this essay, in a consideration of international politics and feminist-theorizing.

Aung San Suu Kyi and Malala Yousafzai are two women very much in the current international political media and spotlight. Aung San Suu Kyi, known colloquially as 'the lady',<sup>10</sup> is well known for her long fight for democracy in Myanmar. A woman regularly presented in the western media as an enigmatic, even romantic figure, described by one commentator as 'fragrant'; she was awarded a Nobel peace prize in 1991. She has been in the news more recently for allegedly tuning a 'blind eye' to what has been described as the ethnic cleansing of the minority Rohingya Muslim community in Myanmar. In an open letter to the UN Security Council, more than a dozen Nobel laureates have criticised Aung San Suu Kyi, for a 'bloody military crackdown on minority Rohingya people', warning of a tragedy amounting to 'ethnic cleansing and crimes against humanity'.<sup>11</sup>

As a young girl in Pakistan, Malala Yousafzai was very active and vocal (Including blogging) about the right for girls to be educated. She was shot in 2012 by the Taliban at the age of 15 on her way to school for her views and activism. Malala (known worldwide by her first name especially since the publication of her 2013 biography) came to England for medical treatment recovering well enough from her injuries to begin going to high School in Birmingham. She continued to speak up for the rights of girls to be educated and in 2014, Malala became the youngest person ever to win the Nobel Peace Prize.<sup>12</sup> In 2017 she was appointed UN ambassador for Peace and took up a place as an undergraduate at Oxford University. She was also one of the Nobel Prize winning signatories of the open letter to the UN Security Council rebuking Aung San Kyi. Two globally significant women on the contemporary international political scene. How do

their stories and lives help us to better to understand the work and significance of feminist international relations scholarship?

Not contemporary women, but a strong lingering presence in political, social and cultural imaginations are Athena and Medusa. Athena - a mythical Greek goddess of wisdom, war, heroism and crafts, the capital of Greece still bears her name. In UK culture her emblem, spirit and name has been taken up by the 'Equality Challenge Unit' which spear heads and directs gender equality charters in some of the UK's top educational and research institutions – the Athena Swan charter.<sup>13</sup> One of Athena's memorable deeds was to transform Medusa's head into a terrifying sight, one swarming and writhing with hissing snakes holding the power to turn men into stone if she caught their eye. A head ultimately severed by Perseus at the bidding of Athena. Statues of Perseus brandishing the severed head of Medusa is a regular feature in museums around the world.

The story of Medusa has channelled its way right through into the 21st century, the most recent mediatised reincarnation of this image has Donald Trump in the place of Perseus and Hillary Clinton as the severed head of Medusa (Beard 2017). And though there are many ancient variations of the story, one particular version persists. Medusa was the only one of three sisters known as Gorgons that was born a mortal. The story has it that Medusa was once very beautiful but was cursed by Athena who gave her snakes for hair. Medusa's misdemeanour

The Young activist Malala Yousafzai attends TimesTalks Presents: I Am Malala at The French Institute on August 19, 2014 in New York City.



had been to violate the sanctity of one of Athena's temples by 'laying with' Poseidon. This story of punishment and Medusa's eventual beheading by Perseus has powerful contemporary resonance. Yet as Mary Beard (2017) and Susan Bowers (1990) articulate, a different story might have held imaginations and had subsequent philosophical and epistemological import; the one in which Poseidon raped Medusa, and Athena's 'punishment' was rather to save Medusa from ever being violated again.

All four women are iconic, and all four are embroiled in global politics in one form or another. They stand as emblematic figures of womanhood, though they matter and come to matter in our thinking about international politics, if in different ways. The question of Aung San Suu Kyi's ostensibly vacillating position as a harbinger of peace is not one at issue here, readers will have varying views on this. Rather, we might think about her iconic status in relation to liberal feminist visions of female inclusion, especially as global political leaders. It is very clear that we cannot (ever) count on women acting in 'peaceful' ways, though it seems the case female leaders are rarely able to escape being identified by their gender, usually as icons at one end of the good woman/bad woman spectrum or the other – as warriors, peaceniks, heroines or simply evil. Women remain marked by her gender; indeed, their gender tends to disallow more than one iconic status at a time. Malala's gender placing in the contemporary geo-political

## **"WOMEN REMAIN MARKED BY HER GENDER; INDEED, THEIR GENDER TENDS TO DISALLOW MORE THAN ONE ICONIC STATUS AT A TIME."**

landscape story has become particularly attractive to western audiences, not least given it fits very easily into the colonialist furrow that Gayatri Spivak (1985) so powerfully and succinctly articulated as 'white men saving brown women from brown men.' At the same time that Malala's story supports traditional masculine-laced politics of protection, it also has been given the air of a neoliberal feminist success story, an individualist female triumph over the dark forces of gender traditionalism. One extraordinary woman intrepidly emerging from a mass of 'ordinary' women (and think of the way women from the 'Greater Middle East region' are regularly depicted by the media), but also so eagerly requisitioned by powerful western political institutions is significant. And it is striking that the mythical figures of iconic woman-hood, Athena and Medusa still lay claim to contemporary popular and philosophical imaginations. That one of the most impactful ways to represent the 'battle' between Donald Trump and Hillary Clinton at the time of the US Presidential campaign and election in 2016-2017 (humorous intent notwithstanding) using the hyper-gendered and brutal reincarnation of the conventional and long-standing narrative of Perseus, Athena and Medusa – this reveals a great deal about how contemporary knowledge systems work.

## 21st Century

"Men my age dictate this war" Mr Dawson in *Dunkirk*.<sup>14</sup>

What rises to the mediatised surface of current global political landscapes? What assails our vision and minds on a daily basis? One thing that has clearly changed radically since the end of the Cold War is the vast development of the internet and associated social media use. A current globally significant example of this (an exemplar of sorts) is US President's Donald Trump's twitter habit. As I write, the possibilities of a potential nuclear war with/via North Korea is taking twitter centre stage. Other focal points in my daily news feeds include the plight of Rohingya Muslims in Myanmar; Brexit of course, especially from my vantage point as someone living in the United Kingdom. And culturally? One of the latest big movies is *Dunkirk* – perhaps coincidentally released in the midst of some turmoil around Brexit negotiations. A film full of men of course and almost no men of colour. And with one of two women perhaps (hard to catch sight of them). Does this matter? Is the stark 'white maleness' of a popular movie something we should pay attention to as IR scholars when we are faced with a US President threatening the annihilation of another country as he did in his first speech to the United Nations in September 2017? Or in a world in which the Russian President and North Korean leader relentlessly exhibit variable levels of behaviour of what might be called 'vexatious masculinities'? And what of the slew of hurricanes wreaking havoc in the Gulf of Mexico and the Caribbean Sea? Questions about climate change and environmental degradation are surely high on our international political agendas, if intermittently, though it is, of course, the poorest people who suffer most; no change there. The main contemporary change is that celebrities come to the rescue in much more visible and self-promoting ways that ever possible before without social media.

There is something of an obsession with the idea of dramatic changes in our political landscapes, often taken for granted as the ones to pay close attention to, such as the end of the Cold War. Instead we might focus for a moment on the film *Dunkirk*, a major drama (from the past of course), but in popular culture form it does not readily appear to be of much significance in the context of the concerns of this volume. My daughter wonders why there are so few women in it, surely a woman could have been cast at the helm of the small boat at the centre of the film's rescue narrative? Or a teenage daughter rather than a son slipping unnoticed into the craft, so he could join his father and elder brother in the rescue mission? Of course, it is a film about an event in the Second World War, so a film of its time, a common assumption being that history cannot simply be re-written to satisfy the morals and much less the gender agendas of the early 21st century. There has, however, been much 'social-media chatter' about the 'whitewashing' of the film.<sup>15</sup> And indeed the dubious 'blitz-spirit' imparted dovetailing nicely with the current revival of 'protecting the homeland' spirit prevalent in both the UK and the US. But how very easy it has been to render unknown the violence, not least the rapes and sexual assaults that took place so regularly during bombing raids in the Second World War.

Scholars of feminist international relations insistently ask which stories (of the many available) retain or return to take centre stage, whether about war, or the global economy, or appropriate work for men and women – which of these stories persistently rise to the surface and retain political and theoretical attention? I suggest to my daughter that *Dunkirk* is very much a film about male heroism and though any director might choose to bend the ‘facts’ a little to tell and sell a story, female heroism does not have the same impact or story telling facility. It is the case that a good many recent highly popular films such as *Eye in the Sky* and *Zero Dark 30* (‘blockbusters’ which capture the attention of millions of people world-wide) feature female leads are often seen in senior military roles. Though recent research suggests that these female leads (always white) function to promote a form of ‘ethical whiteness’ (Charania 2017), once again supporting conventional international political agendas.

## **“BEGINNING WITH THE RECOGNITION THAT WOMEN AND THE TRADITIONALLY ‘FEMININE’ HAVE BEEN RENDERED ABSENT OR IRRELEVANT IN THE REALM OF INTERNATIONAL POLITICS, IT APPEARS THAT THE REMEDY IS NOT SIMPLY TO ‘ADD WOMEN IN’ -AS IF THEY WERE MEN.”**

I opened with a somewhat provocative statement about the intent of feminist scholarship. It might be perceived that I ‘overstate’ the case to draw attention. Yet I maintain that the feminist critique of the underlying knowledge structures on which studies of international politics relies, and which are drawn from long standing philosophical, political and even mythical foundations, poses a very significant challenge. Beginning with the recognition that women and the traditionally ‘feminine’ have been rendered absent or irrelevant in the realm of international politics, it appears that the remedy is not simply to ‘add women in’ -as if they were men. The challenge to the study and practice of international politics demands much more rigorous and effective work in both theory and practice. There have been some notable changes on the global political landscape since 1989, but just a cursory glance will confirm hardly a dent in the realm of global violence, perhaps an increase. Of course, feminist scholarship cannot resolve all these violences, but the vast corpus of knowledge produced since 1989, knowledge which stems for questions drawn from the submerged work and activities of more than half the world’s population, bears much more serious and sustained attention.

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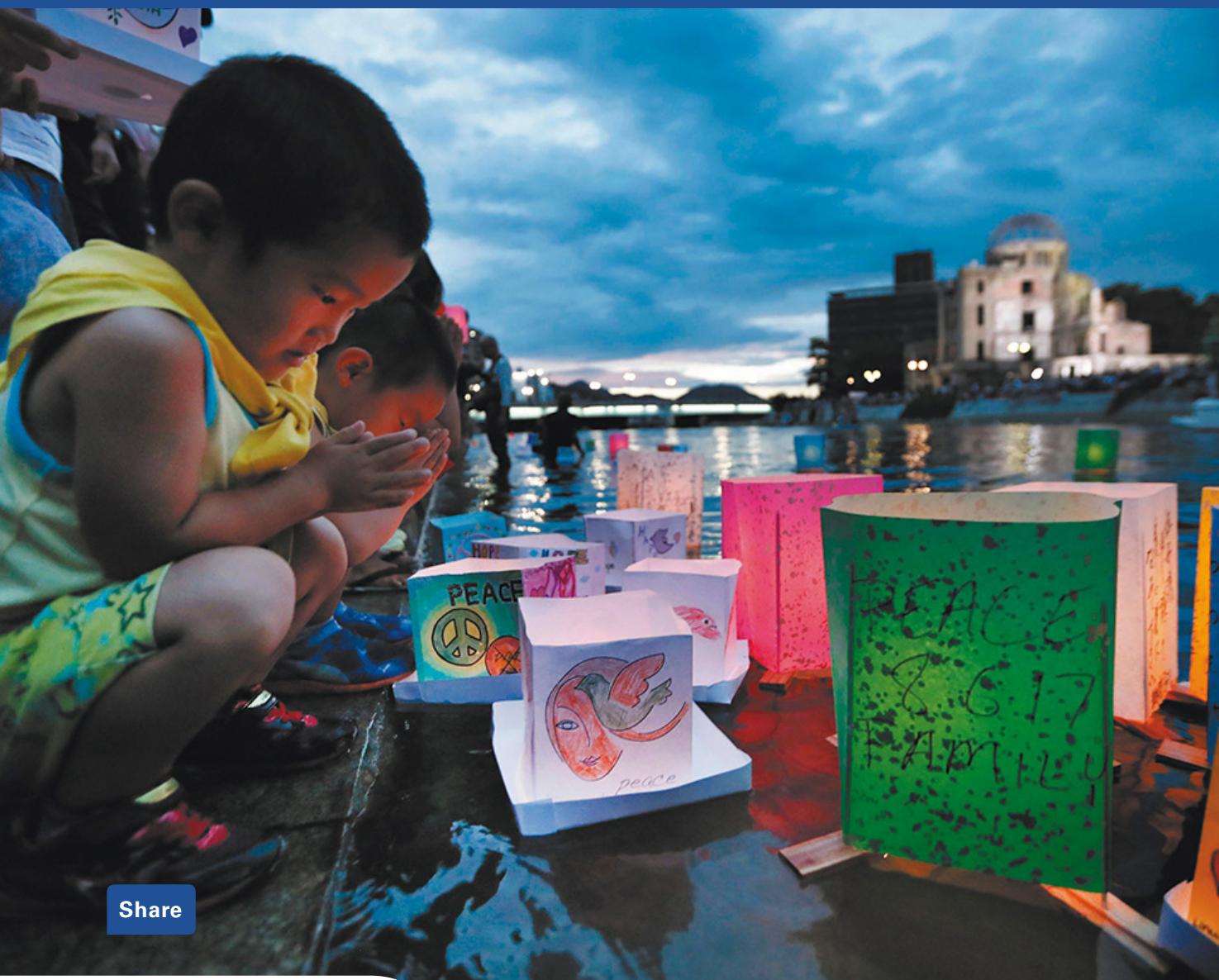
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## Notes

- There is a wealth of literature currently, please see <https://genderandsecurity.org/projects-resources/syllabus-collection> for examples from contemporary teaching syllabi and the *International Feminist Journal of Politics* <http://www.tandfonline.com/loi/rfjp20> Also see Laura J Shepherd (2014); Gentry, C, Shepherd, L.J. and Sjoberg, L (forthcoming 2018); Zalewski, M (2013); Bleiker, R (ed) (forthcoming 2018); Steans, J (2013).
- Now in its 4th edition (2014).
- There were earlier texts notably Jean Bethke Elshtain's *Women and War* (1987) though it is *Bananas* which captured centre stage and imaginations at that time.
- Key to analysis on gender is the traditional and persistent hierarchical relationship between masculinity and femininity. However much the expectations around these characteristics and behaviours varied culturally and across time, their oppositional and hierarchical character remained constant. A good deal of work has been done on masculinities in the field (e.g. Parpart & Zalewski 2008).
- <http://www.bbc.co.uk/news/uk-36746917>
- <http://www.un.org/womenwatch/osagi/wps/>
- <http://www.un.org/press/en/2013/sc11149.doc.htm> <http://www.un.org/en/peacekeeping/issues/women/wps.shtml>

- 8 Whether more ‘socialist’ or ‘marxist’ or ‘dual system’ was the subject of much debate – see Hartmann
- 9 [http://www.huffingtonpost.com/shenila-khojamoolji/girls-of-the-global-south\\_b\\_11353958.html](http://www.huffingtonpost.com/shenila-khojamoolji/girls-of-the-global-south_b_11353958.html)
- 10 Perhaps related to the film about Aung San Suu Kyi of the same name (2011)
- 11 <https://www.theguardian.com/world/2016/dec/30/nobel-laureates-aung-san-suу-kyi-ethnic-cleansing-rohingya>
- 12 <http://www.bbc.co.uk/news/world-asia-23241937>
- 13 <http://www.ecu.ac.uk/equality-charters/athena-swan/>
- 14 Mr Dawson, played by Mark Rylance, (who is the man at the helm of the central small ‘rescue’ boat) makes this comment in response to the young airman he has pulled from the sea who has suggested he (Dawson) is too old to be doing this (embarking on a rescue mission).
- 15 <http://timesofindia.indiatimes.com/india/how-nolan-forgot-the-desis-at-dunkirk/articleshow/59717595.cms?from=mdr>

# >WAR AND PEACE (AND IN BETWEEN)



Share

Image: Children pray after floating candle-lit lanterns on the Motoyasu River in Hiroshima, on Aug. 6, 2017, following the city's ceremony to mark the 72nd anniversary of the U.S. atomic bombing.



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## >WAR AND PEACE (AND IN BETWEEN)

**Modern states rarely go to war with each other. Instead, they battle non-state groups such as al-Qaeda and ISIS. Such groups, however weak militarily, will continue to pose the threat of terrorism, feeding the narrative of a “clash of civilisations” between the West and Islam. Yet the greater risk for the future will come from cyberwarfare and potentially robotic weaponry. Meanwhile, the world’s politicians will need to guard against complacency: the danger is that the United Nations and other institutions created to foster peace after the second world war are already weakening.**

“There has never been a protracted war from which a country has benefited.” Perhaps the wisdom of Sun Tzu’s much-quoted aphorism is now dawning on the various governments and armies who have committed such blood and treasure to the conflicts of this 21st century in Afghanistan, Iraq, Syria and Yemen — quite apart from the wars that, decades after their inception, still scar much of central Africa.

But recognising the futility of an exercise does not automatically mean ending it; witness the decision of President Donald Trump in the summer of 2017 to commit more American troops to prop up the government of Afghanistan. Those who follow Twitter might recall that in 2012 Trump tweeted: “Why are we continuing to train these Afghanis who then shoot our soldiers in the back? Afghanistan is a complete waste. Time to come home!”

Trump’s 2012 tweet makes an obvious point. It is absurd that the war in Afghanistan, beginning with US and British airstrikes in October 2001, is now four times longer than America’s involvement in the second world war. After all, unlike WWII, the Afghan conflict, whatever its repercussions, does not threaten global civilization. And yet Trump, like Obama and George W Bush before him, is unable to “declare victory and leave”, to paraphrase the cynical advice of Senator George Aiken as America became bogged down in its Vietnam war.

The reality is that very few wars are simple, and arguably even fewer are quickly decisive. When France and Britain led the charge in March 2011 to oust Mu’ammar al-Qaddafi (the USA was famously “leading from behind” in the words of one White House official), the military operation seemed both simple and, with the death of Qaddafi in October, decisive. Yet Libya then became a “failed state”, used as a transit point for thousands of migrants to cross the Mediterranean in search of a better life in Europe — and those migrants now challenge the cohesion, and indeed the values, of the European Union.

One problem, noted over the centuries by even the kindest of observers, is that the instinct to commit violence is fundamental to mankind (and, according to today's scientists, is exercised much more frequently than in other mammals). A related problem is that violent action is so often presented as a tempting solution to any "Gordian knot" created by endless diplomatic wrangling. As Britain demonstrated in the 19th century in its approach to China and Egypt, "gunboat diplomacy" — with military action either threatened or implemented — is a seductive policy for any superpower.

But it cannot any longer be as effective, even for the American superpower (or 'hyperpower', as Hubert Védrine, France's former foreign minister, once termed the United States). One reason is the restraint imposed by the institutional architecture constructed in the wake of the Second World War. The United Nations, the World Trade Organisation, the UN Convention on the Law of the Sea, the International Criminal Court: all create impediments to immediate, direct and unilateral action — even for the United States, a country that has yet to ratify the Law of the Sea and refuses to sign up to the ICC even though it helped to create it.

## "POLITICIANS BECOME HOSTAGE TO THE "CNN EFFECT", WHEN THEIR VOTERS — EMOTIONALLY MOVED BY THE PICTURES ON THEIR SCREENS — DEMAND THAT "SOMETHING MUST BE DONE"."

A second restraint is the power of the media — especially television and, increasingly, "social media" on the internet. Back in 1968 Walter Cronkite, the anchorman of the CBS network, made a reporting trip to Vietnam that discredited the optimism promoted by America's generals. The result was to increase the American people's disaffection with both the war and their politicians. As President Lyndon Johnson put it, "If I've lost Cronkite, I've lost middle America" — and soon afterwards LBJ decided not to run for re-election.

If one anchorman in an age when three giant TV networks selected and dominated the coverage of the news in America can have such an effect, imagine the pressures on today's politicians: a myriad of TV channels pumping out news and opinion 24-hours a day. At the same time social media, from YouTube to Facebook, will be doing the same for a third of the world's population. In 1982 the British authorities were able to exert tight control on reporting of the war to recapture the Falkland Islands (Las Malvinas for the Argentines) in the south Atlantic. Today, such restrictions are technologically impossible when an iPhone can transmit TV-quality images from anywhere in the world.

The lesson is simple: politicians become hostage to the "CNN effect" when their voters — emotionally moved by the pictures on their screens — demand that "something must be done". In a democracy it is a brave government that ignores

the call and waits for the electorate to become bored and for the cameras to turn their lenses elsewhere. Authoritarian regimes do not feel the same pressure, but even the absolutist monarchy of Saudi Arabia has become uncomfortably aware of the reputational damage caused by its involvement from January 2015 in the Yemeni civil war. TV reports of starving children and devastated towns, coupled with the news that by August 2017 cholera had affected 500,000 Yemenis, make American and other western voters question the morality of selling arms to Saudi Arabia and its allies in the Gulf.

### The Call To Arms

Wars are created by many, often overlapping factors: nations come to blows over ideology, religion, ethnic differences, territory, natural resources — and increasingly the impact of climate change will become a spur for conflict. At times even the personality and ambition of a single individual will drive a nation into battle — as with Hitler in the second world war and Saddam Hussein in the Iraq-Iran war of the 1980s. But the cliché is that war is, or at least should be, a last resort.

That notion is integral to the concept of a “just war,” by which Saint Augustine’s logic has given many a government over the centuries the justification to summon their citizens to a foreign battlefield. In some cases, notably the Second World War, the criteria for a just war were clearly met; in others, for example the invasion of Iraq in 2003, they were not. Hans Blix, the UN diplomat searching for Iraq’s alleged weapons of mass destruction, had argued in vain that more time was needed — yet President George W Bush and Britain’s Tony Blair were happy to announce that the “last resort” was all that remained.

Intrinsic to the just-war concept is the need for a “just cause”: war can only be justified as a response to a wrong suffered. But since it is the wronged nation that determines the *casus belli*, there is plenty of room for interpretation. Perhaps the most egregious example is the “War of Jenkins’ Ear” (known as the Guerra del Asiento to the Spaniards), when British ships in 1739 attacked Spanish ships in the Caribbean. The pretext was to seek redress for the wrong suffered by Robert Jenkins, a British sea captain whose ear had been cut off by the commander of a Spanish patrol boat off the coast of Florida. But the redress was a very long time coming: Jenkins had lost his ear in 1731.

If it suited 18th century Britain to see a *casus belli* only when convenient, what of America and other nations in the 21st century? The behaviour of North Korea’s Kim Jong Un provides one invitation after another to the United States and its allies in northeast Asia to abandon diplomacy and resort to war. But it is their choice whether or not to accept that invitation. When North Korea (or the Democratic People’s Republic of Korea, to use its laughable official title) on August 29th 2017 sent a ballistic missile over Japan, the government of Shinzo Abe could reasonably have claimed the DPRK’s action constituted a *casus belli*.



But it is hard to see how such a reaction would have benefited Japan and its people. The hard reality is that any war in the region would have devastating consequences. At the very least, casualties could run to hundreds of thousands, and probably many millions, and the material damage would take years to repair. At the worst, northeast Asia would be plunged into a nuclear conflagration engulfing the Korean peninsula, Japan, China, Russia and — by virtue of its treaty obligations — the United States. Prime minister Abe rightly commented: “The outrageous act of firing a missile over our country is an unprecedented, serious and grave threat and greatly damages regional peace and security.” But rather than issuing a military threat to the DPRK (in any case difficult under the terms of the “peace constitution” adopted by Japan after its defeat in the Second World War), Abe merely called for “increased pressure on North Korea in cooperation with the international community”.

The contrast, of course, is with the bellicose language (especially via Twitter) of Donald Trump to the provocations of Kim Jong Un. Given that Kim has threatened missile strikes on Guam, a US territory in the Pacific, and boasted that the American mainland could be turned into “a sea of fire”, any American administration could justifiably argue that a *casus belli* exist for a retaliatory — or even pre-emptive — attack on North Korea. But of America’s presidents only Donald Trump has answered the DPRK’s threatening rhetoric with equivalent bombast: the United States is “locked and loaded” to unleash “fire and fury” if the DPRK imagines it can put its threats into action. In another vivid tweet, the president argued: “The US has been talking to North Korea, and paying them extortion money, for 25 years. Talking is not the answer!”

But is war the answer? Analysing President Trump’s tweets makes an amusing — and often disturbing — pastime for armchair psychiatrists. Apologists for the

Activists of the NGO ‘International Campaign to Abolish Nuclear Weapons (ICAN)’ wear masks of US President Trump and the Democratic People’s Republic of Korea Kim Jong-un while posing with a mock missile in front of the Democratic People’s Republic of Korea embassy in Berlin in September 2017.



president will argue that he and his advisers are employing a “good cop, bad cop” strategy, with Rex Tillerson, Trump’s secretary of state, publicly announcing that America has no wish or plan for regime-change in Pyongyang and with General James “Mad Dog” Mattis, the US defence secretary, declaring: “We’re never out of diplomatic solutions.”

Let us hope so. As Churchill famously declared, “jaw-jaw” is preferable to “war-war” (his actual words were “meeting jaw to jaw is better than war”). Certainly, organisations exist for plenty of relevant jaw-jaw, from the United Nations (where, significantly, each permanent veto-wielding member of the Security Council is a nuclear power), to the Asia-Pacific Economic Co-operation forum and the Association of South-East Asian Nations. The fact that North Korea, seemingly exultant in its status as a pariah nation, belongs to the UN and few other international bodies need not be a worry. After all, the common assumption is that Kim’s ambition is not to invade others but simply to keep himself and his regime in power — in which case there must surely be diplomatic room to keep Kim in check, even if it involves what Trump calls “extortion money”.

## States at Odds

If the Korean crisis were to lead to war rather than words, it would be a rare event in recent history: in contrast to earlier centuries — including the first half of the 20th century — most wars are no longer between states. Instead, they involve states fighting against non-state actors, such as al-Qaeda; or they are civil wars; or they are wars — as in Afghanistan, Iraq and Libya — in which states join in coalitions to combat a foe collectively deemed worthy of their punishment. When one nation goes to war against another, as Russia and Georgia did for a mere five days in 2008, it is very much the exception.

The reasons are not mysterious. The Second World War ended with the defeat of fascism, but with the contest between capitalism and communism yet to be resolved. Given that the leading antagonists — the USA and the Soviet Union — were (and remain) the world’s largest possessors of nuclear weapons, the contest could only be waged by proxy, especially in the developing world. The conflicts and coups d’etat in southeast Asia, Africa and Latin America all have their origins in the rivalry of the two superpowers. Even this century’s war in Afghanistan can be traced back to that rivalry, as America (along with allies such as Saudi Arabia and Pakistan) helped finance and arm the mujahideen in the 1980s to expel Soviet troops from the country.

With the collapse of the Soviet Union and the near-disappearance of communism (the Chinese Communist Party makes no secret of China’s conversion to capitalism), the proxy wars that had pitted the White House against the Kremlin ended a generation ago. If there is an equivalent today, it is perhaps the struggle for influence in the Middle East between Saudi Arabia, the Arab leader of the Sunni Muslim world, and Iran, the non-Arab head of Shia Islam: their money,

weapons and propaganda all inflame conflicts — notably the Syrian civil war — waged mainly by others and poisoned by religious sectarianism.

However terrible today's conflicts are for those directly affected, the world as a whole feels comfortable enough. Thanks to the European Union, armed conflict between France and Germany — which had three dreadful wars within a century — has long been inconceivable. War between Israel and its Arab neighbours is extremely unlikely (and yet in the 1960s and '70s pessimists worried their antagonism might escalate to a third world war). China and India have a common interest in ensuring that border disagreements in the Himalayas do not lead to a repeat of their month-long war of 1962. Even Pakistan and India (both possessors of nuclear weapons) seem unlikely in the 21st century to turn to full-scale war, despite their simmering — and often violent — dispute over Kashmir and despite the various terrorist attacks on India originating in Pakistan.

Yet a comfortable world is also a dangerously complacent one. It is true that wars between states are rare, and virtually non-existent between democracies (though Russia and Georgia, with their pretensions to democracy, would doubtless dispute this). And it is certainly true that as such wars have dwindled in number, so — thanks to better medical care and generally lighter weaponry — have the casualties of war. The average annual death toll in the Second World War was at least 10 million; by contrast, according to researchers at America's Brown University, the total directly killed between 2001 and July 2016 by the war in Afghanistan was a "mere" 111,442.

But what if Trump's rhetoric and Kim's provocations go a step too far? What good will the UN be if a war involving the Korean peninsula draws the US and China — both permanent members of the Security Council — into military

From data breach and fraud to cyber espionage, cybersecurity has never been more important for commercial and government organizations.



confrontation? Today's western leaders are a generation untouched by world war and, as Afghanistan, Iraq and Libya have shown, perhaps too blithe about the consequences of war. The idea that "mutually assured destruction" would keep the world safe from a nuclear war no longer looks as convincing when Russia muses about the use of tactical nuclear weapons should there be a military attempt to reverse its 2014 annexation of Crimea.

### Alternative Weaponry

Each year world governments spend fortunes on armaments: over \$370 billion in 2015, according to the Stockholm International Peace Research Institute, which also calculates that in 2016 defence budgets accounted for almost \$1.8 trillion — equal to some 2.2% of the world's gross domestic product. Those staggering figures reflect not just the responsibility of any state to defend its citizens but also the lobbying power of what President Dwight Eisenhower in his farewell address to the American people in 1961 called "the military-industrial complex".

## "TODAY'S WESTERN LEADERS ARE A GENERATION UNTouched BY WORLD WAR AND, AS AFGHANISTAN, IRAQ AND LIBYA HAVE SHOWN, PERHAPS TOO BLITHE ABOUT THE CONSEQUENCES OF WAR."

Whether the spending is sensible is a question that is both political and economic. For example, in Britain critics say that Trident, the country's submarine-based nuclear missile system, is both expensive — annual running costs are around \$2.6 billion — and futile, since Britain has a "no first use" policy and they cannot imagine any prime minister ordering a retaliatory nuclear strike. But Trident's supporters point out that it guarantees Britain a seat at the "top table" (for example in the Security Council), and is the ultimate deterrent to an aggressor. They add, too, that the nuclear-defence sector employs around 30,000.

Such wrangling over money, jobs and military effectiveness is hardly new, but the irony is that the digital age is creating "cyber" weapons that are both cheap and arguably more powerful than all traditional arms. The Stuxnet computer virus — devised, it seems, by American and Israeli experts — set back Iran's nuclear programme by months or even years and so helped pave the way for the Iran nuclear deal of 2015. A cyber-attack on Estonia in 2007 more or less closed down the country's financial sector and came close to paralysing the government in Tallin.

Since the cyber-attack on Estonia followed the government's decision to move a Soviet-era war memorial, the assumption is that Russia was the cyber-aggressor. But there is no proof — nor is there any absolute certainty in any of the cyber-

attacks that have taken place in the last decade, for example on European banks or Britain's National Health Service. It is beyond doubt that the USA, China, North Korea and Israel all have powerful cyber-weaponry, but any attack can just as easily be blamed on a clever teenage hacker operating from his bedroom. "Fake news" supporting Trump in the 2016 U.S. election turned out to come from computer-savvy and money-minded youngsters in a small city in Macedonia (the Former Yugoslav Republic of Macedonia, as Greece insists on calling the country). Meanwhile, deniability is important: NATO's article V, the collective defence commitment under which an attack on one member — such as Estonia — is an attack on all, was designed not for the malware of the internet but for military attacks by identifiable enemies.

Conventional warfare, with its armies, navies and air forces, is not about to disappear: it will always make sense to occupy an enemy's territory with troops. But the advantage of cyberwar, quite apart from the difficulty of identifying the assailant, is the absence of physical casualties. "The supreme art of war is to subdue the enemy without fighting," as Sun Tzu observed some 2,500 years before the internet. The Chinese general would surely have applauded Presidents Bush, Obama and Trump in their use of missile-equipped drones, where the operator is safely ensconced thousands of miles from their targets in countries such as Pakistan and Afghanistan. Doubtless he would be intrigued by the prospect of autonomous weapons, using advances in artificial intelligence (AI) to select their own targets. But as a philosopher as well as a general he might well share the ethical misgivings of Elon Musk and others in their call for a ban on robotic warfare.

But if cyberwar defines most future wars, it will be only part of the definition. In the political crisis, and eventual armed conflict in Ukraine, Russia has used cyber tactics but has added propaganda, has fabricated news stories and has

Members of the Iraqi federal police flash victory signs in celebration in the Old City of Mosul.



sent Russian troops disguised — thanks to their lack of identifying insignia — as civilians into combat in the east of the country on behalf of its pro-Russia secessionists. The process has come to be known as “hybrid war,” and it is bound to be used not just by Vladimir Putin’s Russia but by others too. After all, propaganda and “fake news” are as old as war itself: witness their use in the wars of the 20th century, from the First World War onto the Vietnam War.

## A Clash of Civilisations?

In 1993 Samuel Huntington, a leading American political scientist, wrote an article in *Foreign Affairs* arguing that future wars would be fought not between nations but between cultures. “The Clash of Civilizations?” identified a clutch of cultures: Western; Latin American; Islamic; Confucian; Hindu; Slavic-Orthodox (i.e. the Christianity of Russia and Eastern Europe); Japanese; and, possibly, African. Huntington’s thesis, later turned into a book, was a bracing rebuff to the assertion in *The National Interest* by his former student, Francis Fukuyama, that the world had reached “the end of history,” since the collapse of communism marked “the end point of mankind’s ideological evolution and the universalisation of Western liberal democracy as the final form of human government.”

## “THE DIGITAL AGE IS CREATING ‘CYBER’ WEAPONS THAT ARE BOTH CHEAP AND ARGUABLY MORE POWERFUL THAN ALL TRADITIONAL ARMS.”

Confronted by the dismal realities of the wars in Iraq and Afghanistan, Fukuyama, who had been part of the neo-conservative camp so influential in the presidency of George W. Bush, has since admitted that the triumph of Western liberal democracy may have to wait. But does that mean that Huntington’s thesis, dismissed by many as simplistic, will prove to be right?

Thucydides, writing some two and a half millennia ago (making the Greek historian a near-contemporary of China’s Sun Tzu), observed that the 30-year Peloponnesian war between Sparta and Athens began because Sparta, the “superpower” of the region, feared the growing power of Athens. Harvard’s Graham Allison calls this the “Thucydides Trap,” and he and his colleagues have identified 16 examples over the past 500 years. In 12 instances the result was war (for example, between France and a rising Germany in the 19th century); in only four was war avoided, most notably when Britain accepted the ascendancy of America in the early 20th century. A more modern example, of course, is that Britain and France, victors over Germany in two world wars, have accepted the rise of Germany as the economic power of the European Union.

The question in the decades ahead is not whether America, the acknowledged global superpower, will find itself challenged by the inexorable rise of China —

but how America will react. Professor Allison, writing in 2015, is pessimistic: “Based on the current trajectory, war between the United States and China in the decades ahead is not just possible, but much more likely than recognized at the moment.” Given that economic power and military power usually go together, he could well be right, though it is worth pointing out that America accounts for some 40% of global defence spending and that, on current trends, it will be another two decades or so before China matches America’s level. It is also worth noting the anti-China rhetoric, both in tweets and speeches, of Donald Trump. As Allison notes, “When a rising power is threatening to displace a ruling power, standard crises that would otherwise be contained, like the assassination of an archduke in 1914, can initiate a cascade of reactions that, in turn, produce outcomes none of the parties would otherwise have chosen.” Is Trump unwittingly creating such a crisis? Or is China, with its “island-building” in disputed areas of the South China Sea?

## “THE QUESTION IN THE DECADES AHEAD IS NOT WHETHER AMERICA WILL FIND ITSELF CHALLENGED BY THE INEXORABLE RISE OF CHINA — BUT HOW AMERICA WILL REACT.”

Any clash between China and the United States would give some credence to the notion of a “clash of civilisations” — but much more convincing evidence is the rising influence of what is conveniently called “Islamism”, a fundamentalist reading of the Quran and the sayings (hadith) of the Prophet Muhammad.

The “clash” between the west and Muslim extremism is undeniable in the context of al-Qaeda, ISIS (or Islamic State, following its assertion of a new caliphate), the Taliban, Boko Haram and sundry other Islamist groups. After all, they make no secret of their opposition to democracy and to Western values and behaviour — and the Western response, in the form of the wars in Afghanistan and Iraq, has helped spread a view commonly held throughout the Muslim world that the West is at war with Islam. When the Islamic State announces its determination to recover al-Andalus, as it calls what in the Middle Ages was Muslim Spain, it hopes to remind all Muslims of their emotional affinity with the era when the Islamic world — not the Christian one — was the centre of knowledge and civilisation.

But for a genuine clash between Western civilization and Islam to occur, the tenets of the Islamist extremists have to take hold in the Muslim world as a whole. They are uncomfortably close to the teaching of Wahhabism, the austere doctrine, harkening back to the earliest days of Islam, which has held sway in Saudi Arabia ever since the kingdom was created in 1932. Though Saudi Arabia

welcomes Shia Muslims for the pilgrimage to Mecca (a duty, health permitting, to be fulfilled at least once in a Muslim's lifetime), many Wahhabis consider Shi'ites to be apostates — and under their interpretation of Islam, apostates should be killed (ISIS, of course, would agree). To the dismay of moderate Muslims, Saudi Arabia has poured billions of its oil wealth into creating mosques and madrassahs (Islamic schools) that have disseminated the Wahhabi message throughout the world. Ironically, the message has come back to bite the Saudi royal family: both al-Qaeda and ISIS consider the Saud family corrupt and hypocritical — and so a target for attacks. Indeed, even before al-Qaeda and ISIS existed, extreme fundamentalists have acted against the regime, for example with the bloody seizure of the grand mosque of Mecca in 1979.

Despite all Saudi Arabia's largesse, it is hardly likely that fundamentalist Islam — too alien to the social and economic demands of the 21st century — will gain majority support in a Muslim world that runs from Morocco in the west to Indonesia and the southern Philippines in the east. But quite conceivably a more moderate Islamist message, preached by the Muslim Brotherhood since its foundation in Egypt in 1928, could take hold. Under President Recep Tayyip Erdogan's AK (Justice and Development) Party, modern Turkey is rejecting the secularism of Ataturk. In Morocco, the government is headed by the Justice and Democracy Party, also an advocate of moderate Islam. Both these parties are inspired by the Muslim Brotherhood, which has made gains in Tunisia and even in the monarchies of Jordan and Kuwait.

Given the example of Turkey (a member of NATO since 1952, albeit under secular or military rule), the West can clearly cope with Brotherhood-inspired governments. (Ironically, it is Arab regimes that find it difficult, hence the military coup in Egypt in 2013 against the democratically elected — but inept and authoritarian — Muslim Brotherhood government of Mohammed Morsi).

The much more pressing question is how well will the West cope with the message of al-Qaeda and ISIS. Military defeat for the Islamic State has always been inevitable, though at immense cost in civilian lives. As intelligence agencies and their technologies become ever more expert, al-Qaeda will find it ever more difficult to match the extraordinary attack on America of September 11th 2001.

But military setbacks for Islamist groups have yet to amount to any final surrender: simply put, if they consider themselves guerrillas, survival becomes a form of victory. As Henry Kissinger once said of the Vietnam War, "The guerrilla wins if he does not lose. The conventional army loses if it does not win." Governments around the world, including in Muslim countries such as Indonesia and Pakistan, know full well that there is no perfect defence against determined terrorists. In Western Europe, where several countries have significant Muslim minorities, governments have to recognise the impossibility of defending against low-technology attacks by individuals responding to the

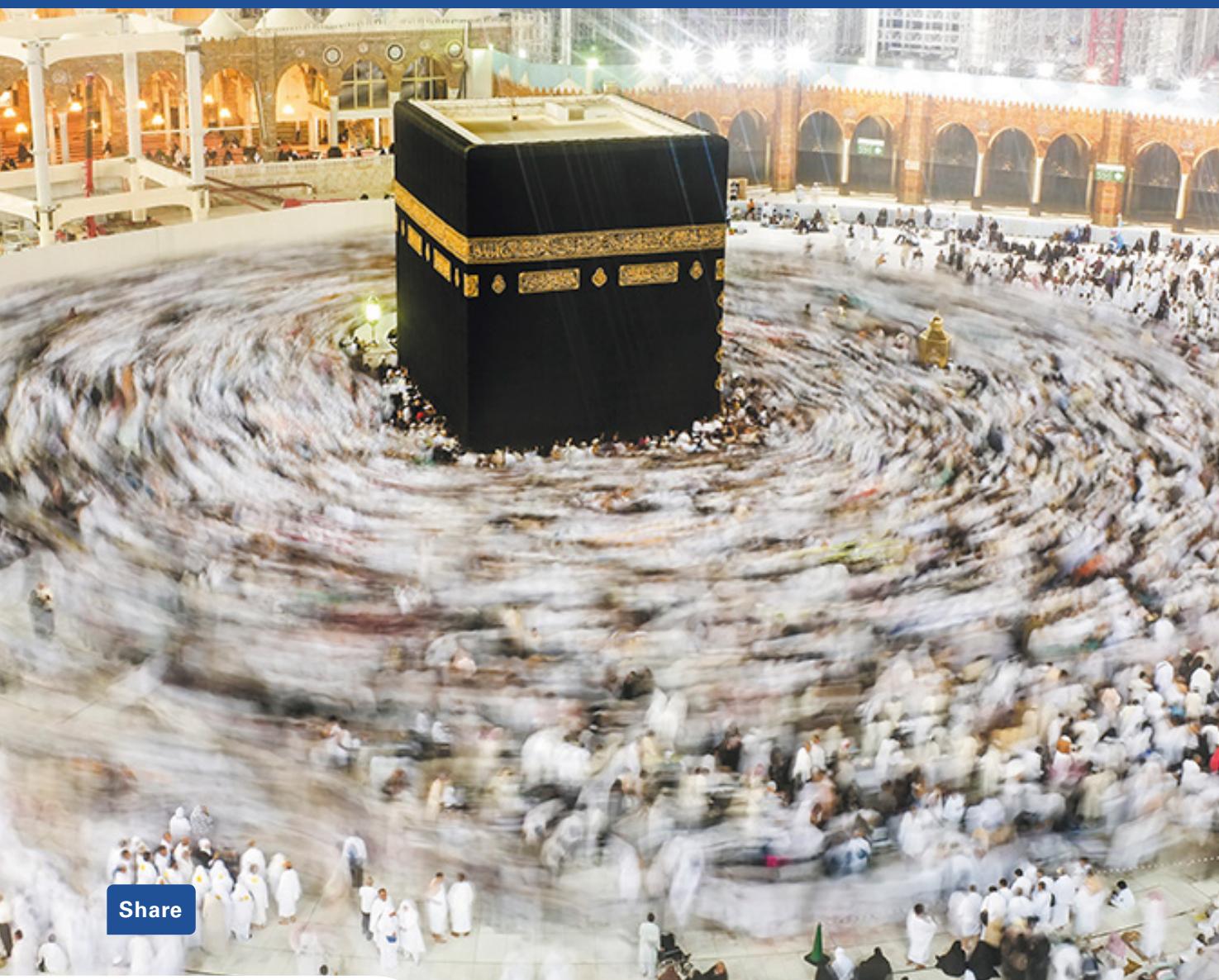
call of an embattled ISIS to attack “infidels...in their homes, their markets, their roads and their forums”. All the defence spending in the world, and even the best-trained armies and police forces, can never stop a truck being driven into a crowd of innocents — as on Nice’s Promenade des Anglais in July 2016 or Barcelona’s Las Ramblas in August 2017.

What would stop such atrocities would be better governance in the Muslim world (religious extremism breeds rapidly when youthful populations are jobless and joyless) and better integration of Muslim minorities in the Western world.

Since neither remedy looks imminent, governments and security forces will find themselves hostage to the threat of terrorism for some years yet. Meanwhile, fuelled by corruption, ethnic tensions and the quest for natural resources, the conflicts of Africa will stubbornly continue. So too will the drug wars of Latin America (where the peace deal of 2016 and 2017 between the FARC guerrillas and the Colombian state is a rare, and welcome success).

But the real challenge is for politicians and ordinary citizens to recognise and safeguard the extraordinary gains made since the ending of the Second World War. In the ensuing decades the world’s population has tripled but poverty has fallen so dramatically that fewer than 10% now live in what the World Bank calls “extreme poverty”. Much of the credit must go to the institutional architecture — notably the United Nations, NATO and the EU — set up to consolidate peace and rebuild a shattered world. There will always be wars, hopefully more minor than major. Yet it would be tragic if the institutions that have kept the world more at peace than at war were now allowed to decay in today’s atmosphere of resurgent nationalism and populism.

# >THE ARAB-ISLAMIC WORLD AND GLOBAL GEOPOLITICS: ENDOGENOUS VS. EXOGENOUS FACTORS



Share

Image: One of the Islamic rituals is to move around the Kaaba, or the Black Stone of Mecca, seven times in a counter-clockwise direction.



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# >THE ARAB-ISLAMIC WORLD AND GLOBAL GEOPOLITICS: ENDOGENOUS VS. EXOGENOUS FACTORS

This chapter engages critically the history and geopolitics of the Arab-Islamic world. By integrating history, policy analysis, and neuroscientific insights on leadership and political change, this chapter conveys a more holistic understanding of endogenous and exogenous factors that have shaped and continue to shape the region. It also charts a way forward for sustainable, secure and prosperous governance paradigms specific to each area within the region. Globally, it advocates a more thorough acknowledgment of the Arab-Islamic contributions to human civilization, and a greater appreciation for what the author calls the “*Ocean Model of Human Civilization*”, where cultures are interconnected, cumulative, and where cultures do not arise *ex nihilo*.

## Background

In the early years of the 20th century, the region of the Balkans was often referred to as the “powder keg of Europe.” The animosities in the region, surging nationalistic sentiments in the newly independent states, and Great Power meddling meant the region was seething with discord. These tensions reached a breaking point that finally escalated into war: the First World War started after the assassination of Archduke Franz Ferdinand of the Austro-Hungarian Empire by Gavrilo Princip, a Bosnian nationalist.

No conflict in the Arab-Islamic world has ever started a world conflagration of the magnitude of either WWI or WWII but the region has been at the heart of global politics and a hotbed of incessant power plays since the early years of the 20th and into the 21st centuries.

In fact, few conflicts across the Arab-Islamic world in the past six decades have remained local, despite never escalating into a full-blown “world” conflagration. Nevertheless, they implicated internal and external actors, and had immense human and material costs, with spillover effects across the globe. The number of casualties, severity of injuries and destruction left behind by successive wars and invasions in the area are so pronounced in magnitude that they are virtually impossible to quantify. One thing is certain and that is the fact that the Arab-Islamic world has had anything but a marginal place in international politics; the geopolitics of the Arab-Islamic world are profoundly tied to world politics and have implications far beyond the region’s borders.

I have previously analyzed the history of the region over the past century, and the processes whereby the Arab-Islamic world has been weakened, by identifying critical “turning points”. I identified six turning points over the last century:

1. 1915-22, when the Arab world was divided by colonial powers; 2. the British withdrawal from Palestine and the emergence of the Palestinian question; 3. the 1967 war and the Arab defeat; 4. the 1979 revolution in Iran and its after effects for regional politics; 5. 1987-1991, a critical interval when the Palestinian intifada and the first Gulf war started; 6. 11 September 2001, the attacks in the US and the US-led invasion of Afghanistan and subsequently Iraq.<sup>1</sup> The series of protests and political upheavals known as the Arab Spring, which started in late 2010 and effectively led to one of the greatest – and most negative – transformations of the region since decolonization, could qualify as a seventh critical turning point. In trying to understand what has shaped the geopolitics of the region, it is crucial to examine its history and the sort of dignity deficits that persist to varying degrees across the region.

At the height of the Suez crisis of 1956, historian Albert Hourani wrote that “[He] who rules the Near East rules the world; and he who has interests in the world is bound to concern himself with the Near East”.<sup>2</sup>

## “THE GEOPOLITICS OF THE ARAB-ISLAMIC WORLD ARE PROFOUNDLY TIED TO WORLD POLITICS AND HAVE IMPLICATIONS FAR BEYOND THE REGION’S BORDERS.”

This echoes Harold Mackinder’s previous geopolitical formula in his famous Heartland Theory, discussing geopolitical pivots.<sup>3</sup> In 1919, following WWI, he had written that who rules East Europe rules the Heartland (Eurasia), who rules the Heartland rules the World-Island (the whole of Europe and Asia), and the world”.

Nowadays, we could probably paraphrase this further into a different kind of dictum: “An actor with a vested interest in the Syrian conflict has a stake in global geopolitics and whoever wants to maintain *regional or global* leadership must get involved in resolving the Syrian conflict”. Nevertheless, relying on dictums such as these can lead to fallacies or to deterministic views of global politics. The validity of geopolitical formulae rarely lasts for more than a few decades, before new actors and shifts in power emerge. It could thus be said that the ascendance of China moved the zone of interest further east but that is not to say that the geopolitics of the Arab-Islamic became just a regional affair. As in the past, the Arab-Islamic world is of profound significance to global politics.

The purpose of this chapter is to highlight some of the key trends across the region and look at *endogenous* and *exogenous* factors that have shaped the

region in recent years and continue to do so presently – with a view to reflecting on the general direction for the present and coming years.

A note on terminology: the term Arab-Islamic is preferred here to “the Middle East” because it covers the wider region – not just the group of countries in the Middle East.

The Arab-Islamic world is by no means a homogenous entity. Tunisia, Iraq, Jordan, and Saudi Arabia are different sovereign entities, with different leadership structures, and at times divergent foreign policy goals and approaches. The region is, however, strongly bound together by historical, cultural and political connections as well as by a history of pan-Arab and pan-Islamic movements and trends.

## A Contested Notion

In a *Foreign Affairs* essay in July 1960, historian Roderic H. Davison asked: “Where is the Middle East?” – answering his own question by stating “the fact remains that no one knows where the Middle East is, although many claim to know”. Indeed, in the aftermath of World War II, the United States quickly became involved in a series of crisis in Suez, Baghdad, Algeria and Lebanon, all lumped together under the label “Middle East”.<sup>4</sup>

The clear definition of the “Middle East” has been contentious and divisive, and the selection of countries which are part of it rather arbitrary. European imperialism first crystallized a geographical notion of the “Near East” but the first years of the 20th century led to the appearance of a new geopolitical region, the “Middle East” – coined by an American naval officer, Captain Alfred Thayer Mahan. In his view, however, this region had rather vaguely defined borders, indeterminately comprising the area between the Suez and Singapore.<sup>5</sup> Later, the “East” was divided up into Near, Middle and Far, and mostly as a result of British strategy. After WWI, a somewhat clearer delineation was established, whereby the Near East only comprised the Balkans – a decision taken by the Permanent Commission on Geographical Names of the British Royal Geographical Society. The portion of land from the Bosphorus to the east of India was to be called the “Middle East”. Winston Churchill, who became Secretary of State for the Colonies in 1921, set up a Middle Eastern Department in the Colonial Office and had a major role in how the region was divided, the future of Palestine, Transjordan and Iraq. In any case, the new re-drawing of the Middle East created some confusion for the Americans who for a period continued to use the concept as previously defined. Even in the case of Britain, the new interpretation of where the Middle East started and ended was a definition mostly accepted within the Royal Air Force.

## A Troubled Century

To understand the geopolitics of the Arab-Islamic world, it is imperative to make an incursion into its troubled 20th century history.

During WWI, the greatest point of contention between France and Britain was over the French claims to Ottoman Syria. Absorbed in the trench battles on the western front, however, France encountered significant difficulty securing control over its Middle Eastern spheres of influence – and was apprehensively watching Britain's increasing involvement in the region.

In May 1916, an act of profound historical and symbolic significance was the conclusion of a secret agreement that divided up most of the Middle East between the two powers – the Sykes-Picot Agreement. This extremely controversial document of war was a perfect illustrator of the meddling of outside powers in the region, which awarded each other zones of control and influence. France received the right to control Syria as a zone of "direct control" – a region stretching along the Syrian coast, from southern Lebanon into Anatolia; in addition, France was also granted the right of indirect control of the Syrian interior. Britain secured its position in Iraq and a right to direct control of the southern part of Mesopotamia, as well as a huge portion of indirect control from Gaza to Kirkuk (in present-day northern Iraq).<sup>6</sup>

This infamous agreement is regarded as an act of betrayal of historic proportions. It constituted an especially great breach of the promise initially made to Sharif Husayn ibn Ali, the emir of Mecca, who had planned to create an independent Arab state once the war ended. In his exchange of notes with Henry McMahon, the British High Commissioner in Egypt, Husayn was told that the area west of Damascus, Homs, Hama and Aleppo could not be included in his proposal because the inhabitants of those areas were not "purely Arab" – a claim Husayn vehemently rejected.<sup>7</sup>

Then, in 1917, another moment of historic importance was the Balfour Declaration – one of the most controversial documents shaping the relations between Western powers and the Arab-Islamic world. In a succinct 67-word text, the Declaration proclaimed that "His Majesty's Government view with favor the establishment in Palestine of a national home for the Jewish people, and will use their best endeavors to facilitate the achievement of this object." In a bizarre display of colonial might and double-dealing, one nation was "promising another nation the land of a third nation".<sup>8</sup>

After World War I, the Middle East became an immensely complicated region also due to the fact that the core of what a 400-year-old social and political order, the Ottoman Empire, was suddenly fragmented into states: Turkey, and five new Arab states: Syria, Lebanon, Palestine, Iraq and Transjordan. However, foreign control was rampant in the region and so of all the ten countries in this area, only Turkey, Iran, Saudi Arabia and Yemen exercised full sovereignty during the interwar years.<sup>9</sup> As a result, not only the promise of the Arab state was not fulfilled, but the region saw itself divided and subject to external influence. Imperial control over the region was, compared to the colonial experience in Asia, Africa or Latin America, short-lived. Within a decade or two, the former Ottoman territories

received independence: Iraq in 1932, Egypt 1936 (following the Anglo-Egyptian treaty), Syria and Lebanon in 1943 and 1946, and Jordan in 1946. However, the effects were profound and long-lasting. A massive process of social and political change followed.<sup>10</sup>

For a start, the colonial powers started to become more interested in oil. Prior to WWI, the exploration of oil had been limited to Iran and what is today northern Iraq. But, as the British navy transitioned from coal to oil in 1914, and the availability of oil in the Gulf became evident – as well as the fact that it was relatively safe to transport – oil became increasingly important. At this time, in addition to British dominance in the region, France was well in control of Syria and Lebanon – together with the area it controlled in North Africa, and Italy was also becoming interested in the wider region; it occupied Ethiopia in 1935 as part of its imperial ambitions ("Africana Italiana").<sup>11</sup> At this point, the interest of the Soviet Union and of the United States in the wider Middle East region remained rather limited.

## "THE REGION SAW ITSELF DIVIDED AND SUBJECT TO EXTERNAL INFLUENCE."

The Soviet Union, recently established in 1922, showed support for what appeared to be Bolshevik-inspired revolutions in Northern Iran and some radical movements in Turkey. However, by and large, the USSR was on the margins of the Arab-Islamic world and was more inclined to seek peace with the nationalist regimes along its southern border (Turkey, Iran and Afghanistan) and seal off the Middle East – a situation which continued until the late 1980s. The US, for its part, also had very limited military and political interests in the Arab-Islamic world at the time, although it is noteworthy that under President Wilson, it played a key role in setting up the League of Nations and with it the trusteeship system which allowed France and Britain to take control of large swathes of the region.<sup>12</sup>

These foreign machinations cannot, however, be blamed for all the ills of the region and it is critical to underline a few other developments which are endogenous in nature, or that concern regional politics rather than foreign powers' direct involvement. The interwar years, especially, saw profound changes within states. The most important of these transitions was the creation of modern state institutions, run by nationalist governments, and very expansive public sectors, employing a large number of people – including armed forces. A related development was the process of nation-building and the forging of national identities, but this task was immensely complicated given the rather clumsily drawn borders disregarding ethnic groupings or previous socio-economic relations, and regional geopolitics.

Iraq, for example, was among the most unfortunate of the British experiments, as the boundaries of the new state were the most arbitrary of all the territories in the post-Ottoman Arab world. This historical case is relevant not just for

exemplifying the extent of British interference in the Middle East, but also to explain some of the recent challenges of the country in achieving social and political stability. During Ottoman times, Mesopotamia had been administered as three distinct provinces. The northern part of Mosul was connected to Anatolia and Greater Syria, while the southern region of Baghdad had strong trade links to Iran and the south-west. Basra, in the south, was more connected to the Persian Gulf and had trade ties with regions as remote as India. As they became the state of Iraq under British mandate in 1920, these regions could not be considered a political community "in any sense of the term."<sup>13</sup> Additionally, although the population displayed a strong Arab majority (around 80% Arabs and about 20% Kurds), the Arabs were divided along religious lines: over half of them were Shia and the rest Sunnis.

Another important development across several countries in these years was the process of secularization, which was met with strong resistance and counter-moves for a return to more traditional values. The strongest manifestation of this move was the Muslim Brotherhood, founded in Egypt in 1928, as a reaction to the secularizing trends across Turkey and the Arab World. The Muslim Brotherhood was originally peaceful but later turned to more violent tactics.

The many social and political problems of the entire Arab-Islamic world in the interwar years and then during World War II simply indicated that although they were making strides towards nationhood and full independence, foreign influence and power games were hardly a thing of the past.

Mismanagement from within should not be downplayed either. Additionally, some of the countries of the region had some political ambitions of their own, which added to the complicated geopolitical situation of the Arab Islamic world. Egypt, for instance, was eyeing Sudan (based on an older claim to the unity of the Nile valley) and Iraq was especially interested in the wider "Fertile crescent" area. A common political goal started, however, to emerge in the form of support for Palestine, which later led to the formation of the League of Arab States in

Egyptian women march to Tahrir square in an anti-Muslim Brotherhood protest in 2013.



March 1945, headquartered in Cairo. Together, countries of the League of Arab States vehemently opposed the partition of Palestine and the massive uprooting of the Palestinian Arab population as a result of the creation of the state of Israel.

A sense of solidarity and shared destiny united the Arab world despite the failure to prevent the emergence of Israel. The Cold War brought new challenges and, increasingly, new actors in the Arab-Islamic world. It also brought waves of political upheavals, military crisis and coups, all of which involved foreign powers in various ways. The US was mostly interested in the Middle East through the prism of its conflict with the USSR, but even so, its political and economic interests did not fully overlap. It was especially interested in Israel for political and strategic interests and in the Arabian Peninsula for economic interests – i.e. oil. The Soviet Union, on the other hand, did establish alliances with some Arab regimes but was overall less interested in the region. Notably, the Soviet Union was the greatest producer of oil in the world in the 1970s – estimated at 12 mbd.<sup>14</sup> Before its collapse, in 1988, the USSR was producing a record of 12.5 mbd of oil.<sup>15</sup>

This is not to downplay the involvement and interests of foreign actors in the Arab-Islamic world during the Cold War. After World War II, several countries in the region achieved independence but others took decades more to do so: Tunisia and Morocco obtained independence from France in 1956 and Algeria followed in 1962.

In 1952, the revolution in Egypt led by a group of military officers (the so-called “Free Officers”) headed by Gamal Abd al-Nasser, overthrew the rule of the king and proclaimed Egypt a republic. The Suez crisis of 1956 was a watershed moment: in 1956 Nasser nationalized the Suez Canal, previously built with Egyptian labour, operated by a French company and used by the British Empire. The event led to an international crisis, military action by the French, British and Israelis, and finally a UN-backed ceasefire.

However, by far, the greatest and most visible of the series of crisis in the Arab Islamic world during the Cold War, which still carries relevance in today’s politics, was the Arab-Israeli conflict. In 1967, in a pre-emptive strike, Israel defeated the joint military offensive of Egypt, Syria and Jordan. This left enduring memories in the region. It dealt a strong blow to Arab nationalism and prestige (and, to some extent, galvanized the deterioration of relations between Arab states and the USSR – for example, Egypt later cancelled the Friendship Treaty with the USSR), stoked Palestinian nationalism, and Israel continued its offensive actions to establish its position in the region. As it was becoming apparent that Israel had a strong ally in the US, it invaded Lebanon in June 1982 with tacit agreement from Reagan who was all too approving of actions to “go after” Soviet allies, such as Syria and the PLO.<sup>16</sup> Syria maintained, however, closer relations to the Soviet Union until the end of the Cold War (and beyond).

Several regional rifts occurred after the Camp David accords of 1978. One part of this agreement was an Egypt-Israel peace treaty that cost Egypt

its relations with its Arab allies. It was soon expelled from the Arab League, whose headquarters were moved to Tunis. Additionally, Egypt stopped receiving subsidies from its oil-producing neighbors, making it dependent on the West. President Sadat grew increasingly unpopular. As social tensions grew in the country, the Muslim Brotherhood, which had been allowed to resume activities, achieved considerable success in its recruitment campaigns. Other militant organizations were increasingly active too, leading Sadat to take action and order mass imprisonments in September 1981.<sup>17</sup> Soon after, in October, he was killed by members of the Muslim Brotherhood and succeeded by Hosni Mubarak, who ruled Egypt until 2011.

Domestic politics were turbulent across most Arab-Islamic states in the Cold War years. Lebanon went through a civil war from 1975 to 1990, where both endogenous and exogenous factors contributed. Demographic changes and a very fragmented, sectarian social structure frustrated many Muslim Lebanese, who complained about the gap in representation between Christians and Muslims, despite the fact that Muslims outnumbered Christians. Then, exogenous factors added to the dramatic destruction of the war. Israel invaded Lebanon in 1982 and inflamed the political crisis for over a decade. Syria and Iraq traversed years of instability and consolidated brutally authoritarian regimes.

Government overreach manifested itself in many ways. The Ba`ath party in Syria nationalized over 100 companies in 1965 and began expropriating and redistributing private land. In 1970, when Hafez al-Assad seized power, the main exported commodity was cotton and the economy had a strong agrarian base. The regime soon started nationalizing firms, industrial plants, and infrastructure. For some time, the economy recorded a boom, which could not be sustained for too long, and soon the country had to import huge amounts of food. Corruption plagued the entire system, clientelism and nepotism became rampant, building an unprofessional public sector. For example, members of the Ba`ath party who had to be rewarded for their loyalty were offered positions in the agricultural sector and empowered to make decisions on technical aspects on which they had no competency, such as crop rotation. On matters of foreign policy, al-Assad's regime had a troubled record too. After initially trying to position itself as a potential regional leader and driver of pan-Arab unity, al-Assad something of a pariah after Syria's involvement in the Lebanese civil war – where he intervened in support of the Maronite Christians in 1976.<sup>18</sup>

Iraq also faced a long period of instability. A coup overthrew the monarchy in 1958 and deepened the pre-existent social and political unrest. In 1968, another coup brought the Ba`ath party to power and a political figure to the forefront, Saddam Hussein. In 1979, he succeeded the former president, Ahmed Hassan al-Bakr, and started a wave of political purges. The country was already a mosaic of ethnic groups and the new ruling party had major difficulties containing the political tensions, particularly related to the Kurdish population, concentrated in the oil-rich north of the country. Against the

backdrop of the growingly hostile regime of Saddam Hussein, Iran attempted to undermine it by providing weapons to the Kurds with a view to weakening the government in Baghdad. Iran and Iraq, however, reached an agreement in 1975 (the Algiers Agreement). The Kurds reached an agreement with the government of Baghdad and were offered some modest cultural and political autonomy, but later, Baghdad displaced 250,000 Kurds and relocated them in the central and south of the country, in order to prevent future rebellions. The hope and struggle of the Kurds was however rekindled over the next decades and gained new momentum after the Gulf War in 1991.<sup>19</sup>

## **“A SENSE OF SOLIDARITY AND SHARED DESTINY UNITED THE ARAB WORLD DESPITE THE FAILURE TO PREVENT THE EMERGENCE OF ISRAEL.”**

Relations between Iraq and Iran became tense again after the Shah was overthrown and Ayatollah Khomeini came to power – the latter openly urged the Iraqi Shia to overthrow Saddam Hussein. The Algiers Agreement was officially abrogated by Khomeini in 1980, which soon led to the invasion of Iran by Iraq, and the beginning of the longest conventional war of the 20th century. The human and material costs were enormous. The war inevitably changed the geopolitical situation in the Arab-Islamic world. Foreign powers became heavily implicated, especially as weapons suppliers. Iraq's oil exports and revenues were severely limited, and Kuwait and Saudi Arabia assisted Iraq financially. In these new circumstances, Iraq also changed its stance towards Israel and restored relations with Egypt, which started supplying it with ammunition and military support. Other allies were the USSR and France, and, from 1974, the US, which restored diplomatic ties with Iraq, having cut them in 1967. The US pressured its allies to stop selling weapons to Iran and visibly increased its own military presence in the Gulf.

### **Post-Cold War and into the 2000s**

The war ended in 1988 with an UN-sponsored ceasefire. Iraq was badly hit by the war, large parts of its infrastructure were destroyed and a huge debt had to be paid to the Arab Gulf states. Yet another effect of the war was an increase in nationalistic ethos in a deeply divided country, as well as much more reverence for the Iraqi military, which increased in size and combat force.<sup>20</sup> In August 1990 Iraq launched an ill-conceived invasion of Kuwait, blaming it for low oil prices – thus starting the First Gulf War. This rallied a large international coalition against Iraq, and led the UN Security Council to impose a round of sanctions against Iraq, further hurting the economy. From 1990 to 2003, the Iraqi economy was battered by hyperinflation, which affected common Iraqis the most, including widespread cases of malnutrition.

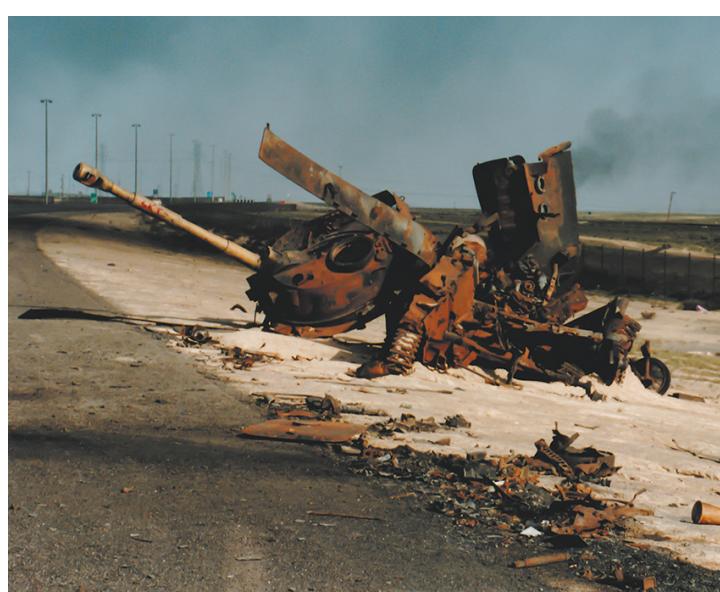


It is, however, important to note that the exact figures about sanctions-related casualties and infant mortality have been widely disputed in recent studies. A common conclusion in Western circles was that around 500,000 children had died in Iraq as a result of the sanctions. Justifying the invasion of Iraq in 2003, which toppled Saddam, British Prime Minister Tony Blair insisted the invasion had been the “right” decision because it benefited the Iraqi people. He went on to argue that from a child mortality rate of 130 per 1,000 children under the age of five in 2000-2002, in 2010, the figure had dropped to 40. Yet these figures were based on claims made in a controversial survey organized by the UN Food and Agriculture Organization in cooperation with the Iraqi government in 1995, in which the interviewers for the survey were provided by the Iraqi ministry itself. It was, therefore, not an independent survey, and conducted in a climate of fear for the Iraqi people, in which the government wanted to report they had suffered many more child deaths.<sup>21</sup>

Other countries not embroiled in war or recovering from a recently ended war, were traversing tense periods of social change and political crises. On top of this, the old conflict between Israel and Palestine took new turns. As with the Arab Spring in 2011, apparently small incidents proved able to trigger greater revolutions. In 2011, it was an incident between the security forces and a street vendor in Tunisia. In 1987, a car accident in which an Israeli military vehicle killed four Palestinians and injured others led to large-scale protests. Without much foresight, the Israeli army retaliated by killing protesters, which sparked a full-blown uprising in the West Bank. This was the beginning of the *Intifada*, the Palestinian resistance that was seeking an end to the miserable living conditions and restrictions placed on Palestinians. It soon acquired a more coherent and organized format, under the coordination of the Unified National Leadership.

In 1988, Hamas – which is the Arabic acronym for Islamic Resistance Movement, was created, with a more intransigent and radical agenda than that of the PLO. The Israeli response was brutal and decisive in quelling the uprising and the forms of solidarity that had sustained it in the initial years. On the initiative of the Norwegian government, secret talks were facilitated between PLO and Israeli

*Right:* Remains of Iraqi armor on the road to Kuwait, after the failed occupation attempt by Saddam Hussein.  
*Left:* Oil refineries in Kuwait.



representatives, starting the Oslo Peace Process. The prospects of dialogue and genuine peace seemed real for a while, but the legacy of the years of meetings and negotiations eventually proved weak.

For the countries in the Arabian Peninsula, the political and military situation was challenging too, although in a different way. As it is well-known, the discovery of oil changed the geopolitics of the region in profound ways and presented unique opportunities and challenges. On the one hand, vast wealth allowed for rapid development and for the use of financial assistance as a foreign policy tool. On the other hand, these countries chose to remain politically and socially conservative, which often increased tensions with their neighbors, such as Egypt's Nasser, who was advocating for secular Pan-Arabism.<sup>22</sup>

## **“THE DISCOVERY OF OIL CHANGED THE GEOPOLITICS OF THE REGION IN PROFOUND WAYS AND PRESENTED UNIQUE OPPORTUNITIES AND CHALLENGES”**

The situation in Yemen was a source of tension and concern in the Peninsula for many years, and especially for Saudi Arabia. In 1962, Yemen was plunged into a civil war following a failed coup supported by Nasser. Saudi Arabia intervened to help the royalists bring the ruling Imam back to the throne. The conflict quickly escalated into a regional conflict. Nasser committed as many as 70,000 Egyptian soldiers to Yemen (some estimates cite between 40,000 and 70,000), but the conflict cost Egypt up to 10,000 soldiers. In 1967, the Egyptian forces withdrew, the Saudis stopped their support to the royalists and the leaders of the opposing factions started negotiations. Morocco, Iraq and Sudan supervised the withdrawal of foreign troops and the conflict ended with a compromise between the royalist and republican factions in 1970.<sup>23</sup>

Countries in North Africa also traversed periods of crises following independence, or fully-fledged civil war in the case of Algeria. State-dominated economies, nationalizations and corruption often went hand in hand. However, for several years, the region also recorded dramatic gains in employment (in the public sector) and an overall improvement in life expectancy, decrease in infant mortality and an increase in literacy and school enrolment.

The economic shocks of the 1980s and the decline in oil prices, which resulted in a decrease in public revenue and a greater strain on governments to meet public sector wage bills. Across the region, especially in Morocco, Tunisia and Jordan, policy reforms were enacted to cut subsidies and lower public expenditure. However, the 1990s saw a continuing downward trend due to the volatility of oil prices, the failure to implement robust economic reforms, and demographic changes that put high pressure on the labor market. Population growth peaked

in 1985 at 3.4%, and although it fell to 2.2% in the 1990s, these trends had clear impacts, leading to the rapid expansion of the working-age population.<sup>24</sup> These factors, coupled with repressive policies, and the rise of social media contributed to the wave of Arab revolutions that started in 2011.

## The 2000s

The 9/11 attacks at the World Trade Centre marked a turning point in the region, as the US rallied global support for an invasion of Iraq and Afghanistan, which left aftershocks that still reverberate today. The war in Iraq affected the region enormously and deepened the sense of injustice, humiliation and deliberate disempowerment among Arabs.

However, the dignity deficits plaguing the region were, of course, not only external.

When the revolutions now collectively known as the “Arab Spring” started unfolding in 2011, they were first met with a wave of optimism – both from the inside, and from the outside world watching carefully. In hindsight, we could now argue that they were doomed to fail because they were seen as an attempt by the Obama Administration to undermine the status quo and empower the Muslim Brotherhood and Iran.

The economy of many countries in the region had been in an abysmal state for many years: surging unemployment, rampant corruption, state-led development and hefty public spending meant that economic development was lagging. Indeed, the development model across the region had reached its expiry date. The MENA region depends heavily on food imports, and many Arab countries even today continue to spend significant amounts of money on subsidizing food items. In Egypt, for instance, food subsidies (mostly of wheat) cost \$3 billion in 2010, the year before Hosni Mubarak was swept from power after almost 30 years as Egyptian President. Additionally, many countries in the region have oil-based economies, making them vulnerable to the volatility of oil markets.<sup>25</sup>

This economic model survived for a few decades partly due to generous inflows of remittances, but it was essentially built on oil, aid fortunes and a very expansive public sector, which eventually became an economic and political liability. As job availability in the public sector could not meet demand, many young people realized that they are not only unemployed but effectively *unemployable* because of the failures and disconnection between the economy and the education systems. No analysis of the Arab Spring can disregard economic factors and the fragility of the social contract established between these countries and their populace. (Nor, for that matter, can it ignore external manipulation.)

The response from many countries was to reinforce this frail contract. Algeria, Libya, Egypt, Jordan, Morocco, Syria, Tunisia and Kuwait did precisely that: they increased subsidies on food and fuel. Other oil-rich countries have increased

salaries in the public sector.<sup>26</sup> What the region has yet to achieve is to re-think the social contract beyond these kinds of relationships and allow for more entrepreneurial, dynamic and competitive markets to emerge. However, the economics of the Arab Spring hardly tells the full story of the revolutions. Protesting on the streets of many Arab cities were not just the jobless youth, but also other citizens who were desperately demanding an end to abuses, and more openness. What eventually brought the region to boiling point was the lack of dignity.

Dignity deficits, personal and collective, were the underlying cause of the revolutions. This is, of course, not dissociated from problems stemming from a lack of opportunities and employment, a sense of powerlessness and socio-economic vulnerability, but was also grounded in the humiliation and resentment felt by so many people in the region for reasons that were not economic in nature. In addition, there was also a sense that external forces were interested in manipulating the situation and redrawing regional geopolitics.

Collective dignity deficits were the result of autocratic regimes, supported by foreign powers with short-term geopolitical interests. However, these regimes started to lose their grip on power when the revolts gained momentum. To the surprise of many, dictators that had comfortably ruled for decades were fiercely contested from within with fervent demands for “karama” – Arabic for dignity.<sup>27</sup>

The event that triggered the revolutions was a ‘minor’ incident but a breaking point for people who had endured abuse from government institutions and who had for many years felt hopeless about their future.

On December 17 2010, Mohammed Bouazizi, a street vendor in Sidi Bouazid, Tunisia, had his vegetable cart confiscated by the police and was asked to pay a bribe. Deeply shaken, Bouazizi, the breadwinner of his family of eight, went to complain to the provincial headquarters only to be ignored and dismissed. He returned to the same place an hour later and set himself on fire, in protest against the humiliation he had endured and the sense of powerlessness he felt. But the move was also a desperate call for dignity. In the words of his mother: “Mohammed did what he did for the sake of his dignity”.<sup>28</sup> Revolts and shows of solidarity quickly spread throughout the country and days after his death, on 14 January 2011, President Ben Ali fled the country. The protests, however, did not stop and gained terrain in other Arab countries.

The quest for dignity was central to people’s demands for change. The dignity deficit had an *individual* dimension insofar as citizens (and those who could not access benefits reserved for the wealthy and powerful) were affected by abuses and corruption, as well as a *collective* dimension, stemming from a sense that the Arab world had suffered for many decades from cultural and political siege.<sup>29</sup>

As I have written elsewhere<sup>30</sup>, the yearning for dignity is a driving force in history and the revolutions of the Arab Spring were a visible embodiment of that goal. On

the domestic front, these countries fared quite miserably on the dignity index.

On a related terminological and methodological note, I previously proposed a dignity index as an assessment tool to study key indicators of good governance. I defined dignity not merely as the absence of humiliation, but as a more comprehensive concept, which includes nine key human needs, all of which are matched against the key attributes of human nature. These are: reason, security, human rights, accountability, transparency, justice, opportunity, innovation, and inclusiveness.<sup>31</sup>

The regimes toppled by the Arab Spring, as well as those shaken by street protests or thrown into civil war (as is the case of Syria), did not score well on the 'dignity index'. Their failure to meet dignity needs also explains why the region's stability continues to be tested year after year. Tunisia, which was hailed as the success story of the Arab Spring, saw a new wave of protests five years after the revolutions began. In February 2016, a series of events in the country resurfaced a familiar picture: a young Tunisian died from electrocution while protesting against poverty, the lack of jobs, and the unfulfilled promises of the revolution, with a group of other young people. Many also expressed frustration at the excessive hurdles stifling entrepreneurs and investors, who could not access loans despite repeated attempts to set up businesses.<sup>32</sup> More unrest soon flared up, with more young people expressing anguish and desperation at the inefficiency perpetuated across the public sector. As long as domestic governance does not address the causes for the frustration and alienation felt by its people, no real political stability can be achieved. Meeting dignity needs is the best predictor of good governance and implicitly of political stability and security in the long term.<sup>33</sup>

The worsening situation following the Arab Spring led many commentators to instead speak of a coming long winter. The Failed States Index, prepared yearly by the Fund for Peace, took stock of this in their 2015 edition, noting that the hope for reforms was slowly evaporating, with countries such as Iraq, Libya, Syria and Yemen seeing particularly steep declines across all indicators of state stability. 2014 saw the deterioration of the political situation in Libya, as militant groups dislodged the government's authority and the internationally-recognized government was forced to depart and resettle in the eastern city of Tobruk.<sup>34</sup>

Another particularly distressing event took place in 2014. In June, the Iraqi army capitulated in a matter of days faced with the strikingly fast advance of ISIS. This event was the culmination of several factors not without precedent across MENA. While the very creation and rise of ISIS was a byproduct of foreign meddling in the region (it is now known that the group appeared following the US invasion of Iraq in 2003, and the premature American departure), domestic failures should not be downplayed either.

Indeed, when domestic inefficiency meets foreign meddling, the result is a catastrophic combustion.

The most significant test for the Iraqi army since the US invasion ended as an extraordinary failure that created the possibility of complete state dissolution. In 2013, the Iraqi government had spent \$17 billion on its security forces (\$1.3 billion of which was funded by the US), yet 30,000 Iraqi soldiers fled in less than 48 hours when a band of less than 1,000 ISIS terrorists smashed their way into Mosul.<sup>35</sup> The fall of Mosul was with a notable shock for the government, which accused the army of betrayal. At the same time, the event exposed some of the deeper problems of domestic mismanagement.

Politicization and sectarian divisions in the army left many disenchanted and ready to flee when danger was on the horizon. The Iraqi government had refused to sign an agreement with the US to extend US presence in the country and continue training the military. Then prime minister, Nouri al-Maliki, who also was de facto minister of defense and the interior), had already begun to subvert the non-

## **“THE DIGNITY DEFICITS PLAGUING THE REGION WERE, OF COURSE, NOT ONLY EXTERNAL.”**

sectarian, professional army, which contained many Sunni and Kurdish officers. Desiring to secure his position and ensure that the army would not pose a threat, al-Maliki began rewarding Shia loyalists with high-ranking positions, and corruption at the bottom became rife. This situation ended up frustrating all ethnic groups. Ultimately, the sectarian strategies employed in the creation of institutions backfired. Consequently, when Mosul was under siege, “Shia troops saw little point in dying to hold on to predominately Sunni cities.<sup>36</sup> So strong was the resentment against the status quo that in the early days of ISIS occupation, some voices from Mosul reportedly expressed relief that ISIS had taken over and that they were “liberated” from Maliki’s brutal and divisive sectarian forces. One resident expressed what many felt in those days: “I feel we have been liberated of an awful nightmare (...). The army and the police never stopped arresting, detaining and killing people, let alone the bribes they were taken from the detainees’ families”<sup>37</sup>

In July 2017, the government declared Mosul “liberated” from ISIS, following heavy fighting and military support from the US. Yet eliminating ISIS from Iraqi territories does little to end the cycle of instability and state weakness. Iraqi Kurds have recently mounted a campaign to rally US support for an independent Kurdistan. A referendum was scheduled for 25 September 2017, announced by the president of Iraqi Kurdistan. The bid for independence spans decades and was fueled by repeated episodes of alienation. Indeed, at almost all points in their history inside Iraq, Kurds struggled with the centralized rule in Baghdad and felt their rights were not duly respected. Although under the Constitution, the Kurdish region is entitled to 17% of the national budget, in 2014, after a dispute over oil sales, then-Prime Minister Maliki refused to send the required payment to the Kurdistan

Regional Government.<sup>38</sup> The US and other regional players might eventually get involved diplomatically, yet the problem ultimately remains a domestic one – as is the solution.

In the aftermath of the Arab Spring, I advocated for indigenous solutions to the Middle East's governance problems. There is no one-size-fits-all solution and initiatives that can be applied in some North African countries might not work well in the Gulf, and vice-versa.<sup>39</sup> In order to tackle the many facets of the dignity deficits besetting the region – personal and collective – the countries of the region need to move forward decisively to improve their respective governance models and institutions, as well as to prepare for the technological challenges of today, and – critically – to build more robust economies by enacting reforms that diversify the economy, too often reliant on oil.

## Forgotten and Persistent Histories

This chapter has dwelt on history extensively because history is obstinately present in the contemporary geopolitics of the Arab-Islamic world. Key events such as the 1967 or 1973 wars and the ensuing geopolitical revamping of the region should not be lost in any regional analysis. To this day, most believe that one of the main reasons Israel had won in 1967 was because it was an extension of Western imperialism and Western machinations – through military, political

Military vehicle  
greeted by  
a group of  
children in  
Afghanistan.





and economic support. The 1967 pre-emptive invasion by Israel left enduring pains across the Arab world, but it also led many Arab intellectuals to urge for more radical social and political reforms to transcend the defeat. Yet, the moment of cultural fermentation soon subsided, as autocratic regimes tightened their grip on power.<sup>40</sup>

There is another facet of history which is a source of frustration for many Arabs. Long before the West became a dominant force in the world, the Arab-Islamic world was a thriving centre for science, culture and civilization. This lost dimension of history only added to the sense of disrespect that many Arabs feel from the West. While the dominant narrative about the rise of the West tells us that European civilization is founded on Greco-Latin roots, and that 'Islam in Europe' is a recent (and threatening) presence, in reality, the European and Arab-Islamic worlds have been engaged in fruitful exchanges for centuries. In its golden days, the Arab-Islamic world hosted centers like Baghdad, Cairo, Cordova, Toledo, Sicily and others that attracted erudite minds from far and wide. Indeed, history shows us that no historical age or phenomena is achieved in isolation, but rather by building on the achievements and contributions of others. Just as the Arab-Islamic world built on developments of earlier empires, Europe later incorporated elements of the Arab-Islamic world. Transfers of science and technology to Medieval Europe from the Arab-Islamic world paved the way for the European scientific revolution and later the Enlightenment. Great contributions were made in mathematics, astronomy, natural sciences and medicine.<sup>41</sup>

There were, in other words, no major breakthroughs achieved purely by 'indigenous' European forces and by virtue of Europe's inherent superiority. European history is part of *global* history and this can be best described according to the 'ocean model of civilization'. This analogy presents a more accurate picture of history whereby human civilization is like an ocean into which many rivers flow and add depth. There is *one* human civilization, which is a result of contributions from other geo-cultural domains.<sup>42</sup>

One way to break the prevalence of Eurocentric assumption about the rise of the West is to give the Arab-Islamic world due recognition for its contributions. This is important because the incorrect narrative about the rise of the West has

*Left:* US Army deployment in a village in Iraq.

*Right:* Flags in demonstrations of support for the Syrian people in Europe.



given rise to a misleading image of a progressive and superior West, versus an inferior, stagnant or regressive Arab world.<sup>43</sup> This has infringed upon the collective dignity of the Arabs and it is important to repair this misconception both for the sake of doing justice to the Arab contributions in the rise of the West and human civilization as a whole, and also to help dissipate the idea of an incompatibility and inherent discord between the two.

## Moving Forward and Prospects of Political Change

As this chapter goes to press, the Arab-Islamic world has unresolved conflicts and a great deal of uncertainty still plaguing its development prospects. But it is also a region moving at multiple speeds. Some countries such as the United Arab Emirates and Saudi Arabia are among the fastest growing economies in the region, focusing on innovation and ways to diversify their economies (see, for instance, Saudi Vision 2030). Although still faced with great macroeconomic challenges, Tunisia, Jordan and Algeria are also displaying some positive signs of growth. Then, there are countries like Syria and Yemen, where the very survival of the state remains uncertain, with wars raging on, and where humanitarian crises of dramatic proportions prevail. Iraq has expelled ISIS but is reeling from the tensions and instability left behind. Risks of violence between Arab Sunni and Shia are high due to brutal sectarian militias supported by Iran. While the solutions to these problems will differ from case to case, a common requirement across the region is that policy responses relate to the needs of the people in the region and that they advance dignity-based policies and models of governance, without regional or global interference or manipulation.

## “WHEN DOMESTIC INEFFICIENCY MEETS FOREIGN MEDDLING, THE RESULT IS A CATASTROPHIC COMBUSTION.”

That is easier said than done, because political change is slow and requires a transformation at the neurochemical level. This argument seems surprising but it is grounded in neuroscientific research, which shows how power manifests itself at the neurochemical level. Power is expressed neurochemically by an increase in the dopamine level, the same neurochemical that produces a feeling of pleasure, aids in learning and is present in reward-based behavior. Power also produces a ‘high’, which is extremely addictive, meaning that the more power one has, the more power one seeks to accrue. In some sense, we are all addicts in some way or another, as our dopamine flows push us to engage repeatedly in reward-based activities.

Leaders in positions of power, especially authoritarian rulers who enjoy extreme power, will find it extremely difficult – indeed, painful – to relinquish their power. Many would rather die than give it up. In the absence of a system of checks-

and-balances, the quest for power can lead to more macabre results.<sup>44</sup> This insight from neuroscience not only explains power in neurochemical ways, but also provides hints about political change. To transform leadership cultures that have powerful, autocratic leaders at the helm, the best solution is to proceed gradually. But if history is any indication, change will occur sooner or later as humanity inevitably moves forward in a quest for personal and collective dignity. It is difficult to foresee the future trajectory of the Arab-Islamic world, a task also complicated by the fact that the countries of the region do not experience the same nature of challenges, and that the gaps between them are in fact widening.

While some countries are developing strategies for the coming decades, and thus lend themselves to more predictability, others are so volatile that their very survival is not certain. In addition, there are climate-related factors that will further test the resilience and adaptability of these countries, or simply add to their vulnerabilities. Technology might also transform the future of the Arab-Islamic world, although in markedly different ways. In the long run, artificial intelligence<sup>45</sup> and nanotechnology will impact geopolitics because they will affect all facets of state power (social and health issues, domestic politics, economy, the environment, science and human potential, military and the defense sector, diplomacy).<sup>46</sup>

## **“WHAT CAN HELP REPAIR THE FRACTURES IN THE REGION, AND BETWEEN THE REGION AND THE OUTSIDE WORLD, IS EDUCATION.”**

In the Arab world, the impact of new technologies will be felt in very different ways. A likely scenario is that new technologies will deepen the divide in the region, with some more capable of bearing the costs of integrating new technologies than others.

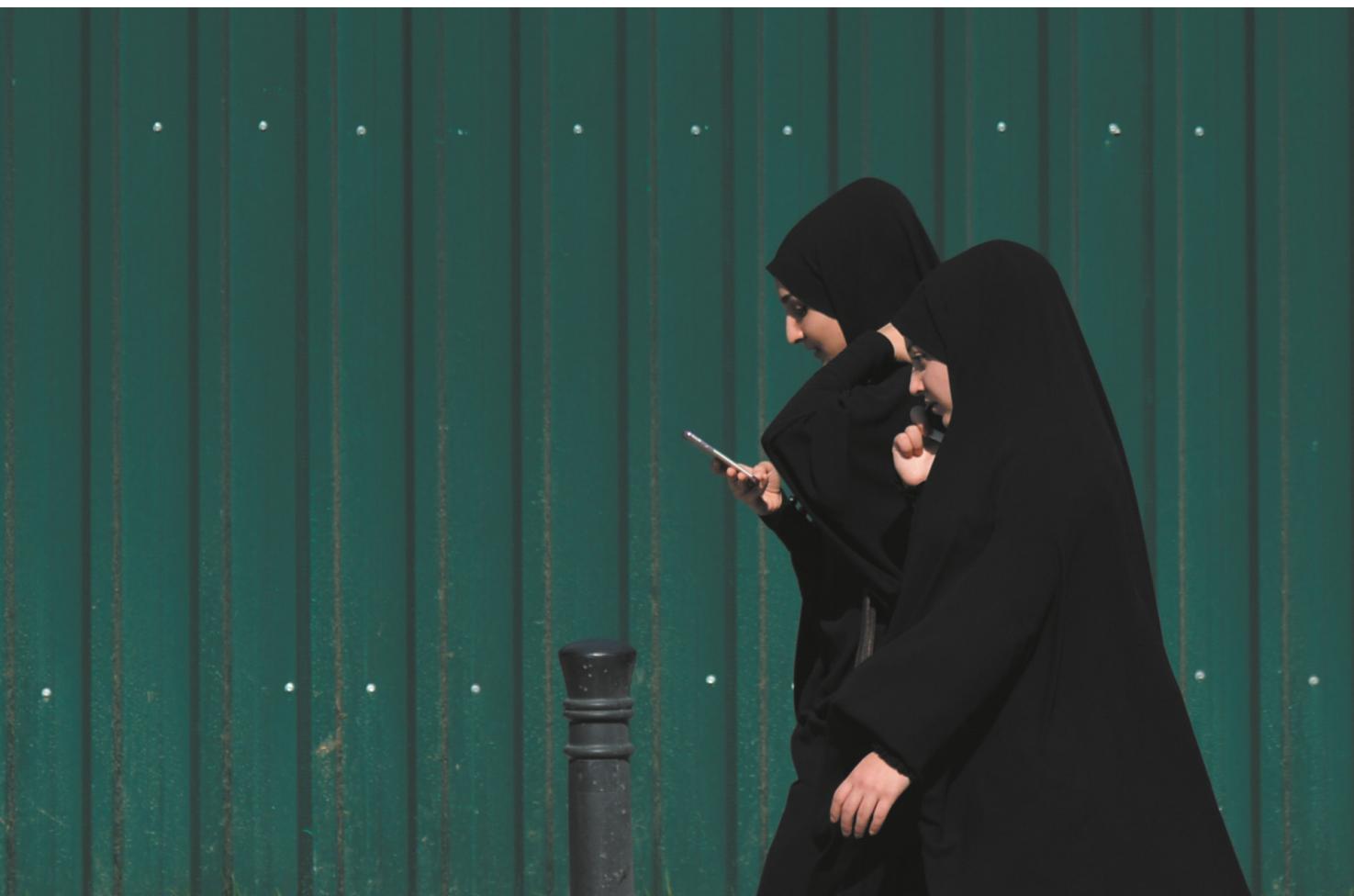
In the long run, what can help repair the fractures in the region, and between the region and the outside world, is education. Education is critical to national and global security because it can alter long-held misconceptions and, in the process, challenge the status quo, within and with the outside world. In the West, more inclusive curricula, which pay tribute to the Arab heritage in the history of the West, and recognize the centuries of collaboration and exchange between the Arab-Islamic world and Europe, can go a long way in creating a more favorable and accurate account of our shared history and common grounds.<sup>47</sup> The role of education should not be downplayed as naive or idealistic. Education and knowledge change minds almost in a literal sense: at a neurochemical level, knowledge is mediated by neurochemistry and neurochemical pathways.<sup>48</sup>

Our brains are highly malleable insofar as our neurochemistry can be altered by new information and new exposure. Knowledge and education are critical in demolishing sources of preconceptions, prejudice and tension. Such initiatives are more critical than ever. Education that teaches more tolerance and transcultural harmony is needed both within the region and beyond.

Moreover, politically, it is time that global powers stop manipulating weaker nations for short-term national gains. In our globalized world of instant connectivity and deepening interdependence, a Symbiotic Realist approach is urgently needed. This calls for win-win gains and allows for non-conflictual competition.<sup>49</sup> For this to work, the UN system and other institutions of global governance need to be reformed to insure justice and dignity for all.<sup>50</sup> Major Powers also need to recognize that Just Power is the only sustainable form of power.<sup>51</sup>

On the domestic front, it is important for the countries of the region to improve their governance models and integrate dignity needs across all aspects of policy, as well as to take into account the emotional, amoral and egoistic traits of human nature. What I mean by dignity here is much more than the absence of humiliation. It is an inclusive set of nine needs that correspond to the three key defining elements of our nature. These are: *reason, security and human rights, accountability, transparency, justice, opportunity, innovation and inclusiveness*. These are the central tenets of my thesis of Sustainable History.<sup>52</sup>

Technology and tradition come together in the Arab world.



Almost three decades ago, at the end of the Cold War, predictions of an “end of history,” defined by the victory of liberal democracy, gained widespread popularity. We know in hindsight that such forecasts turned out to be exceedingly optimistic. Liberal democracies, while they remain the most successful forms of governance thus far, do not resolve dignity deficits. Political freedoms empower people to vote, but do not prevent marginalization, alienation and the many other forms of discrimination, meaning that much more effort is needed for reforming democratic governance to insure inclusive policies.<sup>53</sup> Accountable and transparent governance that includes placing dignity at the heart of governance models is the only way ahead, and it is the most certain formula for Arab-Islamic countries to succeed in moving forward.

Each country needs to come up with its own formula for accountable governance that meets its cultural specificities (without cultural relativism) to be sustainable, secure and prosperous.

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# >ASIA AND THE NEW GLOBAL (DIS)ORDER



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Image: Aerial view of primary school students writing Chinese calligraphy in Shenyang, Liaoning Province of China.



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# >ASIA AND THE NEW GLOBAL (DIS)ORDER

The post-Cold War era is over, and the world may be at another historic inflection point, one in which the US-led global order is being challenged by two revisionist powers, China and Russia, who are also moving into closer strategic alignment. China is on course to become the world's largest economy and a formidable military power, one that chafes under US hegemony. While it may not want to overturn the current world order, China seeks to reshape it, especially in Asia. This includes the creation of a Sino-centric order in which all other countries put China's interests before their own. But whether China has the capabilities to achieve this goal, whether it can force regional states to accept it, and whether it can avoid conflict with America in the process remain open to question.

## Introduction

A little more than a quarter of a century since the cessation of Superpower rivalry and the end of the Cold War, the world may well have arrived at another historic inflection point: the twilight of the US-led international liberal order and the dawning of a new era of global disorder in which revisionist regional powers—and a rising China in particular—take advantage of a demoralized and polarized America to challenge the global leadership Washington has exercised since the end of the Second World War.

The coming epoch, it is gloomily predicted, will be characterized by Great Power rivalry for power, influence and spheres of interest, the retreat of globalization, deteriorating global norms and proxy wars—in the words of American foreign policy commentator Robert Kagan, the world is on the threshold of a “brutal anarchy”.<sup>1</sup>

If the global international order does indeed face a tectonic-shifting power transition, Asia will be its epicentre for one incontrovertible reason: the People Republic of China’s (PRC) re-emergence as a global power to be reckoned with.

Within the short space of four decades, China’s leaders have transformed the country from an autarkic economy and marginal player in international affairs into the world’s largest trading nation, the second largest economy and second biggest defence spender behind the United States, and a nation that is increasingly self-confident, assertive and pro-active in Asia and around the world.

And while China has been able to achieve this phenomenal transformation by working within the current world order, it now chafes under US hegemony and

feels constrained by the system Washington created when China was waging a civil war. Today, leaders in Beijing view America as a declining power, and China as a country that is well on the way to fulfilling its manifest destiny of retaking its rightful place as Asia's paramount power.

But is the future of the world as bleak, fractious and conflict-prone as some observers predict? Are America and China really caught in "Thucydides Trap" and destined for war? Does China really seek to overturn the US-led order and assume the mantle of global—or even regional—leadership? Does it have the capabilities to do so? If China wants to lead, will other countries follow? Or can the US, PRC and other major powers work out a modus vivendi in which all players can advance their national interests in a non-zero sum game?

This essay sets out to consider these questions by exploring the evolution of Great Power relations since the end of the Cold War, China's phenomenal rise to power, Russia's re-emergence, and the future of Sino-US relations.

## **Post-Cold War Optimism**

Twenty-five years ago, those who predicted the end of the US-led international order were few and far between. The waning of Superpower rivalry in the late 1980s and the dissolution of the Soviet Union in 1991 had ushered in an era of almost unbridled optimism, even triumphalism in the West. Francis Fukuyama's captured the zeitgeist of the early post-Cold War era with his essay "The End of History?" in which he confidently predicted the inexorable march of liberal democracy and free-market capitalism, forces that would consign competition and conflict among the Great Powers to the dustbin of history.<sup>2</sup>

And indeed cordial relations among the Great Powers, and the spread of democracy, market liberalization and globalization all suggested that Fukuyama's thesis was essentially correct.

The United States stood at the pinnacle of its economic and military power—the "Unipolar Moment" at Charles Krauthammer labelled it.<sup>3</sup> Russia was down—and for the foreseeable future out—but had embraced democracy and the free market, and under President Boris Yeltsin was generally pro-Western. Except for the bloody breakup of Yugoslavia, the countries of Europe were at peace and committed to their supranational European Community (EU)-building project. In Asia, there was economic friction between Japan and the United States, but no one seriously believed that Tokyo would end its alliance with the United States and break out on its own. China, meanwhile, was struggling to emerge from the international isolation which had been imposed on it following the brutal suppression of pro-democracy students in Tiananmen Square on <sup>4</sup> June 1989, and for the rest of the decade remained largely focused on growing its economy and improving ties with its neighbours. China was, as its paramount leader and mastermind of its economic revival Deng Xiaoping had advised, hiding its

capabilities, biding its time and never taking the lead. Besides, many observers felt that as China's economy advanced, and its middle class expanded, it would eventually democratize as other East Asian dynamos such as South Korea and Taiwan were also doing.

### Enter the Post-Post-Cold War Period

Within a decade of the end of the Cold War the bubble of optimism had well and truly burst. The 2000s were bookended by the terrorist attacks in New York and Washington D.C. on 9/11 and the Global Financial Crisis (GFC) of 2007-2009. The former led to the controversial (some would say illegal), protracted and debilitating US-led military interventions in Afghanistan and Iraq, the latter to the near collapse of the global financial system and the Great Recession which lasted until the early 2010s and the effects of which continue to linger until today.

The wars in the Middle East and the GFC turned many Americans off the country's role as the world's policeman and globalization. Elected in 2008, President Barack Obama adopted a more cautious foreign policy—his critics would say too cautious—which eschewed costly and seemingly open-ended foreign military adventures. The task of the new president in the post-George W. Bush era was, according to Obama, “Don’t do stupid shit.”<sup>4</sup> Emblematic of Obama’s cautious foreign policy was his decision in 2013 not to use military force against the Syrian regime of President Bashar al-Assad for its use of chemical weapons against civilians, despite an earlier warning that to do so would cross a red line.

## “AMERICA’S DISENCHANTMENT WITH GLOBALIZATION REACHED A CLIMAX WITH THE ELECTION OF DONALD J. TRUMP TO THE PRESIDENCY IN NOVEMBER 2016.”

America's disenchantment with globalization reached a climax with the election of Donald J. Trump to the presidency in November 2016. His narrow, self-interested and transactional view of the world was the very antithesis of globalization and the role America had pursued since the end of the Second World War. In short order, Trump pulled America out of the Trans-Pacific Partnership (TPP)—an economic liberalization pact of 12 countries in the Asia-Pacific region—and the landmark 2015 Paris Climate Accord.

Many viewed the Trump administration as catalysing the end of the US-led world order. In May 2017—just four months into the Trump presidency—German Chancellor Angela Merkel warned that the EU could no longer rely on the United States (and, because of its decision to withdraw from the EU in June 2016, Britain) and would have to be responsible for its own fate.<sup>5</sup>

## China Rising

As the United States became mired in the Middle Eastern conflicts and the financial crisis, the People's Republic of China rapidly augmented its economic power, military strength and global political influence.

Since the introduction of economic reforms in 1978, China's gross domestic product (GDP) has grown by an average of 10 per cent every year. That phenomenal economic growth has, according to the World Bank, lifted 800 million Chinese people out of poverty—the largest number of people at the fastest rate in history.<sup>6</sup>

China emerged from the GFC more or less unscathed and in 2010 it surpassed Japan to become the world's second largest economy. Today, China is already the world's largest manufacturing economy and the largest exporter of goods. Although GDP growth has slowed to a still impressive 6-7 per cent per year, sometime before 2030 it is predicted to overtake the United States to become the world's No. 1 economy—indeed, if one uses purchasing power parity to measure the size of its economy (as the International Monetary Fund does) China already achieved that position in 2014.

Sustained, double-digit economic growth throughout the 1990s and 2000s provided China with the financial resources to transform its once antiquated armed forces into a potent fighting force equipped with cutting-edge weaponry. According to America's Department of Defense (DoD), in 2016 China spent US\$180 billion on the People's Liberation Army (PLA), while the respected Swedish think-tank SIPRI puts the figure at US\$226 billion.<sup>7</sup> According to China's official figures, its defence outlay in 2016 was US\$151 billion—the second largest in the world (behind America's gargantuan US\$573 billion defence budget) but the largest in Asia.<sup>8</sup> SIPRI estimates that in 2015 China accounted for over half of all defence spending in Northeast, Southeast and South Asia (US\$216 billion versus US\$411 billion) and that its defence budget was greater than the combined defence outlay of all 23 countries in those three regions.

Although the PLA continues to suffer from serious deficiencies, and is probably several decades way from being able to match the capabilities of the US military, in the view of DoD, the Chinese armed forces are increasingly “able to project power to assert regional dominance during peacetime and contest U.S. military superiority during a regional conflict.”<sup>9</sup> In other words, the PLA has emerged as the strongest military force in Asia and is capable of complicating US military responses to crises in Asia—e.g. in the Taiwan Straits, South and East China Seas and on the Korean Peninsula—that could undermine US security guarantees to America's friends and allies. In a speech commemorating the 90th anniversary of the founding of the PLA, President Xi Jinping warned that while China was a peace-loving country, it had the “confidence to defeat all invasions”; that it would “never allow any people, organizations or party to split any part of Chinese territory out of the country” and “No one should expect us to swallow the bitter fruit that is harmful to our sovereignty, security or developmental interests.”<sup>10</sup>

Commensurate with economic power and military muscle has come growing self-confidence on the world stage. The GFC was a tipping point. Not only was China's economy relatively unaffected by the crisis, it convinced China's leaders that America was a Superpower in decline and that the time had come for the PRC to cast aside Deng's maxim that China should bide its time, hide its capabilities and not seek leadership, and instead vigorously pursue its national interests in Asia and across the globe.

This post-GFC Chinese self-confidence is personified in the country's strongman, Xi Jinping. Since becoming Secretary-General of the Chinese Communist Party (CCP) in 2012, and state president the following year, Xi has quickly, and some would say ruthlessly, consolidated his position at the apex of China's power structure to become the strongest Chinese political leader since Chairman Mao Zedong who ruled the country from 1949 until his death in 1976.

In a series of speeches, Xi has articulated a grand vision for the PRC—the "China Dream" which has at its heart the "Great Rejuvenation of the Chinese People"—in which China achieves the "Two 100s": a moderately well-off society by 2021 (the 100th anniversary of the establishment of the CCP) and the status of a fully developed nation by 2049 (the 100th anniversary of the founding of the PRC).

One of Xi's key initiatives to achieve the China Dream is One Belt, One Road (OBOR), unveiled in 2013. OBOR is essentially a vast infrastructure project

Session of  
Chinas 19th  
Communist  
Party Congress.



involving the construction of railways, ports, highways, pipelines and airports that will deepen and enlarge China's connectivity with countries in the rest of Asia, Europe and Africa. OBOR is composed of two main geographical routes: the overland Silk Road Economic Bridge (SREB) which runs from China, through Central Asia, Russia and South Asia before reaching Europe (essentially retracing the ancient Silk Road); and the Twenty-first Century Maritime Silk Road (MSR), a series of ports that will link China with Southeast Asia, South Asia, Africa, the Middle East and Europe. China has pledged vast sums of money to realize the OBOR initiative, including US\$40 billion for the SREB, US\$25 billion for the MSR, US\$50 billion for the multilateral Asian Industrial Infrastructure Bank (AIIB) and US\$40 billion for the Silk Road Fund. OBOR has both economic and geopolitical rationales. From an economic perspective it is designed to help develop China's western and inland provinces, secure new overseas markets and raw materials, and provide an outlet for industrial overcapacity and surplus capital. OBOR's geopolitical intent is to burnish China's Great Power credentials; some see it as part of China's strategy to create a Sino-centric order in Asia.

## **"CHINA IS ALREADY THE WORLD'S LARGEST MANUFACTURING ECONOMY AND THE LARGEST EXPORTER OF GOODS."**

At the upcoming CCP Congress scheduled for the autumn of 2017, Xi is almost certain to be given another five years as president, and could even be made Chairman of the CCP, a title which has not been used since the Maoist era and which would allow him to circumvent constitutional term limits and extend his rule beyond 2022.

### **Resurgent Russia**

As China continued on its upward trajectory during the 2000s, a neighbouring country was undergoing its own rejuvenation as a major player in international affairs: Russia.

For much of the 1990s Russia had been mired in economic turmoil and political stasis. At the end of the decade, however, two events occurred which were to reverse the country's fortunes. In 1999, an ailing President Yeltsin appointed an ex-KGB lieutenant-colonel, Vladimir Putin as prime minister, and a year later Putin went on to win the elected presidency. At the same time, the price of oil and other commodities—Russia's primary export—surged and the Russian economy boomed.

Putin once described the collapse of the Soviet Union as the greatest geopolitical tragedy of the twentieth century. As with many Russians, Putin felt that the West had taken advantage of Russia during the chaos of the 1990s; that it reneged on

promises not to expand membership of the North Atlantic Treaty Organization (NATO) and EU to Russia's borders; that it had stood idly by when the country suffered a serious economic crisis in 1998 (while providing financial support to Mexico); and that, most hurtful of all, the West had not treated Russia with the respect that a Great Power deserves. As the academic Bobo Lo notes, due to its size, culture and history, Russia's self-image is one of a permanent and indispensable Great Power.<sup>11</sup>

Putin was intent on restoring the country's Great Power status and reasserting Moscow's hegemony over the post-Soviet space. In 2008, Russia invaded Georgia as punishment for its leaders' pro-Western orientation. Russia's armed forces ultimately prevailed in Georgia, but had performed poorly against such a small country. In 2010, Putin announced a ten-year US\$650 billion programme to modernize the country's military. With the economy buoyed by rising oil prices, Russia's defence budget almost doubled between 2010 and 2014—from US\$58.7 billion to US\$84.5 billion—to become the third largest in the world after the United States and China.<sup>12</sup> In 2014, when Russia annexed the Crimea in Ukraine, Russian forces performed much better than they had in Georgia.

Russia's seizure of Crimea, and its support for separatists in eastern Ukraine—leading to the shooting down of a Malaysian airliner in July 2014—triggered a crisis in relations between Moscow and the West. The West responded to Russian aggression against the Ukraine by imposing sanctions against it—which together with falling oil prices, hit Russia's economy hard—and strengthening NATO forces in Europe. A year later, relations with the West deteriorated further when Russia intervened militarily in Syria in support of the Assad regime. During the 2016 US presidential election, Russia was a prominent foreign policy issue (more so than China) and candidate Trump spoke positively about Putin and promised to repair relations with Moscow if elected. Once in office, however, allegations that the Kremlin had interfered in the presidential election further poisoned US-Russia relations.

All agree that relations between the West and Russia have hit rock bottom and are unlikely to improve significantly any time soon. Speaking in August 2017, on the eve of new US sanctions being imposed on Russia, US Secretary of State Rex Tillerson characterized the relationship as being at an "historic low since the end of the Cold War, and it could get worse" while his boss, President Trump, tweeted that America's relationship with Russia was "at an all-time & very dangerous low".<sup>13</sup> NATO Secretary-General Jens Stoltenberg lamented that "NATO's relationship with Russia is more difficult than it has been any time since the end of the Cold War".<sup>14</sup> Russian Prime Minister Dmitry Medvedev called the new US sanctions tantamount to declaring a trade war on Russia.<sup>15</sup>

According to the Russian academic Dmitry Trenin, while talk of a new Cold War between America and Russia is not a useful analogy, given the fundamental clash of interests between the two countries "mutual adversity between the

West and Russia is the new normal”; that Putin is almost certain to win another six-year term in 2018, and even after he leaves office his successor is “unlikely to roll back the Kremlin’s policies enough to win a ‘normalization’ of relations with the United States”.<sup>16</sup> As such, US-Russia relations will continue to be turbulent.

## The Sino-Russian Alignment

Two important trends that have presaged the end of the post-Cold War period, and the ushering in of a more complex and contested international order, has been a rising China and a resurgent Russia. A third has been the increasingly close relationship between those two countries.

Soldiers of the honor guard prepare to march as people celebrate the first anniversary of the signing of the decree on the annexation of the Crimea by the Russian Federation, on March 18, 2015.

After decades of ideological and geopolitical enmity—during which the two sides clashed militarily along their land border in 1969—Russia and China normalized their relations in the early 1990s. The two countries demilitarized their border, settled their territorial disputes and lifted restrictions on two-way trade. In many ways it was a perfect match: China needed access to Russia’s vast natural resources and defence technology; Russia needed China’s money.

Under Presidents Putin and Xi the relationship has reached historic heights. In an effort to reduce Russia’s economic dependence on the West—especially Europe—and cash in on Asia’s booming economies, in 2010 Putin declared Russia’s “turn to the east”. This major foreign policy initiative was given added urgency because of Russia’s economic problems and crisis with the West over Crimea.



China is at the heart of Putin's "Asia pivot". Although trade between the two countries has not grown as much as had been hoped, in 2016 the value of Sino-Russian commerce had reached US\$70 billion, up from US\$6 billion in 1999 (but far short of the US\$100 billion target) making China Russia's second largest trade partner after the EU.

But unlike EU-Russia relations, Russia-China economic ties have lagged political relations which have strengthened considerably under Putin and Xi. Since the latter took office in 2012, the two leaders have met frequently and appear to have established a close personal rapport. But the growing ties between the two countries is based on more than just good personal chemistry. Far more important is the high degree of convergence between the two governments' world views. Indeed, according to Putin "Russia and China have very close or almost identical views on international developments."<sup>17</sup> In particular, the Chinese and Russian leaders perceive US primacy in the international system to be not only inimical to their national interests but also a threat to regime survival.

A staple in both Russian and Chinese foreign policy narratives is that America is pursuing a policy of containment that is designed to keep them weak and isolated. Underlying these accusations is a shared sense of victimhood; that the West has conspired to deprive them of territory, status and influence during periods of historical weakness—China during the "Century of Humiliation" between 1839 and 1949, and Russia after the collapse of the Soviet Union in 1991—and continues to do so. As evidence, Russia points to the enlargement of NATO membership to include former Soviet republics and Warsaw Pact allies between 1999 and 2004, and the imposition of Western sanctions over Crimea. China's leaders have long accused America of trying to contain its rising power, and view the Obama administration's Asian pivot—including the TPP—as merely the latest iteration of this policy. Moscow and Beijing believe that US plans to station anti-ballistic missile systems in Eastern Europe and Northeast Asia—the Aegis Ashore system in Romania and Poland, and the Terminal High-Altitude Area Defence (THAAD) system in South Korea—are designed to undermine their nuclear deterrents. According to Chinese and Russian narratives, America's ultimate ambition is to overthrow their political systems by orchestrating "colour revolutions" such as occurred in several former Soviet states over the past decade. At a summit meeting in Beijing in June 2016, Russia and China gave vent to these concerns when they identified increasingly "negative factors" affecting global strategic stability, including US anti-missile defence systems, unilateral economic sanctions and interference in the internal affairs of sovereign states with the "aim of forging change in legitimate governments".<sup>18</sup>

As political ties between Russia and China have grown closer, so too has military cooperation between the two countries. During the 1990s, Russia was China's main arms supplier, providing an estimated US\$30 billion in jet fighters, submarines, destroyers and other big ticket items. But in the mid-2000s Russian arms transfers to the PRC declined sharply, partly because China's domestic arms

industry had achieved a high-level of self-sufficiency and technical competence, but also due to Moscow's annoyance with China for reverse engineering Russian equipment which it then sold on the international market at cheaper process. However, in 2010 Russia and China resumed discussions on defence cooperation, and these talks were given added impetus when the West imposed sanctions on Russia. In 2015 Russia announced that it would sell China its advanced S-400 surface-to-air missile system and <sup>24</sup> SU-35 fighter aircraft (its most advanced jet fighter currently in service). The Russian and Chinese armed forces have also increased the scale, frequency and sophistication of joint military drills, and over the past few years their navies have exercised in the East China Sea, the South China Sea, the Mediterranean and the Baltic Sea.

Officially, Russia and China describe their relationship as a Comprehensive Partnership of Strategic Coordination. Neither side views a formal political-military alliance as necessary or even desirable. In any case there are still trust issues that militate against a Sino-Russian alliance. Russia is uneasy about China's growing influence in Central Asia—especially the impact of OBOR which includes several Central Asia countries—and still harbours residual concerns that Beijing ultimately seeks to recover territories in the Russian Far East that it ceded to Moscow in the nineteenth century. For its part, China is not comfortable with Russian arms sales to its two main rivals in Asia, India and Vietnam.

Despite these misgivings, the trust deficit between Russia and America, and China and America, is far greater than that between Russia and China. Thus while the two sides eschew an alliance, they have agreed to increase cooperation and coordination in international affairs and support—or at least not oppose—each other on issues affecting their core interests. Thus China turned a blind eye to Russia's occupation of Crimea (even though it violated Beijing's principle of non-interference in the internal affairs of other countries and non-support for separatist movements). In return, Russia supported China's decision to reject a legal ruling on the South China Sea dispute issued by a panel of judges in The Hague in July 2016. China has also been broadly supportive of Russia's military operations in Syria because they share the same goals—the survival of the Assad regime and the defeat of Islamic State.

## **"AS POLITICAL TIES BETWEEN RUSSIA AND CHINA HAVE GROWN CLOSER, SO TOO HAS MILITARY COOPERATION BETWEEN THE TWO COUNTRIES."**

Although a Sino-Russian alliance is unlikely, an ever closer relationship between the two countries will allow China to focus on its interests in East and Southeast Asia and thus complicate US interests—and those of its friends and allies—in those areas.

## America and China: Destined for War?

Few observers of international affairs would disagree with the notion that the key bilateral relationship of the twenty-first century is the US-China relationship.

While Russia has pretensions to play the role of the great Eurasian pivotal power between America and China, the country's long term economic and demographic prospects are such that it will never be able to reappraise the powerful role it played during the Cold War. Moreover, neither the United States nor China view Russia as their equal. Nevertheless, it would be wrong to write Russia off. Its permanent seat on the UN Security Council, vast nuclear arsenal and formidable conventional armed forces will ensure that it remains an important player on the world stage, especially in Europe, though its political role is likely to be more disruptive than constructive. And despite Putin's "turn to the east", Russia will play a relatively minor role in Asia where its interests are largely transactional: selling arms and energy technology, and encouraging (probably in vain) Asian countries to invest in its resource-rich but massively underdeveloped regions of Siberia and the Russian Far East.

Thus, present trends appear to suggest that over the next few decades, the international system is likely to be bipolar, albeit with other powerful poles such as the EU, Russia, Japan and India (though even they will probably align with the United States or China, either fully or partially) and an asymmetric bipolarity in which America continues to be more powerful than China.

How will America and China get along with each other in this new era of bipolarity?

At present, Sino-US relations are stable and generally cooperative and productive. Unlike US-Soviet relations during the Cold War, America-China relations are underpinned by high levels of economic interdependence (in 2016 the value of US goods and services trade with China amounted to nearly US\$650 billion); and while China is rapidly modernizing its armed forces, there is no "arms race" between the two countries, nor is there overt ideological competition. Both countries recognize the vital importance of maintaining and strengthening a stable relationship so that they can avoid intense security competition, and work together to address a host of global problems which challenge them both, such as terrorism, preventing the spread of weapons of mass destruction and climate change.

Yet the relationship is beset with mutual suspicions, longstanding problems and areas of potential conflict.

Once concern in America is that China's ultimate goal is to establish a Sino-centric order in Asia in which the United States plays only a minimal or no role at all. As noted earlier, in China there is a widespread and deep-seated perception that America actively works to prevent China's rising power and influence through a policy of containment. America—especially under President Trump—has accused China of practising mercantilist economic policies, currency manipulation and

engaging in cyber-attacks and espionage on a grand scale. President Trump has berated Chinese leaders for not doing enough to reign in North Korea's nuclear and ballistic missile ambitions. For its part, China regularly accuses the US of hypocrisy and double standards, interfering in Asia's territorial and maritime disputes, emboldening separatist forces in areas such as Tibet, Xinjiang, Taiwan and Hong Kong, and trying to undermine the CCP through "peaceful evolution" and "colour revolutions".

In recent years there has been a palpable sense in both Washington and Beijing that unless the two countries overcome their mutual suspicions and manage their differences more effectively, they will inexorably slide into overt strategic competition.

In the United States—but perhaps less so in China—there has been much talk of whether the two countries can avoid the so-called Thucydides Trap. This international relations problem takes its name from the fifth century BC Athenian historian, author of *The History of the Peloponnesian War* which chronicles the conflict fought between Sparta and Athens in 431-404 BC. In it, Thucydides avers that it was the rising power of Athens, and the fear this provoked in Sparta, which made war between the two sides inevitable. Some scholars have suggested that in the twenty-first century one can substitute China for Athens and Sparta for America.

The leading advocate of this modern day Thucydides Trap is the American academic Graham Allison, who argues that while war between America and China is not inevitable, it is "more likely than not".<sup>19</sup> Allison bases this assertion on historical research which shows that in 12 out of 16 cases over the past 500 years—such as Britain and France in the nineteenth century, Japan and Russia and Britain and Germany before World War One, and America and Japan before World War II—when a rising power has challenged an established power the outcome has been war. In Allison's view, it was Athens' growing sense of self-confidence and entitlement, and its desire to alter the existing power structure (even though it had greatly benefited from it) that led Sparta to be fearful and reinforced its determination to defend the status quo. A similar dynamic, he argues, is underway between China and the United States today.

Does the Thucydides Trap accurately capture the current and future trajectory of Sino-US relations? To help address this question we must ask two additional questions: Is China intent on challenging the United States? And if it is, does it have the capabilities to successfully do so?

The current international order was created by the victorious allies—with the United States wielding decisive influence—at the end of World War Two. Although China was an ally, its place at the newly established United Nations was taken by the Republic of China (whose government had fled to Taiwan in 1949 following its defeat at the end of the Chinese Civil War); the People's Republic of China did not take over China's seat at the UN until 1972, during which time it was in

the middle of the Cultural Revolution which turned the country's foreign policy upside down. It was not until the end of the Cultural Revolution in 1976, and Deng Xiaoping embraced economic reforms in 1978, that China began to work within the system rather than against it. Since Deng's momentous decision, China has benefited immensely from the current world order, rising from an impoverished regional state to a proto-superpower in less than four decades.

## **"BEIJING IS DISSATISFIED WITH CERTAIN ASPECTS OF THE WORLD ORDER AND SEEKS TO REVISE THEM TO BETTER SERVE ITS OWN INTERESTS."**

As a beneficiary of the post-World War Two world order—albeit as a latecomer—it would seem to make little sense for China to seek to overturn it (Russia, on the other hand, does not see itself as having been a beneficiary—in fact more of a victim—and appears more willing to overtly challenge the global order, especially in Europe). Nevertheless, as is clear from its words and actions, Beijing is dissatisfied with certain aspects of the world order and seeks to revise them to better serve its own interests. As the Chinese scholar Zhao Suisheng has argued, China is discontent with the current international order because:

... the rules represent mainly Western values, and, given political and cultural divergences, China regards many of the rules as unjust and unreasonable... Under the current order, China has not obtained rights and discourse power that can match its strength and influence. Therefore, Beijing wants changes but is suppressed by Washington.<sup>20</sup>

A good example is China's dissatisfaction with its views on the 1982 United Nations Convention on the Law of the Sea (UNCLOS), an international regime which governs the world's ocean spaces. In the 1970s China helped negotiate UNCLOS, and in 1996 ratified it. In recent years, however, it has challenged some of its tenets. China has argued that its "historic rights" claim to living and non-living resources in the South China Sea—represented on Chinese maps by the so-called "nine-dash line" which covers about 80 per cent of the sea—takes precedence over UNCLOS, a position most international lawyers find untenable. When an international legal arbitration tribunal under UNCLOS was initiated in 2013 at the request of the Philippines to challenge China's claims, Beijing refused to participate in the proceedings, and when the judges comprehensively dismissed China's "historic rights" claims in July 2016, China angrily rejected the verdict and refused to abide by it.<sup>21</sup> China, together with two dozen other countries, also rejects the right of foreign navies to conduct military exercises and surveillance (spying) activities in the 200 nautical mile exclusive economic zone (EEZ) off its coast, even though most countries (including the United States, which has signed but not ratified UNCLOS) consider it permissible under the agreement, and China's navy engages in the same activities in the EEZs of

other coast states, including America and Japan. China has also been accused of violating international trade regimes and agreements and taking advantage of the openness of Western economies while limiting Western companies from accessing its own market.

However, as Zhao and others concede, China is still a major beneficiary of the international order and therefore should be seen as more of a reshaper than an overturner. For a country whose international power and stature is growing, this should hardly come as a surprise.

Reshaping the international order would begin in Asia, and here the evidence is mounting that China's ultimate ambition is to be the region's paramount power. But in order to achieve that goal it seems unlikely that China will directly challenge the current paramount power, the United States. After all, even if we accept the argument that US power is declining—either relative to other countries or absolutely—America remains a global superpower without peer: it still has the world's largest economy; America possesses the most powerful armed forces and is the only country capable of projecting formidable power across the globe; and the US government can exercise international political influence like no other country. Moreover, America's obituary as a global power has been written too many times since the end of World War Two; yet it has always demonstrated a remarkable capacity for self-renewal. China has closely studied the reasons

Chinese cities reflect the modernization that the nation is experiencing.



why the USSR collapsed—systemic bureaucratic corruption, restive provinces, unsustainably high levels of defence spending and weak economic growth—and taken those lessons to heart.

Nevertheless, while China seeks to avoid challenging America head on, it is assiduously working to enervate US power and influence in Asia. Beijing does this by trying to decouple Asian countries from the US alliance system—the bedrock of American power in Asia—creating alternatives to US-led institutions—such as the AIIB and the Regional Comprehensive Economic Partnership, a competitor of the TPP—and use its growing economic power, and regional initiatives such as OBOR, to coerce regional states to adopt policies that do not challenges China's interests.

Even if, however, China's long-term goal is to create a Sino-centric order in Asia, is this ambition achievable?

Without question, China's progress since 1978 has been nothing short of remarkable. But it remains an open question whether its long streak of economic growth can be sustained. The double-digit growth rates China enjoyed for several decades are now a thing of the past and, as noted earlier, GDP growth has slowed to 6-7 percent—the bare minimum, as the Chinese see it, to achieve their developmental goals. Moreover, China's economy faces a raft of severe problems, such as rising debt levels, industrial overcapacity, capital flight and what economists call the middle income trap (where a country's income reaches a certain level but then fails to rise). Addressing these problems will require serious reforms—reforms that could lead to massive job losses, industrial unrest and political instability. If that wasn't daunting enough, other serious problems could also limit China's economic growth prospects: these include demographic problems (the country's rapidly ageing population suggests that China may grow old before it grows rich); environmental problems (pollution, deforestation, desertification, dwindling arable land and severe water shortages); endemic corruption; and ethnic unrests in areas such as Tibet and Xinjiang. Paradoxically, as China's self-confidence on the world stage has grown, it has become more insecure at home, resulting in increasing authoritarianism under President Xi and a severe clampdown on civil society and the Internet. Although China is now the world's second biggest defence spender, it spends more on internal security than external defence—a clear indication of where the Chinese government perceives the main threats to lie. As Susan Shirk has observed, the CCP "sees its grasp on power as surprisingly fragile".<sup>22</sup>

Aside from China's daunting domestic challenges, its ambitions to sit at the top of Asia's power pyramid faces opposition from those states below it, many of which are locked in seemingly intractable territorial and maritime disputes with China. China contests Japan's ownership of a small group of atolls in the East China Sea known as the Senkakus to the Japanese and the Diaoyu to the Chinese. An acceleration of the dispute since 2010—which has witnessed

regular skirmishes between the two countries' coast guards—has plunged Sino-Japanese relations to their lowest ebb since ties were restored in 1972. The unresolved legacies of Japan's aggression in China during the 1930s and Second World War continues to poison relations. Tokyo and Beijing intensively compete for influence in Southeast Asia and even in Africa. Of all the countries in Asia, Japan will not accept a Sino-centric order.

## "WHILE CHINA SEEKS TO AVOID CHALLENGING AMERICA HEAD ON, IT IS ASSIDUOUSLY WORKING TO ENERVATE US POWER AND INFLUENCE IN ASIA."

Magazines featuring front pages of US President Donald Trump and China's President Xi Jinping are displayed at a news stand in Beijing

India, Asia's other great rising power, has a disputed land border with China which almost brought the two sides to blows in August 2017. New Delhi is also irked by Beijing's economic and military support for its rival Pakistan. Although trade is rising between the two countries, they remain geopolitical rivals with low levels of mutual trust.

In the South China Sea, Beijing has overlapping territorial and maritime jurisdictional claims with Vietnam, Malaysia, the Philippines, Brunei and Indonesia. The dispute has generated tensions for decades, and strained China's



relations with the region's premier diplomatic community, the Association of Southeast Asian Nations (ASEAN), as well as with other important stakeholders in the dispute such as America and Japan. A resolution of the dispute is not in prospect anytime soon.

China's breakneck economic growth has benefitted all countries across the region, and will continue to do so for the foreseeable future. But China's growing military prowess and opaque intentions has stirred considerable concern in regional capitals, fuelling strategic uncertainty, worst-case scenario thinking and rising defence spending.

## **“TODAY WE FACE A MORE COMPLEX, CONTESTED AND FLUID INTERNATIONAL ENVIRONMENT THAN AT ANY TIME SINCE THE END OF THE SECOND WORLD WAR.”**

Being a leader requires the power to attract followers; few, if any countries in Asia appear comfortable with the prospect of a Sino-centric order, and are likely to work against it, mainly in cooperation with America but if US leadership is absent, with each other.

### **Conclusion**

More than 25 years after the Cold War ended, it is no longer realistic to describe the time we live in as the post-Cold War era. That era—in retrospect a golden era marked by sustained economic growth in many regions, the fall of authoritarian regimes and the spread of democracy, the proliferation of cooperative multilateral forums and general stability in the international system—is well and truly over. We are now living in the post-post-Cold War era, though doubtless future historians will find a more pithy term for it.

Those same historians may well identify the 2007-2009 financial crisis as marking a critical transition point from one era to the next: the moment, historically speaking, that marked the systemic decline of America the Superpower and the arrival of China as the hegemonic challenger.

The future of Asia is, of course, far from written. And as this article has argued, although China's rise has been nothing short of remarkable, its future power should not be exaggerated. China faces a slew of tough economic, demographic, environmental and even political challenges which could, taken together, stymie its upward trajectory. Similarly, it would be equally wrong to exaggerate America's problems and write its obituary as the world's greatest power.

Nevertheless, what is clear is that today we face a more complex, contested and fluid international environment than at any time since the end of the Second World

War. Above all it is characterized by uncertainty and apprehension. America's capacity and willingness to continue to lead the global world order is being openly questioned, all the more so since President Trump entered the White House. China may well use this window of opportunity to more vigorously pursue its ambitions in Asia, including the creation of a Sino-centric order in which Beijing uses economic and military coercion to force neighbouring countries to put the PRC's interests before their own. If China's goal is indeed to push America out of Asia, can this be achieved gradually and peacefully or will the rising power and established power be drawn into conflict?

Given the destructive power of modern weaponry, and the global economic dislocation a Pacific War would bring, it is in no countries' interests to see America and China embark on a downward spiral of strategic rivalry. What mitigates the risk of this scenario coming to pass is the high levels of economic interdependence between the two countries, and the existence of nuclear weapons. Yet if America and China are to avoid Thucydides Trap, both sides will be forced to make difficult compromises and accommodations. Whether there is the political wisdom to do so remains to be seen, but it will be one of the defining issues of the first half of this century.

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## >CHALLENGES FOR LATIN AMERICA IN THE 21ST CENTURY



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Image: Graffiti in the Pavão- Pavãozinho slum in Rio de Janeiro, where the stigma of poverty and inequality remains today, as in many Latin American countries.



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## >CHALLENGES FOR LATIN AMERICA IN THE 21ST CENTURY

**Latin America, like much of the developing world, will have to face serious challenges in the current century. Environmental changes, persistent inequality, and increasing violence force millions of people throughout the region to live in a constant state of uncertainty. Will Latin American countries be up to the task of finally improving the life of their inhabitants?**

What are the grand challenges of the 21st Century for the world and specifically for Latin America? Of all the things going wrong, what should we be most worried about? In this essay, we begin by describing what we contend are the most critical global challenges, and then analyze how these will play out in the region that we are studying, Latin America.

The most obvious unravelling that we face is that of the environment. Because of global climate change, resource depletion, and general environmental destruction, the rules that have governed our planet, and which have been the underlying basis of our society, are changing faster than we can appreciate, with consequences we cannot imagine. Results could be as dramatic as flooded cities or as trivial as increased turbulence on transoceanic flights. Highly populated areas of the world will become possibly uninhabitable and the resources on which modernity depends will become rarer and more expensive. Conflict may become more and more fueled by scarcity, and our ability to cooperate globally curtailed by an impulse to find solace within the smaller tribe. As we reach various tipping points, the question is no longer how to stop climate change, but how to adjust to new rules and limits.

While it might not make for as exciting a screenplay, the modern world also has to fear man-made risks in other forms. Today, practically every human is somehow dependent on the continued flow of money, goods, culture, and people that we collectively call globalization. This process has brought about unimaginable abundance for many, but with tremendous costs in terms of our global sense of community as well as to the environment. That plenty is also purchased with an ever-greater fragility of our basic systems of nutrition, finance, and energy. More than ever in the history of humanity, we depend on other distant parts of the world to do their part, whether it is producing the food we eat, running the ships in which it travels with expensive refrigeration, and accepting some form of global payment that keeps the machine flowing. But no machine is perfect. As we make our systems more complex and we link each part tighter, we become subject to the possibility of the very web unraveling and leaving us isolated unprepared for autarky.

Much of these systems depend on functioning institutions. In an interesting paradox, the globalized system depends more than ever on rules and organizations

able to enforce them. Markets need states to safeguard them and this is as true in the 21st C. as it was in the 16th. The increased risk of environmental and public health catastrophes also makes the coordinating functions of state more evident. Levees will not build and maintain themselves. Private actors will not control epidemics through individual incentives. Even as they have lost some of their autonomy to global forces, states remain critical for assuring the delivery of services, for controlling violence, and for certifying personal identities. Yet contemporary states live in a paradox: as they are hemmed in by forces out of their control, the demands placed on them grow exponentially. So, as globalization re-distributes work and income throughout the world, citizens demand more protection from their governments. The question of "Who Rules?" remains critical for any social system, from the individual city to the global web.

Partly a product of globalization, partly the inheritance of 10,000 years of collective life, inequality has become an even greater problem for all societies. Inequality among societies is not only an ethical concern, but one that makes global cooperation on issues such as climate change very difficult. This inequity in turn produces a flow of human beings seeking better lives in areas where they might not be welcomed. Domestic inequality also makes governing even small territories difficult as the costs and benefits of rule are not evenly distributed. Inequality is a particular challenge because it is partly a matter of perception. Even if the past 50 years have seen a dramatic increase in life expectancy across the planet, they have also made the inequities among and within societies ever more visible. Furthermore, traditional mechanisms employed by national states by which societies abated inequality may be nowadays ineffective if not counterproductive.

## **"WE HAVE BUILT A STYLE OF LIFE FOR MANY, BUT CERTAINLY NOT ALL."**

Finally, while some claim that world has become much more peaceful, the form of violence has merely changed. Where 100 years ago, we thought of violence in terms of massive organized conflict, now it takes a less aggregated and perhaps less organized form. The origin of violence may no longer be dressed as an enemy combatant, but that makes him or her harder to identify and deal with threats. When rental trucks become weapons of mass death, how do you police ALL traffic? When the forces of order are outgunned, how do you guarantee some rule of law? With human interactions becoming global, with rapid cultural change taking place; how do we create and learn new rules and norms that mitigate everyday conflict?

Indeed, the world has much to be anxious about. We have built a style of life for many (but certainly not all) that rivals that of aristocrats of the 19th C. But, very much like them, we fear that the rules of the world are changing and we wonder how much change we can accept and how much of the status quo can (or should) be kept. With this perspective in mind, we will now discuss how these challenges are playing out in Latin America.

## The Environment

We can divide the environmental challenges into those that are already apparent and those that will become more so through the 21st C. (World Bank, 2016) Among the former, the most obvious one is the pollution that mars many cities in Latin America. In many cases, this results not so much from industry as from the massive concentration in 1-2 urban areas in each country. This pollution can be both airborne, and arguably more important, also originates in the underdevelopment of sanitation infrastructure. In many Latin American cities, a quarter of the population has no access to potable water and developed sanitation and sewage. This remains a major public health hazard. The situation is becoming worse as droughts and their severity become more frequent and harsher. The changes in the precipitation are challenging what systems do exists by also introducing a variability that many of these systems cannot handle further eroding the quality of life or urban residents.

Away from the cities, deforestation and increases in temperature are also threatening the viability of communities. Deforestation continues to be a major problem throughout the region, but particularly in Brazil. Higher temperatures are also destroying the water systems of the Andes as they lead to disappearing glaciers. These higher temperatures are also associated with more frequent and more violent outbreaks of diseases.

For all of these, there is of course a great deal of variance in the region with the same pattern all over the globe: the poor and the marginal, whether urban or rural, suffer much more both measured from within and among levels of inequality. The poorest of the poor in Central America, for example, have the greatest danger of suffering from environmental challenges.

The continent is lucky in that the worst nightmare scenarios of global climate change are less relevant, with the obvious exception of Caribbean countries where rising sea levels represent an immediate problem. The changes in climate might also begin effecting the commodity basis of these countries' economies. Soybeans, for example, are sensitive to both climate changes and variability as is cattle ranching. Fruits and fisheries would also be negatively affected by climate change. South America is rich in the one material that looms large in climate catastrophe scenarios. The continent accounts for roughly 25% of the world's freshwater. Unfortunately, this is distributed very unevenly throughout the region. To the extent that water may become the prized commodity of the 21st C, the region will have yet another natural resource with which to bargain.

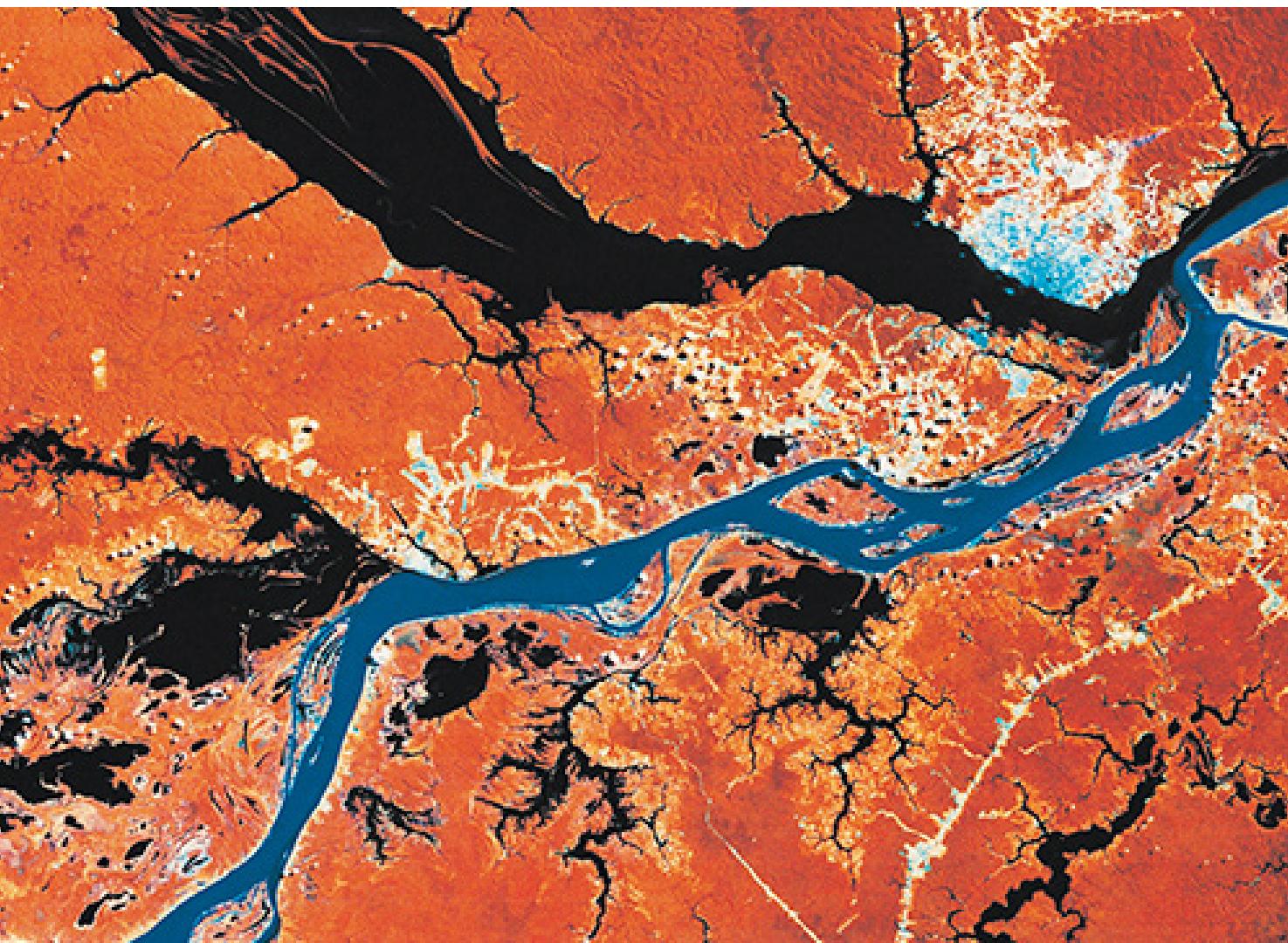
In general, Latin America may be spared some of the more nightmarish scenarios foreseen for Africa and much of southern Asia. However the risk of climate change cannot be measured purely by exposure, but also by the robustness of institutions to deal with it. Here, the region with its high urban concentrations and weak governance structures may have to deal with many more consequences than the purely organic models might predict.

## Human Systemic Risk

The natural environment is not the only threatened “eco-system” in the 21st C. Increasingly the world is connected through transfers of humans, merchandise, capital, and culture. More importantly, even the poorest nations are dependent on the continued flow through the global infrastructure, but a country’s dependence on the global web is highly correlated with its level of development (Centeno et al, 2015; World Bank 2017). Increasingly, we will need some indices that quantify dependence on the global web by domain and also location of origins and destinations. So, for example, most of Western Europe and East Asia is more tightly dependent on the continued flow of goods (especially food and fuel) than is the United States.

On the one hand, the region is in much better shape than most others around the globe. It certainly has the potential to “live off” its own resources. A breakdown in the global supply and demand would not leave the region permanently starving and thirsty. Because of its relatively marginal position in the world’s production chain, the region does not depend on complex trade flows to maintain its economy to the extent of East Asia or Western Europe. Among the middle-income economies, Latin America is distinguished by the relatively

Satellite view of the confluence of the Negro and Solimoes rivers flowing into the Amazon.



low percentage of GDP accounted for by trade (with Mexico being a prominent exception).

That apparent robustness, however, masks a structural fragility. The position of the region in the global trade system remains practically the same as it was in the 19th Century. With the exception of Mexico, every country's economy relies on the production of a small number of commodity products for export. While Brazil may highlight its production of Embraer jets, its foreign trade is still largely based on products with soybean, for example, accounting for nearly 1/10th of total trade. The situation in Argentina and Peru is even worse. In a paradox that theorists of dependency theory would not find surprising, the region as a whole exports a significant amount of crude oil, but is increasingly dependent on imports of refined gasoline. Similar stories can be told of a myriad of industrial and chemical products.

## **“INEQUALITY IS A HISTORICAL STIGMA, CONSTANTLY VISIBLE, THROUGHOUT ALL COUNTRIES IN THE REGION.”**

Remittances are another form of dependence on a continuing global system and these remain an important part of the economies of several countries. These are economies whose engagement in global trade is largely an exchange of human labor for wages in another currency. A breakdown in the flow of people and /or the flow of money would be devastating for many countries, and especially the Caribbean and Central America where this can represent up to 1/6th of GDP.

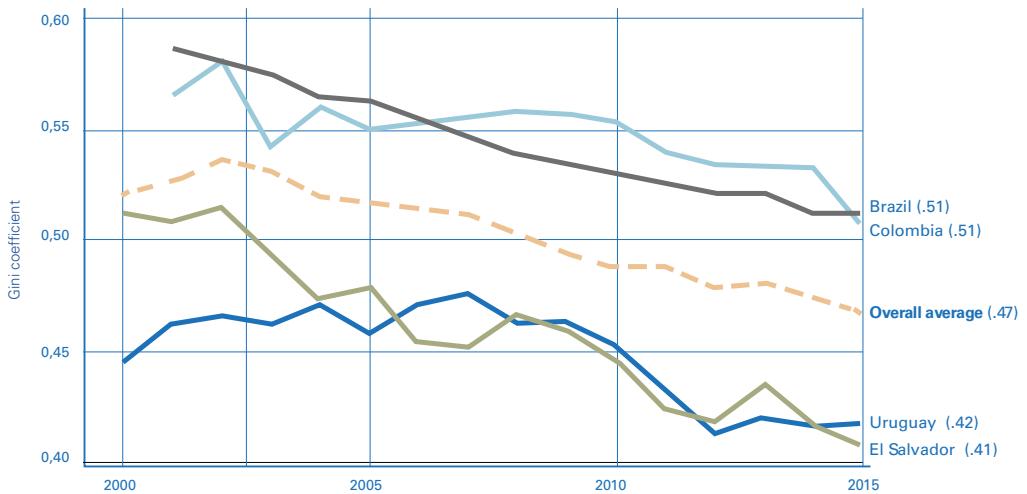
It is not only products that define the region's dependency. China and the United States represent an outsized share of the export markets in the region. Disruption in either of these political economies or breakdowns in the global trade infrastructure would severely constrain the delivery of exports and imports.

### **Inequality**

It seems historically inaccurate to single out inequality as one of the challenges Latin America faces towards the future. Inequality is a historical stigma, constantly visible, throughout all countries in the region. Why is inequality a defining characteristic of Latin America? One possible answer is that economic inequality is a self-reinforcing phenomenon that cannot be separated from its political consequences. As countries become more unequal, the political institutions they develop and the relative strength of different political actors might make economic inequality more durable. Modern Latin America was early on set on a path of inequality, and it has mostly been faithful to it. Therefore, the main challenge Latin America faces in terms of inequality might not be economic inequality per se but the capacity to keep access to political institutions broad and open enough so that the underprivileged can influence economic outcomes.

The last couple of decades in Latin America offer some hope on how inequality can be reduced, though it may not be enough to say that the region is set on a path that will finally make equality self-reinforcing. The 1990s was a decade where inequality increased overall in the region. The 2000s, however, achieved a rate of reduction in inequality unseen before (López-Calva & Lustig, 2010, see Figure 1). The establishment of cash-transfer programs explains in large part this important change, especially in the overall reduction of the GINI coefficient. In contrast to previous social policy in the region, these programs are targeted to the population with lowest incomes, thus achieving a direct impact on inequality by affecting the indicator we use to measure it: income. The most visible transfer programs because of their size and their measured impact were *Oportunidades* in Mexico, and *Bolsa Familia* in Brazil. However, similar programs were implemented in other countries throughout the region. Also, excluding important cases like Mexico, minimum wages were raised in most of the region during the same period, again affecting directly the income of the poorest.

### Inequality in Latin America, 2000-2015



Source: SEDLAC (CEDLAS and the World Bank), 2016

It is hard not to associate the reduction of inequality in Latin America with the election of left-wing governments in the early years of the current century (Huber, 2009). The establishment of democracy not only brought more stable political institutions, and less political violence, it also brought the opportunity for segments of the population that had been historically underrepresented to finally influence policy decisions. The cases of Bolivia with the election of Evo Morales, the *Frente Amplio* governments in Uruguay, the center-left coalition in

Chile and the *PT* in Brazil are some of the most prominent examples. However, stable organizations that substantially represent the underprivileged like labor unions are either weak or due to the historical exclusion of informal workers tend to represent another source of privilege, not of equalization.

The diminishing rate in the reduction of inequality for the 2010s is a bitter reminder that the relevant characteristic of the region is not only the prevalence of inequality, but also its durability. Even though cash-transfer programs may have put a dent in it, their effect is limited by the fact that after their initial success further coverage can only be marginal and increasing the value of the transfers might put too much pressure on public finances, as economists throughout the region have argued (Gasparini, 2016). This is especially true now since the ability of many Latin American countries to keep rates of economic growth stable has been put into question in the last couple of years. Furthermore, even though economic inequality is a highly visible aspect of inequality, and one that is constantly measured, it only illustrates indirectly other aspects of inequality. Stark differences in the quality and access to public goods like a healthy environment, comfortable housing, and other aspects that determine our overall quality of life might be even more important than just income inequality. As it is well known, Latin America is still highly unequal in all these other aspects.

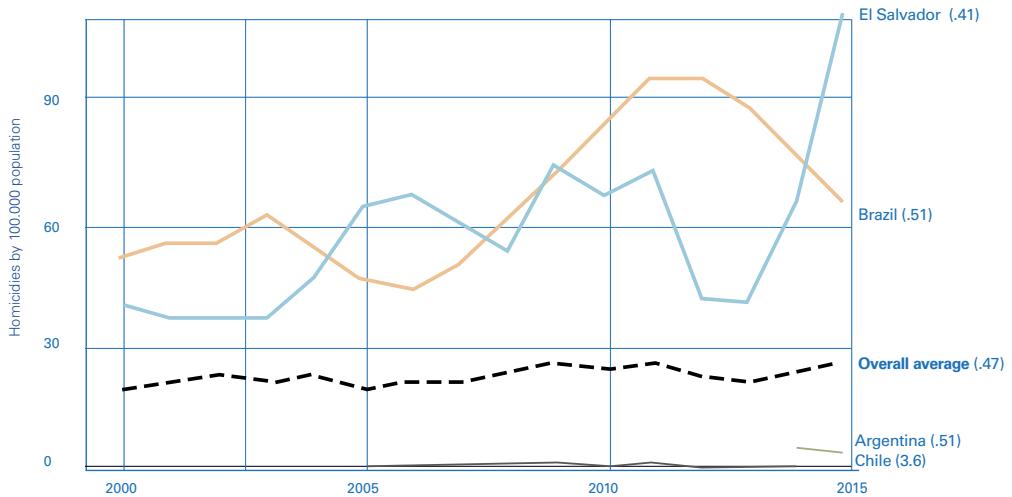
The combination of slower economic growth and persistent inequality is a source of anxiety for all political actors in the region. The political effect on the stabilization of inequality cannot be underestimated. People are directly affected by differences in income in terms of lifetime outcomes. However their perception of fairness and justice are also strongly linked to levels of inequality. Negative perceptions regarding the fairness of society are a source of anxiety for economic elites. They worry that populist politicians might come into office and wreak havoc to economic stability. At the same time, leftist parties and politicians worry that economic elites and international financial institutions will overreact to demands of redistribution by curtailing the ability of the underprivileged to influence policy. This anxiety filled context may lead to situations such as the current political turmoil in Brazil which should be a cautionary note for the rest of the region.

## Violence

There are two main challenges that Latin America currently faces in regard to violence. The first one is an increase in interpersonal violence throughout the region; and the second one is violence linked to organized crime, especially in areas that are relevant for drug related markets. The latter type of violence is constantly made visible by the media and it has become a source of *mano dura* policies with little respect for human rights, whereas it is the former, interpersonal violence that claims more victims every year in countries across the region.

There is great variation in national homicide rates within Latin America, and there is even more variation within countries (see Figure 2). Some countries like Honduras and El Salvador share the highest levels of homicides around the world, whereas others like Chile and Uruguay are among the lowest. Larger countries like Mexico, Brazil, Colombia, and Venezuela have regions where their homicide rates are comparable to those of Scandinavian countries, while at the same time they have locations with levels of violence reminiscent of the American wild-west.

### Homicides in Latin America, 2000-2015



Source: UNDOC, 2017

A large part of this variation is explained by social and demographic phenomena. The two characteristics that seem to be driving violence are demographic structures with bulges of young men, and an increasing participation of women in the labor market (Rivera, 2016). Though these large trends do not allow to pinpoint with precision the motivations behind increasing interpersonal violence, it is not far-fetched to make the link between violence, changing family structures, weakened state institutions, and the increasing presence of unsupervised young men. This absence of supervision or social control, either by traditional social institutions—i.e. the family—or modern institutions—i.e. schools and hospitals—, might also be the basis for increasing gender based violence, and the creation of gangs which may become attached to illegal activities.

The other important source of variation is not drug production or trafficking per se, but how governments deal with illegal drug markets (Lessing, 2012).

There are some countries that are ranked as large producers of drug-related products, but have little violence linked to them. On the other hand, there are other countries with small drug markets, or with territories exclusively used as trafficking routes, where there are high levels of violence associated to these activities. Governments sometimes confront, sometimes appease, and sometimes simply turn a blind eye to drug trafficking; each policy option leading to divergent outcomes in terms of violence.

## **“OVERALL, LATIN AMERICA STATES HAVE NOT BEEN ABLE TO MAKE ECONOMIC ACTIVITY PREDICTABLE FOR MOST OF THE POPULATION.”**

Nonetheless, even if structural sources of violence play an important role in explaining insecurity in Latin America, the perception many people have is that the main source of violence and crime is impunity. Everyday life in most countries in the region goes on with the expectation that the authorities will not be able to intervene when a robbery or homicide is committed, and once it is committed the expectation is that victims will not receive much help. Furthermore, perpetrators will most likely not be punished or if they are punished this punishment will be attenuated by their relative economic or political power. Though there have been important changes in the last few decades regarding the independence of judicial institutions and civilian control over the coercive apparatus of the state, the focus on impunity has sometimes led to “mano dura” policies that increase the arbitrary use of violence by the authorities against civilians, disregards due process, and frames human rights as obstacles that favor criminals. Paradoxically

A family member cries at the mass funeral of two murdered children in the Guatemalan town of San Juan de Sacatepéquez, February 14, 2017.





these policies do not end up displaying the stronger rule of law they offer, but to the contrary they make evident the weakness of states that anxiously use violence precisely because they can't control it. In this respect prospects are grim. Reflecting on the future, the region has to seriously reconsider the basic premises of what produces violence, and what controls it. It has to rethink both the role of the state and the role of society on what controls the use of violence in everyday life, and what exacerbates it.

## State Capacity

By any standard measure, the Latin American state is weak and fragile. Perhaps the most obvious indicator is the size of the percentage of the economy accounted for by the state. Whether measured in terms of revenue or expenditure, the Latin American states are small and broadly ineffective. Chile and Costa Rica are prominent exceptions, but in general the Latin American state may be described as a "hollow Leviathan".

Paradoxically, Latin American states do perform well in some of the functions associated with strong institutions. The region as a whole outperforms countries with similar wealth in providing some foundation of public health and educations. But in others (and notably monopoly over the means of violence as described above) Latin American government institutions are widely perceived as inadequate. Infrastructure is one area where the region underperforms based on its wealth. This creates a permanent obstacle to more sophisticated forms of economic development and also takes a toll on citizens relying on transport and communication services. The delivery of some services such as postal and garbage collection is very bad and has often been absorbed by private sector firms.

*Left:* A person detained for street violence enters jail.

*Right:* Contrast between Favelas and new buildings in Rio de Janeiro, Brazil.

One indication of the relative weakness of the state is the size of the informal economy. While some may argue that this serves as an economic dynamism, it also means that the state has a difficult time taxing much of the economic activity and also fails to protect workers. The enforcement of contracts is also a problem, as confidence in the courts remains low. A similar story could be told



of the public service in general where (with the exception of some islands of excellence such as Central Banks) standards are less than Weberian (Centeno et al., 2017). Corruption is a major problem and as in the case of Brazil over the past few years, a source not just of economic inefficiency, but a challenger to the legitimacy of government itself.

## **“ONE OF THE CENTRAL QUESTIONS THAT NEED TO BE ASKED REGARDING LATIN AMERICA’S FUTURE IS IF THE CONDITIONS THAT ALLOW FOR A STRENGTHENING OF STATES ARE PRESENT.”**

Thus, one of the central questions that need to be asked regarding Latin America’s future is if the conditions that allow for a strengthening of states are present. Some of these conditions are the product of the international context and some might be the product of domestic political coalitions. Therefore, the future is far from certain. On the one hand, it could be argued that increased and increasing globalization further diminishes the capacity of states to control fiscal policy, and thus redistribute wealth through services and social policy. On the other hand, rising globalization may allow for more opportunities for developing countries to turn commodity booms into sources of capitalization for local investment. Furthermore, criminal enterprises have expanded the access to international markets both as sellers (as in the case of drug-trafficking) and as buyers (as in the case of money laundering and arms), while international cooperation may allow for better coordination in the pursuit of transnational criminal organizations. The opportunities and restrictions globalization imposes on developing countries is a topic thoroughly discussed, though one aspect of it that receives little attention is the relative standing of national states vis-à-vis sub-national states and local political actors.

### **Conclusions**

Many of the challenges facing Latin America in the 21st Century are ones with which it has dealt since independence from Spain 200 years ago. The dependence on fragile trade relationships and primary products, the incessant violence, and inequality practically defined the region in the 19th Century. The fragility of the environment and the global web are new, but the outstanding challenge remains the same: the institutionalization of social order through the state. While the region may not be able to resolve all the challenges it faces, nothing can be done without the solidification of state capacity. Some states in Latin America might be better than others with regards to their performance in terms of the provision of certain services, or the implementation of particular policies. However, the type of solidification in dire need is one that makes both state and society more regular and predictable. Everyday, Latin Americans make use of their

ingenuity in order to deal with the unexpected and irregular sources of violence, poverty, and environmental phenomena. However, individual ingenuity is costly when mostly directed at basic needs, and uncertainty has only increased with globalization and with the slow pace by which the world has met the challenge of human-made environmental changes.

Overall, Latin American states have not been able to make economic activity predictable for most of the population. Policies directed towards social inclusion have become less and less about building institutions that permanently help individuals deal with the uncertainties of the market, and more about providing minimal and intermittent relief to those in a situation of emergency. Likewise, most states throughout the region have not been able to control interpersonal violence and in some cases the state itself has become a source of increased violence. State action regarding basic social order instead of considering the structural sources of violence, is superficially interpreted as a "simple" problem of coercion. Paradoxically, this means that in a more uncertain world, instead of states becoming a source of stability and regularity, they have become an added source of uncertainty for everyday life. This paradox might be the greatest challenge Latin America has to face. Meeting the challenge implies that countries will need stronger states, not only for implementing specific policies, but more importantly for developing new ways to regularly deal with the increasing risks their populations are facing.

Violence against journalists is a serious problem in Mexico. A woman with 'no to silence' written on her face at a demonstration to end violence against journalists in Mexico.



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# >THE NEW ECONOMICS AND POLITICS OF GLOBALIZATION



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Image: An anti-Brexit demonstrator holding both the Union Jack and European Union flags outside the Houses of Parliament in London, U.K.



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# >THE NEW ECONOMICS AND POLITICS OF GLOBALIZATION

**The Liberal International Economic Order, whose creation and operation defined the post-War period in trade and finance, appears to be entering a period of great uncertainty. This chapter, focusing in particular on international trade, seeks to identify the sources of this change in fundamental changes in the underlying economies of the core members of this order (the transition from an industrial to a post-industrial economy and the globalization of production structures) and the domestic and international political foundations of that order (domestically the rise of anti-globalist populism, and internationally the emergence of China as a global superpower).**

*There's something happening here,  
What it is ain't exactly clear*

Stephen Stills (1966) "For What It's Worth"

After something like 70 years that involved the creation, expansion and consolidation of a global Liberal international economic order (LIEO), we seem to be entering a period of heightened uncertainty about the future of that system. The Doha round is no closer to completion than it was in November 2001 (when the Doha ministerial occurred), two major regional agreements seeking deeper economic integration appear to have stalled (the Transatlantic Trade and Investment Partnership [TTIP] and the Trans-Pacific Partnership [TPP]), and perhaps most striking of all, the UK has started the process of withdrawing from the European Union (potentially undermining the *United Kingdom*). These events have been associated (one way or another) with the rise of anti-globalist populism in virtually all the core countries of the LIEO. It is far from certain that these current events constitute a fundamental change in the underlying dynamic of globalization, or even if the economic and political events are causally related, but such links are sufficiently plausible that it is worth considering them in some more detail.

Before turning to that task, however, it behooves us to remember just how great a success the post-Depression/post-War LIEO has been. It is now well-understood that protection (and the Hawley-Smoot tariff in particular) did not cause the depression (Eichengreen, 1989), but it is equally well-understood that international trade was a key handmaiden of the catch-up growth that

characterized the early post-War period in Europe (Eichengreen, 2007). Whereas the first wave of modern globalization relied on weak democratic constraint in core countries, the LIEO of the post-Depression/Post-War period was integrated with democratic constraint via the expanded welfare states in the core countries (Bordo *et al.*, 1999, Ruggie, 1982). In the early post-War years, this was primarily a story about trade. Liberalization of capital controls in the core countries was really only widely adopted in the 1980s, and international migration flows only began to approach those of the late-19th century in the second decade of the 21st century. By contrast, the institutional foundation of Liberal trade, and that trade itself, was extended to more-and-more countries and more-and-more commodities. Over this same time, the institutions supporting Liberal trade evolved to provide increasingly rule-based trading relations (Jackson, 2000, 2006, Weiler, 2001). The jewel in the crown of this system is the institutional structure, particularly the dispute settlement mechanism, created in the Uruguay Round, but legalization extends much more generally (Lang and Scott, 2009, Palmeter, 2000). Perhaps surprisingly, in the face of increased opposition to the LIEO, there have been, as yet, no reversals of commitment to that order.

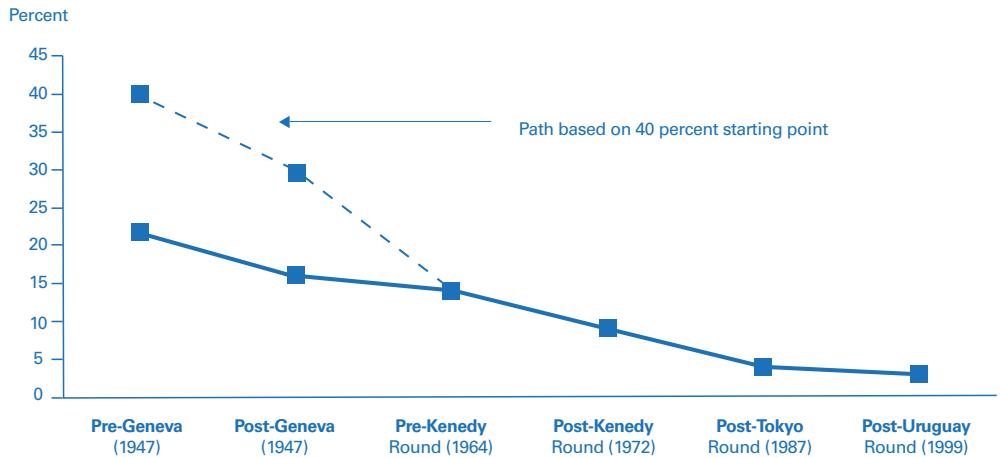
The case for the existence of a fundamental change in the political-economy of globalization runs through both economic and political change. I will briefly discuss each of those and conclude with some speculation on the future of liberal globalization. In all of this I will focus primarily on international trade.

What Changed?

## The Economics

Given the wartime destruction and post-War reconstruction via catch-up to the (primarily North American) technological frontier, the pre-War tariff schedules of the core economies were no longer tightly related to their underlying economies and political-economies. This meant that tariff reduction could be relatively easy. However, the continuing dominance of pre-War elites, and their protectionist policy attitudes, meant that this low-hanging fruit was not so easily harvested. This problem was offset in two ways. Perhaps most importantly, trade policy was associated with Cold War foreign policy. This allowed trade policy to be carried out as a technocratic task associated with the core foreign policy role of the state, and not as a part of the public politics of an electoral democracy. In addition, the technocratic task was conceptualized in terms of “exchange of substantially equivalent concessions”. That is, the logic underlying liberalization was mercantilist, which was politically easier to sell to legislatures still used to viewing trade in those terms. As a result, the core countries reduced tariffs considerably through the first four rounds of GATT negotiations (Bown and Irwin, 2016)—see figure 1.

## Path of Average Pre-Geneva to Post-Uruguay Round Path of Average Pre-Geneva to Post-Uruguay Round



However, early success in tariff cutting in the core, and the strong association of the GATT process with the cold war led to increasing pressure to, in language used to identify problematic dynamics in the European integration programme, broaden (extend standard disciplines to new commodities and to non-core countries) and deepen (extend GATT disciplines to non-tariff barriers). From the Kennedy Round forward, the latter involved increasingly “constitutional” issues. While this process eventually resulted in the creation of the WTO, especially in the context of an increasingly diverse membership, the traditional approach to multilateral management of the system via Rounds, increasingly focused on constitutional issues, and quasi-judicial management away from the Rounds, has appeared to be increasingly exhausted. With low tariffs in the core, and a commitment to permit deviations from WTO disciplines away from the core, the potential gains from traditional negotiations are modest. With respect to constitutional and non-tariff issues, the method of exchange of concessions is less applicable.

The GATT/WTO system was constructed by a group of core governments that, while differing widely among themselves, were characterized by a set of fundamental similarities: they were all: capitalist democracies, constructing welfare states, built on industrial economies. I will discuss changes to the democratic welfare state below, here I consider changes in the *industrial* economies. All the original core members of the GATT/WTO system were what, at the time and for many years after, were called “advanced industrial economies” (often just “AICs”). During the early GATT years, negotiations

focused on reducing tariffs on manufactured goods (agricultural goods were excluded by the core countries for domestic political reasons), and developing countries were excused from most GATT disciplines under the belief that they required “special and differential” treatment (Irwin *et al.*, 2008, Subramanian and Wei, 2007). Because all of the core countries viewed manufactures as fundamental to their own macroeconomic dynamic, and the broad sector in which they possessed strong comparative advantage, exchange of concessions on manufactures trade was relatively easy. The GATT process was rendered even easier by the fact that much of the trade within the core was intra-core (minimizing “leakage” to non-core economies), by intra-industry. The latter not only made comparison of concession magnitudes even easier, but was believed to have lower adjustment costs than inter-industry tariff cuts. We have already noted that the exhaustion of the relatively easy liberalizations associated with the early Rounds made negotiations more difficult, we now note that transformation of the core economies constitutes an even more fundamental challenge. We focus here on two major changes in the economic context of trade negotiation: post-modernization of the core; and the emergence of generalized global production.

## **“THE ECONOMIC CORE OF POST-MODERNIZATION IS THE TRANSITION TO AN ECONOMY WHOSE FUNDAMENTAL DYNAMIC IS DRIVEN BY THE SERVICE SECTOR.”**

Like the transition from an agrarian to an industrial political-economy, the transition to a post-industrial political economy is complex and completely disturbing to the social, political and economic arrangements of the industrial political-economy. These challenges would be difficult to manage in a closed economy, but the intimate relationship between post-modernization and globalization has made the politics of globalization both confusing and incendiary. The economic core of post-modernization is the transition to an economy whose fundamental dynamic is driven by the service sector, reflected in part by an increased share of employment in that sector. This is driven by technologies that permit more efficient (labor-saving) production of manufactures, but is supported and accelerated by technologies that permit extensive global sourcing. That is, industrial employment is reduced on both the local efficiency and the global outsourcing margins. While this certainly promotes a shift in the economies of the LIEO core to service production in which those economies have a comparative advantage, with all the benefits in terms of aggregate income emphasized by trade economists, the shift from manufacturing to services involves adjustment costs that are both larger and less well understood than the shifts within manufacturing that characterize adjustment to earlier liberalizations.

Just as services are essential to the post-Modern economy in general, they are essential to the post-Modern *global* economy and the relationship of the core trading economies to the global economy. The fundamental problem is that services are not well-enough understood, and certainly not well-enough measured, to be treated under the exchange of concessions mechanism that worked so well for trade in manufactures (Francois and Hoekman, 2010). This would be problematic even if the main barriers to trade in services were tariff barriers, but a more fundamental problem derives from the fact that the main barriers to integration of global service markets are not generally trade barriers at all, but national regulations adopted for reasons more or less unrelated to trade policy. Thus, not surprisingly, the Uruguay round, so successful in advancing the programme of creating a legal framework for trade in manufactured goods, was unable even to agree on what “trade in services” meant exactly (Drake and Nicolaïdis, 1992, Panizzon *et al.*, 2008). The service agreement (GATS—the General Agreement on Trade in Services), which identifies four “modes” of trade in services, while technically part of the single-undertaking involved only very weak commitments (Adlung and Roy, 2005, Borchert *et al.*, 2014, Hoekman, 1996) (see Table 1).

#### EXAMPLE OF A GATS SCHEDULE OF SPECIFIC COMMITMENTS FOR A GIVEN SERVICE ACTIVITY

<b>Mode of supply Conditions and limitations on market access</b>	Conditions and limitations on market access	Conditions and qualifications on national treatment	Additional commitments
<b>1. Cross-border</b>	Commercial presence required	Unbond	
<b>2. Consumption abroad</b>	None	None	
<b>3. Commercial presence (FDI)</b>	25% of management to be nationals	Unbond	Establishment of an independent regulator
<b>4. Temporary entry of natural persons</b>	Unbond, except as indicated in horizontal commitments	Unbond, except as indicated in horizontal commitment	

**Notes:** “None” ??? no exceptions are maintained—that is, a bound commitment not to apply any measures that are inconsistent with market access or national treatment. “Unbond” implies no commitment of any kind has been made.

The archetypal Modern firm was large and concentrated production to take advantage of economies of “scale and scope” (Chandler, 1977, 1994). This concentration economized on transportation costs but, more importantly, allowed management to control complex processes in an efficient way by taking advantage of advances in the use of information (Yates, 1989). The exports of these large concentrated firms were the focus of the early rounds of GATT negotiations. Advances in both transportation and information/communication technology,

also the foundation of the post-Modern economy more generally, have worked to transform global trading relations. These technologies have permitted both the emergence of small, flexible firms, primarily in service sectors (Rajan and Zingales, 2000, 2001) and the emergence and rapid expansion of very large firms engaged in fully global production and distribution (Baldwin, 2016). As Baldwin (2014) argues, this changes the context of the trade regime in a fundamental way. Where trade was primarily in finished (or finished intermediate) goods, sold at arm's length, tariff reduction (and reduction in other barriers to trade in those goods) was the key goal of those seeking a LIEO. However, when the goal of firms is to construct a global production structure, an essential part of such a strategy is to apply proprietary technology (product, process and managerial) to a corporate strategy involving a complex mix of exporting, direct investment and arm's length contracting (here as part of the overall production process, not the final exchange of a product). Thus, the need is less for free exchange of commodities, but the creation of an environment in which finance, services, information, and intermediate inputs to production can be exchanged efficiently and securely. While the firms engaged in global organization of production still have an interest in traditional trade policy disciplines, they are much more interested in an environment with good protection of property rights, reliable communication, and consistent, market-conforming regulatory environments. Because the WTO is not, and probably cannot be, focused on these issues, they are being sought through deep preferential trade agreements, whose consistency with the multilateral order is unclear.

The third major shock to the global economy, along with post-Modernization and fully global production, is the emergence of China as a great political and economic power. Following decades of aggressively egalitarian and anti-market policy, China began to reform its economy in the very late-1970s, with more thoroughgoing encouragement of market-oriented policies in the late-1980s and 1990s, ultimately involving accession to the WTO in December 2001 (Brandt and Rawski, 2008, Naughton, 2017). This resulted in literally unprecedented growth—averaging 9.7% per year from 1978 through 2016 (World Bank data online). This was accompanied by a major transformation of the economy as China became the largest manufacturing economy and the largest exporter in the world, with much

The largest continent on the planet is completely different from what it was 20 or 30 years ago. There are dynamic urban centers with millions of inhabitants and unlimited business opportunities.



of this increase coming in the last decade. As with Europe's growth following the Second World War, international trade played a major role in supporting that transition. However, as was also the case with other high growth economies in transition (primarily in Asia and Eastern Europe), and unlike the case of post-War Europe, much of this export growth was associated with participation in global value chains anchored on the US, Europe or Japan (Baldwin, 2016). Thus, post-Modernization, global value chains, and Chinese export growth are all part of a single complex that is transforming both national and global political-economies. Not only do each of these involve pressure to adjust in fundamental ways in both the national and international economies, but the complex relationship between them raises difficult questions about what form such adjustment should take. Not surprisingly, these economic pressures interact with changed political circumstances to make the future even more uncertain.

## The Politics

One of the keys to post-War liberalization was the general acceptance of trade policy as a component of Cold War foreign policy (Nelson, 1989). That, along with support for deeper integration in Europe, the creation of a general LIEO (anchored on the Bretton Woods institutions and the GATT), were seen as fundamentally political, not fundamentally economic. As such, domestically it was dominated by the Executive and treated as an essentially technocratic policy, not part of general partisan competition. Furthermore, in the U.S. House of Representatives, trade legislation was handled by the Committee on Ways and Means which, at the time, was dominated by centrists. The association of increasingly Liberal trade with the strong economic performance of the post-War "Golden Age" led to a broad acceptance of economic, as well as political, arguments in favor of Liberal trade by political elites. With the end of the Cold War and the collapse of Congressional system for managing trade, in particular the weakening of Ways & Means in the face of the twin shocks of a post-Watergate reform revolt and the public humiliation of Chair Wilbur Mills, this broad elite consensus, along with continued Executive commitment, sustained political support for the programme of trade liberalization through the multilateral GATT, and then WTO, process. That Executive commitment reached a high point under Jimmy Carter, and his Trade Representative Robert Strauss, but has declined since then—generally more rapidly under Republican Presidents than Democrats. In the absence of the Cold War, the institutional protection of trade in Congress, and an Executive committed to the multilateral liberalization process, it has proven difficult to provide leadership for the WTO process facing the challenges identified in the previous section.

It is an axiom of political economic analysis that material (i.e. economic) well-being, and changes therein, are the fundamental drivers of politics (politics over economic issues such as globalization and post-Modernization). This axiom certainly draws credibility from the rhetoric around the public politics of those issues. More

specifically, as far as the public politics of globalization and post-Modernization are concerned, the primary measure of the costs and benefits of economic change, and policies responding to such change, is labor market performance—their effects on employment and wages. In evaluating these effects, it is important to distinguish between the long-term, structural, effects of such changes and the short-term, adjustment, effects. The former should inform structural policies (e.g. trade policies) while the latter should inform strategies to cope with adjustment costs.

In labor markets of the post-War Golden Age, moderately educated, primarily white, male, workers found manufacturing employment at wages that could support a middle-class lifestyle. Extensive unionization and strong growth in the leading manufactured goods sectors underwrote high wages and job stability. Additionally, the development of the welfare state promised income insurance in the face of economic downturn. This is the compromise of “embedded Liberalism” that many in the post-War era believed had found a way to balance the demands of capitalism and democracy (Blyth, 2002, Shonfield, 1965). At the international level, this involved a balance between sovereignty and interdependence (Finlayson and Zacher, 1981, Ruggie, 1982). The maintenance of these balances meant that there was little political interest in opposition to a broadly market conforming domestic economic policy or a relatively tight link between the domestic economy and the global economy. A breakdown in either of those balances could call the entire system into question. Thus, just as the complex of factors discussed above (post-Modernization, global production, and China) have made the functioning of the multilateral system more difficult, they have also changed the political environment within which that system operates.

Instead of core labor being concentrated in industrial production, as in the Modern labor market, the post-Modern labor market tends to be divided into skilled and unskilled service labor (Emmenegger, 2012). In both cases, labor needs to be flexible in the face of changing demands, with skilled service labor requiring general skills that can be applied across a wide range of sectors, and unskilled service labor filling relatively short-tenure jobs that require little in the way of specialized skill (Wren, 2013). The former jobs pay a premium, while the latter do not and the rising demand for general skills is having a significant effect on the income distribution (Autor, 2014, Goos *et al.*, 2014, Michaels *et al.*, 2013). Post-Modernization thus hits the low-skill middle class in two ways: rising productivity allows firms to substitute capital for labor in manufacturing, resulting in a relatively constant output of manufactures while the share of labor in manufacturing has dropped dramatically; and the jobs available for those workers are relatively low-paid service jobs. Furthermore, given that service jobs, both low and high skilled, generally have a minimal requirement of brute strength, women have been increasingly able to compete on equal terms with men for such jobs (Iversen and Rosenbluth, 2010). On the one hand, this has resisted the rise in household inequality as the two-income household has increasingly become the norm, but

on the other hand, men have found themselves in much more competitive labor markets. Finally, whether high or low skilled, the post-Modern labor market is characterized by considerable uncertainty as well (Brown *et al.*, 2006).

It is possible that unions and welfare states could have resisted trends like these, but both of these institutions have been buffeted by post-Modernization and politics. Unions are at their strongest when workers with similar labor market traits are concentrated in large workplaces and governments are broadly supportive. We have already noted that fewer and fewer workers are employed in such workplaces, as service jobs involve smaller firms with more flexible workforces, while the large firms that remain are increasingly characterized by global workforces. Neither of these make union organization easier. In principle, union decline could be resisted if governments were committed to supporting

## **“THE POST-MODERN LABOR MARKET TENDS TO BE DIVIDED INTO SKILLED AND UNSKILLED SERVICE LABOR.”**

them, but the reverse has been more common throughout the (post-)industrial world. There is a broad, though perhaps not terribly deep, consensus among economists that the fundamental driver of post-Modernization is technological change, though it is clear that, as with the post-War Golden Age, globalization has played an important supporting role (Desjonqueres *et al.*, 1999, Van Reenen, 2011).

Where the literature on the economic effects of post-Modernization is overwhelmingly focused on structural consequences (e.g. changes in national income and its distribution) and very little concern with adjustment, the literature on response to globalization (trade and migration in particular) includes extensive research on both structural change and adjustment, though it is not always clear in the presentation of research to which of these a given piece of research speaks. In thinking about the labor market effects of trade, we need to distinguish between two sorts of shock: a large increase in trade with low wage countries; and a change in the structure of trading relations (i.e. the dramatic increase in global organization of production). The standard textbook account of a national economy's response to a change in trading conditions contains the main tools needed to understand the structural (i.e. long-run) effects associated with the first of these shocks.<sup>1</sup> Since 1990, the core (post-)industrial economies have seen sizable falls in the relative price of manufactured goods exported by developing and transition economies and these have been associated with large increases in the volume of imports from those countries (Krugman, 2008, see text around figures 1 and 7). Since these goods would have been importables before the 1990s, and thus these price changes do not involve a negative terms-of-trade shock, the effect on national income should be strongly positive. That

is, the rich countries get a price cut for the goods they are importing and can specialize even more in production of their exportables. Of course, the same models that underwrite this conclusion also tend to suggest that there could be sizable distributional effects from factors used intensively in the production of importables to factors used intensively in the production of exportables.<sup>2</sup> In fact, this relationship underlies much of the research on the political economy of trade policy. While most attempts to measure the size of this effect produce rather small numbers, something in the neighborhood of 10-20% of the rise in the skill premium as of 2006, Krugman (2008) has pointed out that these estimates are based on data that are both too short to convincingly allow the adjustment to the long-run implied by the theory and too early to incorporate the large increases in imports from developing countries and countries in transition.

In the same paper, Krugman (2008) makes the valuable point that the global organization of production has made the analysis more difficult. The construction of price series and implicit factor flows proceeds from industry definitions that involve a relatively high degree of aggregation. What this means is that we may observe considerable north-south intra-industry/intra-firm trade in goods whose production, in fact, use quite different input combinations (i.e. are actually different commodities). This, then interferes with empirical inference based on the standard model. On the one hand, in terms of a multi-cone version of the standard model, this implies equilibrium relative factor price differences (that is, trade with economies with quite different relative factor prices need not imply any pressure for factor-price equalization); but, on the other hand, if one is thinking in terms of implicit trade in factors, the implicit flow of unskilled labor may be considerably larger than we are usually estimating.<sup>3</sup> Thus, at least at this point, while the direction of the effect of trade on the skill premium seems unproblematic, the magnitude is far from clear. Furthermore, given that the rich, core economies have adjusted to the price changes/trade volumes in question, any reversal of those changes would produce a new round of redistributions (and a fall in aggregate income). Before turning to the issue of adjustment, we

Women in a textile factory in the Anhui province, east China, work long hours and are poorly paid.



should note a different effect of globally organized production. Baldwin (2016) argues that the new millennium has witnessed the emergence of a qualitatively new globalization—Baldwin’s “second-unbundling”—associated with global organization of production involving construction of value chains that involve exchange of northern technology for less expensive southern inputs. While this is essentially consistent with the Krugman story we have just noted, it also implies a more unstable allocation of tasks across the global economy, affecting both skilled and unskilled workers. Along with, and to a considerable extent indistinguishable from, post-Modernization, the 21st Century labor markets are likely to be characterized by declining returns to unskilled work and greater employment/income uncertainty throughout the value chain/task structure. As we shall see below, this could create a foundation for the emergence of populist political movements.

## “WHILE THE DIRECTION OF THE EFFECT OF TRADE ON THE SKILL PREMIUM SEEMS UNPROBLEMATIC, THE MAGNITUDE IS FAR FROM CLEAR.”

One of the difficulties of learning from research on trade and labor markets is the, more-or-less unrecognized, difference between trade and labor economists in the focus of their research. Not only does this difference, and the fact that it is unrecognized by trade and labor economists, lead to miscommunication between professional economists, but it is also confusing to consumers of that research. In simple terms, trade economists tend to focus on long-run structural questions, while labor economists focus on adjustment problems. While it is widely understood among economists of all flavors that structural policy (e.g. trade policy) is an inappropriate response to adjustment problems, it is unquestionably the case that adjustment problems are far more politically significant than long-run, Stolper-Samuelson type, distributional issues. A sizable literature on adjustment developed in response to the trade shocks in the 1980s showing, among other things, that these adjustment costs are heterogeneous across sectors and workers, falling particularly hard on older workers in declining sectors (e.g. Kletzer, 2002). As concerns with Japan, and the “Newly Industrialized Countries” (the NICs) faded, so did research on this topic, but it came back with renewed strength in the face of China’s entry into the world trading system as a major participant. With better data and more modern econometric techniques, and a “China shock” of literally unprecedented magnitude, labor economists have been able to compellingly identify large adjustment costs (Autor *et al.*, 2016a). Much of the rhetoric around this work suggests that the consensus in the research on the 1980s shows that trade was not a major source of the long-run rise in the skill-premium (i.e. the long-run fall in return to unskilled labor),

was wrong. Unfortunately, that conclusion rests, first and foremost, on a simple confusion: the earlier conclusion was about a long-run fall in the skill-premium, the current work speaks to potentially large adjustment costs between long-run equilibria. The point is not that these adjustment costs are insignificant. Far from it. As with job and income loss of any kind, these costs are highly significant to the people experiencing them. Furthermore, given that these adjustments are essential to reaping any gains from trade, the recognition that the people bearing the costs are precisely the people generating the gains, creates a sound normative case for adjustment assistance. That is, there is no moral system I can think of that provides a warrant for punishing the small group of people who underwrite a gain to the many.

## “WHETHER HIGH OR LOW SKILLED THE POST-MODERN LABOUR MARKET IS CHARACTERISED BY CONSIDERABLE UNCERTAINTY.”

Unfortunately, moral arguments of this sort are rarely politically effective. However, the implications of deteriorating income distribution and increased job risk for political stability are a matter of general concern. In recent years, anti-globalist populist movements have achieved striking success. While the roots of these movements appear to be more associated with the dislocations associated with post-Modernization, the electoral success of these movements does appear to be associated with large trade shocks, the China shock in particular (Autor *et al.*, 2016b, Colantone and Stanig, 2017, Jensen *et al.*, 2017, Rodrik, 2017). As with our discussion of structural and adjustment issues in the economic response to trade shocks, it is important to be clear that this work shows a link between political activity (primarily right-wing populist activity) and adjustment to the China shock, not changes in the long-run structure of the economy. The problem from a political perspective is that it has proven essentially impossible to compellingly distinguish between these two sources of change. It is certainly the case that the rise of right-wing populism precedes Baldwin’s (2016) second unbundling by more than a decade and seems to be more associated with post-Modernization than globalization (Iversen and Cusack, 2000, Iversen, 2005). Furthermore, the link between change in economic status and participation in populist politics is not terribly strong (Inglehart and Norris, 2016, Mudde, 2007). Unfortunately, a foreign threat is always a better political foil than technological change. In the past, and independent of the source of social, political and economic stress, relatively unskilled workers were more protected by unions and welfare states, but both of these institutions have been weakened by post-Modernization and globalization. Furthermore, both of these institutions were organically related to Modernism and, with the passing of the Modern age, it is not at all clear that these could be simply reconstructed even if there was the political will to do so.

## Where Are We Going?

The international political economy that has delivered ¾ of a century of peace and prosperity to the countries that constitute its core is at a transitional moment. In the global and national political economies that make up the system face political and economic challenges driven, in large measure, by a fundamental transformation of the Modern industrial economy on which those political economies were built. Some of these challenges are manifested in adjustments to change in the global economic relations that played a major role in that order. The experience of the inter-War years reminds us that, while globalization is reversible, the consequences of such reversal are, at a minimum, unpredictable and, more than likely, dire. In addition to the challenges that stem from structural changes in the economy and the effect of those changes on the political arrangements that supported the embedded Liberalism of the post-War LIEO, we face, for the first time since the end of the First World War, the question of whether the system must also deal with a collapse of leadership. In the earlier period, Britain was no longer capable of providing such leadership and the US, the only nation with the political and economic capacity to take up that leadership, produced a vacuum that helped destroy the first Liberal globalization (Kindleberger, 1986, Skidelsky, 1976). While it is clear that collective commitment to a semi-legalized order is an effective substitute for hegemony, it is far from clear that such an order can survive withdrawal from that commitment by a nation with hegemonic capacity. The question here is whether Trumpism is an aberration that will be reversed, or whether it constitutes an ongoing threat of the kind posed by Britain in the inter-War period. Ironically, as it did in the inter-War years, Little Britain seeks to undermine the European Union, the other potential world power committed to domestic capitalism and democracy, and to global Liberalism. At the same time, as in the inter-War years, there is a rising power, China, which seems unready to take up fully the mantle of global leadership. In the case of China, there is also the question of its commitment to domestic capitalism and democracy, or to global Liberalism. The global Liberal order clearly needs to make room for China, but whether that order can survive China if the US and the EU turn their back on that order is very much in doubt. This is a period that needs leadership and we can only hope that such leadership comes from a new Roosevelt, and not a new Hitler or Stalin.

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- Source: Bown and Irwin (2016)

## Notes

- 1 Current research has dramatically expanded the textbook model to include monopolistic competition, firm heterogeneity and unemployment. The first two tend to increase gains from trade without much changing the analysis of distributional effects, while the latter makes the analysis more complex without fundamentally changing the main long-run message of the textbook model.
- 2 This is the implication of the Stolper-Samuelson (1941) theorem. This is a bit delicate. That theorem strictly applies to a world with 2 goods and 2 factors (the Heckscher-Ohlin-Samuelson model). With more goods and factors, dimensionality matters to the identity of the gainers and losers, and to whether the gains and losses are real –i.e. unambiguous relative to all prices of consumption goods (Ethier, 1984, Jones and Scheinkman, 1977). The key, in any case is the relative price change, not the volume of trade, though we would expect those to go together.
- 3 For what it's worth, I don't find the use of factor flows particularly compelling. In addition to the problems raised by Leamer (2000) and Panagariya (2000), Francois and Nelson (2017) argue that the inference engine developed by Staiger and Deardorff (Deardorff, 2000, Deardorff and Staiger, 1988) fails a simple check of the empirical validity of the key causal link in that inference engine.

## >ADVANCED TECH, BUT GROWTH SLOW AND UNEQUAL: PARADOXES AND POLICIES



Share

Image: A technician checks a metal 3D printer at the Platinium 3D scientific and technology platform in Charleville-Mezieres, northeastern France.



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## >ADVANCED TECH, BUT GROWTH SLOW AND UNEQUAL: PARADOXES AND POLICIES

**Slowing productivity growth in major economies amid seemingly booming technology presents a paradox. Income inequality has been rising at the same time. Is there a nexus between technology, productivity, and distribution that explains these trends? Indeed so. Slowing productivity and rising inequality have important common drivers, with technological change and its interaction with market and policy failures playing a major cross-cutting role. The agenda to boost productivity and improve equity, often seen in terms of a trade-off, is positively interconnected in significant ways. It will require much innovation in policies to respond to the profound ways in which digital technologies are reshaping markets and work.**

Evidence of technological change, led by advances in digital technologies, is all around us. One must only bear witness to the increasing sophistication of cell phones and computer systems, digital platforms transforming information and communication, and expanding uses of robotics and artificial intelligence. Technology is a key engine of productivity growth, allowing humans to achieve ever higher levels of efficiency. How is it then, one might ask, that productivity growth has been slowing in major economies in the past few decades, just as these technologies boomed? What explains this apparent paradox?

Concurrently, income inequality has been rising in most major economies. The distribution of both labor and capital income has become more unequal, while income has shifted from labor to capital. Might these trends in productivity and inequality, which have been particularly marked in advanced economies, be interconnected?

The slowdown in productivity and the rise in income inequality have emerged as two dominant concerns of our times. Together, they contribute to weaker and exclusive economic growth, slower and unequally-shared rises in living standards, and societal woes and divisiveness. In fact, they are tied to the forces behind the recent rise of political populism seen in many major economies. How should policy respond to reinvigorate productivity and support a pattern of growth that is more inclusive?

This paper intends to address these questions, through the analysis of recent and ongoing research. These questions are rich in import and of considerable

topical interest. Unsurprisingly, they have spawned much analytical investigation and policy discussion. The aim of this short paper is to provide an overview of the key issues and findings, and demonstrate how they are reshaping policy agenda.

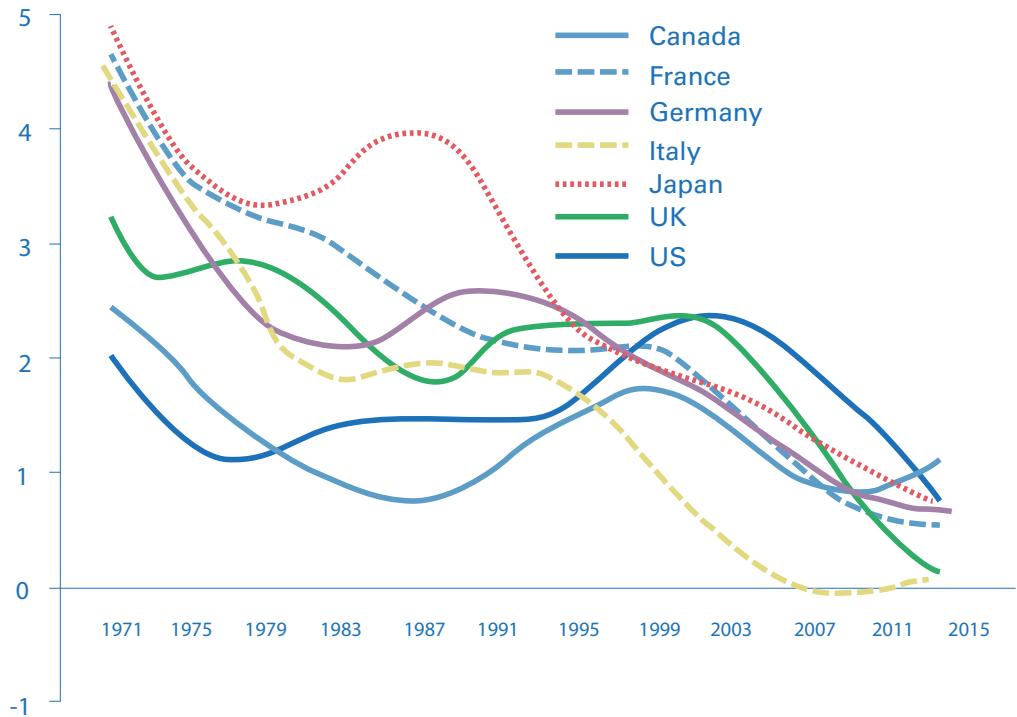
## **Booming Technology, Slowing Productivity, and Rising Inequality**

The last two-plus decades have been marked by a boom in digital technologies—advances in computer systems, mobile devices, communication platforms, robotics, and much more. How significant are these new technologies—in terms of their potential to boost productivity and economic growth? The answer is intensely debatable. At one end, we find the “techno-pessimists”: those who believe that today’s technological advancements are inherently less consequential than their predecessors and simply cannot bring the kind of economy-wide productivity and growth benefits that were brought by past technological breakthroughs, such as the internal combustion engine and electrification.<sup>2</sup> The pessimists also believe that most of the ‘fruit’ from these digital innovations was plucked back when they were first introduced, and subsequent advancements have predominantly been incremental. At the other end of the debate, we find “techno-optimists”: those who believe digital technologies are transformative, and do have potential to drive rapid productivity growth—their benefits are merely subject to lags; they come in waves.<sup>3</sup> Even if the advantages of the first wave of digital innovations are considered to have already been realized, the optimists deduce that productivity could continue benefiting from the next waves—such as radical increases in mobility from smartphones, cloud computing, 3D printing, artificial intelligence, and the Internet Of Things.

**“NEW TECHNOLOGIES ARE CONTRIBUTING TO INCREASED MARKET CONCENTRATION BY ALTERING THE STRUCTURE OF COMPETITION IN WAYS THAT PRODUCE “WINNER-TAKES-MOST” OUTCOMES.”**

The middle ground in this debate is occupied by “techno-adaptationists”: those who believe in the continuing promise of new technologies to deliver productivity gains, but recognize that the realization of these gains is not automatic, and can be thwarted by countless barriers. The gains depend on complementary improvements and adaptations in workforce skills, organizational structures, and policies affecting the functioning of markets.<sup>4</sup>

**Figure 1. Labor Productivity Growth in G7 Economies**  
**(Output per hour: annual percentage change)**



Source: *Baily and Montalbano (2016), OECD Productivity Statistics.*

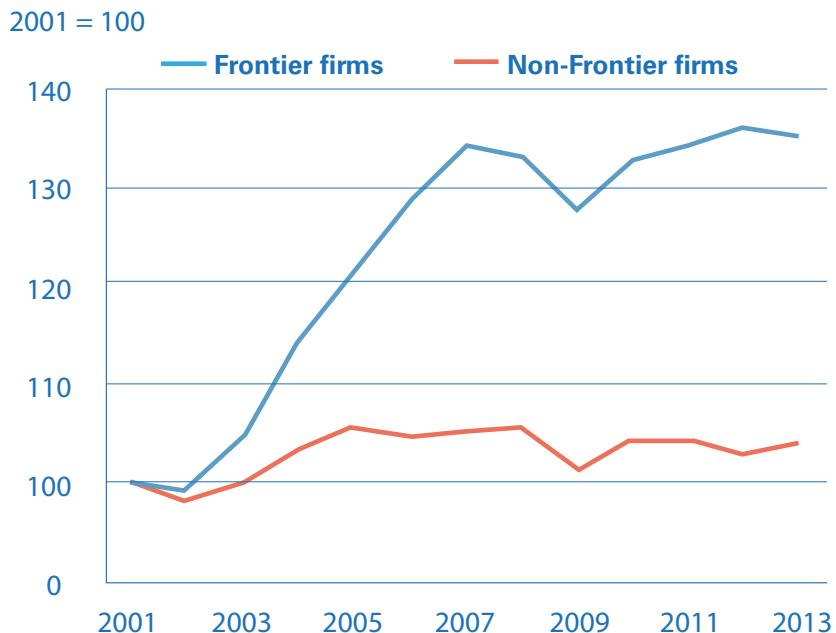
What do the data display? Aggregate productivity growth in most major economies has slowed. Figure 1 shows the evolution of labor productivity over the past three decades or so in the seven most advanced (G7) economies. The declining long-term trend in productivity growth since the 1980s is evident. Some economies experienced a rebound in productivity growth in the 1990s and early 2000s, which was principally a reflection from the adoption of digital innovations, where the United States was notably the leader. However, the rebound proved to be short-lived and productivity growth slumped again thereafter and the global financial crisis accentuated the slowdown. Although a cyclical element to the post-crisis deceleration of productivity growth can be observed, the productivity slowdown predates the crisis. The declining longer-term trend suggests that there are deeper, structural factors at play, which may have adversely impacted the underlying rate of productivity growth. While Figure 1 focuses on the G7 economies, productivity growth shows a similarly-slowing trend in advanced economies in general, and more recently a slowdown in most major emerging economies as well.<sup>5</sup>

Analysis of the productivity dynamics at the firm level provides further important insights. Productivity growth has generally slowed down —except in the leading technological firms. Gains have decelerated considerably in the vast majority of other, typically smaller firms, pulling the aggregate productivity rate lower. In Figure 2, a clear pattern of increasing inter-firm productivity divergence can be seen for the OECD economies.

## “THE SLOWDOWN IN PRODUCTIVITY GROWTH AND THE RISE IN INEQUALITY ARE INTERCONNECTED.”

The implication of this pattern can be summed up by the following: the problem may not be the technology itself, but rather its lack of penetration. It is not so much that innovation has weakened greatly (as feared by techno-pessimists), but that barriers are limiting productivity gains and preventing a broader diffusion of innovations across firms —a finding that is more akin to the views of techno-adaptationists. The widening gaps in productivity performance between firms go some way in explaining the paradox of slowing aggregate productivity growth amid advancing technology.

**Figure 2. Labor Productivity Growth in OECD Countries: Firm-Level Evidence**

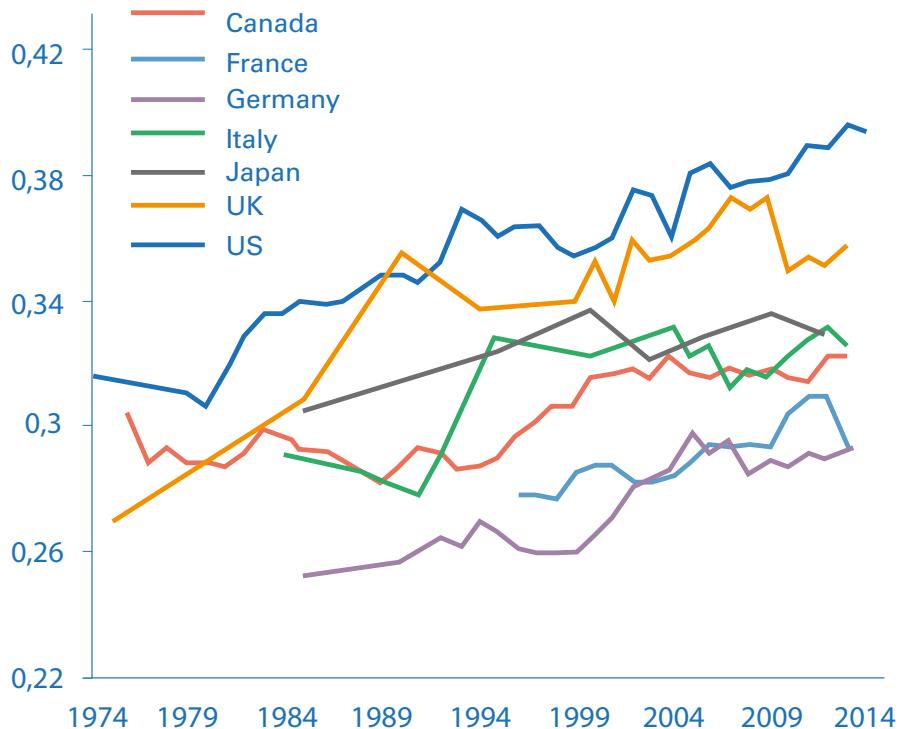


Source: Andrews et al. (2016), *OECD Productivity Statistics*. Frontier firms are top 5 percent firms with highest labor productivity within each two-digit industry. Data cover firms in 24 OECD countries.

One view on the productivity paradox that has gained some traction is the notion that it may be illusory. Productivity is underestimated—the argument states—because statistics fail to fully capture the true extent of the gains from the new technologies. The statistical data disregard the improvements in product quality, variety, and provision of goods and services that are proven valuable to consumers but do not carry a market price (such as Google searches). However, research finds that although gains from new technologies are indeed underestimated, this mismeasurement can only explain a relatively small part of the slowdown in economic gains.<sup>6</sup> For the most part, the productivity slowdown, and the ensuing paradox, are real.

Concurrently with productivity growth rates decreasing, income inequality has been increasing. Figure 3 shows the trend in the distribution of disposable income (post taxes and transfers) in the G7 economies. Inequality has risen in every single G7 economy since the 1980s. In many cases, inequality has risen particularly sharply at the top end of the income distribution. Again, while Figure 3 covers the G7 economies, the trend of rising inequality applies more broadly to advanced economies. The data are more varied in emerging economies, but many emerging economies also witnessed a rise in inequality over the same period.

**Figure 3. Rise in Income Inequality in G7 Economies  
(Gini Coefficient of Disposable Income)**



Source: OECD Income Distribution Database.

The concurrence of the slowdown in productivity growth and the rise in income inequality is vividly illustrated by the case of the United States. Labor productivity in the decade up to 2015 averaged less than half the growth rate of the mid-to late-1990s. Over the same period, income inequality, as measured by the broadest measure of inequality (the Gini coefficient), increased by more than 10 percent. The income share of the richest 1 percent has more than doubled since the early 1980s (to around 22 percent), with more than half of that increase occurring since the mid-1990s.

## **“BARRIERS TO A BROADER DIFFUSION OF THE NEW TECHNOLOGIES ARE PRODUCING OUTCOMES THAT ARE BOTH INEFFICIENT AND UNEQUAL.”**

Are these trends just coincident, parallel trends, or are they somehow connected by common factors? The slowdown in productivity and the rise in inequality have been the subject of intense scrutiny by economists, but much of the analysis has looked at them each in isolation. More recently, however, analysts have explored possible linkages between these trends. This research finds that the slowdown in productivity growth and the rise in inequality are interconnected, with important common drivers.<sup>7</sup>

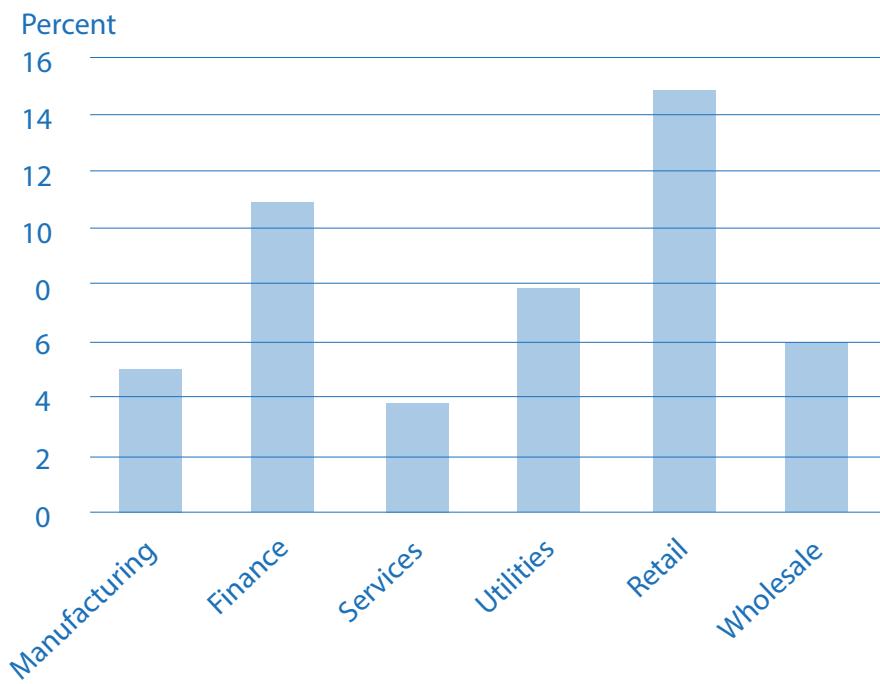
### **The Technology-Productivity-Distribution Nexus**

The mix of technological changes and market conditions as influenced by policies has been a vital cross-cutting factor, affecting the evolution of both productivity and income inequality. Technology, productivity, and distribution have been linked by a common nexus.

## **“TECHNOLOGY IS ALTERING THE ECONOMIC SETTING IN SIGNIFICANT WAYS”**

At its root, the productivity slowdown appears to reflect a growing inequality in productivity performance between leading firms and their smaller competitors. The benefits of new technologies have been captured, for the most part, by a relatively small number of larger firms. Aggregate productivity growth is slower in industries with wider inter-firm divergence in productivity. Barriers to a broader diffusion of the new technologies are producing outcomes that are both inefficient and unequal.

**Figure 4. Increase in Market Concentration: United States, 1982-2012  
(Change in share of top four firms in total sector sales)**



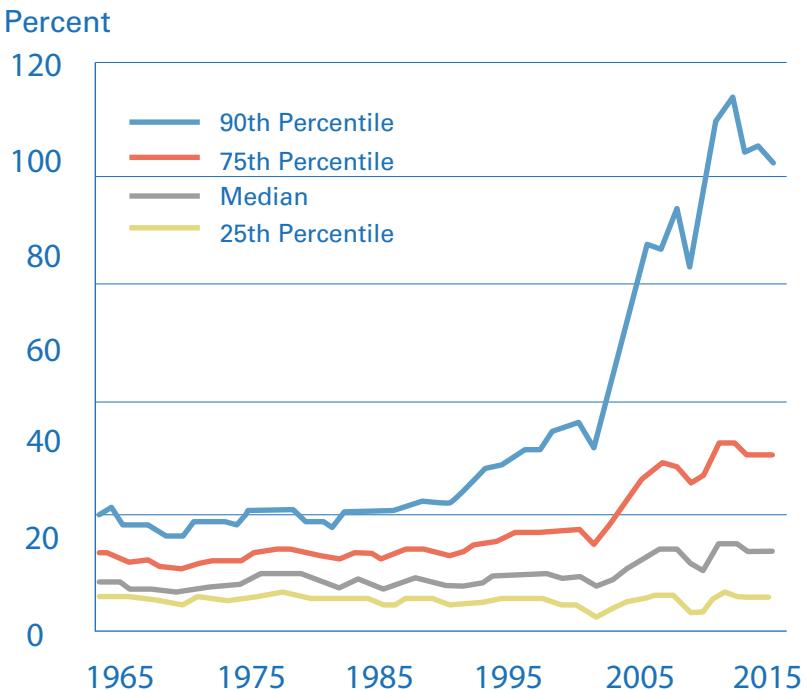
*Source: Autor et al. (2017).*

One reason for these outcomes is the decline in competitive intensity in markets, which has kept the natural forces of competition from working to prevent a continuous rise in productivity gaps between firms. The erosion of competition is indicated by the rise in market concentration and the decline in business dynamism, as measured by new firm formations. These trends, seen broadly across advanced economies, have been particularly apparent in the United States. The share of top four U.S. companies in total sales has increased in all of the six major industries shown in Figure 4. In 1982, young firms (five years old or less) accounted for about half of all U.S. firms and one-fifth of total employment; these figures dropped dramatically to about one-third and one-tenth, respectively, by 2013.<sup>8</sup> In industries that are less exposed to competitive pressures, technological diffusion is weaker, productivity gaps between firms are wider, and aggregate productivity growth is lower.<sup>9</sup>

Across firms, the distribution of returns to capital has also become more unequal. In the United States, for example, the return on invested capital has diverged sharply, with the typical firm seeing only a modest increase in return, but a relatively small number of large firms reaping supernormal profits (Figure 5). Markets appear to have shifted toward oligopolistic structures, giving rise

to higher economic rents.<sup>10</sup> Inefficient and unequal outcomes resulting from decreased competition have been compounded by resource misallocations associated with rapid financialization.<sup>11</sup>

**Figure 5. Return on Invested Capital: U.S. Publicly Traded Companies**



Source: Furman and Orszag (2015).

Besides the productivity paradox, the weakening of competition helps explain another paradox: the investment paradox. It can be described as the persistent weakness of investment in advanced economies, despite historically-low interest rates. Part of the weakness in investment resulted from post-global-financial-crisis macroeconomic factors, such as deficient aggregate demand and elevated policy uncertainty. Another contributing factor was the reduction in incentives to innovate and make new investment because of decreased competition and higher rents on existing capital.<sup>12</sup> The two paradoxes fed off of one another: low investment depressed productivity growth by limiting capital deepening and slowing the adoption of capital-embodied new technologies, while weaker prospects for productivity growth depressed investment.<sup>13</sup>

Several factors contributed to the degradation of competition: flaws in the patent system (which acted as a barrier to the diffusion of new technology), regulations restricting competition, increased number of mergers and acquisitions (M&As) coupled with lax anti-trust enforcement, deregulation unsupported by

competition safeguards, increased rent-seeking, and firm behaviors showing increased adeptness in erecting barriers to entry (through product differentiation and other means).

In addition to failures in policies regarding market competition, new technologies are contributing to increased market concentration by altering the structure of competition in ways that produce “winner-takes-most” outcomes. Digital technologies, in particular, offer scale economies and network effects that encourage the rise of dominant firms—and globalization reinforces the scale economies by facilitating access to markets worldwide. The “winner-takes-most” dynamic has been particularly evident in high-tech sectors, as reflected in the rise of “superstar” firms such as Facebook and Google. Increasingly, however, it is affecting broader segments of the economy as digital applications penetrate business processes in other sectors, ranging from transportation and communications to finance and retail.

In labor markets, a similar interplay between technology, productivity, and distribution has been at work. Increased inequalities in firm productivity are mirrored by increased inequalities in labor incomes. As productivity and profitability gaps widened between firms, so did wage gaps. Wage inequalities have increased sharply in the past couple of decades, and much of that increase is attributed to increased wage differences between firms.<sup>14</sup>

While workers employed in firms at the technological frontier earned more than did those in other firms, gains from higher productivity at these firms were shared unevenly, with wage growth lagging productivity growth. Wages rose in the better-performing firms, but at a lesser rate than the rise in productivity.

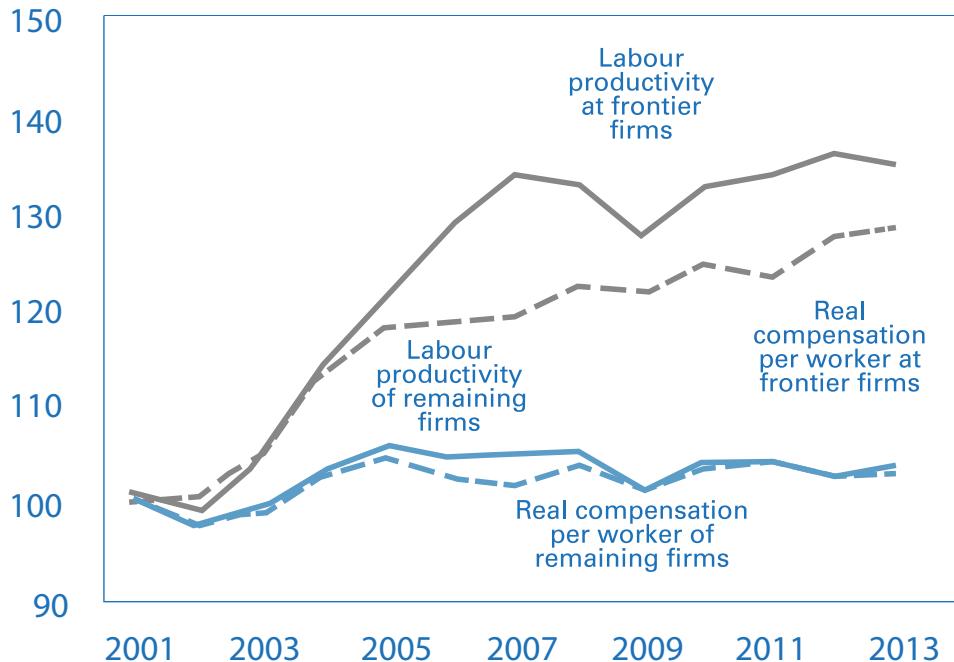
A man walks past a wall sized logo created from pictures of Facebook users in the company's Data Center in Swedish Lapland. Facebook continues to enjoy remarkable success and is expanding into new areas such as artificial intelligence.



For most other firms, limited wage growth reflected limited productivity growth, although even at these firms wage growth tended to fall short of the meager gains in productivity (Figure 6).

**Figure 6. Increase in Productivity and Wage Gaps in OECD Countries**

2001 = 100



Source: Schwellnus et al. (forthcoming). Frontier firms are top 5 percent firms with highest labor productivity within each two-digit industry. Data cover firms in 24 OECD countries.

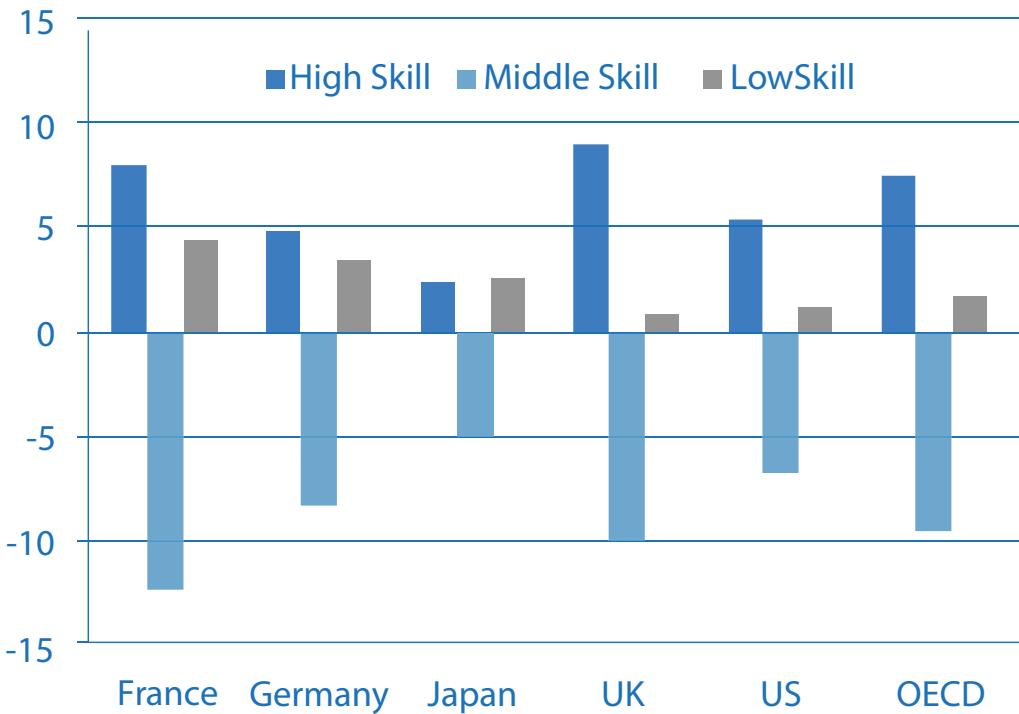
The decoupling of wages from productivity contributed to the decline in the share of labor in total income. Most OECD economies have experienced both increasing inequality of labor earnings and declining labor income shares over the past two decades. Using the United States to illustrate, the percentage share of labor in total income in non-farm business sectors dropped from the mid-60s around 2000 to the mid-50s around 2015. The increase in market concentration also shifted income from labor to capital by reallocating labor to dominant firms with supernormal profits and lower labor income shares.<sup>15</sup> Dominant firms not only acquired more freedom to increase markups in product markets, but also monopolistic power to dictate wages in the labor market.<sup>16</sup> These developments reinforced the effect of labor-substituting technological change on the distribution of income between labor and capital. The shift of income from labor to capital increased income inequality, as capital ownership is highly uneven.<sup>17</sup> In advanced

economies, international trade and offshoring also contributed to the shift in income toward capital. Overall, evidence suggests that the role of globalization in the decline of the labor income share has been more limited relative to that of technological change and related outcomes.<sup>18</sup>

Digital technologies and automation have shifted the demand for labor toward higher-level technical and managerial skills. In particular, demand has shifted away from routine, middle-level skills that are more vulnerable to automation — jobs such as bookkeeping, clerical work, and repetitive production. Job markets have seen an increasing polarization; the employment share of middle-skill jobs is falling, while that of higher-skill jobs, such as technical professionals and managers, is rising (Figure 7). The employment share of low-skill jobs has also increased, but mainly service jobs that are hard to automate, such as personal care. A concurrent development has been the rise of the “gig economy,” with more workers engaged in non-standard work arrangements, such as temporary or part-time contracts and own-account employment.

**Figure 7. Job Polarization in OECD Countries**

(Percentage change in employment share by skill level, 1995-2015)



Source: OECD Employment Database. Average for OECD covers 24 countries. For Japan 1995-2010.

The supply of skills has been slow to respond to the changing demand. Education and training have been losing the race with technology.<sup>19</sup> The paradox of slowing productivity growth in the midst of booming technology is in part explained by shortages of technical and higher-level skills required by the new technologies, which contribute to the lack of their diffusion across economies. Workers with skills complementary with the new technologies have increasingly been clustered in leading firms at the technological frontier. Across industries, skill mismatches have increased: in OECD countries, on average, around one-quarter of workers report a mismatch between their skills and those required by the job.<sup>20</sup> The relative scarcity of higher-level skills has increased skill premia and wage differentials, stoking income inequality.<sup>21</sup> While the rise of non-standard work arrangements imparted more flexibility to the labor market, it probably also contributed to increased earnings inequality, as non-standard jobs (especially at lower skill levels) typically carried lower earnings than standard jobs.

## Productivity and Equity: A Common, Dynamic Agenda

To achieve stronger and more inclusive growth, the twin trends of slowing productivity and rising inequality must be reversed. Productivity and equity are often seen in terms of a trade-off in economic debates. Recent research points to important complementarities between the two. The drivers of slowing productivity growth and rising inequality are closely interconnected, creating scope for win-win policies. Inevitably, there are trade-offs, and underlying forces, like technology and globalization, will always produce winners and losers. However, policies can help balance these impacts. The strong linkages between productivity and equity call for an integrated approach to formulating a policy agenda that promotes these goals—an approach that aims to exploit the reform synergies and mitigate the trade-offs.

The policy agenda for promoting productivity and equity in large part is not only common, but also dynamic. Technology is altering the economic setting in significant ways; it is changing the rules of competition between firms, the nature of work, and the demand for skills. These changes have profound implications for policy; new, out-of-the-box thinking and an inclusive frame of mind will be required.

One key area for attention is revitalizing competition. Regulatory reform should aim at both removing regulations that impede competition, and ensuring that adequate rules and regulations are in place to prevent abuse of market power. There is considerable scope for regulatory reform in a number of OECD economies, especially in network and service industries.<sup>22</sup> The M&A activity in these economies has more than doubled since the 1990s. Given the rise in industrial concentration, the robustness and enforcement of anti-trust regimes merit special attention. There is a need to rethink anti-trust laws and other

competition policies for the digital age, where the new technologies tend to produce winner-takes-most dynamics and quasi-natural monopolies. Once in dominant positions, firms often work to entrench themselves by erecting a variety of barriers to entry, discouraging business dynamism and further innovation.<sup>23</sup>

Competition policy also needs to become more global. Riding the forces of technology and globalization, today's superstar firms are typically multinationals. Similar to the progress the OECD countries have made in strengthening cross-border tax processes to prevent companies from avoiding taxes through profit shifting, there is a need to strengthen international cooperation to address cross-border business practices that restrict competition.

A second area of focus should be the reform of technology policies, in order to spur innovation and promote its spread across more economies. Intellectual property regimes need to be better balanced so that they reward innovation but also foster wider economic impacts. There is evidence suggesting that stronger patent protection may be associated with greater market concentration, less follow-on innovation and diffusion, and wider productivity gaps within industries.<sup>24</sup> Some have even called for a complete abolition of the patent system.<sup>25</sup> Abolishing patents may seem too radical a step, but a fundamental review of the patent system seems warranted to reform overly-broad and stringent protections and give freer rein to competition that ultimately is the primary driver of innovations and their economy-wide penetration.

Public investment in research and development (R&D), which has declined in many major economies under fiscal pressures, needs to be bolstered. Public R&D in basic research complements private applied R&D. Many breakthrough innovations developed commercially by the private sector had their origin in government-supported research.<sup>26</sup> Public research programs should pay particular attention to ensuring broad access to the fruits of direct public R&D investment, as well as access on a level footing by firms to any private R&D incentives provided through tax relief and grants. Governments could also explore ways of better recouping some of their investment in research to help replenish their R&D budgets. Creating a new balance of shared risks and rewards in public research investment would be in direct contrast to the current paradigm, in which risks are socialized, but rewards are privatized.

The third area of improvement concerns investment in skills. Advances in digitization, robotics, and artificial intelligence have led some to draw up dire scenarios of massive job losses from automation, such as half or more of the jobs in OECD economies being at risk.<sup>27</sup> Estimating the number of jobs that will be lost to automation may be the wrong focus though, as it only considers the destruction of existing jobs and ignores the creation of new jobs. As we learn from past major episodes of automation, when a technological change made old jobs redundant, it created new ones complementary with the new

technologies.<sup>28</sup> The main issue is that the nature of work is changing, and the main challenge lies in equipping workers with the higher-level skills demanded by the new technologies and supporting them during the adjustment process.

Education and training programs need to be strengthened and revamped to respond to the new skill dynamics. Traditional, formal education must be complemented with new models that offer options in re-skilling and lifelong learning, considering both the fast-changing demand for skills as well as the ageing workforce in many economies. The old cycle of “learn-work-retire” is shifting toward one of continuous learning, creating the need for dramatically increased availability and quality of continuing education. This will require innovations in the design, delivery, and financing of training, and in public-private partnerships—including the promotion of digital literacy to reduce the digital divide and harness the potential of technology-enabled solutions, such as online learning platforms. Improving the access to the economically-disadvantaged must be part of this agenda. In many major economies, gaps in higher education by family income level have widened rather than narrowed.<sup>29</sup>

## “DIGITAL TECHNOLOGIES ENCOURAGE THE RISE OF DOMINANT FIRMS.”

A fourth area, is revamping labor market policies and social protection. Labor market institutions and social protection arrangements need to adapt to a changing world of work; a new model characterized by more frequent shifts between jobs and more people working independently. Labor market reforms should have a forward-looking orientation to support workers through insurance mechanisms and active labor market policies, facilitating their transition to new jobs. Advanced economies, in general, need to do more and better on forward-looking policies. Reform of backward-looking policies, such as the reform of stringent job protection laws currently underway in France, has particular relevance for European economies.

Social contracts, traditionally based on long-term formal employer-employee relationships, will need to be overhauled, with benefits such as health and retirement made more portable and more universally-applicable to accommodate different types of work arrangements. There is currently an active debate on the options to reform social security systems. Proposals range from mechanisms such as a universal basic income (currently being piloted by some administrations),<sup>30</sup> to various types of portable social security accounts that could pool workers’ social benefits. Just this year, France launched a portable “personal activity account,” which accumulates workers’ training rights acquired in different types of work. Learning from this debate and experimentation should help inform and guide policy.

## Conclusion

Technology is a prime driver of productivity and, in turn, long-term economic growth and rise in living standards. Technological change is inevitably disruptive and, indeed, achieves its positive outcomes through what Schumpeter termed “creative destruction.” How new technologies translate into actual increases in productivity depends greatly on how these impacts and processes are managed through policies. Technology also significantly affects how the rewards of growth are shared, but again the actual distributional impacts depend on how policies respond.

Advancements in digital technologies hold much promise. Their potential to deliver productivity growth has not been fully tapped —in fact, the rate of productivity growth has decreased, while income inequality has increased. Much of recent political discourse has been focused on international trade, identifying it as the culprit to blame for higher unemployment rates, pay cuts for less skilled workers, and increased inequality. However, evidence indicates that the more influential factor has been technological change. A common set of factors—linked to the nature of the new technologies and how they have interacted with policy failures—has dampened productivity growth and exacerbated inequality. As sketched out in this paper, there is an integrated narrative that explains the interconnected nature of these trends.

To achieve better outcomes on productivity and equity, policies need to rise to the challenges of the digital age. A better tomorrow can be created, by revitalizing competition, spurring innovation at the technological frontier while also promoting its broad diffusion across economies, upskilling and reskilling workers, and reforming social contracts. Policymaking will need to be responsive to a context of significant and continuing change.

The challenges are enormous, and the political economy of reform is difficult. But, fortunately, the policy options are not limited to a binary choice between productivity and equity. There are policies that can promote both. Policymakers should approach them through an integrated agenda of reforms.

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- 4 See Qureshi (2016) for an overview of the differing viewpoints in this debate.
- 5 While productivity trends are analyzed here in terms of labor productivity, trends based on total factor productivity present a broadly similar picture (OECD 2015a).
- 6 See Byrne et al. (2016) and Syverson (2016). Derviš and Qureshi (2016) provides an overview of the measurement debate.
- 7 See OECD (2017a) and Qureshi (2017).
- 8 See Autor et al. (2017) and Decker et al. (2016).
- 9 See Andrews et al. (2016) and Cette et al. (2016).
- 10 See Furman and Orszag (2015) and Stiglitz (2016).
- 11 See OECD (2015b) and Philippon (2016).
- 12 See Égert (2017) and Gutiérrez and Philippon (2016).
- 13 See Ollivaud et al. (2016).
- 14 See Song et al. (2015).
- 15 See Autor et al. (2017).
- 16 See CEA (2016).
- 17 The role of uneven wealth ownership and returns on wealth as sources of inequality has been particularly emphasized by Thomas Piketty in his 2014 bestseller (Piketty 2014).
- 18 See IMF (2017).
- 19 See Goldin and Katz (2008) and Autor (2014).
- 20 See Adalet McGowen and Andrews (2015).
- 21 See Hanushek et al. (2013) and Autor (2014).
- 22 See OECD (2017b).
- 23 See Krugman (2015).
- 24 See Andrews et al. (2016) and Autor et al. (2017).
- 25 See Boldrin and Levine (2013).
- 26 Recent examples often mentioned in this context are the Internet, Google's basic research algorithm, and key features of Apple smartphones (Mazzucato 2015).
- 27 See Frey and Osborne (2013) and World Bank (2016).
- 28 See Acemoglu and Restrepo (2016).
- 29 In the United States, for example, college enrollment and completion gaps by family income level have increased over the past few decades (Turner 2017).
- 30 For example, there is currently a two-year pilot in Finland and one in Ontario, Canada.

## Notes

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- See, for example, Cowen (2011) and Gordon (2016).
- See, for example, Brynjolfsson and McAfee (2011) and Mokyr (2014).

## >TECHNOLOGY'S IMPACT ON GROWTH AND EMPLOYMENT



Share

Image: Men select their food served by robot waiter, which moves on a rail system placed between tables, at the first robotic restaurant 'RoboChef'.



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# >TECHNOLOGY'S IMPACT ON GROWTH AND EMPLOYMENT

**Technology has always fueled economic growth, improved standards of living, and opened up avenues to new and better kinds of work. Recent advances in artificial intelligence and machine learning, which brought us Watson and self-driving cars, mark the beginning of a seismic shift in the world as we know it. To navigate the unstable labor market and seize the plentiful opportunities offered by new technologies, we must find a way to more quickly adapt. By continually updating our skills and seeking alternative work arrangements, we can “race with the machines.” Whether we like it or not, change is coming, and the worst move of all would be to ignore it.**

## Introduction

Recent advances in artificial intelligence and machine learning, which brought us *Watson* and self-driving cars, mark the beginning of a seismic shift in the world as we know it. But major innovations (defined as widely-used technologies that improve over time and have spillover effects that provoke further advancements) have been around since the beginning of recorded history. From the first metal tools, to the wheel and the printing press, these innovations (dubbed general purpose technologies, or GPTs<sup>1</sup>) have changed the course of history. GPTs “interrupt and accelerate the normal march of economic progress”<sup>2</sup>. In other words, they make humans more productive and increase standards of living. They also help open avenues to new kinds of work.

Erik Brynjolfsson and Andrew McAfee succinctly divide historical progress into two machine “ages.”<sup>3</sup> The first machine age dates back to the invention of the steam engine, by James Watt in 1775. This brought about an explosion of innovation, and resulted in an increase of living standards to such an extent, that the average American today has a quality of life that was unimaginable to even the wealthiest nobles of that era. The “second machine age” began in the 1990s, and is characterized by three factors: (1) exponential increases in computing power, known as Moore’s Law; (2) the agility and power of digital technologies (including their ability to replicate ideas and products at zero or low cost); and (3) our creative ability to build off of ideas like building blocks, in order to create innovations (called recombinant growth).<sup>4</sup>

Even more fascinating, is that “Moore’s Law”—which has driven so many changes in technological progress—has held up amazingly well over the years. In 1965, Gordon Moore, who was then the director of research and development (R&D) at Fairchild Semiconductor, predicted that the overall processing power for

computers (or the number of transistors in an integrated circuit) would double every year. This prediction became known as Moore's Law. (Moore then revised the prediction in 1975 to every two years. He also later became the CEO of Intel.) While Moore originally made his prediction for a period of ten years, exponential increases in computing have continued even up to present day. What's more, William Nordhaus has actually traced back Moore's Law back to the earliest adding machines from circa 1850.<sup>5</sup> The exponential growth of computing power makes it seem as though new technologies come out of nowhere; in reality, however, they've been around (albeit also very expensive and rare) for quite a while. In the past, only the rich could benefit from the latest innovations.

For example, Brynjolfsson and McAfee illustrate this astonishing speed of progress by comparing the technologies available in 1996 and 2006: In 1996, the ASCI Red was the world's fastest supercomputer. It cost \$55 million to develop, and occupied 80% of the space in a tennis court at Sandia National Laboratories in New Mexico. It took as much electricity as was needed to run 800 homes. In 1997, it hit 1.8 teraflops. In 2006, ten years after the ASCI Red was introduced, the Sony Playstation 3 hit 1.8 teraflops. It cost only \$500, took up less than one-tenth of a square meter, and drew as much power as one lightbulb.<sup>6</sup> McAfee and Brynjolfsson provide another example, displaying the rapid adoption of smartphones: "By 2015, only eight years after the iPhone was introduced, more than 40% of the adults in 21 emerging and developing countries surveyed by the Pew Research Center reported owning a smartphone. In 2016, approximately 1.5 billion more were sold."<sup>7</sup>

## "GENERALLY SPEAKING, TECHNOLOGY HAS INCREASED THE SIZE OF 'ECONOMIC SURPLUS PIE' AND REDISTRIBUTED MUCH OF IT TO CONSUMERS."

As a thought experiment, let us consider the computing power we will have in our hands in twenty years if Moore's Law continues to hold (as we have no reason to think otherwise, given its faultless track record). Suppose the cost of computing falls in half every 18 months. Then, a thousand dollars of computing power today (approximately the cost of an unlocked iPhone 8 Plus with 256GB memory in 2017) would cost less than ten cents by 2037.<sup>8</sup> While that may seem astonishing, ask yourself how much would you pay for a cell phone made twenty years ago? If we assume that consumers, twenty years from now, would be willing to pay a thousand dollars for whatever smartphones are on the market at that time, what would be the cost of such technologies, if we could get them today? A little more than ten million dollars.<sup>9</sup> Imagine if you could have a smartphone with ten million dollars of computing power —that is a rough approximation of what will be in everyone's hands in about two decades. In other words, as Hal Varian, chief economist at Google, says, "A simple way to forecast the future is to look at what rich people have today."<sup>10</sup>

## Technology and Labor

The average American today has better medical care, better access to information and education, and better ways to communicate and travel than the richest people in the world in the not-very-distant past. We have experienced a dramatic increase in living standards, whose “single most important determinant [...] across countries and over time” is labor productivity.<sup>11</sup> Productivity—equal to output divided by inputs (such as capital, labor, energy, materials, and services)—increases when we deploy technology.<sup>12</sup> The Council of Economic Advisers gives us an example of incredible improvements in agricultural productivity over the past two centuries: “In 1830, it took 250-300 hours for a farmer to produce 100 bushels of wheat. In 1890, with horse-drawn machines, it took only 40-50 hours to produce the same amount. By 1975, with large tractors and combines, a farmer could produce 100 bushels of wheat in only 3-4 hours.”<sup>13</sup> By producing more output, given the same value of inputs, agricultural machines decreased production costs. As a result, food became more affordable and people became less likely to die of starvation. In addition, the increased productivity from the automation of agricultural work led farm workers to migrate to cities, where they then helped the industrial economy develop and grow. New goods and services were created, and consumption increased. Productivity rose even more as automation drove down costs, thereby making transportation, healthcare, education, and government more affordable.<sup>14</sup>

Generally speaking, technology has increased the size of ‘economic surplus pie’ and redistributed much of it to consumers. Consider one example: When Amazon offers free same-day or next-day delivery, that delivery is not actually free — it costs Amazon notable resources to achieve this. The gains from Amazon’s investments in automation and improvements in its supply chain are reflected as a combination of lower prices, greater variety, and faster delivery, as the firm competes to win over consumers. From this perspective, we can understand how it’s understandable that William Nordhaus had estimated a whopping 96% of gains from technology go to consumers, not producers.<sup>15</sup>

As wonderful as the gains of technology have been, they are also occurring against a backdrop of rising inequality, a shrinking middle class, and difficulties in finding employment. From the 1940s to the 1970s, incomes at all levels grew at approximately the same rate in the United States. However, since then, the wealthiest Americans have seen significant gains in their income and share of wealth, whereas the rest of the income distribution has seen much more modest gains. Consequently, as America’s middle class has shrunk, an unfortunate opioid epidemic has ravaged the country in areas with high unemployment.<sup>16</sup>

Thus, it is important to remind ourselves that automation does not have a universal effect on employment; a machine can be either a *substitute* or a *complement* to human labor.

A machine can *substitute* for human labor when it has the ability to produce more than the worker for the same cost (such as his or her wages), or as much as the

worker for a fraction of the price. This is most likely to occur when a worker's tasks are routine and codifiable—that is, when the instructions for the tasks can be translated into code for a computer to carry out. In addition, automation is more able to replace workers in simplified, controlled environments. While computers can perform the most complex calculations in milliseconds, it is much more difficult to get a machine to write novels or care for children as effectively as humans do.

Machines *complement* labor when they allow workers to be more productive, but cannot—at least cannot *fully*—replace the worker. In other words, automation that complements human labor makes it easier for people to do their jobs and concentrate on what humans excel in, such as idea generation, problem solving, pattern recognition, and complex communication—all of which constitute computers' weaknesses.<sup>17</sup> For example: calculators, spreadsheets, and bookkeeping software all made accountants' jobs much simpler. For the most part, however, humans are still the ones making insights and providing strategic advice to the businesses they work at.

Various kinds of automation already complement human labor (e.g., big data-collecting robots that allow people to do more valuable work—and telescopes, which have helped humans make discoveries that would have otherwise been impossible). Tom Davenport and Julia Kirby refer to this “mutually-empowering” relationship between humans and machines as *augmentation*, which they distinguish from the process of automation, which simply substitutes for labor.<sup>18</sup> Additionally, as David Autor points out, because machines increase labor productivity and lower production costs, they allow us to more easily create goods and services.

Workers sorting Christmas presents at the Amazon warehouse in Milton Keynes, Bucks.



## The Current Labor Market

Throughout history, machines have helped workers to produce more output. In spite of concerns that automation would get rid of jobs or cause mass unemployment, technology has continually led to the creation of new jobs. In fact, history has proven that as labor productivity grew, so too did job growth. (This has not been the case recently however, a point we will return to).<sup>19</sup>

The employment-to-population ratio (i.e., the share of the total US working-age population, aged 16 and above, that is employed) increased during the 20th century, even as more women entered the labor force.<sup>20</sup> The development of machines increased productivity and decreased production costs, allowing the creation of mass production. The subsequent surge in economic growth during this period led to the evolution of consumerism, and thus, resulted in increased job creation. However, as Autor has noted, “there is no apparent long-run increase” in the ratio which has fluctuated over the years—and falling especially during recessions.<sup>21</sup>

Since 2010, the national unemployment rate has continued to fall. In more recent years, the rates have mirrored the levels experienced prior to the Great Recession (see Figure 1). Nevertheless, these statistics are misleading, as the employment-to-population ratio hasn’t remained stagnant. Before the recession in 2007, about 63% of working-age people in the United States were employed, and the unemployment rate was just under 5%. As of September 2017, the unemployment rate has dropped down to 4.2%, while the employment-to-population ratio has reached a little above 60%.<sup>22</sup>

**Figure 1: US Unemployment Rate & Employment-to-Population Ratio**



Source: Bureau of Labor Statistics from: Federal Reserve Bank of St. Louis

Note: Shaded areas indicate US recessions

One phenomenon masked by the unemployment rate is the trend of people leaving the workforce. People categorized as part of the workforce are those who are either employed or “unemployed” (meaning they don’t have jobs, are available for work, and have actively looked for jobs in the past four weeks). For example, the most recent statistics indicate there are still roughly 6.8 million people unemployed in the United States.<sup>23</sup> However, there are about 1.6 million others not in the workforce—that is, they have no job and are not currently looking for work—but are considered “marginally attached,” since they *want* a job, and *are* available for work, and have looked for a job in the last 12 months.<sup>24</sup> Almost half a million of these workers are considered “discouraged,” because they have given up the search since “they believe no jobs are available for them.”<sup>25</sup>

Take, for example, a coal worker with a high school education in West Virginia who used to earn an annual salary of \$80,000, but was recently laid off because more sophisticated technologies were deployed in mines. It is unlikely that such a job will make a comeback—at least in West Virginia. Will this worker want to work for less than one-third his previous wage as a cashier? Suppose, instead, this miner stops looking for work because he is tired of finding nothing available and becomes increasingly unmotivated. This discouraged worker doesn’t get factored into the unemployment rate, since, technically speaking, he is no longer a part of the labor force—despite how much he would actually want to work, if only he could have his old job back.

## “THE AIRLINE INDUSTRY IS AN INTERESTING EXAMPLE OF AUTOMATION. THE MAJORITY OF PEOPLE BENEFIT FROM ITS ADVANCEMENTS, BUT A GROWING NUMBER OF EMPLOYEES SIMULTANEOUSLY SUFFER PAINFUL JOB LOSSES.”

Now consider the future of a much larger group of workers: once self-driving cars are deployed more widely, many of the 3.5 million truck drivers in the United States could lose their jobs.<sup>26</sup> Some long-haul truck drivers make as much as \$150,000 per year.<sup>27</sup> As is the concern with coal miners, will these drivers find jobs with similar salaries if they do not have more than a high-school education?

People may wonder, “Where have all the jobs gone and why have they disappeared?” Some blame immigrants, trade agreements, or advancing technology—while some blame a combination of all three. The reality, however, is more complicated. At least with regard to technology, automation has both created and taken away jobs. There are both winners and losers. Workers in Silicon Valley, as well as those with backgrounds in statistics and economics, are thriving in the current economy. As Google’s Chief Economist, Hal Varian, remarked, “the sexy job in the next ten years will be statisticians.”<sup>28</sup>

Engineer inspecting a tunnel boring machine which has completed the excavation of a deep access power cable tunnel in London.

The airline industry is an interesting example of automation. The majority of people benefit from its advancements, but a growing number of employees simultaneously suffer painful job losses. Automation has affected almost every job in the industry, from the flight booking process, all the way to border control. Most of us book flights online, use automated check-in counters and passport scanners, fly to our destination primarily by computers on airplanes, and pass through border control with self-serve kiosks. While there are still people who assist us, many jobs have also been removed from each stage of the process. On the other hand, the increased automation has, for the most part, made flights safer and cheaper.<sup>29</sup> Moreover, the Internet has empowered travelers by allowing them to much more easily compare ticket prices charged by various airlines for various routes. This transparency has led to increased competition that have helped airline ticket prices drop by 50% in 30 years<sup>30</sup> —serving as another illustration supporting Nordhaus's study, in which consumers receive 96% of the gains from technological innovation.<sup>31</sup>

On July 31, 2009 (right after the Great Recession) job openings in the United States had hit a low of 2.2 million —while civilian unemployment was as high as

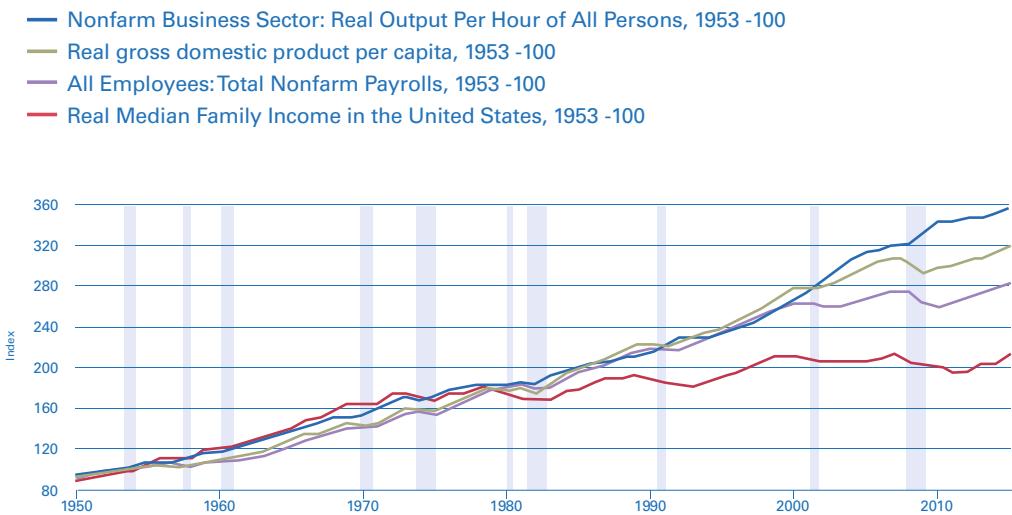


14.6 million.<sup>32,33</sup> Yet, job openings have been increasing, particularly in professional and business services, healthcare and social assistance, and construction.<sup>34</sup> In fact, in August 2017, they surged to an all-time high of 6.1 million.<sup>35</sup> As far as we can tell, there are more jobs available today, than there have been in the last seventeen years—which is when the BLS first began to measure them.

On the aggregate level, the situation doesn't look so bad: If there are 6.1 million jobs available, then 6.1 million out of the 8.4 million people looking for work (unemployed and marginally attached to the workforce) no longer have to be out of work. In reality, however, it's much more difficult than that. People are not being matched to jobs for various reasons—because they are not qualified enough (or overqualified), or are in fields (and physical locations) where jobs are disappearing. The macro-picture misses the micro-stories.

So, even as labor productivity has increased—an effect usually accompanied by job growth—private employment has essentially remained stagnant since 2000.<sup>36</sup> (See Figure 2.) (Real median family income and real GDP per capita also “decoupled” from labor productivity in the early 1980s and the 2000s, respectively.) Brynjolfsson and McAfee call this effect the ‘Great Decoupling’, and attribute a portion of these effects to the emergence of digital technologies.<sup>37</sup> They don't see these gaps closing anytime soon.

## Figure 2: The Great Decoupling



Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau  
From: Federal Reserve Bank of St. Louis; Erik Brynjolfsson and Andrew McAfee  
Note: Shaded areas indicate US recessions, data from 1953 until 2015

## Alternative Work Arrangements

Lawrence Katz and Alan Krueger discovered that on top of the slowdown in employment, 94% of the net job growth from 2005 to 2015 was simply in temporary or unsteady work—as opposed to the previous decade, during which there was almost no growth in such “alternative work.”<sup>38</sup> As increasingly more tasks are being handled by machines—which are not only simply more efficient than people, but also, unlike humans, don’t demand high wages, vacations, health insurance, and pension plans—companies now require fewer workers or fewer hours from their workers (or both). But while there might not be as many (full-time) jobs left, there is still a lot of work. As Diane Mulcahy explains, “Work is being disaggregated from jobs and reorganized into a variety of alternative arrangements, such as consulting projects, freelance assignments, and contract opportunities.”<sup>39</sup>

Millions of people have been affected by these rearrangements. As of September 2017, there were 5.1 million “involuntary part-time workers” who weren’t able to find full-time jobs or whose work hours had been reduced by their employers.<sup>40</sup> However, according to the McKinsey Global Institute, 20% to 30% of the American working-age population (of approximately 206 million)<sup>41</sup> perform some type of independent work, which amounts to approximately 40 to 60 million people<sup>42</sup>—and this share, Mulcahy notes, is growing.<sup>43</sup>

Because jobs are no longer as stable as they have been, people have been turning to the “gig economy” to seek alternate forms of work. Thanks to two-sided platforms such as Uber, Lyft, Airbnb, Etsy, Samasource, Postmates, and TaskRabbit, people can now work whenever they want, as often as they’d like, more easily than ever. This benefits people young and old who do low-skill to high-skill work. Former taxi drivers can now dictate their own schedules with Uber and Lyft. Stay-at-home parents and people with disabilities are able to more easily find work and develop their skills with Samasource. Young artists can now sell their self-made products directly to their customers on Etsy. Elderly empty-nesters now have the ability to rent out their rooms on Airbnb to help give a boost to their own retirement funds. Freelance designers and coders also have the opportunity to contract out their work and take time off for their families and for vacations whenever they wish.

Clearly, the advantages of the gig economy go beyond providing cost-savings to firms and offering some sort of employment to workers. The gig economy offers “choice, autonomy, flexibility, and control,” that which full-time jobs don’t.<sup>44</sup> These benefits influence work satisfaction. They’re why 74% of surveyed freelancers wish to remain independent workers and “have no intention of returning to a full-time job.”<sup>45</sup> Indeed, says Mulcahy, “independent workers are more satisfied with nearly every aspect of their working lives than employees,” and for these reasons, she advises her MBA students to seek “plentiful work, not increasingly scarce jobs” and to prepare to be “independent workers, not full-time employees.”<sup>46</sup>

## Job Polarization

In addition to affecting the quantity of jobs, technology can also have a great impact on job quality.<sup>47</sup> Some have concerns that automation steals jobs, while others insist that it actually improves them. In reality, both of these are true. Machines have affected jobs all across the skill spectrum—both increasing and decreasing the demand for jobs of different skill levels.<sup>48</sup>

### Low-Skill Jobs

On the low side of the skill spectrum, the demand for jobs ( i.e.: milkmen, switchboard operators, mail-sorters, dishwashers, ice-cutters, weavers, and assembly line workers) has fallen drastically—or even disappeared—because of technologies such as refrigerators, cell phones, and industrial machines. Although the invention of these technologies has driven out jobs, it's also allowed us to make certain forms of work more bearable. For example, by investing in industrial dishwashing machines, restaurants don't require as many human dishwashers. Consequently, the demand for dishwashing jobs would decrease, though some would still remain. These remaining jobs would then be simplified. Instead of doing the actual washing by hand, human dishwashers would only have to load and unload dishes.

## “IT IS WE WHO DECIDE WHAT BECOMES OF TECHNOLOGY.”

While it's easy to imagine other low-skill jobs dying out due to automation—as robots now have the ability to vacuum rooms, patrol buildings, and flip burgers (to name but a few tasks)—machines still aren't replacing low-skilled jobs in cleaning, security, and food service.<sup>49,50</sup> This is because although certain tasks may be automated, robots aren't able to take over entire jobs. For example, while dishwashing machines do an excellent job washing dishes, humans are not completely replaced in the process, as machines don't load or unload themselves. Humans still outperform machines, especially in jobs that involve manual skills and varying environments.<sup>51</sup> Therefore, there still is (and will be) a demand for low-skill jobs. In fact, as we'll see later, demand is actually increasing.

### Middle-Skill Jobs

The middle part of the spectrum is a little more complicated. Middle-skill jobs (which include blue-collar production and operative positions, as well as white-collar clerical sales positions) are more likely to be codifiable. As a result, they've been disappearing, even though low-skill jobs haven't.

Some forms of automation force people to perform mind-numbing tasks. Think of how most artisans and craftspeople were replaced by assembly

line workers. In this process of “deskilling,” middle-skill jobs get replaced by low-skill jobs. Meanwhile, some jobs simply die out, forcing workers to resort to lower-skill jobs. For example, most manufacturing job losses have been due to automation (rather than international trade, as politicians tend to suggest).<sup>51</sup> Workers previously employed in the manufacturing sector have since had to turn to lower-skill and lower-paying in service sector to get by.<sup>53</sup> This increases job growth in low-skill work. According to the Organisation for Economic Co-operation and Development (OECD), about one-third of medium-skill jobs that have disappeared worldwide have been replaced by low-skill jobs.<sup>54</sup>

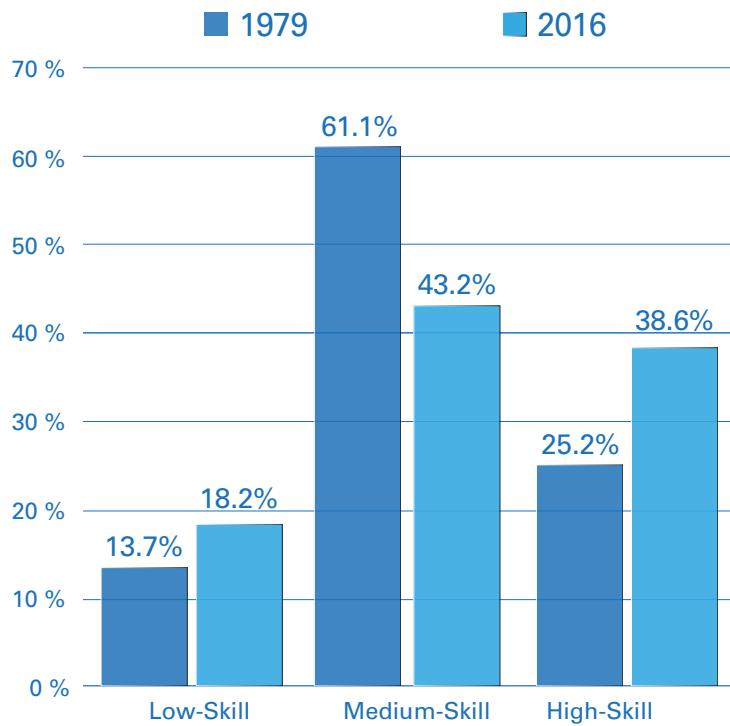
However, much like in low-skill jobs, other forms of automation can take out the danger and drudgery out of certain tasks, thereby allowing us to do safer and more meaningful work. For instance, although removing humans from coal mines might rob them of their incomes and jobs, fewer people now have to suffer from black lung disease or be threatened by deadly mine collapses. And while many bank employees may have been replaced as more customers use ATMs to conduct routine transactions, those employees who do remain can now, instead of counting cash, do potentially more important work, such as recommending financial services to clients. The OECD estimates that two-thirds of lost middle-skill jobs have been replaced by jobs that require higher-skill work, such as analysts and managers.<sup>55</sup>

### High-Skill Jobs

Although technology has been widely known to displace lower-skill and blue-collar workers, high-skill occupations have, for the most part, been protected because jobs that require more training and more complex cognitive skills (such as analysis, problem-solving, and decision-making) are much less codifiable. As David Autor and others have noted, this makes white-collar professionals and knowledge workers such as doctors, programmers, engineers, marketing executives, and sales managers difficult to replace.<sup>56</sup> Therefore, even though recent developments in automation have targeted high-skill work, there is still growth on this side of the spectrum.<sup>57</sup> After all, to get the most out of their technological investments, firms have to hire workers who are more highly skilled and educated.<sup>58</sup>

Thus, we have ended up with a polarized workforce—an effect that’s been occurring around the world.<sup>59</sup> As Autor has observed, job growth has increasingly become concentrated on the two opposite sides of the skill spectrum, while medium-skill jobs are shrinking.<sup>60</sup> Indeed, the share of US workers in low-skill and high-skill jobs both increased from 1979 to 2016.<sup>61</sup> (See Figure 3.) On the other hand, although just over 61% of US workers were employed in middle-skill jobs in 1979, this share fell to 43% in 2016.<sup>62</sup>

**Figure 3: Share of US Workers in Low-, Medium-, and High-Skill Occupations**



*Adapted from Autor (2016).*

As a result, those who aren't able to find employment could be facing two types of options—neither of which are good.<sup>63</sup> On one hand, there is a set of available jobs that aren't as rewarding or as satisfying as they were before, since they require fewer skills or offer lower wages. On the other hand, there is another set of jobs that could be more desirable, but these jobs are unattainable because they require a higher level of skill or education than the worker has achieved.

### Race with the Machines

It's important to consider how technology has changed the labor market and the economy for the better for some, but for the worse for others. We should focus on finding solutions to the issues that have arisen (by ensuring job security, and supplying healthcare and retirement plans) while taking advantage of new opportunities (through new technologies, data and analytics, platforms, etc.) and remaining flexible as the times change.

Whether or not we like it, technology, and the increased competition from globalization of the workforce has changed labor markets. The days of steady, long-term, full-time jobs —especially with one single firm for one's career—are coming to an end sooner than we think. This is certainly difficult to accept for those who had been prospering in fields now rampant with automation. Regulation, trade barriers, or otherwise fighting and racing *against* machines will not be fruitful in the long term. Instead, as Brynjolfsson and McAfee like to say, we should continuously be investing in new skills to race *with* the machines.<sup>64</sup>

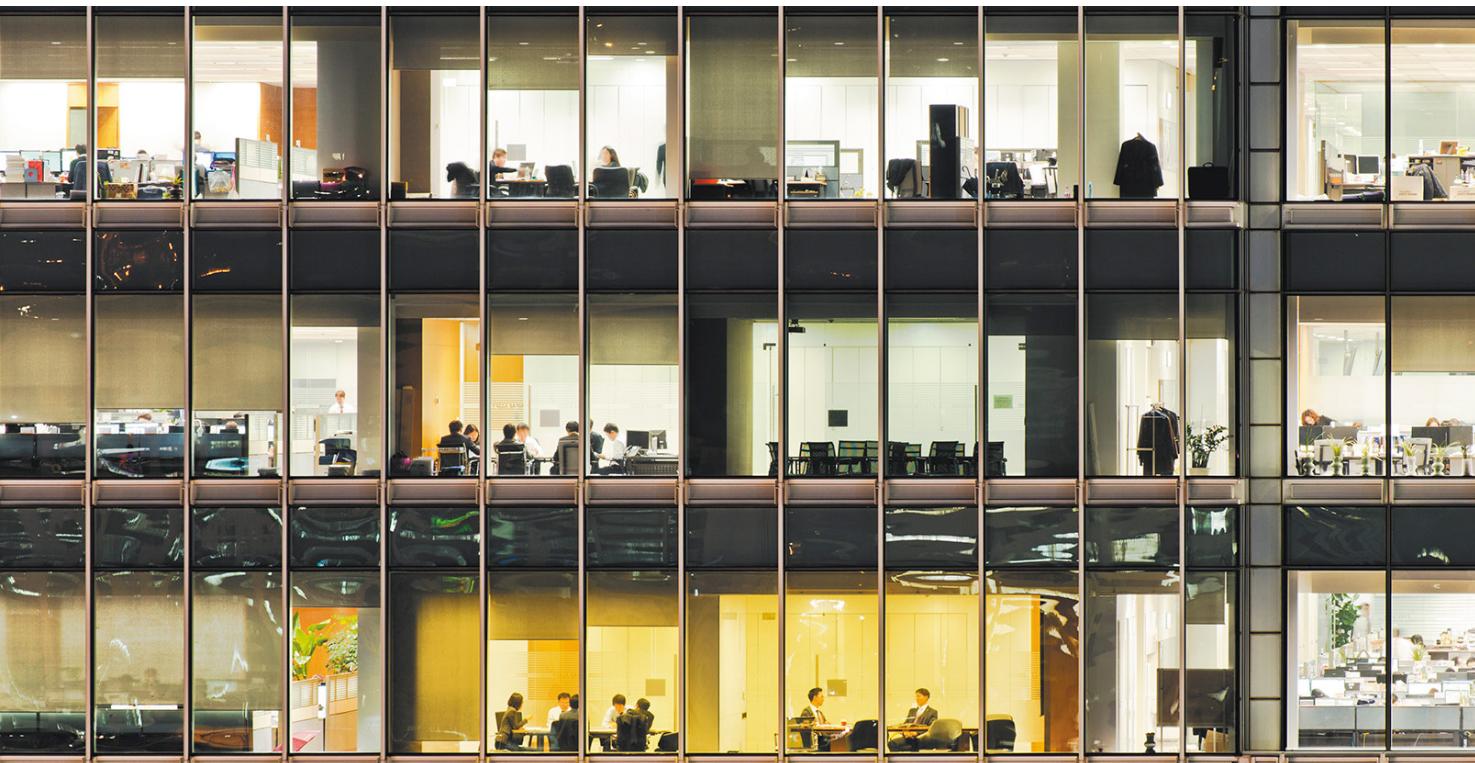
So how do we race with the machines? Davenport and Kirby, as well as Autor recommend that people focus on becoming tech-literate and on improving their manual and abstract skills.<sup>65</sup> Learning how to code in various computer languages and knowing how to collect and analyze data, for example, would be immensely helpful in the race with machines. Manual skills such as dexterity and flexibility will also still be valuable in the near future, and further developing innate human qualities (i.e., abstract skills that machines aren't good at—such as creativity, persuasion, empathy, pattern recognition, and complex communication) would certainly be beneficial.<sup>66</sup>

Davenport and Kirby identify five different ways for both people and companies to use such skills to succeed in the second machine age:<sup>67</sup>

*Stepping up:* Let machines do your dirty work, so to speak, thereby allowing you to focus your time and energy on making big-picture insights (e.g., managing investment portfolios).

*Stepping aside:* Use abstract skills, such as creativity or empathy, to do things that machines aren't good at or to explain decisions that computers made (e.g., communicating negative news).

Workers in an office building at night.



*Stepping narrowly:* Do things that would be too costly to be automated, such as specializing in a very particular area of a field (e.g., specializing in the legal issues pertaining to malfunctioning garage doors, or in connecting buyers and sellers of Dunkin' Donuts franchises).

*Stepping in:* Use tech skills to improve machines' decision-making abilities and to make sure that they function well (e.g., providing feedback to programmers by identifying bugs and suggesting modifications to be made).

*Stepping forward:* Use tech skills and entrepreneurial thinking to create advanced cognitive technologies (e.g., becoming a machine learning engineer).

The better that individuals and companies become at finding such complementary and "mutually empowering"<sup>68</sup> relationships that augment human labor with machines (or vice versa), the more likely it is that employment growth and job quality will improve. With more fitting skills, there would more people employed in more satisfying and meaningful jobs.

However, there will still be those who are left behind and who aren't able to find jobs in the increasingly unstable labor market. There's been much debate on whether a safety net in the form of a universal basic income should be provided to address the Great Decoupling, particularly the stagnant wages Americans have experienced for three decades.<sup>69</sup> Nevertheless, a guaranteed income won't fix all the issues we've been dealing with. Employment is important for one's well-being, providing many with a sense of purpose. As Voltaire once said, "Work saves us from three great evils: boredom, vice and need."

The fear that machines are taking over our jobs isn't a new one, and Autor compares the situation today to when many jobs in the agriculture sector were becoming automated a hundred years ago.<sup>70</sup> In 1900, farming used to make up 41% of the American workforce. A century later, the share decreased to just 2%.<sup>71</sup> If Americans had been told a century ago that due to new technologies and innovation, farmers as a share of the workforce would fall by 95%, most would probably consider it to be frightening news. What are people going to do? How could they have possibly imagined that people would become social media managers, app developers, cloud computing specialists, information security analysts, drone operators, solar and wind energy technicians, genetic counselors, vloggers, yoga instructors, and sustainability managers? Likewise, how can we expect to understand exactly what can be done in a world that doesn't yet exist with technologies that haven't even been invented?

As agriculture became automated, the United States responded to these changes by investing in its youth —they put children in school to prepare them for industry jobs. Similar actions must be taken today. As Mulcahy argues, the education system, now outdated, needs an overhaul. Instead of teaching children to prepare for jobs of the past, we should be preparing them for work in the gig economy of the future. So, schools and universities should prepare youths to be

agile and adaptable, and have a more significant focus on the skills Davenport and Kirby, as well as Autor, have recommended. Additionally, businesses and government policies should help retrain adults who have been left behind. Along with education, Brynjolfsson and McAfee recommend four other areas of focus to help create an economic environment that would “make the best use of the new digital technologies”: infrastructure, entrepreneurship, immigration, and basic research.<sup>72</sup>

As the futurist Ray Kurzweil reminds us, we always underestimate the pace of technological change, because the technologies that will be invented in twenty years will not be invented with today’s technology. It will be invented with the technologies available in twenty years, which of course, haven’t been dreamed of yet. We can begin to imagine such a world, with smartphones in everyone’s hands, that today, would cost us ten million dollars apiece. As David Autor suggests, (1) it’s very difficult to predict the future and (2) it’s arrogant to bet against human ingenuity.<sup>73</sup>

As many have pointed out, technology is just a tool.<sup>74</sup> It will not necessarily lead us to a utopian or dystopian world because we, as human beings, have a say in the matter. It is we who decide what becomes of technology. To paraphrase electrical engineer and physicist Dennis Gabor, we cannot predict the future, but we can invent it.<sup>75</sup>

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- See Brynjolfsson and McAfee (2014, p. 76).
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- See Nordhaus (2007).
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- See McAfee and Brynjolfsson (2017, pp. 17-18).
- $1,000 * 0.5^{(20/1.5)} = 0.10$ .

- 9 10,321,273.24\*0.5^(20/1.5)=1,000.
- 10 See Varian (2011).
- 11 See Council of Economic Advisers (2016, p. 58).
- 12 The only ways to increase output are by increasing inputs such as population (i.e., by increasing the number of hours worked given the same level of productivity) or through productivity growth (i.e., by increasing output per hour, or the amount of output given the same level of inputs) (Brynjolfsson and Saunders, 2010).
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- 14 See Pearlstein (2016).
- 15 See Nordhaus (2005).
- 16 See Case and Deaton (2017) and Hollingsworth et al. (2017).
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- 31 See Nordhaus (2005).
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- 50 See, for instance: DC security robot quits job by drowning itself in a fountain - The Verge, accessed at <http://www.theverge.com/tldr/2017/7/17/15986042/dc-security-robot-k5-falls-into-water> on August 20, 2017.
- 51 See Autor (2015).
- 52 Only about 13.4% of job losses in manufacturing have been a result of direct imports or import substitutions (Hicks and Devaraj, 2017). The rest have been due to the increased productivity brought about by automation (*ibid*). Indeed, even in China, factory workers such as in Foxconn have been replaced by machines (Davenport and Kirby, 2016).
- 53 See OECD (2017).
- 54 *Ibid.*
- 55 *Ibid.*
- 56 See Autor (2015).
- 57 See Davenport and Kirby (2016) and Autor (2015).
- 58 See Bresnahan, Brynjolfsson, and Hitt (2002) and Brynjolfsson and Saunders (2010).
- 59 See Autor (2015) and OECD (2017).
- 60 For a discussion on how job polarization has affected wages, see Autor (2015).
- 61 See Autor (2016).
- 62 *Ibid.*
- 63 See Autor (2015).
- 64 See Brynjolfsson and McAfee (2014).
- 65 See Autor (2015) and Davenport and Kirby (2016).
- 66 *Ibid.*
- 67 See Davenport and Kirby (2016).
- 68 *Ibid.*
- 69 See Brynjolfsson and McAfee (2014) and Davenport and Kirby (2016).
- 70 See Autor (2015).
- 71 See Autor (2014).
- 72 See Bernstein and Raman (2015).
- 73 See Autor (2015).
- 74 See Brynjolfsson and McAfee (2014) and Davenport and Kirby (2016).
- 75 See Gabor (1963).

# >THE WELFARE STATE AND THE POLITICS OF AUSTERITY



Image: Allegorical collage of economic decline and cuts in public services.



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## >THE WELFARE STATE AND THE POLITICS OF AUSTERITY

The welfare state faces intellectual, political and policy challenges which question its rationale, its legitimacy and its effectiveness. There have been distinct phases in the development of the welfare state which include the extension of social rights to all citizens in the first half of the twentieth century, the retrenchment in the 1970s, and the new ideas around social investment in the 1990s. A new phase has opened with the adoption of austerity programmes following the financial crash in 2008 and economic recession. The future of the welfare state is once again in question and to survive it needs continuing reforms and a new vision of democratic citizenship.

The welfare state is currently facing a battle for survival on several fronts.<sup>1</sup> The first is an intellectual battle. Everyone is agreed we need welfare, the condition of doing or being well, but do we need a welfare *state* to provide it. Are there other means by which the welfare of individuals can be assured? Secondly there is a political battle, centering on whether the welfare state is affordable, particularly in hard times, periods of austerity and slow growth such as the one the whole western world has been living through since the financial crash in 2008. One of the paradoxes of the welfare state is that the richer societies become, the less able or willing governments are to fund welfare collectively. Thirdly there is a policy battle. Can the welfare state adjust to changing circumstances and trends or have its own institutions and structures become too inflexible and incapable of reform to meet the challenges of rapidly changing societies?

These battles have been raging a long time. None of them are particularly new, but the questions at the heart of them have acquired a new urgency. It seems a long time ago that TH Marshall celebrated the establishment of the post-war welfare state as a triumph of democratic citizenship, adding social rights to the earlier winning of civil and political rights.<sup>2</sup> The creation of a welfare state became regarded as an indicator of economic success and political maturity, the institutional and policy reflection of the compromise which had prevented western capitalist democracies from tearing themselves apart. Welfare states were the means to reconcile democracy and capitalism, protecting the institutions of the capitalist economy, particularly private property, but also protecting the interests of all citizens by pooling resources to give every citizen a basic minimum of resources and opportunities across the life cycle. Conflict still persisted on how generous that minimum should be, and how it should be funded, but the principle was widely accepted, and became part of the governing framework for all advanced capitalist democracies.

Yet this period seems in retrospect short-lived. Since the stagflation crisis of the 1970s there has been, as far as public services are concerned, never-ending austerity and fiscal crisis. The public services have been underfunded and beset by controversies around levels of entitlements, costs and quality. This has led to continual pressure for restructuring, reorganization, and the search for efficiencies in existing service provision. For many people involved in the delivery of front-line services the welfare state has seemed to be always under siege.

### The Historical Context of the Welfare State

To grasp the current problems and challenges of the welfare state it is important to situate it historically, and to understand the complexity of its ideological and political development. In its origins the welfare state was a project of both left and right. On the right in the nineteenth century leading conservative statesmen and business owners including Bismarck and Joseph Chamberlain advocated welfare programmes as a way of incorporating labour and blunting the appeal of the anti-capitalist movements which were developing so fast. They agreed that extremes of inequality should be moderated, and that collective provision should be made to give every citizen reasonable security and opportunity. The welfare programmes which resulted were in part a moral response to the plight of the working poor, as well as being a political response to the rise of radical working class movements and a pragmatic response to the need all Great Powers were experiencing for healthier and better educated workers and citizens.

## “THE WELFARE STATE EXPRESSED A NEW COLLECTIVISM WHICH HAD ADVOCATES ON BOTH LEFT AND RIGHT.”

The welfare state as it developed was closely associated with projects of nation-building and common citizenship. It expressed a new collectivism which had advocates on both left and right. Treating nations as communities of fate gave governments obligations to ensure the welfare of citizens. This implied a move away from ideologies of laissez-faire and economic liberalism. As such it was part of a wider reaction to the self-regulating market, and reflected the desire for a much more active and interventionist state.<sup>3</sup> Significant elements in the governing classes in Europe at the end of the nineteenth century accepted that capitalism needed to be fundamentally reformed to head off the possibility of social revolution by providing a basic minimum of security, opportunity and income to all citizens at every stage of the life cycle. This shift in attitudes helped transform western politics and made possible the reconciliation of capitalism with democracy which many in the nineteenth century thought could not happen. It remains the rock against which attempts to dismantle welfare states have so far foundered.

The welfare states developed by Conservatives tended to be limited in scope and ambition, but they opened a way for the state to augment its powers and extend its operations and this was used by centrist and social democratic politicians to deepen and universalise the welfare state. One of the inspirations for this wave of social democratic reform was the Beveridge Report published in the UK in wartime in 1943. Beveridge identified the five giants of Want, Idleness, Disease, Ignorance and Squalour, and his framework provided the basis for the establishment of universal programmes of social security, full employment, health, education and housing, funded through much higher levels of taxation.<sup>4</sup> In quantitative terms the changes were dramatic. The UK for example had had very low levels of public spending and taxation in the nineteenth century, less than 10 per cent of national income before 1914. After the First World War and the granting of universal suffrage this rose to between 20-30 per cent between 1920 and 1940. After the Second World War the level rose again, to 38-45 per cent. 20-25 per cent of this represented social spending. It was this transformation of the role of the state in capitalist democracies and the long economic boom which started in the 1950s that convinced many observers that the secret of stable and prosperous democratic capitalism had been discovered.<sup>5</sup>

### **From Welfare Retrenchment to Social Investment**

This period however proved temporary. It was succeeded by the long crisis of the 1970s during which the welfare state unexpectedly became a focus for attack from both right and left. The left critique of the welfare state argued that the reconciliation of capitalism and democracy was an illusion. The existence of the welfare state created a conflict between the priority given to maximizing economic growth by boosting profitability and investment and the priority given to maximizing democratic legitimization by expanding welfare programmes. The result was an increasingly debilitating fiscal crises, as there not enough resources to sustain both objectives.<sup>6</sup> A second line of criticism focused on the paternalism of welfare states; the stigmatizing and disciplining of claimants. Welfare states it was argued were not benign but instruments of social control. The expansion of the state served the interests of the state rather than its citizens. A third line of criticism focused on the gendered assumptions which informed so many welfare state programmes. The Beveridge report had very explicit assumptions about households being supported by a male breadwinner, and most domestic labour being performed by women and unpaid.

On the right some of the analysis mirrored that on the left, although very different political conclusions were drawn. Welfare states it was argued increasingly threatened prosperity rather than helping to sustain it. Spending on welfare had become a burden on taxpayers, because some key programmes, particularly social security, were too generous, and open to fraud. This attack was widened out at this time into a critique of welfare states which treated them as similar to command economies in non-western societies, and with similar results - misallocation of resources, no

proper market discipline and no proper budget constraints. In more colourful depictions the welfare state was seen as a giant parasite, sucking the life out of the private sector because of its insatiable appetite for additional resources. In an influential critique two UK economists argued in 1975 that the public sector had grown too large because its workers were essentially unproductive (no matter how socially useful), and their wages had to be paid for by workers in the ‘productive’ private sector.<sup>7</sup> This view of the relationship between the state and the market economy had a long history. What was significant was its revival in the 1970s and the particular uses to which it was put, supporting the argument that the welfare state was too generous, and employing too many people, and should be cut back.

**Health, public education, and labor and salary conditions have been, are and will continue being very sensitive areas in the struggle for social welfare.**

Another line of attack was that in the decades since the publication of the Beveridge report there had been a retreat from the original insurance principle which Beveridge had proposed. Welfare was now being funded from general taxation, and welfare benefits were no longer regarded as something which had to be earned by paying in, but something which was a right, and therefore an entitlement. The contribution principle had been lost. The consequences of this shift led directly to fiscal crisis since the costs of welfare programmes as well as the demands and expectations of citizens were always increasing, leading



to ever-greater demands for funding. In the gloomy prognostications of free market think tanks there was no end to this spiral. It was inevitably leading to fiscal crisis, the collapse of the public finances, the politicisation of welfare. The problem was often diagnosed as one of democracy. The structure of democratic institutions allowed claimants and public service employees to push their special interests, at the expense of the majority of citizens and taxpayers. It also led to the growth of dependency, the multiplication of claimants, and the infantilising of the poor, who were denied autonomy and a chance to liberate themselves.

## **“THE STRUCTURE OF DEMOCRATIC INSTITUTIONS ALLOWED CLAIMANTS AND PUBLIC SERVICE EMPLOYEES TO PUSH THEIR SPECIAL INTERESTS, AT THE EXPENSE OF THE MAJORITY OF CITIZENS AND TAXPAYERS.”**

These critiques from left and right of welfare states as they had emerged since 1945 attracted different political responses. Before the 1970s it was assumed that all welfare states were on a journey to the same destination. Some were further on the way and some faced particular obstacles, but all were moving in the same direction. In the 1970s and 1980s it became clear that there were growing divergences in welfare states and that these were unlikely to be overcome, but rather were becoming increasingly embedded in different institutions and policies, reflecting different politics in the various states. This divergence was captured by Esping Andersen in his book, *The Three Worlds of Welfare Capitalism*, which contrasted Nordic welfare states with their generous provision, high taxation, and treatment of welfare provision outside the bounds of the market; continental welfare states which also had quite generous provision, but in line with conservative assumptions about society focused provision on the family, rather than on individuals; and Anglo-American states, whose welfare states had become primarily focused on income support, and were much less generous and comprehensive, and had therefore become residual welfare states.<sup>8</sup> But Esping Andersen noted that what made all three types recognisably welfare states was that even in the residual welfare states there were programmes to combat insecurity arising in the life cycle of the labour market, as well as important universal programmes like the National Health Service or Medicare.

It was also the case that the differences between the different types of welfare state were less than the political rhetoric sometimes suggested. There remained strong political resistance to welfare retrenchment, so that even where governments were elected on anti-welfare programmes, as happened in both the UK and the US in the 1980s, the success of these radical right governments in rolling back the state was limited.<sup>9</sup> Both Thatcher and Reagan were frustrated in their attempts to bring fundamental change to the welfare state. What they did achieve was a great deal of reshaping, The new public management with

its emphasis on the introduction of quasi-markets into public services, together with the target and audit culture helped precipitate the waves of reorganization and efficiency drives which a new class of managers arose to supervise.

Anton Hemerijk in his influential characterisation of the phases of the development of the welfare state since 1945 in the capitalist democracies, sees a first phase of welfare state expansion and class compromise lasting until the 1970s. This was then replaced by a phase of welfare retrenchment and neo-liberalism in the 1980s and 1990s. A third phase opened in the mid 1990s characterised by what became known as the social investment paradigm. This was based on a fundamental rethinking of the welfare state, and argued for a smart, active enabling state and the recognition of new circumstances, in particular globalisation, de-industrialisation and new social risks.<sup>10</sup> This paradigm was especially influential in the EU Commission, and in several of the member states. It focused in particular on labour market and life course transitions, and how government should intervene to make these as smooth as possible, as well as on raising the quality of the stock of human capital and capabilities, while maintaining strong minimum income universal safety nets as buffers to ensure social protection and economic stabilization.

### **The New Hard Times**

A fourth phase opened with the financial crash of 2008. A financial meltdown was averted but at a heavy cost for the western democracies. There was a sharp recession in 2009, followed by a slow, weak recovery, the slowest and weakest since 1945. Western economies were still not back to normal nine years after the crash. Interest rates were still at record low levels, the financial sectors were still heavily dependent on quantitative easing, and the economies were plagued by secular stagnation, high levels of inequality and a standstill in pay and productivity, leading to a squeeze on living standards of most of those in work.<sup>11</sup> Welfare states both in the expansionist phase after 1945, and more recently in the 1990s and 2000s had relied on the growth dividend which meant governments could choose to increase in absolute terms the amount to money going to welfare. With the onset of recession governments once more resorted to austerity programmes, fiscal squeezes and fiscal consolidation, and a new onslaught on welfare states began. The eurozone crisis which developed after 2010 quickly became a threat to the European social model and to the principle of solidarity across the EU, because of the draconian austerity measures the leading creditor countries in the EU demanded in return for bailing out the debtor countries.

There was no uniform pattern across Europe. Countries tried different mixtures of expenditure cuts, tax increases and borrowing. Only Sweden avoided any fiscal squeeze. At the other end of the scale the UK and Lithuania put the balance of their fiscal adjustment heavily on spending cuts (more than 90 per cent) rather than tax increases. The new politics of austerity which emerged in many

states revived old stigmas around those who received welfare benefits. New distinctions between strivers and shirkers, makers and takers, echoed a much older discourse about the deserving and the undeserving poor. The latter were stigmatised as benefit cheats, and as free riders on the labour and contributions of others. As in previous phases of austerity the burden of spending cuts fell most heavily on the poor and on households. Many costs were redistributed to households, particularly in respect to social and child care.

The political issue in every state was not austerity as such but what kind of austerity. The recession removed permanently a large amount of wealth from national economies. A fiscal adjustment to take account of that shift had to be made. The question was who should bear the main burden of getting the public finances back into balance. Whose taxes should be increased, and whose spending should be cut? This politics of redistribution could not be avoided, and electoral coalitions formed around the various alternatives. Welfare spending became a prime target, but not all welfare spending. It was politically much harder to attack some of the big universal programmes on health and education which benefited almost all citizens at some point in their lives, than to target welfare spending that went to minorities, such as the unemployed and the disabled.

In this new politics of redistribution, those seeking large cuts in spending have increasingly condemned the welfare state as a twentieth century form of capitalism. The new forms of capitalism which are emerging have no need for welfare states. Rising powers such as China are cited as examples of new successful economies which have not burdened themselves with the costs of providing a welfare *state* for its citizens. The argument is increasingly heard from free market thinktanks that western economies should dismantle their welfare states if they hope to compete with the rising economies of the East. The future is said to lie with flat taxes, or with very low tax rates, on both business and on individuals. The main counter to these ideas comes from those who think that the best hope for preserving welfare states lies in renewing and developing the social investment paradigm. But here too there are skeptics who criticise the social investment paradigm for focusing too much on new social risks at a time when old social risks in the shape of rising unemployment and more precarious forms of employment have returned to western economies. A second problem is the observation that middle class households benefit disproportionately from the effects of social investment policies. It is much harder to reach those who are marginalised and excluded from labour markets.

## The Intellectual Battle

The new politics of austerity has re-energised those campaigning against the welfare state. They raise the fundamental question identified at the beginning of this chapter – why do we need a welfare *state*? Why cannot welfare be supplied

in other ways by other agencies? Underlying these questions is a rejection of some of the assumptions which have underpinned the extraordinary success and achievement of welfare states in the twentieth century. These include whether welfare states are permanent features of modern societies or just a transitional stage, when for a variety of reasons it was easier and more practical for the state to be involved in the provision of key welfare programmes. But is it possible that welfare states belong with socialism, trade unions, collectivism, and planning to an earlier era?

Much of the most persistent and profound critique of the welfare state has come from various strands of neo-liberalism, both Hayek's revival of classical economic liberalism, and the market libertarianism prevalent in the United States.<sup>12</sup> These theorists argue that individuals should be free to make their own choices about the services they use and pay for the quality they want. The state should not interfere in these choices or tell individuals what they should do. The institutional framework, including the state, needs to take account of human imperfections. The core of the knowledge problem as set out by Hayek is that because human beings are limited in their cognitive capacities they are always making decisions in conditions of uncertainty and ignorance. He further assumes that individuals are primarily motivated by self-interest, hence the importance that any institutional framework should recognise the importance of incentives in channeling behaviour. Given limited information and ignorance Hayek maintains that evolutionary processes are better placed to discover solutions to their own deficiencies than are alternatives which reduce the scope for competitive experimentation. The Hayekian contention is that this is what the welfare state does. In the name of promoting the common good and social justice it assumes that a social order can only be maintained by deliberate authority. Hayek maintains that most of the benefits of modern society have only emerged when deliberate authority has been limited or absent altogether.

From a Hayekian perspective the state does not need to regulate voluntary exchange or provide financial support for civil associations. Solutions to social

**Unemployment, one of the worst consequences of the economic crisis. In the photo, people waiting to enter an employment office in the Santa Eugenia neighbourhood, Madrid.**



problems are not given uniquely to a single agency. Education and health do not need to be supplied by the state. Those who support the welfare state, Hayekian suggests, are arguing that the holders of political power should substitute their own view of the appropriate trade-offs in place of those reflected in the choices of millions of individuals and civil associations. The better approach is to promote decentralization, pluralism and many providers of services.<sup>13</sup> Paradoxically people are more likely to be atomized by the coercive nature of a tax financed welfare state. Such a state is also likely to interfere with free movement of goods, capital and people in other areas, by, for example, imposing strict immigration controls. The Hayekians by contrast want all state monopolies to be broken up. They envisage the restoration of a free economy and a minimal state, which would maximise choice and the quality of services. The Cato Institute has suggested that total government spending should never be higher than 25 per cent of GDP and could be as low as 15 per cent. The Ryan budget plan in the United States proposed a move in this direction. In terms of the welfare diamond, with its four interacting institutional sides – states, markets, households, and civil society – these proposals would eliminate the state altogether. The welfare diamond would become a welfare triangle, comprising the interactions between markets, households and civil society. This would no longer be a welfare *state*.

## The Political Battle

The end of the growth dividend and the plunge into recession was the context in which austerity became the new political reality. A new politics of the welfare state has emerged, reflected in the rise of new anti-welfare coalitions, evident in the Nordic countries as well as in the UK and the US. One of the drivers for these anti-welfare coalitions is a recognition of the extent to which societies have become consumerist, so that many citizens are prepared to consider contracting for welfare like any other service, and paying lower taxes as a result. There is evidence that during the recession and the slow recovery support for non-universal benefits, particularly those like social security, have come under particular attack. Older senses of solidarity and common purpose have been undermined.

Underlying the new politics of the welfare state are the key issues of affordability and competitiveness. Affordability reflects the gulf between what citizens are willing to pay in taxes and the services they expect. Voters demand both Swedish style public services and US style taxes. A common feature of democratic electorates is the growing resistance to paying high levels of taxes as individualist consumerist culture takes hold. This pressure constantly threatens to shrink the tax base because of the willingness of political parties to compete in seeking to lower taxes on both individuals and companies. This is a much bigger problem than the issue of avoidance and evasion of taxation, although these also play a part, and in the case of many transnational companies the ability to avoid paying taxes in high tax regimes which is built into their corporate strategies. If these pressure cannot be countered there is an irresistible drift to a regime of low

taxes which gradually eliminates progressivity in the tax system by moving towards flat rates in either absolute or proportional terms, as well as eliminating some taxes such as inheritance tax altogether. The end result is at best a residual welfare state, since the state loses the capacity to fund anything else.

This is one of the great conundrums of democratic politics. Politicians of both left and right rule out tax rises, which affect the majority, in order to gain votes. Those that refuse to do so are often punished electorally. But the same politicians are also under intense pressure to respond to the rising tide of expectations and entitlements, as well as to find solutions to the tendency of costs in the public sector rising faster than costs outside because of the inherent difficult in raising productivity in services which are labour intensive. Politicians are obliged to promise to reduce the taxes individuals and companies pay while at the same time promising to maintain the open-ended universal benefits on which the majority of citizens have come to rely. The cost of health treatments and of pensions in particular constantly threaten to outpace the ability of states to fund them at the level citizens have come to expect. Politicians either have to disappoint voters on taxes or on spending, or they have to increase borrowing and try and postpone the problem. The dilemma is a fundamental constraint in contemporary democracies, and is exacerbated in times of austerity.

## **“IS IT POSSIBLE THAT WELFARE STATES BELONG WITH SOCIALISM, TRADE UNIONS, COLLECTIVISM, AND PLANNING TO AN EARLIER ERA?”**

The second issue is competitiveness. The trends towards globalisation in the international economy in the 1980s and 1990s was associated with the end of full employment, the weakening of organized labour, and the creation of transnational production supply chains. They created understandable anxiety about a race to the bottom. Would any national economy be able to sustain the extra costs of a welfare state if mobile transnational capital could choose to locate in areas with much lower tax and regulation? What quickly became apparent was that there was no simple relationship. The variation in types of welfare states showed that. Some of the most successful economies in the globalisation era had some of the most advanced welfare states.<sup>14</sup> Despite this the anxieties have never completely gone away and have been revived since the advent of recession and austerity and the new hard times. Labour standards and welfare standards are both perceived to be under threat because of the ease with which companies can choose to outsource production. One of the things which make economies more attractive to companies is flexible labour markets and a willingness to accept high immigration. Having as few restrictions as possible on immigration is very attractive to employers, but only underlines how much welfare states are national creations while many forms of capital are transnational. In a time

of austerity when the emphasis is on stripping costs, the higher wages and welfare benefits enjoyed by citizens in rich economies can look like economic rents which privilege these workers over workers in other parts of the world. Yet the maintenance of these privileges becomes an electoral imperative, and also fuels an anti-immigrant, anti transnational capital backlash.<sup>15</sup> From this perspective protection of welfare states has a strong element of economic nationalism, and must involve strict immigration control. Yet the political forces which tend to be most in favour of protecting welfare states are also those most in favour of a liberal immigration policy. These tensions are evident in the populist backlash against globalisation which has gained ground since 2008 in many parts of Europe, and has achieved its greatest successes in the vote in the UK to leave the European Union, and in the election of Donald Trump as U.S. President on an economic nationalist and anti-immigrant platform.

Many diverse sectors of society are concerned by the uncertainty triggered by the crisis in the welfare state.

## The Policy Battle

The welfare state is also involved in a battle over policy, in particular responding to the new circumstances and social trends which have made many of the inherited forms of welfare states seem anachronistic or inadequate. Much attention has



been devoted to new social risks, which pose different kinds of policy challenges, and also to the demographic changes that have altered the context in which welfare states operate. One of the biggest changes which has taken place in industrial services is the shift from manufacturing to services, with the former now accounting for 80 per cent of employment in many rich economies. With that has come new patterns of work and of households, very different from the patriarchal male bread-winner assumptions of the Beveridge report. The new patterns include the much higher female participation rate, the rise in single parent families and workless households, the growth of the precariat – those in insecure or temporary employment.<sup>16</sup> Another key trend has been the increasing financialisation of the economy, with citizens treated as autonomous and self-reliant financial agents, incurring debts to navigate the life cycle.

## **“WELFARE STATES WITH ALL THEIR IMPERFECTIONS ARE VITAL FOR SOCIAL STABILITY AND LEGITIMACY.”**

These trends are related to the rise of a more individualist society and political culture, and the evident weakening of many of the institutions which in the past nurtured solidarity, such as trade unions, churches, extended families, large factories and working class communities. This has been associated with evidence of a hardening of attitudes towards the poor and declining support for redistribution, particularly among millennials. At the same time there has been a marked change in the demographic profile of the rich economies. Declining mortality and increases in life expectancy have made the older generation an increasingly powerful voting force, and there has been a pronounced redistribution from young to old. As the costs of providing social care and pensions for the elderly rise, the numbers working and paying taxes has shown a tendency to decline. The policy solutions to these dilemmas include cutting spending on the older generations, raising the retirement age more rapidly, or encouraging immigration to boost the number of younger workers. All are politically difficult.

### **Conclusion**

Joseph Schumpeter asked in 1944 whether capitalism could survive and answered in the negative. Some would now say the same about welfare states. This chapter has emphasised the various intellectual, political and policy challenges which welfare states face. Can they overcome them? The position of the welfare state is stronger than it sometimes appears firstly because in most countries there is still a broad coalition of support for welfare services which are universal and free at the point of use, and secondly because capitalism still needs the welfare state as much as the welfare state needs capitalism. There is a mutual dependence between them which has grown up over the last hundred years. Welfare states

with all their imperfections are vital for social stability and legitimacy. They are an important creator of the non-market conditions which are necessary for the successful reproduction of capitalism as a political and economic system.

Contemporary welfare states undoubtedly face complex intellectual, political and policy challenges, but also a deeper moral one – how to renew the social contract on which the original welfare states were based. The challenge is how to make the case for higher taxes to sustain welfare states and prevent any further erosion in the tax base. If this cannot be done, more welfare states are likely to become residual in Esping Andersen's sense, or disappear altogether. Without a renewed sense of community and solidarity welfare states will not survive and will not deserve to survive. The result will be growing inequality, social fragmentation and conflict.<sup>17</sup> But the question can be posed another way. It is not only whether capitalism can survive without the welfare state, but whether democracies can survive without it. Welfare states even now ensure that social rights are given precedence over market performance, and this is a tangible demonstration that democracies, again with all their imperfections, can still work for their citizens.

For supporters of welfare states there are reasons to be cheerful, or at least not too despondent. Some battles are being won. The difficulties encountered by the Trump Administration in seeking to abolish Obamacare in the United States is an interesting example of the politics of the welfare state. The granting of new entitlements means also the establishment of new interests, and there is in every democracy great difficulty in rolling back these entitlements once they have been achieved. There are also new directions emerging for welfare states. The social investment paradigm still has great potential in finding new ways to combine protection and opportunity. There are ideas around new policies to promote full employment, and strengthen some of the institutions both in civil society and in households necessary to nurture a sense of community and solidarity so vital to welfare states. New visions of democratic citizenship are also abroad. They include basic income and capital grants.<sup>18</sup> They seek new ways to combine self-reliance with solidarity, and to affirm the basic principle of the welfare state, redistribution across the life cycle. The important goal in any reform agenda for the welfare state should be to ensure that all sides of the welfare diamond – state, market, household and civil society – are fully engaged.

None of these reforms on their own will be enough. There has to be a wider agenda as well if welfare states are to thrive. What is needed is a welfare state which not just helps individuals to adapt to circumstances and opportunities but which actively shapes those circumstances and opportunities.<sup>19</sup> This means among other things effective regulation of labour markets, financial markets, housing markets, and reforming corporate governance. The aim has to be the reconciliation of the old and the new social risks; the achievement of a true social investment state. The prize is a big one, since although not every individual benefits equally from the welfare state, all benefit from living in a society where every individual enjoys a basic security and opportunity to live a full life.

## Notes

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## >RADICALLY REASSESSING “THE ECONOMIC”



Share

Image: One of the current challenges is to achieve a sustainable economy that is more efficient for the vast majority.



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## >RADICALLY REASSESSING “THE ECONOMIC”

Critically challenging mainstream representations of “the economic”, the chapter draws on empirical research to inform an economic imaginary based on diversity and difference. Re-thinking the economic is argued to be vital at a time of crisis and perplexity, particularly if it encourages a radical re-appraisal and re-valuing of non-capitalist forms of work and organisation in everyday western society. While emphasising the need for greater recognition of the interconnected and overlapping nature of contrasting economic typologies, the chapter concludes by arguing that utopian visions of a capitalist society, based on “full-employment”, should be rejected in favour of “post-capitalist” societies based on full and meaningful forms of engagement.

### Introduction

Our contemporary epoch - the *Anthrococene* – is being increasingly defined by an unprecedentedly violent and dystopian tapestry, woven by the entangled threads of economic, social and ecological crisis. Though global in nature, from a European perspective, these statistics help illustrate the depth and extent of some of the key socio-economic problems faced at this time:

In 2015, almost 119 million people, or 23.7 % of the EU population, were at risk of poverty or social exclusion. This means roughly one in four people in the EU experienced at least one of the following three forms of poverty or social exclusion: monetary poverty, severe material deprivation, or very low work household intensity. (Eurostat, 2017, n.p.)

The challenge of ‘how’ to effectively, constructively and decisively move toward a “post-crisis” world of prosperity, social justice and environmental sustainability is, without doubt, *the* most important and pressing challenge of our time. Here, critically appraising the key responses that radiate strongly across a broad spectrum of mainstream academic, policy-making and media commentaries alike, offer instruction and insight (though not in the way intended). Though their solutions proffered to the question of crisis may differ somewhat in degree, they are almost exclusively anchored around a belief that all future happiness, freedom and *joie de vivre* is bound to, and indeed utterly dependent upon, the success of something confidently referred to as “the economy”. “The economy” so we are told is in crisis, and it is this crisis that threatens to end the world as we know it (Shannon, 2014).

Steeped in this particular economic imaginary, “experts” across the political economic spectrum unquestioningly assume that societies must be prepared and willing to make *some* sacrifices at “the economic” altar, in order for a resurgent economy to bestow prosperity and riches upon wider society. In this respect, the serious debates concern just how much sacrifices citizens should endure, and where and in what form. Given the privileging of “the economic”, should the medicine prescribed to remedy economic ills prove toxic to the general societal wellbeing and freedom then this is entirely justifiable. How else can we begin to understand the political aptitude to invest trillions of pounds of public money in response to the global financial and “economic” crisis that emerged in 2007-8? Indeed, in the UK alone “...at the peak of the crisis, the government had committed the astronomical sum of £1.162 trillion of public money to provide loans, share purchases and guarantees to its errant banks” (Cumbers, 2012, 1-2)? How else can we understand not only the hard-fisted resolve and determination to forcibly impose full-blown austerity policies and state retrenchment in the face of vociferous popular contestation, struggles and resistance, but also to maintain austerity measures *despite* ever increasing levels of poverty, job insecurity, homelessness, social exclusion and mental suffering? All of these individual and collective social consequences of austerity regimes were not widely predicated and anticipated (see Armingeon et al., 2016; Blyth, 2013; Davies and Blanco, 2017; Pantazis, 2016; Varoufakis, 2016). What holds this mainstream economic narrative together is the insistence that we (the people) must trust and have faith in our expertise not only of our economic elites to see us safely through the crisis, but also in the benevolent, ‘tough-love’ nature of the state. We are, so we are repeatedly told, ‘all in it together’. To question this is to provoke an altogether threatening and intimating four word response, one designed to ensure conformity through threat and provoking fear: ‘there is no alternative’.

## **“THIS IS A TIME FOR POWERFUL NEW STORIES TO BE TOLD ABOUT THE ECONOMY IN WAYS THAT BETTER CAPTURE AND REFLECT COMPLEX TRUTH AND CREATIVE POTENTIAL OF THE ECONOMIC.”**

But what if this dominant story about the economy and society, what it constitutes and what our relation to it is in the 21st century rests on a spurious foundation of falsehoods, myths and wishful, uncritical utopian thinking: what then? Arguing that this is indeed the case, the thread running through the chapter is one that aims to impress upon the reader that, at a deep and profound level, the economic crisis of our time is firmly rooted in a broader crisis of imagination that colonise the ways in which we think about what is possible, practical and enactable and achievable. Yet, the ability to foster ever new, more creative and radical imaginaries; imaginaries that will inspire new economic and

community sites into the world, is absolutely fundamental if we are to move more confidently toward desirable “post-crisis” societies that embrace social, economic and environmental justice for all.

Put simply, this is a time for powerful new stories to be told about the economy in ways that better capture and reflect complex truth and creative potential of the economic. To this end, drawing on empirical evidence that focuses on the geographies of work and organisation in the UK in particular, the aim of the chapter is to agitate for a radical re-assessment of “the economic” to challenge mainstream discourse. This will be achieved in three related ways, namely by critically reflecting on: (i) what constitutes “the economic” and how this should be better represented; (ii) what is the relationship between work and society (iii) how can we be empowered in ways that allow us to begin to *think* differently and creatively about the economic in future visions of work and organisation, inspired by expressions of solidarity and support that are familiar to us in the here and now?

## Rethinking “The Economic”

A key starting point then is an obvious one: to problematise what is meant by “the economic”. The contention here is that a mainstream understanding of “the economic” is based on a particularly thin and inadequate reading of economic organisation and exchange. What is actually being referred to in mainstream narratives is not “the economic” but capitalism, which is just *one* particular mode of economic organisation that governs the way in which goods and services can be produced, exchanged and consumed in society; one based “around the systematic pursuit of profit in the marketplace” (Williams, 2005, 13). As will be shown later, by recognising the pervasive nature of *non*-capitalist modes of work and organisation in society, and appreciating how these inform a thicker reading of “the economic”, any reference to “the economic” as interchangeable with ‘capitalism’ is inexcusable. In the same way, to propagandise the view that society is capitalist, and its future inescapably locked into a capitalist discourse is dangerous nonsense (see White and Williams, 2014). However, such is the success and power of this capitalist realism though, that to *think* otherwise is a task that is neither easy nor straightforward. Indeed, the extent to which this capitalism has colonised the economic imaginary is perfectly captured in the refrain that it is easier to imagine the end of the world, than it is to imagine the end of capitalism.

To successfully begin to challenge this orthodoxy, it is fundamental to re-assess the economic in ways that captures and explores its inherently heterodox and dynamic nature(s). Here we must also theorise in ways that contextualise *our* relationship to the economic that embeds rather than uncouples “the economic” within wider social and cultural relations. Constructing an economy of difference and diversity can be achieved from the bottom-up, from where we find ourselves

now. This is the opposite approach to that seen in formal economics, which perpetuates a totalizing discourse referred to by feminist economic geographers Gibson-Graham (2006a, 6) as "capitalocentric".

"other forms of economy (not to mention noneconomic aspects of social life) are understood primarily with reference to capitalism: as being fundamentally the same as (or modeled upon) capitalism, or as being deficient or substandard imitations; as being opposite to capitalism; as existing in capitalism's space of orbit."

Thankfully, when acknowledging the centrality of diverse economic worlds we engage in, and the complexity, desirability and complex coming together of these worlds across (our) time and space, the invitation to rethink the economic in more expansive and colourful ways requires no great leap of faith, no abstract thought, or indeed much feat of imagination! Indeed, perversely, it is the narrowing of 'the economic' in a way that begins and ends with capitalism that necessitates a strenuous exertion of denial to render invisible - and valueless - all the multifarious ways which we organise ourselves, and our societies, in meaningful and intentional ways.

Capitalist realism advocates that any economic activity is a natural manifestation of capitalism.



Rejecting capitalocentric readings of the economic also demands a radical re-imagining of the values and visibility ascribed to 'other' forms of work and organisation that we, and others, harness in our day-to-day lives. What forms, and for what reasons, do we organise work within our households and local communities for example? How extensive are "non-capitalist" economies? What rationales underpin the coping strategies we use? What barriers prevent our preferred modes of work and organised from being achieved? How do responses fit with an economic imaginary that tells us that we live in - indeed are locked into - a capitalist society? The challenge then moves to consider how we consciously occupy this economic ontology of difference, in ways that acknowledge the intersectional nature of different economic modes of organisation, and appreciate capitalist and non-capitalist forms of economic organisation as relational (to some extent) rather than oppositional. Underpinning all of this is the need to acknowledge and understand the uneven presence of different types of work and organisation rooted in a spatial and temporal consciousness: literally how our relationship to "the economic" changes as a consequence of where we happen *to be* at any particular moment in time.

## **"THE ORGANISATION OF THESE ROUTINE, ORDINARY TASKS SAY SOMETHING OF SIGNIFICANCE CONCERNING OF SENSE OF IDENTITY, AND OUR RELATIONSHIPS WITH THOSE AROUND US."**

Through a combination of direct questions - which to encourage personal reflection and awareness in the reader, alongside wider empirical findings, the chapter continues by drawing attention toward some of the ways in which the richness, depth and diversity of "the economy" have been better captured and presented in existing research. In re-assessing the economic as a landscape of plurality and difference, an argument is made concerning the importance to problematize overtly essentialist, binary representations of different types of economies e.g. "capitalist/ non-capitalist post-capitalist"; "mainstream/ alternative", "formal/ informal". Taking care not to romanticise or essentialise different economic typologies, the chapter concludes by inviting ways in which a re-assessment of the diverse forms of economic work and organisation might yet inspire and inform a "post-crisis" future society built on full and meaningful engagement.

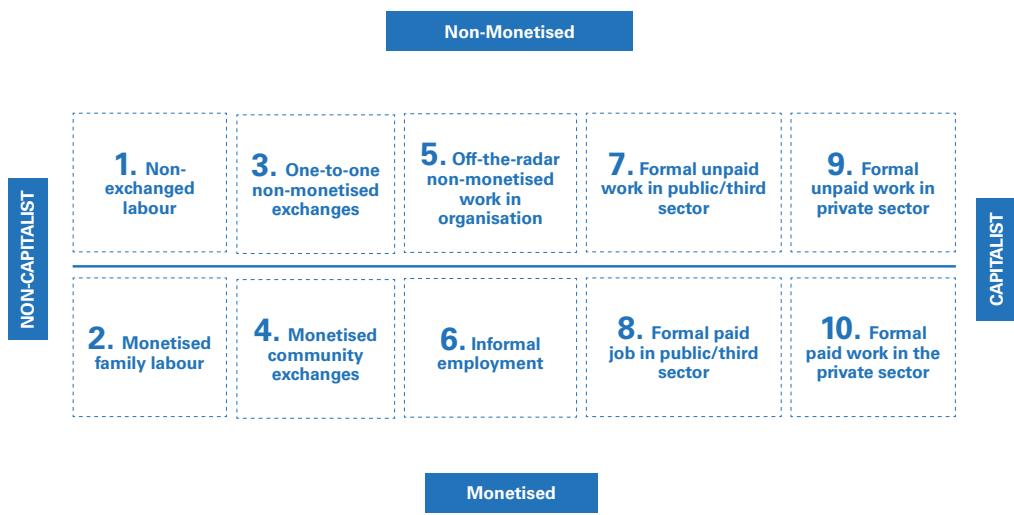
### **Appreciating the Importance of Diverse Economies of Work and Organisation in Our Everyday Lives**

Imagine a researcher knocked on your front door, armed with a clipboard, a questionnaire and pen. You answered the door and invited them to ask their

questions. The questionnaire began by exploring a number of regular, household jobs, that ranged from *property maintenance* (e.g. outdoor painting, indoor decorating, wallpapering); *property improvement* (e.g. DIY activities, building an extension, putting in central heating); *routine housework* (e.g. washing dishes or clothes, cooking meals, doing the shopping, cleaning windows); *garden activities* (sweeping paths, planting, moving the lawn); *caring activities* (childminding, looking after animals, educational activities - tutoring); and *vehicle maintenance* (repairing/ washing cars, bikes etc). Considering each task in turn, you were asked whether the job had been done in the house (and when)? Who did the work (the respondent? Another member of the household? A friend? Neighbour? Professional?) Did you pay them in some way for the work undertaken (if so was it cash-in-hand, or perhaps a gift in lieu of money?); Why did you come to this arrangement for getting the work done? Forty six tasks later the first part of the questionnaire was completed! The second part asked similar questions, but this time was interested in whether you, or members of the household, had engaged in work for other people. The final section of the questionnaire then explored some of the barriers to participation to completing tasks using household labour/ other people. For you and for many others, the invitation to think consciously about the 'how' and 'who' and 'why' work is organised to complete these domestic tasks would be a rare one: they just are. In many ways, though, the organisation of these routine, ordinary tasks say something of significance concerning sense of identity, and our relationships with those around us.

These work practice questions form part of the mixed methodological Household Work Practice Studies carried out in the UK, which can be traced to the research conducted in the late 1970s on the Isle of Sheppey by the sociologist Ray Pahl (1984). It has been revised and harnessed most effectively in recent decades through the empirical research focused on the geographies of community self-help "those informal activities that are not formally provided by the market and the state" (Burns et al. 2004, 29) and the limits to capitalism (Williams 2005, Williams and Windebank, 2016). Reflecting on your responses to these door-step questions, how many different types of work practices did you draw on to complete the tasks investigated? How would you distinguish and define these typologies of labour practices? In the alternative economies many attempts to conceptualise, capture and visibly illustrate (a) the multifarious nature of work practices evident in contemporary society, and (b) their relative relationship(s) to each other have emerged. Here Gibson-Graham (2014, 2016b) has been particularly influential, though one of the most complex representations of the diversity of economic practices is Williams's (2010) total social organisation of labour, a version of which is depicted in Figure 1.

**Figure 1: Re-presenting an economy based on diversity and difference**



Source: Adapted from White and Williams (2016, 327)

These complex, ‘thicker’ representations of economic praxis are rich with radical implications and possibilities for radical reassessing ‘the economic’. Significantly, in this representation different economic typologies are never entirely separate, rather they overlap and merge into each other to a degree. This is illustrated both by the use of ‘hatched’ lines, and by indicating on the ‘x’ axis where they are more capitalist/ non-capitalist based, and on the ‘y’ axis, where they are more monetised or non-monetised. Most obviously such representations challenge the propaganda of capitalocentrism (which reifies capitalism as the central and most significant economic practice in ‘advanced economies’) by more correctly depicting capitalism as one form of economic organisation among many.

The negation of any natural or inevitable ‘economic core’ (still less a capitalist one!), and the juxtaposition of capitalism alongside other everyday economic typologies that animate the “the economic” of the western world, is potentially both liberating and exciting, not least when it comes to thinking creatively about possible economic futures (beyond/ “post” capitalism). When the abstracted economic representation is plunged into the richness and messiness of everyday life, how might this sense of liberation and potential be opened up, or closed down? Could it be the case that a “capitalist” mode of economic organisation does in reality occupy a quantitatively central position at the heart of our society? (one in which we are told *there is no alternative to!*).

When “the household” and community have been taken as the starting points of enquiry about the 21st century economies of work and organisation, a number of significant findings have emerged, which have exposed the myths that refer to

the dominance and deep penetration of ‘the market’ in the nooks and crannies of everyday life. One key source of data, which has enriched our understanding of the extent and nature of diverse economies across the world have been obtained through Time Use Surveys (TUS). In recent decades, TUS have become a key research instrument in the UK, Europe and beyond. Illustrating the approach and methodology Gershuny and Sullivan used, (2017) note that:

The United Kingdom Time Use Survey, 2014-2015 (UKTUS) is a large-scale household survey that provides data on how people aged 8 years and over in the UK spend their time. At the heart of the survey is a time diary instrument in which respondents record their daily activities. Time diaries record events sequences for prescribed periods, usually a single day. They are an effective means of capturing rich data on how people spend their time, their location throughout the day, and who they spend their time with. The sample was based on households, and household members eight years and over completed time-diaries for one weekday and one weekend day. In addition, those in paid work were asked to complete a weekly work schedule. All individuals who completed a time diary were invited to take part in an interview, and someone in the household was selected to take part in a household interview. These interviews provide additional demographic, economic, and social information about households and individuals.

TUS have been influential in offering a robust evidence base to inform a clearer understanding of the nature and changing trajectory of economies over time and space. Focused on so-called ‘advanced’ economies of the western world for example, the findings from Time Use Surveys have rejected the idea that (a) capitalism (paid work) is anywhere near as extensive as they are imagined/purported to be, and indeed (b) that capitalist practices become more dominant over time. For example Burns et al (2004, 52), focusing on the proportion of people’s total work time spent on unpaid work in the United Kingdom, France and the United States concluded that:

“over half of all the time that people spend working is unpaid. Despite a decline in the absolute amount of time spent in both [paid] employment and unpaid work, the time spent in unpaid work is declining slower. This means that work beyond employment, is not only larger than [paid] employment (measure in terms of the volume of time inputs) but over the past 30 years, it has taken up a greater share of the total time that we spend working.”

Indeed, the Office for National Statistics (2016) sought to attribute a monetary value for the total unpaid work performed in 2014 just by UK households. They estimated that “total unpaid work had a value of £1.01tn, equivalent to approximately 56% of Gross Domestic Product (GDP)”!

The Household Work Practice Survey (HWPS), which we drew attention to earlier in the section has been conducted in UK households within urban and rural areas, and across both affluent and deprived communities. Table 1 shows

the key findings taken from over 860 UK households in relating their participation rates across different labour practices.

**Table 1 Household Work Practice Survey UK: type of labour practices used to conduct tasks by locality-type (UK)**

% tasks last conducted using:	Deprived urban	Affluent urban	Deprived rural	Affluent rural	All areas
<b><i>Monetised labour</i></b>					
<b>Formal paid job in private sector</b>	12	15	18	22	16
<b>Formal paid job in public and third sector</b>	2	2	2	2	2
<b>Informal employment</b>	2	8	<1	4	2
<b>Monetised community exchange</b>	3	1	4	1	3
<b>Monetised family labour</b>	1	<1	1	1	1
<b><i>Non-monetised labour</i></b>					
<b>Formal unpaid work in private sector</b>	<1	0	<1	<1	<1
<b>Formal unpaid work in public &amp; third sector</b>	<1	0	<1	0	<1
<b>Off the radar/ non-monetised work in organisations</b>	<1	0	<1	0	0
<b>One-to-one non monetised exchanges</b>	4	2	8	7	6
<b>Non-exchanged labour</b>	76	72	67	63	70
<b>Total</b>	100	100	100	100	100
$\chi^2$	102.89	29.87	89.76	28.88	-

Note:  $\chi^2 > 12.838$  in all cases, leading us to reject  $H_0$  within a 99.5 per cent confidence interval that there are no spatial variations in the sources of labour used to complete the 44 household services.

*Source: White and Williams (2012, 1635)*

The statistics are drawn from a similar range of questions that the hypothetical researcher-on-your-doorstep invited you to answer. Cross-referencing these findings with your own material coping strategies may prove an illuminating exercise. One of the most striking findings revealed by the HHWP is that “non-exchanged labour” (i.e. unpaid household labour) accounted for 70 per cent of all completed tasks investigated. Conversely just 16% of labour in all areas was undertaken via a formal paid job sourced in the private sector! So much for the all-powerful, all-pervasive spectre of capitalism, from which we are told ‘there is no alternative’! Quite the reverse is true: far from being marginal or irrelevant, the non-capitalist forms of work continues to be absolutely fundamental to undertake a wide spectrum of jobs in today’s society.

A necessary question to ask here is that of motivation: are the over-riding rationales that underpinned these diverse coping strategies undertaken through choice? The findings here once again refute any assumption that households were using their own labour because of economic necessity (i.e. the need to save money). Across both lower and higher income households the principal rationales for participation identified were framed by economic (to save money/because formal labour was too expensive) and non-economic terms: including ease, choice and pleasure (see Williams, 2005). Significantly, in *both* affluent and deprived areas, the majority of households cited non-economic rationales as the determining reason why the tasks were undertaken in the way that they were. In short the patterns we see in terms of how unpaid work contributes to the well-being of individuals, families - and society more generally - are mainly the outcome of choice and preference, rather than determined by economic circumstances and constraint.

There are many radical implications that come from recognising the pervasive nature of 'non-capitalist' forms of work in western society. Two connected themes, which are intended to provoke further questions and reflection beyond this chapter, will be addressed here. The first is this: how should we be encouraged to reassess the meaning of 'work', and indeed what constitutes 'meaningful' work in society? The second aims to provoke a greater awareness of the interconnected and overlapping nature of different typologies of work and organisation within the economy, particularly the ways in which participation in one economic sphere (e.g. capitalist) is dependent on our -and/ or others- engagement in other (non-capitalist) economic spheres. Collectively these should offer new ways to better appreciate, value and make visible the diverse economy in the here and now, *and* constructive ways toward harnessing desirable post-crisis and post-capitalist futures of work and organisation.

Before continuing, the temptation to essentialise typologies of work and organisation must always be resisted, and replaced by critical interrogation of the (alternative) economic and political configurations (see Fuller et. al, 2010). For example, the idea that rich examples of solidarity, love, care and support are evident in "non-capitalist" places of work may well be true in many cases, but not all cases: and they should not be romanticised as if they were. Referring to the household as a key unit of analysis, for example, far from being one of liberation, it is (and continues to be) a potent incubator for patriarchal and other forms of repression, suppression, exploitation and violence (see Hartmann, 1981; Bowlby et al, 1997). This of course has manifested itself in the traditional gendered divisions of household labour. Here entrenched gender norms and stereotypes about "women's work" - typically the caring activities, and the never-ending, mundane and less fulfilling tasks like ironing, cooking, ironing, washing - abound. In contrast 'men's work' is typically, though not exclusively, of an altogether more physical and skilful and occasional nature - think of the

The amount of work that women face both in and out of the home reaches disproportionate limits.

DIY activities, decorating, plumbing and car maintenance. In such a traditional relationship, the male household was 'the breadwinner', who went out [sic] to work and provide for his [sic] family. 'Women's work' was of course confined to the confines of 'the house'. This gender division is far from being relegated to a by-gone era. Mindful of the lack of understanding as to "why" and "how" questions as to how these tasks were negotiated within the households (and indeed if they was any negotiation), nevertheless, the Time Use survey highlighted earlier underpins some extremely concerning patterns. Given that female participation in the formal labour market has increased significantly over the last thirty years, there is still a highly disproportionate amount of household labour undertaken by women. For example Ferrant et. al. (2014) report that "Around the world, women spend two to ten times more time on unpaid care work than men. In the UK (ONS, 2016) time use surveys indicate that "women put in more than double the proportion of unpaid work when it comes to



cooking, childcare and housework... on average men do 16 hours a week of such unpaid work... to the 26 hours of unpaid work done by women a week."

We should also be encouraged toward a more nuanced reading of 'formal paid work in the private sector'. For many people engaging in paid work under capitalist relations is driven by necessity (to earn money). As has been widely explored, the working conditions fostered here are illustrative of the most brutal, unforgiving and alienating of experiences imaginable (Thompson, 1967; Ward, 1973; Gordon, 1997, Gibson-Graham, 2006a, b; Springer, 2014, 2016; Tyner, 2016). Yet this should not obscure the fact that even in the most exploitative of capitalist labour, examples of mutuality, care and solidarity persist. How might this recognition encourage "post-capitalist" spaces to emerge, that are rooted *within* capitalist forms of work and organisation is an important and overlooked question that demands further reflection.

### **Recognising the Overlapping Geographies of Diverse Economies: A Focus on Participation in Paid Work**

Referring back to the economic typologies highlighted in Figure 1, it is easy to overlook how the opportunity, or pressure, to participate in one particular economic sphere is dependent upon successfully organising coping strategies that take place in other economic sphere(s). Crucially, 'thin', capitalocentric reading of "the economic" deliberately overlook the role and value of 'non-capitalist' work in many ways, not least in failing to recognise how this impacts on people's ability to participate in paid formal work! To illustrate this, I will consider my own engagement with *10: Formal paid job in the private sector* in Figure 1. What this will hopefully illustrate is how my current level of participation in formal work is utterly predicated on the presence/ mutual agreement of significant others in my life to organise and engage successfully elsewhere.

My "full-time job" is a Reader in Human Geography at Sheffield Hallam University. It is 11.33am on Tuesday 01 August 2017, and I am sitting behind my office desk. So far, uncomplicated. However, when the 'formal paid labour in private sector' typology is juxtaposed with other typologies then from my *personal*/perspective, a highly complex, network of mutual engagement and support emerges. As a father of three daughters, aged 12, 10 and 8, my ability to participate in formal work is entirely dependent upon other people caring for my children during work hours. At this precise moment, my children are currently enjoying their first week of school summer holidays, being looked after by my wife. I daresay if the weather improves sufficiently this afternoon then the younger two children will play with our next door neighbours children (aged 4 and 1). Following this, all three children will get into the family car and be driven to the local Leisure Centre to attend their weekly swimming clubs. When their sessions are over their paternal grandparents will collect them directly, drive them back to their house where they'll enjoy a sleep-over, and a 'day-out' tomorrow. Just a *cursor*y

glance then as to the ‘how’ and ‘why’ I have come to be able to sit and write at my office desk paints a far more colourful, always inter-connected tapestry of people and forms of work and organisation that, it must be said, is rarely made visible (unless at a time of crisis). Minimally put, my engagement in “10”, if the expectations of the day are met, is/ will be dependent on other social relations (kin and non-kin) and places (home, others households, other public places) that certainly include 1. *Non-exchanged labour*; 3 *One-to-one non-monetised exchanges*; 8. *Formal paid labour in public/ third sector*.

In this way, to better appreciate the complex networks that make participation in ‘formal work’ possible, our reflections should extend to presence/ absence of other colleagues and employees not only in the same place of formal work. For the vast majority of individuals (I would suspect) that being able to successfully hold down a paid formal job involves, to a greater degree, working with and being dependent upon the presence/ absence of other people. Every one of these “other people” will each have their own unique and complex coping strategies that enable them to be paid for their labour in the private sector, and impact on your everyday experiences. Within my university for example, I depend on the largely invisible role of the campus support team, who ensures the smooth day-to-day running of the university in general, and my daily working environment. I am indebted to those individuals and teams who are responsible for cleaning, catering, portering, transport, mail, helpdesk/ reception, security, parking. On a more collegiate level, the success of collaborative research, teaching, writing, administration tasks and so on depend directly on my effectively communicating and co-ordinating with other members of my department and Faculty.

## “OTHER DISPROPORTIONATE AND UNEVEN PRESSURES ON WORK PRACTICES HAVE COME AS DIRECT CONSEQUENCES OF AUSTERITY MEASURES.”

Reflecting on the desire to have stable and fine-tuned coping strategies in place to enable us to live in ways preferred, one of the many consequences of capitalism has been to continually exacerbate the exploitative and precarious nature of paid work, which consequently undermines, splinters and fragments other coping strategies. For example, The University and College Union (UCU 2017) cited empirical research which revealed that “People working in education are among those most likely to be putting in unpaid overtime and clocking up 12.1 free hours a week.” More generally, Trade Union Council (TUC, 2017) reported that, “Over five million people at work in the UK regularly do unpaid overtime, giving their employers £33.6 billion of free work last year.”

Other disproportionate and uneven pressures on work practices have come as direct consequences of austerity measures. These have been felt most acutely across already vulnerable households and population groups (e.g. young people,

ethnic minorities, elderly, single parents, women that were already forced to survive on low incomes (see Hall, 2017; Horemans et.al 2016; Ifanti et al. 2013; Lambie-Mumford and Green, 2017). Thus, how to effectively respond to this increasing precariat, in ways that help protect and empower those who are least able to defend themselves must be a primary concern when thinking about our future economies based on solidarity and social justice. To this end we must recognise our own individual and collective agency and reclaim our power to help achieve this. As Springer (2016, 289) argues:

When the political system is defined by, conditioned for, enmeshed within, and derived from capitalism, it can never represent our ways of knowing and being in the world, and so we need to take charge of these lifeways and reclaim our collective agency. We must start to become enactive in our politics and begin embracing a more relational sense of solidarity that recognizes that the subjugation and suffering of one is in fact indicative of the oppression of all.

Taking this challenge head on the concluding section argues for a radical reassessment of work and organisation in ways that more properly values and harness the multiple ways in which people already meaningfully participate in and contribute to society.



## Beyond a Capitalist Society of “Full-Employment” and Toward “Post-Capitalist” Societies of Full and Meaningful Engagement

Embracing a thicker heterodox reading of ‘the economic’ recognises the centrality of many non-capitalist modes of organisation in everyday life, as well as their social embeddedness, and the (empowered) motivations behind them. This in turn brings into sharp focus questions of the nature of work itself: what is its value, its purpose and its relationship to society? What is meaningful work? Perpetuating a capitalo-centric reading of ‘meaningful and productive’ work and employment of course, fetishes “paid employment in the private sector”, and in doing so excludes so many forms of work that are vital and central to maintaining (economic) life and the everyday world as we know it. Moreover, it actively undermines the idea that non-capitalist forms of work can possess intrinsic value, and provide positive and desirable contributions to society in their own right. Such discourse is particularly evident in political faith invested in promoting capitalist growth based-economics, and its ongoing commitment to achieving a society of “full-employment” (see McKie et al. 2012; Williams, 2015).

If the shallow nature of this approach needs further emphasising, then consider the multiple, complex physical and emotional realities of the demanding forms of unpaid work that a “stay at home” parent takes on when managing the family household. Viewed through policy and popular discourse these individuals are afforded secondary status: popularly stigmatised as being “unemployed”. Indeed, a key part of the successful propaganda of capitalism realism has been to link those who secure formal employment with the positive attributes of desire, status, ambition, determination; these workers are ‘successful’ and make an ‘essential contribution’ to society. In direct contrast those who are not employed in paid work are comparatively lazy; they are a ‘drain’ on society, worthless, and expendable, and scapegoated in ways that “employed” citizens are not. Focusing on the Conservative–Liberal Democrat Coalition UK Government which came to power 2010 Pantazis, (2016, 4) for example argued that

The Coalition government... rhetoric sought to portray individuals, including those previously regarded as ‘deserving’ of social security support as ‘shirkers’ (in contrast to ‘strivers’), ‘lazy’ (in contrast to ‘hard-working’), and ‘profligate’ (in contrast to ‘provident’), and responsible, in different ways, for bringing poverty on themselves and their families.

These dominant narratives about the economic, and the perceptions, prejudices and values must be successfully transgressed in order to allow more creative and holistic recognition of work to come to the fore. As well as being desirable, the suggestion to move beyond a society of full employment toward one of full engagement is also empirically grounded, being consistent with the wider story told through Time Use Surveys and Household Work Practices Surveys about the changing extent and trajectory (and informalisation) of our economies over time and space.

With capitalism more properly framed as being merely *one* of multiple future visions of work and economic organisation, we need to carefully consider what types of economic organisation best reflect the desire for freedom, happiness, security, prosperity, and the collective principles of social and spatial justice for all. Moreover, to move successfully beyond “totalising conceptions of capitalist domination” (North, 2014, 247) post-capitalist societies of full-engagement must resist any temptation to overly predict, determine and prescribe ‘the right path’ to follow. Rather, the need to embracing complex economic narratives and pathways must always resist overly determined and prescriptive blueprints in favour of more experimental and creative ones. Happily, radically rethinking the economic imaginary in ways that recognises and values the pervasive nature of non-capitalist forms brings many rich, creative and colourful tapestry of communities of solidarity and support into view (see Gritzas and Kavoulakos, 2016). On a communal level, there are hundreds of vibrant examples of people and communities coming together by producing and exchanging goods and services in ways that create solidarity economies; economies which offer visionary and practical forms of resistance, resilience and transformation. For example, the last thirty years or so have witnessed meaningful political-economic alternatives such as communities currencies, time banks and local exchange and trading schemes that have emerged and flourished in certain areas (see North, 2014; Michel and Hudson, 2015). Other relevant examples would include Solidarity New York City (<http://solidaritynyc.org/>); FAR Nearer (<http://www.farnearer.org/>) and the moneyless economies of The El Cambalache, located in San Cristobal de las Casas, Chiapas, Mexico, (Araujo, 2016). Others have emerged through necessity as a direct response

**It's becoming  
more and more  
important for  
many people to  
reconcile family  
life with their  
career.**



to social and economic poverty and exclusion caused by ongoing austerity measures and crisis of capitalism. The food distribution cooperatives in Greece (Rakopoulous, 2014) is an excellent illustration of this. Beyond this, of course, expressions of solidarity and resistance to capitalism can be found in the places we may least expect them to be: in paid work in the private sector. That caring economies and other forms of mutual reciprocity and solidarity located and maintained in these spaces (of adversity) must also form a key part of the post-capitalist critique and imaginary. In short, how these alternative economies 'within' capitalist spaces gain visibility, momentum in ways that ultimately work to transform these spaces.

## "THERE ARE HUNDREDS OF VIBRANT EXAMPLES OF PEOPLE AND COMMUNITIES COMING TOGETHER BY PRODUCING AND EXCHANGING GOODS AND SERVICES."

The challenge is certainly complex and multi-layered, both across time and space, and a spectrum of personal and communal geographies. A focus on our personal agency though is extremely important; we must never underestimate the importance of acting from the milieu with which we find ourselves at the current moment. How can we (with our own skills, experiences and abilities) act in directly prefigurative ways that can positively influence and inform our own social and spatial environments, and those within it? What are our comparative strengths and limits here? How then can we invest greater amounts of time and energy in building and maintaining those 'non-capitalist' forms of work and organisation that are animated by powerful expressions of solidarity: altruism, mutual aid, and volunteerism? What barriers to participation are there that we face, and faced by those around us? How can we better learn from others in ways that empower our own communities in taking direct action to think creatively about the "crisis", its causes and potential solutions? Whatever the answers are to these, we are confident in the knowledge that - far from being a utopian future - we already embody "the (economic) alternative" in so many ways that bring positive meaning, purpose and affirmation to our (and others) everyday lives. Indeed, in many ways *not* to have these would really signal the end of the world as we know it.

Finally, another significant departure from current orthodox thinking about economics and society is to reject the idea that the "post-crisis" or "post-capitalist" world of social justice is something that can be finally attained in a world-in-waiting for the right map to set our economic sails. No, it is far more truthful and meaningful to acknowledge that our economic futures and desires that we desire are always, and will always be in a perpetual state of becoming, dynamic and unfolding. Embracing new economic imaginaries, and striving forward to embracing new ways of thinking, and engaging

our economies is/ should be - at a profound level - a continual process of performance and experimentation without a final "end" point or resting place (see Parker et al. 2014).

## Conclusions

Despite a decade passing since the 2007-8 global financial and capitalist crisis, a capitalo-centric economic discourse still holds considerable influence on how we think about our economy, our society and the potential futures of work and organisation. In this way, and to reiterate, arguably *the* most significant crisis of our time is that of our imagination. In so many ways, thinking critically and differently in ways that challenge and uproot the 'orthodox and inevitable' economic paths we are told to conform to is to undertake a bold and potentially revolutionary act. For, as Shannon (2014, 2) observes:

"Capitalism, after all, is assembled in such a way as to make invisible its attendant social relations, to make them seem natural, and perhaps most important, to make them seem inevitable-as if there can be no alternative."

## "WE MUST NEVER UNDERESTIMATE THE IMPORTANCE OF ACTING FROM THE MILIEU WITH WHICH WE FIND OURSELVES AT THE CURRENT MOMENT."

It also necessitates a difficult process of unlearning: such is the dominant and relentless propaganda that continually reduces "the economic" to capitalism, rethinking our economic imaginary is not something that will be achieved instantly. For we are all have to wrestle with, and re-assess deeply embedded economic narratives that have hitherto given value and meaning to ourselves and the world of work and organisation. The capability of thinking beyond the seemingly impossible and unleash our creative imagination (and praxis) in ways that address the challenges we face as a society are urgently needed at a time of crisis. This is not nearly as difficult, though, as it seems: despite the dogmatic refrain that we live in a capitalist society, we are - as we always were - a society rich in many economic possibilities, all of which can be drawn upon to help revitalise existing, and animate new post-capitalist pathways into being. The potential to invest and participate more fully in existing and new alternative futures is always there. As Monbiot (2017, n.p.) argues:

Participatory culture stimulates participatory politics. It creates social solidarity while proposing and implementing a vision of a better world. It generates hope where hope seemed absent. It allows people to take back control. Most importantly, it can appeal to anyone, whatever their prior affiliations might be. It begins to generate a kinder public life, built on intrinsic values. By rebuilding society from the bottom up, it will eventually force parties and governments to fall into line with what people want.

Read in this spirit, it is hoped that the central themes and arguments raised in this chapter will help provide some further incentive to unpack and problematize “the economic” in ways that will help foster new economic imaginaries and ways of being in the world. These, in turn, will inform a resurgent radical and alternative praxis that will empower individuals and communities to “escape” the capitalist economy (Fournier, 2008) and “take back” the economy (Gibson-Graham et. al. 2013). Both will be necessary if society is to move more fully toward those post-capitalist, post-crisis economic landscapes animated by the principles of ecological sustainability and social justice for all.

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# >THE CRISIS OF SOCIAL REPRODUCTION AND THE END OF WORK



Share

Image: Various unions, social causes and organizations attend a rally calling for greater social equality in New York, United States.



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## >THE CRISIS OF SOCIAL REPRODUCTION AND THE END OF WORK

**While much attention has been paid to the crisis of work and the threats and opportunities posed by rising automation, much less focus has been given to care work specifically. This article examines the changing organisation of social reproduction in high-income societies, and outlines the emerging crisis of care constituted by the retreat of the state, the stagnation of wages, and the ageing of the population. The article proceeds to set out a post-work vision of care work that responds to this crisis.**

There has been much discussion in recent years about the “crisis of work,” with academics and journalists alike pointing to potentially concerning trends in the labour market. We are increasingly aware of the fact high-incomes societies are facing the demise of “good jobs” and the rise of low-wage, temporary, and precarious employment. Over the past four decades, we have seen a dramatic increase in income inequality; middle-wage jobs have been hollowed out (with many being outsourced to “cheaper” parts of the globe), resulting in a mass of people at the bottom, and an ever-shrinking number of people at the top.<sup>1</sup> After the 2008 crisis, high-income economies saw high levels of unemployment and a very slow return of job growth. Now, a new wave of technology threatens to automate vast swaths of existing jobs, with the future set to push even more workers into un- and under-employment. The result is an increasingly large surplus population that has neither the means to survive outside of capitalism nor the jobs to survive within it. These are clearly matters of serious concern, as reflected in a spate of think-tank reports, international symposia, and cross-party inquiries into the future of work.<sup>2</sup>

Whilst it is encouraging to see these issues gaining cultural visibility and being incorporated into the policy agenda, such commentaries on the labour landscape tend to overlook the full extent of the problem. In foregrounding a narrow understanding of work, other activities (both waged and unwaged) are kept at arms’ length from accounts of the crisis and potential solutions. Analysts too often fail to understand the systemic and integrated character of our present troubles – how the crisis of “work” is also a crisis of the “home”, and vice versa. In this chapter, we will seek to develop a more robust understanding of the current challenges facing work in high-income societies, and to lay out proposals for dealing with these issues. To do so, we will be focusing upon a complex, complicating, and boundary-spanning concept – that of care. Beginning with a discussion of social reproduction and an analysis of its role within contemporary cultures of work, we will proceed to point to the increasing importance of care work for twenty-first century societies in the Global North. Indeed, as we look to emerging trends and trace possible economic

trajectories, we find that care warrants distinguishing and disentangling from the umbrella concept of service work (and service-based economies), and argue that high-income societies are on the verge of becoming predominantly care economies. In conclusion, we will offer a number of potential solutions for dealing with the rising crisis of care.

## The Three Spheres of Reproductive Labour

“Social reproduction” or “reproductive labour” are terms that describe the activities that nurture future workers, regenerate the current work force, and maintain those who cannot work – that is, the set of tasks that together maintain and reproduce life, both daily and generationally. Social reproduction consists, broadly speaking, of caring directly for oneself and others (childcare, elder care, healthcare), maintaining physical spaces and organizing resources as part of an indirect process of care for oneself and others (cleaning, shopping, repairing), and species reproduction (bearing children). These are, in short, the everyday tasks involved in staying alive and helping others stay alive which have traditionally been performed by women for low or no wages. They are also forms of labour that tend to be neglected in contemporary debates about work. By maintaining and producing workers, reproductive labour demands to be seen as the foundation of global capitalism. As a theoretical framework, the analysis of social reproduction insists upon the intricate and intimate ways in which historically gendered caring activities are tied to the imperatives of capitalism.

Traditionally, social reproduction has been positioned as the interface between a reproductive sphere (in the home) and a productive sphere (in the workplace). The reproductive sphere was understood as encompassing the set of concrete activities undertaken to reproduce the (masculinized) wage labourer: cooking, cleaning, childcare, and so on. The productive sphere, by contrast, represented those activities which produced goods and services: welding, programming, sewing, and so on. Yet a distinction based on the concrete activities alone is insufficient, given that the same concrete activities can be allocated to a different sphere depending on their social context.<sup>3</sup> A mother on the school run occupies a different structural position in capitalism from a nanny delivering somebody else’s children to school, for example, despite the concrete activities being effectively indistinguishable.

What distinction can make sense of production and social reproduction, then? How do we understand the structural relations between capitalism as the process of accumulation and social reproduction as the process of reproducing wage labourers? In answering these questions, we follow the work of the Endnotes collective in distinguishing between spheres on the basis of their relationship to the market and the accumulation of capital. Perhaps the most relevant distinction lies between a directly market-mediated sphere and an indirectly market-mediated sphere. Activities that take place under the former (including activities

that are performed in the home, or done to reproduce labour power, in return for a wage) are subject to the imperatives of capital accumulation: a compulsion to improve both the productivity of the labour process and the efficiency of turning inputs into outputs, all subsumed under the demand that the activities generate a profit. The market exerts a direct force upon the organisation and performance of the activities.

A labour process that is too slow or inefficient is one that will produce commodities that are too costly relative to its competitors, and that will eventually be driven from the market. Activities that take place in the indirectly market-mediated sphere, by contrast, are not subject to these imperatives in the same way. This sphere is not entirely excluded from the logic of the market, however; the unwaged time required for reproductive labour may mean there is less time to do waged work. The demands of waged work can therefore exert a force on other activities, albeit in a more circuitous fashion. The organisation of indirectly market-mediated activities is also determined by things like patriarchy, gendered violence and – in better situations – by cooperation.<sup>4</sup>

## **“BY MAINTAINING AND PRODUCING WORKERS, REPRODUCTIVE LABOUR DEMANDS TO BE SEEN AS THE FOUNDATION OF GLOBAL CAPITALISM.”**

It is important to note, however, that the directness or otherwise of market mediation cannot by itself account for the dynamics of social reproduction within contemporary cultures of work. As Endnotes remarks, we must also factor in a distinction between waged and unwaged activities – a distinction that does not map on to the categorical separation between directly and indirectly market-mediated labour in any exact way. Government provision is the key example here; workers such as nurses in the British National Health Service (NHS) perform tasks for social reproduction, receive a wage, but are not directly bound to the logic of accumulation. Their work is a straightforward cost to capital, taken via taxation of the social surplus and wages. We are clearly discussing a sphere beyond direct market logic here (one that is therefore indirectly market-mediated), but which is also underpinned by waged work (unlike the activities we perform with and for our families, or which we undertake to maintain our own homes).

In the end, therefore, Endnotes notes that there are three spheres in operation: the directly market-mediated, the waged indirectly market-mediated, and the unwaged indirectly market-mediated.<sup>5</sup> We will refer to these three spheres of social reproduction as the three Ps: reproductive labour that is privatized (directly market-mediated), public (waged indirectly market-mediated), or personal (unwaged indirectly market-mediated). Such categories risk glossing over additional divisions, such as that between formal and informal labour markets, and will therefore require further clarification at times as the chapter progresses.

However, by framing work in these terms, we hope to ensure that a fuller range of reproductive labour is accounted for and included in analyses about the future of work. After all, there is more than one sphere and form of work implicated within the current crisis.

## Reproductive Labour in Crisis

There has been a sharp transition in the ways in which social reproduction has been organized in high-income societies since the middle of the twentieth century. Keynesian capitalism was characterized by the dominance of the heterosexual nuclear family (as an aspirational ideal, more than a uniformly distributed reality), and by the norm of the “family wage”. Under this model, reproductive labour was largely expected to fall to a full-time, financially dependent wife. Most liberal and corporatist welfare states offered little assistance in terms of reproductive labour during this period, and tended to rely heavily on traditional family structures as a result. Only within social democratic regimes did the state begin to attend to social reproduction, using the taxation of social surplus as a means of shifting some elements of reproductive labour into the public sphere.<sup>6</sup> This included the partial socialization of non-commodified services such as education and childcare – a move which gradually enabled women to enter the work force in greater numbers (although it should be noted that many working class women – particularly women of colour – had long been obligated to engage in wage labour outside the home). Even under social democracy, however, the state remained heavily reliant upon the devalued reproductive labour of women – a point that feminists of the period were keen to emphasize.

Under neoliberal capitalism from the 1970s onwards, this approach to social reproduction underwent substantial transformation. The aspirational norm of the family wage has largely disappeared from this point, having been rendered materially impossible for all but a privileged few. Many high-income economies have witnessed a decline in real wages; indeed, the UK is facing the worst decade for pay growth since the Napoleonic wars. Unsurprisingly, these shifts have required a substantial increase in the number of hours in the waged workplace necessary to provide for oneself, sustain a household, and provide ongoing financial support to others. On top of this, we have seen a radical stripping back of state provision for social reproduction, leaving reproductive labour without government support at the same time as the unwaged workers who traditionally performed it are being forced into the workplace. The result is a crisis of care, encompassing both public and personal reproductive labour. People have found themselves unable to either support dependent others within the household (due to a depletion of financial, emotional, mental, and/or temporal resources), or to depend upon the state to adequately provide for them.<sup>7</sup>

The response has been, for those who can afford it, a shift toward market-mediated exchange. An increasing proportion of domestic tasks are being bought

directly as goods and services or indirectly through privatized reproductive labour. Some elements of social reproduction are increasingly being delegated to a hyper-exploited class of cleaners, nannies, and other care workers (themselves often women involved in global chains of care). This has led to a dual track approach to social reproduction, with the wealthier being able to afford privatised replacements, while those on lower incomes increasingly work to provide those services. In the absence of adequate public provision, social reproduction is falling to the privatized or personal spheres in a manner that is profoundly marked by income inequality. Whilst the integrated crisis of work that we have been describing here is clearly a mass problem, its effects are differentially distributed by race, gender, and class. It is poor women (as usual) who are bearing the brunt of these changes.

In short, then, the activities of social reproduction have been both increasingly privatized and further entrenched within the personal sphere (which it never fully escaped to begin with) as a result of the rolling back of provision for public forms of reproductive labour. We are seeing increased need for support due to the necessity for more people to work longer hours in order to survive, as well as increased personal costs involved in this support as social reproduction is outsourced to the market rather than the state. Additionally, the supply of reproductive labour is often rather insecure, given high turnover in the field – an

A demonstrator holds a sign on Fifth Avenue during the Women's March on January 21, 2017, New York.



inevitable result of care workers in the privatized sphere facing abominable pay, job insecurity, poor conditions, and often complex personal caring responsibilities of their own. Care work is work (regardless of whether it is privatized, public, or personal), and it plays a crucial role within the complex and systemic challenges of our contemporary moment. Just *how* crucial becomes apparent when we investigate the significance of reproductive labour for contemporary high-income economies. As we shall see, these are coming to be dominated by the work of caring, maintaining, and reproducing, both in terms of employment and in terms of Gross Domestic Product (GDP) – two limited, conventional, but highly culturally legible means of assessing social importance and value.

## Towards a Care Economy

Typically when people envision the economy, they will conjure up an image of a factory – perhaps an automobile plant – and then base their common sensical consideration upon that imaginary. Or maybe, after the age of deindustrialisation, people increasingly bring to mind an image of a service-based economy with an office worker sitting at a computer. Yet “service” is a vast and disparate category, including the banker making millions from investment deals alongside the teacher working long hours, the hairdresser struggling to make ends meet, and the immigrant cleaner earning a pittance from multiple jobs. Certainly, the service sector is as unwieldy category that is losing its descriptive utility, but a better approach might be to start breaking the economy down according to different types of services rather than theorizing it as an ongoing chain of sectors. Once we do this, we can recognise that a huge and growing part of the wealthier economies is now oriented towards and around reproductive labour. Take healthcare, for example; this is a large and growing sector of the waged economy. In the US, the costs of healthcare currently take up a mammoth 17.8 percent of GDP<sup>8</sup> while in Western Europe they still average a striking 10.4 percent of GDP.<sup>9</sup> The growth of healthcare costs has also outpaced inflation in the high-income economies, leading to more and more of our individual funds being spent on these services.<sup>10</sup> Interestingly, the same holds for developing economies: China saw a fifty-fold increase in healthcare spending between 1980 and 2005, and is projected to see another twenty-fold increase by 2050.<sup>11</sup> It is worth noting that healthcare is also a major source of jobs, both public and privatized. The NHS, for example, is among the biggest employers in the world; as of 2017, it employed (directly and indirectly) around 1.9 million people.<sup>12</sup> Crucially, these numbers only look set to grow in the future. Looking at the US government’s projections for job growth to 2024, one journalist recently noted that ‘nine of the 12 fastest-growing fields are different ways of saying “nurse”’.<sup>13</sup> The healthcare sector is therefore a behemoth both in terms of employment and increasingly in terms of its share of GDP.

Childcare also forms a significant and growing part of privatized labour, partly as a result of the crisis of social reproduction described in the previous section.

Whilst childcare is often provided informally and in an unwaged fashion within the personal sphere (typically through parents and members of the extended family), a growing proportion takes the form of formal waged (e.g. day cares, preschools, etc.) and informal waged (e.g. babysitters) work. Similar trends hold for education and social care (here understood to include palliative care, home help, residential care services for the elderly, and personal care services). When we calculate the expenditures on each of these areas – leaving out some areas like laundry, cleaning, sex work, and household repairs for which there are sparse or no data – we see that social reproduction takes up a large portion of advanced capitalist economies. As Figure 1 highlights, expenditures for the wealthy G7 countries range from 15 percent of GDP in Italy to nearly 25 percent of GDP in America. Social reproduction, put simply, is a large and significantly growing sector of the market.

## **"THE HEALTHCARE SECTOR IS THEREFORE A BEHEMOTH BOTH IN TERMS OF EMPLOYMENT AND INCREASINGLY IN TERMS OF ITS SHARE OF GDP."**

Perhaps the most striking indication that we are increasingly living in an economy dominated by care comes when we consider social reproduction jobs across health care, education, food service, accommodation, and social work as a percentage of all wage labour. Over the past 50 years there has been a surge in these roles. An increasing percentage of the population is receiving a wage for maintaining social reproduction – and as Figure 2 highlight, it now employs 23 to 28 percent of the labour force. By contrast, at its peak in the 1960s, America employed 30 percent in manufacturing. If we once spoke of manufacturing powerhouses, today we must speak in terms of economies centralised around the reproduction of their workforces. These trends, moreover, are set to continue, as indicated by data regarding the top growing job sectors in America between 2014 and 2024. An analysis of this data reveals that the vast majority of these growth sectors (including the top four) are jobs that have to do with waged social reproduction. One can find similar data for the United Kingdom, where our calculations suggest that 47% of total job growth between 2014 and 2024 is set to be in the sectors of social reproduction.<sup>14</sup> As this data suggests, we are witnessing the rise of a caring economy.

### **Resolving the Crisis**

What, then, is to be done? If social reproduction increasingly finds itself in crisis – with demand for services growing at the same time that unpaid workers are entering the labour market, paid workers are facing treacherously low wages and abysmal working conditions, and the government is stepping back from public provision – how can the reproduction of society be maintained in a way that does not exacerbate existing hierarchies of class, race, and gender? One theorist who

A child rests on his mother's shoulder at the West Side Campaign Against Hunger food bank in New York City. Many working parents are forced to work overtime to provide what is necessary to live.

has given much consideration to these issues is Nancy Fraser, who proposes three ideal-type models for resolving these problems.<sup>15</sup> Each of these models organises care in a different way, and has differential impacts on ideas of gender justice and equality.

Fraser labels her first model the *universal breadwinner model*, and this is perhaps most closely realised in European countries with high levels of female participation in the labour market (though ideologically, holds strongest in America). In this approach, the family wage of the postwar era is replaced by everyone individually supporting themselves through wage labour. Such an approach requires proper government support, however, as families need the appropriate policies to enable them to enter the labour market without detriment to children and other dependents. This means things like ambitious parental leave policies, publicly-funded childcare, and/or tax credits to enable families to offset the often expensive costs of private childcare. The lack of such provision puts strict limits on equal participation in the labour market, as the US has seen since 2000, with a lack of paid parental leave leading to female labour participation stagnating.<sup>16</sup> The model also requires that careworkers be paid properly in order to ensure that the work pays enough to provide a living. As it stands, too often careworkers are left in poverty and face long working hours in a desperate effort to make ends meet. Overall, the universal breadwinner model may reduce poverty, but only by forcing everyone to work longer hours and by idealising the 'male' world of waged work as the only respectable option.



A second approach is the *caregiver parity model*, in which the currently unwaged informal work done primarily by women is instead valorised and properly supported. Instead of channelling these workers into the formal wage labour market, this model tries to recognise the value of both activities and to ease any transitions between the privatized sphere and the personal sphere. In order to make this operative, government support for the personal work of social reproduction would have to be provided. This might mean caregiver allowances, for instance, that would recognise and help pay for the work that is undertaken to care for children and the long-term ill. It would also mean having workplaces that supported part-time and flexible work for those with caregiving responsibilities, and legal rules against discrimination on the basis of one's capacity to become pregnant. As Fraser notes, while the first model aimed to bring social reproduction entirely into the market-mediated sphere, this model attempts to push it into the personal sphere, but supported by the government. However, again, this model risks confining women to the home, and does nothing to try to reduce the amount of work that people must undertake.

The final approach that Fraser discusses is the *universal caregiver model*. Instead of making women more like men (by bringing them into the labour market) or leaving women and men in segregated spheres (by only supporting women in the home), this approach suggests making men take on more of the work of the traditional women's sphere. With men taking on more of the social reproductive work done in the home, the burdens of work would be more equitably distributed, and the gendered hierarchies of the economy would be weakened. In this world, what have been seen as the characteristic rhythms of women's lives – transitioning between paid and unpaid work – would become the norm that guides policy. As such, governments would seek to implement policies that enabled easy transitions between the two – e.g. eliminating workplace penalties for part-time and flexible work, while governments could also provide support for a public system of childcare or community-based systems of care where everyone would be expected to pitch in. This model has the virtue of significantly reducing the gendered nature of the current division of labour, while also promising to reduce some of the overall workload. But is this sufficient?

We think a more appropriate approach – one in tune with the rising changes of automation and the increasing demand for care work – would be what we call a *post-work model*. This approach explicitly aims to reduce work and our dependency on wage labour (it is worth recalling that in its early days, work as we know it today was viewed as "wage slavery" as a result of its capacity to make one dependent on an employer for survival). Most post-work futures invoke a world where robots take over factories and sometimes even offices. But the world of care labour is curiously left out of these utopian imaginaries. The post-work response to the crisis of care, however, asserts that post-work principles can be applied to the worlds of both waged and unwaged work. This involves at least three key goals.

First, we should remain open to the potential for automation. Openness to the automation of some types of reproductive labour is a refusal to naturalize this work – to wave it away as not really work at all, but an expression of the (gendered) self or a personally rewarding pastime. Whilst the roboticization of social reproduction should not be lauded incautiously, a critical technopolitics of the home and other spaces of social reproduction could provide real benefits. Are there tasks that could be technologized without having a negative effect upon the way these spaces are experienced? Domestic technologies do not really have a great track record; whilst few of us would want to give up our washing machines, it is clear that many of the gadgets that make their way into the home are just so much commodified hype – shiny, but often highly specialized, and not particularly good at reducing labour (the spiralizer, the slushy machine, and so on).

## **“THE CONCEPT OF THE TECHNOLOGIZED HOME MIGHT BE ACTIVELY RE-IMAGINED, AND TECHNOLOGICAL DESIGN CULTURES ACTIVELY CONTESTED.”**

However, we must remember that we have yet to obtain the household appliances that we truly deserve. As Judy Wajcman notes, much of the technology we have within our homes came to us as an afterthought, having originally been conceived for military or industrial use – the microwave, for example, as well as the washing machine, the vacuum cleaner, and the refrigerator. These technologies were grafted onto privatized domestic arrangements from several, more public arenas. As she writes, “Given that much domestic technology has its origins in very different spheres, rather than being specifically designed to save time in the household, it is not surprising that its impact on domestic labour has been mixed.”<sup>17</sup> So, to use an appropriately homely image, we must not throw the baby out with the bath water – the concept of the technologized home might be actively re-imagined, and technological design cultures actively contested. Domestic automation might be thought of as an ally in the quest for temporal autonomy – although this would obviously involve a much wider programme of progressive political change.

We also need to think about which technologies we wish to include beneath the umbrella of domestic automation. What about assistive technologies, for example? Would we feel different about companion care robots than we would about machines for systems-assisted walking or lifting? Where do these different kinds of feeling stem from, and how much of it might emerge from un-interrogated assumptions about the moral value of care work – a moral value that has, incidentally, been tangled up with ideas about the gendered private sphere from the beginning? Would we consider the mobile telephone as a domestic

technology, or the home computer, or the bicycle, or the contraceptive pill? What I'm trying to get at here is the idea that, instead of dismissing the automation of the domestic in all its forms, we should be advancing a finer distinction – one which is attentive to the nuances specific technologies; to questions of access, ownership, and design; and to the way in which ideas of gender and work become embedded within the affects we associate with technology.

The second goal is that we should lower domestic standards. Some ideas associated with post-work assume that reproductive labour is a font of inexhaustible personal fulfilment where workers would have no interest in seeing expectations reduced. Indeed, it is interesting to note how frequently high (that is to say, extremely labour intensive) domestic standards are mentioned in so-called post-work theorizing. The German collective Krisis Group talks about the fact that the labour involved in "the preparation of a delicious meal" will never be eradicated; the anti-work leftist Andre Gorz talks about "looking after and decorating a house, [...] cooking good meals, entertaining guests" and so on. Whilst preparing food, providing hospitality, and so on can be a source of great pleasure for many (when conducted in a self-directed fashion), placing these things at the centre of imagined future social arrangements allows work to resurface in an unacknowledged form.

For those of us who wish to dispose of our time in ways other than cooking, cleaning, and caring, it may be advisable to think less about the heights of domestic splendour to which we will all be able to aspire, and more about pushing down the baseline for socially acceptable standards around things like cleanliness. The work of feminists such as Ellen Lupton, Ruth Schwartz Cowan and Judy Wajcman has taught us that, one reason why time spent on housework did not go down after the rise of domestic appliances in the twentieth century, was that – as labour saving devices became more common – standards shot up.<sup>18</sup> Cleaning was supposed to be deeper and to happen more frequently; the educational activities one was supposed to engage in with one's child became more frequent and more involved in the quest to give them a competitive advantage; the food that one was supposed to prepare became more complex and time-consuming; front lawns were supposed to be immaculate, weed-free, and marked with perfect, even stripes. Again, whilst these activities should not be eradicated for those who enjoy them, restrictive social expectations should not be allowed to petrify around reproductive labour. We must continue to frame activism around gender and work in terms of temporal sovereignty – the ability to dispose of one's time as one will.

Finally, we should rethink living arrangements. What would it mean to structure "family life" differently? How might this feed into and be influenced by changes in the structure of waged work, and facilitate the extension of post-work ideas to the seemingly untouchable home? Moving away from the single-family dwelling could offer more sustainable and energy efficient ways of living, as well as cutting the labour necessary for basic maintenance – perhaps groups of 10-12 rather

than 1-4. Communal kitchens, laundries, and workshops have the potential to reduce labour, and the fact that they are resources used by a greater number of people than the traditional home might mean opportunities for more substantial investments in tools and technologies, including those required for cleaning. Rethinking living space could go beyond just thinking about alleviating difficulties; it could mean positive advances like high-spec, communally accessible libraries, studios, media suits, laboratories, kitchen gardens, and self-help health care facilities. What could the home be, if it could be otherwise?

The household as it currently stands (typically in the form of the nuclear family - in popular imagination, if not in reality) came into being largely through changes in working relationships. Expectations about what 'the family' is and does have actually had a crucial role to play in determining things like wages, working hours, and public Services. The official poverty line in the US was designed on the basis that every household would include a housewife who could act as a shrewd domestic manager, shopping carefully, cooking skillfully, and making all the meals at home. The reality is that many households never had access to this fantastic resource of social reproduction, the full time home economist, the cost of living is really much higher.

## "WE SHOULD RETHINK LIVING ARRANGEMENTS. WHAT WOULD IT MEAN TO STRUCTURE 'FAMILY LIFE' DIFFERENTLY?"

Detached from naturalizing discourses of 'the private sphere' and 'the family', it becomes painfully apparent just how unsatisfactory the home is as a place of work and how much domestic labourers might have to gain from resisting or agitating against it. Seeing the home in this way also encourages us to recognize where and how spatial arrangements and working practices might inform the visibility and valuation of reproductive labour, and how rarely attempts are made to address domestic drudgery. Imagining different forms of social relations grounded in the home is also quite heartening for those of us who perhaps suffer tense, unhappy, or even abusive relationships with our biological families. This is something experienced much more frequently by queer people. If we are imagining households beyond the family, we might be picturing the formation of self-selecting groups living together – a mixture of relatives, friends, comrades, lovers. These new kinds of family could be based on affinity, affection, and shared worldviews rather than something as flimsy as mere genetic coincidence.

So, where does this leave us? If we feel that something can and should be done to help mitigate the effects of current structures of oppression, then it makes sense to link up our struggles against gendered oppression (include the unequal distribution of free time and domestic drudgery) to struggles against work.

[The ideal nanny,  
does she really  
exist?](#)

Indeed, what is required is, in many ways, a queer struggle – a struggle against the myth of naturalized “feminine” or “masculine” traits and a single binary gender system which shapes the division of labour; a struggle which understands that efforts to redistribute work – to create a more egalitarian division of obligations and opportunities – will inevitably be limited until our ideas about gender are themselves overthrown. For as long as the conventionally gendered, cis-heteropatriarchal family dominates the horizons of our cultural imagination I feel that work and temporal sovereignty will continue to be unjustly apportioned. The left must cease framing our efforts as being on behalf of ‘hard-working families’ – this is precisely what we should be struggling against! – and instead agitate for post-work, post-gender, post-capitalism.



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## Notes

- 1 Goos, Manning, and Salomons, "Job Polarization in Europe"; Autor and Dorn, "The Growth of Low-Skill Service Jobs and the Polarization of the US Labor Market."
- 2 Srnicek and Williams, *Inventing the Future: Postcapitalism and a World Without Work*; Goos, "How the World of Work Is Changing: A Review of the Evidence"; "World Employment and Social Outlook."
- 3 Endnotes, "The Logic of Gender," 62.
- 4 Ibid., 65.
- 5 This categorisation of the basic structure of social reproduction places the family and volunteer work into the same unwaged category – which we believe to be an important move beyond the assumption that the traditional biological family is a sacrosanct unit. For one example that distinguishes between the family and volunteer work, see: Stark, "Warm Hands in Cold Age - On the Need of a New World Order of Care," 14.
- 6 The distinctions between liberal, corporatist, and social democratic welfare states is drawn from Gøsta Esping-Andersen's classic work. Esping-Andersen, *The Three Worlds of Welfare Capitalism*.
- 7 Rai, Hoskyns, and Thomas, "Depletion: The Cost of Social Reproduction"; Elson, "Social Reproduction in the Global Crisis: Rapid Recovery or Long-Lasting Depletion?"
- 8 Centres for Medicare and Medicaid Services, "National Health Expenditure Accounts."
- 9 The Economist Intelligence Unit, "World Industry Outlook: Healthcare and Pharmaceuticals," 4.
- 10 Baumol, *The Cost Disease*, 10.
- 11 Ibid., 100.
- 12 "NHS Is Fifth Biggest Employer in World"; "How Many NHS Employees Are There?"
- 13 Appelbaum, "The Jobs Americans Do."
- 14 This in fact underestimates the contribution of social reproduction jobs, as many are listed under categories that are not disaggregated in the available data. The 47% should therefore be considered a conservative estimate.
- 15 The following section draws upon the arguments made here: Fraser, *Fortunes of Feminism*, 123–35.
- 16 Blau and Kahn, "Female Labor Supply."
- 17 Wajcman, *Pressed for Time*, 122.
- 18 Cowan, *More Work For Mother: The Ironies of Household Technology from the Open Hearth to the Microwave*.
- 19 Source: OECD. Data is for 2013, except Canada's education which is 2012. Spending includes public and private spending, except childcare which is only public expenditures. Education includes primary, secondary, and tertiary education.
- 20 Data drawn from Statistics Canada, France's National Institute of Statistics and Economic Studies, Germany's Statistisches Bundesamt, Eurostat for Italy, Japan's Statistics Bureau, the UK Office for National Statistics, and the US Bureau of Labor Statistics. Under the Standard Industrial Classification (SIC) system, the figures were calculated by including the categories of 'accommodation and food service activities', 'education', and 'human health and social work activities'. For alternative classifications systems, the nearest approximations were used. These figures likely underestimate the number of jobs devoted to social reproduction as, for example, the administration and management of pension funds is not included, nor is the construction and maintenance of homes. What is less significant than the precise accuracy of the figures though is the general trend.

## Appendix

Figure 1: Expenditures on key sectors of social reproduction, as a % of GDP<sup>19</sup>

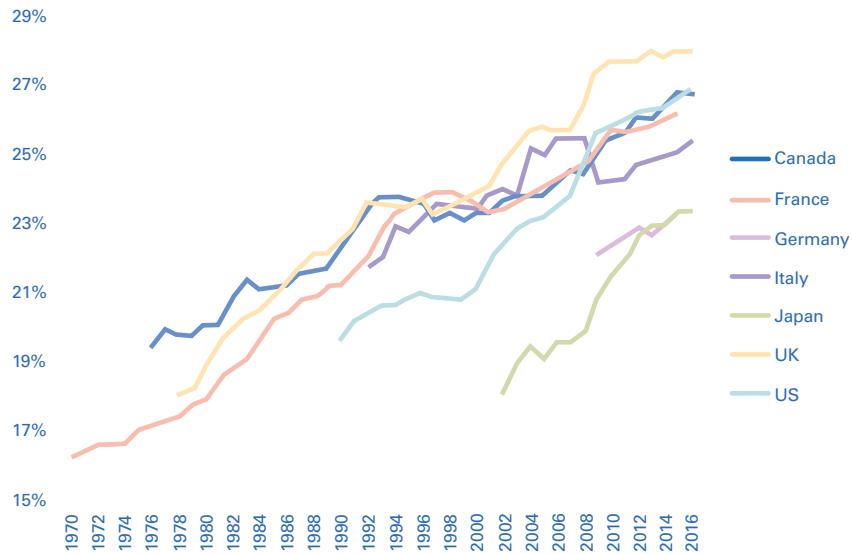
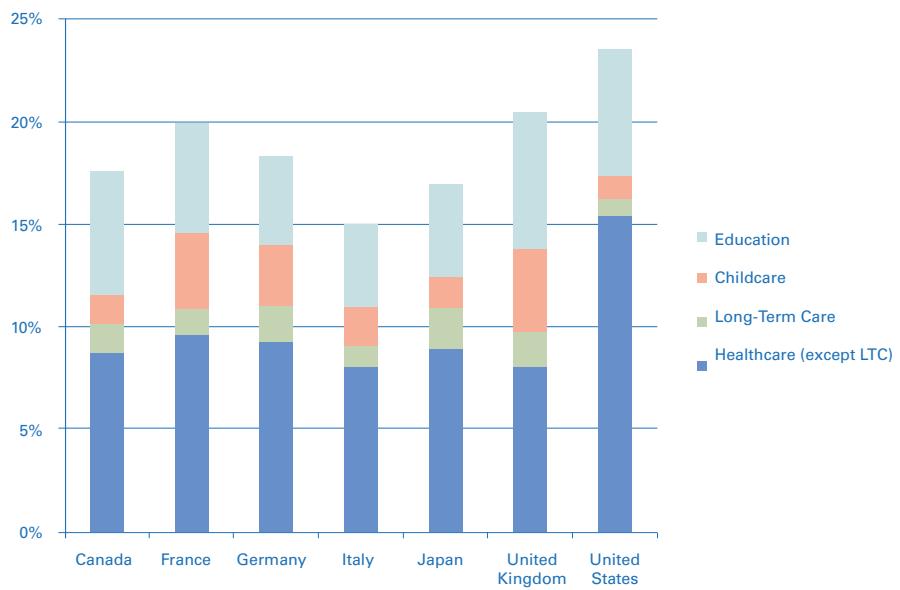


Figure 2: Social reproduction jobs as a percentage of all wage labour<sup>20</sup>



# >POVERTY, INEQUALITY AND DEVELOPMENT: A DISCUSSION FROM THE CAPABILITY APPROACH'S FRAMEWORK



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Image: Playground of a rural school in Africa.



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# >POVERTY, INEQUALITY AND DEVELOPMENT: A DISCUSSION FROM THE CAPABILITY APPROACH'S FRAMEWORK

This chapter begins by describing the concepts of human development, poverty and inequality under this new conceptualization – intrinsically linked but describing different characteristics of well-being. It then presents recently developed indices that are widely used to measure these phenomena and discusses several methodological considerations of their implementation. In particular, the chapter focuses on the Multidimensional Poverty Index (MPI), a measure that complements more traditional monetary measures of poverty by recognizing that this phenomenon has many forms and dimensions.

## Development, Poverty and Inequality: Changing the Development Paradigm

Development, poverty and inequality are different although intrinsically connected concepts. They are at the heart of Amartya Sen's Capability Approach and the UNDP human development approach, and they all have an impact on people's well-being.

Development has been traditionally associated to economic growth. This view was challenged by Sen's Capability Approach which introduced a paradigm shift in the way we understand development (Sen 1979a, 1985a, 1985b, 1987, 1989). This new development paradigm was constructed on two fundamental changes with respect to the previous approach. Development is now focused on the person as the unit of analysis instead of the economy, and the space in which progress is assessed is made of capabilities and freedoms instead of income. Thus, the basic question to ask when comparing societies is 'What is each person able to do and be?' – that is, Sen's approach goes beyond the total average well-being in a society, and rather looks at the opportunities available to each person. As Nussbaum (2011) notes, the approach "*is focused on choice or freedom, holding that the crucial good societies should be promoting (...) a set of opportunities, or substantial freedoms, which people then may or may not exercise in action.*"

Several practical consequences emerged from this change of paradigm. The focus on persons meant moving from the concept of development to that of human development.

These multiple dimensions of human development are flexible, meaning that every cultural and national context may have a different set of relevant dimensions (Sen, 2004). Finally, policy making changed drastically as it is now

oriented to improve several dimensions to advance human development, such as education, health, living conditions, and not just to increase the income level of the economy.

Human development is nowadays described as expanding people's freedoms, where freedoms entail the worthwhile capabilities people value, and empowering people to engage actively in development processes on a shared planet (Alkire, 2010). Capabilities are understood as the actual ability to achieve something. For instance, the capability to enjoy healthcare requires a health clinic with staff and medical supplies, and that patients are not refused treatment due to gender, race, age, or religion reasons.

## "THE UNDERSTANDING AND MEASUREMENT OF DEVELOPMENT SHIFTED FROM ONE DIMENSION, I.E. INCOME, TO MULTIPLE DIMENSIONS, I.E. CAPABILITIES AND FREEDOMS."

The enlarging of people's freedoms and the empowering of people are not enough to conceptualize human development. The pursuit of advanced and long lasting human development is made within a context of several constraints including resources, time, information, technology, political will, uncertainty, and institutional capacity. Consequently, the introduction of some procedural principles is also needed (Sen, 1979b, 1992, 1996). For instance, a growth boom that generates large gains for the richest keeping stable the outcomes of low and middle classes would, strictly speaking, be an expansion of human development, because it expanded the capabilities of some persons without impacting negatively on the freedom of any other. However, if there is a policy able to generate gains for the very poor while keeping outcomes of the richest unchanged, that policy would be preferred. Procedural principles thus help to set priorities and to rule out undesirable outcomes (Alkire, 2002; Sen, 2009). Examples of these principles are poverty reduction, efficiency, equity, sustainability, respect for human rights and responsibility.

What are the appropriate policies to improve human development? Economic growth is not strictly necessary, and it is not sufficient (Bourguignon et al., 2008). Some complementary policies have been suggested to achieve durable and long-term human development advances. They include stronger institutions, the formation of sustainable development networks, a strong and vocal civil society, stronger national accountability through countervailing powers and increased global governance and responsibility, and increased international assistance in some contexts (UNDP, 1992, 1999, 2002, 2005).

Moving now into poverty, this concept has been traditionally defined using only one monetary dimension – typically, income level or consumption. In this one-

dimensional approach, poverty is defined and measured as the percentage of the population whose income level (for instance, the per capita family income or the equivalence adjusted family income) is below certain poverty line or threshold defined in monetary terms.<sup>1</sup>

The concept of poverty was also impacted by Sen's Capability Approach. According to Sen, poverty is a complex and multidimensional concept which needs to take into consideration people's diverse characteristics and circumstances. The poor generally lack not only income, but education, health, justice, credit and other productive resources, and opportunities. Thus, poverty should be seen as deprivation of capabilities, which then limits the freedoms to achieve something, rather than lowness of income. Sen argues that social evaluation should be based on the extent of the freedoms that people have to further the objectives that they value. Poverty in this framework becomes a 'capability failure' – people's lack of the capabilities to enjoy key 'beings and doings' that are basic to human life. The concept is inherently multidimensional.

Two immediate consequences arise from conceptualizing poverty as the deprivation of capabilities. The first one is the recognition of a negative association between poverty and human development, and ultimately between poverty and people's well-being. The second is a practical one and entails measurement issues. Conceiving poverty as a multidimensional phenomenon implies several challenges in terms of both information requirements (data on several dimensions is now needed in order to calculate a multidimensional poverty measure) and value judgments (the relative importance of the various dimensions needs to be defined). This is particularly relevant within the 2030 Agenda, as the Sustainable Development Goals (SDGs) launched in 2015 require countries to reduce poverty in "all its forms and dimensions." These aspects will be covered in detail in Section 2.

Last but not least, the concept of inequality refers to how certain variables are distributed among persons, groups of persons, or countries. Traditionally, inequality has been focused on measuring the spread of the distribution of outcome variables, such as level of income, educational achievement, or health status, using well known measures such as the Gini coefficient, the Atkinson index, the Theil index, and percentiles ratios.

Sen's Capability Approach also reached the concept of inequality. In Sen's framework, equalizing outcomes should not be a goal, because not all people convert outcomes into well-being in the same way. The relation between outcomes and people's well-being depends on circumstances beyond people's control, such as age, gender, family background and disability. It also depends on social conditions, like health care systems, educational systems, prevalence of crime, and community relationships, among other factors. Thus, the goal should be to equalize the opportunities people have to practice their freedoms, and not the outcomes people obtain. In this framework, inequalities of opportunities are

seen as constraints to people's choices and freedoms, impacting negatively on their human development and well-being (UNDP, 2005).

To sum up, human development, poverty and inequality are all essentially multidimensional and people-centered concepts. They all focus, although in different ways, on people's capabilities having an ultimate impact on people's well-being. Human development involves expanding the set of capabilities; poverty refers to the deprivation of capabilities, while inequality entails people having different abilities to choose and different freedoms. All these concepts have been shaped by Sen's Capability Approach, which brought drastic changes in policy making and important measurement challenges.

### **Measurement aspects: Adding the Different Dimensions**

The appearance of Sen's Capability Approach as a new paradigm to understand human development, poverty and inequality meant a shift in the measures used to capture these concepts.

(Drèze and Sen, 2013). New and innovative measures have been introduced since the beginning of the nineties. Most of them share the features of allowing cross-country comparisons and including multiple dimensions in their calculation. Some of them are the Human Development Index (HDI),<sup>2</sup> the Coefficient of Human Inequality,<sup>3</sup> and the Multidimensional Poverty Index (MPI).<sup>4</sup>

All these measures differ in two important respects. First, they differ in the aspect of a given population they aim to measure – i.e. the population of a village, state, country, region, or a specific population sub-group. Some indicators capture the size or overall level of achievements among the analyzed population. For instance, we can calculate the total income or total years of schooling enjoyed by every person of the population. Usually, the average value is calculated to allow the comparison across groups. Following the example, we would calculate the income per capita or the average years of schooling of the population. Other measures are focused on the spread or range of the distribution of achievements. These types of measures capture how equal or unequal is the distribution of achievements for a given population. Finally, other measures capture the base of the distribution or share of the population having an unacceptable low level of achievements according to some standard(s).

**"THE GOAL (IN TERMS OF INEQUALITY) SHOULD BE TO EQUALIZE THE OPPORTUNITIES PEOPLE HAVE, AND NOT THE OUTCOMES PEOPLE OBTAIN."**

The HDI is an example of a size-type measure. The current HDI is based on GNI per capita, average years of schooling, average school life expectancy, and average life expectancy. Each of these dimensions is the average achievement

across the population of interest. Indices like the Gini index, the Atkinson index, the Theil index, or the 90:10 ratio are all spread-type measures which provide information on the inequality of achievements in a society. A more recent example of a spread-type index is the Coefficient of Human Inequality, which has been included in the Human Development Reports alongside the HDI since 2014. This index is computed as the unweighted average of the inequality observed in the three dimensions that compose the HDI (education, health and income), where this inequality is measured by the Atkinson index. Finally, the MPI is a base-type measure which captures the nature and magnitude of overlapping deprivations in health, education and living standard for each household. The distinction between size, spread and base-type measures is important. In practice, they provide information on different aspects of a population's achievements and most importantly, there is no need to choose among them. On the contrary, they complement each other (UNDP, 2010; Alkire and Santos, 2014).

Second, these new measures also differ in their core structure to include four methodological features: dimensional analysis, decomposition, linkages across dimensions, and weighting scheme. Regarding the dimensional analysis, the HDI launched in 1990 was the first measure using multiple dimensions in its calculation. In addition to income, it included information on education and health. With the passing of time, the variables used to describe human development extended to include other topics such as political rights, freedom of action, productivity, gender parity, and sustainability, among others (Alkire, 2010).

The decomposition feature of a measure refers to the possibility of disaggregating it by relevant variables, such as gender, age group, ethnicity, rural-urban area, and disability, among others (Alkire and Foster, 2016). This exercise is highly valued by policy makers who, using information on the intra-country variation of a measure, can shape their policy responses. Moreover, the decomposition feature is needed to define who are the poorest among the poor and how their situation is changing. This is critical to fulfill the SDGs, and its premise of 'Living No One Behind'. The MPI is an example of a measure satisfying the decomposition property as it can be disaggregated by any subgroup for which the data are representative. Section 4 presents the MPI by regions, groups of countries classified by income level, age groups, and disabilities.

The methodological feature of linkages across dimensions comprises the analysis of which achievements are simultaneously enjoyed by which persons. This feature is present in counting-based multidimensional measures, such as the MPI. This index is an overall aggregate multidimensional measure which can be broken back down to show which people are experiencing which deprivation at the same time. This is possible because the construction of the MPI begins at the level of the individual or household, and builds a profile of their deprivations for each dimension and person. From this profile, a person is then identified as poor/not poor. In contrast, composite measures offer only an indirect understanding of the linkages between dimensions because they combine

different aggregated indicators which may come from different surveys. The HDI is an example of a composite measure.

The last methodological feature of the measures refers to the weighting vector applied to aggregate the different dimensions. In practice, people may disagree about which weights to use. People are diverse, and values may differ across people and for the same person over time (Sen, 2009). However, it is not necessary for people to agree on a set of weights. The important aspect is that any policy recommendation must be robust to a range of plausible weights, and the weighting vector used should be made explicit and should be easy to understand (Alkire *et al.*, 2011).

The next sections take the MPI as a case study of a measure following the new paradigm of development. This index supports the recognition that poverty has many forms and dimensions, and that measures complementing traditional poverty indices are needed.

### **Multidimensional Poverty Index: The Theory**

Until recently, many countries measured poverty only as the lack of income or consumption. But no one indicator can capture the multiple aspects of poverty. The Global MPI is an internationally comparable measure of acute poverty developed by OPHI and the United Nations' Human Development Report Office (HDRO). The Global MPI complements monetary measures of poverty by reflecting the acute simultaneous deprivations that people face in other dimensions which are also essential to guarantee a dignified life. Following the HDI, the MPI shares the same three dimensions: education, health and living standards. The Global MPI was released in 2010, and has been updated regularly and published in every Human Development Report subsequently.

The Global MPI is one particular adaptation of the adjusted headcount ratio ( $M_0$ ) proposed in Alkire and Foster (2011) and elaborated in Alkire *et al.* (2015). The Alkire-Foster (AF) methodology is a general framework for measuring multidimensional poverty, although it is also suitable for measuring other phenomena (Alkire and Santos, 2013). With the AF method, many key decisions are left to the user, such as the selection of the unit of analysis, dimensions, deprivation cutoffs (to determine when a person is deprived in a dimension), weights (to indicate the relative importance of the different deprivations), and poverty cutoff (to determine when a person has enough deprivations to be considered poor). This flexibility enables the methodology to have many diverse applications, though it has been mainly used to measure multidimensional poverty.<sup>5</sup>

*Alkire-Foster method.* Alkire and Foster (2011) propose a methodology based on the counting approach, which makes adjustments to the traditional FGT family of indicators to bring it to a multidimensional space. This methodology introduces two cutoffs in the identification stage of the poor.

First, the set of indicators which will be considered in the multidimensional measure is selected. Data for all indicators need to be available for the same household. The achievement matrix contains then the level of achievement of each household in each indicator included in the measure.<sup>6</sup> Then, the deprivation cutoffs for each indicator need to be set – namely, the level of achievement considered sufficient (normatively) in order to be non-deprived in each indicator. After applying these cutoffs, each household is identified as either deprived or non-deprived in each indicator. More formally,

$$\tilde{x}_{ij} = \begin{cases} 1 & \text{if } x_{ij} < z_j \\ 0 & \text{otherwise} \end{cases}$$

where  $x_{ij}$  is the value of achievement of household  $i$  in indicator  $j$ ;  $z$  is the deprivation cutoff for indicator  $j$ , and  $\tilde{x}_{ij}$  is a dichotomous variable that takes value =1 if household  $i$  is deprived in indicator  $j$ , and =0 otherwise. The achievement matrix transforms then into the deprivation matrix, which contains the  $\tilde{x}_{ij}$  variables for each indicator/household.

At this stage, the relative weight or value that each indicator has is applied, such that these sum to one or 100%. In this way, the dichotomous variables  $\tilde{x}_{ij}$  which take values 0 or 1 are multiplied by the weight of each indicator to obtain the weighted deprivation matrix.

As indicated by Alkire and Foster (2011), “*dimension specific cutoffs alone do not suffice to identify who is poor; we must consider additional criteria that look across dimensions to arrive at a complete specification of the identification method*”. To do this, once established who is deprived in each indicator, this method counts the number of attributes in which household  $i$  is deprived: the counting vector,  $C_i$ , represents then the sum of weighted deprivations faced by each household.

Here, the second threshold  $k$  is set. It defines who is multidimensionally poor and who is not. In other words,  $k$  represents the minimum number of weighted indicators in which a household must be deprived to be considered as multidimensionally poor. Thus, we have:

$$\rho_i = \begin{cases} 1 & \text{if } c_i \geq k \\ 0 & \text{otherwise} \end{cases}$$

where  $\rho_i$  is a dichotomous variable that takes value =1 if household  $i$  is deprived in at least  $k$  weighted indicators. This method allows using the union and intersection approaches, setting  $k = 1$  and  $k = d$ , respectively (where  $d$  is the number of indicators included in the analysis). Similarly, an intermediate approach is also allowed setting a value of  $k$  between these extremes. That is, the union and intersection approaches can be taken as special cases of this method. Alkire and Foster (2011) do not provide an algorithm for determining  $k$ , but rather consider the results with all possible values of  $k$  between 1, and  $d$  as a kind of robustness test of the estimations.

In addition to these considerations at the stage of identifying the poor, the authors propose adjustments to add the information of households in a population indicator, based on the FGT family of indices. In particular, the AF method first computes the proportion of people who have been identified as multidimensionally poor in the population. This is the headcount ratio of multidimensional poverty  $H$ , also called the incidence of multidimensional poverty:

$$H = \frac{q}{n}$$

where  $q$  is the number of households identified as multidimensionally poor using the dual cutoff and  $n$  is the total number of households. Then, the average share of weighted indicators in which poor people are deprived is computed. This entails adding up the deprivation scores of the poor and dividing them by the total number of poor people. This is the *intensity* of multidimensional poverty  $A$ , also sometimes called the breadth of poverty:

$$A = \sum_{i=1}^n c_i(k) / q$$

This partial index conveys relevant information about multidimensional poverty, in that households that experience simultaneous deprivations in a higher fraction of dimensions have a higher intensity of poverty and are poorer than others having a lower intensity.

Finally, the  $M_0$  or MPI is computed as the product of the two previous partial indices:  $H \times A$ . Analogously, it can be obtained as the mean of the vector of deprivation scores, which is also the sum of the weighted deprivations that poor people experience, divided by the total population. This means that the final measure  $M_0$  considers the headcount of poverty in the traditional way, but adjusts it by the intensity of poverty to get a more complete picture of poverty. This correction allows the indicator to verify the multidimensional monotonicity property (which is not satisfied with the rate of incidence).<sup>7</sup> More formally,

$$M_0 = \mu(c(k)) = \frac{1}{n} \sum_{i=1}^n c_i(k)$$

Note that the deprivations experienced by people who have not been identified as poor (i.e. those whose deprivation score is below the poverty cutoff,  $k$ ) are censored, hence not included; this censoring of the deprivations of the non-poor is consistent with the property of ‘poverty focus’ which – analogous to the unidimensional case – requires a poverty measure to be independent of the achievements of the non-poor. For further discussion see Alkire and Foster (2011).

The measures of the AF family satisfy many of the desirable properties for poverty measures. Several properties are key for policy. The first is decomposability, which

allows the index to be broken down by population subgroups (such as region, gender or ethnicity) to show the characteristics of multidimensional poverty for each group. As discussed in the previous section, the MPI satisfies population subgroup decomposability. Thus, the poverty level of a society is equivalent to the population-weighted sum of subgroup poverty levels, where subgroups are mutually exclusive and collectively exhaustive of the population.

The MPI can also be unpacked to reveal the dimensional deprivations contributing the most to poverty for any given group. This second key property – post-identification dimensional breakdown – is not available with the standard headcount ratio and is particularly useful for policy.

In addition, the MPI also has an intuitive interpretation: it reflects the proportion of weighted deprivations the poor experience in a society out of the total number of deprivations this society could experience if all people were poor and were deprived in all dimensions. Additionally, the MPI is related to a set of consistent and intuitive partial indices, namely, the poverty incidence ( $H$ ), intensity ( $A$ ), and a set of subgroup poverty estimates and dimensional deprivation indices (which in the case of the  $M_o$  measure are called censored headcount ratios) and their corresponding percent contributions. Each measure can be unfolded into an array of informative indices.

Another practical advantage of the MPI is that it can be implemented with ordinal data. This is critical for real-world applications. It is relevant when poverty is viewed from the capability perspective, for example, since many key functionings are commonly measured using ordinal variables. The  $M_o$  or MPI satisfies the ordinality property. This means that for any monotonic transformation of the ordinal variable and associated cutoff, overall poverty as estimated by  $M_o$  will not change.

#### *Example of the AF method<sup>8</sup>*

Suppose there is a hypothetical society containing four people and multidimensional poverty is analyzed using four indicators: income, years of education, Body Mass Index (BMI), and access to improved sanitation. The 4x4 matrix X contains the achievements of the four people in the four indicators.

	Income	Years of Schooling	Malnourished	Access to Improved Sanitation	
	700	14	No	Yes	Person 1
X=	300	13	No	No	Person 2
	400	3	Yes	No	Person 3
	800	1	No	Yes	Person 4
Z=	500	5	No	Yes	

For example, the income of Person 3 is 400 units, whereas Person 4's is 800 units. Person 1 has completed 14 years of schooling, whereas Person 2 has completed thirteen years of schooling. Person 3 is the only person who is malnourished of all four persons. Two persons in our example have access to improved sanitation. Thus, each row of matrix X contains the achievements of each person in each of the four indicators. The deprivation cutoff vector is denoted by  $z = (500, 5, \text{Not malnourished}, \text{Has access to improved sanitation})$ , which is used to identify who is deprived in each indicator. The achievement matrix X has three people who are deprived (see the underlined entries) in one or more indicators. Person 1 has no deprivation at all.

Based on the deprivation status, we construct the deprivation matrix  $g_0$ , where a deprivation status score of 1 is assigned if a person is deprived in an indicator and a status score of 0 is given otherwise.

	Income	Years of Schooling	Malnourished	Access to Improved Sanitation	
	0	0	0	0	Person 1
$g_0 =$	1	0	0	1	Person 2
	1	1	1	1	Person 3
	0	1	0	0	Person 4
$w =$	0,25	0,25	0,25	0,25	

All indicators are equally weighted in this example and thus the weight vector is  $w = (0.25, 0.25, 0.25, 0.25)$ . We then apply these weights to the deprivation matrix to obtain the weighted deprivation matrix. The weighted sum of these status scores is the deprivation score ( $C_i$ ) of each person. For example, the first person has no deprivations and so the deprivation score is 0, whereas the third person is deprived in all indicators and thus has the highest deprivation score of 1. Similarly, the deprivation score of the second person is 0.5 ( $0.25 + 0.25$ ).

Income	Years of Schooling	Malnourished	Access to Improved Sanitation	Deprivation score vector
0	0	0	0	0
0,25	0	0	0,25	0,5
0,25	0,25	0,25	0,25	1
0	0,25	0	0	0,25

The union identification approach identifies a person as poor if the person is deprived in any of the four indicators. In that case, three of the four people in

this example are identified as poor (i.e. persons 2, 3 and 4). On the other hand, the intersection approach requires that a person is identified as poor if she is deprived in all indicators. In that case, only one of the four people is identified as poor (i.e. person 3). An intermediate approach sets a cutoff between the union and intersection approaches, say,  $k = 0.5$ , which is equivalent to being deprived in two of four equally weighted dimensions. This strategy identifies a person as poor if she is deprived in half or more of weighted indicators, which in this case means that two of the four people are identified as poor (i.e. persons 2 and 3).

Once the poor have been identified, the weighted deprivation matrix is censored so that the measure can focus only on the deprivations of the poor – that is, deprivations of those identified as non-poor are replaced with a zero. This leads to the censored deprivation matrix and the censored deprivation score, as shown below for  $k = 0.5$ .

	Income	Years of Schooling	Malnourished	Access to Improved Sanitation	Deprivation score vector
	0	0	0	0	0
$g_0(k) =$	0,25	0	0	0,25	0,5
	0,25	0,25	0,25	0,25	1
	0	0	0	0	0

Note that there is one case where the censoring is not relevant: when the poverty cutoff corresponds to the union approach, then any person who is deprived in any dimension is considered poor, and the censored and original matrices are identical.

As discussed above, the headcount ratio  $H$  is the proportion of people who are poor, which is two out of four persons in the above matrix. That is,  $H = 2/4 = 1/2$  or 50%.

The intensity  $A$  is the average deprivation share among the poor, which in this example is the average of 0.5 and 1 (i.e. the deprivation scores of the two people that are poor, persons 2 and 3). That is,  $A = 0.75$  or 75%.

It is easy to see that the adjusted headcount ratio  $M_0$  (or MPI) =  $H \times A = 0.5 \times 0.75 = 0.375$ . It is also straightforward to verify that  $M_0$  is the average of all elements in the censored deprivation score vector  $c(k)$ , i.e.  $M_0 = (0 + 0.5 + 1 + 0) / 4 = 0.375$ . Analogously, it is equivalent to compute as the weighted sum of deprivation status values divided by the total number of people:  $M_0 = (0.25*2 + 0.25*1 + 0.25*1 + 0.25*2) / 4 = 0.375$ .

Following the explanations above, the analysis can be completed by computing decompositions by populations subgroups and dimensional breakdowns.

## Multidimensional Poverty Index: The Practice

One specific application of the AF method has been the Global MPI, which is an internationally comparable measure of acute poverty in over 100 developing countries.<sup>9</sup> As already mentioned, the Global MPI was developed by OPHI and the HDRO, and launched in 2010. It has been updated annually and bi-annually by OPHI, and included in every Human Development Report since then. The aim of the Global MPI is to inform policy through comparable information on multidimensional poverty for the developing world. In this sense, the selection of dimensions, indicators and other parameters is guided by this purpose, as well as by the available information for this large number of countries. The Global MPI is alike the USD 1.90/day measure of monetary poverty by the World Bank, providing an international benchmark and allowing for comparability. This measure uses the household as the unit of identification, meaning that indicators are defined at the household level and all members share the same status of deprivations.

The Global MPI includes three dimensions and 10 indicators (Table 1). Each dimension has equal weight and indicators within dimensions receive an equal weight. The poverty cutoff is defined as one third, meaning that a person is multidimensionally poor if he/she is deprived in at least 1/3 of the weighted sum of deprivations.

**Table 1: Dimensions, Indicators and Cutoffs of the Global MPI**

Dimension	Indicator	Deprivation Cutoff	Weight
Education	Years of Schooling	No household member has completed five years of schooling.	1/6
	Child School Attendance	Any school-aged child in the household is not attending school up to class 8.	1/6
Health	Child Mortality	Any child has died in the household in the past 5 years.	1/6
	Nutrition	Any adult or child in the household with nutritional information is malnourished.	1/6
Living Standards	Electricity	The household has no electricity.	1/18
	Improved Sanitation	The household's sanitation facility is not improved, or it is shared with other households.	1/18
	Improved Drinking Water	The household does not have access to improved drinking water, or safe drinking water is more than 30 minutes walk round trip	1/18
	Flooring	The household has a dirt, sand or dung floor.	1/18
	Cooking Fuel	The household cooks with dung, wood or charcoal.	1/18
	Assets ownership	The household does not own more than one radio, TV, telephone, bike, motorbike or refrigerator and does not own a car or truck.	1/18

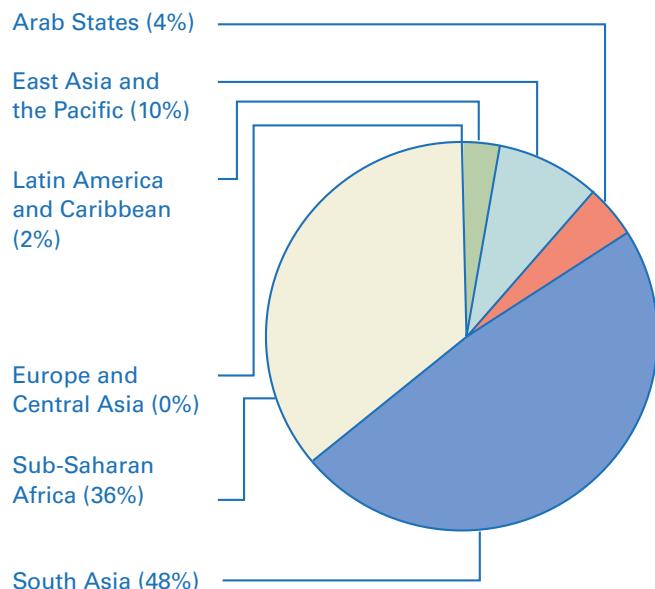
Source: OPHI's webpage.

The most recent figures of the Global MPI were launched in 2017. They covered 5.4 billion people, or 76% of the world's population, living in 103 countries. The following paragraphs describe the main findings of the 2017 Global MPI reported by Alkire and Robles (2017).

A total of 1.45 billion people of the 103 countries covered by the 2017 Global MPI are multidimensionally poor. This figure represents 26.5% of the population of these countries.

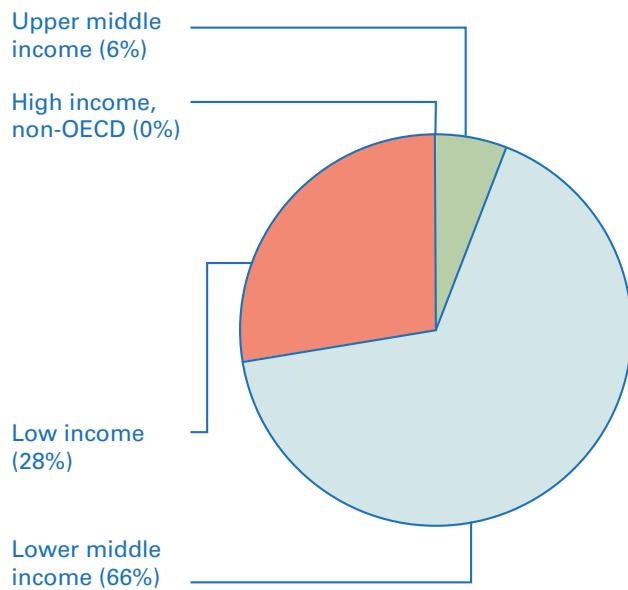
The regional disaggregation of the index indicates that South Asia and Sub-Saharan Africa are the regions with higher shares of world multidimensional poor people: 48% of the poor people live in South Asia and 36% in Sub-Saharan Africa (Figure 1). An interesting result is obtained when comparing the level of the MPI index in these regions with the traditional USD 1.90/day poverty measure. In South Asia, 41.6% of the population is multidimensionally poor, while the extreme income poverty measure is less than half of that value (19.2%). In Sub-Saharan Africa, multidimensional poverty affects 60.1% of the population, while the monetary measure of poverty reaches 46.4%. When countries are classified according to their income levels, the disaggregation of the MPI indicates that almost three quarters of all multidimensionally poor people (72%) are located in middle income countries, and the remaining 28% in low income countries (Figure 2).

**Figure 1: Distribution of Global MPI poor people by region**



*Source: Alkire and Robles (2017)*

**Figure 2: Distribution of Global MPI poor people by income category**



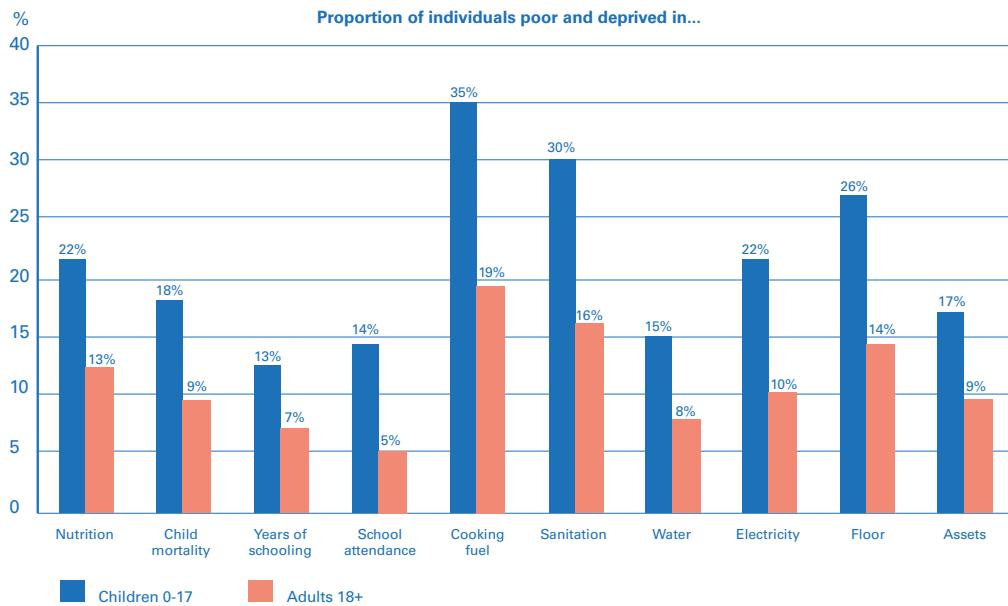
*Source: Alkire and Robles (2017)*

**"THIS CHANGE OF PARADIGM MEANT FOCUSING ON THE PERSON AS THE UNIT OF ANALYSIS INSTEAD OF THE ECONOMY, AND ASSESSING PROGRESS IN THE SPACE OF CAPABILITIES AND FREEDOMS INSTEAD OF INCOME."**

When the index is broken down by age groups, the findings indicate that a large share of the multidimensionally poor people is composed of children (0-17 years old), and that the MPI is especially high among them. Specifically, 48% of multidimensionally poor people are children, and 37% of children are multidimensionally poor. Most MPI poor children live in South Asia (44%) and in Sub-Saharan Africa (43%). The analysis of the individual dimensions indicates that poor children are on average deprived in 52% of weighted indicators. The most common deprivations children face are in cooking fuel, sanitation, flooring, malnutrition and electricity (Figure 3).

The Global MPI has been recently disaggregated by disability status for the case of Uganda (Pinilla and Alkire, 2017). Findings show that households with at least one member with a severe disability faced higher levels of multidimensional poverty – MPI of 77% compared with 69% among households without disability.

**Figure 3: Child and adult deprivations in ten Global MPI indicators**



*Source: Alkire and Robles (2017)*

Since 2014, a measure of destitution has been incorporated to the analysis. This measure identifies a subset of the MPI poor who are the poorest of the poor. As of 2017, nearly half of all MPI poor people live in destitution. The same set of dimensions, indicators, weights and poverty cutoff are used to identify those who are destitute, but the destitution deprivation cutoffs are more extreme. They include severe malnutrition, losing two or more children, having a child out of primary school, having no household member who has completed more than one year of schooling, using open defecation, fetching water that is unsafe or 45 or more minutes away, not owning even a mobile phone or radio, and cooking with wood or dung or straw only.

Interestingly, there are pockets of destitution even in countries with low levels of MPI (Figure 4). For instance, in countries like Turkmenistan, Bosnia and Herzegovina, Barbados, Uzbekistan and Azerbaijan, 30% or more of MPI poor people are destitute. In South Africa, less than 9% of the MPI poor are destitute. In general, destitution rates tend to be lower than the USD 1.90/day poverty rates. But destitution is markedly higher than income poverty in some countries, such as Pakistan, Mauritania, Sudan, Gambia, Chad, Ethiopia, Niger, and South

Sudan. This finding highlights the importance of measuring and fighting poverty in all its forms and dimensions. On the negative side, there are six countries where destitution is 'the norm' affecting half of more of the population.

All in all, the last Global MPI figures provide a comprehensive description of deprivations in multiple dimensions for the developing world. Around a quarter of the population in these countries are multidimensionally poor, almost half of all MPI poor are children, there is a positive association between disability status and multidimensional poverty, and nearly half of all MPI poor people face severe deprivations.

### Final remarks

The Capability Approach developed by Nobel Laureate Amartya Sen implied a paradigm shift in the understanding of human development, poverty and inequality, and deeply impacted the way in which we have analyzed and measured these phenomena in the last two decades.

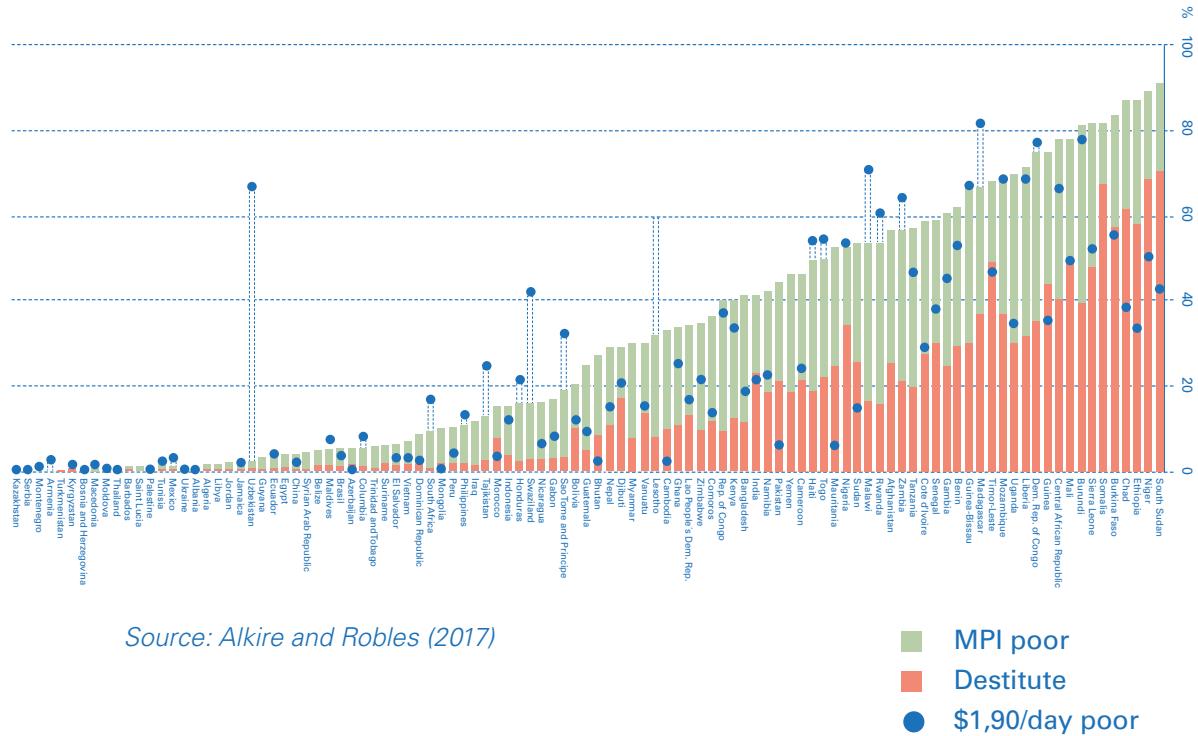
Children in an impoverished area in the Complexo da Mare slum, one of the largest "favela" complexes in Rio de Janeiro, Brazil.

The concept of development turned into human development, measures of development, poverty and inequality shifted from one dimension to multiple dimensions, and policy making changed drastically in the direction of improving several dimensions to advance human development and not just increasing the income level of the economy. Following the launch of the Human Development Index (HDI) in 1990, several new indices have been created following this shift to a broader understanding of human development.



This chapter provided a description of the concepts of human development, poverty and inequality under this new conceptualization – intrinsically linked but describing different characteristics of well-being. It then presented recently developed indices that are widely used to measure these phenomena and discussed several methodological considerations of their implementation.

Figure 4: Comparing the incidence of Global MPI poor, destitute and \$1.90/day poor



In particular, the chapter focused on the Multidimensional Poverty Index (MPI), a measure that complements more traditional monetary measures of poverty by recognizing that this phenomenon has many forms and dimensions. First, it provided details on the Alkire and Foster methodology for measuring multidimensional poverty. Then, it discussed the more recent figures of the Global MPI, a specific application of the Alkire and Foster method which provides a comprehensive description of deprivations in multiple dimensions for the developing world. The Global MPI is an internationally comparable measure of acute multidimensional poverty. Following the structure of the HDI, it is composed by three dimensions – education, health and living standards, and 10 indicators. All dimensions are equally weighted, and indicators within

dimensions receive an equal weight. A person needs to be deprived in a third of weighted indicators to be identified as multidimensionally poor.

As of 2017, the Global MPI indicates that around a quarter of the population in the 100+ countries analyzed are multidimensionally poor; this represents a total of 1.45 billion people. In addition, almost half (48%) of all MPI poor are children aged 0-17. Findings also revealed that there is a positive association between disability status and multidimensional poverty, and that nearly half of all MPI (706 million) poor people are destitute facing severe deprivations.

All these findings provide valuable information to shape policy responses in the context of the 2030 Agenda. The SDGs adopted by world leaders represent a general acknowledgement of the broader understanding of human development presented in this chapter. They urge countries to fight poverty all its dimensions. They set a premise that countries should leave no one behind in their efforts for progress. They emphasize the need for a better understanding of the interlinkages across many indicators, which is key to design multisectoral-coordinated policy interventions. The SDGs will most likely lead to the implementation of new metrics that allow going beyond the traditional measures and can guide interlinked responses across many sectors. These new tools, used jointly with existing ones like the HDI and MPI, could lead to more effective and precise targeted policies that improve the living conditions of those who are still facing severe challenges in their lives.

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## Notes

- 1 Other measures of poverty that can be obtained using the FGT family of indices developed by Foster, Greer and Thorbecke (1984) also look at the gap between people's income level and the poverty line (i.e. poverty gap), or the square of this gap (i.e. breath of poverty).
- 2 <http://hdr.undp.org/en>
- 3 [http://hdr.undp.org/sites/default/files/hdr2016\\_technical\\_notes.pdf](http://hdr.undp.org/sites/default/files/hdr2016_technical_notes.pdf)
- 4 <http://www.ophi.org.uk/multidimensional-poverty-index/>
- 5 The AF method has also been used to develop an index of women empowerment, Bhutan's Gross National Happiness Index and wellbeing measures. For more information, see OPHI's website.
- 6 In this matrix, each row represents a different household, while columns correspond to each indicator included in the measure. For instance, if we were considering the case of four households and six indicators, the matrix's size would be 4x6 (i.e. four rows and six columns). The first cell, [1,1], would represent the level of achievement of household 1 in indicator 1; the second cell in the first row, [1,2], would represent the achievement of household 1 in indicator 2, and so on.
- 7 The multidimensional monotonicity implies that if a poor household starts to suffer hardships in an indicator in which it previously did not, global poverty should increase. In the traditional incidence rate this is not verified.
- 8 Taken from Alkire et al. (2015).
- 9 The AF method has also been applied by national governments for the development of National MPIs, tailoring the decision on dimensions, indicators, thresholds and other parameters to the national priorities. More information on this can be found at: <http://www.ophi.org.uk/research/multidimensional-poverty/policy-applications/>

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