CONTENTS

Acknowledgments ix

PART I. WHAT WENT WRONG?

1 The End of Belonging 3
2 Who Are the Left Behind? 17
3 Culture versus Economics 37
4 Half a Century of Policy Mistakes 50
5 Scapegoating Globalisation 71

PART II. WHAT IS TO BE DONE?

6 Economics, Jobs, and the Art of Car Maintenance 95
7 Economic Policies for Empowerment 111
8 Macroeconomic Policy for the Left Behind 131
9 A Smarter Financial System 148
10 A Tax Policy for the Left Behind 168
11 Whose GDP? 188
PART III. THE WAY FORWARD

12  Globalisation with a Human Face  211
13  Beyond Left and Right  229

Notes  241
Index  273
Spring had not yet arrived in Washington, DC, on Saturday, 4 March 1933, but the air was nonetheless filled with a sense of revival and new growth. A huge crowd had turned out to witness the swearing in of Franklin Delano Roosevelt, who had been elected US president in a landslide against the backdrop of a collapsing economy, extreme unemployment, and debilitating deflation. Roosevelt did not disappoint those who looked to him for hope. Declaring his inauguration a “day of national consecration,” he announced in words still remembered today that “the only thing we have to fear is fear itself.”

Across the Atlantic, the objects of fear were all too real. The very next day, while Roosevelt busied himself in the White House making good on his promise of “action—and action now,” Germany held a parliamentary election amid a campaign of violence and intimidation. Just five weeks earlier, Adolf Hitler had been appointed chancellor of a coalition with conservatives. Now he was using all the powers at his disposal,
as well as the frenzied atmosphere following an arson attack on the parliament building, to arrest, abduct, and terrorise his political opponents. His Nazi Party swept to victory, dominating the new legislature, which would grant him dictatorial power. That same Sunday in March extinguished the last sliver of hope for Germany, just as hope was being reignited in America.

It is one of history’s quirks that two of the West’s biggest powers had their fates sealed and their courses set on diametrically opposite trajectories on the very same weekend almost nine decades ago. But what does it mean for us today? There is much talk of learning the lessons of the 1930s, and so we should. The rise of illiberal nationalist movements across the West today carries loud echoes of the interwar years. The poet William Butler Yeats wrote in 1919,

Things fall apart; the centre cannot hold
Mere anarchy is loosed upon the world.
The blood-dimmed tide is loosed, and everywhere
The ceremony of innocence is drowned;
The best lack all conviction, while the worst
Are full of passionate intensity.

Yeats’s “The Second Coming” is unsettling because his anguish perfectly captures the unmoored politics of the West today, a century later. Now as then, the political centre has come under siege as a result of both economic breakdown and the experience of violence (in the form of military misadventures, terrorism, or both). Now, as then, the insurgent extremes are “full of passionate intensity.” It feels as if the twentieth century has come full circle, and we know that last time the direst warnings were vindicated. But as that fateful March weekend shows, there is another lesson we should remember from the 1930s,
which is that we are not powerless in the face of ill portents: we can turn things around for the better. This is a book about how it can be done.

For three generations after the Second World War, a particular ideal of how society should be governed anchored the most successful and prosperous countries on earth and inspired many more to emulate them. For a short, triumphal moment after the fall of communism in 1989, it even looked like a model every nation was eventually destined to adopt, and the world would be a better place for it. It is this social order that is facing its biggest challenge since 1945.

“Liberal democracy” is a common name for it. That is not incorrect, but it is incomplete, for it is an order held up by three pillars, of which liberal democracy is only one. This first pillar is a set of political principles centred on individual rights, equality before the law, and competition for political power organised through regular free elections, all scrutinised by free media and enforced by independent institutions. The second pillar is a social market economy where both “social” and “market” matter: a capitalist system, but one where competition is governed by rules in the common interest and whose growing prosperity is broadly shared. The third pillar is openness to the outside world in both political and economic terms—a commitment to gradually lower borders of all kinds between nation-states and their citizens and to realise the benefits of this social order jointly.

A broader term is simply “the Western social order.” For this way of life was created by the West, the democratic capitalist countries in which the model was consolidated after 1945, and rooted in the Western Enlightenment. At the same time, the values that underpin it are universal and not confined to the
West at all. While it originated in Europe and North America, the Western model spread far beyond those regions, encompassing, for example, countries like Japan and the “Asian tigers” that followed its path of economic development. And there are important variations within “the West” defined in this broad sense. It is a long stretch from the US system of relative laissez-faire, even in the immediate postwar decades, to the Nordic mixed economies. But they are all recognisably of the same family. With their liberal democracies, regulated market economies, and embrace of globalisation, Scandinavian countries were indisputably on the Western side of the Cold War dividing line with the communist bloc.

As the Cold War showed, the Western social order has always been contested from the outside. While the Soviet Union’s demise removed communism as an ideological rival, today China’s authoritarian state capitalism consciously presents itself as an alternative to the Western model of social organisation—and not without success, even though China’s own spectacular rise owes a lot to the country’s having created limited copies of the Western model’s second and third pillars. But national leaders who might once have aimed to join the ranks of the rich liberal democracies have understandably had second thoughts about the West as a model after the disaster of the global (but in origin Western) financial crisis of 2008.

A social order can survive without being the uncontested winner on the international stage. Losing the support of one’s own people, however, is an existential threat. That is what happened in 2016. Fringe antisystem forces had been on the rise for years, but two political earthquakes that year marked the first time since 1945 that such forces won decisive electoral victories in any major Western country. And not just any country, but
the two powers that had done the most to set up the postwar order in the first place. The British referendum to leave the European Union showed a major European nation turning its back on the European project, which had gone further than any other part of the world in realising the West's borderless, rules-based ideal. Then Americans elected Donald Trump as their president—an authoritarian who hides neither his racist-tinged nationalism nor his contempt for democratic principles and the rule of law—and thereby repudiated a world order the United States had shaped and led in its own image. Through these choices, voters at the core of the Western system showed that they no longer feel they belong to it. This end of belonging was a colossal fall from grace for the Western model, and one that has energised illiberal antisystem movements on the extreme fringes of politics in almost every Western country and beyond.

These forces have a straightforward take on two of the Western model's three pillars: they reject political and social liberalism as well as globalisation as ends to be pursued. That is what has led to the comparison with the 1930s and raised fears that democratic and open societies could again descend into fascism at home and close themselves off from the integrated global economy abroad. Admittedly, some supporters of Brexit and Trump style themselves as liberal globalists—they claim to want more or better trade deals than the established elites have achieved. In practice, however, what both groups have used their power for is to increase trade frictions, raise barriers to economic exchange across borders, and challenge the global rules—even the notion that there should be global rules—that make commerce between countries easier.

The attitude to the remaining pillar—the postwar social market economy—is more complicated. Ultimately it is also
the most consequential, for, as I will argue, the other two pillars of the Western order will stand or fall depending on whether it can deliver on its economic promise.

The Western-style social market democracy that thrived in the postwar decades was an unwritten but firm social contract. One of its vital elements was economic solidarity: a promise that everyone would share in the fruits of growth. Common to most of those rallying behind illiberal or nationalist forces is their sense that the economy has changed for the worse in general, and for people like them in particular. The reason why the slogans about restoring past greatness—“Make America Great Again” and “Take Back Control”—have such appeal is that the economic and social order of the postwar decades is remembered not as something to be rejected but as something to be restored.

Behind the illiberalism and nationalism, therefore, there is a prior economic claim. This claim is that the economic opportunities on which previous generations thrived have dried up, and those that still exist have been closed off and reserved for an elite to which “normal people” don’t belong. Those turning against the Western order are those who feel left behind in it, but not just that: they feel left behind by their own—betrayed by the elites who constructed the system and were entrusted with making it deliver.

I call this “the end of belonging” because the notion of belonging captures the psychological and sociological, and in the last instance political, fallout from economic change. The sort of economy common to all Western countries in the decades after 1945 was one in which members of virtually every social group could aspire to an attractive place for themselves. Jobs were plentiful and offered increasingly adequate incomes and, just as importantly, status and dignity (which was
gradually extended to previously marginalised people). Most people could come of age expecting that a willingness to work and get along would be rewarded with material comfort and security, as well as with social respect. Incomes were growing closer together, both between social classes and between geographic regions, which narrowed differences in how life was lived. The populations of Western countries could justifiably see their national economy—and, by extension, their national society—as one where they all belonged, and belonged together.

In the first part of the book, I tell the story of how this togetherness unraveled because of technological changes and domestic economic policy choices, rather than because of economic openness. While much is made—including by friends of the liberal political order—of “hyperglobalisation” and such “shocks” as the rise of China, I will argue that globalisation is too often used as a scapegoat. But before we get into the causes of the economic changes the Western world has undergone in the last four to five decades, we should contemplate their most important consequence. This is that the Western social order no longer fulfils its promise of an economy that offers a (good) place for everyone. And just as such an economy used to sustain a psychological, sociological, and political togetherness, so the end of economic belonging has undermined those types of cohesion.

Large numbers of people in the West who could previously expect decent earnings in secure jobs are instead confronted with, at best, precarious employment that pays them too little to provide for themselves, let alone for a family, without serious economic stress. Economic insecurity has made a large group of people dependent on others, risking exploitation and abuse. And it is becoming increasingly clear that this particularly afflicts certain places and regions, destroying the
communities that call them home. When, at the same time, the economy provides other groups with more prosperity and richer opportunities than ever before, it is natural for those who are excluded from them to feel aggrieved, and to see the economy and the rules that govern it as rigged for the benefit of others. An economy—and a politics—that benefits some people and places while locking others out of prosperity is what the end of belonging means.

In this sense there is both truth and logic to the populist onslaught on Western institutions and the mainstream parties that built them. The truth is that a large group of people have indeed been economically left out or left behind; as I show in the pages that follow, Western economies have turned into something that many people legitimately feel they no longer belong to. The logic is that the end of economic belonging is used to reject the postwar Western order in its entirety. The populist antisystem offer is this: since the system and its elites failed you in upholding the economic part of the bargain, you should now throw them and their whole social contract out—including its social and political liberalism and its openness to the wider world.

That logic is flawed insofar as the proposed solution will not solve the problem. But rather than dismissing it altogether, the argument of this book is that we should turn the logic on its head. Since the Western order is under threat from the erosion of one of its pillars—an economy to which everyone belongs—rebuilding that pillar in a way fit for today’s social and technological conditions holds the promise of restoring support for the Western model as a whole. What we need, in short, is a new economics of belonging. That is the right lesson to draw from that March weekend in 1933.

Back then it was far from obvious that the United States would escape the scourge of fascism. Another interwar literary
work that feels hauntingly relevant today is Sinclair Lewis’s fictional account of a fascist takeover in the United States. *It Can’t Happen Here* is a chilling narrative of how the breezy presumption of the novel’s title is proved wrong.

And why not? After all, the social and economic conditions were not all that dissimilar on the two sides of the Atlantic. Americans had suffered unemployment and deflation as bad as the Germans had from the start of the Great Depression in 1929. While the US First World War experience was less traumatic than Germany’s, millions of Americans had been mobilised to fight in Europe, and hundreds of thousands were killed or wounded. And in the United States, xenophobia also followed conflict, with immigration radically curtailed by the end of the 1920s.

In reality, of course, it didn’t “happen here.” The United States avoided fascism in the 1930s, and Roosevelt went on to be reelected several times. Why did Lewis’s dystopia not come to pass? Roosevelt and his contemporaries had to contend with a situation resembling in many ways that faced by the West’s leaders in 2008: a deep financial crisis, a shadow of recent wars or terrorist violence, and electorates stunned by unemployment and shrunken incomes. What distinguished his leadership, however, was a degree of economic radicalism his successors never came close to emulating.

Roosevelt’s New Deal was the epitome of crisis turned into opportunity. Within months of taking office in 1933, the new president had taken one previously unthinkable measure after another. He broke the dollar’s link with gold to stop deflation in its tracks and stimulate the economy. He shut down the banking system nationwide, then equipped it with government-backed deposit insurance before reopening it. He launched large public works programmes. He radically tightened the regulation of Wall Street and introduced a minimum wage. Social security,
trade liberalisation, and housing policy reform followed soon after. Even today, any one of those measures would be radical. To adopt all of them together, in a society with no history or other democratic examples of the government taking a large role in the peacetime economy, was revolutionary.

Today’s economic challenges resemble those faced by Roosevelt in scale and sometimes in nature as well. There are, of course, important differences given how much the world has changed since then. The nature of technological disruption is different. The threat of global climate change is unprecedented. Today’s decision makers are challenged in their choice of policy options by slowing productivity growth and population ageing in a way that Roosevelt and his contemporaries were not. So the point is not to go back to all the policies that worked for him but rather to take away one crucial insight behind his success and apply it to our times. His were largely economic policies, yet they were successful in staving off a political threat—the attack on liberal democratic capitalism. Economic radicalism came to the rescue of political moderation in New Deal America. In western Europe, too, there were Roosevelt-like attempts at changing the economic system in the 1930s, and after 1945 fundamental economic reforms in many European countries won democracy a lasting political victory over the extremism that had been defeated militarily. In all cases, the architects of these reforms consciously pursued economic policies as the best weapon against political dangers. And the thrust of the reforms was to include everyone in national prosperity—to create what I call economies of belonging.

The New Deal was exceptional in its hyperactivity. But large-scale efforts to recast economic systems are not a historically uncommon response to crises. At the start of the twentieth century in the United States, endemic financial instability and
increasingly concentrated wealth led to a permanent income tax, the creation of a central bank, and the attack of an earlier Roosevelt (Theodore) on the power of the big corporate monopolies known as trusts. The Second World War forged a consensus in all Western countries around some variant of a social democratic mixed economy, with the unquestioned dominance of the state during the war years paving the way for transformations that might have required literal revolutions only decades before.

The contrast with our own times is stark. Western politicians have responded with nothing like Roosevelt’s boldness to the two biggest economic disruptions since the war: the peak and subsequent decline of industrial employment starting in the 1970s, and the global financial crisis of 2008. In the next four chapters, I will explain in more detail how these economic tectonic shifts triggered the political earthquakes that have shaken the Western order, and how policy makers have mishandled the response. In the second half of the book, I outline a new economic radicalism—a concrete programme for building an economy of belonging—that can restore the wavering support for the West’s open liberal system in our day as it did once before.

The idea that a programme of economic reform can overcome the backlash against the Western order is far from a consensus view. So before starting out, it is worth clarifying how it differs from two other positions that are more commonly heard in this debate.

One concerns the role of globalisation in eroding the economy of belonging in Western countries. It is not just illiberal populists who criticise globalisation; many who swear by rights-based liberal politics consider it threatened by international economic integration. They say globalisation has gone too far. In this book I argue that this is a dangerous mistake.
I will show (in chapter 5) that the lowering of economic borders between countries has not been a major factor in the weakening of domestic social contracts. That weakening started earlier and was worsened by avoidable domestic policy mistakes (set out in chapter 4), and, given those mistakes, it would have happened even if globalisation had been less intense. Most importantly, globalisation does not tie the hands of national governments, in whose gift it remains to restore an economy of belonging through better policy choices without pulling back from the international economy. I show how I think this can be done in part 2 of the book (chapters 6–11). If anything, wherever a domestic economics of belonging is pursued with dedication, more economic openness will reinforce that pursuit rather than threaten it (see chapter 12).

The other common position is about the importance of economics itself. Not everyone accepts the primacy of economics in the backlash against the postwar Western order. Some instead take the political pillar as fundamental and attribute the populist surge to irreconcilable splits over identity and values between cosmopolitan liberals and national or nativist communitarians. There is a lot of resistance to the idea that economic change can explain how citizens of mature democracies have come to support xenophobes and authoritarians—and conversely, to the idea that an economics of belonging can restore support for the liberal order.

Resistance to the economic argument does not come only from those who deplore illiberal attitudes. There is a strand of opinion arguing that xenophobia is a perhaps regrettable but entirely natural reaction when elites dismiss ordinary people’s preference for their own kind and their dislike of cultural change. For proponents of this view, the solution is to sympathise more with complaints that immigration has been
too high, that the cultural changes spearheaded by urban elites have harmed the social fabric of the “common people.” We owe it to our countrymen, they argue, to be less accommodating towards foreigners, towards companies trading across borders, and towards global rules—for cultural even more than for economic reasons.

Both arguments lead to the same conclusion. If political divisions boil down to disagreements over culture and identity that are impervious to economic change, the inevitable outcome can only be a culture war in which irreconcilable value differences must simply be fought out until one side wins. The debate over whether culture or economics is the ultimate cause of today’s divided politics is clearly crucial to the argument of this book, which is premised on the view that since economic change is the root cause, better economics can improve our politics. So I devote chapter 3 to addressing that debate in detail and refuting the view that cultural and ideological conflict is irreducible. That is not to say culture and values are irrelevant; it is obvious that the electoral insurgency against the liberal order and globalisation is expressed in terms of a political culture war as much as if not more than economic interests. But the key question as to what we ought to do about it is whether economics can explain that cultural conflict or whether disagreements over values are fundamental. If the former, a new economic radicalism to restore belonging will help. If the latter, such a reform programme is destined to disappoint.

For now, let me just make a simple appeal to intellectual pragmatism to convince sceptics why they should treat economics as both a root cause of antiliberalism and the key to disarming it. Even if voters opposed to the open Western liberal order—the millions of Americans, French, or Germans who support Donald Trump, Marine Le Pen, or the Alternative for
Germany—are motivated by cultural identity or authoritarian and illiberal attitudes, the question remains why identity and attitudes of this sort have become so much more politically powerful in the last decade. Have voters become more nativist and illiberal—and if so, why did this happen? Or is it that such attitudes have always been present to the same extent but their influence on how people vote has increased—and if so, why did that happen? Answering these questions convincingly is impossible without the economic story this book tells.

The United States offers a stark illustration. A decisive number of American voters swung from supporting Barack Obama in 2008 and 2012 to voting for Donald Trump in 2016. Those two leaders could not be more different. However strongly identity and values matter, it is hard to see how they explain how anyone could switch their allegiance from one to the other. Yet enough former Obama voters in the key battleground states did precisely this—in particular white, working-class voters—to make it fair to say that it was they who brought Trump over the threshold to the White House.

The economic trajectory of these groups helps us see why they did. So let us begin by understanding that economic trajectory as the first step towards changing their economic future and that of other groups who are being left behind.
INDEX

Note: Page numbers in italic type refer to figures.

Adbusters (magazine), 148
age, voter behaviour linked to, 41–42
Airbnb, 69, 113
Alaska, 119–20, 203
Alternative for Germany, 15, 41, 45, 192
Amazon, 113, 129, 180–81, 197, 267n16
Amazonian rain forest, 223
American Finance Association, 155
antiglobalisation, 21, 72, 222
antisystem proponents, 6–7, 10, 18, 62–63, 192
Asian tiger economies, 6
austerity measures, 43, 45–46, 134, 137, 144–45
Austria, 38
authoritarianism, 7, 14, 26, 42, 49
automation. See technology
Autor, David, 77, 78, 71
Autor-Dorn-Hanssön methodology, 78, 81
balance-of-payments crises, 218–20
Bank for International Settlements, 64, 155
Bank of Japan, 165
bankruptcy, 159–60
Bartik, Timothy, 203–4
Belgium, 172, 270n6
Berlin Wall, collapse of, 211
Big Data, 224
Blackpool, England, 193–94
Blair, Tony, 117
Blanchard, Olivier, 145
blue-collar aristocracy, 18, 22, 33
Brazil, 223
Bretton Woods era, 162
Brexit: business investment affected by, 102–3; empowerment sought by supporters of, 111; immigration as issue in, 214; income inequality as factor in support of, 31; political shock of, 7, 18; voter support for, 41, 45–46, 192–93
Britain: effect of global financial crisis on, 67–68; import regulations in, 222–23; social order upset in, 7; voter behaviour in, 31. See also United Kingdom
Bulgaria, 219–20
business extension services, 205
Canada, 185, 223
capital: financial, 200–201; human, 199–200; physical, 200; taxation of, 170, 175–83
capital regions, 189, 191–92
carbon tax, 183–87
carbon taxes, 224
car washes, 96–98, 110
Case, Anne, 194
Centre for Cities, 206–7
centrist politics: liberal order failed by, 229–33; programme of economics of belonging for, 233–39
China: as alternative to Western social order, 6; economic policies of, 6, 241n1; and globalisation, 72–73, 75; income growth in, 20, 21; manufacturing in, 25, 75; as shock to social market economy, 9, 77–78, 81, 249n8
cities: economic growth in, 29–31; income inequalities involving, 190; knowledge workers in, 29–30; role of, in new economies, 29–31; wealth concentration in, 153–54
climate change, 183–84, 223, 237
Clinton, Bill, 117
Clinton, Hillary, 33, 45
cold mining, 126
Cold War, 6
collective bargaining, 52, 54, 56–58, 61, 101, 103, 110, 121–23
communism, collapse of, 211, 231
community banks, 206, 268n25
comparative advantage, 74
competition, market, 5, 30, 112–13, 127–30
Contract with America, 40
credit cycle, 160–62
credit financing, 155–60
cross-border supply chains, 74–75
cultural values: conflicts of, 15–16; economic factors vs., as driver of voter behaviour, 15–16, 37–49, 230–31; economic grievance expressed in, 48; economic inequality as influence on, 31; nationalism and, 14–15, 38; political significance of, 15–16, 37, 41–42, 47–49; populism and, 15, 38, 42–43; populist vs. elite, 14–15

deads of despair, 36, 194
Deaton, Angus, 194
debt deflation, 156
debt financing, 155–60
debt restructuring, 159–60, 166
deindustrialisation, 29, 56–62
DeLong, Bradford, 145
Denmark: economic change as trigger for populism in, 42; education policy in, 108; egalitarianism and prosperity in, 99; employment in, 110; job mobility in, 107–8; job training programmes in, 108
digital revolution, market abuse facilitated by, 30, 113, 128–30
Dustmann, Christian, 47
eastern Europe, 191–92
Eatwell, Roger, 38
eBay, 69
economic change, 17–36; causes of, 18, 21; community-level effects of, 9–10, 29–31, 45–47, 49; cultural values elicited by, 48; cultural values vs., as driver of voter behaviour, 15–16, 37–49; gender as factor in, 33–34; government response to, 9, 11–13, 21, 51, 54–70; grievances about, 8, 18, 35–36, 48; harms suffered by the vulnerable in, 9, 35, 61–62, 68, 135, 137–38, 141; illiberalism linked to, 8, 15, 36, 38–49, 39; manufacturing sector and, 22–26; nationalism linked to, 8; populism linked to, 21, 26, 39–44; role of cognitive skills in, 27–29; structural change and, 55–62; usurpation story about, 18, 21–22, 26; Western income stagnation and, 19–21
economic insecurity: community-level effects of, 9–10; illiberal attitudes mobilised by, 48; income inequality linked to, 58–60; policy decisions exacerbating, 61; precarious employment and, 58–61; social contract undermined by, 58–62; in Sweden, 44. See also economic security
economic radicalism: comprehensiveness required of, 236–37; elimination of low-productivity, low-wage business model, 104–5; proposals for contemporary, 13, 15; proposals for regulating financial system, 155–67; Roosevelt’s, 11–12, 50–51, 229; universal basic income (UBI)/negative income tax (NIT), 120–21
economic security: job mobility and, 108; social contract for, 9, 52, 54; welfare system’s role in, 113–21. See also economic insecurity
economics of belonging: abuse of power as threat to, 112–13; empowerment crucial to, 111–13, 116, 121–25; failure of, 9, 17–36; financial regulation crucial to, 155–67; globalisation’s role in, 71–92, 214–28; government role in, 236; low-paid labour as threat to, 97; macroeconomic policy’s effect on, 131–47; manufacturing jobs as basis of, 61; monopoly power as obstacle to, 128–30; Norway as example of, 213–15; place/area-related strategies for, 199–208; political proposals for, 233–39; postwar, 8–9, 52–54; rebuilding of, 10, 131–32; tax policy appropriate to, 171–87; technology as means to, 97. See also social contract

Economist (newspaper), 17, 20, 32

economy. See social market economy; terms beginning with economic

education: challenges for those lacking in, 27–29; job training programmes, 108–9, 121; Nordic countries’ investment in, 108; public spending on, 109; voter behaviour linked to, 41, 46

Eichengreen, Barry, 47

electronic money, 158, 260n16

elephant chart, 18–21, 19, 75, 77, 241n3

elites: cultural values of, 14–15; economic gains of, at expense of the people, 8; populist criticisms of, 7, 10, 14–15. See also liberalism and liberal democracy

employment: abuse-of-power potentials in, 112–13, 117; empowerment related to, 114–15, 117, 119–25; flexible/temporary, 58–61, 104, 124–25; gender and, 33–34; immigration’s effect on, 82–83, 215–16, 224–25; industrial-era model of, 8–9, 54, 114, 122; in manufacturing as share of total employment, 76, 76; matching services for, 205; mobility in, 31–33, 107, 107, 114–15, 117, 119–20, 125, 128; motivations for seeking, 119; technology as cause of, 28–29; trade as cause of, 78, 249n9, 250n16; training programmes for, 108–9, 204, 205; unemployment as hindrance to, 138; universal basic income’s effect on, 119–20; worker representation as component of, 123–24

empowerment: economic, 113–21; employment-related, 114–15, 117, 119–25; the left behind’s need for, 111–13; in the market, 126–30

end of belonging: centrist politicians’ failures resulting in, 229–33; in economic sphere, 9, 17–36; inequalities and obstacles as signs of, 10; psychology of, 8, 9, 35; in Western social order, 7

Enlightenment, 5

equity financing, 156–60, 219–20

Estonia, 130

European Central Bank, 67, 164

European Economic Area, 213

European Parliament, 38–39, 47, 179

European Union: debt restructuring in, 159; and globalisation, 72–73, 226–27; political parties and ideology in, 38–40, 39; trade policy in, 222–24

Euro scepticism, 42

eurozone, 66, 134, 144–46, 152, 159, 166

factories. See industry

factory fetishism, 75, 78

Farage, Nigel, 46

fascism, 7, 10–11

Federal Reserve, 143, 200

Feenstra, Robert, 78

Fetzer, Thiemo, 45–48

financialisation, 86, 88–89, 152

Financial Times (newspaper), 20
Finland, 107, 109, 110, 120
fiscal space, 144–46
Five Star Movement (Italy), 31, 45, 192
foreigners, job loss blamed on, 22–23, 25–26, 73, 75–78, 82–83
France: and carbon tax, 184–86; corporate taxes in, 180; economic insecurity in, 59, 61; health declines in, 36; illiberal populism in, 38; the left behind in, 72; regional economic decline in, 192; voter behaviour in, 15, 41–42
France Insoumise (France Unbowed), 192
Fratzscher, Marcel, 60, 171
Freedom Party (Austria), 38
French Revolution, 211
Friedman, Milton, 235
Galston, William A., 267n15, 268n25
GDP. See gross domestic product
gender, service sector and, 33–34, 243n22
General Motors, 52
Germany: business aided by population density in, 206–7; and carbon tax, 184–85; economic insecurity in, 59–60; employment gains in, 78; employment problems in, 64, 231; income inequality in, 60, 205; manufacturing technology in, 79; regional economic decline in, 192; response to global financial crisis in, 133–34, 144; voter behaviour in, 15, 41. See also Nazi Germany
gig economy, 69, 124–25
Giles, Chris, 199
gilets jaunes (yellow vests), 61, 192, 202
globalisation: benefits of, 75, 212–28; criticisms of, 13, 212; domestic policy in relation to, 90–92; and economics of belonging, 214–28; financial, 85–90, 155, 160–62, 218–20, 225–26; immigration and, 82–85; impact of, 72–73; income growth during, 19–21, 19, 241n3; job loss linked to, 70; left-behind places and, 207; national policies/regulations compatible with, 222–28; openness as principle underlying, 7, 13–14, 72–73; policies related to, 72–73, 216–21; scapegoating of, 9, 14, 21, 35, 71–92; technology's role in, 72; trade and, 72–82; Western liberal order associated with, 211–12. See also antiglobalisation
Goodwin, Matthew, 38
government: domestic policy mistakes of, 9, 14, 21, 51, 54–70; effective responses of, to economic change, 11–13; globalisation policy possibilities available to, 90–92; role of, in economics of belonging, 236; size of, 234, 270n1; social and economic security provided by, 52, 54. See also social contract
Grand Rapids, Michigan, 203–4
Great Depression, 64, 67

For general queries, contact webmaster@press.princeton.edu
Greece, debt crisis in, 64, 146, 152, 165–66, 219–20, 270n6
green deal, 237
Green Party, 179
Greenspan, Alan, 66, 140
Greggs, 115, 119
gross domestic product (GDP), 188–208; constituencies experiencing different effects of, 188–89; regional variations in, 191–92, 191; unemployment in relation to, 136

group identification, 46, 49, 112, 194
Hacker, Jacob, 62
Hansen, James, 185
helicopter money, 165
Hendrickson, Clara, 267n15, 268n25
Hirschman, Albert, 115, 121
Hitler, Adolf, 3–4
human capital, 199–200
hyperglobalisation, 80–81

Iceland, 86, 234
illiberalism: cultural values associated with, 14–15; economic change linked to, 8, 15, 36, 38–49; educational deficits linked to, 41, 46; identities of adherents of, 41–42; popular growth of, 4, 7, 18; of Trump, 7.

See also antisystem proponents; nationalism

immigration: arguments for restricting, 14–15; economic discouragement of, 217; economic downturns coinciding with, 84–85; employment market effects of, 82–83, 215–16, 224–25, 250n17; exposure to, as factor in attitudes toward, 47, 85, 251n24; globalisation and, 82–85; home countries as affected by, 251n23; labour standards compatible with, 224–25; in Norway, 213–14, 269n4; policy restrictions on, II; populist criticisms of, 85; public finances affected by, 83–84, 216, 250n20; in United Kingdom, 270n5; voter opposition to, 47
income growth, 19–21, I9, 52, 241n3
income inequality: cultural values influenced by, 31; economic insecurity linked to, 58–60; in Germany, 60; incomes of lower 50 percent, 63; market power as factor in, 127; Scandinavia as counterexample to, 99–100; postwar decline in, 53; regional character of, 153; in Sweden, 43–44; tax policy as contributing factor to, 56–57, 169, 171; technology as factor in, 30; trade not a factor in, 79–82; union declines linked to, 56–58, 121; voter behaviour influenced by, 43–44; wages as factor in, 79–80; and wealth concentration, 169; in Western countries, 20
income per capita, of trading partners, 80
Independent Workers’ Union, 125
industry: China’s role in, 25, 75; in emerging economies, 75; employment in, as share of total employment, 76, 76; geographical effects of changes in, 70, 81; income inequality arising from decline of, 56; output of, 23–25, 24, 25; skill levels required in, 81, 106, 199–200, 204; social contract linked to, 52, 54, 61; successful policies to reverse declines in, 203–4; technology in, 79; unemployment linked to, 22–27, 22, 77; urbanization and, 29

Inglehart, Ronald, 42
interest rates, 163–65
International Monetary Fund, 20, 64, 121, 140, 145, 155, 182
in–work tax credits, 117–18
Ireland, 64, 86, 270n6
Italy: banking crisis in, 150; economic insecurity in, 59; populism in, 31; regional economic decline in, 192; voter behaviour in, 41–42
Japan: manufacturing technology in, 79; negative interest rates in, 164–65; public spending in, 234; response to global financial crisis in, 133; Western social order influential on, 6
Jews, blamed for financial problems, 89
job mobility, 31–33, 107, J07, 114–15, 117, 119–20, 125, 128
jobs. See employment
job training programmes, 108–9, 204, 205
Johnson, Boris, 238
Kentucky, 126, 205
Kerr, Sari Pekkala, 250n20
Kerr, William, 250n20
Kessler, Martin, 79–80
Keynes, John Maynard, 131, 133, 140, 142, 147
knowledge economy, 27–29, 70, 207
Korea, 79
Kuper, Simon, 194
laissez-faire economics, 236
Lakner, Christoph, 19
Law and Justice party (Poland), 45
League party (Italy), 192
left behind, the: carbon tax and, 184–86, 187; dependence of, 9, 111–12, 116; economic grievances of, 8, 18, 35–36, 48; education of, 27–29; employment solutions for, 105–6; gender roles as issue for, 33–34; in Germany, 60; harms inflicted on, by financial sector instability, 151; harms inflicted on, by poor policy decisions, 56, 61–62, 68, 70, 134–35, 137–38, 141, 143; health of, 36, 48–49, 112; loss of economic and psychological security felt by, 9, 35–36, 44, 48, 61–62, 111–12, 116; macroeconomic policy choices harmful to, 134–35, 137–38; macroeconomic policy’s effect on, 131–47; in the Nordic countries, 105–6; overlooking of situation of, 232; place-based identification of, 31–33, 45–47, 49; place of residence of, 29–33; populism’s attraction for, 36, 72; recessions’ effects on, 135, 137–38, 141; regional instances of, 192–208; socioeconomic conditions resulting in, 9–10, 17–36; tax policy for benefit of, 168–87; Trump support from, 45; unemployment of, 135, J36; vulnerability of, 58, 111–13, 135
Le Pen, Marine, 15, 72
Le Pen family, 41, 192
Lewis, Sinclair, It Can’t Happen Here, II liberalism and liberal democracy: cultural values associated with, 14–15; divergent interests in, 232–33; economic health as essential bulwark of, 7–8, 10, 12–16; failures of centrist politicians in, 229–33; globalisation associated with, 211–12; globalisation criticised from standpoint of, 9, 13; principles of, 5; rejection of, 7, 10, 15–16, 18; restoration of, 229. See also elites; illiberalism
libertarianism, 236
Linke party (Germany), 192
liquidity trap, 163–64
living standards, 19–20, 67
Louis, Edouard, 35; Who Killed My Father? 36
Macron, Emmanuel, 61, 193, 238
macroprudential regulations, 161–62, 260n21, 270n7
“Make America Great Again,” 8, 33
“make work pay” schemes, 43, 47, 61 manufacturing. See industry
market abuse, 30, 112–13, 126–30
market concentration, 30, 113, 127, 129.
means-tested benefits, 59, 61, 114–16, 119, 235
Menon, Anand, 188
Mercosur, 223
Midland, Texas, 17, 18, 22–23, 28
Milanovic, Branko, 19, 24n1
minimum wages, 103–4
mission banks, 203, 206
mobility, 31–33
Moene, Karl, 99–101
monetary policy, 134, 146
money. See electronic money; helicopter money
monopoly power, 13, 30, 126–30
multinational corporations, 178–81, 264n18
Muro, Mark, 267n15, 268n25
National Front (Italy), 45
National Front (France), 38
nationalism, 8, 14–15, 38. See also illiberalism; nativism
national living wage, 102–3
nativism, 14, 16, 37, 41, 49, 112. See also nationalism
Nazi Germany, 3–4, 11
Nazi Party, 4
negative income tax (NIT). See universal basic income (UBI)/negative income tax (NIT)
Netherlands, 172, 206
net wealth taxes, 172–78, 186, 235, 262n7, 262n8, 263n12
New Deal, 11–12, 230
New Economics Foundation, 120
New York Times (newspaper), 17
noncompete clauses, 128
Nordhaus, William, 183, 185
Nordic countries: economy of belonging in, 97, 212; employment and gender in, 34; labour–productivity synergy in, 99–101, 105–10; openness of, 212–13; unions in, 121, 123. See also individual countries
Norris, Pippa, 42–43
North American Free Trade Agreement, 72, 223
Norway: China shock in, 249n8; common digital platform in, 130; economy of belonging bolstered by globalisation in, 213–15; education policy in, 108; egalitarianism and prosperity in, 99–101; employment and technology in, 96–97, 101, 105–6, 110; illiberal populism in, 38; immigration in, 213–14, 269n4; net wealth taxes in, 172, 175, 262n6; unionisation and collective bargaining in, 100–103, 110, 121, 123, 225
Obama, Barack, 16, 45, 127
Occupy Wall Street, 148, 154
O’Connor, Sarah, 193
OECD. See Organisation for Economic Co-operation and Development openness, political/economic: challenges to, 7, 212, 216; European Union as example of, 226–27; in financial sector, 85–90, 155; globalisation’s role in, 7, 13–14, 72–73; healthy economy’s dependence on, 14, 207–8; in immigration, 82–85; national policies/regulations compatible with, 222–28; principles of, 5; rules of, 7; in trade, 73–82
Organisation for Economic Co-operation and Development (OECD), 64, 77, 108, 120, 155, 175, 182, 198
Osborne, George, 102
pensions, 61
Permanent Fund dividend, 119–20, 203
Perot, Ross, 40
Philippon, Thomas, 127
place of residence, as factor in economic success, 29–33
Poland, 45
populism: antiglobalisation linked to, 72; antisystemic principles of, 10; authoritarianism and, 26, 42; and cultural values, 15, 38, 42–43; economic change linked to, 21, 26, 39–44; immigration as issue for, 85; motivations of adherents of, 26, 36, 112
Portes, Jonathan, 250n17
Portugal, 59
posted workers, 225, 238
precarious employment, 58–61, 104, 124–25
precarity, 58, 112, 116–17
privacy regulations, 224
productivity: corporate tax policy harming, 180; equality of, 235; growth in, 20; macroeconomic policy to stimulate, 106, 138–40, 235; in manufacturing, 26; net wealth taxes and, 176–78; in service sector, 26; technology as means to increasing, 97; wages in relation to, 98–105; winners and losers from, 20, 26–27
Progress Party (Norway), 38
property taxes, 173–74
Rajan, Raghuram, 66
Reagan, Ronald, 57, 230
redistribution of wealth, 234–35
refugee crisis (2015–16), 39, 82
regional effects of economic change. See geography of economic change relocation, for economic opportunity, 31–33
Republican Party (United States), 40, 45
Rey, Hélène, 270n7
Riksbank, 163–64
robots, 79
Rodríguez-Pose, Andrés, 192–93
Rodrik, Dani, 71–72, 90–92, 222
Romer, Paul, 242n8
Roosevelt, Franklin Delano, 3, 11–12, 50–51, 229
Roosevelt, Theodore, 13, 126
Rothschild family, 89
Sanders, Bernie, 173, 175
Sasahara, Akira, 78
Schröder, Gerhard, 231
Second World War, 13, 50
security. See economic security
service sector, 26, 27, 33–34, 68–70, 243n22
Shaxson, Nicholas, 153
small businesses: competitive disadvantage of, 129; loans to, 201, 206, 268n25
Smith, Noah, 207
social contract: based on economic promise, 8, 51–52; egalitarianism as component of, 8, 51, 52; features of successful, 52, 54; policy mistakes contributing to undoing of, 9, 14, 21, 51, 54–70, 133; populist rejection of, 10. See also economics of belonging
Social Democratic Party (Germany), 231
social market economy: challenges to contemporary, 12–13; failures of, 9–10; in Germany, 60; policies and actions leading to creation of, 11–13; postwar accomplishments of, 8–9; principles of, 5; promise of, 8, 9; restoration of, 10; significance of, for political health of the nation, 7–8, 10, 12–16
soft skills, 33–34
Solow, Robert, 55–56
Soros, George, 89
Soviet Union, 6
Spain, 59, 150, 172, 175, 270n6
Springsteen, Bruce, 35
Starbucks, 181
structural change, mismanagement of, 55–62, 67
Subramanian, Arvind, 79–80
subsidies, 196–97
sudden stop, in money flows, 218
Summers, Lawrence, 66, 145
Sweden: economic change as trigger for populism in, 42–44, 47; egalitarianism and prosperity in, 99–100; job mobility in, 107–8; job training programmes in, 109; manufacturing technology in, 79
Sweden Democratic party, 43–45, 47
swing voters, 16
Switzerland: negative interest rates in, 164; net wealth taxes in, 172, 175, 177, 261n6, 263n12
“Take Back Control,” 8, 111, 221
TaskRabbit, 124, 128
tax avoidance, 179–81, 218–19
taxe GAFA (French tax), 180
tax policy, 168–87; carbon tax, 183–87; corporate taxes, 178–83, 218–19; harms inflicted on the vulnerable by,
168–69; income inequality arising from, 56–57, 169, 171; loopholes in, 175; net wealth taxes, 172–78; progressive taxes, 171; Trump’s, 179, 264n18. See also universal basic income (UBI)/negative income tax (NIT) tax rates, 115, 170
tax treaties, 182, 227, 264n23
Tea Party movement, 40
technology: digital, 30, 113, 128–30; economics of belonging aided by, 97; globalisation aided by, 72; government’s failed response to, 51; inequalities exaggerated by, 30; job creation by, 28–29; job loss caused by, 17–18, 23, 28–29, 35, 50, 56–62, 68–70, 77, 79; in knowledge economy, 28; labour productivity increased by, 97; low-paid labour vs., 97–98; in manufacturing, 79; market abuse facilitated by, 30, 113, 128–30; Norwegian economy’s use of, 96–97, 101; wage structures as means of encouraging investment in, 98–104; wealth concentration aided by, 169
Thatcher, Margaret, 57, 230
third-way political/economic approach, 117, 231, 232
Tilbury, England, 17, 18, 22, 32
Tooze, Adam, 87
trade: classical and non-classical types of, 73–75; employment created by, 78, 249n9, 250n16; globalisation and, 72–82; unemployment linked to, 77–78, 249n9, 249n13
Treaty of Detroit, 52, 55
Trump, Donald: ideological supporters of, 15; illiberalism of, 7; and immigration, 82; and manufacturing, 75; masculinity as value of, 33–34; political shock of, 7, 18; tax policy of, 179, 264n18; voter support for, 16, 33, 41, 45, 46, 72, 192–93
trust, 47–48
Uber, 69, 113, 124, 128, 180–81
unemployment: cultural and psychological consequences of, 9, 26, 35; employment opportunities lessened by periods of, 138; GDP in relation to, 136; from global financial crisis, 63; globalisation as cause of, 70, 73, 75–78; immigration’s role in, 82–83, 215–16; manufacturing-related, 22–27, 22, 77; of marginalised groups, 135, 136; recessions’ effects on, 135; technology as cause of, 17–18, 23, 28–29, 35, 50, 56–62, 68–70, 77, 79; trade as cause of, 77–78, 249n9, 249n13; usurpation story about, 18, 21–22, 26, 82, 90
unions: alternatives to traditional, 122–25; decline of, 57–58, 60, 69, 121; future of, 234; for gig workers, 125; in the Nordic countries, 100–103, 110, 121, 123; as obstacles to change, 122; social contract role of, 52, 54, 61; wage structures linked to influence of, 52, 54, 57–58, 60, 121; and workplace empowerment, 121–25. See also collective bargaining
United Auto Workers, 52
United Kingdom: employment and technology in, 102–3; health declines in, 36, 193–94; immigration in, 270n5; regional economic decline in, 192; response to global financial crisis in, 133–34, 144–45; union busting in, 57. See also Britain
United Kingdom Independence Party, 46
United States: corporate taxes in, 178–79, 264n18; employment gains in, 78; employment problems in, 64, 77; health declines in, 36, 194; job training programmes in, 109; lessons of 1930s for, 3–4, 10–12, 229; minimum wage in, 103–4; net wealth taxes in, 262n7; regional economic decline in, 192; relative regional prosperities in, 189, 190; response to global financial crisis in, 133–34, 144–45; in Roosevelt years, 3, 11; social order upset in, 7; union busting in, 57; voter behaviour in, 15, 16, 41, 45; xenophobia in, 11
universal basic income (UBI)/negative income tax (NIT), 115–16, 118–20, 186, 202–3, 234–35, 271n1
usurpation narratives, 18, 21–22, 26, 82, 90
wages: compression of, 100–103, 105, 121; immigration’s effect on, 83, 215, 250n17; investment in technology encouraged by compression of, 98–104; labour productivity in relation to, 98–105; suppression of, 117–18; union declines linked to, 55–56, 57, 121; universal basic income and, 114–16; welfare supplementation of, 117–18
Warren, Elizabeth, 173–75, 262n7
wealth concentration, 30, 153–54, 169, 170, 175–76
wealth taxes, 172–78
welfare, 52, 54, 113–21, 213
Western social order: accomplishments of, 5; challenges to, 6, 192; economic health as essential bulwark of, 7–8, 10, 12–16; globalisation associated with, 211–12; ideological opposition to, 15–16, 212; pillars of, 5; restoration of, 10, 229; threats from within, 6–7, 238–39; universal values of, 5–6; variations within, 6
West Michigan Medical Device Consortium, 204
West Virginia, 126
Wood, Adrian, 77, 249n13, 250n16
Wordsworth, William, 211
World Bank, 20
World Trade Organisation, 20, 72
Wright, Thomas, 178–79
write-downs, 15–60, 166, 219
xenophobia, 11, 14, 42, 48, 82, 192
Yeats, William Butler, 4
zero-hours contracts, 58, 104
Zingales, Luigi, 155
Zucman, Gabriel, 178–79, 182