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From Inequality to Populism

by Paul Dax

In his latest article in the Hungarian daily *Magyar Nemzet*, Istvan Dobozi [former lead economist at the World Bank in Washington, DC] looks for the causes of the political ascendancy of Donald Trump. Among those the most important are the break-up of the middle class, the disillusionment with the traditional two-party system, as well as “the already two-decade long decline of the American middle class [...] to the benefit of the one percenters”.

While the article deals with the United States, the phenomenon considered by the article show a remarkable similarity to the radicalization that has taken place in several European countries. In France, the followers of the extremist National Front are constituted not so much by right wing circles, as by the declining working class and by the disillusioned lower middle class. Today the party is the most popular among the working class, enjoying, according to *The Economist*, the support of 41 percent of working class voters, in contrast with the Socialist Party, supported by 24 percent. Left wing parties such as the Greek Syriza and the Spanish Podemos echo the words of Marine Le Pen, who said that the interchangeable ruling parties “promised everything and betrayed everybody”. This could be Trump’s motto as well, were he to run as an independent, a possible scenario referred to in the cited article.

In Hungary, the rise of Jobbik could also be explained by the support of working class voters deserting from the left, and by that of the unemployed youth. After the traditional left fell into disarray in Hungary, the two-party system characteristic of Western democracies has disappeared, at least for the time being, with the attendant flourishing of the right and of the “rightest” [one of the literal meanings of “jobbik”] – and both could be termed populist.

Both in the United States and in Europe, political radicalization is closely linked to the increasing inequality in terms of wealth and income distribution. This global phenomenon has recently elicited a number of studies. Some authors, notably Thomas Piketty, argued that the root of all evil is inequality, linking it to the cause of terrorism in the Middle East. A similar theory is that proposed by Branko Milanović, which holds this phenomenon responsible for the global financial crisis of 2008. Inequality made possible a huge accumulation of liquid capital, which temporarily obscured the decline of the middle class through irresponsible and speculative lending.

Even if these theories are a bit unidimensional, they have something that one can hold on to, as Dobozi writes: “the groups readily receptive to extremist views, such as the social strata falling behind and the conservatives, [who] found in Trump ‘the strongman’ who promises a strong state, nearly an illiberal regime.” This phrase could refer to Viktor Orbán, in particular because he gave currency to the concept that the illiberal state is exemplary. Dobozi quotes Trump: “Putin rules his country and behaves like a leader, unlike what we have”. Orbán’s illiberal models are Russia, China and Turkey, all states with strong rulers.

As Istvan Dobozi writes mainly about the economic and social problems of Europe, it should not be surprising if, in the future, he would expand on this theme of similarities between trumpism and European populism. Meanwhile, it is interesting to think about these similarities and the issues they raise. Is the growing inequality really fatal to democracies, and if so, will it necessarily lead to the rise of strongmen (rooted either in right or left wing populism)? Or will Western democracies be able to avoid the erosion of the middle class and secure for the masses a growing living standard, with the attendant satisfaction?

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