

Trump and the Xenophobic Populist Parties: *Cultural Backlash in Artificial Intelligence Society*

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In recent decades virtually all of the gains have gone to the top one percent. This is evoking (A) a cultural backlash as manifested by Trump, Le Pen et al. and (B) a call for redistribution through higher top tax rates (Sanders) and capital levies (Picketty).

How did we get here?

Developed countries are now moving into a new type of economy

- Hunting and gathering economy
- Agrarian economy
- Industrial economy
- Service economy/Knowledge economy
- **Artificial intelligence economy.**

If left to market forces alone, artificial intelligence tends to make the human labor force increasingly precarious

With automation, the numbers of industrial workers have declined sharply; labor unions and labor-based Leftist political parties have declined.

With the rise of the service sector, many secure, well-paid industrial jobs were lost—but they were replaced by secure well-paid jobs in management, law, medicine, education, journalism, entertainment, research and development.

High-income societies are now moving into an advanced phase of the Knowledge Society— that of Artificial Intelligence Society.

(1) Knowledge societies tend to have a winner-takes-all economy. Industrial society produced a wide range of material products that competed on price, from very cheap to very expensive automobiles. But once you have produced a knowledge product (like Microsoft) it costs almost nothing to produce and distribute additional copies. The top product dominates the market.

(2) In Artificial Intelligence society, almost anyone's job— even highly-skilled ones-- can be replaced by computer programs.

Artificial intelligence economy: Growing economic inequality → 1% vs. 99%

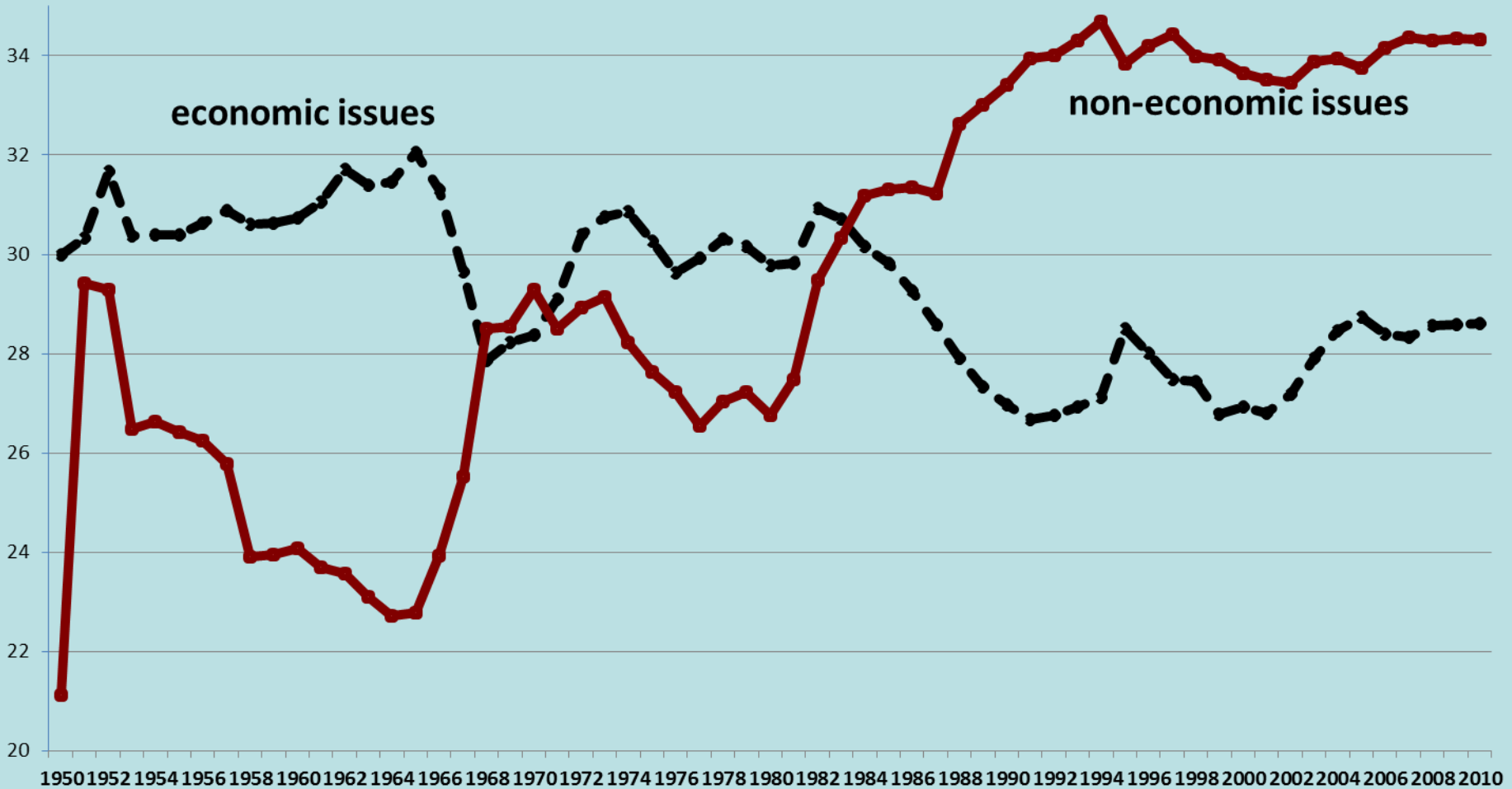
If left to market forces, humans have diminishing bargaining power.

But in democratic polities, growing resources can be harnessed to maximize the quality of life.

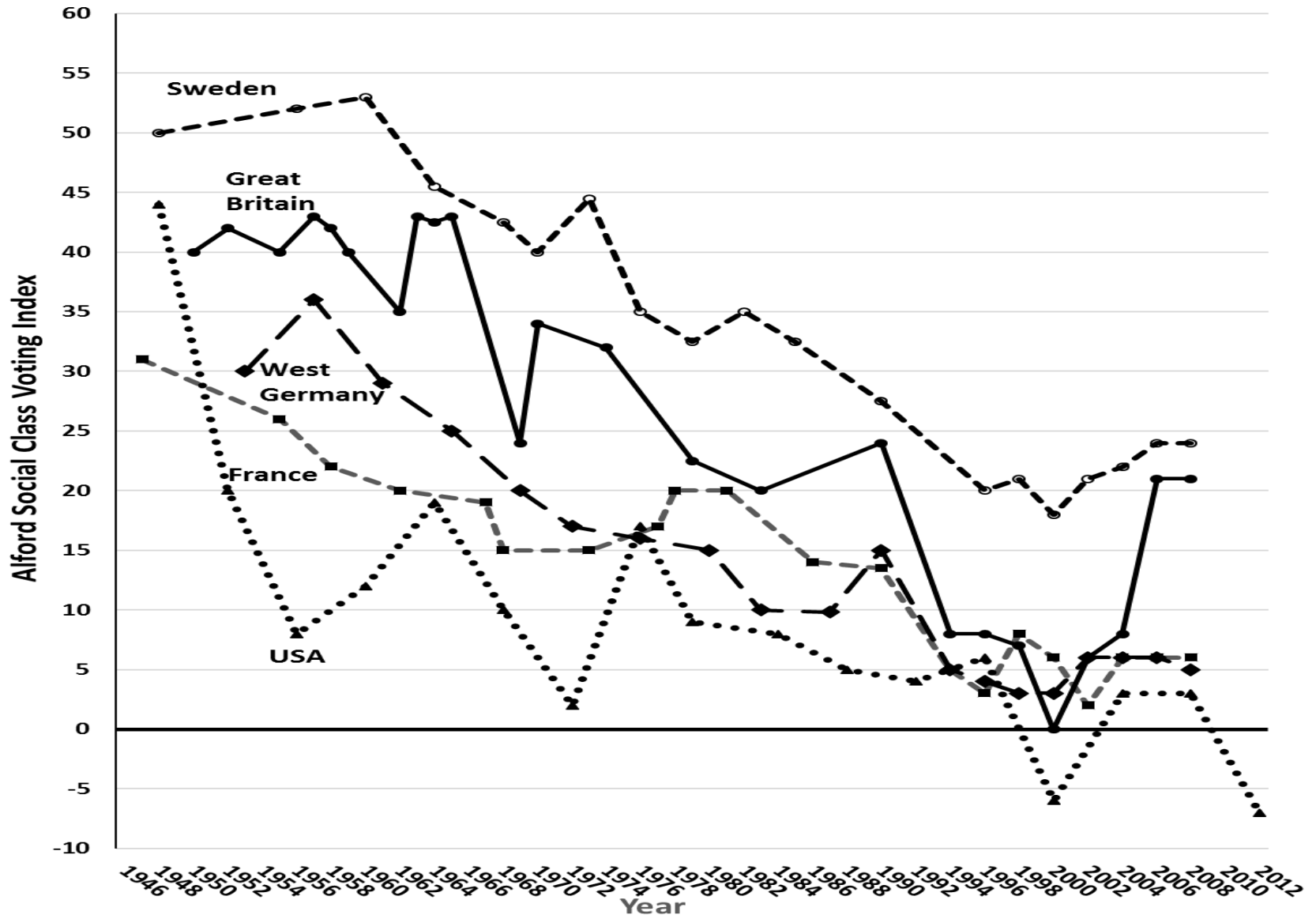
The collapse of the classic Left

Postmaterialists emphasized new non-economic issues that cut across class lines. Postmaterialist causes such as environmental protection, anti-war movements and gender equality became increasingly prominent in the politics of developed societies, and emphasis on economic redistribution declined in political parties' election campaigns.

Changing salience of economic vs non-economic issues in party programs, 1950-2010



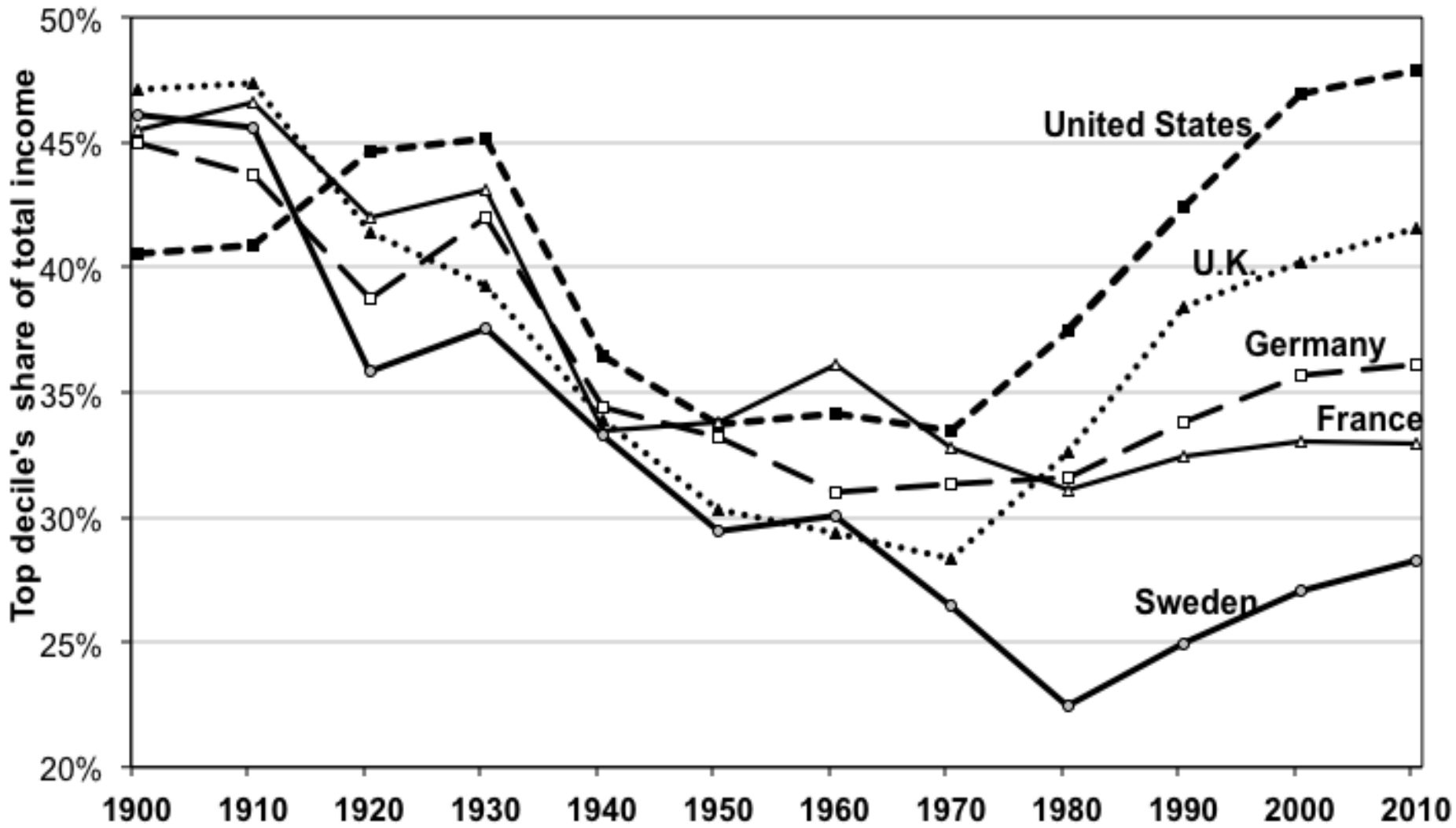
The decline of social class voting, 1945-2012



With the shift from manufacturing to the service sector, the percentage of industrial workers in high-income societies declined. Globalization further weakened the bargaining power of Western workers: they were directly competing with low-cost workers in China, India and Southeast Asia. Emphasis on economic redistribution declined.

Since about 1970, income inequality has risen dramatically in most industrial societies. The economic gains of the past few decades have gone almost entirely to the top ten percent, mainly to the top one percent. Today, income inequality in the U.S. is even greater than it was in 1900.

The top decile's share of total income in Europe and the United States, 1900-2010



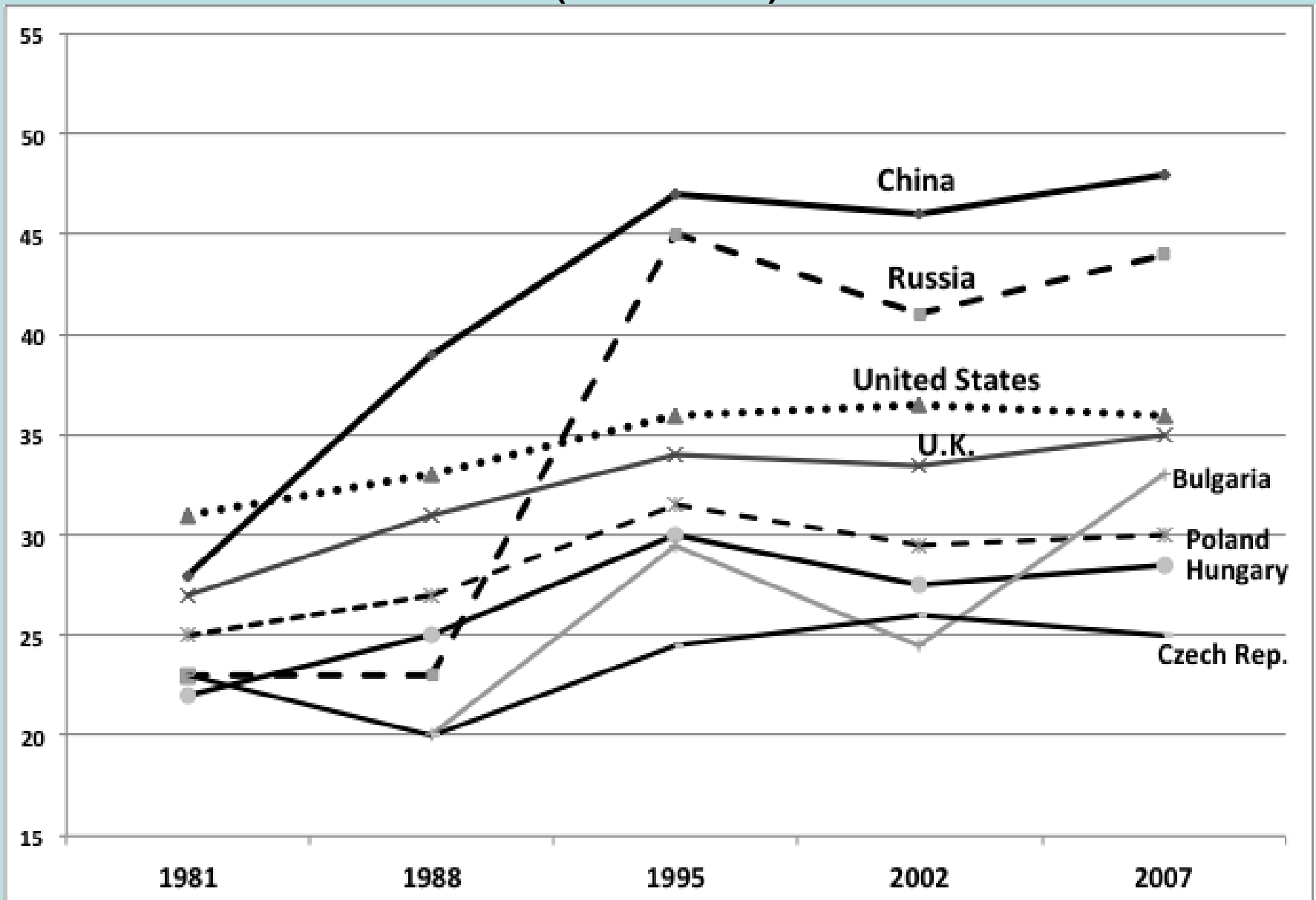
In terms of household net worth, the top 0.01 percent of Americans own as much as the bottom 90 percent.

The net worth of the 400 richest Americans is greater than the net worth of 60 percent of all U.S. households.

--Forbes

Since the collapse of communism, income inequality has risen even more sharply in Russia and China than in the U.S. or Great Britain.

Net Household Income Inequality Trends: Russia, China and the West, 1981-2007 (Gini indices)

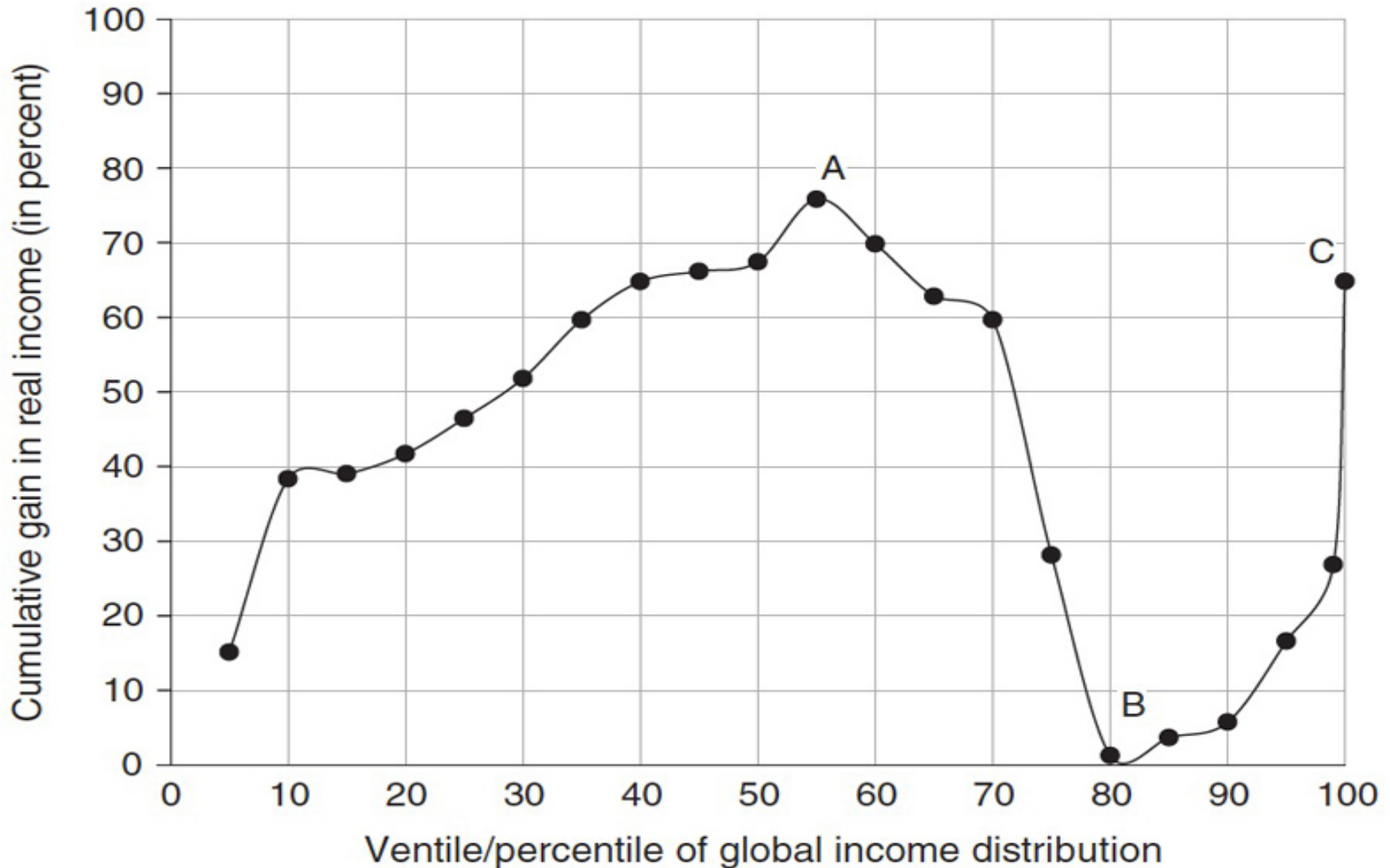


Piketty was mistaken-- rising inequality is not inherent in capitalist economies. It depends on their stage of development.

Industrialization tends to bring greater equality—

But Artificial Intelligence society has a powerful tendency to produce massive inequality

Gain in real per capita income by Global Income Level, 1988 – 2008



Pay no attention to that man behind the curtain!

Conservative economists argue that we should pay no attention to rising inequality—the only thing that matters is if the economy as a whole is growing: if it does, everyone will get richer, and it doesn't matter if inequality is increasing.

Market forces alone will make everyone better off.

But it isn't.

50 years ago, the largest employer in the U.S. was General Motors, whose workers earned an equivalent of \$50 per hour (in today's money).

Today, the largest employer — Walmart — pays around \$8 per hour.

GM employees not only had higher real incomes—they had greater job security, and much more extensive health and retirement benefits.

- Despite massive economic growth, since 1970, the real incomes of less-educated workers in the U.S. have been stagnant. The real incomes of working-class white males have actually **declined** (they are Donald Trump's most fervent supporters).
- Since 1990, the real incomes of people with university degrees have been stagnant— this is even true of people with post-graduate degrees.

Though industrialization led to the decline of the agricultural employment, it created even larger numbers of high-paid jobs in the industrial sector.

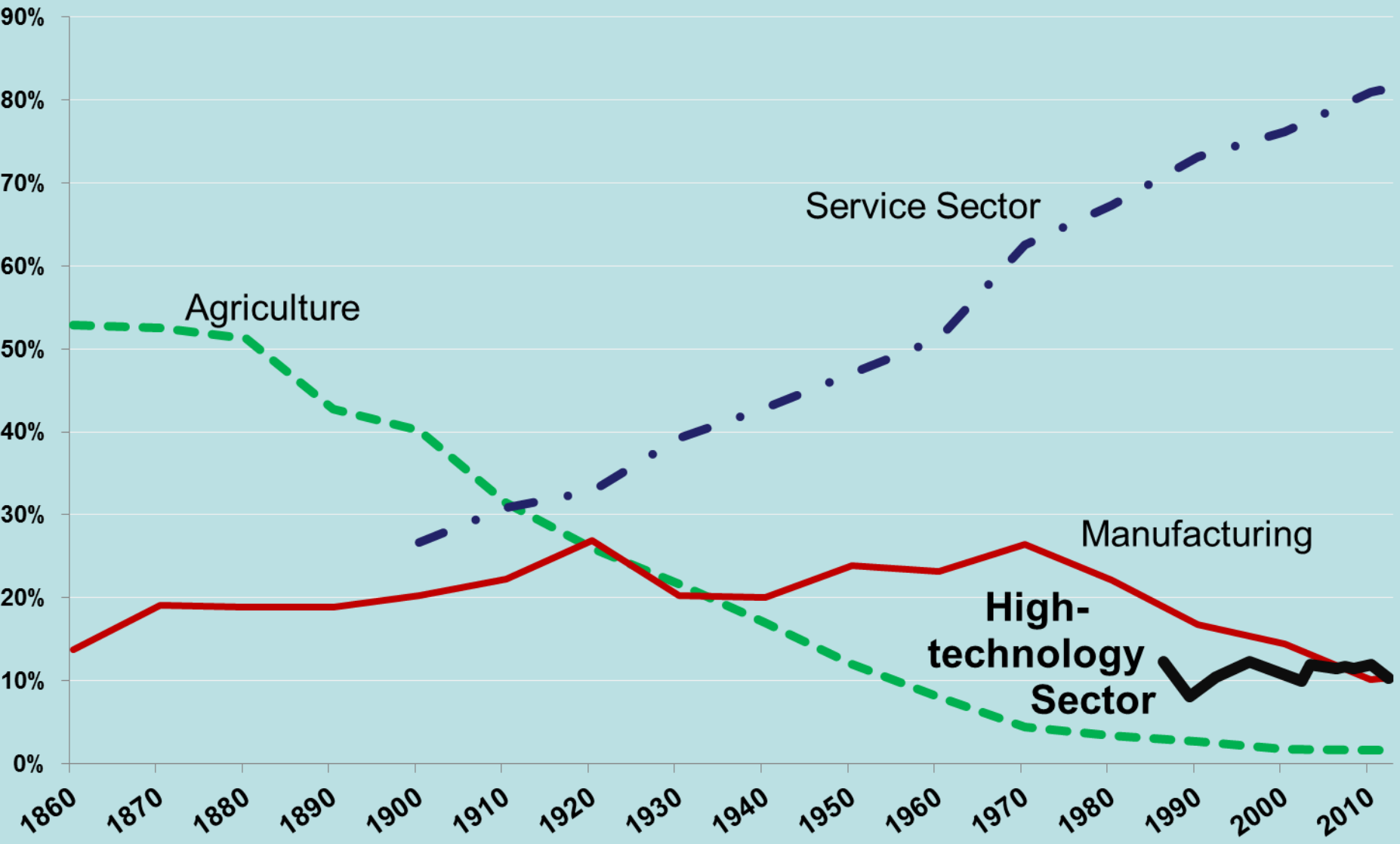
Similarly, conservative economists claim, the shift from industrial manufacturing will create large numbers of high-paid jobs in the knowledge sector.

But it isn't.

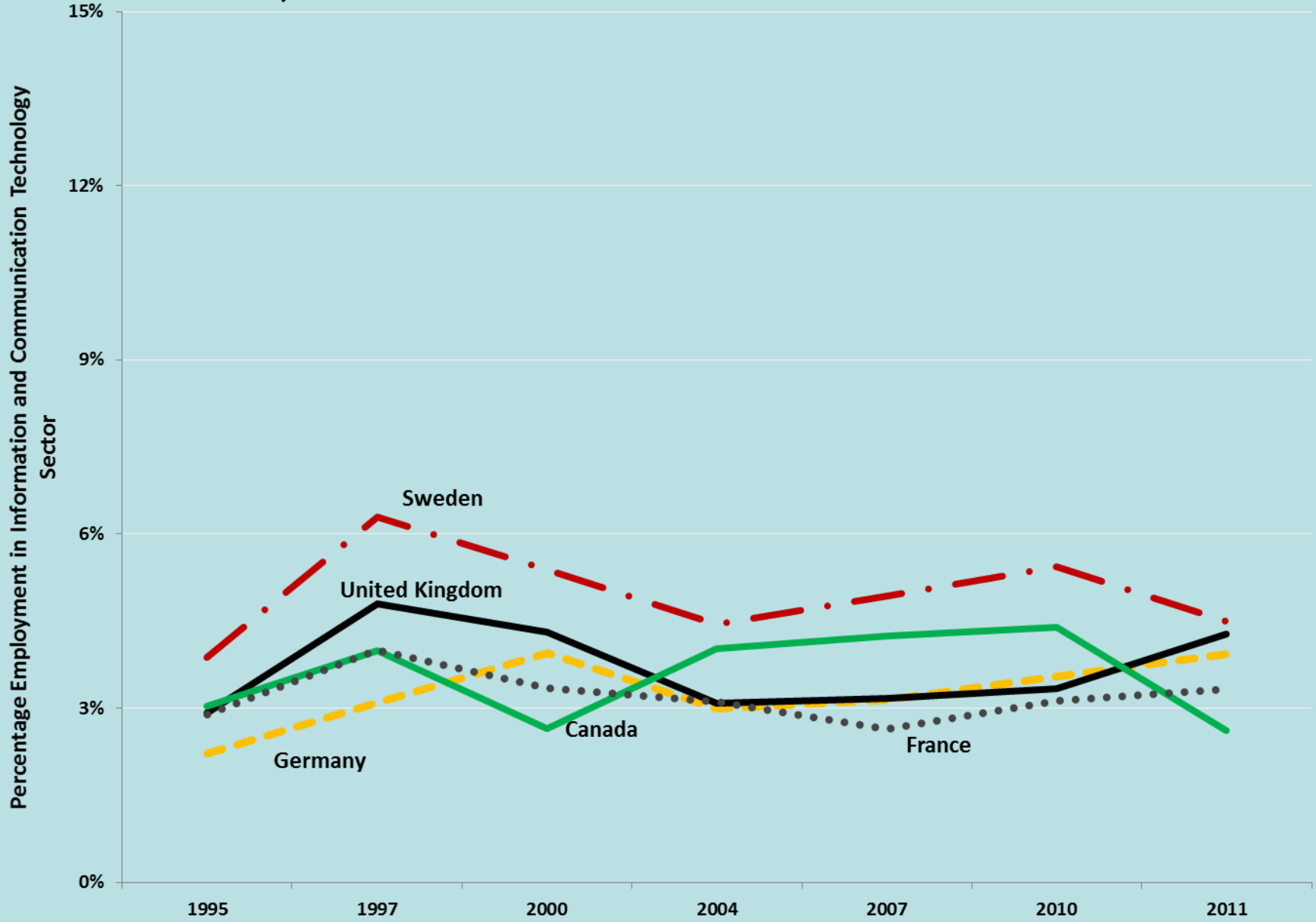
Although the decline of industrial jobs has been more than offset by rising employment in the service sector, for the most part this is producing relatively poorly-paid jobs.

Jobs in the **high-technology sector** (such as Microsoft, Google, pharmaceuticals) **are** well-paid— but the percentage of people working in the high-technology sector has been flat in the last 25 years.

Percentage of Workforce by Sector, 1860 - 2012



Percentage of Total Employment in Information and Communication Technology Sector in Five Advanced Economies, 1995-2011

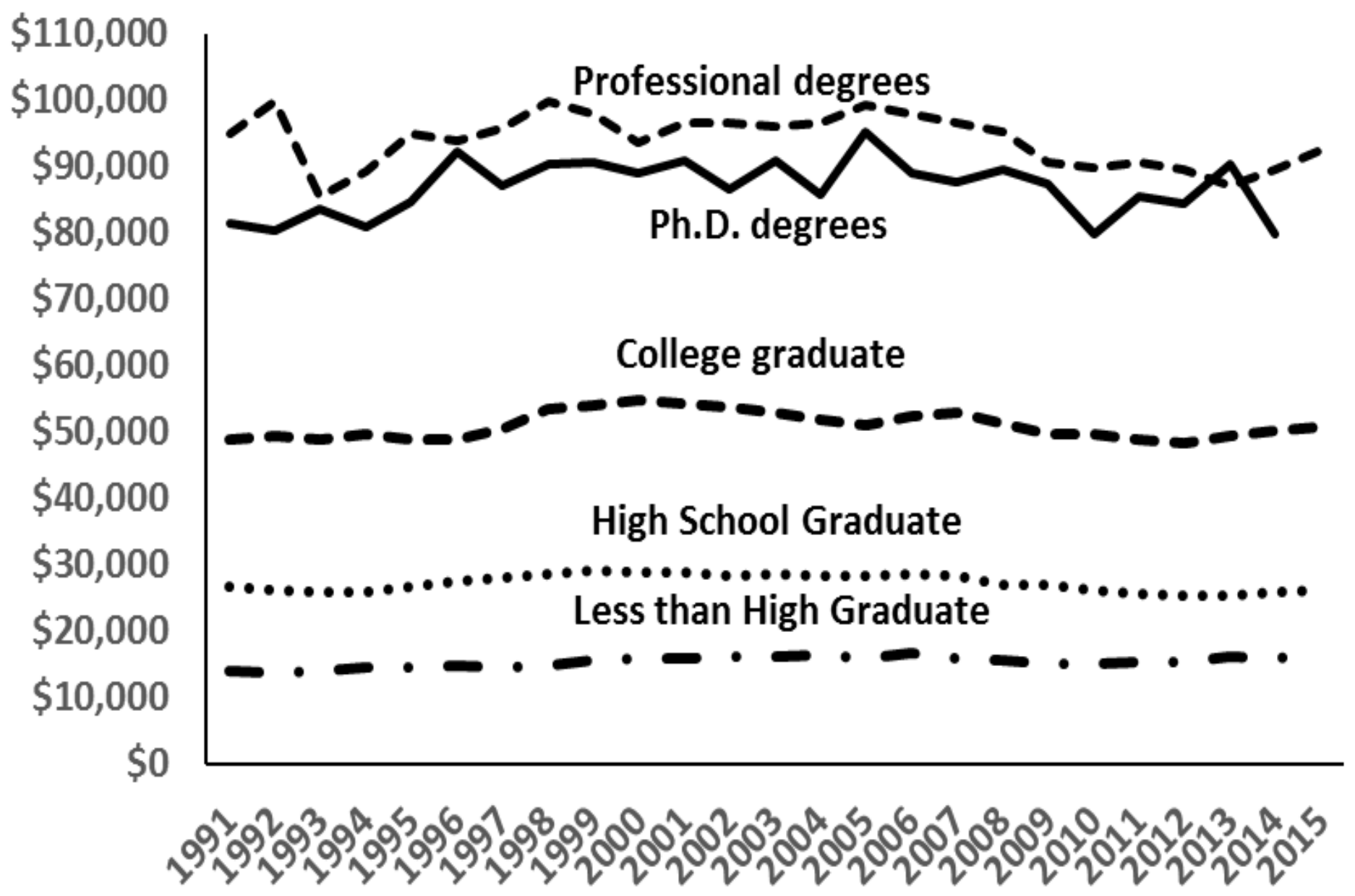


Formerly secure and well-paid professions are declining

Today, artificial intelligence is not only replacing low-skilled jobs. It is replacing doctors, lawyers, journalists, professors, and other highly-educated professionals.

Large corporations have taken over the medical profession, computerizing or outsourcing many jobs and reducing physicians to a commodity.

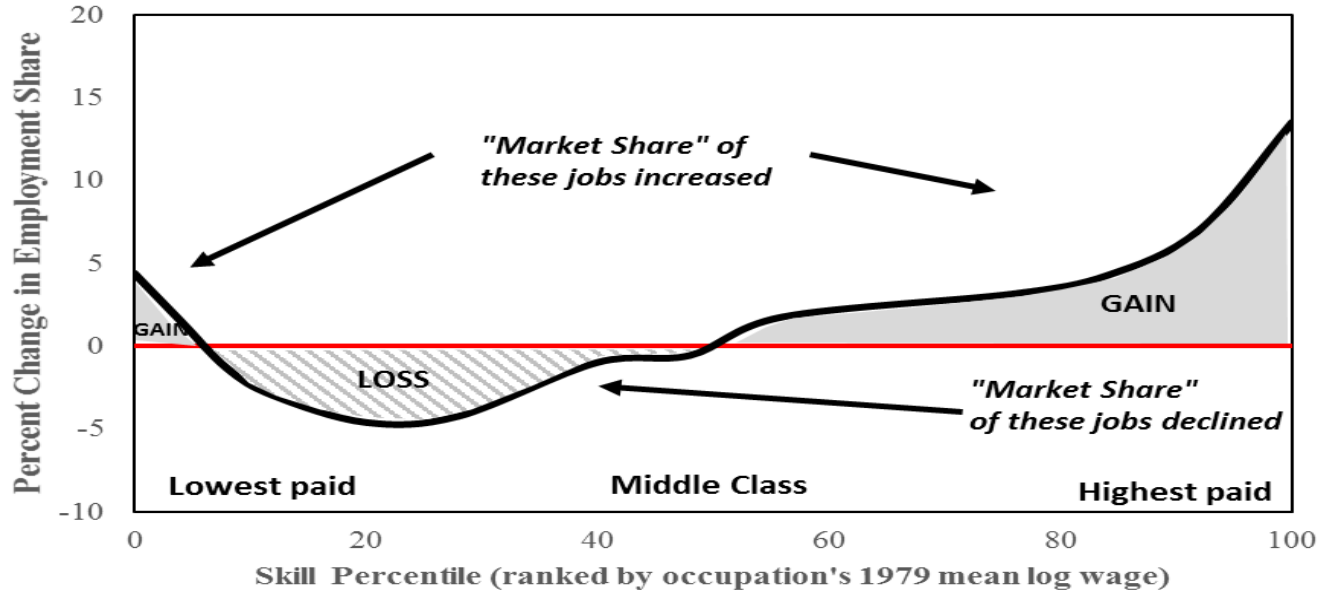
Median real income by educational level, 1991 - 2015



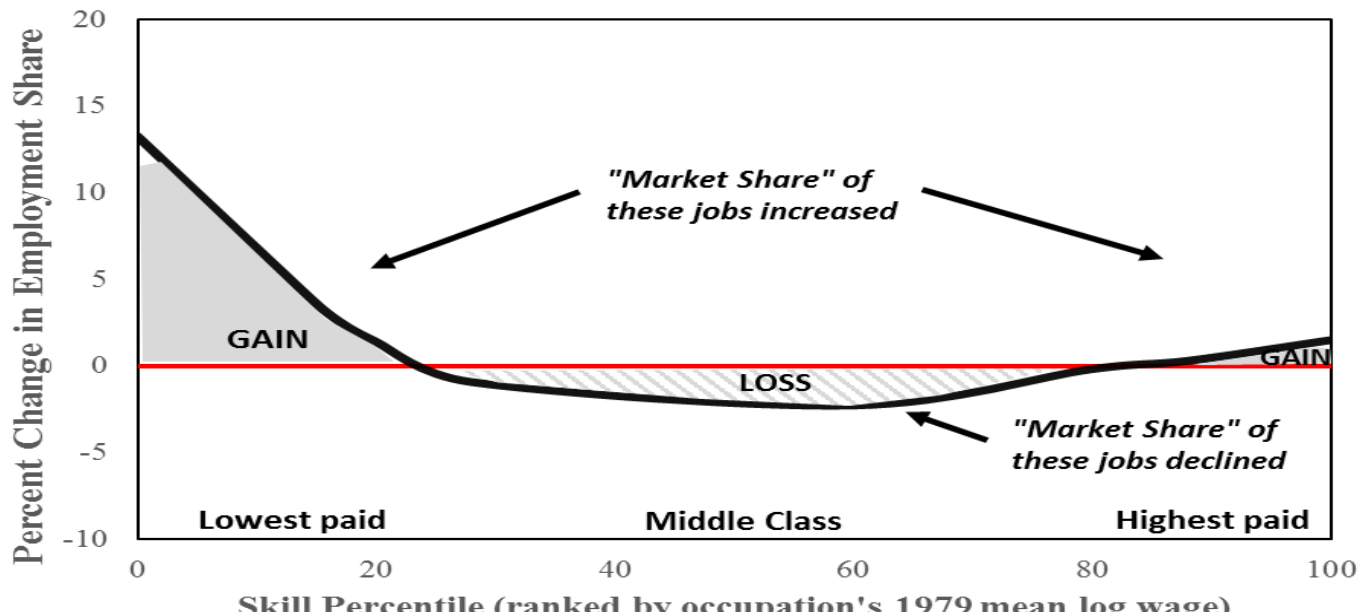
The hollowing-out of the economy
in the 21st century:

Smoothed Employment Changes:

1979-1999



1999-2012

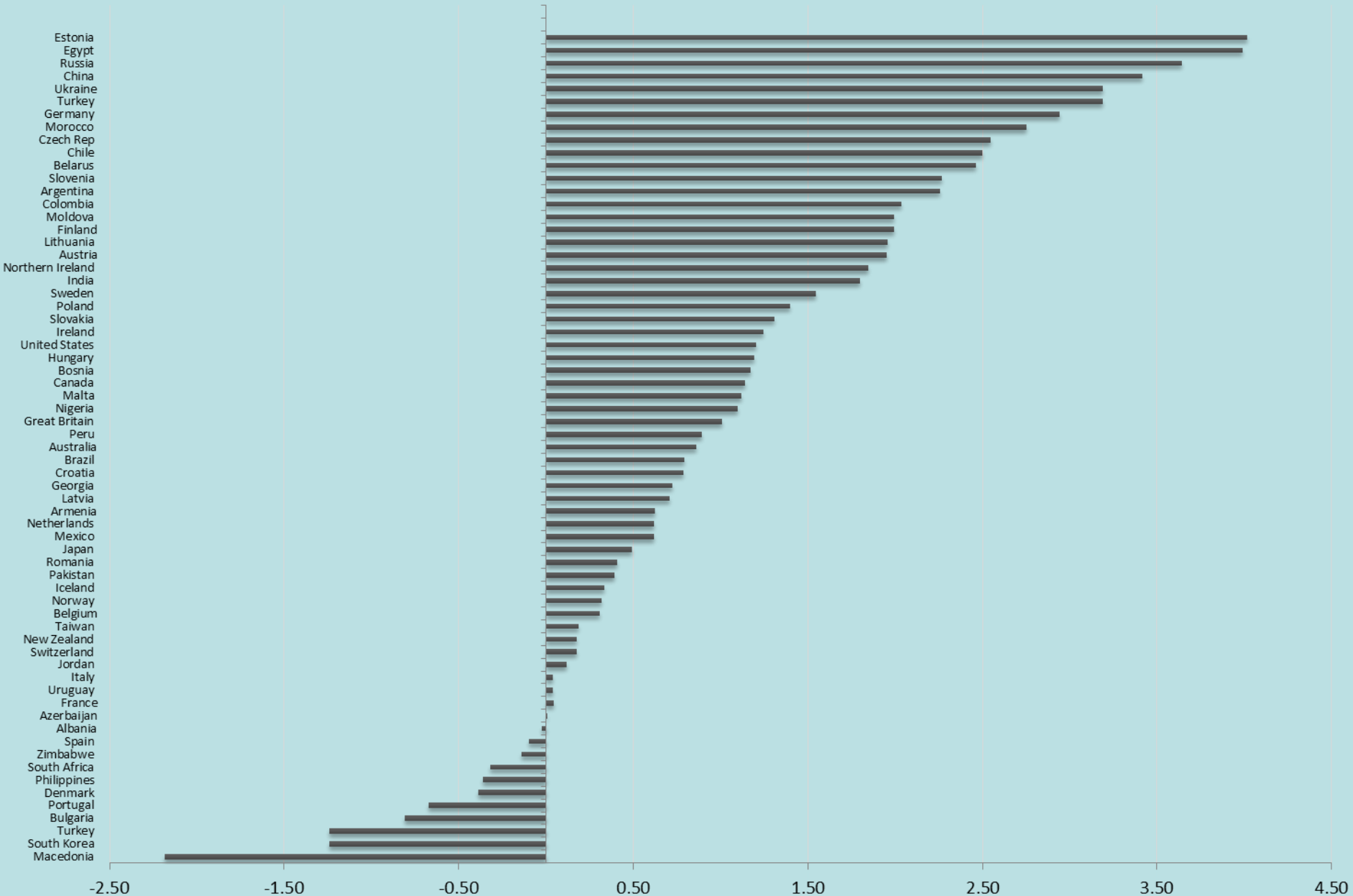


- In 1965, the average CEO pay at the 350 largest U.S. companies was **20** times that of the average worker;
- in 1989, it was **58** times as high; and
- in 2012 CEOs were paid **354** times as much as the average worker

- Today, the real conflict of interest in advanced industrial societies is no longer between the working class and the middle class. It is between the top one percent and the remaining 99 percent of the population.
- The electorates have not yet become mobilized along these lines— partly because low-income voters are diverted by non-economic issues such as abortion or same-sex marriage.

- But during the past 25 years, the publics of most countries have been growing increasingly concerned about the problem of rising income inequality.

Changing Attitudes toward Income Inequality, 1989-2014



- U.S. politics reflect responses to the challenges of globalization and the emergence of a knowledge society, with Trump manifesting an authoritarian, xenophobic approach reaction, and Sanders groping for a response to growing economic inequality.
- Both rebellions reflect the fact that a large share of the electorates of both major parties has lost faith in the established party leaders

- Market forces are moving toward an economy that doesn't need a human workforce. Building tariff walls (or immigration walls) won't solve this problem.
- Without fundamental political changes, the vast majority of the workforce will have precarious, poorly-paid jobs.

In an Artificial Intelligence Society, the central economic conflict is no longer between the working class and the middle class, but between the one percent and the 99 percent. Secure, well-paid jobs are disappearing—not just for the working class but even for the highly-educated.

High levels of existential security are conducive to a more tolerant, open outlook. Conversely, declining existential security is now bringing a resurgence of xenophobic authoritarian movements in many countries, from France's National Front, to the surge of support for Great Britain's exit from the European Union, to the rise of Donald Trump in the U.S.

The erosion of the old, familiar norms that one grew up with, also produces a sense of insecurity— especially among less secure groups.

Motivated by an interaction between insecurity and cultural backlash, older, less-educated people with traditional cultural values support xenophobic authoritarian (“Populist”) movements.

But democracies are not governed by market forces alone. A new coalition based on the 99 percent could redirect the state to reallocate an increasingly large GDP-- creating useful jobs for humans in health, education, research and development, infrastructure, environmental protection and the arts and humanities.

The goal: maximizing the quality of life, instead of blindly maximizing GDP.

With strong support from younger, more educated voters, Bernie Sanders' challenge to the established leaders of the Democratic Party was an attempt to take over a party and make it represent the interests of the 99 percent. He raised important issues but we need to develop fundamentally new programs to deal with the rise of Artificial Intelligence society.



END