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International business policy in an age of political turbulence

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INTERNATIONAL BUSINESS POLICY IN AN AGE OF POPULISM

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ABSTRACT

This paper argues that international business studies should be grounded in an integrated view of social science, which is applied systematically to analyse international business behaviour and to address global policy issues. Economic, social and political trends that impact on IB need to be analysed in detail rather than taken as given.. This approach is illustrated by analysing the Brexit and Trump debates. The paper integrates economics, social, political and psychological theories to analyse the causes, consequences and rhetoric of the Brexit and Trump debates. It explains why economic outcomes are interpreted by different groups of people in different ways. (100 words)

INTERNATIONAL BUSINESS POLICY IN AN AGE OF POPULISM

1. Introduction

The final two months of 2020 witnessed the end of the Trump presidency in the US and the conclusion of Brexit negotiations between the European Union (EU) and the UK. There have been four years of turbulence in international relations since the Brexit vote of 23 June 2016 and the Trump inauguration of 20 January 2017. During this period international business (IB) scholars have debated the economic implications of both events (Rodrik, 2018; Mudambi, 2018). The thrust of the debate has been that disaffected voters in both countries have genuine grievances, but that globalisation in general, and off-shoring in particular, are not entirely to blame; automation, the digital revolution and the rise of China have all played a significant role.

Supporters of Trump and Brexit argue that 'the system is broken' and that radical change is required. Power must be confiscated from the liberal elite, who have done little to help ordinary people. Party politics is the means to power in a democracy; the 'ends' are so important that they justify any means of seizing power. Critics, on the other hand, allege that both political campaigns were dishonest in the way that they presented the issues, and that both promoted policies that were bad for the economy.

This paper examines how this situation came about. Why did policies that make little economic sense attract such public support? Why were economists and IB scholars unable to explain their thinking in a way that the public was able to understand? What could IB scholars have said that would have caught the attention of the public? The paper argues that both economics and IB have failed to recognise that business and economic policies are embedded in a wider discourse involving fundamental social and political issues. Both disciplines have become too narrow in scope, and too specialised in content, to impact on the public.

The paper suggests two main ways of addressing this problem. The first is to integrate the social sciences more thoroughly, by reversing some of the divisions that have emerged between specific subject areas. This involves more than 'interdisciplinarity'; it involves integrating different disciplines into a unified body of the theory with a common core of assumptions.

The second is to integrate IB more thoroughly into mainstream social science. IB studies provides an ideal context in which to realise the full potential of an integrated social science because it draws on a very wide range of different disciplines. At the moment IB scholars tend to apply a 'pick and mix' approach to the social sciences, in which specific methods and techniques are selected from a menu and applied to IB.

The paper, by contrast, adopts a 'big picture' view in which the traditional focus of the IB literature is just one element of a wider perspective. The main element is an integrated social science perspective, as described above. The Brexit and Trump debates are used as a case study. These debates provide a useful context in which the general approach can be set out.

Section 2 sets out the general framework, and sections 3-10 develop the analysis in greater detail. Eight specific questions are addressed. They can be listed, together with short answers, as follows.

Why exactly did people become discontented? It was not only globalisation but other factors too [section 3].

Why did the public blame the experts? Experts have become a professional elite that has lost touch with the lives of ordinary people [section 4].

How do populist leaders emerge? They display emotions that create a bond with the under-privileged; they understand their problems and offer an attractive solution [section 5].

How do populists build a following? They create a revolutionary movement that provides a sense of belonging. They over-simplify the issues and 'divide and rule' their opponents. [section 6].

Why have populist politicians been so successful in getting elected when history shows that they so often fail after gaining power? 'This time it will be different' the leader claims, as the 'lessons of history' have, allegedly, been learned. [section 7].

How do populist leaders emerge, and why are they so divisive? They perceive party politics in polarised terms. Winning is all that counts. They take big risks, exaggerate their achievements, demand adulation and blame others; they create chaos and then promise a 'new order' [section 8].

Why is populist leadership more common in certain types of country rather than others? Poor countries exist in a vicious equilibrium: populism impoverishes the economy, and poverty encourages populism; rich countries have a virtuous equilibrium. But there is a 'tipping point', and Trump and Brexit have pushed their respective nations very close to it [section 9].

What is the influence of ideology on populist leaders? Like most politicians, populists have a basic ideology. But above all they believe in themselves and their right to govern; Pragmatic self-preservation leads them to improvise as the situation evolves [section 10].

Section 11 presents a comparative historical analysis of populism and economic policy. It reviews major policy debates of the past, with special reference to trade and investment. Differences between the US and UK economies are identified, and are used to explain specific differences between the Trump and Brexit campaigns. The conclusions are summarised in section 12.

2. Personal motivation: an integrated perspective

The development of an integrated social science is a very ambitious project, and it is therefore no surprise that it has been a slow, and indeed unfinished, process. In the eighteenth century Enlightenment philosophers such as David Hume and Adam Smith believed that they had developed a theory of human motivation that would explain most of human history. This early form of integrated social science began to fragment in the nineteenth century as highly

reductionist theories of human motivation began to proliferate, e,g. utilitarianism (Bentham), materialism (Marx) and psycho-analysis (Freud) (Blaug, 1990). In the twentieth century sociology began to emphasise the important of class and community, and the social embeddedness of individual decision-making (e.g. Weber). It developed rapidly in the post-war period, and today provides an intellectual basis for organisational studies and human resource management (Ashley and Orenstein, 2005).

Economists, by contrast, embraced the principles of utilitarianism, but gave it a distinctive subjective twist. Despite heavy criticism, their legacy persists in contemporary IB: in internalisation theory (Buckley and Casson, 1976) and, to some extent, in theories of IB strategy (Verbeke, 2009).

Economic theory draws a sharp distinction between 'ends' and 'means' (Robbins, 1932). Economists tend to assume that ends are selfish and materialistic, simply on the grounds that these motives impinge strongly on competitive market behaviour. IB scholars are somewhat broader, recognising that identity and status may influence consumer choice, and that autonomy and respect may influence worker productivity. Neither economists nor IB scholars, however, have systematically examined how people feel about the society in which they live, and in particular, whether they are proud to belong to it and whether they believe that they receive the recognition that they deserve. To examine these motives, it is necessary to take a more sociological and psychological approach, drawing on the intellectual traditions mentioned above.

Economists and sociologists both agree, for different reasons, that people infer how society works from their experience of everyday life. People distrust any theory that does not fit with this experience. One immediate implication is that, while academic theories may fit the life experiences of academics, they may not reflect the experiences of the majority of people.

IB scholars are generally agreed that globalisation is potentially empowering. It provides opportunities to trade with, and invest in, other countries, free of tariffs and restrictions on FDI. But for many people globalisation signifies dependency on foreign countries. Foreigners may take over established local businesses and remove control to a remote headquarters; they can also flood the home market with cheap imports and destroy the livelihoods of local workers. Once a trade treaty has been signed, there is nothing that local politicians can do about it. In sociological terms, such dependency on outside entities reduces agency, and increases the perceived risk of exploitation (Blau, 1960).

People have received other negative feedback too. Many older workers believe that their traditional artisan skills are undervalued compared with thirty years ago. Their children and grandchildren think they are out of touch because they cannot adjust to the digital age. Even the country that they were once so proud of is no longer treated with the respect it deserves. Having retired earlier and lived longer than their parents, they feel increasingly nostalgic for the world they have lost.

The same situation therefore appears very differently to different people. Each person's decisions are framed by their perceptions. The social psychology of decision-making is

therefore crucial. People may well act rationally within the context of their own frame of reference, but their behaviour may appear irrational to someone using a different frame (Kahneman 2011, Lavine, 2010; McDermott, 2004; Sears, Huddy and Levy, 2013).

When framing a decision, some people will have much better information than others. The less information they have, the greater the risks they face. Risk generates anxiety, and the higher the stakes, the greater the anxiety (De Botton, 2004). When anxiety is high, emotions may control decisions; it simplifies the frame of reference by reinforcing certain factors and suppressing others. As a result, the quality of the decision, as judged by its final outcome, may be poor (Breder and Marcus, 2013).

Some people may make a sequence of poor decisions, which may damage their friends and family as well as themselves. This undermines their confidence and heightens their anxiety. A person who feels themselves to be a failure may experience a sense of guilt (they blame themselves) and shame (they believe that other people blame them too). There are three potential strategies to cope with this predicament.

The first is to accept responsibility, apologise and beg forgiveness, learning the lessons and beginning again. This is the most effective response, but often the most difficult too. The second is to shift the blame onto some authority figure, such as a parent or employer. This may expiate the guilt or shame, but can aggravate the situation, as the authority figure may be someone who provides support. The third is to surrender control to a leader of choice, by delegating personal decisions to them, and willingly following their directions. This is where the populist leader enters the picture. The populist leader takes responsibility for decision-making and reassures the follower that someone else is indeed to blame (Hopkin, 2017, Inglehart and Norris, 2017; Welfens, 2020).

There is a natural propensity for people with similar frames to associate together. They find it easy to communicate with each other, and so they may develop similar interests and pursue a common cause (Siow, 2015). If they possess a variety of special skills then by combining these skills their common cause may evolve into a powerful and influential movement.

Successful populist leaders have a good understanding of the frames that are used by other people. They instinctively know ‘what other people want to hear’. Within their own frame of reference, the leader perceives themselves to be a ‘winner’ who understands the losers’ frames of reference, and can advance their own interests by persuading the losers that they are on their side.

The success of the Brexit and Trump campaigns therefore lies in appealing to people who have not been particularly successful as decision-makers. These people need to be reassured that someone else is to blame, and that in future they will be protected from them. The populist leader meets this need. By engaging with Brexit and Trump supporters, the populist leaders have exhibited much better psychological insight than their intellectual critics (Guiso, Herrera, Morelli and Sonno, 2017).

3. Why did people become discontented?

This section sets out four main paradoxes that underlie the Trump and Brexit debates. Each paradox is stated as a question, and a provisional answer is suggested, along the lines set out above.

Question 3.1. Living standards today are high by historical norms, yet popular discontent in developed countries is more widespread than at any time since the 1930s. In the US, for example, the economy has been growing steadily, yet discontent has been growing too. Why?

Answer. Happiness, or satisfaction with life, depends on relative rather than absolute standards of living (Frey and Stutzer, 2002). It is assessed relative to expectations, and relative to comparable social groups. Recent discontent is mainly a consequence of (1) unrealistic expectations of sustained economic growth created by post-war political leaders and (2) a sense of unfairness and injustice, reflecting the growing inequality of incomes within some major industrialised countries. Several long-term factors have depressed wage incomes in traditional industries: the impact of automation and the digital revolution, the off-shoring of production, and the impact of measures needed to combat climate change (Alvarado, Chancel, Piketty, Saez and Zucman, 2018). The legacy of the Global Banking Crisis of 2009 depressed investment too.

Question 3.2. The globalisation of trade has benefitted wealthy countries specialising in technological innovation, low-income countries exporting offshore production, and everyone who consumes cheap high-technology products. Yet reversing globalisation is seen by many people as part of the solution to current problems. Why?

Answer. The benefits of globalisation (e.g. cheaper products) are widespread but the costs of globalisation (e.g. loss of jobs) are concentrated in traditional manufacturing districts (Mudambi, 2018). The question asked by people in declining districts is 'What has globalisation ever done for me?' When jobs were off-shored, factories closed (Autor, Dorn, Hanson and Majlesi , 2016). They were the lifeblood of small communities. The owners walked away, and the managers left town, and so there was no money to maintain the public services. Unemployed workers waited for their old jobs to return, because they were unwilling to reduce their status by accepting menial work (Blyth, 2016, Gidron and Hall, 2017, 2020). Consumer goods may have become cheaper as a result, but the unemployed could not afford them. The shareholders, it could be alleged, made a profit partly because the costs of closure were borne by the community.

Question 3.3. Paid employment is increasingly stressful, recruitment is highly competitive, many jobs are part-time, and tenure is insecure. The 'jobs for life' once held by older people are now a thing of the past. Yet much of the discontent in modern societies seems to come, not from the young, but from older people who enjoyed the privilege of a job for life.

Answer. Young people do not share the disappointed expectations of the older generation because they have never known anything better. Young people compare themselves with other young people, and few of them know anything other than insecurity. Older people, on the other hand, recall the optimism of the early post-war years, which fostered a sense of local community, which has now been lost.

Question 3.4. Citizens of leading countries continue to extol the virtues of openness and toleration whilst showing increasing intolerance towards immigrants. How can these attitudes be reconciled?

Answer. Low-skilled migrants tend to agglomerate in declining industrial areas with cheap high-density housing, where they favour multiple occupancy. They may fail to assimilate due to linguistic or cultural constraints. The indigenous population perceives a threat to their traditional culture, and resents the increased labour-market competition. On the other hand, highly-skilled immigrants readily assimilate. The political elite socialises with a small and select group of highly-skilled immigrants. Attitudes become polarised: the elite believes one thing and ordinary people another. It is easy for the elite to tolerate problems that do not affect them, but this toleration looks like weakness and indifference to ordinary people.

4. Why did the public blame the experts?

Question 4. Participation in higher education is increasing globally, yet in several wealthy countries popular respect for experts and intellectuals has declined. Why?

Answer. The issue looks different when viewed from below. The growing population of young professionals means that there is now a much larger 'educated elite' whose conspicuous consumption is resented by less-well-educated people. Advancement in education is governed by a process of assessment in which the least successful fail and are progressively weeded out. When relatively few succeeded, the stigma of failure was mitigated by the fact that failure was the norm. As the success rate has increased, so has the stigma of failure. The high-educated expert is therefore a natural target of resentment. Exercising the right to vote for a populist party is a good way in which 'to call the experts' bluff.'

5. How do populist leaders emerge, and why are they so divisive?

A populist leader is defined, for the purposes of this paper, as a leader of a campaigning party who presents a simple message to a susceptible group (Moffit, 2016, 2020; Muller, 2016). There have been many studies of populist leaders; in particular, biographies of notorious politicians who wreaked havoc on their countries, e.g. Adolf Hitler, Joseph Stalin, Benito Mussolini, Pol Pot, and Mao Tse-tung. More 'moderate' populists include Robert Mugabe, Joseph McCarthy, Vladimir Putin, Rodrigo Duterte, Viktor Orban, Silvio Burlesconi and Benjamin Netanyahu (Kyle and Gultchin, 2018; Devinney and Hartwell, 2019).

The politicians linked to the Brexit or Trump movements definitely qualify as moderates. They have, however, revealed aggressive tendencies, by mocking their political opponents, levelling accusations against foreign leaders, and suppressing scrutiny and debate of their policies on the grounds that there is an urgent need 'to get things done'.

Question 5.1. How can a well-connected populist leader drawn from the elite possibly appeal to a large number of under-privileged followers?

Answer. The followers of a populist leader will recognise that they do not have the qualities required to lead a major campaign. They have inadequate funding, few contacts in the media, and lack the professional skills to organise a campaign. A leader needs to be smart enough to identify the core of the problem, to devise a plausible solution, and to outwit the opposition they will face. A renegade member of the establishment is ideal for this purpose.

Question 5.2. Why would an able person want to become a populist leader?

Answer. There are two main reasons why a person might become a leader: the first is that they believe in a cause, and the success of this cause brings them to power, and the second is that they believe only in themselves and they find a cause that will deliver them power. The first type of leader may well become popular, but it is the second type that is usually described as populist, because they place their personal popularity ahead of their cause. This is reflected in the kind of legacy they like to leave: monumental public buildings, industrial mega-projects and statues of themselves. Populist leaders are often concerned that their legacy may be diminished by a reversal of their policies and so they are often reluctant to relinquish power (Algan, Papaioannou and Passari, 2017).

Question 5.3. Why are populist leaders so angry?

Answer. Populist leaders often seem to believe that their talents are under-valued by their peers. This grievance encourages them to turn against friends and colleagues who refuse to acknowledge their superior ability. Many populist leaders have gained control of political organisations by undermining, deposing, or even assassinating former colleagues. Once they have gained control they appoint a chosen group of followers who lack the ability to challenge them, thereby diluting opposition and strengthening their control.

This strong sense of personal entitlement, coupled with a grievance against their peers, creates a psychological bond between the populist leader and the under-privileged whom they claim to represent. Like their leader, the underprivileged also believe that their peers do not respect them, and that they have been treated unfairly as a result. Because the leader is already angry, it is easy for them to display their anger and persuade the under-privileged to get angry too.

Question 5.4. Why are populist leaders so divisive?

Answer. Populists like to ‘game’ the political system. They are impatient and intolerant; they claim that legal conventions are designed to maintain the *status quo* and keep the ‘establishment’ in power. They attempt to by-pass normal procedures and subvert the independence of the civil service. The ‘system’, they suggest, is not designed to implement new policies but merely to delay and frustrate them. Populist leaders therefore annoy voters who are committed to conventional values, because they flout these values with impunity.

The populist may tell their followers that they cannot win if they play by the rules. Flouting the rules attracts attention, and gives populists free publicity for their cause. An unpredictable ‘maverick’ can keep a campaign continually in the spotlight; if they ‘overstep the mark’ and

make false allegations, they simply claim to be ‘challenging the powerful’ or ‘starting the debate’.

Populists usually identify a single issue which they claim is absolutely critical. This is then reduced to a slogan e.g. ‘bring back national sovereignty’ in the UK and ‘make America great again’ in the US (UK Government, 2020; Restad, 2020). Populist leaders therefore offend opponents who advocate a carefully considered programme of incremental change.

Question 5.5. Why are populists so often corrupt?

This is related to the previous point: populists do not accept that they are bound by conventional morality. Historically, many have behaved dishonestly, concealing mistakes, diverting public funds to friends and family, fixing ballots, imprisoning or ‘buying off’ opponents, and making deals with the army to keep them in power. Populists create confusion by accusing their accusers, and portraying themselves as victims of corruption rather than as perpetrators of it. They may attempt to intimidate their opponents, e.g. threatening them with an unruly mob. Moderates become divided over whether the mob is to be punished or appeased, and so the populist increases their chances of electoral success.

6. How do populist leaders build a following?

Question 6.1. What are the basic skills required?

Answer. The key skill of the populist lies in recognising what has gone wrong in society and providing an explanation for its cause. Their message is simple: they identify a single problem, which dwarfs all other problems; this problem has a single source, which the leader identifies; and a single solution, which only the populist can deliver (Guiso, Herrera, Morelli and Sonno, 2017).

Historical knowledge is useful to a populist; it may suggest a precedent from the nation’s past. Most nations have had a ‘golden age’ in which they were powerful and progressive. By going back to the golden age, a leader may suggest, the nation can ‘get back on track’ and overtake its rivals. The leader’s historical facts will be selective, though; their gift is to make the evidence fit the interpretation, rather than the other way round.

Populists can also learn from studying the careers of earlier populists: the best way to identify grievances and exploit them; the advantages of corruption, and how to get away with, and so on. Classical Rome is a wonderful source of inspiration: give the public ‘bread and circuses’ and they will be loyal (Ratcliffe, 2014).

Question 6.2. Why are populist narratives so emotionally charged?

Answer. In primitive religions catastrophic events are ascribed to evil spirits that cause them to happen. In the modern industrial world, the forces that oppress the under-privileged are generated by a complex global system, but for the populist the principle remains the same: behind the complex system lies a single source of evil. such as a hostile nation (e.g. China, Russia) or a powerful institution (e.g. the European Union, the United Nations or the ‘big

banks'). This hostile force may have sympathisers: an 'enemy within' which the populist can identify and root out. The populist's political rivals are an obvious target.

In Western democracies foreign military powers have normally been identified as 'enemies without', while big business, banks, trades unions, ethnic minorities and 'experts', have all, from to time, been identified as 'enemies within'.

In the US the present threat from China parallels a previous threat from the Soviet Union at the time of the Space Race and the Cold War; this external threat was linked, according to Senator McCarthy, to an internal threat from radical intellectuals linked to the Democratic party (Reeves, 1973).

In the UK the threat to British sovereignty posed by EU regulations parallels the military threat from Germany before World War II. This military threat created an internal threat that led to the internment of German ex-patriates during the both world wars (Bird, 1981). The threat from the EU is linked to an internal conspiracy involving 'remainers' in parliament, business and the judiciary.

Question 6.3. Why do populists target their messages at the under-privileged rather than the middle classes?

Answer. The under-privileged make soft targets; they may have little training in critical thinking, and fail to recognise the extent that their leader is pursuing their own agenda. Conspiracy theories are may also appeal to them; if they have experienced a succession of unexpected set-backs in their lives then an evil force may provide a plausible explanation. Conspiracy theories regarding the economy are nothing new (Magnusson, 1994). Mercantilist economic theory alleged that foreign countries promoted imports in order to appropriate a nation's stock of gold. Foreign countries have often been accused of buying up the national debt of rival economic powers and dumping it later to destabilise their currency. Accusations of 'industrial warfare' are also common, e.g. Chinese acquisition of US technologies, and Russian cyber-attacks (Casson, 2020).

7. Why do populist leaders get elected when more experienced leaders often fail?

Answer. Successful populists are alert to opportunities, recognising when the time has come for them to act, and to take leadership of a political party (Casson, 1991; Riggio and Ono, 2014). The Brexit movement began as an independent party, which was then taken over by the governing party, whose leader was then deposed. Through this process the movement was transformed from an anti-immigrant campaign, arguing for tighter border controls, to a campaign to repatriate national sovereignty from the EU. Trump followed a more conventional path, competing for the presidential nomination of the leading opposition party, to which he already belonged; his campaign was strongly anti-establishment from the outset.

8. Why do populists so often fail after gaining power?

Question 8.1. Why are populists' plans often so impractical?

Answer. Populist leaders often embrace visionary plans that may be wildly impractical. To finance their plans they need to find a 'pot of gold'. There are two main options. The first is to run a government budget deficit. The second involves aggression: conquer new territory, appropriate foreign technologies, and so on. Both are risky, and this is usually where the leader fails. The first leads to inflation and perhaps to bankruptcy; the second leads to international conflict, potential loss of life, and perhaps military defeat.

Question 8.2. Why are voters so loyal to failing leaders?

Answer. Populist leaders can inflict enormous damage on their countries, and it is therefore remarkable how robust the core support for a populist leader often remains. Devoted supporters exhibit a 'need to believe' in their leaders. The leader's movement becomes their 'extended family', and the sacrifices they are called to make become a moral virtue. The true believer always maintains that 'it will come right in the end'.

9. Why is populist leadership more common in certain types of country rather than others?

History suggests that in most developed countries the populist leader is the exception rather than the rule (Kuzminski, 2008). Populist leaders are most common in developing countries.

Developing countries are poor and people have more legitimate grievances, so populist programmes have greater appeal. Weak democratic traditions can make it difficult to remove a populist from office. Populist leaders often produce poor economic results (see above), and therefore perpetuate under-development.

Thus under-development encourages populism, which in turn retards development. This suggests a multiple equilibrium, in which developed countries normally experience a virtuous circle, in which prosperity discourages populism, while developing countries experience a vicious circle, in which poverty encourages populism.

This multiple equilibrium does not explain, however, why populism surfaces intermittently in developed economies. There must be a 'tipping point' (Gaspar, Jaramillo and Wingender, 2016). Suppose that the stability of a developed economy depends on a fair distribution of income and realistic expectations of economic growth (see section 3). Widening income inequalities, coupled with slower growth, may lead the poor to question why they are becoming poorer whilst the rich are getting richer. This provides an opening that a populist can exploit. Conversely, a spurt in economic growth in a developing country that raises the living standards of the poor and reduces income inequality may reduce the appeal of populism and promote a switch to greater realism instead.

10. Populism and ideology

Keynes (1936) portrayed politicians as the unwitting slaves of ideologies developed by intellectuals of the past, and this applies to populist leaders too (Milgate and Eatwell, 1988).

Three main dimensions of ideological conflict underpin current controversies.

Nationalism versus internationalism. Nationalists regard the nation state as a natural form of political organisation, while internationalists believe that it encourages war and conflict, and discourages collective solutions to global problems. Idealistic internationalists argue that as everyone lives on the surface of the same planet everyone must learn to trust each other. Nationalists, on the other hand, believe that trust between nations is impractical, and that peace is best assured by mutual deterrence.

Free markets versus regulated markets. 'Free marketeers' believe that markets work best when they are de-regulated, whereas 'regulators' believe that they work best when regulated. 'Free marketeers' denounce over-regulation, whereby the state centralises control of activities that could be managed better by private enterprise. However, some degree of market regulation has almost always been imposed to uphold standards of product quality and to control monopoly power. There is, therefore a 'middle ground', where markets are regulated but state control is minimised; this is sometimes referred to as the 'middle way' or the 'mixed economy'.

'*Trickle down*' *versus progressive taxation*. A key issue in political economy is whether taxation should be low and non-progressive, to promote the efficient allocation of resources, or higher and more progressive in order to improve public facilities and redistribute income to the poor.(Stiglitz, 2017).

An ideological package comprising nationalism, free markets and 'trickle down' is characteristic of an individualistic view of society. Individualists typically distrust authority, and especially the state, although exceptions may be made for family, friends, and people from the same 'social class'. They are distrustful of any form of centralised control, which they associate with high taxation, bureaucratic waste, and loss of sovereignty. They believe in equality of opportunity rather than equality of outcomes. They are often distrustful of other nation states and may pursue self-sufficiency in strategic products.

The other ideological package, comprising internationalism, regulated markets and progressive taxation, is characteristic of social market economies. It rejects protectionism and promotes specialisation and tariff-free trade. It promotes the exploitation of economies of scale, and also avoids wasteful duplication of R&D. Regulations maintain uniform product standards, and a 'level playing field' where national subsidies to strategic industries are forbidden. International harmonisation of taxation, however, has normally proved a 'step too far' for most social market countries.

The populist leaders of the past can be positioned along this ideological spectrum, although they cluster at either end where extreme opinions prevail. They are not necessarily dogmatic, though, because they are problem-driven. They come to power with a mandate to fix a specific issue. Their long-term plans may reflect their ideological position, but in the short-term their credibility hinges on solving an immediate problem.

In practice, many populists have embraced 'Boosterism'. They increase government spending in the short-term to 'kick-start' the economy and create additional jobs. Keynes (1936) transformed Boosterism from an art into a science, by showing that public investment gives a

bigger boost than tax cuts. But boosterism also boosts imports, so exports need to increase too, for otherwise financial problems will ensue. Export subsidies, however, may elicit tit-for-tat measures from other countries, including countervailing subsidies or tariff protection. Boosterism is therefore not an effective long-run policy.

In the context of Brexit and Trump, the low-trust free-market view is the populist long-term view and the social market high-trust view is essentially the view that is under attack. Boosterism has been a factor in both cases. For Donald Trump it was a crucial part of this election pledge to the swing states; for Boris Johnson, who took over the Brexit campaign, it was crucial to maintaining labour incomes during the COVID crisis. Both leaders have sought to apply Boosterism to cities and regions as well as the national economy.

11. Major policy debates of the past

There are historical precedents for the Trump and Brexit debates (Mahoney and Rueschemeher, 2003). Comparative historical analysis suggest two important 'lessons from the past'.

Firstly, debates between nationalists and internationalists arouse much more emotion than intellectual debates over economic systems and market regulation. Consequently it is more difficult for experts to get a hearing when nationalist sentiments are aroused.

Secondly, debates over nationalism arise mainly when there is a sense of national insecurity. Confident nationalism is sympathetic to an open economy because it is good for exports, good for business and good for jobs, but insecure nationalism is hostile because it fears for jobs.

11.1. Debating economic systems

In the inter-war period there was a great debate on capitalism versus socialism. The political right lined up behind private ownership while trades unions and the political left lined up behind state control. This political debate was linked to an economic debate over 'prices versus planning'.

After World War II there was a great debate over fiscal and monetary policy. It was recognised that troops returning from the battlefields needed a guaranteed job. Keynesians favoured job creation through fiscal stimulus whilst monetarist believed that a stable currency created stable jobs. Social marketeers embraced Keynesianism and advocated state investment in strategic industries (such as coal and railways), while individualists embraced Monetarism and advocated sound currency and fiscal restraint.

Populism was not a major factor in these debates, however. Experts played a prominent role: the intellectuals who participated were mostly social marketeers, while the business leaders and bankers who were involved were mostly individualists, but both brought relevant information to bear on the topic.

11.2. Debating nationalism

The main fault line today is nationalism versus internationalism (Baughn and Yaprak,1996; Colantone and Stanig, 2018). Nationalist sentiments were also very high immediately prior to World War I. The UK, US and Germany were locked into increasingly bitter rivalry for economic supremacy (O'Rourke and Williamson, 1999). Each country stood accused of stealing technology and dumping exports on rival countries. There were other contentious issue too, e.g. bimetallism in the US and votes for women in the UK (Dent, 2020; Rove, 2016).

In 1890 the US imposed the McKinley tariff, but in the UK free trade continued to prevail. In 1906 UK voters decisively rejected the policies of the protectionist Tariff Reform League, led by the Birmingham industrialist and philanthropist Joseph Chamberlain. With the economy close to full employment, workers were more concerned about higher food prices than about the loss of their jobs. It was not until 1932 that a moderate tariff was introduced in the UK.

It appears that before World War I British voters remained confident (even complacent) about the nation's economic supremacy, and US voters still perceived Britain as an economic threat. This would explain why populist nationalism in the US successfully promoted tariffs, but a similar movement in the UK was unsuccessful.

After World War I US confidence soared, as reflected in the stock market boom that preceded the Wall Street Crash. Confidence began to wane in the 1970s, however, with the emergence of Japanese import competition, instability in Middle eastern oil supplies (especially from 1990), and the rise of Chinese manufacturing.

In the UK confidence began to wane in the early 1920s, when it was realised that many traditional export markets had been lost for good. After World War II the UK divested its Empire (from political and financial necessity) and became much more dependent on the EU. Brexiteers proposed that the UK would substitute non-EU trade for EU trade, but this suggestion ignored the difference in the distances involved.

Since the Global Banking Crisis of 2009 national self-confidence has dissipated in both countries. Put simply, UK voters began to fear the power of the EU and US voters to fear the power of China. In both countries populist nationalism looked back to a 'golden age' of economic supremacy for inspiration for the future, whilst internationalists looked forward to a new world order of international collaboration.

11.3 Debating 'trickle down'

Debates over 'trickle down' have no obvious historical precedent. According to Malthus's law of population, as the rich become richer they simply employ more people at the subsistence wage; as technology progresses it is population that increases, and not the wage (Malthus, 1820). The only twentieth century economist to address the issue seriously was the New Zealand economist Allan Fisher (Fisher, 1935). He noted that economic growth involves structural change; it not only creates new jobs, but destroys old jobs. The skilled workers who lose the old jobs cannot necessarily do the new jobs, and so they become the long-term unemployed (Casson, 1983). The problem may be aggravated by regional specialisation,

because the new jobs are created in green-field sites remote from traditional industrial conurbations (McCann, 2017).

Advocates of globalisation have argued that trickle-down spreads the benefits of globalisation through technology transfer and off-shoring (Wolf, 2004) It does not seem to have spread the benefits as widely within countries as between them, however. In developed countries, as noted above, the profits of global innovation and supply chain leadership have remained in the hands of the urban elites, and have not trickled down to traditional industrial communities (Stiglitz, 2017).

12. Conclusions

Six main propositions have been advanced in this paper. These propositions are implicit in the answers given above, but they need to be stated explicitly.

12.1 Political failure rather than economic failure has sown the seeds of populism

Responsibility for current anxieties about the future of international trade and investment rests firmly on political failure in key Western democracies. The threat of Asian competition to manufacturing jobs was underestimated by mainstream politicians. People value self-esteem as well as income. As the winners of World War II, both the US and UK ranked highly in political influence in the early post-war period. But national reputations declined. There were significant failures in foreign policy, e.g. unsuccessful interventions in the Middle-East, and underestimation of the economic potential of China. In domestic policy, politicians failed to react when jobs were de-skilled, off-shored, or destroyed through automation. It has been the failure of governments to manage domestic problems that has been crucial in building support for populism.

12.2. The winners have failed to compensate the losers

Technological progress and trade liberalisation have created significant economic opportunities in the post-war world, and governments have encouraged entrepreneurs to exploit them. There have been both winners and losers. Well-educated young professionals have gained and manual workers, both skilled and unskilled, have lost. The gains to the winners have exceeded the losses to the losers, and so the winners could, in principle, have compensated the losers and still remained better off (Asatryan, Braun, Holger, Heinemann, Molana and Montagna, 2014). Progressive taxation is the obvious mechanism for redistributing income. However, it was regarded as a disincentive to enterprise and risk-taking, however, and so was little used.

Mainstream politicians in the post-war era focused instead on macroeconomic performance indicators such as inflation, unemployment and growth. Government tax policies were similarly focused on economic stability and growth. Politicians failed to understand the damage being done to workers' interests in traditional industries. They they did not appreciate the profound differences in frames of reference; they shared the mind-set of the 'winners' rather than the 'losers'. As a result, the losers were not compensated for their lower incomes, lower social status and consequent loss of self-esteem (Ketelas, 2003; Oesch, 2008).

12.3. A ‘tipping point’ has been reached.

The Industrial Revolution of the eighteenth and nineteenth centuries saw booms in mining areas, manufacturing districts and coastal ports, but these areas declined in the late twentieth century due to the growth of the global knowledge economy. The new growth centres were cultural destinations and communications hubs; local property values soared, but declined elsewhere. Immigrants converged on the old industrial communities where housing was cheap. Governments actively promoted immigration to increase the supply of cheap labour. Social integration and assimilation was slow, but local concerns were dismissed by governments as cultural and racial prejudice. Populist politicians emerged to voice the concerns of the losers. Their tone was angry and resentful and their solutions simplistic. But their anger convinced the losers that they were on their side. A tipping point was reached, where the politics of economic growth was trumped by the politics of social grievance.

In the US populism was reversed, at least temporarily, in November 2020, but unless the reversal is permanent growth will continue to slow. Populism in the UK may persist for some time yet. It has spread to Hungary, Poland and may yet affect other European countries too.

12.4. In the long run only honest mainstream leadership can defeat the populist challenge.

There is always a supply of populist leaders waiting for their opportunity. They prey on the anxiety and low self-esteem of under-privileged groups. Populist politicians may not fully understand the principles of economics and IB, but they ‘know their market’. They understand the psychology of the ‘left behind’. They recognise, perhaps intuitively, that decision-making is framed. Anxiety, guilt and shame are powerful emotions, and ordinary people may make significant material sacrifices to mitigate them (Wuthnow, 2018).

Populist politicians of the future will almost certainly perform no better than those of the past. Furthermore, the supply of populist politicians is difficult to constrain. In a democracy the only solution is to improve the supply of mainstream politicians capable of defeating them. Mainstream politicians need to ‘raise their game’. They must stop competing with each other by making promises that they know they cannot keep; they should compete on grounds of integrity and competence instead. These are the grounds on which populists are particularly weak. In particular, mainstream politicians need to moderate expectations of future growth, manage structural change more effectively, and avoid blaming people who point out a problem.

Unfortunately there is little incentive, in most democracies, for honest and competent people to stand as politicians. Many politicians of today have been career politicians from the outset; they have learned a lot about how to get elected, and how to game the system, but little about how to manage efficiently or govern responsibly. Honest people with practical experience do not generally want to give up a successful career for an uncertain life as an elected politician, especially when they know that the rules of the game are biased against them.

One solution would be for mainstream politicians of all parties to form a coalition for constitutional change, with the objective of recruiting politicians from a wider, and more

inclusive, base. Newly elected politicians would be offered practical experience of government administration from the outset. The independence of the civil service and federal administration would be restored, and institutions that monitor standards of political behaviour would be given additional powers.

12.5. General implications for academic practice.

There are lessons for academics too. Economists and IB scholars must recognise that their own perception of social and economic problems has been framed by their own experiences, which are not necessarily shared by a majority of people. They need to pay more attention to the 'ends' of business and economic activity; they should continue to study the 'means', but not exclusively so. To study ends, they need to take a broader view of society. Academics are the products of a competitive educational system from which they have emerged as winners; formal education is a process of attrition, in which the stage at which a student fails determines the kind of job they get. Academics are the survivors; they are good at passing exams, and perhaps at research, but possibly not much good at anything else. It could be said that many academics never really understand the kind of people that they study. To develop realistic theories that are acceptable and useful to honest mainstream politicians, academics may need to broaden their life experiences. Within the higher education system as it stands, however, there is little incentive for them to do so.

12.6. Specific implications for IB

A reader of this paper may have paused at various points to reflect 'This may be an interesting point, but it isn't really IB theory'. The contention is that it ought to be IB theory. There is a case for re-drawing the boundaries of IB to encompass the full range of issues addressed in this paper.

IB theory used to be much broader. In the 1970s and 1980s scholars drawn from many different social sciences were active in IB. A wide variety of different techniques were brought to bear on the subject. As an important and emerging field of interdisciplinary study, IB was a forum for the exchange of ideas between different social sciences. There were few IB textbooks, and no text-book dogma to dictate what was included in the subject and what was not.

The world has recently entered a volatile period of major economic, political, social environment change. The IB profession faces a strategic choice: Does it focus narrowly on the impact of these changes on IB, taking the changes themselves as exogenous, i.e. as given and largely unexplained? Or does it endogenise these changes by examining their causes, and explaining the changes as part of a wider remit: namely, to study the processes of global change themselves?

There are four advantages of the broader approach. First, it provides an integrated answer to key research questions by explaining both cause and the effect. Secondly, and consequentially, it allows for two-way causation, i.e. the possibility that MNE behaviour impacts on the wider environment, as well as the environment impacting on the MNE

(Cuervo-Cazurra, Doz and Gaur, 2020). Thirdly, a broader analysis of the business environment may predict changes that might otherwise catch firms unawares; a wider view will therefore improve strategic decision-making. Finally, a wider view expands the potential audience for IB research. By explaining causes as well as consequences, it engages with a potential readership that is far wider than people who are simply interested in the impact of exogenous events on MNEs.

Governments are therefore not the only players that need to make some strategic choices at this time of great uncertainty. The IB profession also needs to take strategic decisions too. A key decision concerns the scope of the subject in general, and the scope of theory in particular. The choice is essentially binary: to do nothing, and carry on as usual, or to broaden the range of theory and evidence used in order to address the causes as well as the consequences of global problems emerging in the future.

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