

From the Desk of...

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The Way Forward in a Fragmenting World: A New Narrative of Progress

The Demise of the Traditional Liberal Narrative

The last fifty years have seen the most astonishing progress in humanity's entire existence. More people have been lifted out of poverty than ever before while fewer children die prior to reaching maturity. Public health now aims to eradicate infectious diseases altogether, not just to contain them. And, according to some estimates, more people die today from eating too much than not having enough to eat; and deaths from reported suicides exceed deaths from war, terrorism and crime combined. All these have been achieved in a world underpinned by the twin progress of global economic integration and cooperation, and rise of liberal democracy.

And yet growing numbers of people in many parts of the world are becoming increasingly disenchanted with the status quo. Many people, feeling angry and aggrieved, now believe that the political elites have neglected them or treated them unfairly. A significant portion of them, in the US and Europe especially, feel so alienated from the established political elites that they are supporting populist politicians on the far right of the political spectrum, captivated by their promises to roll things back to a better past while renouncing and denouncing the current states of affairs as a betrayal of the true interests of the people.

This may appear, at first glance, puzzling.

Upon reflection, may be this turn of events is not so surprising after all. We now know that people do not think in terms of data and analysis, but in stories; stories that resonate with their direct experiences and, when woven together, form a narrative that both explains why the world is the way it is as well as gives meaning to who they are and what they do. The traditional liberal narrative that accompanied the tremendous social and material progress in the past fifty years consists of primarily two mutually supporting story lines: globalization delivers economic wellbeing and democratic liberalization delivers political wellbeing. To the shock of many, recent events like Brexit and the US election indicate that

either a significant number of people had never believed in this liberal narrative, or many of them had stopped believing in it at some point, or both. Whatever happened, the fact is that the traditional liberal narrative has been seriously discredited for many, and may never be able to fully recover without reinvigorating and rebooting itself.

What's Wrong with the Traditional Liberal Narrative?

Much of the current analyses on the rise of far-right populism focus on negative impacts on jobs and income of certain segments of the population in the US and Europe as a result of globalization, trade and changes in technology. Some observers also highlight the disastrous social and economic dislocations

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caused by the 2008-09 global financial crisis. Yet others point to the trend of rising income inequality in many parts of the world as the key to understanding growing public disenchantment with the political status quo. All these are important factors that contributed to the alienation of those who suffer such impacts, which in turn undermined the credibility of the traditional liberal narrative.

However, at a deeper level, I believe that the traditional liberal narrative has failed because it has never resolved the tension between diversity and communality that coexist uncomfortably within its framework of progress. In the past decades, diversity has been embraced as an intrinsic positive value. It means economic and cultural openness as well as equality for all, and there is absolutely no doubt that in many instances diversity has led to economic dynamism and the flourishing of cross-cultural creativity and renaissance.

Yet, side by side with this march of diversity is also the reality that many people continue to live their lives rooted in their communities that are very much local, often tightly knitted through traditional ties and shared cultural backgrounds, ethnic identities and experiences. This sense of communality satisfies people's need to feel that they belong, and being dignified in their belonging.

This tension between diversity and communality has been further exacerbated by the divergence between those who benefit from diversity and those who feel disadvantaged by it.

At the risk of over simplifying, those who are better educated and with transnational skills have found it easier to be socially and geographically mobile, hence more able to take advantage of new opportunities opened up by diversity. There is no surprise that well-educated people with strong human capital are precisely those who can confidently thrive in open competitive systems; rightly seeing traditional prejudice and protectionism as impediments to progress.

In contrast, the less educated and less mobile population segments feel threatened and disadvantaged by the increasing diversity that they see happening around them. As liberal political elites seek to enshrine equality in public policy that transcends all exclusive communities (in the extreme even the boundary of nation states), the more communally oriented began to feel besieged: they believe that their community-based identity is being eroded, their sense of belonging denigrated, the fabric of their local community being shredded.

In short, this is a fault line that has over time rendered the traditional liberal narrative untenable and irrelevant - a divergence between those who feel secure in an increasingly borderless and fast changing world versus those who feel secure within their traditional communities; between those who thrive in individual achievements versus those whose sense of value and identity are rooted in their cultural and ethnic traditions and backgrounds.

Some of the liberal elites have made matters worse by being less than sensitive to this fault line in their narrative. To many people, the liberal elites sometimes seem to be more concerned with reports of tragedies and suffering in far away countries than local problems in their neighborhood. They often display insensitivity to traditional religious or national feelings. Worse, they are frequently seen to be disdainful to ordinary people who evidently are unable to share their higher moral rectitude.

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Why Tacking to the Far Left Is Not the Answer

A knee jerk reaction to the rise of right wing populism is to tack to the far left. This is what Bernie Sanders wants to do in the US, and that's what Labor has done in the UK. A common theme in this tacking to the left is to raise fiscal spending on social welfare and income transfers.

But tacking to the far left is not going to work. Labour in the UK swung to the populist left by electing Jeremy Corbyn as leader in 2015, who, in an ironic echoing of the far right, wants to return to a “purer” socialism of

the past. For example, he has proposed to renationalizing Britain's rail system and other key industries. The results have been disastrous for Labor with plummeting poll numbers for both Corbyn and his party.

There is also the problem that countries in Europe with more robust welfare states tend to have stronger far-right movements today. Providing the disenfranchised losers of globalization (typically older and less educated white males) with better social security benefits would not address their anxieties about globalization, immigration, and diversity. Ironically, with better income support, they may worry less about making a living and more about who are moving into their neighborhoods, whose children are cramming the schools, and who are competing with them for jobs.

The fact of the matter is that, at least in Europe, social democrats have been consistently pushing public policies that objectively offer better material benefits to the middle and lower middle classes, particularly the blue-collar workers, for decades. And yet it has neither helped shoring up their electoral support, nor prevented the rise of the far right in virtually every Western European country.

Tacking to the far left is a losing strategy because it ignores the fault line in the traditional liberal narrative described above. And any attempt at constructing a new narrative of progress must tackle this fault line head on, with courage, honesty, and ingenuity.

A New Narrative of Progress

I am convinced that we need to begin to find ways to advance a new narrative of progress that is meaningful and compelling to ordinary people everywhere, especially those who have been intimidated, frightened, and angered by globalization. So knowing how to advance inclusive growth more effectively is one thing, but it is even more important we can, and being seen to be so, manage globalization as a force for good, pursue open exchanges as positive sum

games, and advance economic integration that delivers win-win outcomes. Such a new narrative of progress should both inform better policy making in advancing inclusive growth as well as succeeding in reconnecting with those who feel disenfranchised in a globalizing world. In other words, we need a new narrative of progress that can inspire confidence about the future and satisfy the need for fairness in the sharing of responsibilities and sacrifices. To succeed, this new narrative of progress has to acknowledge honestly the fault line between diversity and communality, and find a way to reconcile the interests between those who could ride the global waves to succeed and those who fear that they would drown in them.

Above all, this new narrative of progress has to reflect an emotionally more intelligent liberalism.

The more globalized our society, the more we need to take the notion of a community seriously. After all, no one really lives "globally". We all have our own community, which is really a place where we can count on the inhabitants' cooperation and trust, a place imbued with a sense of shared values, culture and history. Newcomers from very different backgrounds are welcomed and can be absorbed into the community while retaining their distinctive

heritage, but we also need to face the facts that if the pace of change is too fast or the exchanges between the newcomers and original inhabitants are obstructed, the community could fracture.

There may well be the need to protect and preserve the dignity of those disadvantaged by globalization and diversity, and in Western Europe and North America many of them are older white males. Conventional income transfers would not work because they can be seen as "stigmatizing transactions"; instead, what they need are "dignity-enhancing transactions".

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We need to recognize that adherence to dogmatic political correctness could do more harm than good. In a world of increasing complexity, a necessary concomitant development of globalization, recognizing and respecting local differences and particularities in social practices and traditions may be necessary even if they deviate from the liberal norms in the abstract. A more nuanced approach would be needed.

Finally, whatever we do, we need to keep in mind that a narrative is only as compelling as the stories from which it is made of. Each of these stories need to be told with clarity and honesty, creating resonance between the big picture and individual experiences.

It seems to me that such a task is beyond any individual and academic disciplines. The challenge is too vast and complex for a few experts from within a single discipline to tackle. What is needed are knowledgeable people coming together, each bringing unique expertise, to address this challenge collectively.

About Dr Yuwa Hedrick-Wong and The Insight Bureau

Yuwa Hedrick-Wong is a global economist and business strategist, who was based in Singapore for many years, but now lives near Vancouver, BC, Canada. He is the Chief Economist and Chair of the Academic Advisory Council at MasterCard Center for Inclusive Growth, and Global Economic Advisor to MasterCard Inc. Prior to his global role, he was Economic Advisor to MasterCard in Asia/Pacific, Middle East, and Africa from 2001 to 2009. He belongs to The Insight Bureau's resource network, providing speeches and presentations at business conferences and also delivering confidential, in-house briefings to senior executives and boards.

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