

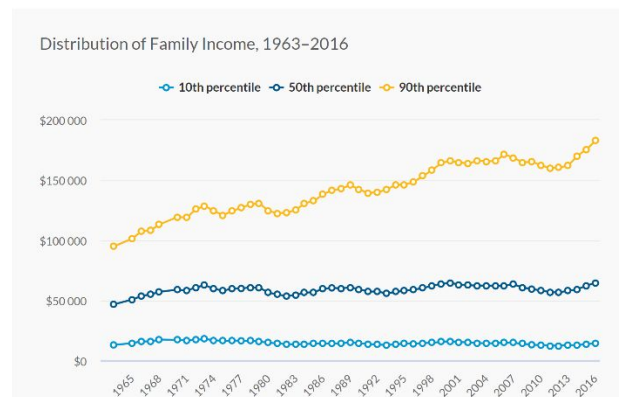
# Income Inequality and How It Might Produce Populist Leaders

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Understanding the concept of income inequality is essential for understanding the recent political and economic trends throughout the world. It has been argued by scholars that income inequality is one of the leading factors why we observe a trend in the rise of populist leaders. Besides, income inequality is a concept that is highly associated with social unrest, and it might be used to explain the changing voting trends in recent years.

We need some degree of inequality, it is for certain. The fact that there are some higher paying jobs and activities creates a great incentive for people to try to achieve higher. For example, if we did not see that Facebook was making a great deal of money but had the same income as an ordinary accountant, there probably would not be an incentive to create Snapchat or Instagram. The question here is not whether inequality should exist, it is the degree of inequality that is optimal.

If we look at the statistics, we can see that there is an overall trend in income inequality. While the average income of the top-earning group steadily increases, the incomes of the middle and low earning groups stay the same. When adjusted with the inflation rate, it can be said that the



buying power of these groups has been decreasing. There is even data which suggests that the percentage of living in the poverty line for the US for high school graduates increased to 26% in 2016, compared with 6% in 2000. (1) Between 1963 and 2016, the lowest-earning group saw no increase in wealth, the middle class saw their wealth being doubled, the families near the top saw their wealth increase fivefold and the wealth of the

99<sup>th</sup> percentile grew 7 times. (99<sup>th</sup> percentile means they are wealthier than the 99 percent of families). In 1963, the wealthiest had 6 dollars for each dollar that the low earning groups had. The gap is now increased to 12 dollars for each dollar. (2) Although a nation's economy grows, the ones who most benefit from it are the higher-earning groups. For a proper analysis, it has to be kept in mind that the majority of the population consists of middle and low earning groups as well.

What are the reasons that the gap between the rich and poor is growing at such high rates, especially after the 1990s? First of all, it could be argued that the increasing rate of globalization and interconnectedness of the world can favor the higher-earning groups. Far East Asia, including growing economies like China, provides low skill-low cost labor for manufacturing. Thus when the trade barriers between the west and such rising economies were reduced, the labor in the US or Europe which is relatively high cost had a hard time competing with their

counterparts in Asia, especially accelerating after 2001 when China joined the World Trade Organization. Low earning groups working in industries like manufacturing, textiles and furniture had a hard time finding jobs after the effect of competition from Asia. (3)

Another reason why this happened is the increasing effect of technology. Technology increases productivity, writing a software program with no transportation or extra costs can help the developer gain millions of dollars. The role and effectiveness of computers have started to increase especially after the 1990s. Besides, the group which has sufficient education regarding the applications of technology is the higher-earning group, since they probably have a chance of attaining better education in the US system. The groups with education in technology double or triple their income using their skills which is becoming more important and productive, while the low earning groups are left with their outdated manufacturing skills, facing competition from Asia.

The role of neoliberal economic policies, the taxation system and the decrease in labor unions are also reasons that have to be kept in mind when examining the rising income inequality, but they deserve a more comprehensive analysis than this article permits. (3)

So how might this story help the populist leaders with gaining power? Imagine it like this: You have a job at a textile factory in the manufacturing process and have a decent standard of living for your own criteria. Someday your boss says that your factory now will be operating in Asia, starting 2 years from now. You lose your income and start looking for another job and find it at a fast-food restaurant. The only problem is that your new job is considerably lower-paying than the old one, and you can't enjoy some of the things that you used to. You now have growing question marks about your daughter's education and your family's health expenses. Besides, you are also seeing that somehow some people are getting richer and richer while your politicians are doing nothing for your situation. You had been feeling that there was a great deal of change in the world, your values that you grew up believing, maybe rooted in religious beliefs, are now proving to be invalid.

Someday another politician rises, promising that the good old days will be back for you. You will have a decent paying job and the immigrants that are now finding jobs easier than you, creating unrest in the city will be back in their countries. He says that your values will also be respected by the state, they will be tried to be enforced. Name this new leader Trump, Narendra Modi or Bolsonaro it is likely for you to believe in and vote for this politician that is somehow capable of promising you your old life. According to a research in the 2016 elections of US, only a 26 percent of the ones who thought *'the situation is better today'* voted for Trump, whereas a 75 percent majority of the ones who believed *'the situation is worse today'* voted for him. (4)

It has to be kept in mind that there are many other factors such as the culture and values of a society causing the rise of populist and far-right ideologies. For example, it can be said that with the increasing digitalization, postmaterialist values such as LGBTI rights and sexual freedom have become more popular more easily especially in the Western world. Conservatists started to

feel that the values that they believed in were being strongly shaken by the younger generations. This caused the conservatists to seek out leaders who talk according to their values of the past. This might also another reason to explain why the older age groups are more inclined to vote for populist leaders. However, I believe that this kind of explanation does not give the economy the role it deserves in the voting tendencies of people, and without any kind of economic change, it is hard to explain a changing political environment. Thus, I believe that rising income inequality has to be one of the most prominent underlying causes.

- 1- <https://www.youtube.com/watch?v=0xMCWr0O3Hs&t=196s>
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- 3- <https://www.cnbc.com/2019/06/05/5-reasons-income-inequality-has-become-a-major-political-issue.html>
- 4- Acemoglu, Laibson, List. Macroeconomics. Pearson Education, 2018.