

# Global Research Unit Working Paper #2018-001

The politics of the globalization backlash:  
Sources and implications

Jeffry Frieden, Harvard University

© 2018 by Jeffry Frieden. All rights reserved. Short sections of text, not to exceed two paragraphs, may be quoted without explicit permission provided that full credit, including © notice, is given to the source.

The politics of the globalization backlash:  
Sources and implications

Jeffry Frieden  
Harvard University

## Abstract

A backlash against globalization has led to widespread political movements hostile both to economic integration and to existing political institutions throughout the advanced industrial world. Openness to the movement of goods, capital, and people has had important distributional effects. These effects have been particularly marked in communities dependent upon traditional manufacturing, some of which have experienced a downward spiral from the direct economic effects of foreign competition through broader economic decline to serious social problems. Those harmed by globalization have lashed out both at economic integration, and at the elites they hold responsible for their troubles. Political discontent is in part due to *failures of compensation* – insufficient provision of social safety nets for those harmed by economic trends. It is also due to *failures of representation* – the belief that prevailing political parties and politicians have not paid adequate attention to the problems faced by large groups of voters. Countries vary on both dimensions, as do national experiences with the populist upsurge. Previously dominant socio-economic interests and political actors may act to try to address this dissatisfaction, but the path faces serious economic and political obstacles.

For at least fifteen years, scholars and other observers have understood that international economic integration – globalization – has in the past, and could in the present, give rise to a backlash. Over the past couple of years, in much of the advanced industrial world, we have gotten a sense of what that backlash looks like.

Political discontent has been central to the globalization backlash. Dissatisfaction has taken the form of large increases in voting for extremist political parties, the emergence of new parties and movements, and challenges from within existing parties. Large numbers of voters have rejected existing political institutions, parties, and politicians, often in favor of “populists” of the Right or Left whose common themes include skepticism about economic integration and resentment of ruling elites. In the United States, both Bernard Sanders and Donald Trump ran on programs that were openly hostile to international trade, investment, and finance; Trump also campaigned in favor of tighter controls on immigration. In Europe, the populist turn of the Right has largely centered on antagonism to European integration, and often to immigration; Left populism has mostly attacked austerity programs associated with the European Union’s disastrous attempts to manage the Eurozone debt crisis.

In this paper, I analyze the sources of contemporary political discontent, with particular attention to the United States. I focus on the economic and political roots of the populist upsurge, leaving cultural and related issues to others. On the economic

front, economic integration has had adverse effects on many communities, and compensatory mechanisms often have not addressed these effects effectively; there has been a *failure of compensation*. On the political front, large groups in the population have been alienated from mainstream political institutions, finding it hard to have their concerns heard and taken seriously by existing political institutions: there has been a *failure of representation*. Both failures have been developing for decades, and there are many obstacles to overcoming them. I suggest some possible paths that politics may take in the current situation, and their implications.

### **Politics and the distributional effects of economic integration**

Although increasing a country's ties to the international economy improves aggregate social welfare, it creates both winners and losers. A substantial and growing literature seeks to clarify how the distributional impact of globalization affects politics. The general conclusion is that groups and regions harmed by greater exposure to the international economy are more likely to vote for populist and extreme political parties and candidates, and for measures to reduce globalization. Most studies emphasize the impact of trade in manufactured products, especially with low-wage developing countries, for it is this trade that is expected, both theoretically and empirically, to have

the most prominent negative effects on workers in North America and Western Europe.<sup>1</sup>

Increased exposure to Chinese imports into Western European countries is associated with more nationalistic voting, and more votes for extreme right-wing parties (Colantone and Stanig 2017). In France specifically, regions more affected by low-wage import competition from developing countries were significantly more likely to vote for the National Front, an extremist party hostile to both globalization and European integration, and this effect has grown over time. In the United Kingdom, exposure to Chinese import competition has been associated with a rise in authoritarian values, especially aggression born of frustration (Ballard-Rosa et al. 2017). Voting on the referendum to leave the European Union (“Brexit”) was also affected by susceptibility to trade. While some supporters of Brexit saw it as freeing the UK from the European Union’s strictures on economic activity, surveys indicate that a substantial proportion of Brexit voters saw it as a way to limit economic ties with the rest of Europe, including

---

<sup>1</sup> As is well known, most of these studies use some variant of the China Shock instrument first developed in Autor, Dorn, and Hanson (2013).

immigration. In fact, areas harder hit by trade competition, in particular from China, were more likely to vote to leave the EU.<sup>2</sup>

Many regions in the United States have experienced job losses and reduced wages due to the China Shock, and more generally to low-wage imports from developing countries.<sup>3</sup> These regions have become more politically polarized since 2000 (Autor et al. 2016a). Their legislators have also tended to vote in more protectionist directions (Feigenbaum and Hall 2015). And, perhaps most strikingly, they were more likely to swing their votes toward Donald Trump in the 2016 presidential election. (Autor et al. 2016b; see also Jensen et al. 2017). More generally, and importantly, job losses due to trade have twice as large a negative impact on votes for incumbent politicians than job losses for other reasons. This effect is stronger in Midwestern

---

<sup>2</sup> Becker, Fetzer and Novy 2017 argue that the vote was more strongly affected by underlying socio-economic characteristics of constituencies, and in particular by low income and education, high unemployment, and substantial employment in manufacturing.

<sup>3</sup> While I am not familiar with studies on the analogous distributional implications of the integration of capital markets, there are a few on the impact of foreign direct investment (“offshoring”); see especially Owen and Johnston 2017.

industrial states: in some of them, the negative effect of trade-related job loss is greater than the difference in votes between incumbents and challengers (Margalit 2011).

Americans often blame globalization for job insecurity, due largely to the employment effects of low-wage foreign competition. At the same time, it is also common for Americans to blame globalization for the increasing disparities between the middle class and the top 10 percent or 1 percent of American society. Bankers, corporate executives, and professionals in the internationalized segments of the American economy are seen as having taken great advantage of their global ties, while leaving the middle and working classes behind.

There is no doubt that there are also non-economic sources of the turn toward populism, including cultural bias and ethnic prejudice. I address one of these non-economic sources below, but leave most to others. Similarly, the economic trends in question are not solely due to economic integration. Skill-biased technological change certainly has put downward pressure on the earnings of unskilled and semi-skilled workers, and (probably fruitless) debates continue over the relative importance of trade and technological change. Nonetheless, technological change is not typically a policy variable, while trade and other international economic activities are; in addition, a focus on trade appeals to many – including many politicians – because it appears to push some of the costs of globalization onto foreigners. For the purposes of this essay, I focus on the economic sources of the populist backlash. I also, for both reasons of data



availability and personal comparative advantage, draw most of my examples from the United States.

There are two significant points that are sometimes lost in current discussions. First, the broad trends that underlie current discontent are of long standing; they did not start when China joined the WTO. The first major wave of manufactured imports from low-wage developing countries began in the late 1960s and accelerated through the 1970s and 1980s. As early as 1978, a year before China began opening to the world economy, U.S. manufactured imports from developing countries were at least 25 percent of the total, up from 13 percent ten years earlier.<sup>4</sup> By 1990, when both the de-industrialization of the Rust Belt and the “trade and wages” debate among economists were in full swing, developing countries accounted for 36 percent of America’s manufactured imports; at that point China was only fourth on the list of developing-country exporters, well behind Taiwan, Mexico, and Korea.

A second significant point is that these economic trends have a powerful impact on *communities* as well as on individuals. This is a consequence of the historical geographical concentration of American manufacturing, in the Midwest and parts of the South; and of the fact that many of the industrial facilities hit hard by import

---

<sup>4</sup> This estimate is from Grossman 1982, page 272; Sachs and Shatz 1994, page 1, put the 1978 number at 29 percent.

competition are in towns or small cities. In these circumstances, we can imagine a series of cascading effects of trade and investment-related pressures on local manufacturing. The direct economic effects include higher unemployment and lower wages in the short run, and eventually more underemployment, less labor force participation, and out-migration by the more mobile inhabitants. Over time there are likely to be *indirect* economic effects. As the local economy suffers, local income and property values fall, which leads to a decline in local-government tax revenue, and thence a deterioration of local public services (Feler and Senses 2017 carefully discuss and document these indirect community-level effects). The erosion of a community's economic base eventually has *social* effects, including a rise in alcoholism, opioid abuse, and suicidality (Pierce and Schott 2017).

In the United States, at least, there is substantial, albeit at this point only suggestive, evidence for this trajectory.<sup>5</sup> Starting in the 1970s, previously prosperous industrial areas of the Midwest and South began facing increasing pressure from low-wage manufacturing in the developing world. As import competition grew and factories closed or moved abroad, many hard-hit communities entered into a downward spiral. The extremely sharp and long recession that began in December 2007

---

<sup>5</sup> With colleagues, I am working to gather more systematic evidence about the process; and other scholars are engaged in similar enterprises.

severely aggravated ongoing trends, especially for those outside the top 25 percent of the income distribution. Median household wealth, for example, was still 34 percent below its 2007 levels ten years after the crisis began (Wolff 2017). This, I believe, is a major source of the political discontent that bubbled up, first with the Tea Party movement in 2010, then with the candidacies of Donald Trump and Bernard Sanders, and which continues to be reflected among the political supporters of President Trump.

To identify economic integration as a significant – if hardly the only – source of political dissatisfaction is not to imply that voters have a clear notion of precisely how trade affects them. It is perfectly plausible – indeed likely – that the relationship is much less direct. Trade, and globalization more generally, contributed to a general decline in the quality of life in many communities in the United States. Residents of these communities are well aware of the decline, and although they may have no clear sense of its sources, one visible indicator is that local factories that used to provide decent-paying jobs have closed or moved abroad due to foreign competition. The generalized dissatisfaction that results takes many forms, including a hostility to international economic engagement. Again, this is *not* to suggest that these voters have a sophisticated model of the distributional impact of trade. It is to suggest that they know that their communities are doing poorly, that trade probably played some role in the problem, and that politicians have not responded effectively enough to halt the decline.

Indeed, in both the United States and Europe, the populist upsurge contains at least as much hostility toward political “elites,” and traditional political institutions more broadly, as it does toward globalization *per se*. It is of course difficult to separate out the two strands of hostility: elites are blamed for having failed to manage globalization adequately, and globalization is blamed for having unduly rewarded elites. Nonetheless, in most of the contemporary populist political movements there is a strong strain of distrust in government itself. It is to this that I now turn.

### **Politics and the loss of confidence in government**

Closely related to accelerating skepticism about globalization has been a parallel loss of trust in the institutions of government. This has been apparent in American public opinion: after fluctuating over the course of the 1980s and 1990s, the proportion of Americans who say they trust the government in Washington all or most of the time has dropped continually from the vicinity of 50 percent around the year 2000 to below 20 percent today. There are differences among socio-economic and partisan groups, but the decline in confidence in the government is universal. Not surprisingly, groups more likely to support Donald Trump’s candidacy were also less likely to trust the federal government: whites, older people, and those without a college degree all evince more distrust than blacks or Hispanics, younger people, and those with a college degree.<sup>6</sup>

---

<sup>6</sup> For one comprehensive survey, see Pew Research Center 2015.

European public opinion has undergone a similar evolution. In the case of Europe, the collapse in confidence began with the onset of the European debt crisis, and it has taken the form of increased distrust of national governments, or the institutions of the European Union, or both. Here, too, there are clear differences across countries and among socio-economic groups. People in the more crisis-affected debtor nations have lost much more confidence in the European Union, and in their national governments, than in the less hard-hit creditor nations. Nonetheless, dissatisfaction with the functioning of traditional political institutions, parties, and politicians has grown in every country. Both the level of dissatisfaction, and its growth, have been greater among poorer and less-educated Europeans than among wealthier and better educated ones.<sup>7</sup>

Increased hostility to existing political parties, governments, and European institutions is clearly central to the populist upsurge: populist parties of both Right and Left share a disdain for traditional elites. In both the United States and many European countries, those drawn to populism regard mainstream politicians and policymakers as indifferent to the concerns of common people. This does not necessarily mean that those voting for more extreme political parties share the views of the parties themselves. In

---

<sup>7</sup> Algan et al. 2017; Dustmann et al. 2017; Frieden 2016; and Foster and Frieden 2017 provide detailed, complementary data and analysis of these trends.

fact, there is substantial evidence in Europe that voters' ideological proclivities have not changed; what has changed has been their willingness to vote for more extreme candidates. The clear implication is that at least some of the voting for more extreme, populist, political parties and candidates is classical "protest voting."

Nonetheless, it is clear that there have been substantial changes in the politics of globalization, and of governance more generally, in much of Europe and North America. Important segments of the public are hostile to economic integration – international in the United States, European in the EU – while similarly important segments of the voting public are distrustful of traditional political parties and politicians. In what follows, I suggest that hostility to globalization is largely due to *failures of compensation*, while distrust of political institutions is the result of *failures of representation*.

### **Failures of compensation**

A basic principle of Economics is that economic policies or trends that increase aggregate social welfare can be Pareto improvements. Even if the policy or trend harms some, income can be reallocated from the beneficiaries to the losers in such a way as to make everyone better off. No serious economist would argue that economic integration benefits everyone inherently: any model of trade, for example, posits that there will be winners and losers. But a compensatory scheme can be designed that addresses the costs to the losers without erasing the gains of the winners.

However, a basic principle of Political Economy is that the winners from an economic policy or trend do not like having their gains taxed away in order to compensate the losers. This means that many Pareto improvements may not be politically feasible. A clear implication is that if it is politically infeasible to compensate the losers from economic integration, the actual or potential losers are likely to react with hostility to the political system as well as to economic integration. To put it differently, a globalization backlash is likely to be mitigated by compensation mechanisms; and the absence of adequate compensation is likely to feed a globalization backlash.

The economic and social problems associated with the distributional impact of globalization have deep roots, and it will take substantial long-term policies to address some of these roots. Most advanced societies need to improve the quality of, and access to, education in order to help overcome the skills mismatch that has contributed to distress in some segments of the labor market and job shortages in others. Many countries are saddled with an outdated economic infrastructure, including in telecommunications, whose modernization will help bring more people and regions into the mainstream of economic life. But these reforms are for the long run; and they are politically and economically difficult. More immediately pressing problems have fed the populist upsurge, and more immediate responses are necessary.

In this context, it is clear that governments in at least some countries have failed to provide compensation sufficient to overcome the concerns of those harmed by international economic integration. It is equally clear – given the great variation in the appeal of populist anti-globalization movements among industrial countries – that the extent of this failure varies substantially among countries. This, then, suggests a question that is important both analytically and for policymakers: What explains why governments might be more or less likely to provide compensation for those harmed by international trade and investment?

There is long-standing evidence that small, open economies have developed more encompassing compensatory policies. These policies are often associated with a substantial centralization of the institutions of both labor and management, and of coordination between them and the government. The logic is that small, open economies have evolved to minimize the political costs of openness, inasmuch as their small size makes openness a necessity. In turn, in these countries political institutions have evolved so that major socio-economic groups internalize the potential economic, social, and political costs of economic integration, and are willing to support compensatory policies, even if they are costly. In the stylized picture of the political economies that fit this characterization, labor and management dependent upon access to the world economy work together with government to cushion the impact of foreign



competition with some combination of monetary transfers, retraining, mobility assistance, and related measures.<sup>8</sup>

The political economy of compensation is complicated, and varies from country to country. On the one hand, there is some evidence that even in the United States export-oriented firms support compensation – as do those most negatively affected (Rickard 2015; Walter 2010). However, there are major differences due both to variation in the causes and effects of the displacement, and to the substantial differences among political systems (Burgoon 2000 and Menendez 2016, for example).

Casual observation suggests that countries with very broad and deep social safety nets that address many of the distributional effects of globalization have seen relatively small populist movements. On the other hand, the populist upsurge reflected in the campaigns of Donald Trump and Bernard Sanders was particularly powerful in the United States, whose compensatory mechanisms and safety net are probably the least extensive among advanced countries.

America's principal compensation scheme, Trade Adjustment Assistance (TAA), is very small, politically contentious, and largely ineffective. It reaches few workers; indeed, trade-affected workers are far more likely to have recourse to disability benefits

---

<sup>8</sup> The early statements of this view are in Cameron 1977 and Katzenstein 1985; Rodrik 1998 systematizes and generalizes the argument.

than TAA benefits.<sup>9</sup> Perhaps more important, TAA is targeted at individuals, who must show direct harm from imports. This means that the program cannot address the broad effects of globalization on *communities* rather than specific workers. Inasmuch as, by all indications, these community effects are the principal mechanism by which globalization's economic impact works its way through the political system, the American compensation program is largely irrelevant to the broader purpose of cushioning the blow of import competition on affected segments of the American population. Even TAA's minimal efforts in this direction in the United States are hotly contested, and its funding is constantly threatened.

Compensation mechanisms vary across countries because policymakers supply them in line with the political incentives to do so. These incentives are a function of the organization of both groups representing potential beneficiaries of these social policies, and of those concerned to keep incipient opposition to economic integration at bay. The canonical example of this is societies in which labor and management are extensively organized and centralized, and where they have a history of working together and with

---

<sup>9</sup> Autor, Dorn, and Hanson 2013 find that affected areas take up thirty times more from disability benefits than from TAA. Kim and Pelc 2017 revise these figures upward a bit, but they concur that TAA programs are of little import, as well as showing in detail just how politically fragile TAA is.

government to address potentially disruptive socio-political discontent. The Scandinavian social democracies, and more generally the developed northern European societies, come closest to this ideal. At the other extreme are societies in which labor and management are either weakly organized or fragmented, or both; and in which there is little tradition of labor, management, and the government working together consensually to address social problems. The ideal type of such a society is the United States. As noted, political support for compensation, in the form of Trade Adjustment Assistance, is extremely limited, a fact reflected in its small budget and narrow reach.

Where socio-economic structures and their political reflection give policymakers few incentives to attempt Pareto-improving social insurance or compensation, supply will lag demand – and this failure of compensation provides fertile ground for the rise of extremist opponents of both globalization and prevailing political institutions. Compensation failure thus can feed into a sense that the very foundations of representative government have failed as well. There are, in other words, clear connections between failures of compensation and failures of representation.

### **Failures of representation**

The widespread loss of confidence in government has expressed itself differently in different countries. In most, however, it has taken the form of opposing traditional, “mainstream” political institutions, parties, and politicians. As already mentioned, there is little if any indication that voters have actually become more extreme ideologically;

but in many countries they have shown a decided willingness to vote for extremist political parties, movements, and candidates within parties. However, just as with compensation mechanisms, there is substantial variation in the degree and form of this protest voting.

Many voters appear to be looking for ways to indicate their displeasure with the political and policy *status quo*. Traditional, mainstream political parties and politicians have not brought many of the concerns of these voters prominently enough onto the political agenda. This *failure of representation* takes different forms in different political settings.

Some Western political systems have been dominated by two major parties (or coalitions) that have consensually supported the trend toward increased international economic integration – in some cases, without substantial compensation. In such “cartelized” political systems, those who feel ill-treated and unrepresented by the dominant parties have only two choices: they can either vote for new political parties that challenge the trend, or they can vote for insurgent candidates within the existing parties. France’s experience with the National Front seems closest to the former pattern; the American trajectories of the Sanders and Trump candidacies conform to the latter pattern. The United Kingdom experienced a similar phenomenon: given general agreement between the bulk of both major parties, disgruntled voters found a way to reject existing trends by voting for Brexit, a policy opposed by both parties. What ties all

these instances together is that voters appear dissatisfied with the extent to which existing politicians represent their interests. When such dissatisfied voters are given few options they like by the two dominant parties, they can react either by deserting traditional parties, or by voting to fundamentally transform them. On the Left, Syriza in Greece and Podemos in Spain would appear to fit into a similar category.

Countries whose electoral systems typically give rise to multiple parties – typically with some form of proportional representation – present a somewhat different environment. Where new parties can enter easily, or there is already a very wide spectrum of views represented, unhappy voters have a protest option with a chance of being represented in the legislature. While some proportional representation systems have higher legal or effective entry barriers, in many the degree of cartelization of the political system is lower than in two party-dominant systems. This has made it possible, for example, for the extreme left in Portugal to be both well represented in the legislature and effectively a part of the ruling coalition, while the extreme right in Austria is an official coalition partner in government. The rise of Alternative für Deutschland and similar Right-wing populist movements in northern Europe is similar: electoral protest has taken the form of voting for small extreme parties.

Whatever one may think of the presence of Communists and neo-fascists in parliament, the fact that disgruntled voters have an opportunity to express their dissatisfaction may act as something of an escape valve for the pressures that

contributed to the victory of Donald Trump in the US and Brexit in the UK. In countries like the United States, the sense on the part of much of the population that they had no political voice was a serious enough failure of representation to play a major role in the rise of Donald Trump. The presence of parties like AfD in Germany and the Communists in Portugal provides an outlet for those who feel they lack true representation. This may help explain the different course that the rise of populist and anti-globalization sentiment has taken in different countries.

### **Implications for the future**

It is not difficult to project the continuation of these trends into the future. Populist candidates win more elections, and the turn toward more economically nationalist policies in some countries encourages others to move in the same direction. International economic cooperation begins to break down, while traditional centrist political parties find it more difficult to sustain the domestic and international commitments that have dominated the post-World War Two period.

While this downward spiral is certainly plausible, it is also possible to imagine forces that counteract it. There are powerful interests, especially in the business community, that stand to lose a great deal if international trade, finance, and investment are impeded by increasingly nationalistic and protectionist governments. However, given the powerful populist sentiments in many countries – not least the United States – it is not clear that the opposition of big business would be sufficient to

slow the turn toward more nationalist and protectionist policies. An alternative possibility is that internationalist businesses, and the social classes that rely upon them, accept that part of the cost of their access to the world economy is paying for much more generous compensation for regions and people who have not shared in globalization-fed prosperity.

The notion that America's globalization winners might accept redistribution toward its losers may seem far-fetched. However, to some extent this was precisely the arrangement that structured the construction of the Bretton Woods order in the aftermath of World War Two: agreement that both economic openness and the welfare state were reasonable goals (Ruggie 1982). Indeed, few would have anticipated that the Great Depression of the 1930s would create a Democratic Party coalition that included Southern segregationists, Northern business and labor, and Northern blacks – and yet that coalition dominated both national politics and the building of the post-war world order for decades. By the same token, the farmer-labor alliance that was the core of many post-war European political alliances came after decades of bitter conflict between the two groups (Luebbert 1991).

This is not to say that the interests in question will somehow craft a new alliance, whether in the United States or elsewhere. This is the job of politicians and political parties. It may be the case that until recently, most politicians in the United States and Europe felt little need to represent the concerns of those people and communities hard

hit by globalization; but in the current environment they have strong incentives to take notice. Donald Trump and Marine LePen are hardly the only politicians to have recognized the trends in public opinion, and we can expect that there will be a new generation of politicians attempting to ride the populist wave. Some of them may see the possibility of different coalitions, given national socio-economic and political conditions. Any observer of American politics is struck by the spectacle of the Democratic Party's attempts to re-craft and re-package itself in this new environment. The fact that so far it has been unsuccessful does not mean that success is impossible.

There is also an international dimension to the dynamic. If country after country turns inward, the incentives of the remaining nations to maintain strong international economic ties declines. This was the downward spiral that characterized international economic relations in the early 1930s. If, however, some of the major powers are able to make purposive steps in the direction of sustaining economic cooperation, the incentives to turn inward are weakened. The domestic political economy of international cooperation interacts with its international politics: the stronger domestic political support is for international engagement the easier is cooperation, and the more successful is cooperation, the stronger is domestic political support.

### **Conclusion**

The industrialized world is being swept by a wave of popular sentiment that is skeptical of economic integration and hostile to the political institutions that have



encouraged it. The economic sources of this populist upsurge are of long standing, and are both broad and deep.

Exports of low-wage manufactures from the developing countries began to grow rapidly in the 1970s, and this growth accelerated after 1990. These imports into the developed nations put downward pressure on the wages and employment opportunities of unskilled and semi-skilled workers in Europe and North America. Meanwhile, the beneficiaries from globalization did extremely well.

The adverse economic and social effects of globalization could be wide-ranging. Some communities in which manufacturing was concentrated were hit hard by factory closures, “outsourcing,” and outward direct investment. The frequent result was a decline in economic activity and social conditions in the community as a whole. Portions of America’s traditional industrial heartland – and of some analogous regions of Europe – experienced decades of socio-economic hardship. Able-bodied workers left the labor force, property values dropped, public services suffered, and such social pathologies as crime and drug abuse grew.

Income distribution has deteriorated in almost all developed societies, and many voters have attributed much of this trend to the increased mobility of goods, capital, and people. Fear about the impact of international trade and investment, and of immigration, has grown as economic integration has progressed; and this fear took a substantial jump upwards with the global financial crisis and recession that began late

in 2007. Today virtually every advanced industrial country has a populist movement or party that is openly hostile to international trade and investment, and often to immigration; in Europe this typically takes the form of hostility to European integration.

The populist upsurge has varied in strength and nature from country to country. The variation is, among other things, a function of the extent and effectiveness of policies to compensate those hurt by economic integration. The effectiveness of this compensation in turn depends on the willingness of the beneficiaries from globalization to share some of their gains with those who have been harmed by current economic trends.

Populist skepticism about globalization and European integration largely grows out of failures of compensation: the weakness of mechanisms to address the social costs of international trade, investment, and immigration. And populist distrust of existing political institutions largely reflects failures of representation: the unwillingness or inability of mainstream political parties and politicians to address the concerns of those who feel they have been left behind by the galloping pace of economic change.

The growing success of these populist movements may signal a turn away from the world economy, at least for some countries. If the trend gathers enough momentum, it could substantially reverse the past several decades of economic integration and international cooperation.

There are, nonetheless, potential countervailing trends. The rise of radical economic nationalists may galvanize those who have benefited from globalization to address the weaknesses in national and international responses to its problems. Certainly there are many social and economic policies that could alleviate some of the problems globalization may have helped cause. Whether those policies are politically feasible depends on the state of national politics.

There is nothing inevitable about the inadequacy of compensation and the defects of representation that have provoked the strongest movements against international economic integration since the 1930s. Socio-economic interests, political parties, and politicians created the conditions that have spawned current trends. They can create the conditions for an effective response to these trends, one that does not unravel the social and economic gains of the past fifty years – and instead makes them more inclusive and far-reaching.

## References

Algan, Yann, Sergei Guriev, Elias Papaioannou, and Evgenia Passari. 2017. The European Trust Crisis and the Rise of Populism. Brookings Papers on Economic Activity Conference Draft (September 7–8).

Autor, David H., David Dorn, and Gordon H. Hanson. 2013. The China Syndrome: Local Labor Market Effects of Import Competition in the United States. *American Economic Review* 103(6): 2121-2168.

Autor, David, David Dorn, Gordon Hanson, and Kaveh Majlesi. 2016a. Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure. Working paper.

Autor, David, David Dorn, Gordon Hanson, and Kaveh Majlesi. 2016b. A Note on the Effect of Rising Trade Exposure on the 2016 Presidential Election. Working paper (November).

Ballard-Rosa, Cameron, Mashail Malik, Stephanie Rickard, and Kenneth Scheve. 2017. The Economic Origins of Authoritarian Values: Evidence from Local Trade Shocks in the United Kingdom. Working Paper (October).

Becker, Sascha, Thiemo Fetzer, and Dennis Novy. 2017. Who voted for Brexit? A comprehensive district-level analysis. *Economic Policy* 32, Issue 92 (October 2017): 601–650.

Burgoon, Brian 2001. Globalization and Welfare Compensation: Disentangling the Ties that Bind. *International Organization* 55, Issue 3 (Summer 2001): 509-551

Cameron, David R. 1978. The Expansion of the Public Economy: A Comparative Analysis. *American Political Science Review* 72 (December): 1243–61.

Colantone, Italo and Piero Stanig. 2016. Global Competition and Brexit. BAFFI CAREFIN Centre Research Paper Series No. 2016- 44.

Colantone, Italo and Piero Stanig. 2017. The Trade Origins of Economic Nationalism: Import Competition and Voting Behavior in Western Europe. BAFFI CAREFIN Centre Research Paper Series No. 2017- 49.

Dustmann, Christian, Barry Eichengreen, Sebastian Otten, André Sapir, Guido Tabellini, and Gylfi Zoega. 2017. *Europe's Trust Deficit: Causes and Remedies*. London: CEPR Press.

Feigenbaum, James and Andrew Hall. 2015. How Legislators Respond to Localized Economic Shocks: Evidence from Chinese Import Competition. *Journal of Politics* 77, No. 4.

Feler, Leo, and Mine Z. Senses. 2017. Trade Shocks and the Provision of Local Public Goods. *American Economic Journal: Economic Policy*, 9, No. 4: 101-43.

Foster, Chase and Jeffrey Frieden. 2017. Crisis of trust: Socio-economic determinants of Europeans' confidence in government. *European Union Politics* 18, Issue 4 (December): 511 – 535

Frieden, Jeffrey. 2016. The crisis, the public, and the future of European integration. In *After the Crisis: Reform, Recovery, and Growth in Europe* Ed. Francesco Caselli, Mario Centeno, and Jose Albuquerque Tavares. Oxford: Oxford University Press.

Grossman, Gene M. 1982. Import Competition from Developed and Developing Countries. *The Review of Economics and Statistics* 64, No. 2 (May): 271-281

Jensen, J. Bradford, Dennis Quinn, and Stephen Weymouth. 2017. Winners and Losers in International Trade: The Effects on U.S. Presidential Voting. *International Organization* 71, No. 3 (Summer): 423-457.

Katzenstein, Peter J. 1985. *Small States in World Markets: Industrial Policy in Europe*. Ithaca, N.Y.: Cornell University Press.

Kim, Sung Eun and Krzysztof J. Pelc. 2017. How Are Workers Compensated Following Trade Liberalization? Paper presented to the International Political Economy Society (November).

Luebbert, Gregory M. 1991. *Liberalism, Fascism, or Social Democracy: Social Classes and the Political Origins of Regimes in Interwar Europe*. Oxford: Oxford University Press.

Margalit, Yotam. 2011. Costly Jobs: Trade-related Layoffs, Government Compensation, and Voting in U.S. Elections. *American Political Science Review* 105, No. 1 (February).

Menendez, Irene. 2016. Globalization and Welfare Spending: How Geography and Electoral Institutions Condition Compensation. *International Studies Quarterly* 60, Issue 4 (December): 665–676,

Owen, Erica and Noel P. Johnston. 2017. Occupation and the Political Economy of Trade: Job Routineness, Offshorability, and Protectionist Sentiment. *International Organization* 71, No. 4 (Fall): 665-699.

Pew Research Center. 2015. *Beyond Distrust: How Americans View Their Government*. Washington: Pew Research Center.

Pierce, Justin and Peter Schott. 2017. Trade Liberalization and Mortality: Evidence from U.S. Counties. Working paper (October).

Rickard, Stephanie J. 2015. Compensating the Losers: An Examination of Congressional Votes on Trade Adjustment Assistance. *International Interactions* 41, No. 1 (January).

Rodrik, Dani. 1998. Why Do More Open Economies Have Bigger Governments? *Journal of Political Economy* 106, No. 5 (October)



Ruggie, John G. 1982. International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order. *International Organization*, 36 (Spring).

Sachs, Jeffrey and Howard Shatz. 1994. Trade and Jobs in U.S. Manufacturing. *Brookings Papers on Economic Activity*, No. 1: 1-69.

Walter, Stefanie. 2010. Globalization and the Welfare State. Testing the Microfoundations of the Compensation Hypothesis. *International Studies Quarterly* 54(2): 403-26.

Wolff, Edward N. 2017. Household Wealth Trends in the United States, 1962 to 2016: Has Middle Class Wealth Recovered? NBER Working Paper No. 24085 (November).