

The Abandonment of Progress

di Jean Pisani-Ferry

Margaret Thatcher and Ronald Reagan are remembered for the laissez-faire revolution they launched in the early 1980s. They campaigned and won on the promise that free-market capitalism would unleash growth and boost prosperity. In 2016, Nigel Farage, the then-leader of the UK Independence Party (UKIP) who masterminded Brexit, and US President-elect Donald Trump campaigned and won on a very different basis: nostalgia. Tellingly, their promises were to “take back control” and “make America great again” – in other words, to turn back the clock.

As Columbia University’s Mark Lilla has observed, the United Kingdom and the US are not alone in experiencing a reactionary revival. In many advanced and emerging countries, the past suddenly seems to have much more appeal than the future. In France, Marine Le Pen, the nationalist right’s candidate in the upcoming presidential election, explicitly appeals to the era when the French government controlled the borders, protected industry, and managed the currency. Such solutions worked in the 1960s, the National Front leader claims, so implementing them now would bring back prosperity.

Obviously, such appeals have struck a chord with electorates throughout the West. The main factor underlying this shift in public attitudes is that many citizens have lost faith in progress. They no longer believe that the future will bring them material improvement and that their children will have a better life than their own. They look backward because they are afraid to look ahead.

Progress has lost its shine for several reasons. The first is a decade of dismal economic performance: for anyone below the age of 30, especially in Europe, the new normal is recession and stagnation. The toll taken by the financial crisis has been heavy. Furthermore, the pace of productivity gains in the advanced countries (and to a large extent in emerging countries) remains disappointingly low. As a result, there is very little in the way of income gains to distribute – and even less in aging societies where fewer people are at work and those out of work live longer. This grim reality may not last (not all economists agree that it will); but citizens can be forgiven for taking reality at face value.

The second reason progress has lost credibility is that the digital revolution risks undermining the middle class that formed the backbone of the post-war societies of the world’s advanced economies. As long as technological progress was destroying unskilled jobs, the straightforward policy response was education. Robotization and artificial intelligence are destroying medium-skilled jobs, leading to a polarized labor market, with jobs created at the two ends of the wage distribution. For those whose skills have lost value and whose jobs are threatened by automation, this hardly counts as “progress.”

A third, related, reason is the massively skewed distribution of national income gains that prevails in many countries. Social progress rested on the promise that the benefits of technological and economic advancement would be shared. But recent path-breaking research by Raj Chetty and his colleagues shows that whereas 90% of US adults born in the early 1940s earned more than their parents, this proportion has steadily declined ever since, to 50% for those born in the mid-1980s. Only one-quarter of this decline is due to slower economic growth; the remainder is attributable to an increasingly unequal distribution of income. When inequality reaches such proportions, it erodes

the very basis of the social contract. It is impossible to speak of overall progress when children have an even chance of being worse off than their parents.

Fourth, the new inequality has a politically salient spatial dimension. Educated, professionally successful people increasingly marry and live close to one another, mostly in large, prosperous metropolitan areas. Those left out also marry and live close to one another, mostly in depressed areas or small towns. The result, reckon the Brookings Institution's Mark Muro and Sifan Liu, is that US counties won by Trump account for just 36% of GDP, whereas won by Hillary Clinton account for 64%. Massive spatial inequality creates large communities of people with no future, where the prevailing aspiration can only be to turn back the clock.

Faith in progress was a key provision of the political and social contract of the post-war decades. It was always a part of the left's DNA; but the right embraced it as well. After what happened in 2016, support for a concept forged in the Enlightenment can no longer be taken for granted.

For anyone who believes that progress should remain the compass guiding societies in the twenty-first century, the priority is to redefine it in today's context and to spell out the corresponding policy agenda.

Even leaving aside other important dimensions of the issue – such as fear of globalization, growing ethical doubts about contemporary technologies, and concerns about the environmental consequences of growth – redefining progress is a challenge of daunting magnitude. This is partly because a sensible agenda must simultaneously address its macroeconomic, educational, distributional, and spatial dimensions. It is also because yesterday's solutions belong to the past: a social compact designed for an environment of high-growth, equalizing technological progress won't help address the problems of a low-growth world of divisive technological innovation.

In short, social justice is not a matter only for fair-weather environments. For several decades, growth has served as a substitute for sensible social cohesion policies. What advanced societies need now are social compacts that are resilient to demographic shifts, technological disruptions, and economic shocks.

In 2008, US President Barack Obama campaigned on “hope” and “change we can believe in.” The substantive response to the reactionary revival must be to give content to this largely unfulfilled promise.