

CAN ELITES CONTAIN AND MANAGE THE CRISIS?

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ABSTRACT *Clear and pressing needs for many kinds of work have declined steadily since the mid-1970s in Western countries, and the declines show no sign of stopping. In the United States today, for example, roughly 7 million prime working-age men no longer seek work and are officially outside the labor force, with increasing numbers of formerly employed women joining them. Policy-making elites in Western countries have been myopic about problems of work in advanced postindustrial conditions and how they lead to the kind of demagogic populism personified by Donald Trump, AfD leaders in Germany, Marine Le Pen in France, Geert Wilders in the Netherlands, Beppe Grillo in Italy, and leaders and parties in at least two of the four Visegrad countries. The declining need for work and populist exploitations of employment insecurities and fears it produces threaten the elite basis of stable political systems in the West and give rise to an apparition of deep and protracted civil strife.*

KEYWORDS: *Financial meltdown; declining needs for work; employment insecurities; myopic elites, demagogic populists; insiders and outsiders; challenges to political stability*

Starting during the 1970s and becoming increasingly apparent over the past four decades, nearly all Anglo-American and European Union countries have displayed structural problems and experienced growing external threats that elites may not be able to contain and manage. The structural problems arise most fundamentally from an inability to provide for the useful employment of all persons who cannot, unlike the very young and the very old, be incontestably treated as entitled to community support. Three circumstances underlie these problems:

1. Because the bulk of employment has become organizationally sophisticated and much of it substantially technical, large bodies of culturally disadvantaged

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people in Western countries – rural dwellers and rural-to-urban migrants, immigrants from outside the West, persons and groups discriminated against on racial, ethnic, gender, religious or other grounds – cannot secure anything more than precarious and poorly paid employment. They tend to become endemically idle and dependent on what amounts to begging or banditry.

2. Among educated Westerners who succeed in finding reasonably satisfactory ways of participating in occupational and community life, there is a general desire to be consulted and involved in decision-making – so as not to feel “governed” by others – and this increasingly makes the managerial functions and decisions of elites difficult to execute.

3. Younger Westerners in general have inadequate involvements with the working life and the public life of their countries. A large proportion experience indulged or forced leisure but lack a realistic prospect of being able to sustain leisure throughout their lives.

External threats to Western countries arise most fundamentally from the severe disjunction between their politics and politics in most other parts of the world. Free and stable political institutions – competitive elections, tolerance of dissenting views, wide personal liberties – are largely confined to Western countries. Irregular seizures of governing power, military rule, autocracy, and scant respect for political institutions are the persisting forms of politics in the bulk of non-Western countries, as they were in most Western countries from the times they emerged as nation-states until well into the twentieth century (Higley – Burton 2006).

It is clear that attempts to implant free and stable institutions in countries outside the West have not generally succeeded. This means that a substantial spread of stable representative political systems beyond the relatively few non-Western countries that have them is unlikely. For the foreseeable future, Western countries will live in a world comprised mainly of countries with forms of politics quite different from their own. Many of these countries deeply resent the advantaged situations of Western countries, and some will undertake or encourage vengeful retributions. It is an open question, moreover, if serious and sustained economic development can occur in countries amid disorderly, often violent politics. I have examined these and other external threats to Western countries elsewhere (Higley 2016). In this article I concentrate on the crisis to which basic structural problems in Western countries have led.

This crisis stems most immediately from the 2008-09 financial meltdown and ineffective policy responses to it by governing elites (Blinder 2013; Wolf 2014; Best – Higley 2014). That the meltdown was a turning point in Western countries is by now evident. In response, governing elites in Germany, France, the Netherlands, and other northern Euro-zone countries refused to allow

a genuine banking and transfer union that would ameliorate deep recessions in southern Euro-zone countries. They decided, instead, to insist on austerity policies that aggravated and prolonged the crisis. Across the Atlantic, the governing Democratic Party leadership in Washington opted for Keynesian deficit spending to recover from the meltdown, but congressional approval of a spending program large enough to pull the economy out of recession could not be obtained. During eight years on both sides of the Atlantic, economic recovery was barely noticeable, high unemployment rates were persistent, underemployment in the form of part-time and temporary jobs was widespread.

As a consequence of large-scale purchases of bonds and other financial securities in desperate attempts to stimulate their economies through “quantitative easing,” the US Federal Reserve, the European Central Bank, the Bank of England, and the Swiss and Swedish central banks now hold a fifth of their governments’ total debts, four times the proportion owned by them before the financial meltdown (*Financial Times*, 14 August 2017). Though not precipitated by the meltdown, mass migrations, principally to Europe, of people fleeing violence, joblessness, disease, shortages of food and water, and dire effects of climate change in non-Western countries have exacerbated and enflamed a feeling of crisis.

Political effects of the crisis have included the splintering or weakening of major political parties; anti-immigrant mobilizations on the right and anti-globalization mobilizations on the left; the British referendum vote against continued EU membership; the EU’s substantial political paralysis; controversial bailouts of financial institutions in southern Euro-zone countries; governments with authoritarian tendencies in several East European countries belonging to the EU; the shocking presidential victory of Donald Trump and his installation of a stridently populist-nationalist administration in the United States; fears of a similar development in European countries; savage terrorist attacks on civilians in European and North American cities and towns by fanatics. Parallels between the crisis and what occurred in Western countries during the 1920s and 1930s may be overdrawn, but not greatly.

A deepening division in Western populations created by the steady diminution in clear and pressing needs for many kinds of work is the underlying cause. In the Journal’s inaugural issue in 2010, I analyzed this division in some detail (Higley 2010). I want to extend my analysis of eight years ago by examining what has happened since.

DECLINING NEEDS FOR WORK

In postindustrial conditions, the populations of Western countries divide increasingly into two broad interest and attitude camps that cut across the social classes and strata so prominent during the industrial and pre-industrial phases of Western history. One camp, which I term *insiders*, consists of persons who are, or who have recently been, more or less satisfactorily employed, plus their generally comfortable dependents. However, automation, globalization, and environmental constraints push increasing numbers of these insiders – especially manufacturing workers, miners, and retail service workers – toward the fringes of labor markets where they experience lowered living standards and little prospect of regaining satisfactory employment. Pressures on them are reflected in decreasing life expectancies due to “diseases of despair”: alcoholism, narcotics addiction, opioid usage, and suicide (Case – Deacon 2017).

Consider the United States. Ten years after the financial meltdown, the rate of annual economic growth (GDP) has yet to match, let alone exceed, its average rate of 2.0 percent between 1820 and 2012, a rate that slowed to less than 1.5 percent between 1990 and 2012 (Piketty 2014: pp. 96-97). In an important book, *Men Without Work*, economist Nicolas Eberstadt reports that during 2015 on a monthly average, 22 percent of men in the U.S. between the ages of 20 and 65 had no paying job of any kind, and in conditions of “full employment” during 2016, one of every six men in the historically prime working ages of 25-54 had no paying job, which was down from one in sixteen during the 1980s (2016: p. 22). In terms of working-age male participation in its labor force, by 2015 the U.S. ranked twenty-second among the OECD’s twenty-three original member countries; only Italy ranked lower (2016: p. 51). The US Bureau of Labor Statistics projects that by 2020 freelance and temporary workers, day laborers, contract workers, and others performing “on-demand” and “gig economy” jobs will comprise 40 percent of the officially defined labor force (MBO Partners 2015).

The other camp in postindustrial Western populations, *outsiders*, consists of persons in conditions of poverty or other disadvantaged circumstances who are without marketable work skills or, at least, without the attitudes necessary for regular employment in complex organizational and sophisticated technological work environments, together with their often numerous dependents. Having little or no stake in the existing organization of work and small chances if obtaining one, outsiders and their dependents are sustained by public handouts or the proceeds of dubiously legal or openly illegal undertakings. They harbor discontents and voice demands that are essentially non-negotiable because they have little or nothing to lose by pursuing demands in unrestrained ways. The

most important leverage outsiders have is threats to disrupt the locales in which they live. This is the central message of terrorist actions, bloody confrontations with police and other public authorities, and periodic riots involving the pillage and destruction of private property and public facilities in many Western cities and towns.

The insider-outside division in postindustrial Western countries is an inescapable reality that cannot be rectified by known policies. No matter how generous, welfare states and panoplies of expensive programs of aid have been unable to keep the division from widening and deepening. Nor, contrary to what conservative political forces have preached, is it possible to force outsiders into employment, when the fact is that their labor and thought is not needed for economic productivity. In view of high technology in Western economies and low-cost production processes in other parts of the world, outsiders are *surplus persons* not needed for the performance of essential work tasks.

MYOPIC ELITES

By “elites” I mean individuals and small, relatively cohesive and stable groups holding commanding positions in a country’s most important institutions and organizations and able to affect major political outcomes decisively. At the national level in Western countries, and depending on methods of identifying them, elites in this defined sense consist of several thousand key decision-makers in political, governmental, business, media, military, trade union, and other important institutions and organizations (Best – Higley 2017). Elites in all Western countries confront serious problems of work (except where adventitious circumstances such as Norway’s petroleum or Australia’s minerals bounty intervene), but I focus on the most important Western countries.

The strong postindustrial tendency to strip away employment security and aggravate unemployment and underemployment has been difficult to grasp intellectually. Throughout the twentieth century’s second half, elites and intellectuals in Western countries were preoccupied with ways in which economic experience discredited various collectivist doctrines that appealed to many humane and sympathetic people in earlier times (Fukuyama 2012). It became undeniable not only under state socialism in the Soviet Union and China, but more widely in Latin America and in East and South Asia, that in basic matters of production – whether agricultural, industrial, or bureaucratic and service – efficient economic performance depends upon making substantial appeals to the individual self-interests of owners, managers, and workers.

This made examining declining needs for work in postindustrial conditions awkward because doing so could easily invite charges of hostility toward a system, capitalism, incomparably more productive than any other. Capitalism's demonstrable superiority over socialism greatly expanded the ranks and prestige of true-believing capitalists among political, business, and intellectual elites who championed a "free market" as the solution to most problems. Subjecting capitalist practices and outcomes, especially the declining need for many kinds of work, to close and critical scrutiny was decidedly out of favor. Faith in free markets, privatization, lower taxes on business and consumers, and as little government regulation as possible had always been strong in Western countries. But it acquired new intensity with the ascendance of neo-liberals in political and business elites, and their partial ascendance in media and intellectual elites from the 1980s onwards.

The dogged faith in free markets and neo-liberal nostrums is shaken by the greatly reduced and nebulous need for labor and the consequent precariousness of much employment. This was the larger significance of the financial meltdown and its lengthy after effects. Like no other domestic event since World War II, the financial crisis and aftermath crystallized and manifested the basic problem of disappearing jobs and insecure employment, while also revealing the self-serving nature of the claim that unfettered markets are naturally efficient and self-regulating. During the years of financial crisis and slow recovery, one could plausibly hypothesize that less myopic elite outlooks than those celebrating capitalism and touting how free markets always put things right would emerge. By and large, however, this has not happened. Instead, elites now find themselves in battles with populist leaders and movements. As exemplified by the political triumph of Donald Trump and factions supporting his election in 2016 and the political and administrative chaos that followed his entrance into the White House in January 2017, even more myopic outlooks are ascending and creating profound disjunctions among elites.

POPULIST DEMAGOGUERY

The insider-outsider division underlies the spread of demagogic populism in many Western countries. Promises to protect or restore the employment of insiders, keep outsiders at bay, arrest and deport alien migrants, and erect barriers against further migration lend themselves to demagoguery. Populist appeals for public support entail flagrant lies, preposterous policy promises, and ruthless accusations of treachery and conspiracy by governing elites. Populist

leaders create tightly organized camps possessing large financial resources and capacities for manipulating mass and social media. They portray electoral contests in winner-take-all terms, seek to politicize judiciaries, and engage in plebiscitary mobilizations of support by claiming to represent “the people” against opponents and critics who are labeled “enemies of the people.” In their mobilizations, populist leaders harp on patriotic, religious, and ethnic identities that leave little room for political compromise.

From the standpoint of elite theory and analysis, populist demagoguery is at odds with the restrained partisanship and operational code of “politics as bargaining” instead of “politics as war” that constitute the *sine qua non* of stable political institutions (Higley – Burton 2006, pp. 10-13; Higley 2016, pp. 20-28). In the U.S., unrestrained demagoguery by Donald Trump catapulted an intellectually vacuous and highly erratic individual into the presidency. The manner in which Trump assembled a narrow majority of votes in the antique Electoral College, despite losing the popular vote, and peremptory actions by his White House, cabinet, and agency appointees have torn the fabric of restrained elite partisanship. In an early-morning “tweet storm” on 3 March 2017, for example, Trump alleged, without a shred of evidence, that his predecessor, Barack Obama, had ordered the secret wire-tapping of Trump Tower in New York City days before the November 2016 election – an allegation without precedent in modern American presidential history. During the first year of Trump’s chaotic presidency, large segments of the political and other elites became bent on expelling him from office, an effort that in its breadth has hitherto been unknown. Indications of collusion between Trump’s associates and Russian intelligence organizations to sway the November 2016 election in Trump’s favor are the focus of a criminal investigation by a special counsel and the FBI, with parallel investigations conducted by several congressional committees. The outcome may be a constitutional hemorrhaging greater than the Watergate imbroglio.

In the United Kingdom, the June 2016 referendum on EU membership, which David Cameron had promised two years before to appease internal party opponents, stop the rise of the UK Independence Party, and keep himself in 10 Downing Street, created deep elite fissures and a surfeit of populist demagoguery. Factions favoring Britain’s continued membership in the EU forecast economic calamity if it exited; populist factions forecast the arrival of millions of Muslim migrants if membership continued. The former appealed to securely employed insiders in the prosperous south of England for support; the latter directed appeals to insecurely employed and recently unemployed insiders located in economically ravaged cities and towns in the Midlands and northern regions. Each side questioned the other’s motives and patriotism, and scurrilous

accusations suffused the referendum campaign. After a narrow majority voted against continued EU membership, the Labour Party became further radicalized and fractured, for a time the Liberal Party all but disappeared, Parliament was temporarily neutered as regards approving terms for exiting the EU, and the UK's future as an intact national state became more uncertain.

In other Western countries, demagogic appeals for the support of insecure insiders bring populist-nationalist parties and movements closer to power. After heightening Dutch insiders' anxieties about Islam, asylum-seeking refugees, the national loyalties of resident Turks and Moroccans, and temporary employment more widespread than in any other EU country, Geert Wilders' Party of Freedom gained five seats in the March 2017 election to become the second largest party in parliament. In France, the party system imploded. Despite her National Front holding only two seats in the National Assembly, Marine Le Pen won 40 percent of the vote in the May 2016 presidential election, and Emmanuel Macron, the leader of a movement formed barely a year before, won the presidency, albeit with a historically unprecedented third of all voters abstaining or spoiling their ballots. In cahoots with arch-demagogue Silvio Berlusconi, Beppe Grillo's populist Five Star Movement is now one of Italy's two largest parties, while the second largest party in Sweden's *Riksdag* is the anti-immigrant, anti-EU Sweden Democrats. In Germany's September 2017 federal election, the xenophobic AfD party received some 6 million votes and entered the Bundestag as the third largest party. In Austria, a leader of the anti-immigrant Freedom Party came within a whisker of winning the presidency in December 2016. In Poland, Jaroslaw Kaczynski's governing Law and Justice Party enflames religious and rural-urban cleavages, politicizes the judiciary, and harasses journalists and media critical of the government. In Hungary, Viktor Orbán, *Fidesz*, and *Jobbik* act in similar fashion. Populist-nationalist parties and governments in the four Visegrad countries have withered the alliance to the point where it no longer plays a stabilizing role in the region (Pakulski 2016).

CONCLUSIONS

It is obvious that unhappiness, unrest, and the distrust of constituted authority have spread ominously in Western countries since the financial meltdown ten years ago. Separately in degrees that vary from country to country according to national circumstances, but collectively across Europe and the Atlantic, elites and countries are in crisis. Because the fundamental structural problems they confront, which center principally on declining needs for many kinds of

jobs, have no known policy solutions, and because rising populist-nationalist forces are singularly ill-equipped and disinclined to recognize and deal with this reality, there is little question that a protracted period of exceptionally acrimonious, crisis-ridden politics is in store.

During modern Western history, politics rested on steady increases in material productivity. Citizens and interest groups were allotted portions of a material increment at no great expense to other citizens and groups, and politics were not in this respect a zero-sum game. However, recent economic performance signals that there is no longer much of an increment to distribute in an essentially positive-sum way. Together with the declining need for many kinds of jobs, this is why discontent spreads. Demagogic populist-nationalist leaders and movements profit from this discontent and undermine a restrained politics.

To contain and manage this, elites in Western countries must find ways to make a stable, instead of a progressing, living standard acceptable to most persons and groups. They must coax and coerce their populations back toward the social cohesion that enables citizens to count upon accustomed and expected behaviors by fellow citizens. This amounts to supposing that elites have the ingenuity to temper discontents that arise from the insider-outsider division. If I list a few of the policy tasks that elites will have to undertake, they include regularizing the treatment of outsiders who lack employment, perhaps by instituting a universal guaranteed minimum income; expanding ecological, environmental, resource conservation, and human service occupations and jobs to check the further spread of unemployment and underemployment; inhibiting large in-migrations by non-Western peoples to also check this spread; discouraging population growth in order to attain an eventual balance between the number of people wanting work and the amounts and kinds of work that are actually needed; above all, avert environmental disaster.

One must not be sanguine about the difficulties of containing and managing a long-lasting crisis in advanced post-industrial conditions. It is useless, for example, to set the problem of idle and surplus outsiders aside by merely observing that technological achievements make necessary labor light by historical standards. Some tasks must still, and presumably must always, be performed with diligence, care, and forethought. Those who perform them – secure insiders – will not readily allow what they consider to be disproportionate rewards to any large body of more or less idle and vituperative outsiders.

One can only hope that the elite ingenuity that handled serious problems and conflicts in earlier, less affluent Western countries will eventually contain and manage the insider-outside division. But what if elites fail to do so? Most probably, they would be displaced by new elites prepared to ignore practices

of internal cooperation and political restraint in order to promote the interests of insecure insiders through measures that truncate liberal democracy and destabilize its institutions. Harbingers of such elites and the illiberal, unstable political systems they would create are not hard to discern at present. If the crisis deepens and proves utterly unmanageable, all bets will be off. As yet, however, there is no firm basis for believing that established elites will be unable to carry out the operations of politics necessary to contain and manage the crisis, while at the same time perpetuating their own statuses. The crisis is formidable, but it does not, at least not yet, appear likely to destroy existing elites.

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