

Right-Wing Populism: Amid Shifting Economic Paradigm, Can Political Left Thrive?

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(This article is part of a two-part analytical series aimed at understanding contemporary right-wing populism, as observed in the case of countries identified in our book [Strongmen Saviours](#), with a reflection on the nature of contested link seen between today's populism and other phenomena (hyper-globalism), and the pressing need to come up with an alternative conceptual paradigm (post neoliberalism) that can help pivot opposition politics (and economics) towards a new 'populist' imagination or theory of politico-economic change. Read part one [here](#).)

Dani Rodrik in [his recent work](#) postulates a new theoretical approach with significant policy knowledge for countries failing (or finding it difficult) to otherwise rebalance their policy priorities aimed at a need to globalise (via trade, finance, flexible immigration laws) and also secure a domestic-focused commitment to socio-cultural issues of 'national priorities' (oft tied wrapped in an ideological, majoritarian agenda). Much of the populist imagination of the political 'right' has been positioned around a need to meet these two 'interest goals' have constantly struggled due to the absence of an 'alternative theory of economic change'.

Rodrik [calls this new approach](#) "productivism."

[According to](#) him, this new approach can help "prioritize the dissemination of productive economic opportunities throughout all regions of the economy and segments of the labor force. It differs from what immediately preceded it ("neoliberalism") in that it gives

governments (and civil society) a significant role in achieving that goal. It puts less faith in markets and is suspicious of large corporations.

Also Read

Right-Wing Populism: Towards a New ‘Theory of Economic Change’



Productivism Paradigm In Policy

Productivism- as a normative and applied policy approach- emphasises on “production and investment over finance, and revitalizing local communities over globalization. It also departs from the Keynesian welfare state – the paradigm that “neoliberalism” replaced – in that, it focuses less on redistribution, social transfers, and macroeconomic management and more on creating economic opportunity by working on the supply side of the economy to create good, productive jobs for everyone.”

And, the paradigm “diverges from both of its antecedents by exhibiting greater scepticism towards technocrats and being less instinctively hostile to populism in the economic sphere.”

Keeping its nomenclature aside (say for context-dependent reasons we can call this anything else), from a political economy perspective, Rodrik’s ‘productivism’ approach has a useful, hybrid combine of key policy ingredients– built around a conscious policy choice to: a) safeguard ‘good jobs’, which helps in the upward mobility of the bottom socio-economic class, which failed to get much from the pre-existing policy paradigm (of 90s style neoliberalism), and b) tries to renew the ‘productivity’ debate in economic policy back to a labour-intensive sectoral focus, which is critical in the creation of ‘middle-income groups’ from upward mobility of the poor, that remained central to the developmental stories (and socio-economic mobility) of post-80s China and post-90s India (two of the largest developing economies).

A focus on labour-intensive productivity– not just in manufacturing but also in low-skill services (for India), that enables good employment, rebuilds domestic supply chains, ensures better working conditions (especially for women), and provides a better redistributive environment in the fiscal choices made by the government, can help offer a useful counter-intuitive ideological approach to the existing status quo, anchored without any theory of economic change by the current government. The issues are also not restricted to India alone.

In the US, post-Trump, we already saw some evidence of this in the way Biden Administration pivoted its economic policy measures-interventions. According to Rodrik, *“The wholesale embrace of industrial policies to facilitate the green transition,*

rebuild domestic supply chains, and stimulate good jobs, the finger-pointing at corporate profits as a partial culprit behind inflation, and the refusal (so far) to revoke Trump's tariffs against China are some examples." of a productivist Biden economic policy push.

What about India?

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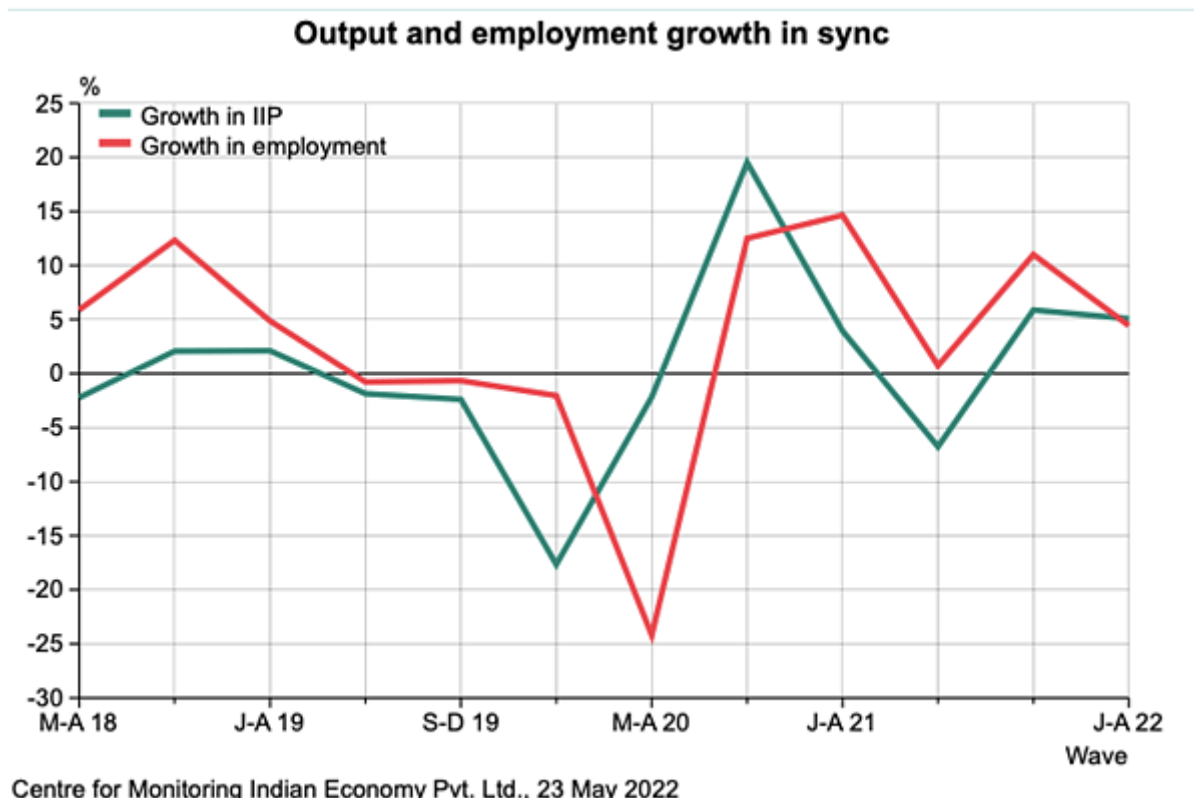


A "Vanishing Middle-Income Class"

In a 2017 book called "The Vanishing Middle Class," the MIT economic historian Peter Temin pointed out that the Lewis model of a dual economy had become increasingly relevant to the US (Temin, 2017).

According to Temin, a combination of forces – de-industrialisation, globalisation, new technologies that favoured professionals and capitalists, and declining protections for labour – have indeed produced a widening gap between the winners from these developments and those who are left behind. The convergence between the poor and rich parts of the economy was arrested, labour markets became increasingly polarised between high- and low-educated workers, and regional disparities widened.

See the two charts shared below:



Output and employment growth.

Source: CMIE

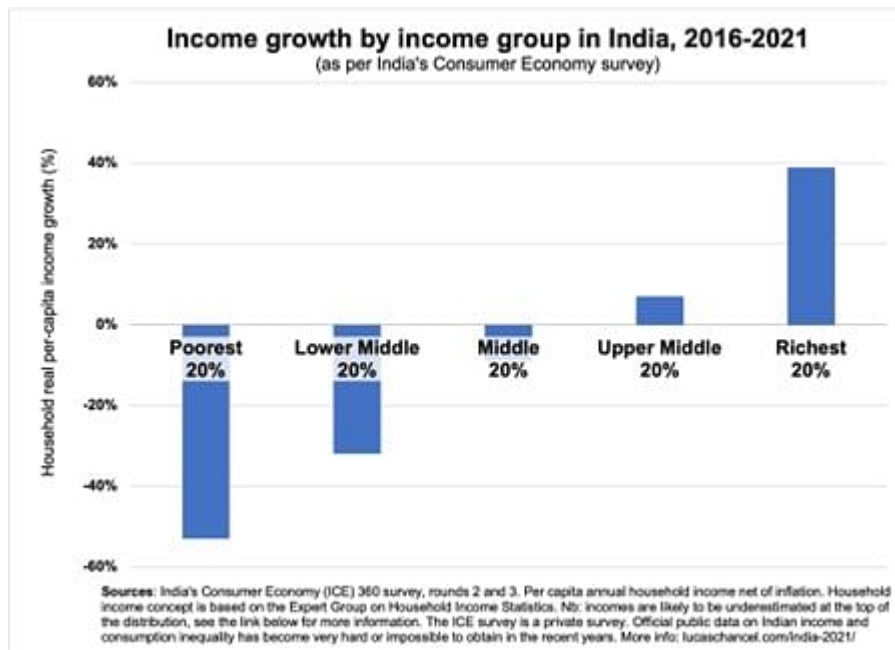
Employment Rate : By Region and Gender									
Per cent : 2016-17 to 2021-22									
Year ↑ ↓	All India			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
2016-17	42.79	70.52	11.88	40.72	68.46	10.77	43.83	71.53	12.45
2017-18	41.66	69.74	10.47	39.82	67.71	9.57	42.59	70.74	10.94
2018-19	40.17	68.03	9.35	38.35	65.80	8.37	41.09	69.14	9.85
2019-20	39.50	66.78	8.98	37.07	63.99	7.12	40.73	68.19	9.93
2020-21	36.53	61.84	7.80	33.81	58.82	5.73	37.91	63.37	8.87
2021-22	37.02	62.34	7.96	34.44	59.84	5.57	38.34	63.61	9.19

Region-wise and Gender-wise employment rate

Source: CMIE Employment Data

If we look at output-employment growth over the last six years, particularly from the post-demonetisation period, there has been a sharp fall in overall output (if we only look at industrial production levels) and in the aggregate employment rate of the eligible job-seeking population. The gendered effects of these trends are even more striking, where the female employment rate has dropped from 11.88% (2016-17) to 7.96% (2021-22). In urban areas, for women, the employment rate has dropped from 10.77% to 5.57% in the same period.

What about income growth?



Income growth by income group in India, 2016-2021.

Source: ICE

If we look at the income growth by income group from 2016-2021, the top 20% rich have seen almost a 40% rise in income growth while the middle 20%, lower middle 20%, and poorest 20% have all seen a negative income growth.

This shows a telling tale of a Temin-style vanishing middle class in India which hasn't received a better bargain from Modi-government's economic policies. On the contrary, they have lost more under the Modi Government than having gained in terms of either jobs or income growth. And, if we look at concerns of rising inflation of the essential consumer basket that adversely impacts (real) wages, consumption, and aggregative demand-supply issues making the poor worse off, the problem appears more severe.

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Productivism can bring the focus of economic policy change back to the key focal points in both an ideological way and an applied manner. Given how any elected government of the day would have to be the chief anchor in guiding 'change' in economic policy, opposition politics in India would need to have a good sense of what they want to do and how they intend to do 'what they project to do'.

All of the previous policy paradigms—from mercantilism to Keynesianism to neoliberalism were primarily 'economists' paradigms' and according to Rodrik, had significant blind spots when it came to key social, cultural, and national priority issues (which is what gave rise to an alternative imagination of political and economic establishment dominated by right-wing strongmen politics).

Strategies Opposition Can Resort To

Opposition politics in India would need to adopt a new economic theory of change, say built upon the progressive ideas (and policy approaches) of productivism, focusing on issues vital to a vanishing middle class, while at the same time, creating an 'aspirational' trajectory of upward mobility for the (low-middle) income groups who have been left behind in terms of jobs, output production processes, tech-skill integration, etc.

As Rodrik says, “Our societies are confronted today with vital challenges that require new economic approaches and significant policy experimentation. But those who are looking for a new economic paradigm – or actively trying to develop one – should be careful what they are wishing for. By the time any set of ideas becomes conventional wisdom, it is riddled with one-size-fits-all generalisations and truisms that are bound to be unhelpful and misleading. Our goal should be not to create tomorrow’s ossified vision, but to learn how to adapt our policies and institutions to changing exigencies. *Productivism* may be the right approach for today’s challenges. Yet, the more successful it is, the less relevant it will become to future challenges.”

*(Deepanshu Mohan is Professor of Economics and Director, Centre for New Economics Studies (CNES), Jindal School of Liberal Arts and Humanities, O P Jindal Global University. This is an opinion article and the views expressed are the author’s own. **The Quint** neither endorses nor is responsible for them.)*

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