

Populism, Post-Liberalism & Climate Change

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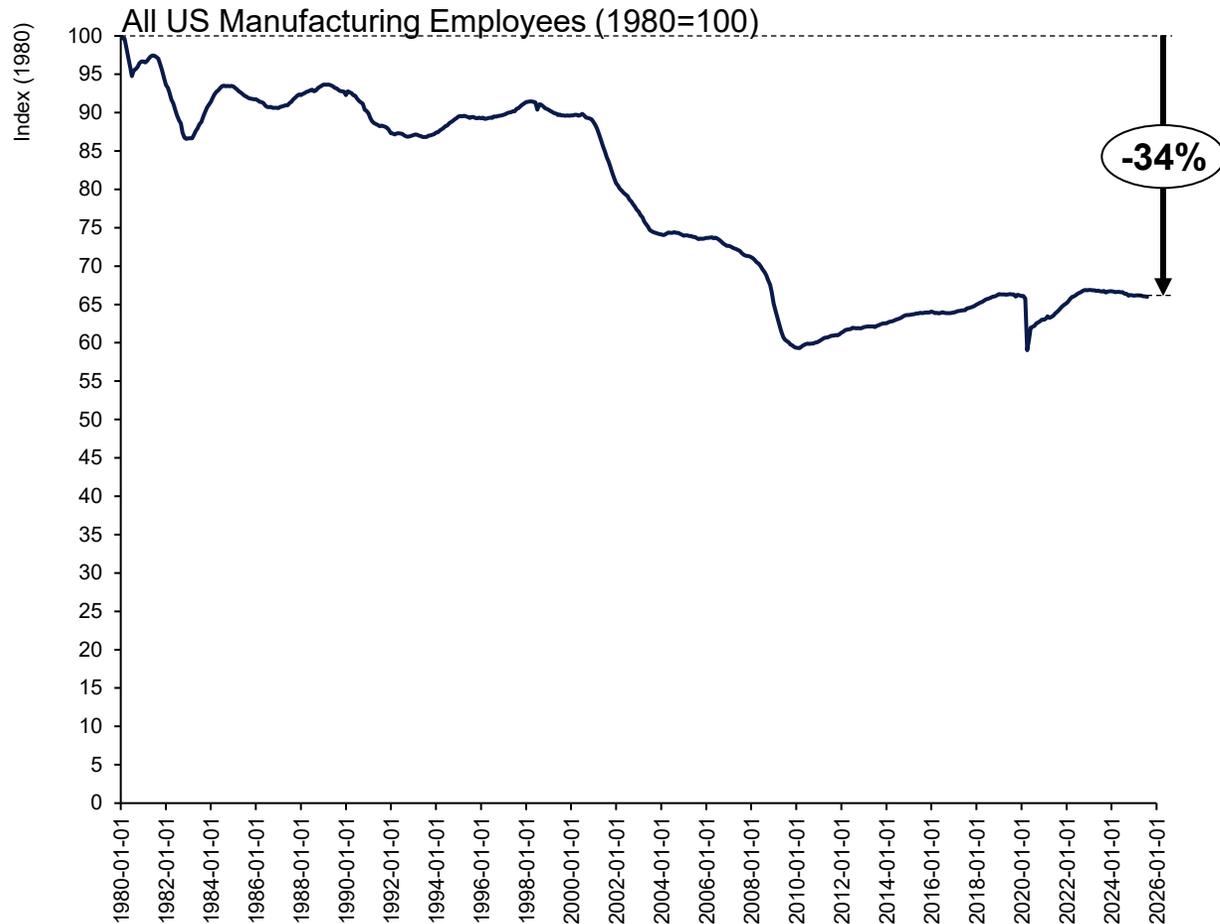
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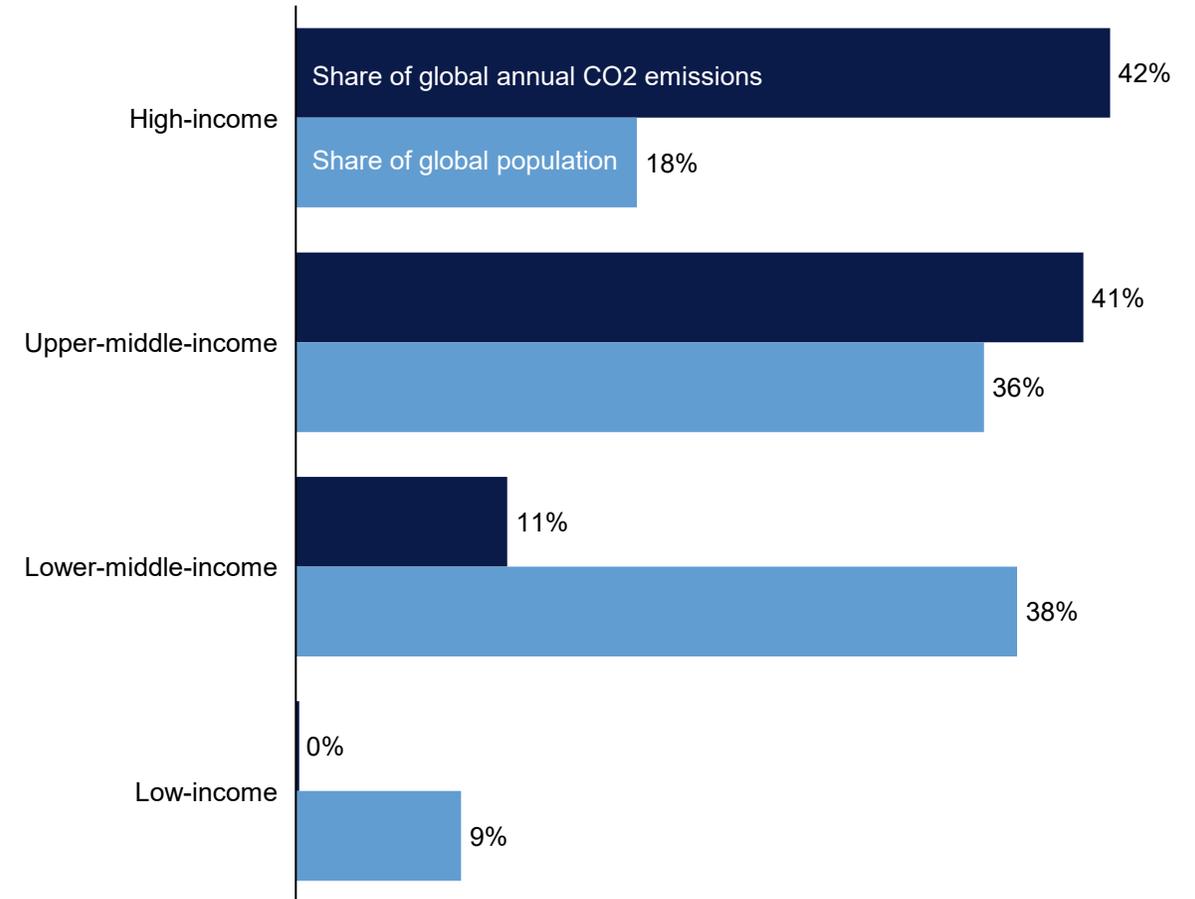
High-income, liberal-meritocratic-capitalist (LMC) regimes in the post-globalization era face two major challenges:

1) Decline of manufacturing jobs since 1980



Source: U.S. Bureau of Labor Statistics, FRED, November 2025.

2) The need for a rapid green energy transition

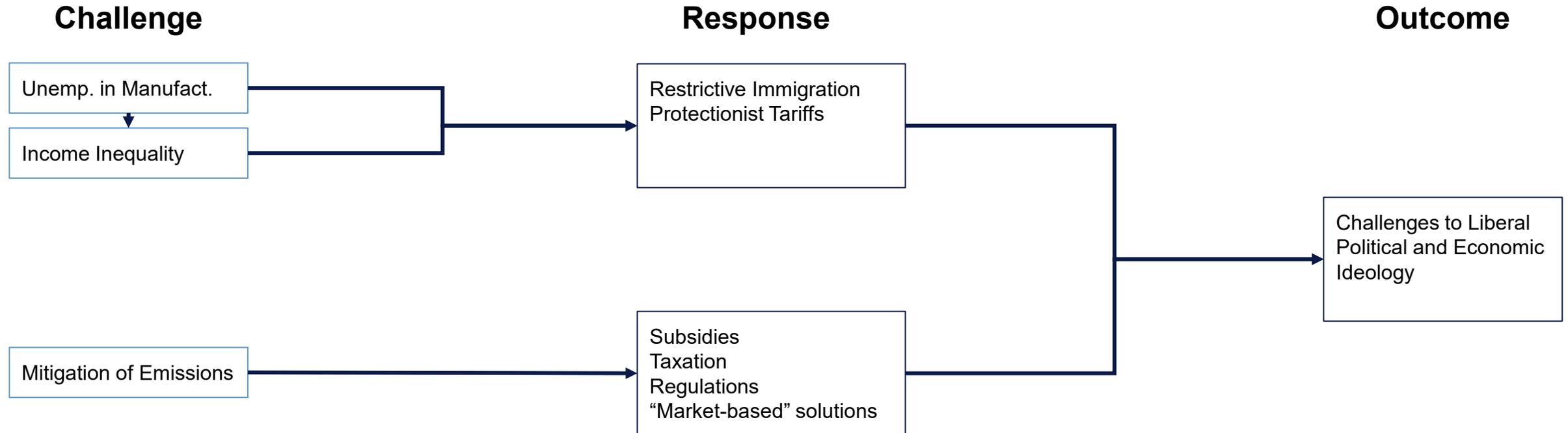


Source: Global Carbon Budget (2024) HYDE (2023) Gapminder, Population v7 (2022) UN, World Population Prospects (2024) Gapminder - Systema Globalis (2022) – with major processing by Our World in Data



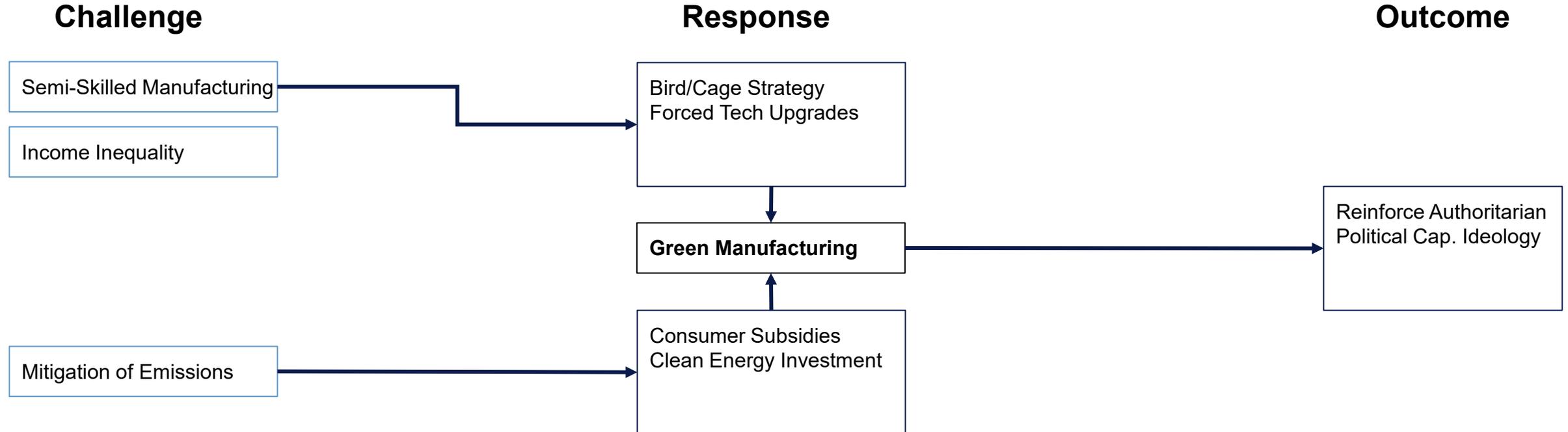
LMC politicians often respond to the twin challenges in ways that undermine liberalism.

Liberal Meritocratic Capitalist (LMC) Regimes



APC politicians have responded to the twin challenges by promoting green manufacturing, which reinforces their ideology and legitimacy.

Authoritarian Political Capitalist (APC) Regimes



Thesis: The twin challenges can be tackled without sacrificing one's faith in a market economy.

1

Efforts to place **industrial sector workers** outside of the market through protectionist policies are deeply misguided.

2

The reliance on subsidies and industrial policy to accelerate **adaptation to climate change** is inefficient and misguided in world characterized by uncertainty.





The Industrial Challenge

Post-liberals primarily offer nostalgia for a rural way of life that has given way to industrialized agriculture.

“Modern industrialized agriculture works on the liberal model that apparent **natural limits** are to be overcome through short-term solutions whose consequences will be left for future generations.”

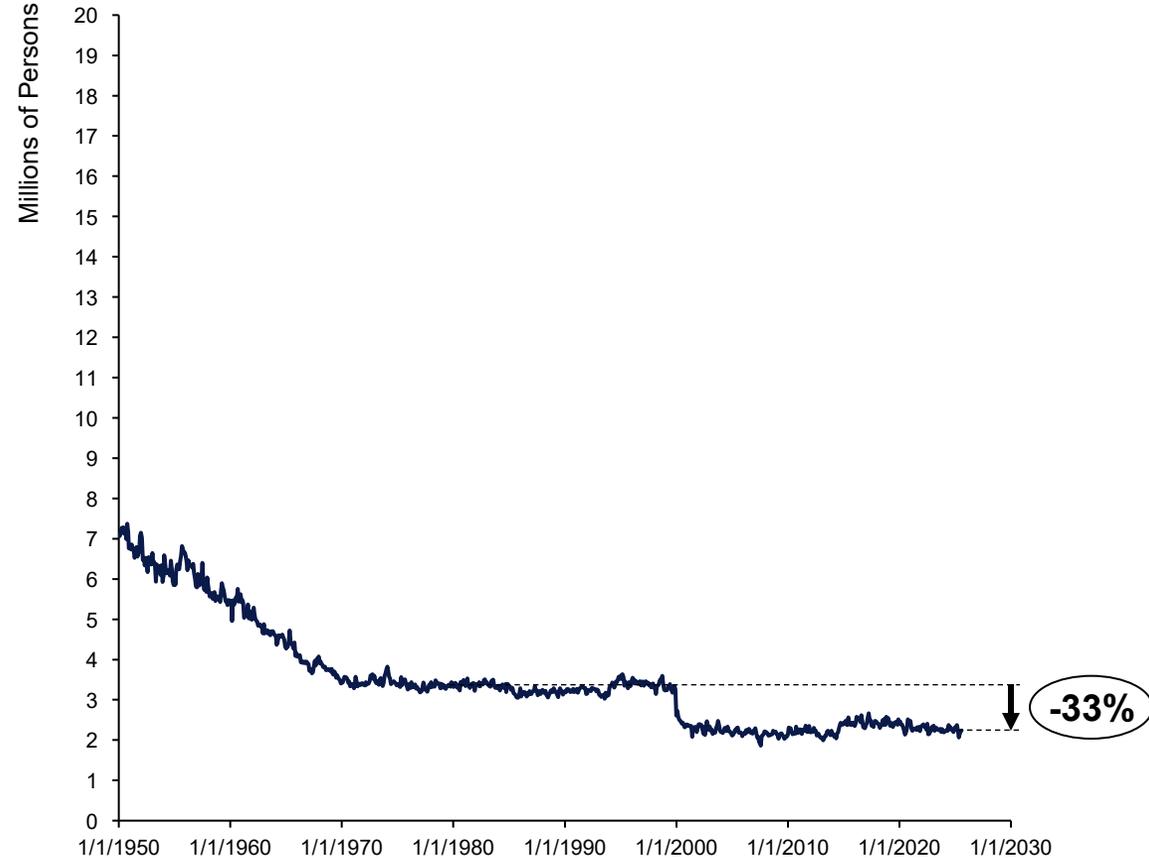
- Patrick Deneen, *Why Liberalism Failed* (2018)

Aristotelian notion of “natural constraints” to economic growth is anachronistic and naïve given the phenomenal rise in human development since the industrial revolution.



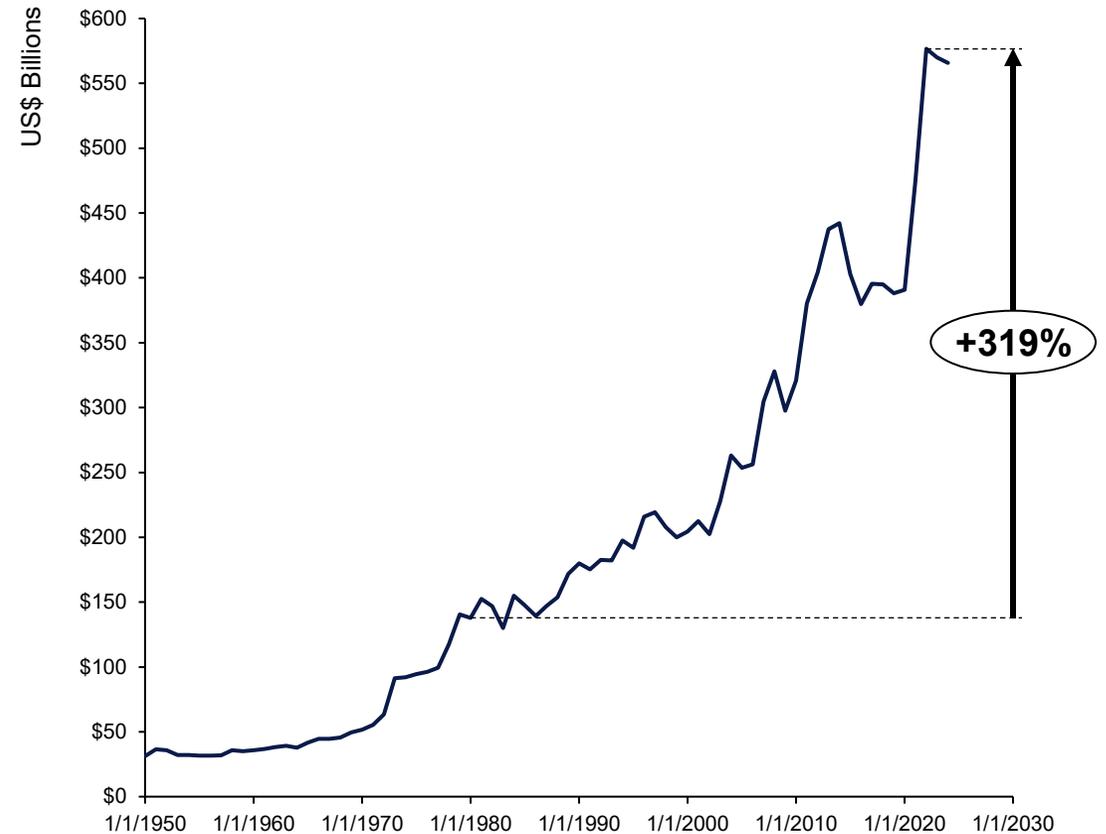
Post-liberals note the decline in rural employment but offer no solution to the problem of ensuring sufficient productivity to sustain the population level.

Employment Level - Agriculture and Related Industries (United States, 1950-2025)



Source: U.S. Bureau of Labor Statistics, Employment Level - Agriculture and Related Industries [LNS12034560], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/LNS12034560>, November 10, 2025.

Farm Output (United States, 1950-2025)



Source: U.S. Bureau of Economic Analysis, Farm output [A2000C1A027NBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/A2000C1A027NBEA>, November 10, 2025.



Post-liberal nostalgia has spread from the agricultural sector to manufacturing.

Neoliberalism has problematic consequences in its support of free trade. The basic doctrine is correct: countries that lower trade barriers with one another will see markets and efficiency expand, leading to higher aggregate incomes for all parties concerned

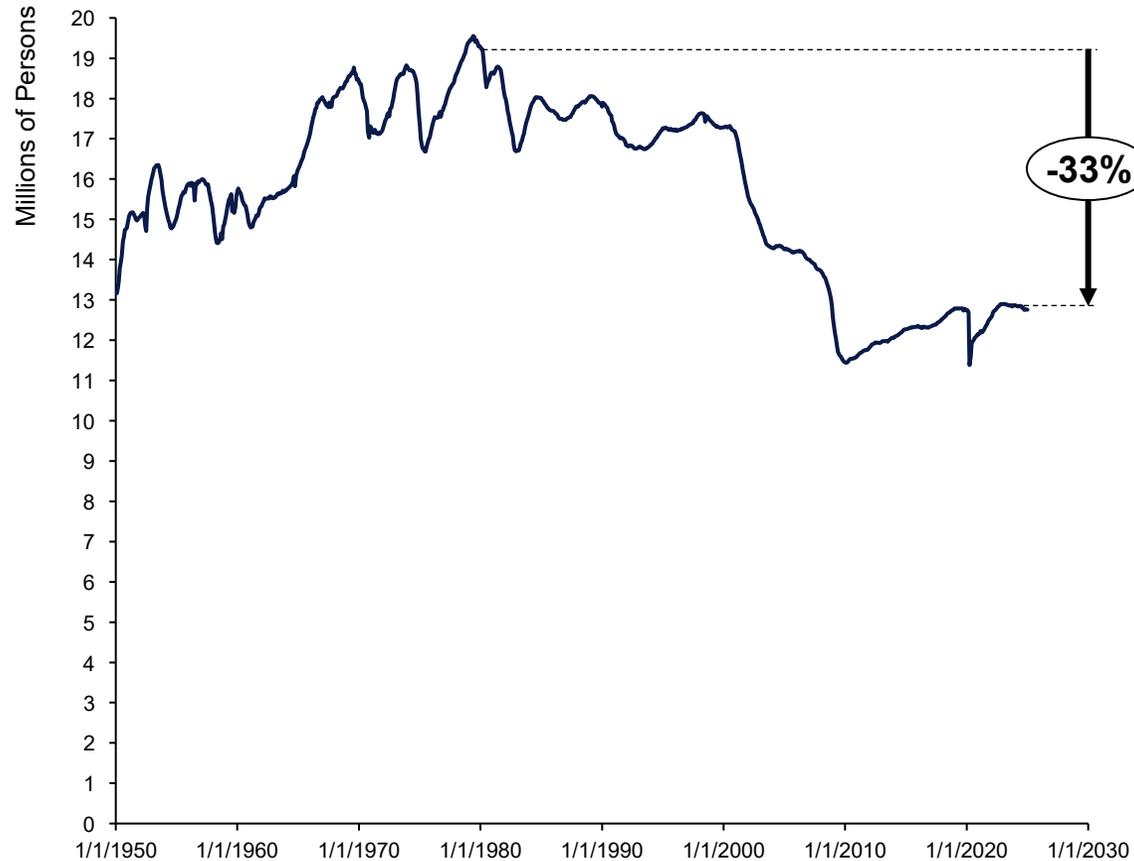
Those same trade theorists would, however, have also explained *sotto voce*, that not every individual in every country will benefit from free trade. In particular, **low-skilled workers in rich countries are likely to lose jobs and opportunities to similarly skilled workers in poor countries** as multinational corporations offshore their facilities. The typical answer given to this problem at the time was that workers losing jobs would be compensated through job retraining and other forms of social support.... But few neoliberal free trade theorists ever expended sufficient time, effort, and resources on these programs as they did on trade facilitation.

- Francis Fukuyama, *Liberalism & Its Discontents* (2022)



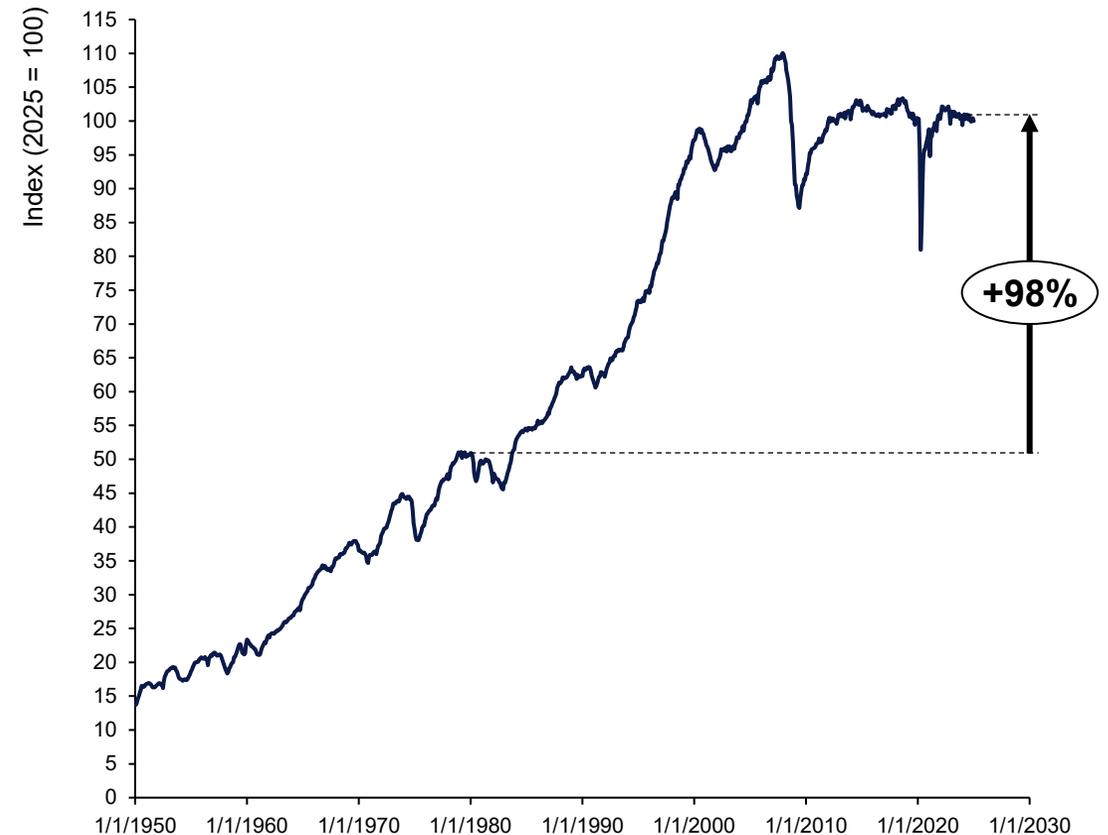
While employment in manufacturing has dropped since 1980, industrial production has doubled in the same period.

Employment Level - Manufacturing (United States, 1950-2025)



Source: U.S. Bureau of Labor Statistics, All Employees, Manufacturing [MANEMP], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MANEMP>, November 10, 2025.

Industrial Production: Manufacturing (SIC; United States, 1950-2025)



Source: Board of Governors of the Federal Reserve System (US), Industrial Production: Manufacturing (SIC) [IPMANSICS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/IPMANSICS>, November 10, 2025.



Despite the pessimistic narrative, the decline in goods production employment is not as great as imagined in the aggregate.

The decline in manufacturing as a share of the civilian workforce has been more than compensated by the dramatic aggregate growth of the service sector.

		1980 (Jan.)	% of Workforce	2025 (Jan.)	% of Workforce	Total Gain/Loss
Goods Production		24.9 million	23.9%	21.7 million	12.7%	-3.2 million
	Manufacturing	19.3 million	18.5%	12.8 million	7.5%	-6.5 million
	Construction	4.6 million	4.4%	8.3 million	4.9%	+3.7 million
	Mining & Logging	1.0 million	1%	0.6 million	0.4%	-0.4 million
Private Services		49.7 million	47.7%	113.8 million	66.7%	+64.1 million
Total Civilian Labor Force		104.2 million		170.7 million		

Source: St. Louis Federal Reserve FRED, "All Employees, Manufacturing," Database, November, 2025, <https://fred.stlouisfed.org/series/MANEMP>; [The Employment Situation, January 1980 | FRASER | St. Louis Fed](#) URL: <https://fraser.stlouisfed.org/title/employment-situation-144/january-1980-56069?deep=true>



The rise of the service economy has not been sufficient to overturn the pessimistic narrative that seeks to blame liberalism.

The narrative seeks to paint a picture of isolation, impoverishment, and frustration for those “left behind” by the free market economy.

Those who **remain** in the hamlets, towns, and cities are generally condemned to straitened economic circumstances, destined for **low-wage** and **stagnant** service industry jobs and **cut off** from the top tier of analytic-conceptual work that is reserved for elite graduates. They are rooted in economically **deprived** regions or survive on the outskirts of concentrations of elites, where they will **struggle** with inflated real estate prices either by overpopulating **subpar** urban housing or by living at great commuting distance from work and entertainment. They generally own extraordinary and growing levels of **debt**, mainly college loans and mortgage **debt**, though the insistent demand that they participate fully in the broader economy as consumers doubtless leads them to accumulate other **excessive debts** as well.

-Patrick Deneen, *Why Liberalism Failed*



The post-liberal narrative does not hold. Wages in the service sector are competitive with manufacturing...

Average Hourly Wages by Sector

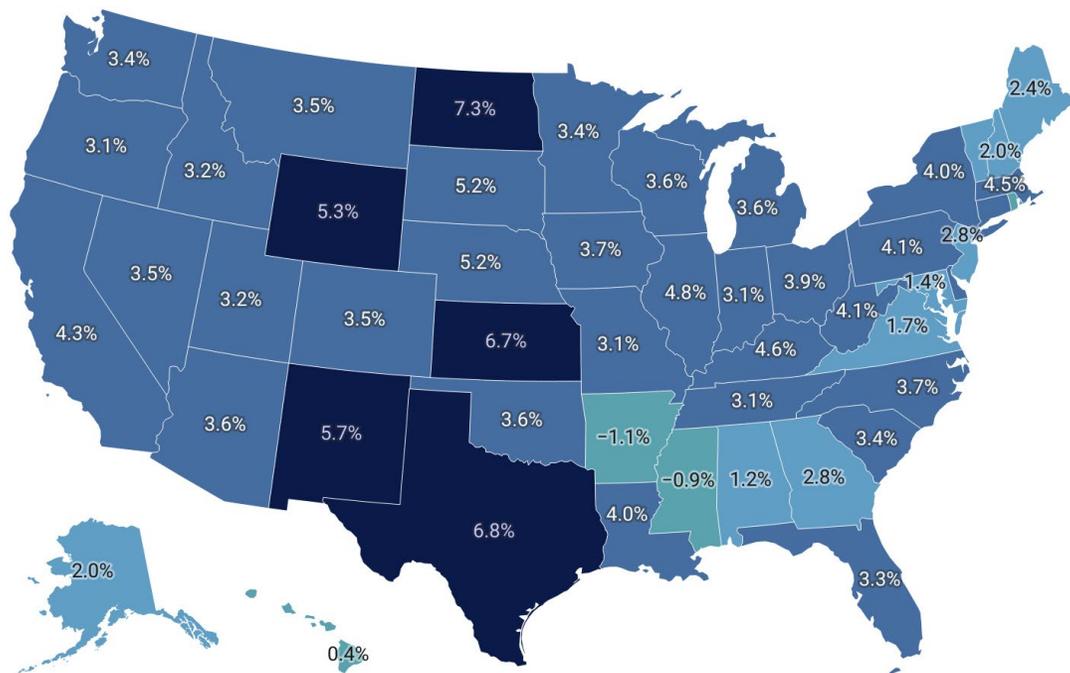
	2020	2024
Manufacturing	\$29.26	\$35.58
Services	\$29.97	\$34.76

Source: St. Louis Federal Reserve FRED, "Average Hourly Earnings of All Employees, Goods-Producing," Database, accessed June 18, 2024, <https://fred.stlouisfed.org/graph/?id=CES0600000003,CES3000000003,CES0800000003>



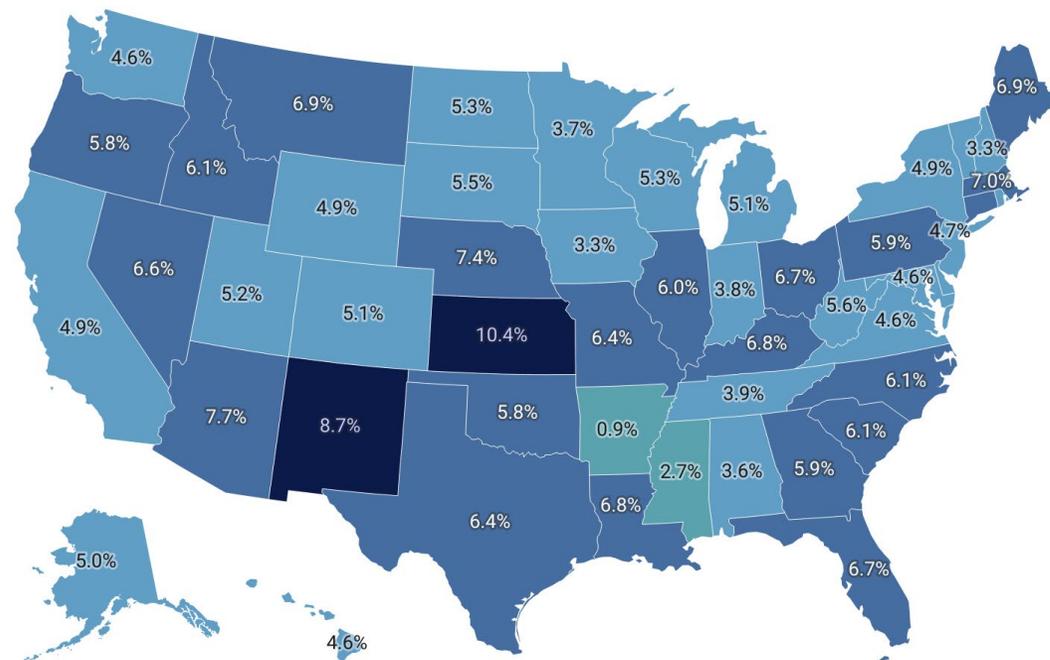
... and marginal/rural areas are experiencing some of highest real growth in GDP and increases in per capita personal income.

Real GDP by State (2025 Q2)



Map: Vikash Yadav • Source: Bureau of Economic Analysis • Created with Datawrapper

Personal Income by State (2025 Q2)

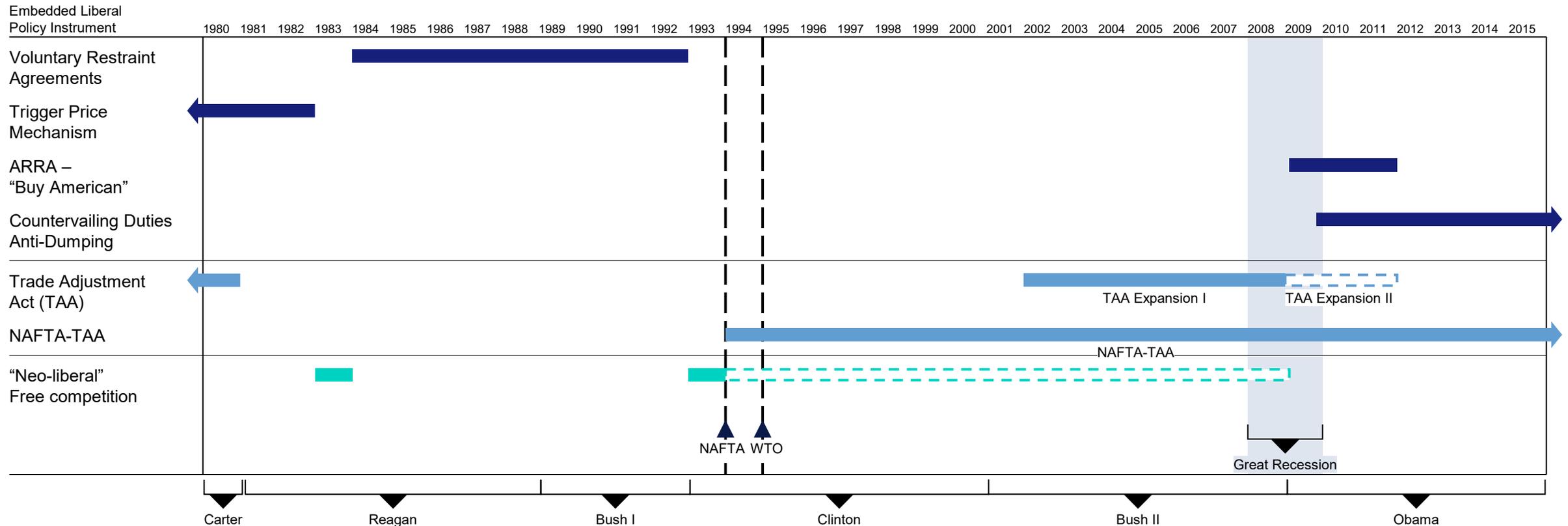


Map: Vikash Yadav • Source: Bureau of Economic Analysis • Created with Datawrapper



Lingering “embedded liberalism” helped to offset needed adjustments to creative destruction during the second age of globalization.

US Steel Industry and Embedded Liberalism (1980-2015)



The discourse has shifted from worker retraining to protectionist tariffs, but the fundamental problem of adjustment to the market remains.

Efforts to blunt market signals only delay needed adjustments.

1

Public policy incentivizes workers to remain in inefficient and uncompetitive industries to maintain social solidarity.

Living wage laws aim to blunt the signals coming from the global marketplace.

2

Sticky wages – lowering wages to compete will be resisted by organized labor.

3

Protectionist tariffs – prevent creative destruction and defer innovation.

“... the farmer or peasant, if he is to succeed, must progressively become a businessman—a necessary process that many people deplore and want to prevent. But **the alternative for the agricultural population would be to become more a sort of appendage to a national park**, quaint folk preserved to people the scenery, and deliberately prevented from making the mental and technological adjustments that would enable them to be self-supporting.”

-Friedrich Hayek, *Constitution of Liberty*

Wage disparities build up making it more difficult to switch professions.



A Hayekian solution to the problem of adjustment may be a version of Denmark's "Flexicurity" policy implemented in the mid-1990s

Flexibility

Employers permitted to hire temporary workers to reduce costs

Strict limits on severance pay for terminated employees

Simplified dismissal procedures

Security

Generous unemployment benefits of ~90% of worker pay for two years

There has been a massive public investment in worker retraining financed through general taxation. This is a universal, time-bound, benefit and not restricted to particular industries or favored social groups. It supplies a minimum income.

Decentralized, private job-placement industry

Flexicurity shifts the workers' mentality from "job security" to "employment security" with a resilient labor force capable of rapid re-employment.





The Climate Challenge

LMC regimes that have attempted to address climate change have adopted non-market mechanisms or constructed markets with weak results.

Route I: Subsidies, Targets, Public Investment

Countries which have begun rapidly transitioning to lower carbon emissions, have relied heavily on publicly announced targets, state-subsidized market incentives, and public investments to shift behavior as it is assumed that markets will not spontaneously course correct.

Results

1

Counterproductive Incentives – BEV subsidies incentivize inefficient and costly vehicles to reduce “range anxiety” (e.g. Hummer EV)

2

Greenwashing – Fossil fuel production continues under the cover of green transition (e.g., Norway, Canada).

3

Revenue Shortfall – States incentivizing transition through generous subsidies and perks are finding that they are losing revenue needed to maintain infrastructure..

Route II: Constructed Markets

An alternate, and seemingly market-friendly, approach to induce deep decarbonization has been the state creation of markets for trading carbon emissions credits by industries. Nevertheless, these theoretically elegant “cap-and-trade” markets have generally failed to incentivize dramatic reductions in output in the real world.

Results

1

Weak signals – The overwhelming majority of carbon credit (86.4%) lacked any price value and only a tiny fraction of emissions credits (0.1%) were valued above \$65 per ton of CO2 equivalent.

2

Distorted signals – Allocation rules are created to exempt those sectors of the economy exposed to international trade.

3

Patchy coverage – Cap and trade markets only cover certain industries in certain geographical locations incentivizing firms to relocate.

4

Politicized Exemptions – Exemptions, “grandfather” clauses, and dubious carbon “offset” schemes allow politicians to oversupply the market in exchange for political support.

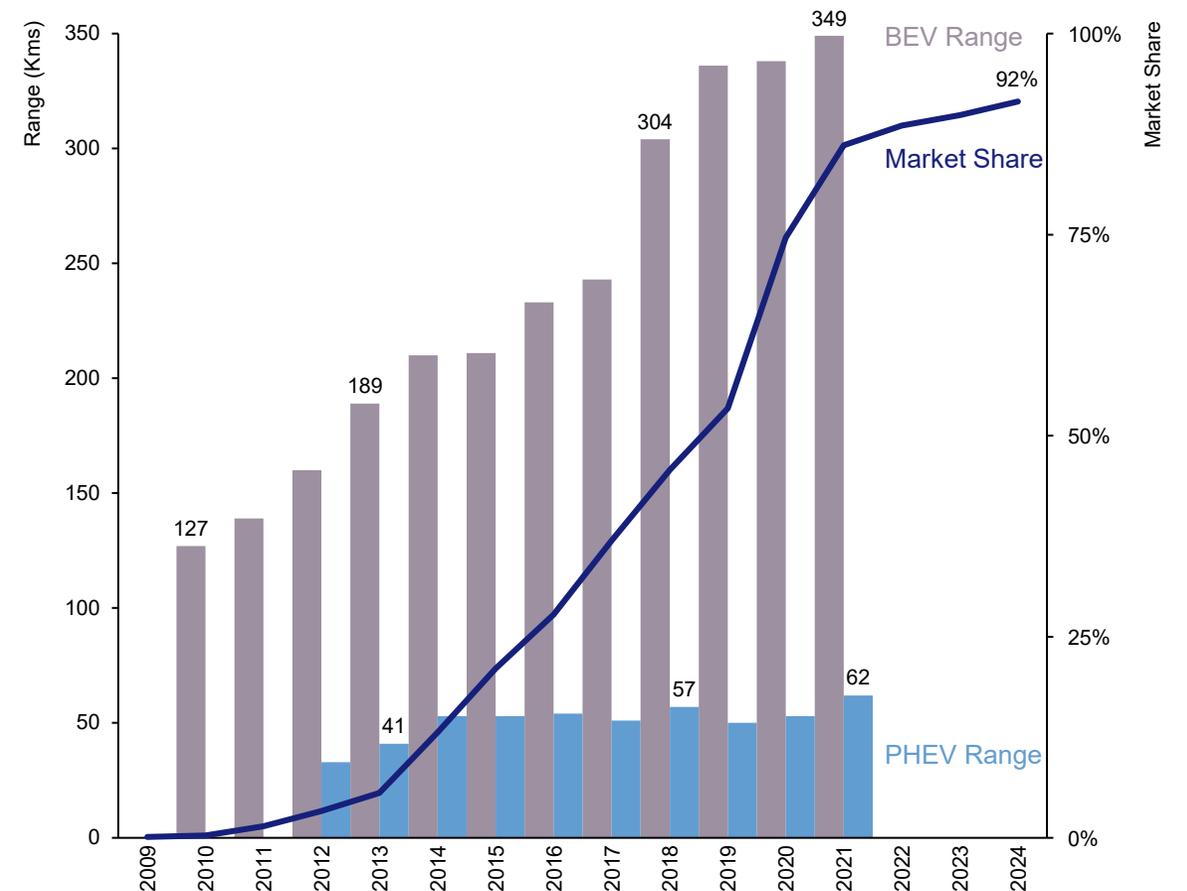
Despite incentives and subsidies since 1990, Norway's BEV market share did not begin to surge until 2013 when avg. range increased above 161Km (100mi).

Norwegian EV Incentives

1990-2022	No purchase/import tax on EVs. From 2023 some purchase tax based on the cars' weight on all new EVs.
2001-2022	Exemption from 25% VAT on purchase (2001-2022). From 2023, Norway will implement a 25% VAT on the purchase price from 500 000 Norwegian Kroner and over
1996-2021	No annual road tax (1996-2021). Reduced tax from 2021. Full tax from 2022.
1997-2017	No charges on toll roads.
2009-2017	No charges on ferries.
2018	Maximum 50% of the total amount on ferry fares for electric vehicles
2018-2022	Maximum 50% of the total amount on toll roads. From 2023 70%
1999-2017	Free municipal parking
2005-	Access to bus lanes. New rules allow local authorities to limit the access to only include EVs that carry one or more passengers (2016-)
2000-2008	25% reduced company car tax.
2009-2017	50% reduced company car tax.
2018-2021	40% reduced company car tax
2022-	20% reduced company car tax.
2015-	Exemption from 25% VAT on leasing
2017	National goal that all new cars sold by 2025 should be zero-emission (electric or hydrogen). "Charging right" for people living in apartment buildings established.

Source: <https://elbil.no/english/norwegian-ev-policy/>

BEV + PHEV Market Share in Norway & Avg. Range



Source: Statista. (August 15, 2025). Market share of electric cars (BEV and PHEV) in Norway from 2009 to 2024 [Graph]. In Statista. Retrieved November 13, 2025, from <https://www.statista.com/statistics/1029909/market-share-of-electric-cars-in-norway/>; <https://www.iea.org/data-and-statistics/charts/evolution-of-average-range-of-electric-vehicles-by-powertrain-2010-2021>



Bottom-up and market solutions are possible to meet the climate challenge.

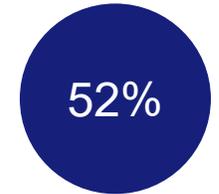
Tax + Dividend

Paul Romer's Greenhouse Tax

- 1 Democratically impose a very low tax on greenhouse gas emissions by firms immediately.
- 2 Commit to increase the tax gradually but inexorably.
- 3 Tax should spur innovation and transition from fossil fuel extraction.
- 4 Political resistance might be countered by redistributing tax revenue from firms to citizens as a **dividend**.

Private Ownership of Renewables

Denmark



of installed wind energy capacity is owned by private individuals or community projects.

Germany



of installed renewable energy capacity is owned by private individuals or community projects.

United Kingdom



Government regulation has inhibited new entrants and small producers. DESNZ plans to empower individual and community energy production.



