

**Bologna Institute for Policy Research**

Via B. Andreatta, 3 - Bologna (Italy)

+39 051 292 7811 [www.bipr.eu](http://www.bipr.eu)

Speakers: Stephanie Hare, Researcher, UK, Preston Keat, UBS, UK, Francesca Panelli, Rosa and Roubini Associates, UK, and John Raines, IHS Markit, UK

Chair: Erik Jones, Director of European and Eurasian Studies; Professor of European Studies and International Political Economy

**Johns Hopkins SAIS Global Risk Conference: Anticipating Global Challenges**

*The Janika Albers Memorial Roundtable in Political Risk*

Francesca Pannelli believes that there is a distinction to be made between income inequality and wealth inequality. Looking at the data we see that emerging economies have more inequality than developed economies as the latter often have better welfare distribution systems than the former. The countries with the most inequality in the world are the United States, Russia, and China.

The United States is an outlier for a variety of reasons. Income redistribution efforts have not kept up with the rise in financial income inequality. The rounds of quantitative easing undertaken by the Federal Reserve pushed up stock prices benefitting the wealthier section of the population that owned most stocks. This feeds into higher income inequality which feeds into higher wealth inequality in the long run. In Russia, the top 1% own over 40% of the country's wealth. This was a consequence of the large privatization programs that led to the rise of the oligarchs after the collapse of the Soviet Union. However since the 1980's, there has also been a trend of large transfers of public wealth to private hands in both emerging and developed economies.

There are a number of ways to fight inequality, Thomas Piketty recommends a global wealth tax, however this is politically infeasible. Other experts have suggested wealth proxy taxes levied on inheritance or property as well as minimum wage policies. Another way would be to reduce the gap between the labour and profit shares of gross domestic income by encouraging education and training allowing workers to adapt to technological changes.

Preston Keat grew up near the town of Johnstown, located in the state of Pennsylvania, which is a key swing state in the US Presidential Elections. During the 2016 election, he observed Donald Trump's pitch to the state. Trump mentioned three key reasons as to why the state had fallen on hard times; trade with China, immigration from Mexico, and the actions of the corrupt elites. Bernie Sanders also ran on two of these three platforms. However, if we examine the population trends of Johnstown, we can see that the decline actually began in the 1970's long before NAFTA, mass immigration from Mexico, and China's entry into the global trading system. However the perception of the average American is usually quite different.

If we look at the last two recoveries from economic crises in America, we observe that the top 1% captured 95% of the upside of the recovery. So in this period of hyper-globalization between most developed countries, it is the top 5% to 1% that have benefitted the most. The question about

globalization then becomes one of whether it works? Whether it has stalled? Whether it is going to recover?

John Raines believes that there are many parallels between the world in 2008 and the world in 2018. However, there are some key differences, especially in Europe. Voting statistics show strong support for populist right wing parties as roughly 27% of European citizens voted for a populist candidate in their last parliamentary election. Many of the reasons for their rise include inequality, out-group bias, the role of social media and these factors are growing in importance.

As students of political science and economics, we must look at the current scenario through an unbiased lens. We must not draw a parallel between populism and extremism. None of these leaders are looking to dismantle democratic systems nor are they explicitly calling for violence. We also observe higher voter turnout in elections where populist candidates are contesting as disaffected voters finally see a candidate that represents their views and values in populists. Many populists also support referenda and direct democracy. Furthermore in terms of macroeconomics, many countries with right wing populist governments pursue adequately orthodox economic policies.

On the negative side, when representing the majority, governments often find a section to target. On the left, the target is usually the elites at the top, while on the right it is usually outsiders and immigrants. However, to effectively take action against these groups, populists often feel the need to undermine the institutions that they deem restrict them, which is why we see populists attacking the judiciary, the media, and the right to the access to ballots. Furthermore, these measures are usually effective. Compared to mainstream governments, populist governments are more likely to be re-elected. With foreign policy, populist governments are often more fluid and transactional. The onus then lies on mainstream governments on deciding how to approach populist governments. Should they be waited out, engaged, or appeased, with each option offering its own benefits and perils. ?

Stephanie Hare disagrees with the idea that technology is neutral.

When we look at emerging technologies such as facial recognition and the possibilities associated with them, we are confronted with algorithms that often have biases built into them. This is why, going forward, technology must be examined through a lens of power, transparency and accountability. In the United Kingdom, this is happening through legal action: the London Metropolitan Police and the South Wales Police have trialled facial recognition technology 29 times in the recent past, and this is being challenged by civil liberties organisations such as Big Brother Watch and Liberty, respectively. In the United States, the US Congress heard expert testimony on facial recognition technology on May 22, and the city of San Francisco banned the use of facial recognition technology by law enforcement.

Engineers who design many technology systems risk focusing solely on the technical aspect when creating their products and services. This means that the more nuanced aspects of ethics and privacy have sometimes been dealt with on an ad-hoc basis as problems arise. We want to think this through from the outset, and to involve as many people as possible who will be affected by technology.

For example, the police in the United Kingdom announced on April 29 that people who have been raped or sexually must consent to hand over their mobile phones to the police -- or else they may refuse to investigate. This would represent a gross violation of people's privacy, and the refusal to investigate the

crime unless people agree to violate their own privacy appears to constitute an abuse of police power. People increasingly conduct their business, their personal lives and their love lives on their phones. Phones also geo-locate their owners in real time and log that information, all of which can be accessed by telecommunications companies, data brokers, some technology companies and even some branches of law enforcement and the security services. So we can't just announce that victims of a crime must hand over their phones or else they won't receive justice -- that has massive implications and may not even be legal!