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CAN 'WORKING-CLASS LIBERALISM' HEAL LIBERAL DEMOCRACY?

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WELCOME

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ROUSE: Good morning Good morning. Thank you all for joining us those of you who are here in person and those of you online. My name is Cecilia Rouse, and I'm the president of the Brookings Institution. Today's event is the Alan and Jane Batkin International Leaders Forum. This series brings together world leaders and senior officials to Brookings for major policy discussions.

It is my great pleasure to welcome Professor Daron Acemoglu of MIT to join us this year to discuss his new book, which limited versions are on sale outside What Happened to Liberal Democracy? This is the second time we've had the pleasure of welcoming Daron to Brookings this year. Back in February, he participated in a webinar to discuss the possibilities of pro-worker artificial intelligence.

This time, however, Daron will discuss the connection between inequality and social division in the emerging crisis of liberal democracy across the globe. This is an especially timely moment for a conversation about the future of liberal democracy. In the United States, Europe, and around the world, we are seeing mature democracies grapple with growing political divisions, rising inequality, and emerging social and economic divisions that test democratic institutions.

These issues have been at the heart of Daron's work on how institutions can shape economic development and promote prosperity. As such, we are honored to have him with us for a conversation about one of the most consequential questions facing democracies today. How can we build an economic system that delivers prosperity and opportunity while preserving the institutions and values of a liberal democracy?

While he truly needs no introduction, I will briefly note that Daron Acemoglu is an institute professor at MIT and faculty director of the Institution's James M. and Cathleen D. Stone Center on Inequality and Shaping the Future of Work. His books include the New York Times bestsellers, *Why Nations Fail* and *The Narrow Corridor*, both written with James A. Robinson and as well as *Power and Progress* with Simon Johnson. In 2024, along with Johnson and Robinson, he received the Nobel Prize in Economic Sciences in recognition of their work on how institutions shape national prosperity.

Following his remarks, Daron will be joined on stage for a moderated conversation. We will then open the floor to audience questions. We are thankful to Alan and Jane Batkin's generous support, which allows us to hear from Daron Acemoglu today. It is thanks to supporters like them that Brookings is able to convene these important conversations while maintaining its core commitment to independence.

And with that, I am very pleased to welcome Daron Acemoglu back to Brookings. We are very thrilled to have you.

ACEMOGLU: Well, it's my distinct pleasure to be here, and I'm really looking forward to the discussion with Claudia and Asli. But before then, I'm just gonna give a few remarks. I wanna frame why I wrote the book and a little bit about its main thesis. In a nutshell, this is a book that I have written with the greatest urgency and in the shortest amount of time of all the books that I have done until now.

And the reason for that is because I think we are at a crisis point. I view liberal democracy as one of the greatest human achievements. It would be unimaginable to people who lived five hundred years ago that complex, very large societies with hugely diverse opinions, interests,

and activities could coexist in peaceful state and with a state or state institutions that provide protection for the weakest members of society and a political system that provides voice and opportunities for people to achieve their own path to flourishing.

Those, broadly speaking, are the gifts of liberal ideas and liberal democracy to us. But today, liberal democracy is in a true crisis. I wrote the book because I think any account to minimize that crisis is highly misguided and dangerous. Moreover, I believe that, and the arguments in the book try to build that case.

This is not a crisis created by the fact that liberal democracy today has more formidable enemies than those it has faced in the nineteenth century or the twentieth century. You cannot compare the intellectual depth or broad appeal of the kinds of alt-right ethnonationalist or identitarian politics of the left and the right to the kinds of challenges that liberal democracy and liberal ideas faced from, you know, communism, totalitarianism, fascism, Nazism, all sorts of theocracies, and more established conservative politics that wanted to resist the rise of liberal democracy in the nineteenth century.

So the question is, why is liberal democracy in crisis? And I try to provide an account of, first, why I believe liberal ideas were successful in the past, as well as documenting those successes and arguing why even more so the 21st century and the challenges that we face, including AI inequality and broad efforts to create shared prosperity domestically and internationally need liberal democracy.

So why are we in crisis? My answer is that liberal ideas did not adapt to the post-industrial society that emerged starting sometime in the 1960s and '70s. By post-industrial society, I mean an economy shaped by digital technologies and globalization, and a social and political compact that is very different from those that existed in the first half of the 20th century and the few decades that followed World War II, which were based on the foundations of the industrial economy.

Post-industrial society created two fundamental challenges for liberal democracy. The first can be understood best by going back to one of the founding pledges that liberal democracy makes in order to receive people's support, and that is shared prosperity, meaning economic growth and progress from which no group will be left behind, so that the fruits of the material advancements that society provides because of innovation, technology, knowledge, and other processes that improve efficiency and the organization of society improving as a result of that are broadly shared.

In the industrial economy, that happened through wage growth that was built on the need of firms to hire workers in a framework created by democratic institutions and trade unions that meant they couldn't shortchange workers. So if they wanted to need those key labor inputs, they would need to pay higher wages.

And in fact, that's a dynamic we see very clearly in the first seven decades or so of the 20th century. In the post-industrial economy, that changed completely. In particular, now companies can innovate, achieve access bigger markets, achieve higher profits, while at the same time automating work, meaning that they could cut down employment rather than hire more workers or offshore production in a globalized economy to China, Mexico, Vietnam, wherever it is, which has the same implications for domestic workers.

That severs, to a large extent, the most powerful pathway from business investments and innovation to shared prosperity that existed in industrial societies. This dynamic does not mean, I argue in the book, that shared prosperity is impossible. Far from it. Liberal democracy will still need to be defined by its pledge to shared prosperity, but it needed to tackle the difficulties and the challenges of shared prosperity in a digitalized, globalized economy, which it failed to do so.

And the reason why it failed to do so, I suggest, is related to the second challenge, which is that another founding pledge of liberal democracy is voice, that it actually provides means for self-government to people and voice that actually matters. After all, that's the definition of a democratic governance structure. There is no easy way of achieving voice to people in a society of 300 million. But participation in politics in a meaningful way was the bedrock of this kind of the beginning of self-government.

And that was bolstered by associations such as trade unions, local communities in which people participated, but also centrally by the fact that early liberal democratic structures consisted of broad coalitions.

Think of FDR's New Deal coalition comprised of left-leaning, well-educated intellectuals, the labor movement centrally bolstering a lot of the dynamism of the FDR coalition and the Southern Democrats, a very broad, very heterogeneous coalition. Same thing in social democracy in the Nordic countries in Europe or the Labor Party in the United Kingdom. For example, social democratic governments in Sweden, Denmark, Norway more or less all followed the same path of starting from trade unions and worker parties, but then broadening that circle to middle classes, sometimes extending it to agrarian interests, and then finally reaching out to business interests for the sort of corporatist deals that defined a lot of social democracy for about 50 years.

That broad coalition also essentially disappeared in post-industrial society. And it disappeared to some extent to be replaced by the near dominance of people like us, very well-educated, living in urban areas. The post-industrial economy also increased the demand for education, which was met both for supply and demand reasons by a rapidly expanding college-educated population. It's not just numbers, though. The college-educated became much more central to the economy in administrative positions, in managerial technical positions, in engineering positions.

And the automation drive that I explained was complementary to those more educated workers while replacing and creating less job opportunities for lower education workers, such as blue-collar workers or mid-level clerical workers in offices. In most market economies, especially in the United States, social status and political influence follow market success and numbers matter. As a result, the center-left parties such as social democratic parties in Europe, Labour Party in the UK, or the Democratic Party in the United States, which were the bedrock of liberal democratic institutions, both in terms of pushing for the most important reforms for public services supporting shared prosperity and providing voice, changed their character very, very fundamentally.

There are many ways in which you can see this, but the sharpest way is to see where they got their vote from. In the first seven decades of the 20th century, center-left parties received the majority of their votes from the working class, people without those managerial positions and the very high levels of education working in blue-collar or white-collar occupations or other trades, which overwhelmingly supported the center-left. While the more educated segments of society, just like the very rich, voted more for the center-right, that changed

starting in the 1970s in the United States with the Watergate babies and the Atari Democrats, started changing in the '80s and 1990s in the UK and in Europe, where the college-educated overwhelmingly started voting for the center-left and the working class started shifting to the center right and later to the hard right.

This was also accompanied by all of the activists and the majority of the members of parliament or the leadership of these center-left parties coming from the college graduate, especially in urban areas with high levels of upward mobility or high levels of knowledge. That transformation was probably likely to be quite consequential in any world, especially if it coincided with the dwindling economic fortunes of the working class, as I've already mentioned.

In the United States, very jarringly, for example, white col-- non-college men more or less lost their real earnings every year relative to inflation, so real earnings from 1980 to around 2012, 2013. So a complete turnaround of fortunes relative to the '50, '60, '70s, early '70s, where they saw their real earnings increase even faster than productivity growth in the US economy.

But equally jarring was that while this takeover was happening, the social lives and consequently the values of the college-educated and non-college-educated started diverging. It started with where they live. Now, the college-educated live very, in very different places than the less college-educated, who they befriend, their social networks, who they marry, those became much more segregated by education. Where they work, the old industrial firms were the melting pot. Today, work is very segregated by education as well.

And this was accompanied by significant changes in values. Part of it because of the values that the university education imparts, but also part of it is because of who you befriend, who you hang out with, and who you share ideas and debate them with. This divergence of values reduced empathy and communication between the two groups. So in some sense, in hindsight, it is both shocking and perhaps not so surprising that as late as the 2016 presidential election, most of the well-educated electorate did not understand the economic and the cultural plight that working-class Americans felt.

And without that, they couldn't sympathize, and they couldn't act on it, including on the critical question of trying to deal with shared prosperity issues. But even worse, this also defined how cultural politics emerge. I'm not arguing that cultural politics in and of itself is a bad thing. In a society that is so diverse and has problems of discrimination, inequality, and people having a hard time being included, cultural issues have to be part of the political domain.

But the problem was that because of internal reasons to the new coalition emerging as dominant in the center left, cultural politics became very top-down and exclusionary for the less educated working-class communities. So all of these have laid the foundations to what I see as the crisis of liberal democracy.

It's a crisis of support and legitimacy, but it's also a crisis of the powers of liberal democratic institutions being curtailed because without the legitimacy and the trust that they receive from people and the compromises that are needed, that doesn't work very well. So that's why the lesson that I draw from these things, and I'll end here, is that the center left needs a new governance philosophy so that we have a new governing philosophy for liberal democratic institutions.

And that must start with the working class at the center. I don't think liberal democracy can survive if it excludes the m- working class. So that's why the agenda that I propose, I call it working class liberalism, fusing liberal ideas for the 21st century together with working class priorities, including their cultural preferences, to create a broad enough tent of the sort of the social democratic coalition or the New Deal coalition.

But for the 21st century, for the AI economy, for the social media economy, in a way that is going to create a renewed commitment to shared prosperity, freedom, basic freedoms, and the advancement of both material and social conditions of the broad population. I think that we need something like this.

The ideas I suggest may not be exactly the ones we need, but we need a revitalized liberal democracy, and that's not gonna happen by itself. And unfortunately, it won't happen by just defeating Trump or who comes next after him, because it is the center left that needs to clean house and come up with this new set of ideas and aspirations to rally people around the liberal democratic institutions. Thank you.

AYDINTAŞBAŞ: Well, thank you, Daron. That was very inspiring way to start the morning, but also a great-

ACEMOGLU: Depressing perhaps also.

AYDINTAŞBAŞ: Depressing but also inspiring and a great way for us to start the conversation. Good morning, everybody. Welcome to Brookings. My name is Aslı Aydıntaşbaş. I'm a fellow at the Center on United States in Europe, and I'm joined by my colleague

STELZENMÜLLER: Constanze Stelzenmüller, and the other half of the Umlaut Brigade. I run the Center on US and Europe.

AYDINTAŞBAŞ: Constanze and I will be pulling this conversation in different ways. In, in many ways Daron set it up for us. It's a very courageous book and a wonderful book, which you can also purchase outside. The reason I thought it was so remarkable is because it has a sense of urgency, which he's expressed here. And for us here at Brookings, in a way it touches upon nearly everything we work on in this building across different centers and programs, different floors. We have eight floors in this building, so that gives you a sense of the way this book in 312 pages actually combines much of which we're trying to do here.

I wanna jump right into it and then ask you with your thesis, what you're saying is that the crisis in liberalism isn't just because there's monsters outside and outside forces that are invading liberalism and liberal democracies. There is also that, but it's really a self-inflicted situation at this point.

And you talk about the economic elements, deindustrialization, automation, and so on, but also the fact that liberalism, liberal democracies have created a cultural backlash. So I guess my question was as a start of this conversation, if the diagnosis begins with economics, it's a dual problem because this crisis is also driven by a cultural backlash. If you were to fix the economic element of it with some of the ideas you're presenting in this book, essentially creating a new contract with working Americans and working class around the world, does that address the cultural backlash?

ACEMOGLU: No, actually it doesn't. It does not. I don't believe it does.

AYDINTAŞBAŞ: That covers immigration and identity politics and so many other issues that you-

ACEMOGLU: So I think people don't want just material improvement. As some of the more recent discussions, both academic and others, for example, throw around the word dignity or respect. I think those are also critical, and they are actually highly complementary to people's material improvement. And just put yourself in those shoes that I give you enough money to live on or decent improvements. But if I constantly make you feel like you are backwards and your values are out of touch and should be suppressed, I don't think that's gonna make you happy.

That doesn't mean that there shouldn't be conversations about ideas. And liberal democratic societies have had some of the fastest cultural change ever since their founding. So cultural change, when it's organic, is completely to be welcomed. But when it is top-down, I think it creates backlash. In the past, top-down cultural impositions were accompanied by either significant violence or the threat of violence. And liberal democracy, in its post-industrial phase, tried something new. Lots of top-down cultural pressure on certain groups, but completely peacefully. So that's a recipe, of course, for a lot of backlash. That backlash became much, much worse once right-wing entrepreneurs, cultural entrepreneurs, jumped into the business of trying to provoke, and social media created a tremendous platform for that kind of polarization. But it all predates social media. You cannot just blame it on social media. Social media is an accelerator.

So, and I think it is in some sense, and this is going to be perhaps-- this is going to sound perhaps extreme, top-down cultural imposition is actually a betrayal of the promise of liberal ideas. Because there is one big difference between liberal ideas and totalitarian ideas, fascism, Nazism, communism, theocracy, ethno-nationalism. Those ideas are not gonna win in an open marketplace where people can debate, process, understand, and act upon ideas. They can temporarily create an appeal for certain disgruntled groups. But it is the liberal ideas, and I tried-- that's why devote the first full chapter of the book, chapter two, to why liberal ideas have the promise for the future, and that's related to experimentation and free exchange of knowledge. That is their greatest secret sauce, so to speak. And once you say, "No, we're not gonna follow that playbook, we're gonna impose it on people," I think it actually creates a big contradiction within liberal democratic institutions, and that, I think, is part of the problem as well.

AYDINTAŞBAŞ: The social engineering you're talking about. I wanna turn to Constanze to see if she wants to jump in at this point.

STELZENMÜLLER: Sure. I want to say also thank you very much for joining us for this.

ACEMOGLU: Thank you, Constanze.

STELZENMÜLLER: I'm personally extremely sympathetic to your analysis, having grown up in a Germany not that much younger than you are. And in a Germany where progress, education, and dignity, right, were seen as foundational for the new West German Republic, which had violated all these precepts so horrifically before 1945. But the question I have or rather I'm also extremely sympathetic to your analysis or your charge that liberals need to

clean house, as it were, in their, and resurrect, cleave to their own principles, resurrect liberal democracy themselves rather than pointing at other factors.

That said, there's one thing that I'm not sure that I fully understood yet. And I have a series of questions, but I'll start with this one, which is what exactly is the nature of the work that provides self-respect and dignity in the post-industrial age, especially at a time when we're seeing sort of manufacturing economies being torn apart?

I'm seeing, seeing that in Germany, of course, I need hardly tell you that. And part of that is related not just to the failure of German manufacturing or maybe incumbent lobbies of manufacturing industry, protected by the government, to modernize at a time when they were still able and now being run over by Chinese -- a flood of, of Chinese unfair trade practices. How do we, how do we find dignity and self-respect in that kind of labor market?

ACEMOGLU: That is a critical question And the world is changing so fast that any answer I give will be tentative. I think some of it we will have to discover. But we're framing-

STELZENMÜLLER: We're fine with tentative answers.

ACEMOGLU: Right. We're framing something that's very critical, and that's why I devote quite a bit of time to this in the book, which is that if AI completely transformed the economy in an automation way, displacing a lot of workers, eliminating a lot of jobs, the dream of shared prosperity and dream of dignity will of course be just a dream.

So the question is: how can we create those well-paying, meaningful jobs which also create a sense of purpose and contribution to society? And I think the answer is by leveraging AI the right way. And in some sense, I'll tell you one positive thing about German manufacturing because before AI and before German manufacturing run into the crisis that it is got now, both because of its delay in adopting to some of the new technologies such as EVs, et cetera, and because it did not anticipate and react well to the decline of the Chinese market that was so important for it. They were actually, I think, dealing much better with digital technologies and robotics than American manufacturing. So when American companies, as for example car companies, introduced robots, what they did is that they just laid off masses of blue collar workers. So painting and welding can be now done by robots, so let's lay off most of the workers who used to do painting and welding.

STELZENMÜLLER: Some of us will have seen the Obama documentary about the American factory bought by new Chinese owners, which describes exactly what you're talking about.

ACEMOGLU: Okay. I missed that--

STELZENMÜLLER: It's worth watching ...

ACEMOGLU: I will, I'll get the reference from you. But what German companies did is that when they introduced robots, which they did much faster than American ones, they retrained the blue collar workers for semi-knowledge jobs. Technical maintenance or other things. And why did they do that? For two reasons that are, I think, very important. The first one is that these workers had a lot of industry-specific and firm-specific skills. So it wasn't as attractive as laying off workers who are only weakly attached to the firm and the industry.

But second, also work councils and trade unions bargained so that they said, "We're okay with the introduction of robots, but you have to retrain the workers." So that actually I think also gives us a pathway for the AI economy, which is that you have to use the digital technologies in a way that's human complementary.

STELZENMÜLLER: So it's, in other words, it's getting ahead of the wave of-

ACEMOGLU: Getting ahead or, or together with the wave. Together with the wave is fine as well.

STELZENMÜLLER: --industrial transformation and, and managing the transformations so as to take workers along with it.

ACEMOGLU: Exactly. And then I, I call this-

STELZENMÜLLER: Which I think we can agree that something that didn't happen in Germany overall, right? Otherwise, we wouldn't be in such trouble.

ACEMOGLU: Overall, yes. Service economy not, certainly. But, but I think for a while it did work much better in manufacturing. So for example, if you look at the data, despite the much faster rate of robot adoption in Germany, overall manufacturing employment didn't fall much. Blue collar employment fell, but non-production workers increased.

Now, that was a temporary period. It was helped by the Chinese demand. So, you know, you, you can say it was all Chinese demand. I can't adjudicate that. But the critical thing is therefore, to do this in a systematic way and understanding with a roadmap, and this is what I call pro-worker AI.

AI to help nurses, teachers, electricians, plumbers as an information technology so that it doesn't just try to replace their jobs, but it tries to create new tasks, new capabilities, new expertise for them. And I try to outline this, some, some of my research, which I summarize in the book, how this can be done, why it's technically feasible, and what are its-- what are some of its consequences would be.

STELZENMÜLLER: All right.

AYDINTAŞBAŞ: Well, speaking of pro-worker AI, I think we wanna go back to Germany and the world a little bit after. But since we are at AI, I feel compelled to bring up a name: Elon Musk. That you've been, you've engaged, I think, in a--

ACEMOGLU: Our leader.

AYDINTAŞBAŞ: -- Twitter exchange. I think I saw him respond to your tweets and push back. A few days ago, he was at the White House talking about an age of abundance, universal high income. It all sounds very nice. I know you're an AI skeptic, and I know your work has also, you have a paper actually questioning whether or not there would be the kind of productivity jump that AI leaders claim will happen. Tell me where you think this is going with this hype, but also a situation in which now US government is so much behind the hype.

ACEMOGLU: Well, I would like to think I am an AI realist, not an AI skeptic, but I get it. I get the point.

AYDINTAŞBAŞ: AI productivity skeptic.

ACEMOGLU: AI productivity skeptic.

AYDINTAŞBAŞ: But please lay out your case as well because I think that paper is important.

ACEMOGLU: So, I am not, I am not, and I've never been, a believer that AI is just a stochastic parrot or... You know, AI is a very, very powerful technology, and it will undoubtedly transform our economy and perhaps, unfortunately, many aspects of our social lives as well. The questions for me center around two things.

One, and this is the less important one for me, is how quickly and how much benefit it will create during the transition phase. And the much more important one, which was the topic of my previous book with Simon Johnson, *Power and Progress*, who will benefit? Who generally benefits from new technologies and who will benefit from AI?

So my big concern is on the latter, that on its current path, conceived as an automation technology, as exemplified by the banner of artificial general intelligence or super intelligence, where AI can do everything humans can do and therefore will do everything humans can do. Even if it were to create the kind of abundance that Elon Musk is talking about, it will be Elon Musk and people like him who will be the beneficiaries, and the vast majority of the people will ultimately become losers out of that process.

So that's the biggest threat. And that of course means a complete goodbye to shared prosperity, to dignity of work, as Constanze was mentioning, and, and all of those things. But I'm also skeptical that AI very quickly will create this big productivity growth, partly because the capabilities, while they're evolving rapidly, they still do not allow the kind of human judgment that is holistic, that is required pretty much for every occupation.

So it will be focused on replacing certain tasks, not full occupations. But integrating AI is very difficult into organizations. Many organizations are discovering that now. And the spread and diffusion of new technologies, especially to small and medium-sized enterprises, is often very slow. So all of these things are gonna be slow in coming, which is both good and bad.

The good part is it gives us a little bit more time, so not, not everything needs to be fixed tomorrow, though only a limited amount of time. And second, it's bad because if there was a big productivity dividend, perhaps that could create some sort of buffer to deal with some of the tensions, but I don't think we're gonna have all of that

STELZENMÜLLER: Let me take us away from AI to sort of a more structural question. You emphasize the importance of voice, self-government, and public services, right, in creating a decent environment for citizens to live in. It seems to me that today voice is supplied by social media, and it is very often an ugly, cruel voice.

Self-government, it is suggested to the users of social media, is also accomplished through social media, which is the latest version of the plebiscite de tous les jours, right? The daily

plebiscite, as it were, which as we know creates a great deal of pressure on political actors, elected politicians.

And finally, public services, well, I think we know what, what is happening to those, right? They've been stripped out to a large degree. And we see even sophisticated post-industrial, large, prosperous nations struggling with providing the essentials of capable governance. In other words, what I'm heading towards here is the, is the question of state capacity. And not just that, state capacity at a time not just when you could argue that there is such a thing as systems overload, right? Even in modern democracies, you see politicians and citizens struggling with the complexity of the issues, the complexity of the tasks, and the, and the difficulty of providing public services in the way that we were accustomed to in slower times.

But we're also seeing actual adversaries stripping out the capacity of the state to respond and civil society to protect its own rights, right? That, that it seems to me is what we're dealing with: actors, both, both external and domestic, who are engaged in the work of undoing the constitutional orders that we live in, right? And that's not something I think we can blame liberal democracy for.

But how do we, how do we respond to that? And how do we enable both the state and civil society to protect itself against such adversaries?

ACEMOGLU: Well, thank you, Constanze. Actually, you're raising to me two very separate issues.

STELZENMÜLLER: I know.

ACEMOGLU: And I would like to, to address both of them. But I don't know, how much time do we have until we open it up for discussion?

STELZENMÜLLER: 10 minutes.

ACEMOGLU: 10 minutes, okay. All right. I'll try to-

STELZENMÜLLER: You can speak for 10 minutes.

ACEMOGLU: No, no, I won't. I won't. But I'll... Because these are very important issues-

STELZENMÜLLER: It's a big question, yeah.

ACEMOGLU: I wanna, I wanna take about three minutes on each part. The first part is what is voice, especially in our post-industrial society, and then the second part about public services.

So I spent quite a lot of time in the book about community. And the reason for that is both philosophical but also practical. The philosophical part, very briefly, is that I see community essential to the promise of liberalism, but also, of course, communities often through their norms restrict freedoms, don't allow cultural change or other kinds of things. So it's this complex relationship between freedom and community.

But communities are essential for people to have a sense of expressing themselves, participating in their own governance, because that's where self-government starts, and sharing knowledge and understanding and building wisdom and a, a, a deeper level of understanding of both material and social issues. Our communities have been in decline for quite a while, but that decline accelerated with social media, and I think AI is going to continue that. Americans spend much less time interacting with people. They have many fewer friends. They spend much more of their time communicating via social media.

But social media is not a true community because it doesn't build, build trust, and it doesn't translate your voice in social media into true actions that will guide the public affairs of people. And that's why both the left and the right using social media so much is ultimately very frustrating for them because it doesn't translate into kind of meaningful things that they want. So it's creating this perverse dynamics and, and that's why a lot of demands become amplified, but they don't come any closer to being satisfied. And I think that's a very useful background for me to understand these issues.

Now, public services. I would have a somewhat different take on public service, why public services have been so neglected or such problems in the industrialized world in general than what you summarized. And it is not just the gutting of the welfare state for ideological reasons coming from the right. It's both from the right and the left, and the Liberal Democrats themselves. For example, in Germany, I think a very important part of the current economic problems, in my assessment, although I'm not an expert, is that Germany stopped spending on public services, and that was under Liberal Democratic governments, Christian Democrats, and Social Democrats.

Why did it do so? Well, it doesn't matter. The reasons are different. If you look at the UK, it's different. But it's again, a deafness to the demand for public services that were coming from communities that were already ailing. And you see the same thing in the UK now coming under the guise of austerity, so much more from the right, or some would call neoliberalism. But you see the same thing in the United States, in local politics and state politics, often coming from Democratic governments, because they prioritize other things rather than the public services that people wanted, like education or or more buildings and things like that.

So I think the general problem with public services is that we bureaucratized public services, but we also did not understand, again, the critical role that public services would need to play for bringing people to shared prosperity and to the kinds of lives that they wanted. So that's why both the left and the right, and some outside of the liberal democratic tent could drive a truck through public services, so to speak.

AYDINTAŞBAŞ: Well, let me jump right in at that point. I've heard you mention Zohran Mamdani a few times in interviews you gave after this book came out, somewhat critical of the left wing of the party. What if the answer that you're seeking is actually left-wing populism? And you also have a New York Times op-ed in which you're actually calling on the left to broaden the tent, not be more exclusionary.

ACEMOGLU: Correct, exactly. No, no, absolutely, and I think there is a lot to be recommended on the left-leaning economic populism. And both in that New York Times article, but in an earlier article I wrote, I think in January this year, in the Financial Times, I said Zohran Mamdani captured both the best hope, but also some of the big problems of the young generation of Democrats.

The two great things about Mamdani are that he understands a lot of the grievances, economic grievances, and that's what his affordability agenda is centered on. But second is his charisma and ability to communicate, which is very important because part of the cultural politics, what it did, it sort of destroyed the ability to communicate.

AYDINTAŞBAŞ: Even President Trump recognized that and has met with him a few times.

ACEMOGLU: On the other hand, two big things that make his agenda and his background less well-suited to the challenges that we face. The first one is that we have a very short period of time for not just revitalizing liberal democracy, but demonstrating to people that liberal democratic politics can work. So there, it's very important that we come up with measures that are both of appropriate ambition to the problems that we are facing and can work and can deliver so that they create demonstration effects. I think most of Mamdani's agenda, as most of the agenda of the most other progressives in the United States, is actually not ambitious enough. It's just old wing, old left-wing politics, which is not ambitious enough to reverse the kinds of things that we're talking about.

Like, we're talking about a huge inequality that has emerged from jobs and wages. You're not gonna fix that by providing free public transport or city-run government stores. And, you know, sure, more tax revenue is necessary, both at the national and the local level. I welcome that. But again, just raising those taxes and redistributing is not gonna do anything for the kinds of challenges that we're facing.

And then the fourth, I think Mamdani's politics and language and social groups that he represents are very much the newly ascendant center-left groups, the college-educated, the urban groups. And his sensibilities, I don't know whether they would translate to talking to working-class communities in Kentucky or rural Pennsylvania, and that's the challenge that we face. So you cannot just create working-class liberalism by talking to New York working class, few of them left.

AYDINTAŞBAŞ: I'm gonna turn to Constanze to see if she wants to--

STELZENMÜLLER: Yeah, I do want to come to one point that maybe adds on to the, what I was asking about just now. You mentioned in your remarks earlier that one of the notable aspects of this period is that the, quote unquote, "working class" are working for the extreme-- are voting for the extreme right. That has certainly happened in Germany in three recent state elections where large numbers of formerly SPD voters voted for the AfD. And also historic numbers of non-voters voted for the AfD. So clearly, they are giving these voters the impression that that is where they will find a voice, that that is where they will find self-government.

And while they have not yet taken on the opportunity to, to prove that they will be able to provide public services, at some point they will be in power, and then they will have to prove that. I personally have my doubts. But the bizarre thing about this moment to me is, is the sort of obviously pathological and cruel nature of the society and of the image of humanity that these extremist parties are purveying, right?

And I'm as... This is where I confess I come from the other side, or I was trained on the other side of the river in Cambridge. I was a student of Judith Shklar once, and her famous essay about the liberalism of fear has always rung a really strong bell in me for all the obvious reasons. And I wonder, does the liberalism that you advocate pay enough attention to the

fact that we are in a moment again where cruelty is being advocated by political forces who are drawing the working-class voter like magnets and where the ability... and, and these, and these forces are both playing on people's fear, but also telling them that they can use that fear to bully others, to make others suffer, right? That is... frankly, if a liberalism, a reinvention of liberalism that does not address that factor to me is, I think, destined to fail.

ACEMOGLU: So you raise many important issues, and I want to briefly touch on three of them.

The first one is that, something I just pass with one sentence in the book, which is that I say in this book, I'm not gonna talk about the policies or the ideas of the alt-right or the ethnonationalists. And it's for a very simple reason. They don't work. There is no evidence of any of the outside of the system rightists, and also true of the leftist parties, for example, in Mexico with AMLO, that have come to power and really were able to deliver what people wanted.

STELZENMÜLLER: Can I throw a quote at you?

ACEMOGLU: Yes.

STELZENMÜLLER: And this comes from these German recent state elections. Caused quite a stir in, in, in, in Germany, where an AfD state candidate said to a non-AfD candidate, "You always have to win elections. We only have to win once."

ACEMOGLU: No, I'm coming to that, I'm coming to that. Absolutely. And so, but I'm talking about whether these parties when they come, they can meet the challenges. No. I think the evidence is abundantly, abundantly clear. Trump is, I think, quite emblematic. It's not just his erraticism. There is just no ideas that will, that could rise to the thing, and many of these movements are so bad in internal structure that they also make kleptocracy and corruption much worse, which is also another thing that the voters hate.

Second, I do not put this as an element in my definition of liberalism and the big liberal tent, but anti-cruelty obviously is very central to liberal ideas. And it comes from just basically almost as a corollary of respect for individual freedom, dignity, and actions, and decency.

Now. The ideas that --I'm not a follower of Mill, but I build on Mill, and Mill was already very clear that freedoms stop when you start harming other people. And obviously, cruelty to other people, that stops it there. So there's no doubt there that liberal institutions cannot allow cruelty. But the gray area is, what do you do with movements and parties that mix in such elements and, but are not explicitly, you know, Nazi with a murderous agenda. I think if you have, especially with Germany's past, an explicitly Nazi party, I think banning that party may make sense. AfD isn't that. AfD has some of those elements, and it veers in and out. And I still think that the solution is to strengthen liberal democratic institutions but allow parties like AfD to compete because unless you defeat them at the polls you're not going to be able to stem that flow.

STELZENMÜLLER: Sure. Agree with that. Should we open it up?

AYDINTAŞBAŞ: Let's open it up to audience questions. Please, your hand, and I'm going to take two. I saw two gentlemen at the back and maybe a third question from here.

AUDIENCE QUESTION: Yes. I really enjoyed the book and the talk.

ACEMOGLU: Thank you.

AUDIENCE QUESTION: It was fantastic. But I, one of the questions I have is, how does one translate these ideas from the ivory tower into day-to-day practical agenda? You know, particularly if you're a concerned citizen. I mean, what is it you can do to sort of further this, these ideas and then, you know, what sort of practical actions can you take to you know, deal with, deal with this problem?

AYDINTAŞBAŞ: And can we go over to the gentleman here?

AUDIENCE QUESTION: Thank you first of all for this very interesting panel. You were criticizing this top-down cultural imposition, and I broadly agree, but I have two questions about that. First of all, how do you define that? Is it about education? Is it power positions? Maybe just the attitude. And then second of all you said we have to make that organic, but what is that? How do you make that? And also, aren't there some values that have to be imposed? Like if someone holds very racist values, then we can't wait to have an organic transition, I feel like. Thank you.

AYDINTAŞBAŞ: So a question about social engineering and top-down opposition, and a question on the practicality. So I'm going to actually tweak the first question and be a little bit of a tyrant here and say, for the gentleman's question we have midterms coming up, and then it's going to be the presidential race starting out the campaign. So let's say you get a call from somebody on the Democratic ticket who's, who's running as a candidate and says, "Daron, I love your book, but I don't have time to go into every detail. Give me three ideas, practical ideas that I can go on stage and advocate."

ACEMOGLU: Okay. That's, that's a great question as well. The gentleman's question was a little different. It wasn't for political candidates.

AYDINTAŞBAŞ: Okay. Well, then answer both of these.

STELZENMÜLLER: Nice try, Asli.

ACEMOGLU: So I'll answer both of them. So I think for us as individuals, I think getting involved is the most important thing. Voting, becoming informed, but most importantly, I think getting involved in the community. So my read of the evidence, there isn't anything perfect here, but I've done some research. When communities stay strong, the extremism is also moderated even in the face of grievances, and that strength comes when people participate rather than withdraw. And that, the best form of that community action is not just preaching to the converted, not to the people like you, but even people who are different from you. But of course, that becomes harder and harder when communities become so segregated in terms of education and political ideology, which is a reality in the United States.

AYDINTAŞBAŞ: You talk about having drinks with a gentleman at the airport on your way back from DC. And somebody who you wouldn't run into otherwise.

ACEMOGLU: That's right. That's the kind of thing. But we have to seek that because we don't get those opportunities as organically anymore. In terms of top-down imposition and

cultural change... the, the most important parts of it, I think, is to avoid the sense that cultural change is being demanded or imposed from positions of authority from people. And it is... the backlash that that sort of imposition creates that I think is the problem, and by organic, that's what I mean to change.

So if you look at the United States, I think since the civil rights movement, it has had tremendous cultural change. Not enough in some respects, but starting with racial politics, but also gender politics, there has been a tremendous amount of change. And I think the ones that have stuck and have been much more-- much less open to backlash are those that happened organically in that sense. But unfortunately, the problem is that as a result, it happens more slowly. So there is a trade-off, but I don't think that trade-off can be circumvented by just bringing more force from, from above.

And in terms of your question, Asli, I think the most important thing is to find a language that's not divisive and makes people understand that you care for their plight, while at the same time at least putting on the table some workable policies. That's not an easy combination because we don't have that many workable policies. But that's where we have to be creative. That's where we have to think big in terms of, especially, the AI economy and how we can leverage technology, but also strengthening labor organizations, strengthening communities.

And there are Democrats who I think are at least talking about some of these issues. But the question is, who will speak for Democrats and who will set the agenda after the midterms?

AYDINTAŞBAŞ: That is actually perhaps a great place to end. Thank you, Daron, for this very inspiring and provocative book, and thank you for being here today. I'd like to thank all of you for joining us, and please buy the book outside. Thank you.

ACEMOGLU: Thank you very much.