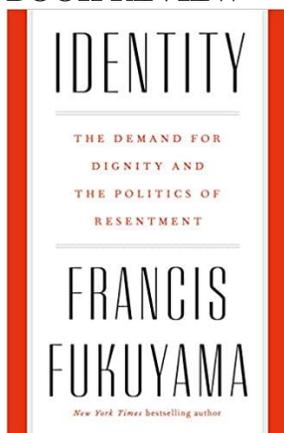


BOOK REVIEW



Fukuyama, F. (2018):
***Identity: the demand for
dignity and the politics of
resentment***

ISBN: 9780374129293

Sri Lanka Journal of
Economic Research
Volume 10(1) November 2022
SLJER 10.01.B: pp. 139-145
Sri Lanka Forum of
University Economists
DOI: <http://doi.org/10.4038/sljer.v10i1.178>



A Wijesinghe

Research fellow, Institute of Policy Studies, Sri Lanka.

Email: Asanka@ips.lk, Tel: +94 70 163 7703

 <https://orcid.org/0000-0001-8207-0720>



The 2016 presidential election of the US and Brexit dealt fresh blows to the liberal democratic governing system and market economy. Brexit challenged the idea of a common European market and demanded a British identity¹, which was going against the idea of pooling its sovereignty with the other European nations. The election of Trump in 2016 was also equally remarkable as Trump promised the “America First” protectionist policies against free trade and globalisation, which the US championed in the 1990s with North America Free Trade Agreement (NAFTA) and the commitment to a broader Trans-Pacific Partnership (TPP). Once elected, Trump renegotiated NAFTA, withdrew the US from TPP, and started a costly trade war with China. By 2016 the golden era of globalisation was already over. Globalisation was weakened by a global financial crisis, and it was under attack in its own architect countries in the 1980s under the Reagan-Thatcher period. The economic literature produced many influential papers linking the rise of populist nationalism in the UK and US with the distributional and adjustment costs of trade -localised import competition, unemployment, wage inequality, and reduced wages-austerity measures, and the inadequacy of state funds for trade adjustment packages². Fukuyama goes deeper, identifying the link between the human mind and the

¹O'Rourke (2018) provides a rich account of Brexit.

²In the 1990s and the early 2000s, import competition from developing countries was not considered a threat to wages and employment in developed countries. However, with China's phenomenal rise after the accession to the World Trade Organisation (WTO), studies showed that trade generated costs-distributional and adjustment- in addition to the benefits in the advanced economies. Read Autor et al. (2016) for a comprehensive review. The electoral effect of the import competition in developed countries is also well investigated in the economic literature (Autor et al., 2020; Colantone & Stanig, 2018; Wijesinghe, 2020)

demand for identity as the driving force of populist nationalism. The outcome of his exercise was the book titled “Identity: The demand for dignity and the politics of resentment.”

Francis Fukuyama starts his book “Identity: The demand for dignity and the politics of resentment”³ by attributing the credit for writing the book to the election of Donald Trump in 2016, in the opening sentence of the preface as, “This book would not have been written had Donald J. Trump not been elected president in November 2016”. Fukuyama, *Identity and Trump connect with each other through Fukuyama’s magnum opus “The End of History?”* published in *The National Interest* magazine in the summer of 1989. The article trumped the victory of liberal democracy and market economy, exhausting the other alternative forms of human governments with the ultimate collapse of the Soviet Union at the end of the 1980s. Fukuyama took history as a process, in the Hegelian sense, and interpreted the collapse of the Soviet Union as the end-the objective or target- of the long-term evolutionary story of human institutions. However, the election victory of Trump, a protectionist, shook Fukuyama’s thesis⁴.

As Marx stated that the end of history would be a communist utopia, Fukuyama suggested that the development of institutions resulted in a liberal state linked to a market economy. In the aftermath of the “end of the history”, all the other events were supposed to be trivial as the ideological debate on the best form of human government was already settled. However, the victory of Donald Trump- a populist nativist who campaigned on a protectionist platform which went counter to the decades of development of market economy and globalisation - presented a fresh challenge to Fukuyama’s thesis “the end of the history”. Fukuyama postponed “the end of the history” and wrote a book to explain how identity politics challenged the liberal democratic system of governance and the market economy. Thus, from another perspective, the current book is an attempt by Fukuyama to vindicate himself.

The book's central thesis is that the minimal degree of equal recognition given to individuals by liberal democracies is challenged by the demand for recognition based on nation, race, religion, and gender. Fukuyama posits that the rise of populist nationalism cannot be explained by the prevailing utility-maximizing framework of modern economics⁵, as demand for recognition differs from material consumption. Thus, although populist nationalism is claimed to be rooted in economic causes, as described in chapter 1, it actually springs from the demand for recognition that cannot be satisfied by economic means. Mainly, nationalism and religion-the driving forces of right-wing

³Identity hereafter

⁴However, Fukuyama asks the readers to pay attention to the question mark in “The End of the History?”

⁵Fukuyama takes utility as material consumption: on p.11, “Modern economic theory is built around the assumption that human beings are rational individuals who all want to maximise their “utility”-that is their material well-being-and that politics is simply an extension of that maximising behaviour.”Fukuyama argues that economic well-being is a proxy for status and respect, and economic grievances are associated with feelings of indignity and disrespect, which make them more acute.

populism of the modern days- will continue to function as forces in world politics as the modern liberal democracies “had not fully solved the problems of thymos.” Throughout the book, Fukuyama particularly explains why the political left failed to capitalise on the globalisation/free trade induced-economic grievances of the working class in the developed countries. Right-wing nationalism and religious extremism successfully capitalised on the groups with identity confusion.

Problems of thymos, identity, and populist challenge to the market economy

In the second chapter of Identity, Fukuyama traces the origin of “thymos” to Plato’s Republic. He introduces readers to the third part of the human mind, “thymos”, which is different from the “desiring part” and “calculating part”⁶. Thymos is the seat of today’s identity politics which governs the desire for recognition and resentment when that perceived recognition is not given by society. Thymos has two parts: isothymia, the part which demands equal recognition and megalothymia, the desire to be recognised as superior. Megalothymic forces were in action in the predemocratic societies, which were based on a social hierarchy. For example, warriors and the aristocrats-class of guardians-were recognised as superior in such societies. The problem is that every human being is subject to thymotic forces making political dynamics complex. While thymos was a permanent part of human nature, the concept of “identity” started to emerge with individuals started questioning “who am I” because of the modernisation resulting from the commercial revolution (see chapter three).

Fukuyama unites three different phenomena-thymos, the distinction between inner and outer self-manifested by the question “who am I” and dignity-to define the modern concept of “identity”, in the fourth chapter. The universal is action of dignity culminated in the forms of principles of the French Revolution⁷. Liberal democracies later nurtured the concepts of equal dignity by recognising the citizens “as moral agents capable of sharing in their self-government”. Turning to current political events like the American civil rights movement, Arab Spring, and Maidan revolution, Fukuyama implies a continuance of the French Revolution ideal-the equal recognition of dignity- to our time in chapter five. In an “end of the history” sense, such an exercise is essential for Fukuyama to show that, after the culmination of an ideological discourse with a victory to a system of ideals, the subsequent events are just extensions. Likewise, Fukuyama argues that the nearly 800,000 people gathered in Maidan to support continued alignment with the EU, demanded nothing but the right to live “under a modern government that treated people equally.”

Fukuyama brings the conflict between the dignity of the individuals and the dignity of the collectivities to the readers in chapter six. The shared values like belief in Christianity,

⁶Fukuyama links the “desiring part” to preferences and “calculating part” to utility maximization in the modern neoclassical economics.

⁷Hegel presented the idea that history ended in 1806 with the Battle of Jena where Napoleon defeated the Prussian monarchy and triumph of the principles of the French Revolution.

marriage, and occupations underwent drastic changes in modern liberal democracies as a result of the expansion of the market economy. When the existing system of values disappears, and a new system of values is available, individuals face newfound freedom of choice. However, as Fukuyama claims, it leads to an identity crisis leading the individuals away from expressive individualism to a common identity which re-establishes a clear moral horizon laying the groundwork for nationalism. In the political realm, the 19th-century politics of recognition and dynamics paved the way for twofold directionality-universal recognition of individual rights and collective recognition based on the nation⁸.

Elevating the relevance of the discourse to the problems of modern democracies, Fukuyama discusses the place of nationalism in the contemporary market economy. First, capitalist development required guaranteed universal recognition of the individuals as it depends on the free movement of labour, capital, and ideas. Thus, individual rights-freedom to engage in commerce and property rights- matter rather than collective sentiments. Consequently, liberalism “became the handmaiden of economic growth” (p. 62). However, some national identity was required for effective communication and labour force mobilisation. The mosaic of different languages in premodern Europe inhibited labour force mobility, demanding a uniform national language and education system.

Moreover, nationalism is born out of the anxieties resulting from industrialisation. Fukuyama vividly explains such, using the example of a peasant named Hans, from a small village in Saxony, who migrates to the city where he faces an identity crisis. The psychological dislocations are the basis for an ideology of nationalism. Notably, a shrewd politician can exploit these sentiments, promising to take society back to an imagined past of a strong community. Likewise, chapter seven discusses how identity confusion pushes individuals to turn towards nationalism and religion in the modern market economy, partly explaining the two electoral shocks of our time: Brexit and Trump.

Fukuyama’s Identity steps away from being mainly abstract to discuss an important question: why the political left could not capitalise on the economic woes-unemployment and reduced wages of non-college-educated workers and rising intra-country income inequality-in modern democracies (Chapter eight: p. 76)? The productivity and efficiency gains from globalisation increased the aggregate income of the nations between 1988-2008⁹. However, the working class in the developed countries, around the eightieth percentile of the income distribution, had witnessed relative income stagnation. Yet, Fukuyama notes that, although the left is armed with redistribution policies, it is the political right benefitting from the increased economic divisions in the developed countries. The prime examples are Brexit and Trump. The reason is that economic

⁸The diverging forces were visible even in the French Revolution, as claimed by Fukuyama. The revolution flew two banners: one promoting the Rights of Man and a national French one (p 57).

⁹Antràs, (2020) calls this period as “golden era of globalisation”.

motivations are not alone and are intertwined with identity issues in human behaviour, which collectively affects voting behaviour.

In chapter nine of *Identity*, Fukuyama connects identity with economic distress to approach the central thesis of his book. Fukuyama asserts that “Individuals often perceive economic distress not as resource deprivation, but as loss of identity” (p. 89). Two forces of globalisation and market economy, namely trade and migration, generate aggregate benefits, but the costs like adjustment costs in trade are localised. This observed phenomenon by Fukuyama is confirmed by economics research in the areas of international and labour economics. How does a populist use the localised economic deprivation intertwined with nationalism and religion for political advantage? The populist can increase the salience of race and religion, defining a group of “we the people/us” and ousting the immigrants, minorities, and small groups with fluid gender and sexual identities. Fukuyama successfully uses complementary research in sociology to support his thesis from the behaviour of marginalised voters in rural Wisconsin and Louisiana (p. 88)¹⁰. In Chapter 12, Fukuyama discusses the central concept of populism: “we the people/us”, which is generally an exclusive and ethnically biased concept. Fukuyama suggests building national identities around liberal and democratic political values, which provides a space for diverse communities to cohabitate in an attempt to salvage liberal democracy and the market economy from the attack of identity politics (p. 128).

The thymotic forces that demand recognition drive identity bi-directionally: toward liberal individualism embedded in the political rights of modern liberal democracies and toward collective identities defined by nation or religion (p. 90). The institutional efforts reconverged these two forms of identities (see chapter ten). Notably, until the 1960s, identity was an individual phenomenon representing the need to realise individual potential. However, the social movements in the 1960s related their aims and objectives to the dignity of the group they were members of (p. 107). Although Fukuyama has made no mention of “the silent revolution,” apparently, in *Identity*, the political science literature documents these social movements well. A vital shift of the movement was increased focus on the quality of life as issues pertinent to material consumption and inter-war era existential crisis faded by the 1960s. Fluid gender and family relations, fluid national borders, and environmental activism were significant characteristics of the social movements in the period. Political theorists argue that the 2016 populist victory in the US was a backlash of the voters who valued traditional identities over the new ideals of “the

¹⁰Wisconsin is a crucial state in the Rust Belt-the US states with industrial firms concentrated-and a constituent of the Blue Wall-the states Democrats won from 1992 until 2016. In 2016 Donald Trump won Wisconsin with many other Rust Belt states like Ohio, Pennsylvania, and Michigan. See: Cramer (2016)

silent revolution”. A concise discussion of the relevant literature on “the silent revolution” in chapter eleven, “From Identity to Identities”, could be an improvement of the book¹¹.

In the final chapter of *Identity*, Fukuyama discusses what needs to be done to reduce the damage of identity politics to the modern liberal democracies, which are “built around the rights given to individuals who are equal in their freedom, that is, who have an equal degree of choice and agency in determining their collective political lives” (p.164). Fukuyama’s strategy is to create identities that broader and more integrative. For example, the French creedal¹² identities like liberty, equality, and fraternity can be given.

CONCLUSION

In *Identity*, Fukuyama explains how identity politics governed by thymotic forces challenge the stability of modern liberal democracies with the market economy. The book posits a frequently asked question from neoclassical economists: whether the utility-maximizing framework can model non-material consumption like dignity. However, the economic literature published aftermath of 2016 used composite utility functions with the material, and psychological components-material component is the utility from consumption, and the psychological part is pride and self-esteem an individual draws from the status of their group- to account for the identity politics successfully¹³. Moreover, political science literature has also modelled social identity and its impact on voting behaviour (Shayo, 2009). Fukuyama’s *Identity* organises the scattered knowledge under one umbrella.

Fukuyama’s *Identity* confronts an unavoidable question: how to protect the liberal democratic system where the market economy is an integral part when parochial identity politics threatens its very existence? As Fukuyama suggests, developing creedal national identities around liberal ideals can be a solution. However, it should be complemented with strong re-distributional economic policies though Fukuyama claims that demand for recognition cannot be satisfied by economics. Indeed, economic responses should be designed in a way that individual demand for recognition is fulfilled. The countries with labour market structures vulnerable to import competition- a substantial share of the labour force in the agricultural sector, for example, are inevitably prone to identity politics as a market liberalisation might worse off a segment of the labour force, though aggregate gains can be positive. As Fukuyama noted, such an economic grievance can be interpreted as the loss of self-esteem/status paving way for identity politics. If a particular set of countries have a history of nationalistic or religious political movements, the danger is further increased. Attempting to create national identities may be a futile attempt in such countries without fiscally prudent safety nets designed well protecting the human need of

¹¹For example Inglehart (2015) and Inglehart & Norris (2017).

¹²The word creedal is used by Fukuyama in the sense of civic identities.

¹³For example see Grossman & Helpman (2020). The first version of the paper appeared as a National Bureau of Economic Research (NBER) paper in October 2018. It is unknown whether Fukuyama’s book influenced Grossman & Helpman (2020).

recognition. The book *Identity* could be further improved if the interconnection between the development of creedal identities with economic policies was taken into the account.

REFERENCES

- Antràs, P. (2020). *De-globalisation? global value chains in the post-COVID-19 age*. National Bureau of Economic Research.
- Autor, D., Dorn, D., and Hanson, G. H. (2016). The China shock: learning from labor-market adjustment to large changes in trade. *Annual Review of Economics*, 8(1), 205–240. <https://doi.org/10.1146/annurev-economics-080315-015041>.
- Autor, D., Dorn, D., Hanson, G., and Majlesi, K. (2020). Importing political polarization? The electoral consequences of rising trade exposure. *American Economic Review*, 110(10), 3139–3183. <https://doi.org/10.1257/aer.20170011>.
- Colantone, I., and Stanig, P. (2018). Global competition and brexit. *American Political Science Review*, 112(2), 201–218. <https://doi.org/10.1017/S0003055417000685>.
- Cramer, K. J. (2016). *The politics of resentment: Rural consciousness in Wisconsin and the rise of Scott Walker*. University of Chicago Press.
- Grossman, G. M., and Helpman, E. (2020). Identity politics and trade policy. *The Review of Economic Studies*. <https://doi.org/10.1093/restud/rdaa031>.
- Inglehart, R. (2015). *The silent revolution: Changing values and political styles among Western publics*. Princeton University Press.
- Inglehart, R., and Norris, P. (2017). Trump and the populist authoritarian parties: The silent revolution in reverse. *Perspectives on Politics*, 15(2), 443–454.
- O'Rourke, K. (2018). *Brexit: A short history*. London: Pelican Books.
- Shayo, M. (2009). A model of social identity with an application to political economy: Nation, class, and redistribution. *American Political Science Review*, 103(2), 147–174.
- Wijesinghe, W. P. A. S. (2020). *Three essays on the impact of international trade on US elections [PhD Thesis]*. The Ohio State University.