

Globalization and Political Instability

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Turbulent times. Economic change and political instability in Western Democracies

LUISS – Guido Carli

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1992

President

House

Senate

1994

President

House

Senate

1996

President

House

Senate

1998

President

House

Senate

2000

President

House

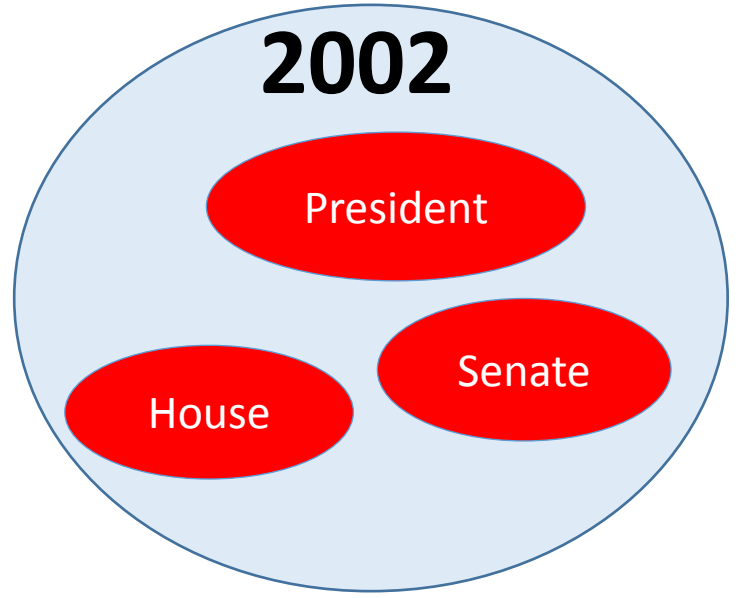
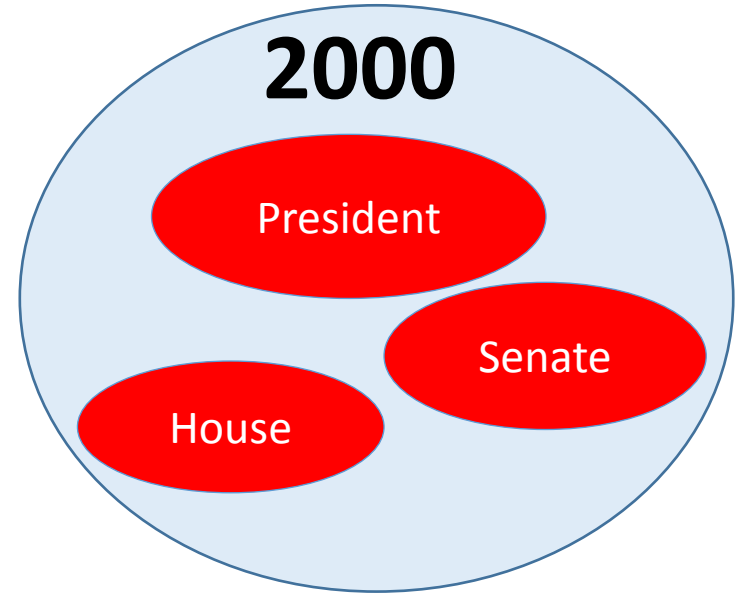
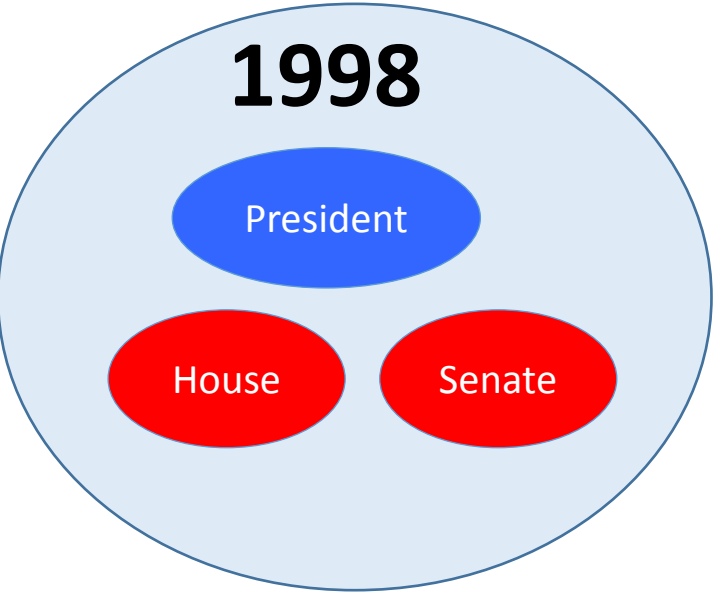
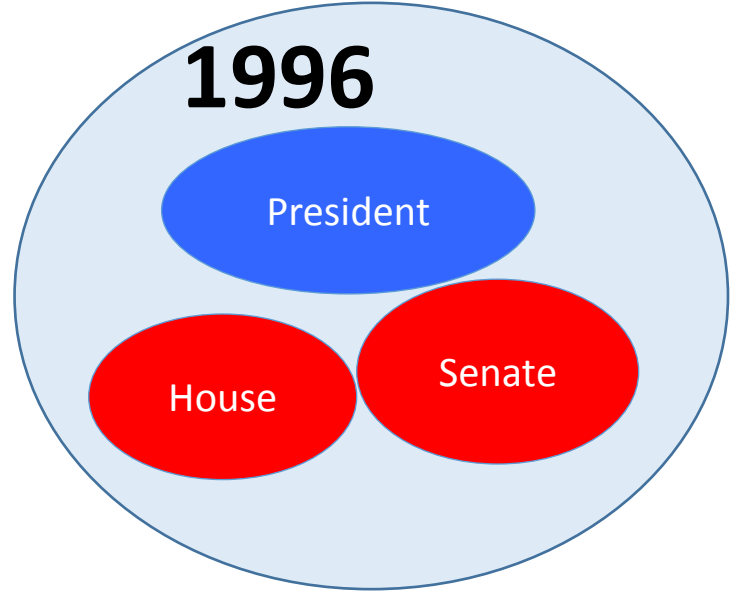
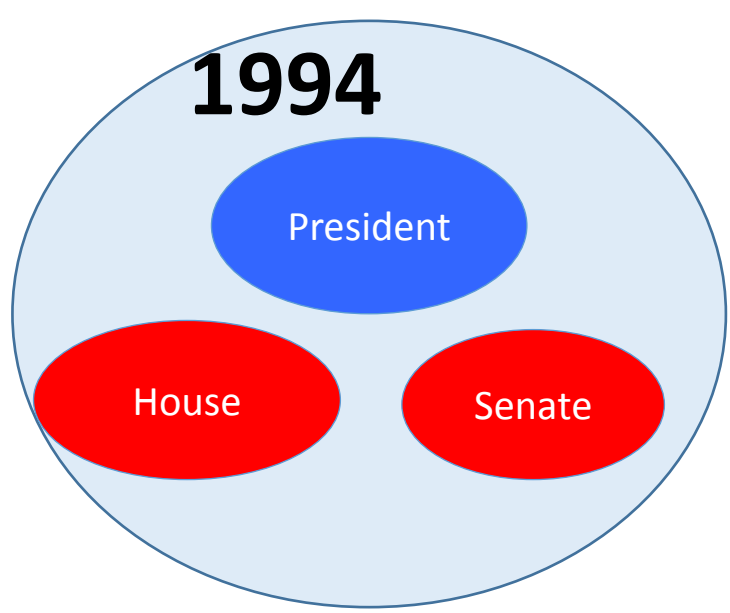
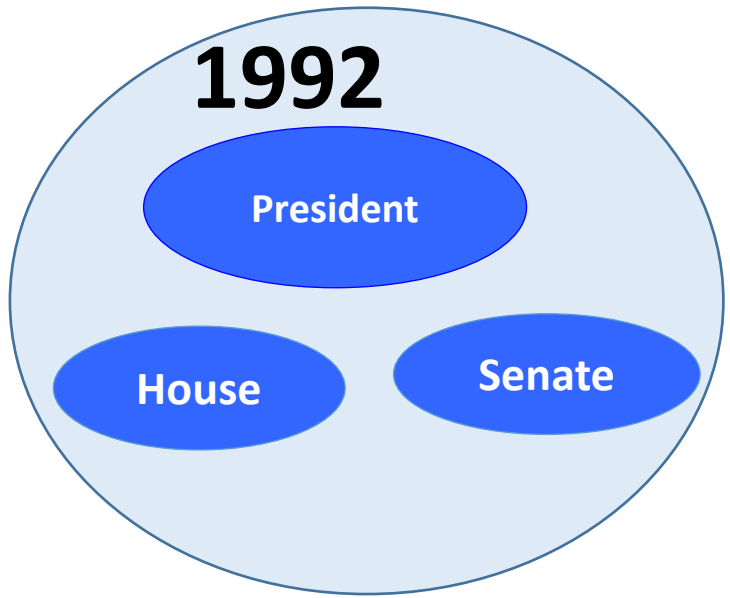
Senate

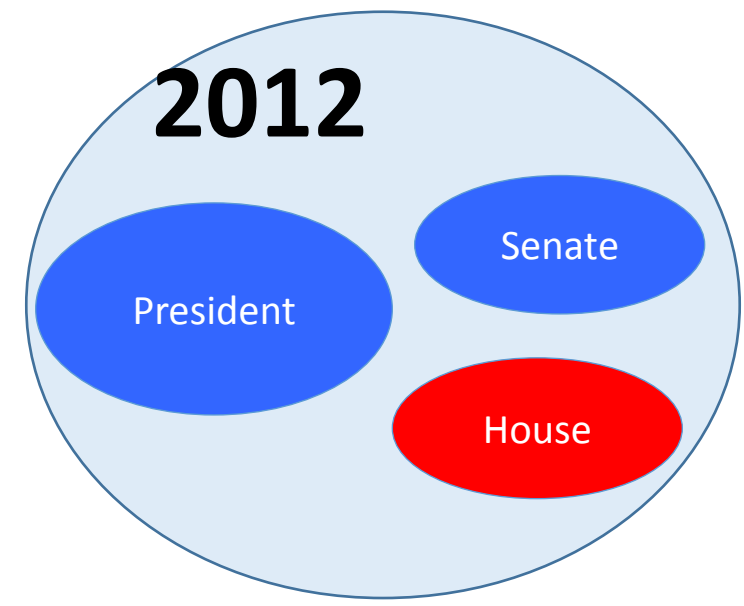
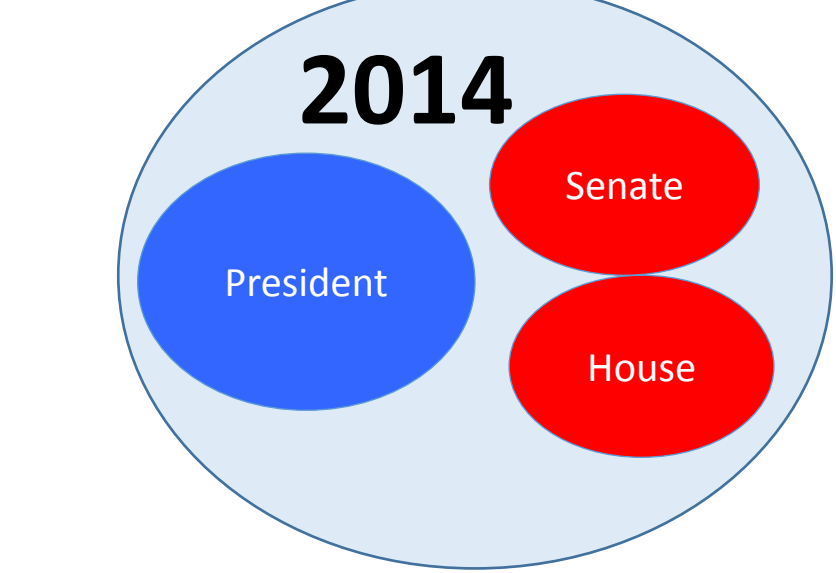
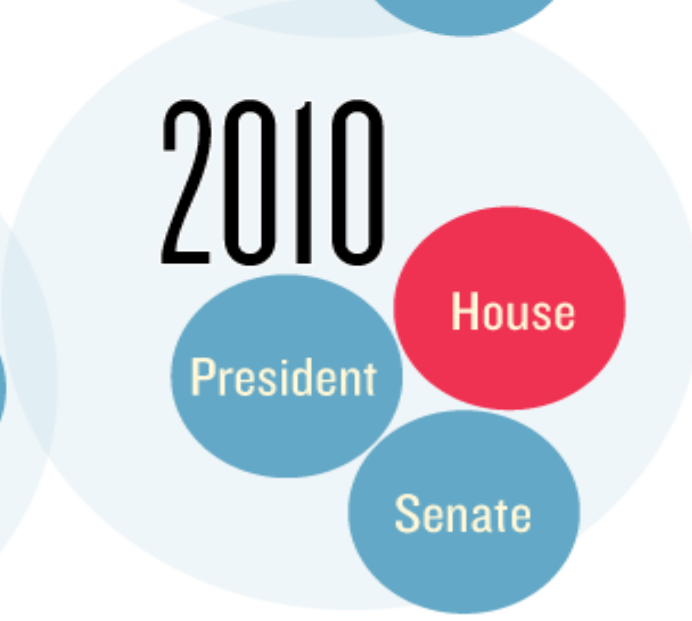
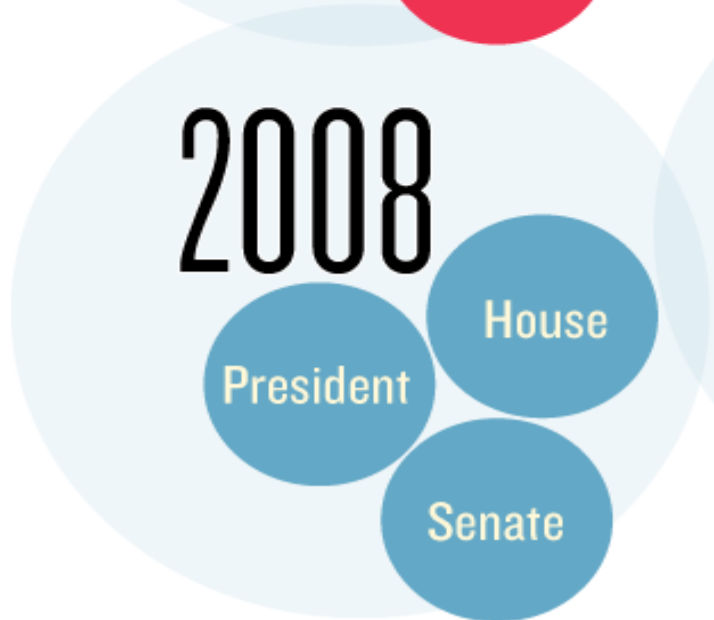
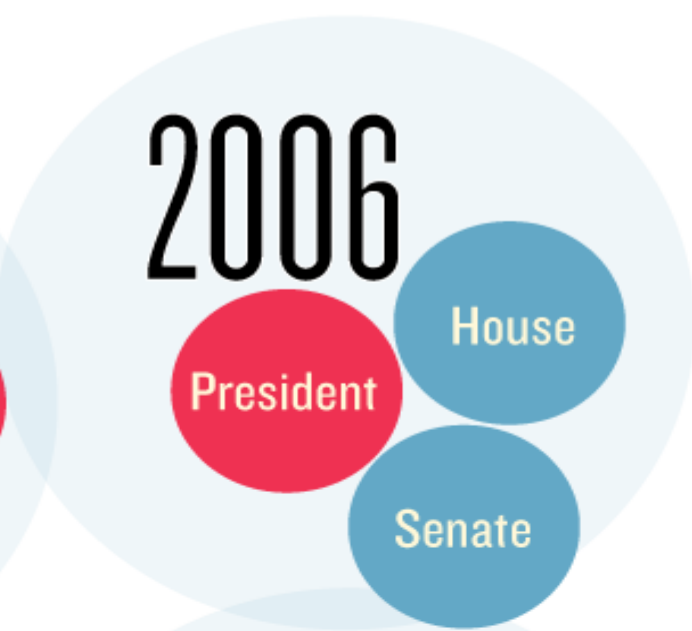
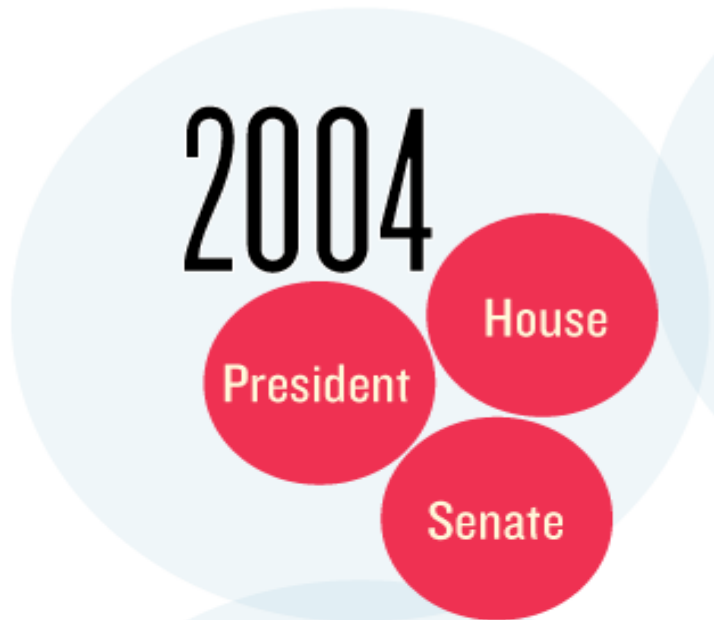
2002

President

House

Senate





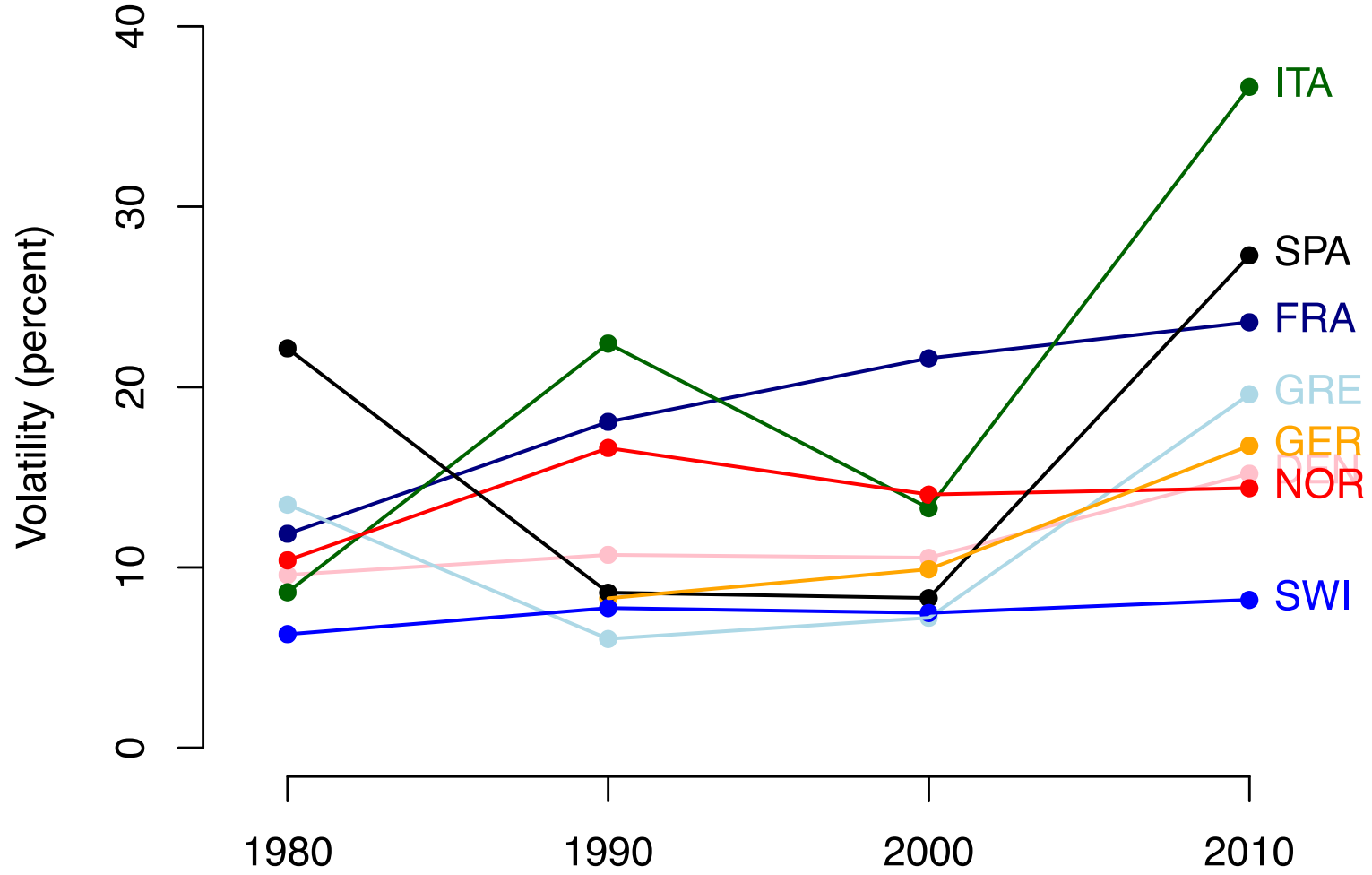
Growth of political volatility

- Swings in American politics
 - The New Deal party system (1932-80) was characterized by stable Democratic majorities in Congress with frequent changes in control of the Presidency.
 - Short-term economic fluctuations are well explained by macroeconomic variables (Kramer, Fiorina), but within the context of a relatively stable Democratic advantage in partisanship.
 - Since 1980, frequent changes of control in the Senate and even the House.
 - Democratic base shifted from unions and southerners to minorities and liberals. Republicans disappeared in the northeast and west coast, but kept even by winning the south, evangelicals, and the exurbs.
 - The social basis of party alignments (and realignments) is under-explored relative to macroeconomic explanations.

A worldwide phenomenon

- Share of major party vote in the UK declined from 97% in 1950-51 to 67% in 2015.
- Front Nationale (FN) vote rose from <1% in 1973 to 25% in 2014 European parliamentary elections.
- Anti-immigrant parties won over 20% of the vote in Denmark and Austria.
- In Italy in 2013 the 5-Star Movement received 25% of the votes in its first national elections.

Electoral Volatility in Europe



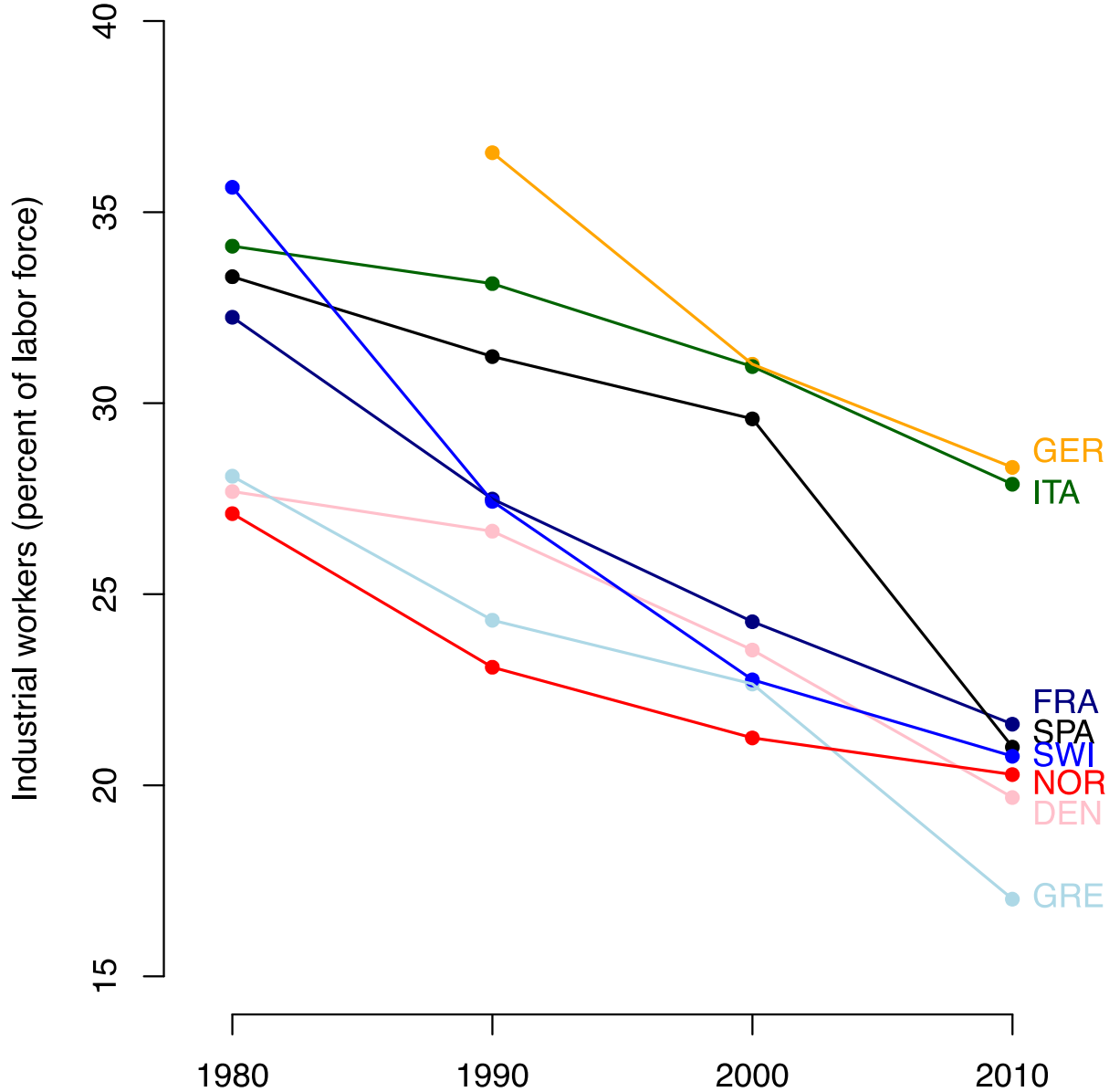
The argument

- The durability of partisan coalitions is rooted in long-running social and economic cleavages.
- The growth of cities and manufacturing were the basis for stable party systems in the period after the end of World War II.
 - Left wing parties depended primarily upon unionized industrial workers.
- Globalization has led to a long term decline in industrial employment.
 - This shrunk the natural base of left-wing parties.
- The result was electoral volatility, similar to that at the end of the 19th century as manufacturing employment reduced the importance of farming.

Year	President	House	Senate
1874	R	D	R
1876	R	D	R
1878	R	D	D
1880	R	R	R
1882	R	D	R
1884	D	D	R
1886	D	D	R
1888	R	R	R
1890	R	D	R
1892	D	D	D
1894	D	R	R
1896	R	R	R

ERA OF INDECISION

Decline of industrial employment in Europe

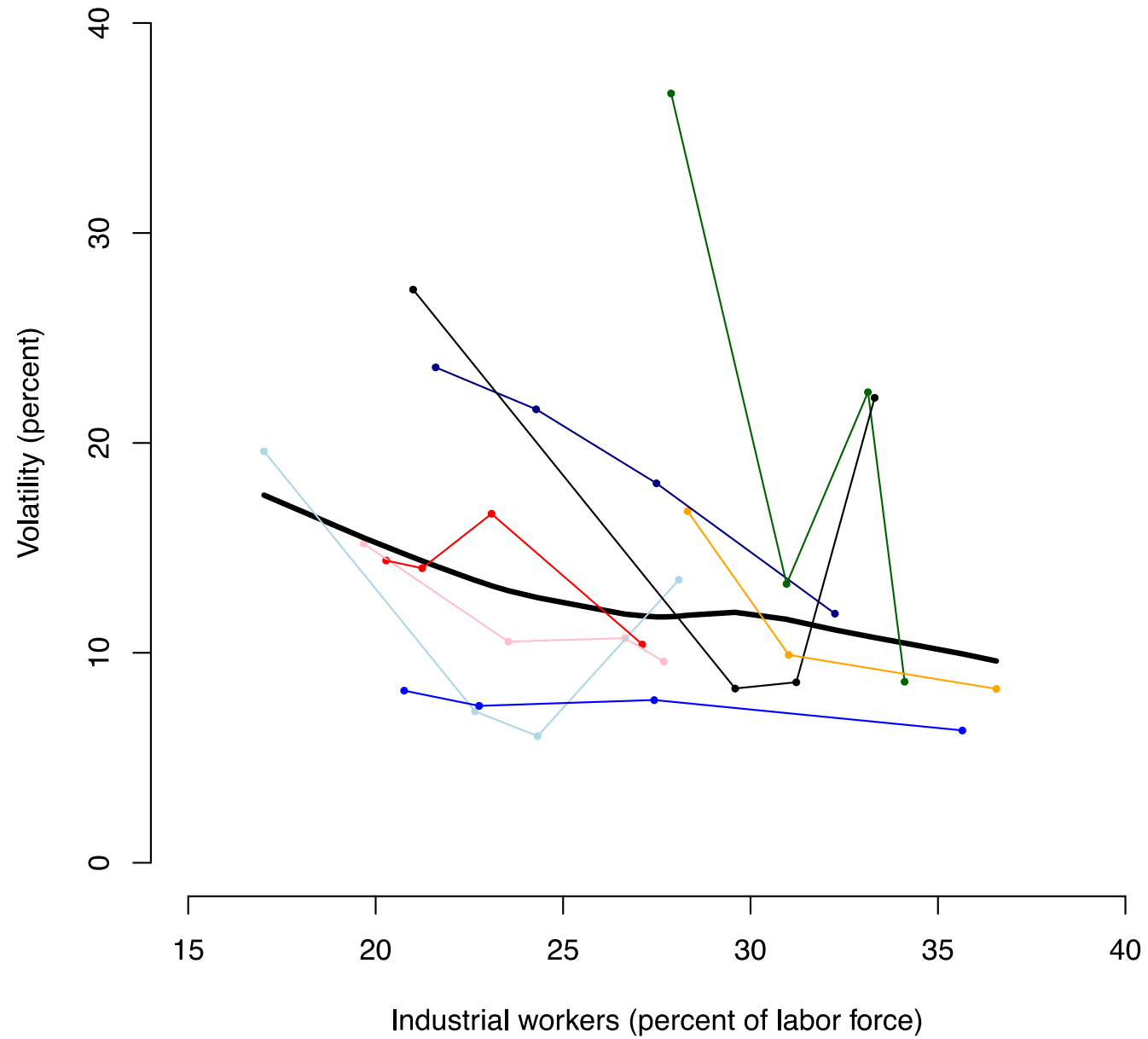


- Economists differ somewhat on when the decline in industrial jobs begins, but beginning in the 1970s automation began to decrease these jobs and later exporting jobs overseas where production costs were lower (supply chain management) dramatically decreased industrial jobs in OECD countries.

Are they related?

- Industrial employment is trended downward everywhere.
- But it starts at different levels in different countries.
- The steepness of the decline varies across countries.
- And the timing of the change differs.
- Electoral volatility is much more variable, but generally increasing.
- The first step proving that job loss affects political stability requires showing that independent of short term economic effects – business cycle, slumps, etc. that there is a relationship between decline in industrial jobs and electoral instability

Relationship between industrial employment and electoral volatility



- Notice the relationship between political instability and job loss differs by country.
- In many countries new coalitions and/or new parties have formed around issues like immigration. However, such movements take different forms depending on the electoral system - e.g. Trump in the Republican primaries and Front National in France, or 5-Star in Italy.
- These new coalitions or parties need not be either consistently left or right – witness the Front National's positions on social welfare and worker protection, and the Danish's People Party positions on school funding, cruelty to animals, and aid to the elderly.

Conclusions

- Political instability in OECD countries is related to the decline in industrial jobs.
- The decline in industrial jobs weakened the labor party(-ies) vs. anti-labor party(-ies) of the mid twentieth century.
- Within countries political parties try to form a majority as best they can, e.g. cultural and social elites with blue-collar remnants but no country has yet succeeding in stabilizing its party coalitions.
- This political instability is in turn related to governments' and economies' inability, thus far, to deal with issues generated by globalization, such as inequality and immigration. The inability to deal with this questions has generated a lack in trust in governmental and economic institutions