Identity Politics, Political Conflict and Economic Policy

Tim Besley

ABCDE 2021
Politics and Development

• Getting away from architecture and into construction methods
  • There are no benevolent social planners
  • Institutions and state capacities vary enormously
    • They need to be built not assumed

• Huge progress in past 25 years
  • Dynamics of policies
  • Dynamics of state capacities
  • Dynamics of institutions

• Also in past decade
  • Dynamics of norms and culture
New models and insights

• Wider action space
  • Voting
  • Protesting
  • Use of political violence
  • Role of the media

• Wider cleavages
  • Income
  • Identity
    • Ethnicity
    • Religion
    • Cultural values
  • Insecurity
The Virtuous Circle of Development

Common Interests → State Capacities → Economic Policy → Peace & Prosperity

Institutions

Norms/values (culture)
The search for cohesiveness

• Two paradigms
  • Politics in the public interest
    • Benevolent planner model from economics
  • Politics as a private interest
    • Rent seek
    • Use of violence to acquire and maintain power

• But the idea of common interests is really a myth ...
The myth of common interests

• Well-defined in very limited cases
  • E.g. provision of a public good with common values
  • So probably not a particularly useful practical paradigm

• Cohesive politics in practice
  • Finding ways of managing a multi-dimensional issue space
  • Searching for a dominant cleavage
    • Class politics the most widespread example
  • Having a reasonable level of convergence on a range of policies
    • Effectively suppressing other dimensions of conflict
    • Non-salient issues influenced by
      • Elite opinion
      • Lobbying
  • In equilibrium, this creates a high degree of cohesiveness
    • But hard to achieve in practice
The Reality: Development Clusters

DISCUSSION PAPER SERIES

(c) 2016
Two key dimensions

(c) 2016
Predicts life satisfaction

Figure 15: Life Satisfaction and the Pillars of Prosperity Index Conditional on State Spaces, 2016
Stable over time
But how stable?
But how stable?
Sources of instability

- Salience shocks
  - Example: Immigration

Note: data stems from the Eurobarometer. Respondents were asked “what do you think are the two most important issues facing (OUR COUNTRY) at the moment?” The bars plot the proportion of respondents listing “immigration.” Averages were taken over all rounds between 2005-2009 and 2015-2018. The last bar, “Avg,” refers to the average 2005-2009 and 2015-2018 percentage of respondents across all 20 countries in the sample.
Sources of instability

Figure 1
Absolute and Relative Vote Share of Radical Right Parties

Note: data from the Varieties of Democracy (V-Dem) V-Party dataset. Vote shares are averaged across all radical right parties in a sample of 39 countries per year for years with non-missing data from 2005-2015. Vote shares between countries are held constant. Trends for countries in a harmonic moving average and the grey line represents the yearly average. Behind the trend and Portugal have no radical right parties with a vote share >0.1% and hence are omitted from throughout the entire time period.

Note: data from the Varieties of Democracy (V-Dem) V-Party dataset. Vote shares are averaged across all radical right parties in a sample of 39 countries per year for years with non-missing data from 2005-2015. Vote shares between countries are held constant. Trends for countries in a harmonic moving average and the grey line represents the yearly average. Behind the trend and Portugal have no radical right parties with a vote share >0.1% and hence are omitted from throughout the entire time period.
The decline of social democracy?

Figure 1: Three measures of the electoral performance of social democratic parties

- Total share of votes (%)
- Average share of votes (%)
- Total share of electorate (%)

Note: Total share of votes = total votes for social democratic parties in a year in the 31 countries divided by the total number of votes cast in an election. Total share of the electorate = total votes for social democratic parties in a year in the 31 countries divided by the total number of eligible voters in an election. Average share of votes = average share of the votes for social democratic parties in a year in each of the 31 countries.

• From Benedetto, Hix and Mastroccoco (2021)
A set of interrelated phenomena

- Rise of nationalism
- Increased insecurity
  - Technology
  - Globalization
  - Covid?
- Not well conceptualized on an economic left-right scale
- Complementarities?
- And is compensation the issue?
  - Loss aversion applied to identity
Safety valves

• Elite responses
  • Trying to build encompassing interests
    • But hard to commit and risk losing control
  • Direct democracy e.g. referenda
    • Elites lose control (Brexit)
  • New parties

• Citizen responses
  • Protest
  • New political movements
    • Facilitated by new media?
Unrest and Protest in Political Economy

• Large literature on unrest and protest
  • Early contributions: E.g. Kuran, Tullock, Grossman
  • More recent: E.g. Battaglini, Passarelli and Tabellini

• Newer more empirical literature
  • Identifying specific “shocks”
    • E.g. Burke and Lee, Ponticelli and Voth
  • The technology of protest
    • Social networks: E.g. Enikopolov et al, Cantoni et al
    • Social media: E.g. Enikopolov et al, Fergusson

• How to embed into wider political behavior not so obvious
Elites lose control?

• System change versus reform within a system
• Question from WVS is ‘Basic kinds of attitudes towards society’:
  1. Society must be radically changed
  2. Society must be gradually improved by reforms
  3. Society must be valiantly defended
• Create ‘revolutionary preference’ dummy based on whether a respondent replies with 1, and 0 otherwise.
Elites lose control?

Note: bars represent coefficient estimates from survey wave fixed effects, relative to wave 2 (1989-1993) as the base wave. The question concerning revolutionary preferences was not asked in waves 5 and 6, and hence are omitted. Individual characteristics of tertiary education, gender, and decadal age dummies are controlled for, in addition to country fixed effects.
Elites lose control?

Revolutionary Preferences by Income Levels

Coefficient Size

Wave 3 Wave 4 Wave 7

Low Income Middle Income High Income

Note: bars represent coefficient estimates from survey wave fixed effects, relative to wave 2 (1989-1993) as the base wave. The question concerning revolutionary preferences was not asked in waves 5 and 6, and hence are omitted. Individual characteristics of tertiary education, gender, and decadal age dummies are controlled for, in addition to country fixed effects.
Is more democracy the answer?

Note: data stems from the World Values Survey (WVS). The question asked is how important is it to have a democratic system. The overall average response is taken by regime type, and then deviations from this are derived by survey wave.
Is more democracy the answer
Bottom line

• Is the world entering a new period of instability?
• If so, what are the policy and institutional responses?