

Identity Politics, Political Conflict and Economic Policy

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ABCDE 2021



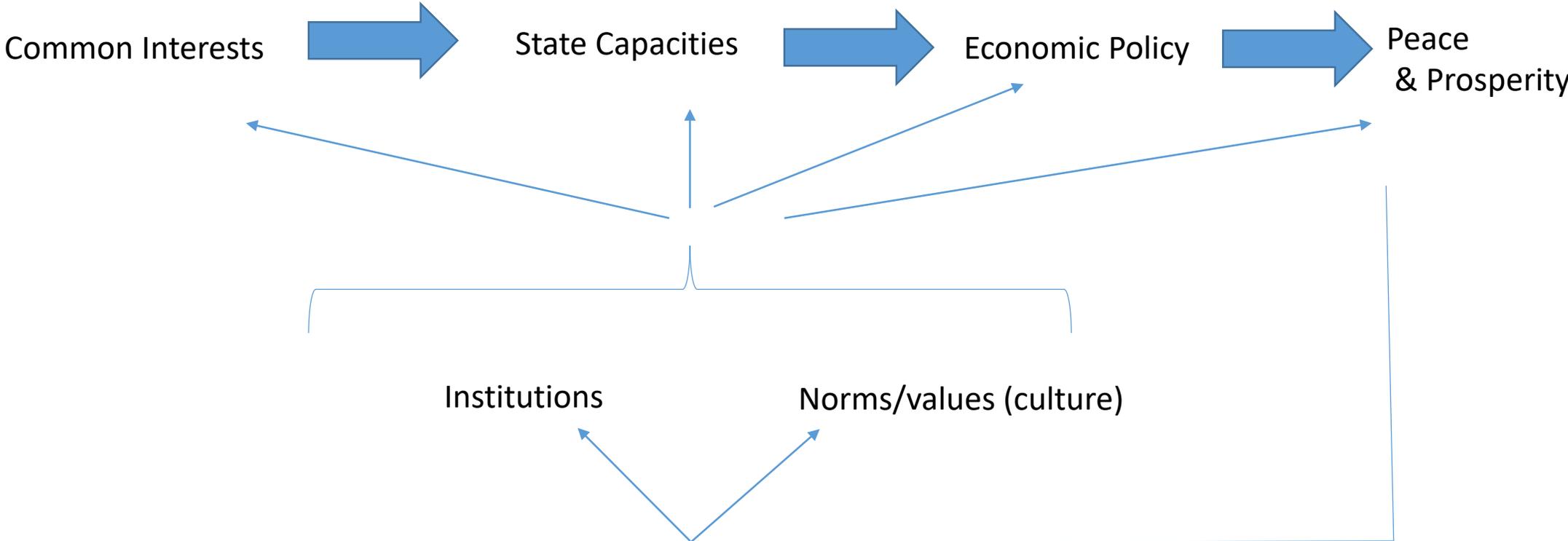
Politics and Development

- 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



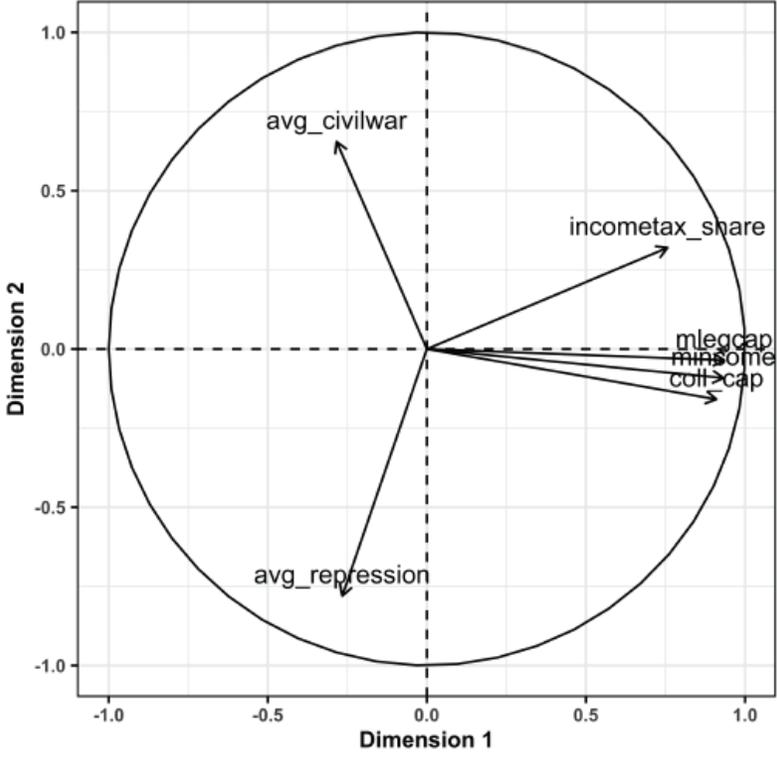
The search for cohesiveness

- 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

Two key dimensions



(c) 2016

Predicts life satisfaction

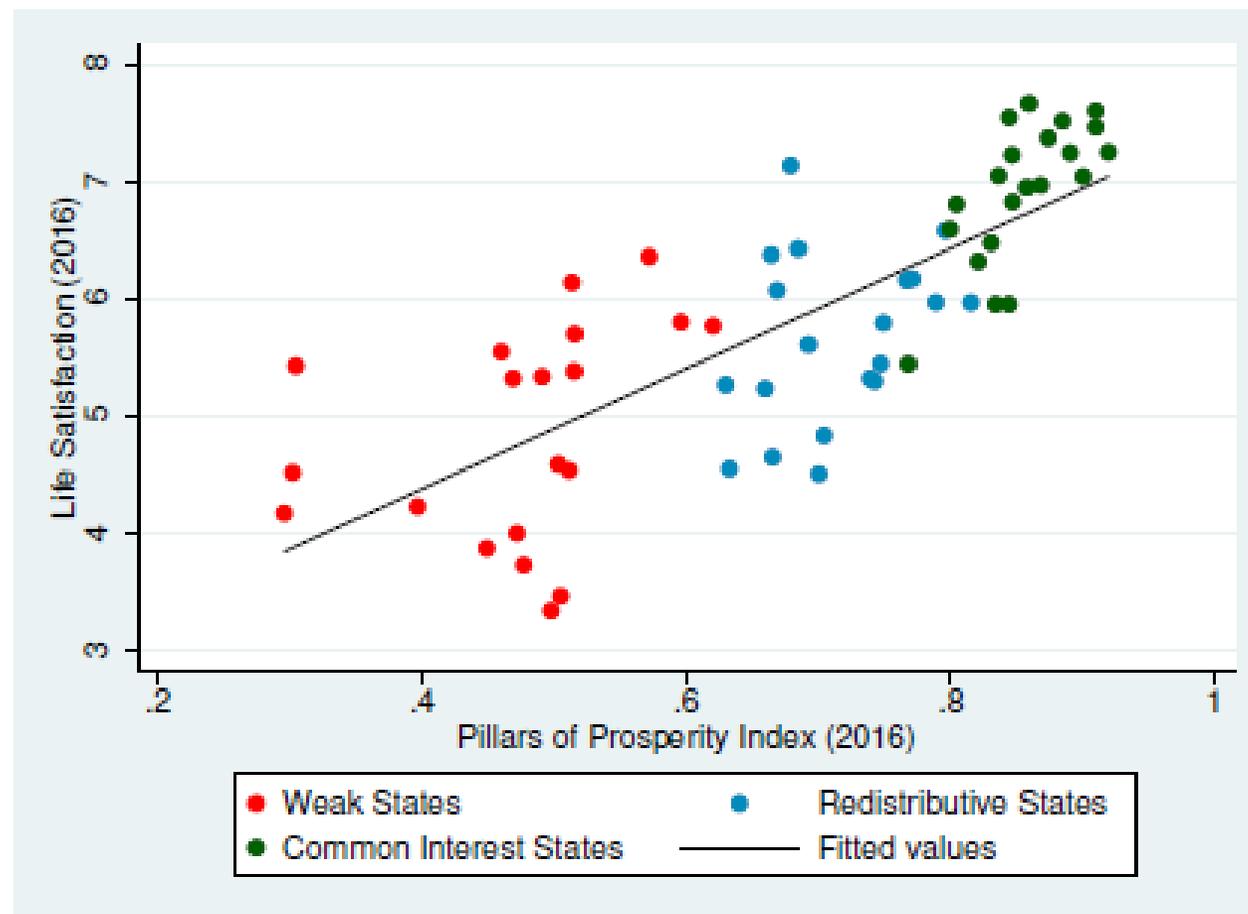
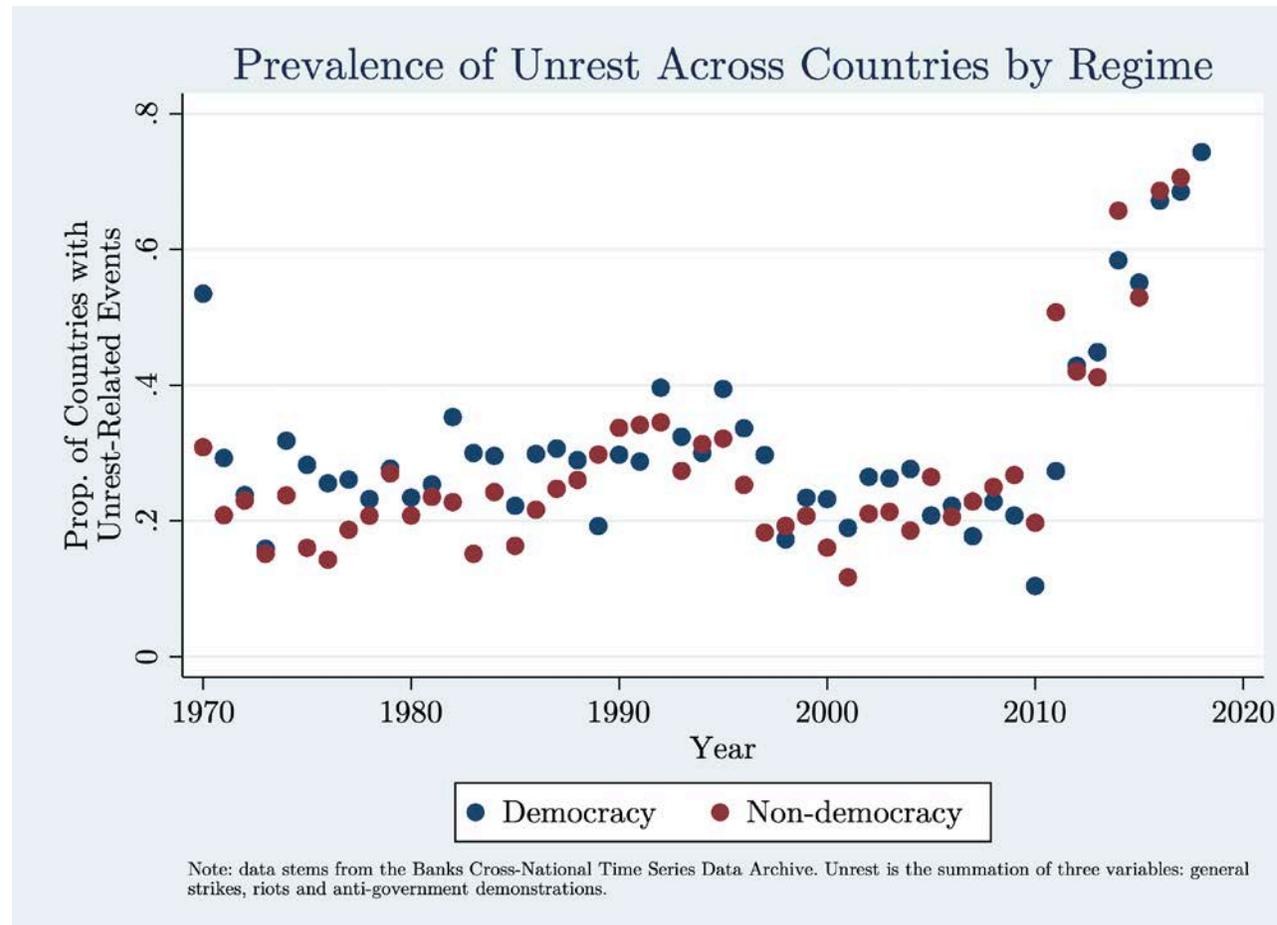
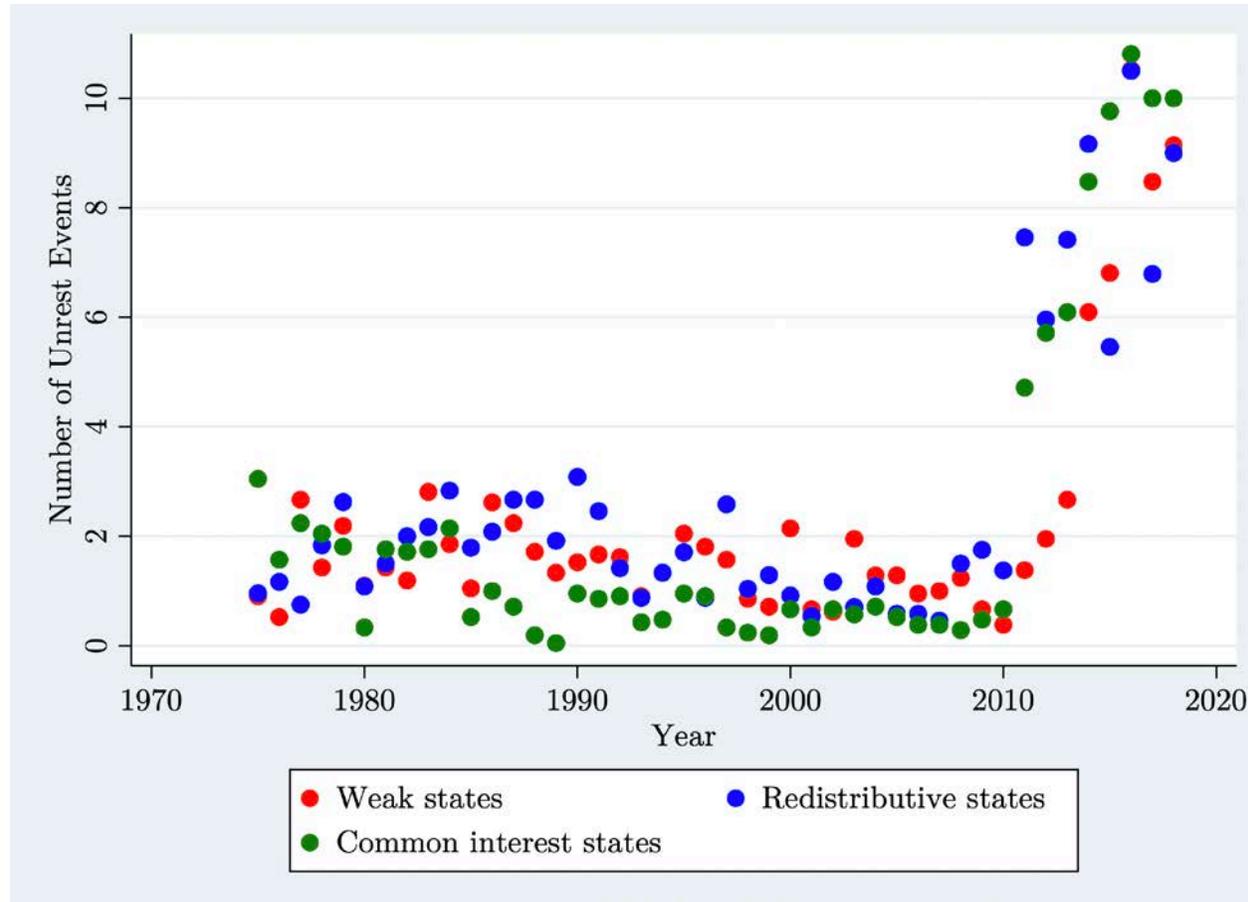


Figure 15: Life Satisfaction and the Pillars of Prosperity Index
Conditional on State Spaces, 2016

But how stable?



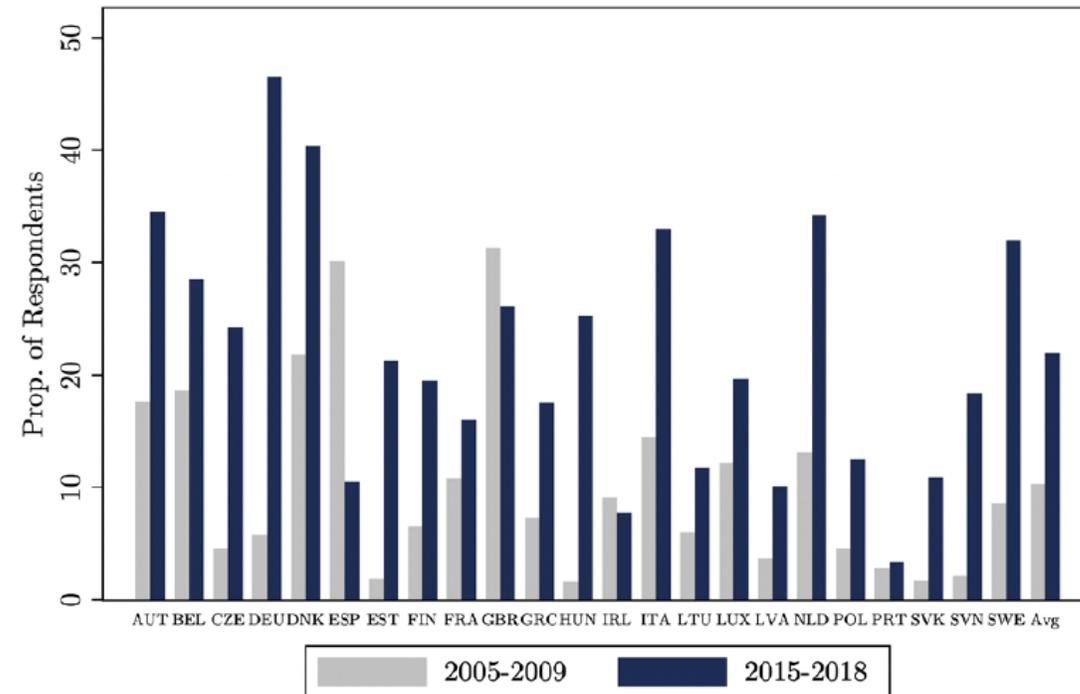
But how stable?



Sources of instability

- Salience shocks
 - Example: Immigration

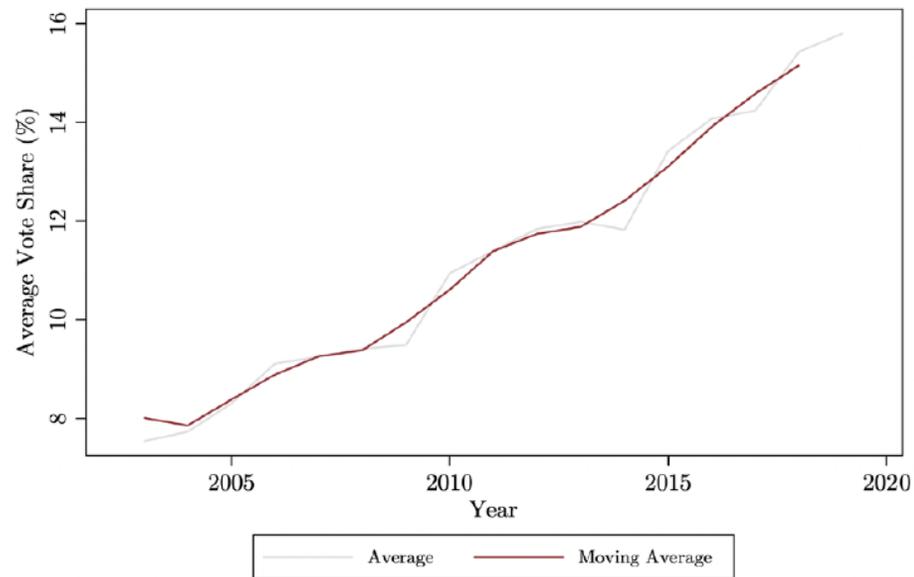
Immigration Salience



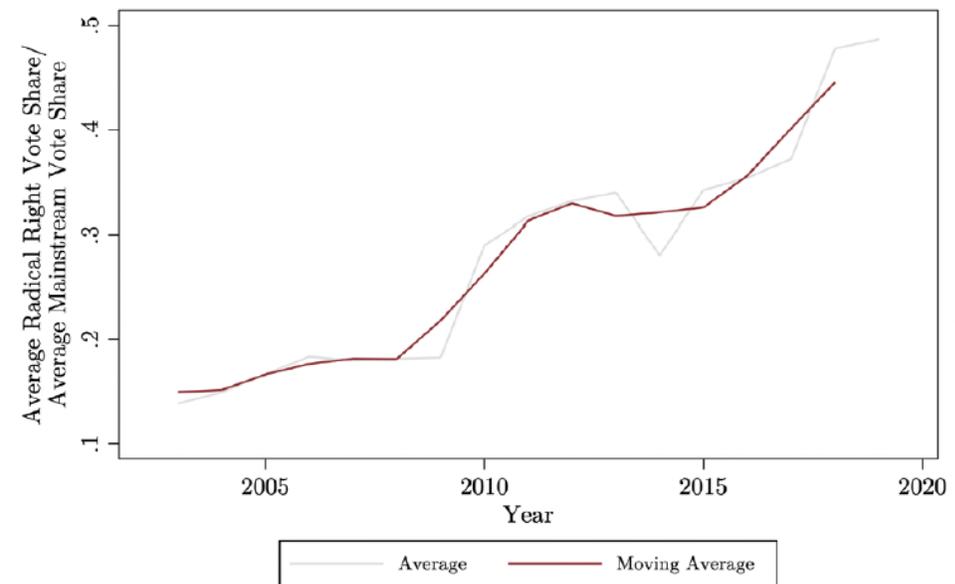
Note: data stems from the Eurobarometer. Respondents were asked 'what do you think are the two most important issues facing (OUR COUNTRY) at the moment?' The bars plot the proportion of respondents listing 'immigration'. Averages were taken over all rounds between 2005-2009 and 2015-2018. The last bars, 'Avg', refer to the average 2005-2009 and 2015-2018 percentage of respondents across all 23 countries in the sample.

Sources of instability

Figure 1
Absolute and Relative Vote Share of Radical Right Parties



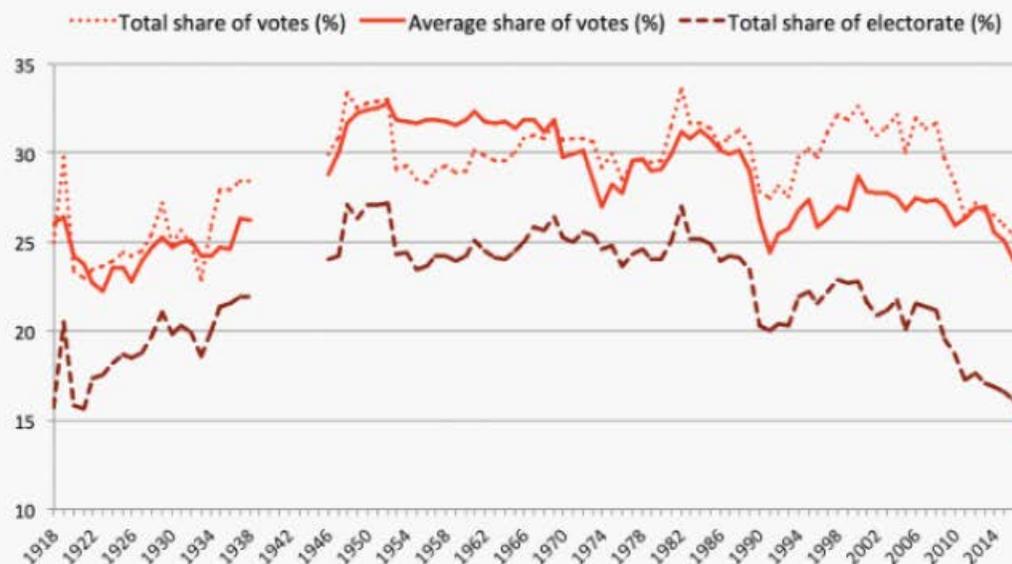
Note: data stems from the Varieties of Democracy (V-Dem) V-Party dataset. Vote shares are averaged across all radical right parties in a sample of 20 countries per year for years with non-missing data from 2003-2019. Vote shares between elections are held constant. The red line represents a three-year moving average and the grey line represents the yearly average. Ireland, Lithuania and Portugal have no radical right parties with a vote share >1% and hence are assumed a 0 throughout the entire time period.



Note: data stems from the Varieties of Democracy (V-Dem) V-Party dataset. Vote shares are averaged across all radical right parties in a sample of 20 countries per year for years with non-missing data from 2003-2019. The same exercise is performed for mainstream left and right parties. Vote shares between elections are held constant. The red line represents a three-year moving average and the grey line represents the yearly average. Ireland, Lithuania and Portugal have no radical right parties with a vote share >1% and hence are assumed a 0 throughout the entire time period.

The decline of social democracy?

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



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 Mastrococo (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?

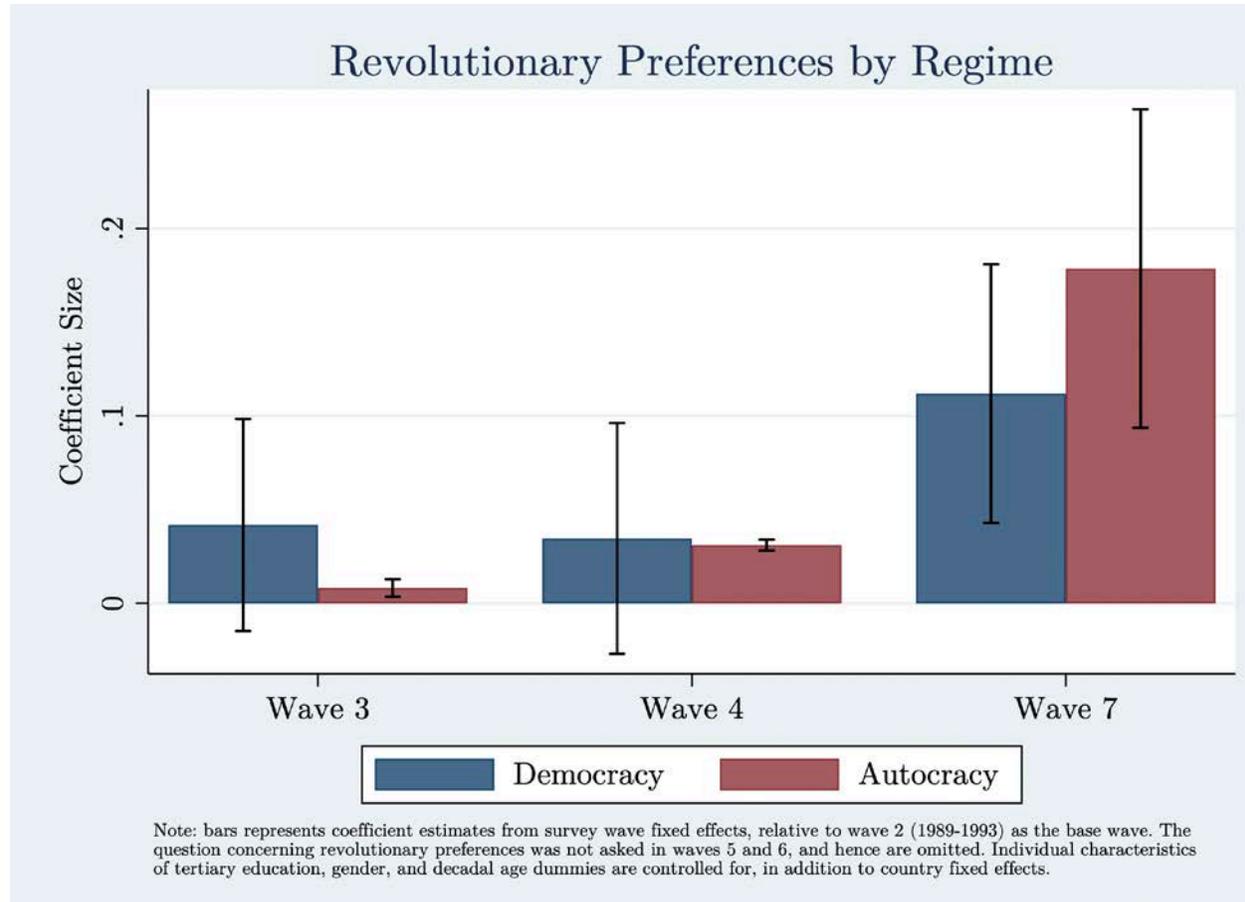
Unrest and Protest in Political Economy

- 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 protes
 - 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

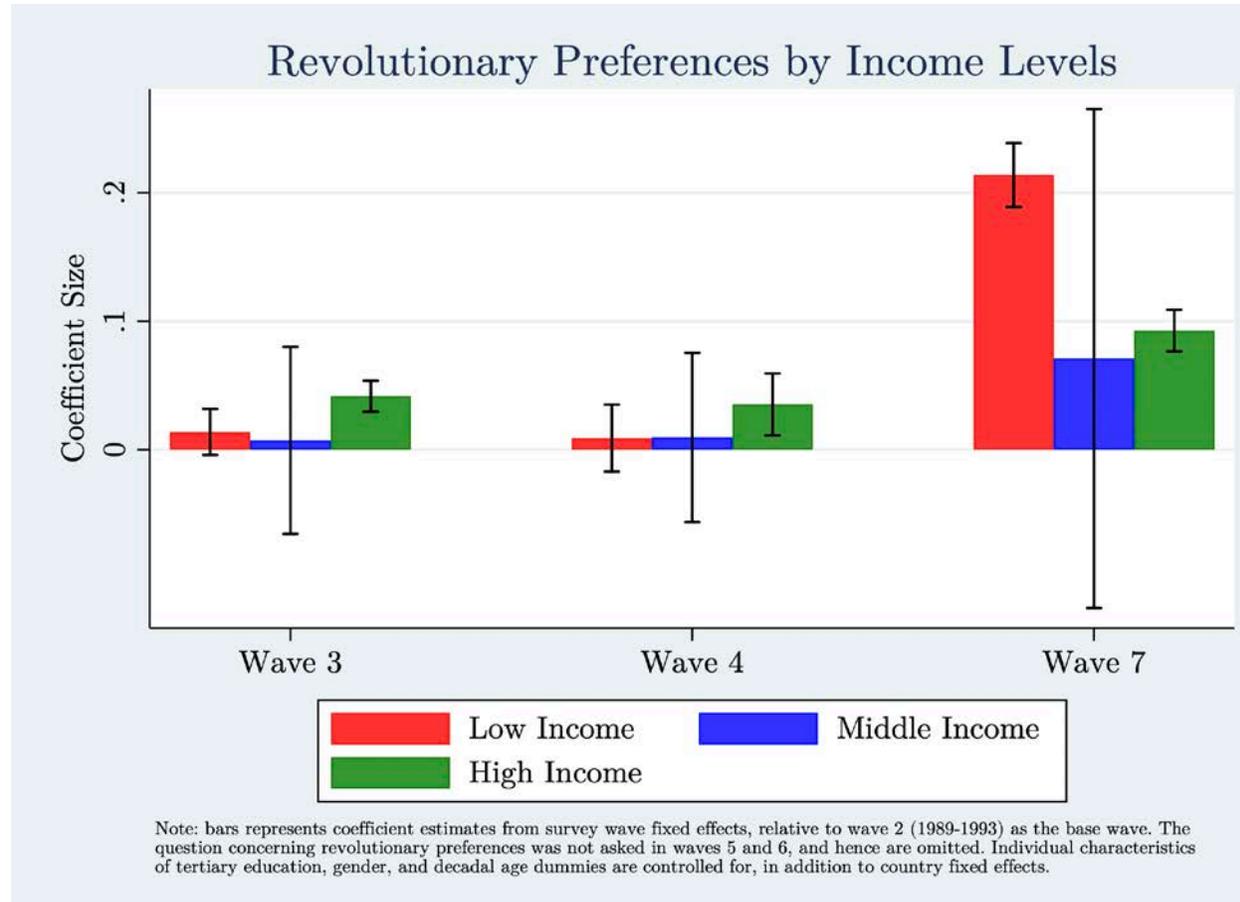
Elites lose control?

- 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.

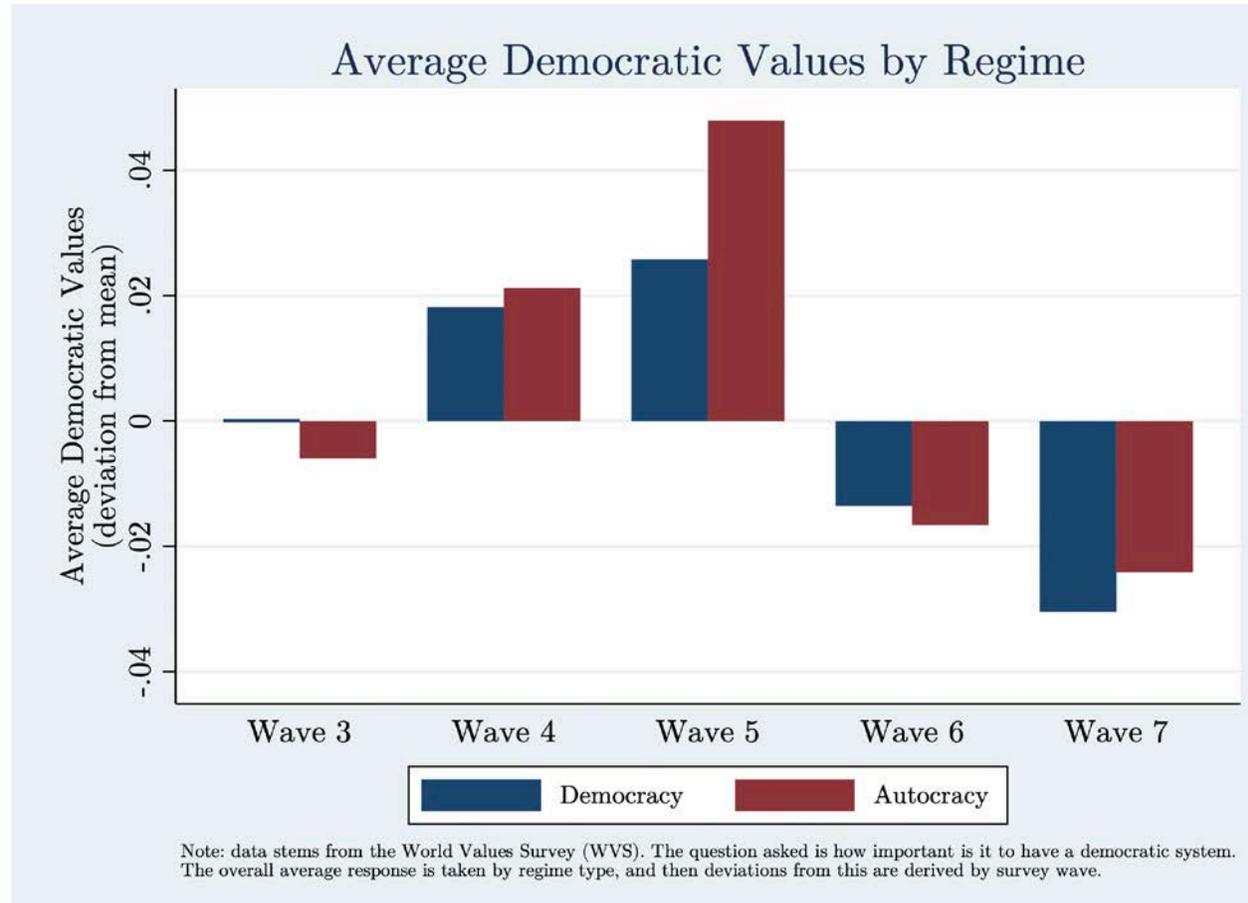
Elites lose control?



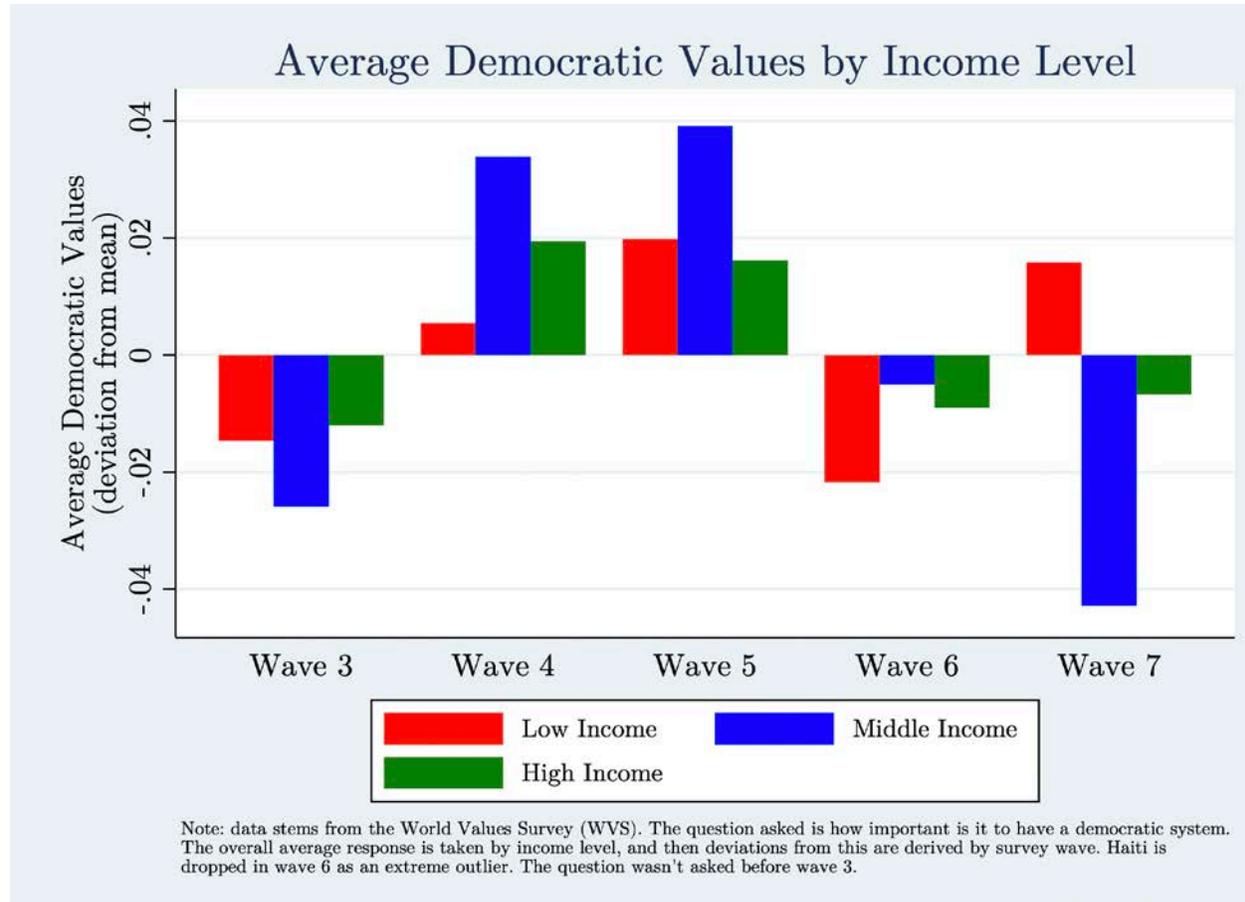
Elites lose control?



Is more democracy the answer?



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?

