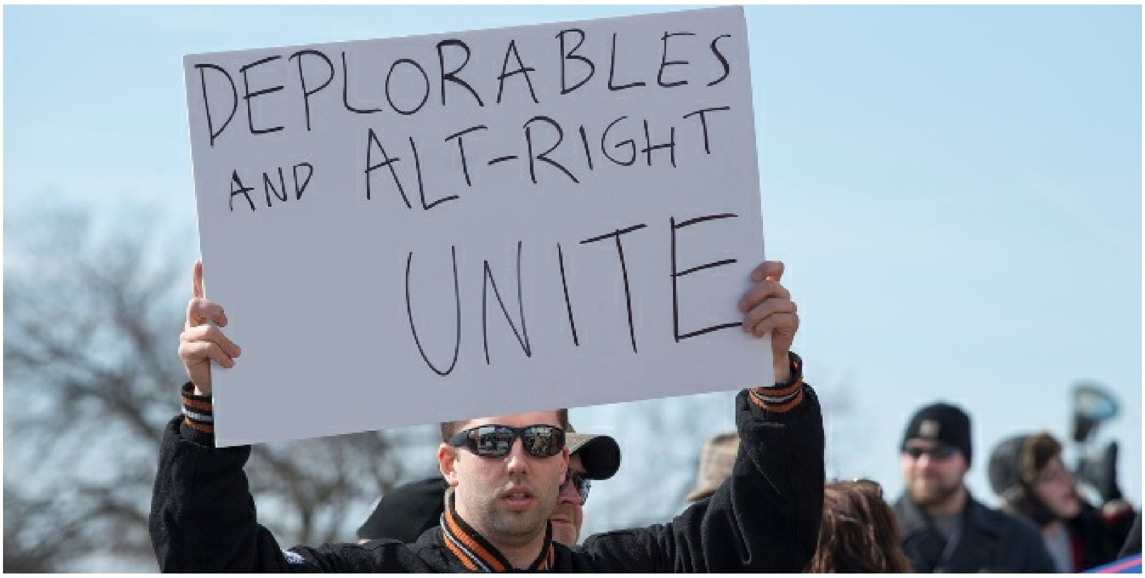
Economic insecurity breeds support for the right



Economic insecurity is attracting growing attention in social, academic, and policy circles. It has arguably risen for a number of reasons in recent years: the Great Recession (with its associated job instability), automation and the fear of job loss, the Chinese import shock, and ageing populations and migration, amongst others. As well as its obvious implications for family finances and wellbeing, we here ask whether insecurity affects the way in which people vote. Economic insecurity is an alternative explanation of populist preferences to the cultural backlash against progressive values, such as cosmopolitanism and multiculturalism or status threat.

Measuring economic insecurity

Despite its potential central role in economic, political, and social outcomes, there is no consensus as to the precise definition of economic insecurity. Previous work has considered insecurity as the change in the unemployment rate, a fall in per capita income or as a change in subjective perceptions. A comprehensive formal definition covering all possible aspects would be extremely challenging, and we propose a simplified approach to calculate an individual-level measure of economic insecurity.

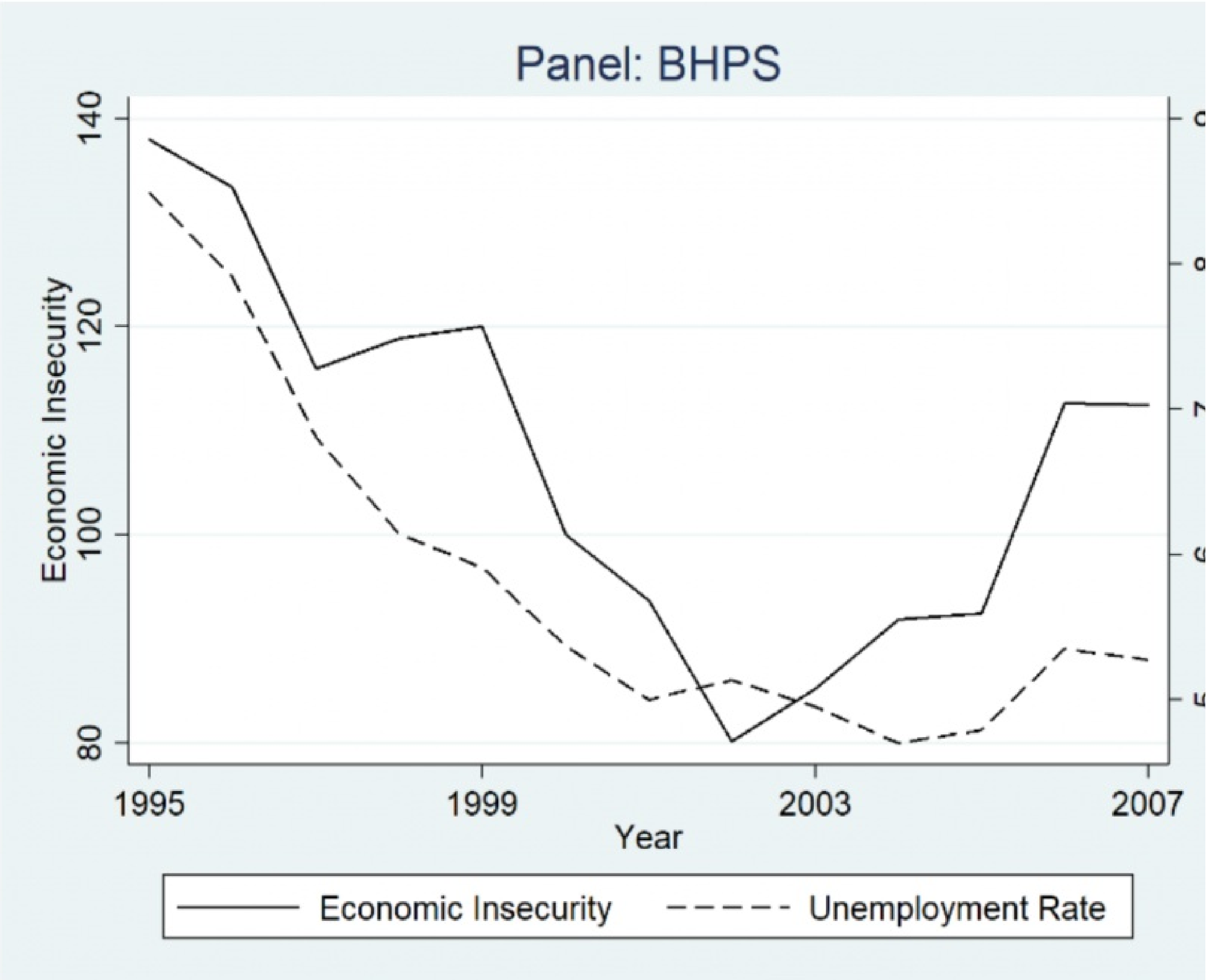
We do so by axiomatically characterising a class of individual economic-insecurity measures based on movements over time in individual economic resources (such as income). Formally, the class of individual insecurity measures is based on the geometrically-discounted sum of changes in resources over time. The measure respects a set of standard axioms (see Section 2 here for details) and has two key properties. The first is loss-monotonicity: a fall in economic resources increases insecurity, while a rise reduces it. Second, more recent experiences carry greater weight in the determination of insecurity. This individual-level economic-insecurity measure is argued to reflect the confidence with which individuals face potential future economic threats: the more gains they have experienced, and the more recent were these gains, the more confident (and secure) they will be about the future.

We then put our economic-insecurity measure to the test. Does it predict political preferences, and in particular the rise of the right?

Economic insecurity and support for the Conservatives (1995-2008)

The insecurity measure requires repeated observations on individuals and their economic resources. We measure the latter by annual household equivalent income (that is, adjusted for the number of people in the household and considering some economies of scale from of living together), and consider changes in this income over the past five years. In the UK, we have data from one of the best-known long-run panel surveys: the British Household Panel Survey (BHPS). The Figure below shows how mean economic insecurity in the UK changed over the life of the BHPS, and how this compares to the national unemployment rate. Perhaps unsurprisingly, economic insecurity tracks unemployment to a certain extent.

Figure 1. Economic insecurity and unemployment over time in the UK



Notes: The 2000 value of the insecurity index serves as base 100. The national unemployment rate is taken from the OECD Database.

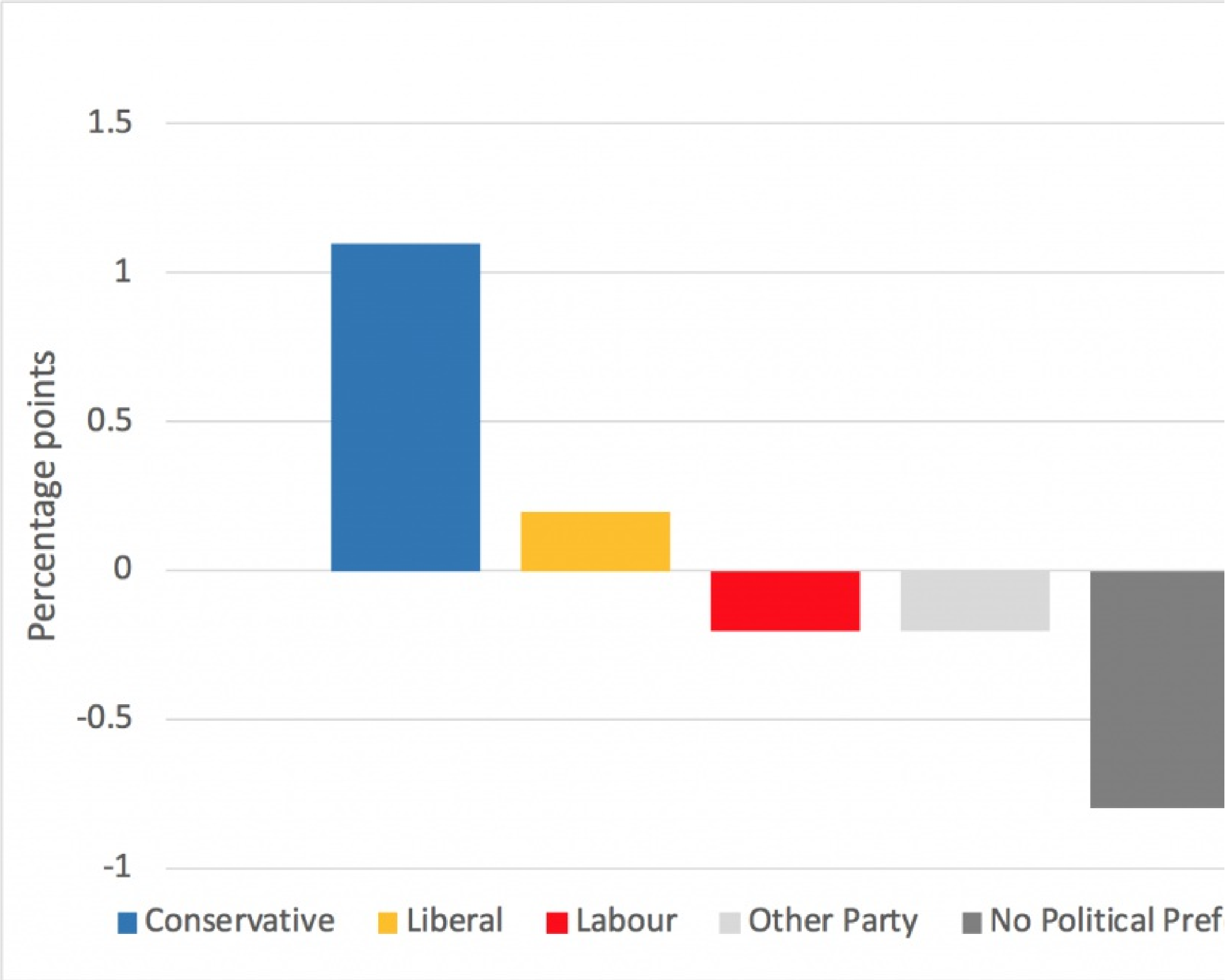
Does the individual economic insecurity of the BHPS respondents predict their political preferences? As economic insecurity is correlated with unemployment (as in the figure above) and income, we hold both of these (as well as a number of other variables) constant in a regression analysis. Our question is then whether two individuals of the same sex and age, and with the same education, marital status, labour-force status and income, have different political preferences if their economic-insecurity measures are not the same.

Economic insecurity first predicts greater political participation (the probability of stating support for a named political party). Insecurity does not produce withdrawal from the political process but on the contrary seems to galvanise it.

Who benefits from this greater political engagement? We again carry out a regression analysis (multinomial logit) holding income, unemployment etc. as above constant. In the UK, economic insecurity mainly benefits the Conservatives, with no effect on support for the Labour Party. The figure below illustrates the effects of economic insecurity on political preferences in the UK. Economic insecurity reduces abstention from politics, with the net effect of increased political participation going to the Conservative Party.

Are these effects large enough to be interesting? A one standard-deviation rise in economic insecurity produces a rise in Conservative support and a small fall in Labour support. The gap between the two figures is a little under 1.5%. This may look small, but is not. The figures here refer to the whole UK population. Turnout in the 2017 General Election was just under 70%, so taking our numbers at face value, the effect of insecurity on the gap between Conservative and Labour support in terms of votes is around 2%. The difference in the 2017 popular vote was 2.4% (42.4% for the Conservatives and 40.0% for Labour). Equally, the winning margin in almost 100 constituencies was under 5%.

Figure 2. Economic insecurity and political preferences in the UK



Note: This figure shows the marginal effects of an increase of one standard-deviation in economic insecurity on different political preferences.

This insecurity-related rise in support for the Conservatives is stronger for the married and parents; it is also stronger for those below the age of 40 and is more noticeable in the 2000s than in the 1990s.

Economic insecurity is then associated with a net switch to the right in the UK. This association does not reflect unemployment or income (or home-ownership) as these are all held constant in our analyses. And economic insecurity, as we measure it, does a better job of predicting political preferences than a number of other common insecurity measures (which we show in a series of formal statistical tests).

This is not only a British phenomenon. Analysis of German Socio-Economic Panel data between 1989 and 2016 produces similar results: economic insecurity increases the probability of stating support for a political party, and more specifically increases the probability to support the CDU/CSU.

Economic insecurity and the support for Brexit

If economic insecurity predicts greater support for Conservative parties in the UK and Germany over the last 30 years, is it also correlated with the recent rise in populism? We look at the most notable recent political event in the UK: the 2016 referendum. We turn to information from 2017 and 2018 in the UK Household Longitudinal Study (UKHLS), where respondents were asked *"Should the United Kingdom remain a member of the European Union or leave the European Union?"* This question was then asked over a year after the actual Brexit referendum on 23 June 2016, but with the exact-same wording as in the actual referendum.

The UKHLS interviews the same individuals every year (as do the BHPS and SOEP datasets above), so that we can look at the individual's five-year history of changes in equivalent household income. The results mirror those on general political support: one standard deviation higher economic insecurity is associated with a one percentage-point higher probability of stating "*Leave the EU*".

Outside of Europe, one notable political event was the 2016 US presidential election. We again calculate individual-level economic insecurity, using the Understanding American Society survey. The results are in line with those above: a one standard-deviation rise in economic insecurity predicts an increase of 0.68 percentage points in the probability of voting in the election, and predicts greater support for Donald Trump and less support for Hillary Clinton (with no effect for the other candidates).

Conclusion

Our results here are potentially important. It is common to argue that insecurity reduces individual well-being; we here show that it also feeds through to political outcomes. Rather than encouraging a withdrawal from politics, economic insecurity seems to encourage political activism, but of a certain kind: support for the right.

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- *The post gives the views of its author(s), not the position of LSE Business Review or the London School of Economics.*

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