

## **Economic Challenges and Electoral Politics in Europe**

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At the heart of the challenges facing modern governments are the intertwined tasks of devising policies to deliver economic prosperity and of mobilizing popular consent for them. The importance of economic policy was noted in the 19th century by William Gladstone, the British prime minister renowned for his fiscal acumen, who observed that ‘budgets are not merely matters of arithmetic, but in a thousand ways go to the root of prosperity of individuals, and relations of classes, and the strength of Kingdoms.’ The importance of mobilization is manifest in democracies, where economic policy-making is always also coalition-building.

Few can doubt the magnitude of those challenges in Europe today. Many countries that could once reliably command three percent rates of annual economic growth now struggle to secure one percent. More than fifteen percent of young people in the European Union are unemployed; and the vast majority who do find work are being forced into temporary jobs lasting only months if not weeks. Moreover, the adjustment of most European countries to a technological revolution marked by the advance of digital technologies lags well behind parallel movements in the US and even China. To cope with the technological revolution of the 21st century, the nations of Europe need new modernization strategies.

### **Political Will**

Part of the challenge, of course, is to identify such strategies. Finding an effective strategy is not a simple task because every country starts with a different set of institutional endowments. Thus, approaches that might work in one will not necessarily succeed in others. There are no magic bullets here. However, the process of implementing new economic strategies has also been complicated by the disintegration of longstanding electoral alignments and the fragmentation of European party systems. There is some truth to the old saying that ‘where there is a will there is a way’ but in democracies the relevant ‘will’ emerges out of party politics and it is uncertain whether partisan competition in Europe today is capable of generating the will to implement policies that will promote prosperity in the coming years. Why not?

For a reference point, we can look to the modernization policies pursued in Western Europe over the two decades after 1945. Those were policies that transformed national economies into ‘managed economies’ in terms that received wide popular assent. Based on a determination to avoid the mass unemployment of the 1930s, policy-makers deliberately broke with the approaches of the interwar years that had pitted advocates of laissez-faire against proponents of large-scale nationalization. They deployed the ideas of John Maynard Keynes and others who argued that activist governments could secure full employment without nationalizing the means of production, thereby reconciling socialists and conservatives alike to modest levels of state intervention, while building a new welfare state to cushion the impact of profound economic adjustments.

If new ideas supplied the means, the electoral politics of the 1950s and 1960s supplied the motor behind this movement toward new economic strategies. The key feature of that politics was the centrality to electoral competition of cleavages based on social class and religion. In 1967 Peter Pulzer could write 'Class is the basis of British party politics: all else is embellishment and detail.' That was true elsewhere in Europe as well if to a lesser extent where religious affiliation also provided a base for Christian Democratic parties. The class cleavage mattered because it pushed issues of full employment and social justice to the top of the agendas, forcing parties toward modernization strategies that also compensated those bearing the burdens of economic adjustment. Most party platforms moved to the left around policies that could also be described as a class compromise. Even Christian Democratic parties built cross-class compromises into their platforms. As a result, for more than thirty years, European electoral systems were dominated by political parties of the center-right and center-left which put their electoral weight behind modernization of the economy.

### **Politics without Class**

Today, similar conditions no longer prevail. The European party systems are deeply fragmented. If mainstream center-right and center-left parties had about two-thirds of the European vote in 1980, they now secure barely half of it in the face of a host of challenger parties. Populist parties of the radical right attract about a fifth of the electorate in many countries, while Green parties and radical left parties approach that strength in some. In the Netherlands, admittedly an extreme case, ten parties currently have the support of at least five percent of the electorate while only one party is supported by fifteen percent of voters. Even in Britain where majoritarian electoral rules favor two large parties, deep fissures have opened up in the middle of the Labour and Conservative parties.

In East Central Europe, electoral fragmentation can be ascribed partly to the difficulties of establishing stable party systems in the wake of a transition to democracy. What accounts for the weakening of mainstream parties in Western Europe? Three sets of factors have contributed to it, each operating in a different realm. In the economic realm, many of the developments that have created new policy challenges also alter electoral politics in ways that make it more difficult for governments to cope with those challenges. In the political realm, three decades of neoliberal policies may have advanced the European economies, but they also drove many voters, who bore the costs of those policies, away from the mainstream parties responsible for them. In the social realm, the decline of churches and trade unions has weakened two of the principal organizations once mobilizing support for Christian Democratic or Social Democratic parties, while the rise of new social media has made it easier for challenger parties to mobilize against them.

Several economic developments matter. The movement of manufacturing out of Western Europe to emerging economies in Eastern Europe or Asia decimated manufacturing sectors that were once bastions of working-class solidarity and prime sites for trade union organization. New technology has transformed manufacturing into an enclave for skilled labor, pushing the semi-skilled workers who once found employment there into more precarious jobs in a low-wage service sector. The impact of these developments has been magnified by firm strategies which took advantage of new technology and the opening of global markets to contract out many components of their operations, often to overseas supply chains. As a result, skilled production workers no longer share the same set of economic interests as their

less-skilled counterparts in services, driving a wedge through the working-class solidarity on which social democratic parties once depended.

As skill-biased technological change increased the demand for well-educated workers and their wages, economic opportunity has come to depend on education, and enrollments in tertiary education have grown accordingly. But tertiary education changes the outlooks as well as the job prospects of those who experience it, often conferring the cosmopolitan values associated with support for ethnic diversity, immigration, gender equality and environmental protection that contrast with the traditional values held by many people with less education. As a result, the class cleavage, once largely congruent with income, is being replaced by a cleavage rooted in education, because education now confers *both* economic opportunities and worldviews. Moreover, the educated can now be found in many walks of life: as tertiary enrollments approach fifty percent of the age cohort, the days when a college education meant you were rich are over.

### **A More Complicated Electoral Agenda**

Of course, the votes of citizens are influenced by more than their socioeconomic positions. They also respond to the appeals of parties; and this is where political developments enter the picture. Inspired by a wave of enthusiasm for neoliberal policies during in the 1990s and early 2000s, both center-right and center-left parties embraced policies designed to intensify market competition, turn welfare into workfare, privatize or contract out public services, and restrain public spending. They gave warm support to reforms that turned the European Union into a vehicle for economic liberalization.

Two sets of effects followed. Many of the people more exposed to market forces began to believe that governments were making their lives worse rather than better. Longstanding party loyalties began to dissolve. At the same time, because their economic platforms were so similar, in order to offer the electorate something distinctive, center-left and center-right parties began to give more prominence to values issues. Social democratic parties, for instance, embraced cosmopolitan values to draw people in the middle class into their electoral coalition; and many of these parties now draw more votes from the middle class than the working class. In much the same way, because voters found it increasingly difficult to choose between parties on economic issues, many began to accord values issues more weight in their electoral decisions. As a result, electoral competition in Europe now turns as much on values issues as on economic issues.

The decline of the social organizations on which mainstream parties once depended is linked to these developments. Deindustrialization and globalization hit the trade unions hard: union membership has fallen by half since 1980 in countries such as Germany, France, Britain, the Netherlands and Austria. And, in the face of many secularizing pressures, less than fifteen percent of West Europeans now attend church regularly.

Today, Europe has a fragmented electoral map that reflects these developments. Working-class voters are less attached to social democratic parties. Some who care most about economic issues turn to parties of the radical left such as Die Linke or Podemos, while many who attach importance to values issues are attracted to parties of the radical right, such as the Rassemblement National, or Swedish Democrats. By linking anti-immigrant positions to calls for more social protection, the populist right now draws votes

from both the center-left and center-right, while resurgent Green parties and new liberal parties such as Macron's République en Marche drain the votes of a cosmopolitan middle class.

### **Implications for Europe**

Why might these electoral developments matter for the economic future of Europe? Timid economic reforms based on muddling-through are not likely to accomplish the major adjustments necessary for Europe to prosper in the context of a new technological revolution. Bold new initiatives will be required. But it is difficult to assemble strong electoral coalitions capable of mounting such initiatives out of a fragmented party politics. In many countries, it is taking longer even to form a governing coalition; and the coalitions that emerge often bring together parties with such different platforms that they are unable to agree on more than minimal responses to emerging challenges. These types of domestic political constraints also limit what governments can agree at the EU level.

Second, the experience of the 1950s and 1960s suggests that, if they are to be successful and sustainable, modernization strategies must be grounded, not simply in good economic ideas, but in broad-based social compromises that instantiate principles of social justice. Forging such compromises was possible when governments emerged out of electoral competition between social democratic parties speaking for an encompassing working class and conservative parties speaking on behalf of the middle class. Today, however, there are no European parties with parallel remits. An electorate that is splintered in occupational and attitudinal terms is now represented by a plethora of political parties speaking with multifarious voices. In some respects, this development may have made European electoral systems more representative. But mobilizing consent for wide-ranging economic reforms is more difficult in such a context and finding the basis for an overarching class compromise is a herculean challenge.

In this setting, the technocratic temptation – to leave the important decisions to experts ensconced in agencies far-removed from electoral politics – is omnipresent. But the European Union has already tried that only to evoke a populist backlash of significant proportions. Other means of making policy will have to be found, but whether the result will be economic strategies adequate to the challenges facing Europe remains uncertain. The one point of which we can be sure is that the solution to Europe's dilemmas does not rest solely on figuring out what policies will promote economic prosperity. It also depends on finding ways to mobilize consent for those policies within a fissiparous electoral arena that is volatile, divided on values as well as economic issues, and deeply in flux.