

# **A Simpleton's Sketch of Politics in the Knowledge Society and the Role of Populist Radical Right and Left**

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**Abstract:** This sketch—not research paper—draws on more general arguments about partisan realignment in advanced knowledge economies laid out in the introduction to Beramendi et al. (2015) and Kitschelt/Rehm (2017 and 2018). It accentuates some implications for the trajectories and prospects of radical left and right-wing populist parties. Section 1 briefly postulates what the critical political-economic challenges are that are likely to shape preferences (not globalization....but mostly technological and demographic changes prompting calls for policy strategies of social compensation and investment). Section 2 spells out different sectors of public opinion that—in general—will result from coping with these challenges, based on a parsimonious division of citizens according to income and educational capital. Economic considerations are placed supreme, thus partially neglecting collateral social and cultural forces. Section 3 argues that existing social policy endowments (strategies of social compensation and investment) as well as democratic institutions shape how preference distributions convert into partisan alignment and party competition in differential ways across four groups of countries near the global innovation frontiers. Section 4, finally, speculates about the political coalitions and their compensation and investment strategies that may dominate different country configurations.

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After a brief period of enthusiasm about the victory of the liberal-democratic pathway of societal transformation—beating out fascism and communism in the “short” 20<sup>th</sup> century (1914-1989)—the advent of the twenty-first century quickly revealed a dynamic of changes that raised doubts about the historical superiority, viability, and continuity of that model. In retrospective, events like 9/11 or the Great Recession of 2007-9 may appear as symptomatic minor tremors that did not reveal the underlying tectonic shifts. These shifts take place on a global scale, involving both advanced postindustrial knowledge economies at the world innovation frontier as well as developing countries with all sorts of political regimes. My simpleton’s sketch will be entirely confined to the former group and thereby miss some of the important interactions between advanced and developing countries. Chances are that the dislocations, tensions and stress imposed on societal institutions and distributive arrangements within the developing world and between it and the advanced knowledge economies will be even greater than within the knowledge economies themselves. But the knowledge economies generate a range of unprecedented conflicts that are endogenous and sufficiently far reaching to consider by themselves.

My sketch draws heavily on the introduction to Beramendi et al. (2015), detailing trajectories of political-economic challenge that modify existing “varieties” of capitalism. It also borrows from recent papers on secular partisan realignment in the United States (Kitschelt and Rehm 2017; 2018). Neither of these papers is on radical political parties—of leftist or rightist populist convictions—per se. In this sketch, I accentuate blunt hypotheses about the radical populist right and left opportunities in the competitive space of knowledge economies. I provide only minimal references to research that buttresses claims stated in this paper.<sup>1</sup>

Without dwelling on details and providing evidence, I will cursorily enumerate what I consider to be the main generating mechanisms of social conflicts in advanced knowledge economies (section 1) only in order to highlight very rough societal divides of interests generated by them (section 2). While these divisions are likely to be similar in all advanced knowledge economies, their articulation is likely to be modified by specific political-economic trajectories and institutional parameters (section 3). All this is to lead up to argue that these parameters shape the differential role political parties drawing on specific socio-economic constituencies may play as opposition forces or as participants in dominant partisan coalitions in shaping policies of social compensation and investment (section 4).

It is within this framework that I consider the rise of radical “populist” right and left-wing politics in advanced knowledge economies. I consciously and studiously use only the adjective “populist,” but never the noun “populism.”<sup>2</sup> Populism as a noun suggests a singular populist program (and ideology) to reorganize society and polity. But many different demands, programs and ideologies have presented themselves in a populist garb. The adjective “populist” indicates that populist actors use a mode of political appeal, often associated with a specific style of political mobilization and organization, that is compatible with diverse ideologies. What this mode has in common is that it divides society into the vast uniform mass of the “people,” on one side, misled and abused by a small internally united, mischievous, fraudulent, and self-regarding societal elite, on the other (Mudde & Kaltwasser 2012; 2017; Müller 2017; on populist style: Moffit 2016). Populist rhetoric emphasizes conspiracies and intentional action. It conceives of institutions, resource endowments, unintended results of action, and hidden-hand mechanisms as epiphenomenal so that the will of a dominant populist force can change the world quickly. Populists therefore make themselves believe that remedies relieving existing suffering can be implemented within short time horizons, provided there is only the political will to accomplish the outcome (Guiso et al. 2017). This belief predisposes populists to favor policies of economic

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<sup>1</sup> Among recent contributions, see Arzheimer 2018; Garritzmann et al. 2018; Gingrich 2017; Gingrich and Häusermann 2015; Oesch and Renn 2018; Rydgren 2013.

<sup>2</sup> And I use the notion of a “populist” for someone using populist modes of appeal, not a specific ideology.

“compensation” (or consumption), quick fixes to relieve their followers from experienced grievances. It is anti-populists who favor policies of “investment,” dedicating effort and resources to institution building and policies that are likely to generate payoffs only over longer periods of time.

## 1. Political Economic Challenges

Let me begin with a Marxian, but also classical liberal, political-economic intuition: technology (“forces of production”) shapes relative prices of factor inputs and delimits the range of social institutions that govern the distribution of assets and income (“relations of production”), as well as political institutions (“superstructure”) in which existing distributions are contested. Changes in relative factor prices induce changes in institutions and distributive bargains. Challenges of the knowledge economy primarily result from two technological shocks, *skill-biased technological progress* that creates winners and losers in labor markets, and medical innovations that have made possible a *demographic transition* through reduced fertility and increased longevity, thus upsetting existing social insurance systems and creating winners and losers across age cohorts. Mediated by changes in education and skill formation, both of these shocks have also had major impacts on patterns of political participation (voter turnout, unionization, etc.), social consumption, and cultural life styles. A third challenge—globalization—interacts with the former two, but in public discourse has been inflated in relevance to account for consequences relative to the former.

There are basically two classes of techniques to cope with grievances resulting from each of the three challenges. The first is *compensation of the losers* of a competitive capitalist economy through monetary transfers and regulatory protection from competitors advantaged by the spread of new technology. These are short-term actions that thereby appeal to populist movements. The second class of techniques involve *investments in building up capabilities of societal actors to adapt to the technological challenges* and establish/preserve their participation in the capitalist economy. This coping strategy works only in the long-term and is therefore not terribly palatable to populist passions.

The greatest challenge of the knowledge economy is skill-biased technological innovation in which manual or intellectual tasks that involve general, repetitive conditional operations triggered by clearly specifiable sets of antecedents are converted into computational code (software), whereas simple, unskilled time-space specific custom service operations and complex, unique, hard-to-standardize knowledge-intensive intellectual operations and task structures that require unique judgment and creativity remain (for the time being) with live human labor. As the interaction of humans and machines changes, either entire categories of jobs will disappear, or the task structure of jobs will be reconfigured. Whether or not this leads to a net loss of human labor input in the economy is uncertain (Autor 2015). What is rather certain, however, that middle-brow task structures will be increasingly performed by machines, leaving human jobs for tasks situated at the low or high ends of skill intensity (Wright and Dwyer 2003; Oesch 2013). Because intermediate skill levels in routine operations will be less in demand, poor countries in the future may no longer become rich by gradually climbing a ladder of skill qualifications across different industrial sectors and technologies. Their prospects to lose jobs to software technology is even greater than in countries near the global knowledge frontier (McKenzie 2017: 47), precipitating a trajectory of “premature de-industrialization.” (Rodrik 2016)

Advanced knowledge economies have resources to blunt the blow of technological innovation to employment by measures of social compensation and/or of social investment. Compensatory policies enable people to withdraw from the labor force, if their skill sets fail to match demand and if the gap to be covered for re-entry becomes too large, either because of hysteresis (long term unemployment) or skill

obsolescence. Early retirement pensions and (un)conditional basic income may be policy instruments here. Social investment policies build human capital in general skills, as well as specific professional and vocational skills, both among youths as well as through active labor market policies at later stages of people's life cycle.

The second, demographic challenge creates intertemporal winners and losers. Given the status quo of pension systems at the turn of the millennium, winners of declining fertility and rising longevity have been older age cohorts benefiting from generous pension systems and health care provisions, while younger age cohorts have faced steeper current payroll contributions in exchange for more meager benefits in their future retirement. A politics of social compensation would address this distributive conflict by changing the intergenerational bargain through higher payroll contributions to pensions and health care, a higher standard retirement age and lower pension benefits, as well as possible cutbacks on medical treatments. Policies of investment confront the demographic transition with expanding family and child benefits to stimulate fertility, accelerated immigration, and more social investment in immigrants to empower them to become functionally competent and socially equal citizens in the knowledge economy.

Much of the growing and real popular dissatisfaction with current Western democracies is driven by the distributive challenges and uncertainties of skill-biased technological change and demographic transition. The malaise of democracy ascribed to the collusion of "cartels" of politicians (Katz/Mair 2009) is a mere epiphenomenon. Political paralysis results from the difficulties to negotiate trade-offs between social investment and consumption, when politicians are simultaneously confronted with the demands to deliver secure jobs, rising (early) pensions, improving health care, and higher quality education.

The cartelization thesis is also wrong in a second sense, namely suggesting that the outcomes of the distributive conflicts are everywhere the same. Quite to the contrary, outcomes vary dramatically with partisan politics. While skill-biased technological progress may nudge wage structures toward greater inequality in the primary income distribution everywhere, actual levels and trend changes of income inequality, particularly in post-tax/transfer incomes (Milanovic 2016: 70-103; World Inequality Lab. Global Inequality Report 2018). A fair share of this divergence results from politics, and it is not by accident that in the majoritarian Anglo-Saxon democracies income inequality is the highest and has increased most starkly since the end of the postwar boom (Iversen and Soskice 2006).

There is also no denying that the interaction of skill-biased technological progress and demographics brings about an unprecedented level of geographical-spatial social disparity in a starkness not ever seen since the emptying of the countryside in the first round of industrialization: Young, highly educated individuals from diverse ethnic backgrounds flock to prosperous metropolitan areas with vibrant labor markets for skilled professionals and teeming with multi-cultural offerings, while industrial and rural backwaters leave behind an ethnically indigenous, low-skilled, sometimes over-proportionally male population likely to become unemployed or even unemployable due to drug addictions, together with a large cohort of elderly pensioners.<sup>3</sup> Net of class, race, family, education, and gender, geographical-spatial local conditions shape people's social mobility trajectories (Chetty and Hendren 2017a and 2017b).

Mid-20<sup>th</sup> century democratic politicians were in the enviable position that after a disastrous world war most economies were growing above the long-term trend of 1.5-2.0 percent/per capita/a, enabling

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<sup>3</sup> This phenomenon is most pronounced in residual welfare states like the United States and Britain, but appears elsewhere as well. For a particularly stark example of British spatial decay, see Sarah O'Connor's detailed account of the decline of the Northwestern British seaside town of Blackpool in the Financial Times, November 16, 2017: [https://www.ft.com/content/b6dbf34e-c987-11e7-aa33-c63fdc9b8c6c?utm\\_campaign=Brookings%20Brief&utm\\_source=hs\\_email&utm\\_medium=email&utm\\_content=61430159](https://www.ft.com/content/b6dbf34e-c987-11e7-aa33-c63fdc9b8c6c?utm_campaign=Brookings%20Brief&utm_source=hs_email&utm_medium=email&utm_content=61430159)

them to distribute large increments of an expanding economic pie without having to diminish anyone's share. Across countries, partisan politics awarded differential slices of the economic windfall to different groups. Since economic growth rates gravitated back to long-term trend rates in the late 20<sup>th</sup> and early 21<sup>st</sup> century, politicians have been in the unenviable position of constantly becoming bearers of bad news, when coping with the exigencies of skill-biased technological progress and demographic transition, as the pie grows slowly and it becomes harder to dedicate fresh resources to compensation or investment. Most citizens do not see their disposable incomes rise in a measurable fashion and they do not realize or appreciate the intangible gains of better health and longer life expectancy induced by technological innovation. And those particularly vulnerable to job loss due to technological change or poverty in old age constitute an important populist reservoir of sentiment.

“Globalization” of the provision of goods and services, and the flow of capital and labor, is a third economic challenge, but I would argue that, in its quantitative calibration, it creates lesser socio-economic dislocations than the other two challenges, although politicians (and populist citizens and intellectuals?) like to treat globalization as the major threat to the status quo political-economic fabric. Globalization of trade does create economic losses concentrated in the manufacturing sectors and generating political consequences (Autor et al. 2016; Colatone and Stanig 2017; Dancygier and Walter 2015; Rodrik 2017), but it is of a quantitatively limited nature, when compared to the job loss due to productivity changes.<sup>4</sup>

My account has emphasized a “materialist” economic and demographic perspective and given short shrift to a more sociological and cultural analysis that is complementary to the economic one. The spread of higher education among younger cohorts—and especially among women—has fueled a growing tolerance for expressive individualism and acceptance of ethnically and culturally diverse life styles that has undermined a traditional socio-political and cultural consensus prevalent until the early 1960s (cf. Welzel 2013). This cultural shift is not taken well by a majority of older indigenous citizens, generally with lower education, who live by—or at least approve of—traditional ideas about family, gender relations, religion, law and order, and general compliance with the standard pattern of social life course biography that prevailed in industrial society. Add to this immigration from non-West European societies as an accelerator of socio-cultural diversity, and what results is a toxic stew in which those who are economically vulnerable also perceive themselves as culturally threatened in their life styles by the dynamics of emerging knowledge societies.

## 2. Socio-Economic Groups and Preferences

Simpleton opts here for a minimalist stylized account of four groups and two preference dimensions, albeit with the second one loading on a range of issues that potentially may become separate dimensions and complicate matters substantially. I introduce the four groups in a generic knowledge society in this section, but then argue in the next section that political-economic trajectories diversifying capitalism and political institutions (1) modify the relative strength and outlook of the groups and thereby (2) create differential potentials for winning political coalitions across a variety of polities, the subject of the final section.

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<sup>4</sup> Technological change and globalization are certainly intertwined (Milanovic 2016: 109-11), but I would still be inclined to give the former causal primacy both for theoretical as well as empirical reasons. Only a political order completely suffocating free economic transactions and scientific inquiry—like Ming China or Tokugawa Japan—could hope to arrest technological change with an all but complete closure of borders. Otherwise, technological change would proceed even with closed borders. Empirically, job losses certainly are due much more to technological change than job exports. Consider the fates of farmers, miners, dock workers, printers, and many other core manual occupations with very large labor forces two generations ago.

## 2.1. Income and Education in Industrial and Knowledge Economies

Let us characterize the transition from industrial to knowledge-based societies in a simple scheme considering only income distribution and education, each dichotomized into high and low scores. On income, the threshold roughly divides the lower three (poor and lower-middle income) quintiles from the higher two quintiles (upper-middle to upper income quintiles). With regard to education, the cutpoint is a completed first-level tertiary education (college BA or equivalent post-secondary professional education). The proportion of that group increases from less than 10 percent of the 25-54 year old core working age cohort in the 1950s to 30-50 percent of the equivalent tier in the 2010s. The education by income groups track differences in occupational experiences that may be more informative for political preference formation (Kitschelt and Rehm 2014), but that are rarely available in survey data.

- **Low education/low income:** This was the majority of the population (~60%) in industrial society and is now down to 35-50% in the most advanced knowledge economies. This group comprises low and intermediate-skill vocational manual and clerical occupations in manufacturing, administration, and personal services.
- **Low education/high income:** This second largest group in postwar industrial society (30-35%) has shrunk most in relative terms (now 15-20% in knowledge society). It over-represents small business owners—especially in retail, crafts, construction, and personal services—as well as vocationally trained wage earners, particularly with specific skills and often working in small companies. Middle-level managerial positions round out this category. All three subgroups have lost occupational market share and/or sunk into lower income tiers.
- **High education/low income:** This group was miniscule in the 1950s (< 3% of adults) and mostly transitory, as it comprised university graduates in early low-earnings stages of their subsequently lucrative careers. In knowledge societies, however, membership in this tier has become permanent, and has grown to between 15 and 30% of the occupational labor force, employed primarily in socio-cultural professions (education, social, cultural and health services), and heavily feminized.
- **High education/high income:** Also this tier has grown substantially from less than 5% of the labor force in industrial society to now 15-25% of the labor force. This change captures the expansion of financial, technical, and legal-administrative professions, as well as the growth of upper-level managerial positions, but it also includes a substantial share of the upper reaches of socio-cultural professionals.

The Simpleton's claim is that these four groups are a parsimonious starting point to think of the political blocs that matter in the contemporary knowledge economies and for whom politicians compete with different programmatic packages. This ignores (vanishing?) internal differentiations between manual and non-manual labor in the low skill-low income category, as well as (growing?) divisions between business-financial-technical (BFTP) and socio-cultural professions (SCP) in the low and high income/high education tiers.

## 2.2. Preference Dimensions and Group Interests

How many dimensions or preferences and party alignments may be distinguished is not fully determined by the facts of opinion surveys and vote choices, but depends on theories and statistical models designed to test theoretical propositions (Benoit and Laver 2012). For the purposes of analyzing party systems and inter-party competition in the transition to knowledge society, it has become common to distinguish at least two dimensions. While Simpleton believes that from a supply side perspective it

may become relevant to unpack the second dimension and divide it into at least two dimensions (political governance and citizenship), if not more sub-dimensions, from the demand side perspective of mechanisms that structure individual voters' preference articulation, it may still roughly be satisfactory to separate two dimensions: preferences over subdivisions of second dimension politics tend to be predicted by the same social experiences.

The first dimension concerns *preferences over economic equality of outcomes and distribution* and ranges from advocacy of spontaneous competitive market allocation of scarce resources and income determination, with no role for governments to reassign resources, to demands for egalitarian redistribution of assets and income in favor of the worse off. Predictors of redistributive preferences are both income and education. The former is a tracer of asset ownership and market power. All else equal, high income earners tend to reject redistribution. The latter signals a particular resource that allows individuals to earn a rent on their past knowledge investments as well as a capacity to adapt to new skill demands in the human capital market place. Highly educated people therefore also prefer market mechanisms over political redistribution. Overall, those with strong asset resources and capabilities can take care of themselves in markets better than those without them.<sup>5</sup>

The second dimension appears to be more of an assembly of different issues (and is therefore often labeled with the catch-all “cultural”), but *it is more coherent in terms of the socio-economic predictor variable than the distributive dimension*: A single life experience, namely exposure to demanding levels and/or a long duration of *education*, measured by years to completion or degree level earned,<sup>6</sup> is by far the most efficient predictor of the whole gamut of second dimension issue preferences.<sup>7</sup> These may concern the extent to which individuals prefer to protect their personal autonomy to exercise their civil liberties to govern their own social lives and participate in politics (governance), as well as the extent to which they wish to welcome and acknowledge immigrants with different life styles in an open society or to live in a multi-national confederation with jurisdictions distributed over a number of levels of governance, such as the European Union.

Most recently, the introduction to Beramendi et al. (2015) has given second dimension politics— and particularly its experiential baseline variable: education—also a direct political-economic content, namely as ***determinant of preferences over investment or compensation strategies to address the challenges of skill-biased technological progress, demographic transition, and global competition***: Highly educated people tend to favor investment policies, particularly through skill formation and infrastructure, while less educated people favor compensation strategies, particularly by means of unemployment benefits, early retirement opportunities, and disability pensions, as principal coping mechanisms with technological change. Preferences over investment or compensation run orthogonally to preferences over income redistribution, yet along the same lines of social division as other second dimension issues (Garrizmann et al. 2018; Kraft 2018). Framed as intertemporal choice, higher education goes with lower discount rates and a greater patience to reap the benefits of today's resource commitments in future time periods (Wang 2018). Education itself is a form of investment and, consistent

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<sup>5</sup> This does not, of course, rule out intervening moderators that make asset and capability-blessed individuals inclined to restrain their aversion to redistribution. Considerations of geography and collective or club goods provision (crime, infrastructure, educational spillovers) may matter here just as much as moral-ethical considerations (based on religion, gender, group culture, etc.).

<sup>6</sup> The American National Election Studies, for example, show that education is the most powerful predictor of preferences over civil liberties and individual autonomy, socio-cultural norms (family, gender), conceptions of national identity, and racial prejudice.

<sup>7</sup> I am side-stepping here the question of causality. A number of studies have identified education as one ultimate cause of preferences. It goes without saying, however, that endowments, socialization, and selection mechanisms matter as well that may lead individuals to choose different courses of education.

with self-interest theory, those who have acquired it and wish to transmit it to their children prefer it as a coping mechanism to handle the three societal challenges of skill-biased technological progress, demography and globalization with public investment resource input. Those with low education generally cannot afford to wait—or do not wish to wait—until such investments come to fruition, prompting them to lean toward preferences for instant compensation. Inasmuch as populist rhetoric holds out easy quick fixes for social grievances, it resonates with people of low education and cognitive sophistication and given to stereotyping social choices in blunt Manichean alternatives of good and evil.

### 2.3. Groups, Preferences, Party Alignments

Putting groups and first and second dimension preferences together<sup>8</sup> delivers—even in the Simpleton’s sketch—a fairly complex set of preference profiles and coalition possibilities crystallized around four stylized groups (table 1). If political parties appeal to different preference configurations, most of the time no single group or party could dominate a democracy. Coalitions are a necessity. Parties either appeal to more than one group or join coalitions with parties representing other groups in order to form legislative majorities or executive governments.

Table 1 about here

In most instances, the LE-LI group still encompasses the plurality of citizens, although its electoral strength may be diminished by income- and education-driven turnout differentials compared to the other groups. LE-LI’s have a general propensity to be leaning toward redistributive economic first dimension policies and authoritarian, law-and-order, socially conformist, exclusionary, ethnically particularistic and nationalist second dimension appeals. They also clearly favor compensation through social consumption over public investment, when it comes to adapting to technological change, demographics, and globalization.

What primes their partisan vote, however, may very much depend on parties’ supply side strategies. In industrial society, as long as parties took credibly differentiated positions on economic issues of distribution and there was still a broad consensus leaning toward conformist, law-and-order, traditionalist, ethnically homogeneous and nationalist positions on second dimension issues, LE-LI voters were the core of center-left parties. In knowledge society, however, the rise of second dimension issues, together with the expansion of groups that may be sympathetic to redistribution, but not to traditionalist, authoritarian and anti-immigrant second dimension positions, places center-left parties in a strategic quandary. As they embrace more libertarian and cosmopolitan appeals, center-left parties loosen their ties to the LE-LI constituency which in turn become available to populist radical right parties, provided they combine an authoritarian, nationalist appeal with a moderate (or blurry?) position on first dimension politics. Alternatively, however, LE-LI voters could also turn toward a hard left redistributive populist party, provided the latter abstains from libertarian politics, particularly on questions of immigration.

The second largest group in industrial society, is the LE-HI group with ambivalent position on economics: Higher incomes pull them toward market-liberal politics, low educational capabilities give them pause to consider risk hedging through public insurance systems and a modicum of redistribution. With second dimension issues not in play, this group was up for grabs between center-right, conservative and center-left parties, maybe with a modest advantage for the center-right, especially among small business people, but a disadvantage among highly skilled and well-remunerated manufacturing workers

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<sup>8</sup> As a reminder of the complexities of the second dimension, several baskets of potential issues are distinguished in table 1.



and technicians. To assert political dominance, it was critical for center-right parties to win a substantial share of this contested group.

With the politicization of second dimension issues coming into play, however, it is this LE-HI group that tilts most decisively towards conservative and populist radical right parties. Induced by low education, this group advocates a collectivist, traditionalist, if not authoritarian, agenda and also tends to be averse to public human capital investment. It creates strategic dilemmas for mainstream center-right parties that try not to embrace radical positions on second dimension politics, for fear of losing their other constituencies. But its preference leanings are more in sink with radical right parties than those of any other group. It is not primarily the low-education/low-income mostly working class voters who provide the backbone of radical right support, but higher-income/low-education often petty bourgeois forces whom such parties try to supplement by poorer voters. For this reason, low income is not a good predictor of radical right support.

The third largest group—HE-HI voters—were at the core of the market-liberal center-right agenda and furnished the most loyal constituency of center-right parties in industrial society. But this group alone was much too small to make such parties electorally successful. They had to pitch their appeal so as to attract also a substantial share of LE-HI voters, if not some LE-LI voters as well. With second dimension issues becoming salient in the transition to knowledge society, the loyalty of HE-HI voters to the center-right may actually begin to waiver, if such parties attempt to move to authoritarian and nationalist second dimension positions. Then HE-HI voters seek their refuge in pure market-liberal parties—conservative on economics, but more libertarian on second dimension issues—or may even defect to center-left parties, if no closer partisan alternatives are available.

The fourth group—HE-LI voters—begins to emerge as a relevant electoral constituency only with the advent of knowledge societies. Combining high education with low income, its members trend to be ambiguous on economic preferences, but their strong commitment to libertarian politics tips the balance to any party that echoes these preferences and combines them with mildly redistributive first-dimension policies. Center-left parties, or new left-libertarian partisan entrants have the advantage, maybe market-liberal and libertarian parties can gain a small slice of supporters here as well. Even populist parties with leftist first dimension politics might attract some votes here, if they opt for at least somewhat libertarian second dimension programs.

Overall, HE-LI voters are the most “progressive” group in society, on all dimensions. At the other extreme, LE-HI voters are the most “reactionary” group, in the technical sense of wishing to recreate a society of the past, with less redistribution and more collectivist, authoritarian mechanisms of enforcing uniformity in governance and social integration befit to a society with little spread of higher education.

I have sketched demand-side preference distributions with a simple mapping onto supply side partisan sectors. But how office-seeking politicians will compete over the market share given a “raw distribution” of voter endowments, experiences and (latent) preferences depends very much on specific circumstances. Will politicians be able to fuse constituencies to support the same party, or to combine them through inter-party alliances in winning majority coalition governments? More concretely, what bundles of politics and electoral constituencies will crystallize around “populist” left or right parties? And what opportunities will these parties have to influence the policy mix adopted by winning coalitions? Before I speculate about these questions in the fourth section, let me make Simpleton’s task one notch more complicated: The relative distribution of groups and preferences is not the same in all knowledge or near-knowledge societies. This will influence the prospects of different partisan strategies and the promise of alternative dominant coalitions.

### **3. Not All Capitalisms Created Equally: Circumstances that Moderate the Strength of Preference Clusters and Their Coalition Potential**

The distribution of political preference clusters is not the same in all advanced capitalist democracies. This is due to the trajectory of political-economic institutions, policies and distributive outcomes realized by different varieties of capitalism. Accordingly, the ability of politicians to rally greater or smaller sectors of voters around a partisan programmatic preference profile varies across countries. In addition to the political-economic parameters, institutional provisions leave an imprint: the electoral system and the relationship between legislature and executive. If the potential for populist politics results from economic and/or socio-cultural disappointments, the magnitude of this potential varies across countries—or sets of countries—as does the programmatic-ideological thrust of that populist potential.

#### **3.1. Political-economic Trajectories**

The weaker social policies of investment and compensation are and the further countries are from having businesses and sectors near the global innovation frontier that could provide well-paying long-term occupational opportunities, the greater will be the potential for populist politics. In the most advanced knowledge economies, with strong and broadly accessible educational, vocational, and professional development opportunities, the populist potential will be mostly confined to low education members of society, and it will primarily find political channels of articulation on the political “right” in second dimension politics: authoritarian, xenophobic, nationalist and paternalist politics. In regions that are behind the global knowledge frontier, and with ineffective and narrow institutions of skill formation, also highly educated constituencies will be a receptive target groups for populist appeals, albeit mostly with a left-wing, redistributive bent, as xenophobic-authoritarian appeals do not resonate well with these target individuals.

The more comprehensively and generously programs of income maintenance compensate those who fail to earn market incomes—including young unemployed people and people with disability status ahead of their retirement age—the more anxiety about technological change and demographic transition can be limited. This applies especially to low-skill employees, particularly if social programs benefit the poorer wage earners at a rate above what merely actuarial insurance compensation would provide.

Conversely, family assistance to raise and educate children, as well as high-quality post-secondary general skill educational system, paired with broadly accessible vocational-professional training, increase labor market capabilities and flexibility of job entrants. What matters is not only quality and depth, but scope of the system of family and skill formation: What share of an age cohort has access to high quality services and training?

Despite trade and financial globalization as well as increased migration, there is little, if any, convergence in welfare states and education systems, across the groups of countries at or near the innovation frontier of knowledge societies itemized in table 2. Scandinavians have welfare states balanced between compensation and investment and sustain low inequality, albeit exhibiting a tick upwards toward the turn of the millennium. Northwest European continental democracies, mostly with formerly dominant Christian Democratic parties, have comprehensive, but less redistributive social policies of compensation, but markedly lower investment in skill formation. Yet their systems have recently been gravitating toward the Scandinavian policy mix, particularly in family services.

Table 2 about here

If populist malaise is ultimately driven to a considerable extent by structural vulnerabilities of citizens to skill-biased technological progress and the demographic transition, it is these countries that have done the most to create capacities for citizens' adaptability to the new challenges. But there is still a reservoir of dissatisfaction and unrest especially at the low-end of the educational distribution and especially among (younger) men who in a knowledge society lose not only relatively and absolutely in labor markets, but also in status and control over the family system. Moreover, in these economically well-off countries the socio-cultural motivation of second dimension populist politics among less educated individuals, and particularly among the older and economically better-off among them—the defense of a traditional way of life, family, socio-political governance and nation—is more likely to take precedence over economic motives to preserve income and employment than elsewhere.

Next, Britain and Anglo-Saxon settler democracies provide narrower welfare states, albeit with some substantial targeted redistribution toward the very poor (Beramendi and Rehm 2015), combined with high-quality education for the top end of the income distribution, yet rather narrow access to such quality education for the broad middle strata and the poor. This mix, predicated on a sharp imbalance of rich and poor people's economic bargaining power, results in much higher income inequality than in the Northern European peer societies. Here the balance of economic and socio-cultural considerations in populist politics may give economics a greater weight than in Northwestern Europe. Because of the broader scope of economic grievances, both rightist and leftist populist parties and party factions may equally attract throngs of supporters.

Mediterranean countries, finally, have patchier programs of social compensation, relying on informal family networks of social reciprocity, particularly to shelter the young and unemployed. Moreover, social programs here stipulate more actuarial, insurance like protection, if not regressive redistribution toward older, wealthier and more likely public sector wage employees, rather than redistribution toward the poor. And they exhibit altogether weak policies of family formation and skill investment, resulting in (and predicated on) sustained high levels of inequality. Weak welfare states and investment policies result in—yet may in part be conditioned by—high disposable income inequality. Where inequality is stark, there are large income and education-based turnout differentials, magnifying the political clout of the better-off economic groups. Moreover, these investment and compensation patterns occur in countries with a narrow range of knowledge frontier industries that would provide occupational opportunities for highly skilled people. In Mediterranean countries, populist politics will be overwhelmingly driven by broad shared concerns about economic vulnerability, particularly among the young not protected by social policy or labor contracts.

In Anglo-Saxon, and especially in Mediterranean countries the populist reservoir of dissatisfaction with the challenges of knowledge society is not only broader and deeper, but also qualitatively different from that in Northwestern Europe. Whereas in the Northwest the populist potential is mostly confined to low-skilled predominantly male youths and older wage earners, in Anglo-Saxon countries and the Mediterranean the pool of the aggrieved also includes a large tier of the educated young who are unable to find matching economic opportunities after professional training. This produces a vicious circle in which just those people that would be absolutely critical to propel a country's economy to the forefront of the knowledge society are defecting and leaving for more promising labor markets abroad.<sup>9</sup> Those who stay

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<sup>9</sup> Upon founding a new left-wing party in late March 2018, the former Greek finance minister Yanis Varoufakis declared that the brain drain of young professionals leaving Greece was one of the greatest lasting economic damages inflicted on the country by the fiscal policies that its creditors imposed on Greece during the country's debt crisis. See

behind, against the economic odds, mobilize politically. But given their educational and professional training, it is not right wing second dimension politics (xenophobia, racism, anti-immigration, nationalism) that resonates with them, but a leftist first-dimension demand for economic redistribution and a new investment oriented fiscal policy.

Table 3 provides a rough estimate of the relative size of Simpleton's four socio-economic groups in the different countries. Instructive would be further detail by disaggregating occupational profiles by age cohorts. In all four country groups, the high education-low income tier would be substantially larger among younger age cohorts. As Simpleton is primarily interested in the political aggregation process that goes with these patterns of populist grievance, it is important to note that it is only in the left two columns that an "anti-populist" alliance of the two highly educated categories comes close to, or actually achieves, a majority of the electorate, and even then, winning coalitions may be too paper-thin to govern without compensating at least part of the populist potential, primarily on the right. Office-seeking politicians and victorious coalitions situated in countries in the third and fourth column may not at all get around substantial reliance on some kind of populist electoral support. But they may have the luxury of picking which populist constituency they find more palatable, catering to one on the right with exclusionary, authoritarian and particularistic second dimension politics or one on the left embracing strong redistributive first-dimension demands.

Table 3 about here

### **3.2. Political Institutions as Mediators of Interest Aggregation in Knowledge Societies**

Political coalition potentials and policy-making are influenced not just by the relative size of socio-economic groups, conditioned by the cumulative effect of decades of political-economic policies of social consumption and investment, but also by institutional mechanisms of aggregating interests. The electoral system is here of particular importance. Executive-legislative arrangements matter as well, particularly the presence of powerful directly elected presidencies with a broad range of legislative and executive powers. But in the sample of countries compared here the big outlier that creates substantial variance in this regard is only the United States.

I hypothesize the link among three different elements, each of which interacts with the political-economic set-up just outlined. (1) Democratic institutions differ in their permissiveness to differentiate the political aggregation of preference distributions in knowledge societies through political parties. (2) These patterns affect different dynamics of party systems toward more centripetal, convergent party competition, or more polarizing party competition. And (3) the interaction of institutional arrangements and political-economic context yields a different articulation of populist partisan politics.

#### **3.2.1. Restrictive or Permissive Democratic Institutions**

Institutions are more or less permissive to enable political entrepreneurs to craft parties that target the representation of preference profiles articulated by finely differentiated slices of the income-by-education occupational structure. Electoral systems with multi-member districts, proportional representation, and closed list ballot formats make possible finely sliced (fragmented) party systems where politics is a "team sports" between different programmatic crews. Single-member district systems

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<http://greece.greekreporter.com/2018/03/26/varoufakis-launches-new-party-in-athens/> . Already by 2014, over 200,000 young, highly educated Greeks had left the country for more promising destinations in the European Union:  
<https://www.theguardian.com/world/2015/jan/19/young-talented-greek-generation-g-worlds-biggest-brain-drain> .

with plurality electoral formula create a situation of “forced choice” (De la O and Rodden 2008) where often only two parties are capable of winning legislative seats (Duverger’s Law). Presidentialism with a plurality electoral formula enhances this concentration on two parties further. This is the reason why the U.S. party system is the only two-party system left among knowledge societies (Aldrich and Lee 2016).

Institutional arrangements are not randomly distributed across the four profiles of political-economic arrangements. Both in Scandinavia and Northwest Continental Europe permissive institutions prevail, while in the Anglo-Saxon democracies restrictive institutions are dominant (save New Zealand that switched tracks in 1996). In the Mediterranean region, exemplified most prominently by Italy and Greece, the legacies of clientelistic politics and its unravelling in political-economic crises since the early 1990s (Italy) or the Great Recession (Greece, Portugal, Spain) have undercut the impact of institutions on shaping party aggregation. As old mainstream parties eroded or disappeared, and systemic dissatisfaction became widespread, the political institutions, particularly electoral systems, become endogenous to the competition among new and often populist political parties, exemplified most clearly by the repeated electoral system changes in Italy and Greece. Under conditions of highly volatile, inchoate party systems, coalition formation has oscillated between majoritarian bloc politics and broad coalition building within a fragmented field of competitors, bilateral polarization or centrist convergence of policy making. Overall, in spite of the populist mobilization, however, centrist convergence and increasingly complicated coalition building has outweighed the formation of sharp contrasting political blocs.

### 3.2.2. Party System Dynamics in Different Institutional Settings

The interaction of political economic context and institutional arrangements gives rise to characteristically different dynamics of party competition. This dynamic concerns the incentives parties face to compete for moderate, centrist voters, the nature of government formation, and the policies that likely result from such processes. These processes, in turn, influence the ideological nature and strategies of populist challengers (3.2.3.).

In Scandinavia and Northwestern Europe, permissive institutions in the knowledge economy have helped to generate highly fragmented party systems, with the traditional center-left and right mainstream parties shrinking, but being supplemented by an arc of more purist, radical new parties in the two-dimensional space. The Netherlands are an extreme case, and figure 1 illustrates where roughly the different parties may be located in the two-dimensional space after the most recent national election of March 15, 2017 (Figure 1).

Figure 1 about here

In this setting, some parties still have incentives to compete for the median voter, as no government can be formed without capturing the median voter area. Office-seeking and vote-seeking imperatives may often be in conflict when parties decide on political appeals. Activists who prefer more extreme positions exit from mainstream parties and join more peripheral, pure parties. Government formation is a cumbersome process that results in only incremental shifts of policy. Because individual party leaders know that they cannot effect dramatic policy shifts, they play a long game of preserving their party brand images. Brand image defense may allow party strategists to embrace a rather long time

horizon, thus facilitating agreement on policies of social investment that pay off in terms of constituency benefits only in the more distant future.<sup>10</sup>

Policy convergence among the major parties, particularly on economic matters, results from the interaction of fragmentation, coalition politics, brand preservation, and time horizon. Politicians will be hesitant to promise “easy” popular policy solutions (such as especially: lower retirement ages and higher pension benefits, generically: lower taxes and more spending), well knowing that they cannot realize these promises and will pay the price down the line. This is quite a distinct logic of convergence when compared to the one postulated by Katz and Mair (2009) as instigated by a “cartel of politicians” who become willfully unaccountable to their constituencies.

The situation is quite different in Anglo-Saxon restrictive institutional systems. Here Duverger’s Law applied to legislative elections with single-member district plurality systems, in the U.S. magnified by a logic of presidential elections governed by SMD plurality voting rules, drives activists and voters with rather heterogeneous preferences under one of two partisan umbrellas, triggering intra-party fights among ideological factions over dominance within each party. In a political-economic setting with high income inequality and socio-economic precariousness experienced by large proportions of the electorate, it is likely that radical currents (“preference outliers”) may capture one or both of the dominant parties, thus triggering a dynamic of self-sustaining partisan polarization in which moderates are compelled to waste their votes on ineffectual third party candidates or to choose between two unpalatable extremes: Donald Trump or Bernie Sanders? Jeremy Corbyn or Boris Johnson?

Polarization is further incentivized by the prospect of one or the other party becoming winners-take-all and achieving temporary leverage to shift the political status quo dramatically by the narrowest of legislative majority margins. Even with checks-and-balances, this institutional configuration yields more opportunities to topple the status quo than parliamentary PR system with complex coalition formation. Over a sequence of elections, alternating victory and defeat of polarized competitors may yield policy uncertainty that undermines investor confidence.<sup>11</sup> Faced with the prospects of wide swings in political leverage, party strategists embrace myopic policy-making objectives and aspire to capture the most gain for their constituencies in the shortest possible time frame. This biases policy-making against strategies of social investment that require a long political time horizon.

In the Mediterranean countries, party systems were never as deeply grounded in socio-economic programmatic divides as in other knowledge societies, as they continued to involve clientelistic patronage and business exchanges. Here the economic disruptions of technological innovation also undermined such clientelistic networks and led to the partial or wholesale collapse of party systems, exemplified by the implosion of the major Italian parties, particularly the Christian Democrats in the early 1990s (Kitschelt 2007). Broad discontent with the established elites has given rise to the mushrooming of volatile new political parties with limited internal institutionalization. Moreover, at least in the Italian and Greek cases, electoral institutions and even executive-legislative relations have become endogenous to the power struggle of inchoate, weakly anchored political parties.

In this highly unstable situation, party systems at times exhibited tendencies toward high fragmentation, together with the resulting difficulty of coalition formation and inertia of policy-making,

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<sup>10</sup> I am adapting (or misappropriating?) Lupu’s (2016) notion of “party brand” defense, but with the same logic in mind: Parties are peopled by overlapping generations of activists who—in permissive settings—have incentives to care about the brand investment of the party over future rounds of the game.

<sup>11</sup> Previously the detrimental economic consequences of polarization and policy volatility have primarily been invoked for post-communist democracies (see Frye 2010), but it is likely to apply in consolidated democracies as well.

but at times tendencies to move toward polarization between rival camps, sometimes driven by populist politicians. Policy-making in these fragile and shifting partisan configurations has been short-termist and myopic, with little capacity to develop sustained strategies in social investment.

### 3.2.3. The Potential for Populism

Let us now consider the space and leverage of populist parties in each institutional and political economic setting. In Scandinavia and Northwestern Continental Europe, the momentum of populist mobilization is primarily on the ideological right, without a strong commitment to economic redistribution, but with a firm emphasis on exclusionary national citizenship and punitive law&order governance, combined with a policy of social compensation that defends social insurance systems essential to the economic well-being of older indigenous wage earners (pensions, health insurance). The large tier of highly educated professionals is more or less unreceptive to populist appeals and tends to opt for anti-populist left-, centrist- or market-liberal libertarians. Rightist populist parties find themselves in a peripheral position in the competitive field, yet may hope to join or support center-right partisan coalitions to become incremental correctives of policy-making.

In Anglo-Saxon countries the populist potential is greater both on the left and the right due to the higher insecurity of labor markets and greater political-economic polarization, although it is restrained by a broad array of firms and non-profit institutions that offer jobs at the innovation frontier of the knowledge economy. Also here, then, the populist potential is skewed toward less educated voters many of whom will be most receptive to right-wing appeals on immigration and national pride that center-left parties will not embrace because it would drive away their anti-populist, and economically relatively well-protected, albeit often not highly remunerated, electorate of professional with tertiary education degrees.

Unlike in Northern Europe, the political aggregation process places less-educated populists at the heart of the major Anglo-Saxon parties, not the periphery of smaller new rightist populist party foundations. Populist forces may gain strategic leverage in both left or right political parties that far surpasses their proportion of popular support, if they manage to take over the national party leadership. Consider the presidential election of Donald Trump as a numerical example. In the primary season, about 10 percent registered voters participated in the Republican primaries of whom about 25-40 percent chose Donald Trump, or about 2.5 – 4 percent of the entire U.S. electorate. This made Trump the candidate of one of the two major parties and the plurality winner of enough Electoral College votes to become president, albeit with a substantially smaller vote share than cast for his losing competitor. The institutions of majoritarian democracy sometimes magnify and overstate the populist potential at the level of political representation in legislatures and a presidential executive.

In the Mediterranean countries, political-economic conditions place few voters in auspicious labor market positions at the global knowledge frontier. The economic downside of knowledge society touches a much broader tier of the population, including many of the young and educated who cannot find jobs that meet their aspirations. In this fourth country group, the potential is high for both left and right-wing populism, encompassing both low-skilled manual and high-skilled professional occupations, often with rather different ideological orientations.<sup>12</sup> Where center-left and right mainstream parties have imploded or badly eroded, this may create an extraordinary space for populist politics blurring the divide between leftist populism, committed to mostly redistributive economic demands, and rightist populism, rejecting immigrants, ethnic diversity, and high taxes.

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<sup>12</sup> On public support for leftist and rightist populist parties, see especially Rooduijn et al. 2017 and Rooduijn and Burgoon, forthcoming.

Italy in some ways is a testing ground for the differentiation and overlap of left-wing and right-wing populism contingent upon political-economic resources and endowments, as can be illustrated by the Italian political map of the March 2018 legislative election. In the economically more competitive North, with a better educated work force and more job opportunities, the Center Right alliance become dominant and includes as its largest component a party that is not centrist, but right-wing populist, the *Northern League* (now simply “League” as it tried to branch out to the South. The League ran under a program to contain immigration, increase pensions and roll back the retirement age, abolish the tax collection/investigative agency, waive prosecution of past tax cheating, remove the law to restrict the use of cash in market transactions (and thus create more opportunities for tax cheating and corruption), and introduce a flat 15-percent income tax with regressive distributive consequences and a fiscal impact that would cost the Italian public purse at least \$ 40 billion per year in tax revenue, adding to a public indebtedness of already over 132 percent of annual GDP....an altogether fantastic, unreal set of promises further worsening the already feeble capacity of the Italian state. In the economically depressed South, the biggest vote getter, with an average of 45-50% support, was the Five Star movement, rallying both poor unskilled as well as (young) educated voters with the promise of a generous basic income for those willing to seek work (adding EU 15-20 billion p.a. to Italy’s public deficit), an increase in family benefits, a revitalization of measures against youth unemployment, more generous pension benefits, and cuts in a broad swath of taxes, while also promising to reduce Italy’s public sector indebtedness by 40 percent, without explaining how this might be achieved. In Italy, the regions in which “right” or “left” populist messages dominate complement each other geographically (figure 2).

Figure 2 about here

Knowledge societies apparently face a steep political trade-off, resolved differently contingent upon economic development and political institutions, as summarized in table 4. Either they feature permissive institutions that enable politicians to succeed with a proliferation of parties tailored to the specific tastes of discriminating electoral constituencies in a more-than-one-dimensional political space. This trajectory combines a centripetal core of old mainstream parties with an array dispersed populist and non-populist parties appealing to finely divided electoral constituencies. These fragmented party systems tend to have great difficulties in assembling durable political majority coalition governments that can decisively change the policy status quo. They are marred by a politics of inertia, paralysis, and drift.

Table 4 about here

Alternatively, knowledge economies feature restrictive political institutions that force citizens to choose among a minimal set of durable, institutionalized partisan alternatives each of which then ends up with multiple internal ideological factions pulling in different strategic directions. This process, in turn, increases the probability of party system polarization into two hostile camps. If one of the two sides decisively grabs the levers of political power, polarization may yield major systemic policy shifts rather than paralysis and centripetal inertia. But majoritarian systems are likely to make these changes with narrow political support, prompting backlash movements and reversals in subsequent elections.

In between these alternatives, we encounter polities where the established parties sufficiently discredited themselves to lead to a proliferation of new parties and the endogenization of institutional arrangements to partisan competition. Consequences of this fluid situation for government formation and policy-making vary, but the momentum appears to tilt toward fragile governments, often based on centrist convergence of policy commitments, and paralysis of policy-making, with a particular inability to promote social investment policies.



## 4. Coalition Politics between the Groups

Political-economic parameters and institutional arrangements delimit the range of potential partisan coalitions that can dominate government formation and policy-making in democratic polities, but in each setting several alternatives are politically feasible. Depending on these constraints, populists have greater or lesser opportunities to become participants in winning coalitions and move the political status quo.

### 4.1. Northern and Northwestern Europe: Populist Right as Peripheral Opposition Force or Corrective Coalition Partner?

Because overall conditions tend to converge, let me treat Scandinavia and Northwestern Continental Europe together, even though social investment policies and redistributive compensation policies remain stronger in Scandinavia. In Northwestern Europe, populist right-wing parties made considerable inroads, first among small business voters and later with the momentum moving toward attracting industrial and service low education-low income citizens. These opportunities increased the more such voters became disaffected by the reorientation of Social Democratic and labor parties away from policies of social compensation and toward the demands of high-skill professionals, a shift that surfaced most clearly in the reform of pension systems reducing benefit levels and/or raising the number of years in employment required to reach full pension benefits, worsening the terms of early retirement, or reducing benefits to the long-term unemployed. The mainstream parties also lost considerable vote shares to left-libertarian alternatives, thus diminishing the prospects of straight-forward center-right or center-left majority coalitions.

At the same time, political economy and social structure makes Northwestern Europe the region in which political parties have the greatest opportunities to assemble “anti-populist” coalitions of professionals, business-oriented or socio-cultural. Such coalitions have a propensity to invest in future-oriented skills and industries, in families and conventional labor market outsiders, but tend to sideline demands for policies of social compensation articulated by older blue collar and clerical wage earners as well as traditional small business (retail, crafts, construction). Where such anti-populist coalitions include social democrats, their relations with labor unions in old manufacturing sectors tend to be tense. Meritocratic considerations that reinforce the market advantages enjoyed by highly educated citizens dominate the principles of policy-making in anti-populist coalitions, even where they are tempered by targeted investments assisting disadvantaged minorities and occupational groups with obsolete skills.

The U.S. leftist Thomas Frank (2017: 124) has characterized such coalitions with the slogan that “The Hipster and the Banker Should Be Friends” in the title to the sixth chapter of his recent book. While Frank sees the U.S. Democrats under the Clintons implement this imperative, it may also be shorthand to grasp the approach chosen by European Third Way social democrats (Blair, Schröder, and a number of social democratic prime ministers in Scandinavia). Anti-populist governments appear in the guise of red-green coalitions, with a redistributive skew, recognizing the need to acquiesce the remaining low-skill manual and clerical social democratic constituencies, but also in center-right “opera” coalitions of Christian Democrats and Greens, uniting all those who appreciate high culture. Stretching the coalitional format further, it may also encompass coalitions of Greens, Christian Democrats and (market) Liberals, under the colors of Jamaica’s national flag (green, black, and yellow), an alliance configuration that narrowly failed to form the new German federal government in November 2017 and that excluded all

parties with substantial support among the economic and cultural losers of knowledge society (*The Left*, the radical right *Alternative for Germany*, and the *Social Democrats*).

Where populist right-wing parties escape from a peripheral opposition role imposed by an anti-populist coalition, they serve as enablers of center-right coalitions, either by joining such governments at the cabinet table or by externally supporting minority governments in legislative votes.<sup>13</sup> As reward for government support, populist radical right parties usually earn tougher immigration policies, while preserving pensions and health care benefits vital for an older core indigenous national population, as well as regulatory regimes that preserve their jobs.<sup>14</sup> They may endorse and encourage restrictions on social benefits that may accrue to primarily younger immigrant populations.

A third coalitional configuration that might command thin electoral and legislative majorities in Northwestern Europe has been more of a hypothetical than practical possibility, although some Scandinavian governments may inch closer: It is a combination of socio-cultural professionals, mostly concentrated in public sector jobs and collecting modest incomes in spite of their strong educational credentials, with low-income, low-education manufacturing and clerical wage laborers. This more left-populist coalition would be led by social democrats who, in countries such as Denmark are now inching toward considering coalitions with a right-wing populist party. Such alliances would constitute an effort to shift the balance back from an emphasis on knowledge investment—the priority of forward-looking business and sociocultural professionals—to a commitment to compensation policies that improve the fortunes of those who are not highly competitive in knowledge society. While parties joining this coalition agree on a drive to extend social compensation and financial redistribution toward low earners, they tend to be divided over strategies of social investment and political governance. At the heart of this divide, however, may be the question of how multiculturalist, cosmopolitan, and libertarian a society the old Left will stomach before its core constituencies defect.

What appears to be politically infeasible in Northwest European knowledge societies, however, is an outright dominance of populist forces in governments and policy-making. On the political demand side, politicians are likely to fall short in assembling majorities based on a populist coalition of low skill/high income small business types, their immediate associates, as well as a large share of the low skill/low income manual and clerical labor force, say configured around a radical right nationalist, anti-immigrant law&order party with socially protective leanings and a hard-right (small) business market-liberal party. This constraint is likely to set Northwestern Europe, covering both Scandinavia and the continent, apart from other national settings, where the emergence of viable populist majorities and party coalitions appears more plausible.

#### **4.2. Anglo-Saxon Democracies: Right-Wing or Left-Wing Populists as Leading Elements of Polarized Partisan Poles?**

For a long time, Anglo-Saxon democracies, with the UK and the US upfront, looked all but immune to radical right-wing politics, to say nothing of left wing politics, because of electoral systems that were supposed to stave off radical challengers and force the viable party duopoly to adopt moderate positions close to the median voter to win and leaving sectarian splinters of fascist and communist parties

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<sup>13</sup> I disregard here the complex considerations that center-right parties may entertain in choosing between a strategy of cooperation with radical right parties. As most recent treatments of this question, see Van Spanje and Weber 2017 and Van Spanje 2018.

<sup>14</sup> As the only available published study on the socio-economic policy impact of radical right parties I am aware of: See Röth et al. forthcoming.

at the periphery. But upon closer inspection of two-party competition, these bets came off. The ideal worlds of the median voter theorem do not account for mechanisms that make possible polarization even in two-party competition (Grofman 2004). Opening the black box of party organization, radical activists may work their way into the partisan duopoly and even take over the strategic helm at one or both parties (Aldrich 1983; Schofield and Miller 2007). Indeed, populist political-economic potentials—primarily on the right, but also on the left—may be sufficiently high to create that situation, as exemplified by Trump’s election and the British Brexit vote, combined with a transformation of the Conservatives into a spearhead of right-wing anti-immigration politics. Majoritarian institutions then make things worse for moderates: Radicals only need to win intra-party majorities among the minorities who get involved in partisan politics (nomination of electoral candidates) to deprive a moderate majority of citizens of viable options.

Given the scope and intensity of political-economic grievances in the weak Anglo-Saxon welfare states and given the weaker position of socio-cultural professionals, when compared to Northwest European welfare states, it is well possible that Anglo-Saxon right-wing parties can assemble a winning social coalition of small business and low-skill low-income manual and clerical wage earners around a nativist, authoritarian program. In terms of distributive politics, this implies low social investments and possibly also minimal social compensation, if this coalition’s economic policies are dominated by the business wing of the alliance counting on satisfying their low education/low income supporters with xenophobic and nationalist symbolic rhetoric. The financial crisis in Anglo-Saxon countries advanced the momentum of this coalition by the formation of the Tea Party movement, dominated by better-off radical right voters, as well as the fiscal and immigration crisis of the European union that gave the Brexit movement on the British right the critical boost to make the anti-EU forces finally victorious in 2016.

At the same time, the economic ruptures following 2007 triggered their own radical leftist insurrections inside center-left parties in Anglo-Saxon countries, driven by a combination of old left-wing populist socialists (anti-trade and economically redistributive), but uncomfortably combined with new left identitarian and libertarian agendas coming more from currents influential among the socio-cultural professionals.<sup>15</sup> They begin to challenge the “Third Way” “hipster and banker” coalition on the left in the cross-hairs of Frank’s (2017) ire.

Because of political-economic and institutional background conditions and financial and immigration crises, therefore, Anglo-Saxon democracies have a harder time than Northwestern Europe to establish or preserve anti-populist technocratic “Third Way” coalitions of business and socio-cultural professionals. The quantitative pool of voters sympathizing with such policy commitments is certainly not as favorable to such coalitions in the United States or Britain as in Northwestern Europe. What may give such alignments a boost in the Anglo-Saxon countries, however, are the increasingly large enfranchised tiers of ethnic minorities vilified by the major xenophobic right-wing party. These minority voters are thereby driven into the arms of center-left parties, even though the latter embrace libertarian political and cultural conceptions that are often at variance with the beliefs of majorities of voters descending from immigrants coming from Hispanic, Asian, Middle Eastern, or Sub-Saharan African countries. Anti-populist center-right coalitions therefore build on an alliance of the highly educated minority among the white majority citizens of European descent combined with the overwhelming support of all ethnic minorities.

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<sup>15</sup> One may speculate about how the likes of Bernie Sanders and Jeremy Corbyn would make nativist left-redistributive positions against trade openness and immigration compatible with currents of left-libertarian radicalism. Both are united in their opposition to “Third Way” social democratic moderation, but are likely to be at loggerheads, where this foe has been defeated.

### 4.3. Mediterranean Democracies: Populist Parties as Hegemonic Parties?

Compared to Anglo-Saxon countries, the odds in favor of populism in all its variants are even higher in Mediterranean countries with welfare states that provide limited social protection (particularly for the young), relatively little social redistribution, little public social investment in education, skill and family formation, and few economic sectors near the global innovation frontier of the knowledge economy. Here citizens across the occupational spectrum have experienced the loss of employment or pension benefits and perceive threats to their livelihood and occupational aspirations, given the constraints of skill-biased technological progress and demographic transition, augmented by the acute consequences of the Great Recession and the Euro crisis in the South. The perception of risk is almost universally shared among citizens, and especially among young people preparing for labor market entry. Against this political-economic and institutional backdrop, populist resistance against austerity policies has primarily originated on the Left, but it has also inspired parts of the radical Right in countries where it has become a substantial electoral force (Italy, Greece).

Exploiting the broad popularity of redistributive economic demands under the impact of the Great Recession and Euro crisis, populist Leftists have diluted their conventional socialist objectives in order to enlarge the scope of their target constituencies. As exemplified by the ideological trajectory of *Podemos*'s in Spain, as well as Italy's *Five Star Movement* that had never even started out with a distinctive hard left economic position, they have adopted more programmatically diffuse, and thereby more widely appealing anti-austerity stances (Della Porta et al. 2016). This strategic calculus has paid off in the sociologically increasingly diverse profile of populist party voters (for Italy: Cavallaro et al. 2018: 108-12 on Italy; for Spain: Vidal 2016).<sup>16</sup> And it makes possible a broad coalition of more leftist and rightist populists, united in their rejection of what is left of mainstream parties and their incumbent elites. This populist coalition would be united in its intent to unhinge fiscal austerity policies. Log-rolling may overcome the remaining ideological disagreements between populist rightists (such as the Northern League in Italy) and more left-wing populists: The populist Left would tolerate tighter immigration restrictions, more generous pension benefits and earlier retirement eligibility, as well as small business tax relief, while the Right would accept the Leftists' demand for higher transfer incomes (unconditional basic income?) and targeted assistance for structurally weak regions such as the Italian *Mezzogiorno* or Spain's *Andalusia* and *Extremadura*.<sup>17</sup>

In the current political-economic environment of the Mediterranean region, anti-populist, technocratic partisan coalitions have a hard time to win partisan majorities by cobbling together support from the various professional strata and corporate management, with bits and pieces of support from low education wage earners or self-employed voters. Such governments can survive either (1) by stealth (i.e., successful misrepresentation before elections, e.g. after a failed populist government, but then followed by a sharp policy reversal toward austerity), or (2) by exposure to overwhelming external pressure (such as that exercised by Germany and other Northern European countries during the Euro crisis) turning ex-ante populist opposition parties into ex-post compliant austerity governments (like Greece's *Syriza*), or (3) by dividing the populist competitors into antagonistic left and right camps that fight each other more than technocratic centrist anti-populist politicians, who thereby manage to implement restructuring and austerity policy reforms. But long-term social investment policies are hard to launch and sustain from such a shallow and precarious foundation of advantage over the populist partisan competition. Political coalition building, therefore, often ends up being fragile and short-lived in Mediterranean democracies.

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<sup>16</sup> The findings reported in Rooduijn and collaborators' work (see footnote 12) may or may not be at variance with these more specific results for individual parties.

<sup>17</sup> To gauge the possibility of this populist broad front, consider the issue opinions of Five Star Movement and Lega Nord voters in the March 4, 2018, Italian election: Cavallaro et al. 2018: 130.

Even where anti-populist governments persevere, they are likely to lose their resolve to propel social investment policies the benefits of which will come to fruition only over the course of several legislative terms.

The most destructive populist element in Mediterranean democracies may well be the resilience and mobilizational capacity of a large petty bourgeoisie and its political representation in both rightist and leftist populist parties. In Greece, over 34% of the labor force consists of self-employed small business people, in Italy it is 23.9%, in Portugal 17.8% and in Spain 16.9%. This compares to an average of 10% in Scandinavia, 13.4% in Northwest Continental Europe, and 12.9% in the Anglo-Saxon countries (calculated from figure 3). And these bald figures do not even reflect that a larger share of the self-employed in these last three regions are really highly trained professionals operating in a different orbit than traditional small business which dominates the ranks of the self-employed in the Mediterranean. No other group in industrial or knowledge societies is more opposed to effective taxation, more prone to cheating on taxes and generally more willing to undercut state capacity building (extractive, regulatory, redistributive, investive) than small business. The strength of traditional self-employment is not conducive to the long-term provision of collective goods critical to create favorable synergisms and spillovers that encourage the innovative dynamism of a knowledge economy.

Figure 3 about here

Even in Northwestern Europe and Anglo-Saxon countries, it is not poor wage earners, but often well-endowed prosperous traditional small business that is most strongly over-represented in the activist cadre of radical right populist parties and movements (such as the U.S. Tea Party): the likes of real estate and insurance agents, brokers, small farmers, or construction, crafts, personal service (restaurants/bars/cafes), and retail shop owners, as well as their closest salaried employees (often family members). But only in Southern Europe this category, widely ignored in Marxist and mainstream sociological and political economic analysis, still constitutes a formidable electoral force that is rivaled in relative magnitude only by equivalent groups in non-European middle-income countries (Turkey, Mexico, Brazil) and some post-communist countries (Poland, Czech Republic).

Were one to extend this comparison of populist political potentials to middle-income countries (roughly with \$ 10,000 and up in per capita GDPs converted into dollars at PPP), the association between an illiberal, authoritarian transformations of political regimes and the emergence of powerful populist partisan camps, supported by a cross-section of low-skill socio-economic actors, but especially small business types, would come into full view. Populists in middle income countries often combine first dimension leftist economic anti-market views—but often more of a particularist, rent-seeking than a universalist-socialist type—and second dimension rightist appeals to preserve paternalist and authoritarian governance combined with an exclusionary, intolerant assertion of national or ethnic collective identities. This combination of signals enables populist politicians to divide anti-populist opponents into disjointed camps of urban liberal, secular and cosmopolitan business professionals, on one side, and remnants of socialist, laborist leftism, on the other. Bilateral opposition reduces the chance that democratic competition could displace the incumbent hegemonic populist party and emboldens populist governing parties to transform political democracy into a semi-authoritarian regime with low probabilities that opposition parties could displace such incumbent (Kitschelt 2017). This marks the experience of countries in Asia, from Iran in the late 1970s to most recently Turkey, as well as in post-communist Eastern Europe, where liberal democrats dominated the first two decades of post-communism, but then were increasingly displaced by new populist authoritarians. In all these instances, small business activists constitute the political backbone of a right-wing populist reaction to political and economic development that teams up with other social categories—particularly manual and clerical low skill/low income wage earners—to

create a broad, rent-seeking political force that may become debilitating to democracy and economic growth.

## Conclusion

In the emerging knowledge societies the Simpleton's account sees two or three major challenges to social stability—skill-biased technological progress, demographic transition, globalization—each of which distinct socio-economic groups propose to confront with different strategies of social compensation or social investment. What people's preferences are over the available alternatives depends to a large extent on their leverage in labor and capital markets, revealed by their income, and on their cognitive adaptability to changing economic, political and cultural conditions, predicated on the level and epistemic quality of their cognitive skills.

Those who favor social consumption and compensation over social investment strategies tend to follow political leaders who frame their demands in the garb of populist rhetoric. They prefer quick fixes and promise instant relief from economic and political grievances. Populist appeals resonate most powerfully with low skill/high income and low skill/low income groups. They fall on deaf ears among high education groups that are internally divided between business-technical-financial professionals, concentrated in high income occupations, and socio-cultural professionals, more dominant among lower income occupations.

But the relative strength and populist threat perception by income/education occupational groups is not invariant across all knowledge economies. It is conditional on political-economic and institutional contexts.

Welfare states with comprehensive risk-hedging, substantial income redistribution, and vigorous social investment tend to produce the relatively smallest populist electoral potential, and these populist potentials tend to be motivated more by general social, political and cultural considerations than immediately experienced economic grievances. Residual welfare states with limited safety nets and minimal investments in skill formation, by contrast, have higher potentials for populist mobilization, and they tend to generate their momentum more from directly experienced economic threats and deprivations, even though political and socio-cultural grievances about the loss of traditional forms of political and social governance remain salient. In political-economic settings where thus the scope of aggrieved population groups is broad, the populist momentum may be paired with predominantly first-dimension, economic-redistributive demands ("left" populism) as well as second-dimension rightist populism emphasizing issues of political governance, citizenship, and multiculturalism.

Also institutional variance enshrined in the formal rules of electoral competition and relation between legislative and executive powers conditions the trajectory of populist mobilization. Where majoritarian electoral systems, amplified by presidential executives, present citizens with a "forced choice" between just two political camps, chances are great that even radical populist left or right minorities can take over one or both major partisan competitors and void the working of Downs' Median Voter Theorem by creating a polarized bilateral competition, leading to high policy volatility. Elsewhere, populist mobilization contributes to the fragmentation of the party spectrum that may generate a centripetal dynamics of political coalition formation and policy paralysis, particularly in countries where institutionalized parties are swept away and replaced by crowds of new and fleeting partisan brands.

Where populist electoral potentials vary in terms of magnitude and ideological complexion politicians also face different opportunities of building winning coalitions. Simpleton's speculation is that the prospects of populist dominance are least promising in Scandinavian and Continental Northern Europe, although even populist minority parties at the periphery of the political systems may marginally shift policies in their direction or precipitate a paralysis of coalition formation and policy-making. Populist opportunities are much greater in Anglo-Saxon democracies with majoritarian institutions and weak social policies to compensate economic losers in knowledge societies. These settings facilitate a logic of partisan polarization that at least temporarily might tip the balance of power in favor of right-wing or left-wing populist partisan forces.

Overall, however, structurally most endemic are the opportunities for populist dominance in weak welfare states with limited social insurance and low levels of social investment. This applies to much of Mediterranean Europe, but with even greater force to many middle-income countries not covered in this sketch. Unlike Northern European populist rhetoric, that of the South is more imbued by a redistributive, leftist economic agenda, albeit in a blurred, vague fashion. It tends to advocate quick fixes of social compensation, but pays little attention to the long game of social investment. Left and right wing populists ignore budget constraints and trade-offs between social compensation and investment that policy-makers can discount only at their peril.

To close this sketch with one final simplification: The working class struggle in industrial society was against exploitation in the production process. Workers were necessary participants in a capitalist production process, but socialism taught them that this system was awarding them fewer benefits than they might obtain in a counter-factual world of socialist relations of production (John Roemer's definition of exploitation). The struggle of populist forces in meritocratic knowledge societies is different. It is not about exploitation, but the expendability and obsolescence of human labor input in the economy, whether that input takes place under the duress of exploitation or not.

Psychologically, the sense of becoming superfluous may be more depressing and alienating than the realization of being exploited. In this sense, the struggle of today's leftist and rightist populists against a technocratic and meritocratic governance structure of knowledge societies may become as profound and as lasting as the struggle of socialist labor movements against capitalist exploitation. And the populist wagers are ultimately as unlikely to win the contest as were the socialist blueprints of a planned economy. But like the socialist movement, populist forces may be capable of modifying and mediating the unfettered unfolding of the means of production and force new institutional constraints on social organization and innovation in knowledge society.

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**Table 1: Simpleton’s Four Economic Groups in Knowledge Societies  
(by income, education, occupation)**

		Income	
		LOW (-67 <sup>th</sup> percentile)	HIGH (68 <sup>th</sup> percentile+)
Education	HIGH	<p><b>G1: redistributive (+)</b>  <b>G2: libertarian (+)</b>  <b>G3: inclusionary (+)</b></p> <ul style="list-style-type: none"> <li>• <b>Favors BOTH public investment and consumption</b></li> </ul> <p><b>Occupations:</b> social and cultural service professions (SCP);</p> <p><b>Group Size:</b> from &lt;5% to 15-25%</p>	<p><b>G1: market-liberal (-)</b>  <b>G2: libertarian (range: =/+)</b>  <b>G3: inclusionary (range: =/+)</b></p> <ul style="list-style-type: none"> <li>• <b>Advocates public investment more than consumption</b></li> </ul> <p><b>Occupations:</b> SCP and Business-Finance-Technical Professions (BFTP)</p> <p><b>Group Size:</b> from ~5% to 15-25%</p>
	LOW	<p><b>G1: redistributive (+)</b>  <b>G2: authoritarian (-)</b>  <b>G3: exclusionary (-)</b></p> <ul style="list-style-type: none"> <li>• <b>Prioritizes social consumption over investment</b></li> </ul> <p><b>Occupations:</b> blue and white collar routine work</p> <p><b>Group Size:</b> from 60-65% to 35-50%</p>	<p><b>G1: market-liberal (-)</b>  <b>G2: authoritarian (-)</b>  <b>G3: exclusionary (-)</b></p> <ul style="list-style-type: none"> <li>• <b>Skeptical of both public investment as well as consumption</b></li> </ul> <p><b>Occupations:</b> specialist-skilled, crafts, construction, trade, retail small business wage earners &amp; self-employed;</p> <p><b>Group Size:</b> from 30%+ to 15-20%</p>

**Table 2: Differential Strategies of Compensation and Investment**

	<b>Northern Europe</b> (DNK, FIN, NOR, SWE)	<b>Northwest Continental Europe</b> (AUT, BEL, FRA, GER, NLD, CHE)	<b>Anglo-Saxon Democracies (including settler)</b> (AUS, CND, GB, NZD, USA)	<b>Mediterranean Polities</b> (GRC, ITA, PRT, ESP)
<b>Encompassingness of welfare state insurance</b>	strong	strong	intermediate	intermediate/weak
<b>Redistributive effort of social policy</b>	strong	intermediate	intermediate	weak
<b>Support for family formation</b>	generous	Becoming generous	miserly	miserly
<b>Quality of high-end education</b>	high	high	high/intermediate	low
<b>Scope of quality educational access</b>	broad	intermediate	intermediate/narrow	intermediate/narrow
<b>Post-tax, post-transfer inequality (2010s levels and 1980s-2010s change rates) (World Development Indicators)</b>	<ul style="list-style-type: none"> <li>• Lowest levels (~.26 GINI)</li> <li>• Yet substantial increase since the 1980s (+.04)</li> </ul>	<ul style="list-style-type: none"> <li>• Intermediate level (.285),</li> <li>• modest increase since the 1980s (+.02)</li> </ul>	<ul style="list-style-type: none"> <li>• Highest level (.35) and</li> <li>• strong increase since the 1980s (+.03)</li> </ul>	<ul style="list-style-type: none"> <li>• High level (.33), but</li> <li>• no average increase since the 1980s.</li> </ul>
<b>Industries and companies at the global innovation frontier</b>	numerous	selective	numerous	few, if any

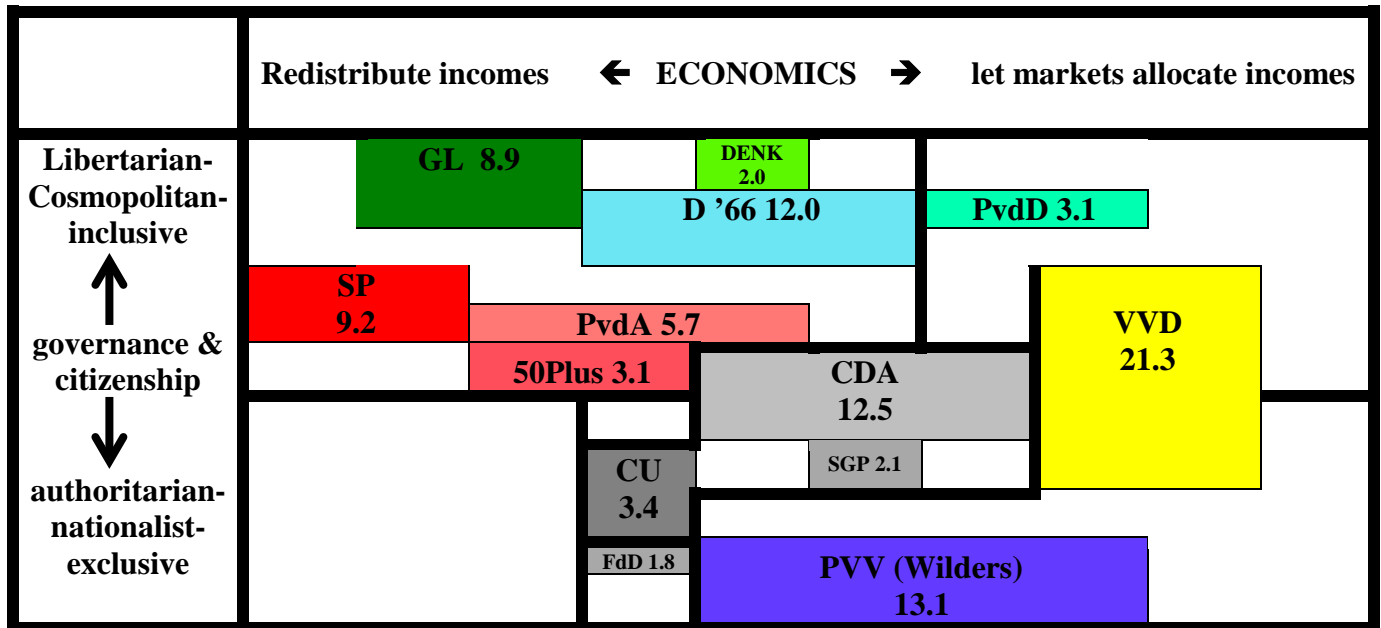
**Table 3: Endogeneity of Occupational Structure to Institutions of Social Compensation and Investment**

	<b>Northern Europe</b> (DNK, FIN, NOR, SWE)	<b>Northwest Continental Europe</b> (AUT, BEL, FRA, GER, NLD, CHE)	<b>Anglo-Saxon Democracies (including settler)</b> (AUS, CND, GB, NZD, USA)	<b>Mediterranean Polities</b> (GRC, ITA, PRT, ESP)
<b>Low education – low income (LE-LI)</b>	35-40%	40-45%	45-55%	50%-60%
<b>Low education – high income (LE-HI)</b>	10%	10-15%	15-20%	25-30%
<b>High education – low income (HE-LI)</b>	25-30%	20-25%	15-20%	10-15%
<b>High education – high income (HE-HI)</b>	20-25%	15-20%	10-20%	5-10%

**Table 4: Political Party System Configurations and the Populist Potential**

		<b>Northern Europe</b>  (DNK, FIN, NOR, SWE)	<b>Northwest Continental Europe</b>  (AUT, BEL, FRA, GER, NLD, CHE)	<b>Anglo-Saxon Democracies (including settler)</b>  (AUS, CND, GB, NZD, USA)	<b>Mediterranean Politics</b>  (GRC, ITA, PRT, ESP)
<b>IN-STI-TU-TIONS</b>	<b>Electoral systems</b>	Multi-member district, closed-list proportional representation	Multi-member district, closed-list proportional representation (except FRA)	Single-member district, plurality representation	Electoral systems endogenous to party competition
	<b>Executive – legislative relations</b>	Parliamentary system, coalition governments	Parliamentary system, coalition governments (except FRA)	Mostly single-party governments, parliamentary systems (except the U.S.)	Parliamentary systems, albeit oscillating between proportional and majoritarian features
<b>PAR-TY SYS-TEM</b>	<b>Dynamics of Convergence or Polarization?</b>	Economic divide with some convergence	Economic policy convergence	Polarization on all issue dimensions	Weak programmatic structuration with oscillation between convergence and polarization
	<b>DY-NA-MICS</b>	<b>Two/three-dimensional differentiation of the party system?</b>	From 3-4 parties to 6-8 effective parties	From 3-4 parties to 4-10 effective parties	From 2-party systems to moderate diversification → intense intra-party factionalism
<b>PO-PU-LIST</b>	<b>Right wing populist potential</b>	moderate	moderate	strong	Blurred, strong
	<b>Left-wing populist potential</b>	weak	weak	moderate	Blurred, strong

**Figure 1: Dutch Party System Fragmentation after the March 15, 2017 Election**





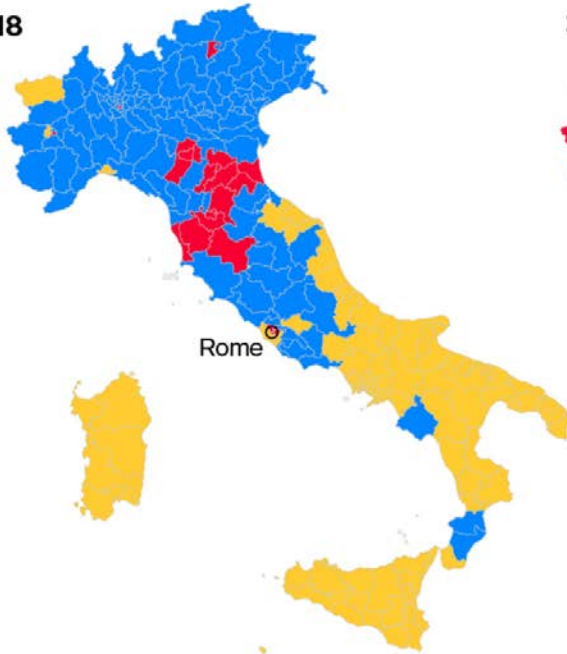
**Figure 2: Italian Party System after the March 4, 2018 Election**

**Color Revolution**

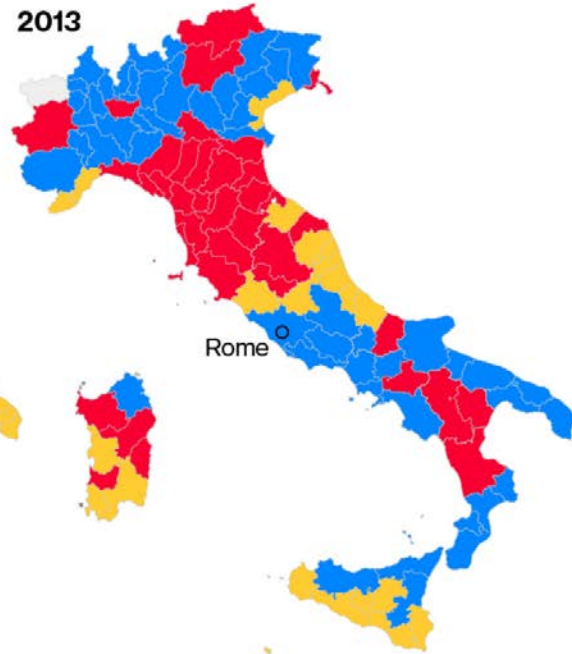
The 2018 election resulted in a wave of Five Star yellow south of Rome

■ Center-right ■ Five Star Movement ■ Center-left

**2018**



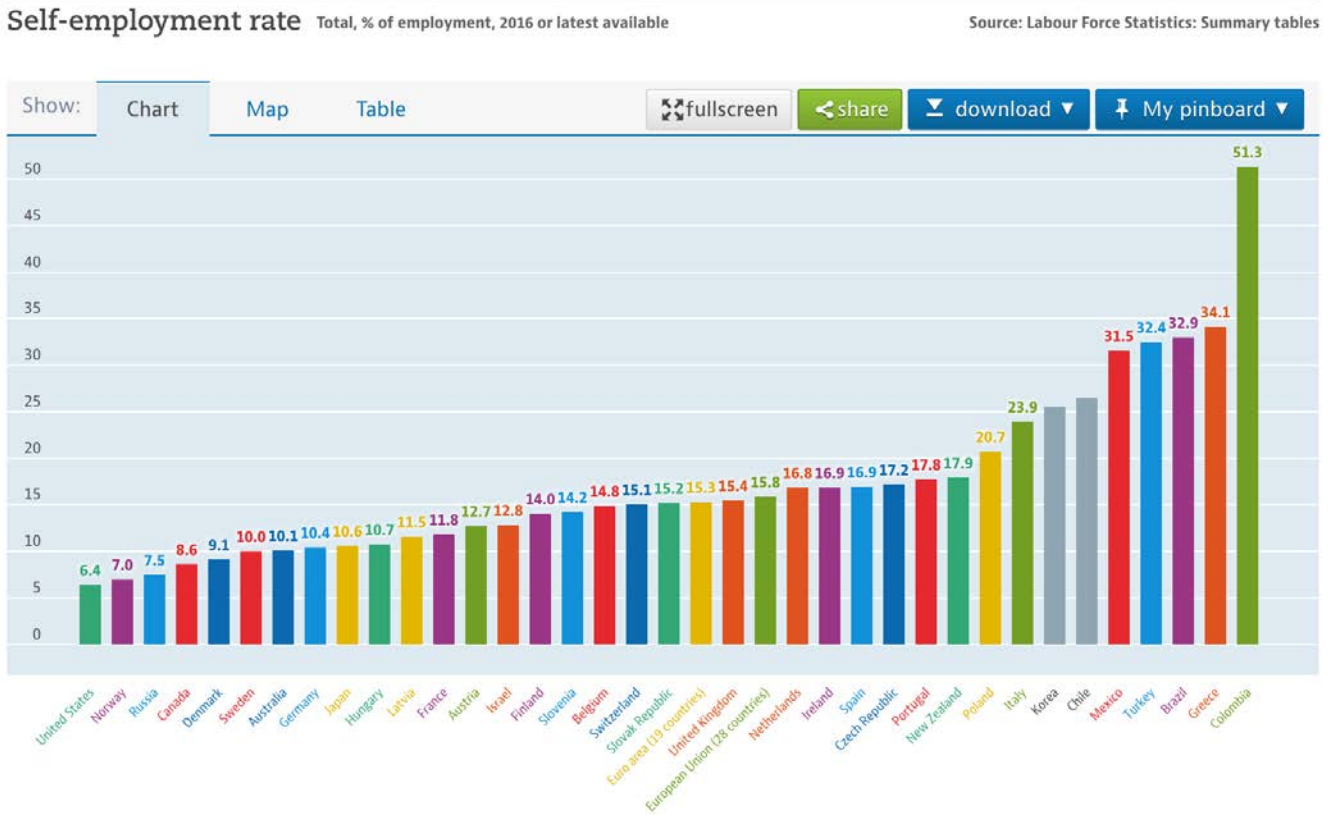
**2013**



Sources: La Repubblica, Italian Interior Ministry

**Bloomberg**

**Figure 3: Self-Employment in the OECD (2016)**



<https://data.oecd.org/emp/self-employment-rate.htm>