

Understanding the Impact of Immigration, Inequality, and Unemployment vis-a-vis the Politics of the 21st Century

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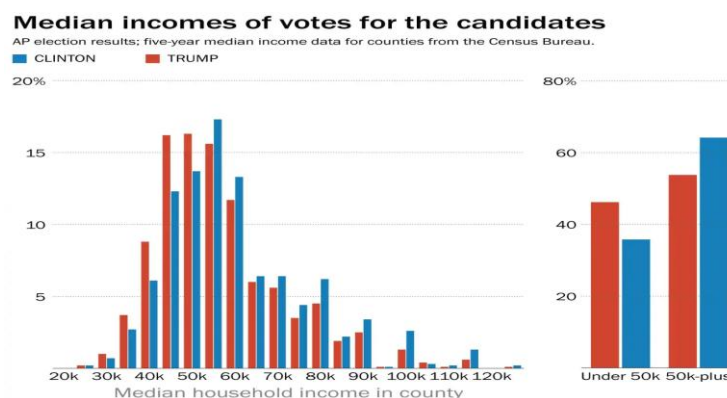
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Turbulent, tumultuous, tempestuous. The political developments of the last decade can be aptly configured within these three terms. A decade that offered scores of political upsets, to such an extent that anomalies became a norm, and perhaps the only thing that remained consistent was Putin's reelection(s).

However, on comprehensively studying these elections, we can securely deduce the salient and underlying similarities shared in these elections. While the reasons behind these results are evenly divided between sociological and economic factors (primarily macro), this article will be limiting its scope to the latter.

Chapter I: Trump's Triumph

It's a regular evening at the McDowell County in West Virginia, two hours have passed since the sunset, and nearly two decades since the last coal mine became defunct. The residents, a healthy majority of whom were former miners, have been struggling, in all aspects of their life ever since. Most of the residents here are dependant upon food stamps for their survival, however, strikingly enough, the county overwhelming voted for the Republican candidate Donald Trump in the Presidential elections. (1) What was even more conspicuous was a phenomenon of counties, of the likes of McDowell county voting for Trump. An Associated Press release further bolstered the hypothesis that the poor had indeed voted, en masse, for Donald Trump.



(Voting patterns observed in the 2016 Presidential election) (2)

In an election marred by controversies, that went down to the wire, Trump emerged victorious, crushing, his Democrat opponent, Hilary Rodham Clinton. A key factor in Trump's resounding victory had been the support he garnered from the Southern

‘Bible Belt’ and the counties he flipped in the democrat held ‘Rust Belt’. Though miles apart, the poverty-stricken economic conditions in both the belts bridged their geographical gaps and resulted in the undermining of the Democrat ‘Blue Wall’ in Midwestern America.

Most of the counties that supported Trump, in fact, had an economic profile closely resembling that of McDowell County- low income, high employment, primarily engaged in the manufacturing and mineral extraction sector ie. the bastions of the “White Working Class”. While Trump never won the poorest of the poor counties, he was successful in gaining an upper hand in economically underperforming indigent counties, which had failed to cope from the 2008 Financial Crisis. The same can be said for a nationwide level where relatively poor states voted for the Trump, while the economically prosperous states voted against them. (3)

Enter Economics

Ever since the days of Franklin Roosevelt, Democrats have increasingly leaned towards a leftist model of governance, which reached its epitome during the term of Barack Obama, with Obama care and Carbon tax, amongst the most debated. Republicans, on the other hand, have advocated on a self-resilient governance model, which would intern mean limited social security benefits. Yet, Trump, the Republican nominee won a landslide amongst the lower-income states, while, Clinton, who had publicly advocated for a higher income tax, won a majority in some of the richest American states, and so the paradox begs a question: Do the American voters love shooting themselves in the foot? Don’t the economic interests matter to them? (5)

The answer, however, is an antithesis to the popular opinion. They voted to keep their economic well being in mind. Keeping aside some condemnable incidents, Trump’s electoral manifesto was pivoted around anti-globalization, anti-free trade, and anti-immigration.

The residents of the “Red” states, primarily specialize in activities that fall under the Primary Sector and Secondary sector of economic activity category, and can be catalogued in Manufacturing (Pennsylvania, Michigan, Texas, Ohio), Oil and Natural Gas extraction(North and South Dakota, Texas, Colorado, Alaska), Coal mining(Kentucky, Pennsylvania, West Virginia) and Agriculture (The entire area consisting of the great plains).

The residents of “Blue” states, on the other hand, are primarily dependent upon tertiary sector activities, which include financial advising and investment banking, Information and Technology and Commodity Trading- with the most notable states in this direction being California, New York, Washington, Illinois, and Massachusetts.

The aftermath of WWII ushered an era of economic prosperity. While the Free Trade agreements brought enormous economic capital, lenient immigration policy attracted the much required human capital. The end of the Cold War further fortified the Free Trade system. However, this took a turn for the worst in the year 2008, when the world was hit by a Financial crisis, having its epicentre in the US. Approximately, 2.6 million jobs were lost during the depression. (6) While the process of recuperation was commendable, it still left much to be desired. The Tertiary sector economy made

a heroic recovery (which now boasts of an 80% in the American economy), whereas the Secondary and Primary sectors, which were already underperforming, failed to reclaim the lost ground. Further, the availability of cheaper alternatives in developing nations coupled with the emergence of AI added to their misery.

In less than a decade's span, the American working class had lost their savings, but more importantly lost its economic relevance. By the turn of the second half of the decade, anti-globalization and anti-immigration sentiments were at an all-time high in the US, amongst the working-class Americans. Trump all through his election campaign, emphasized on the notions of "bringing jobs back to America", "deporting illegal immigrants", repealing the 'Carbon tax' (while voraciously denying 'Climate Change' in the face of credible evidence) and in turn "making America great again". These promises instantly found themselves a soft corner in the hearts of the working-class Americans who were struggling in recovering from the 2008 Economic crisis. And on the eve of the 9th of November, the results were evident that the Democrats bore the brunt of the distraught 'White Working Class', as Trump ascended to the Presidency.

Chapter II: Rise of The Right (Deutschland, 2016-)

The summer of 2013 marked the (electoral) birth of the AfD (Alternative für Deutschland); a euro-sceptic party that was founded in the backdrop of the Euro-Zone Bailout crisis in Greece. While the AfD had a forgettable run in their debut election, failing to clinch even a single seat, in 2017, the party improved its fortunes by notches, by winning 90 seats and emerging as the largest opposition party in the German Parliament.

The party's roots were laid by Bernd Luckin the backdrop of the controversial Euro-Zone bailout. By 2008, in the aftermath of the Global Financial Crisis, several Euro-Zone countries including Spain, Greece, and Ireland saw an economic collapse and a 'prosperity bubble burst'. With the debt-to-GDP ratio soaring the counties had no option but to opt for economic aid packages. Germany, which has, ever since the creation of Euro-Zone has been at the helm of affairs, was generous in contributing to this cause. However, in 2013, in the face of perennial political turmoil, when the countries failed in repaying the debt, the German chancellor proposed a bailout package. This was received with extreme criticism by Euro-skeptics and conservative politicians, who expressed their dissatisfaction with the creation of AfD.

Fast-forwarding to 2017, with the German elections around the corner, the AfD much like the Republicans presented a manifesto which boasted of a 'not-so' uncanny resemblance to its Republican counterpart. The manifesto was centred around anti-immigration policy, a nation first internal policy, a conservative foreign policy, coupled with unbridled contempt towards economic treaties.

A fractured Re-Unification

After nearly five decades of political separation, the East and West Germany unified to form the modern-day state of Germany. Though however, heart kindling it may

sound, the reunification came with its own fair share of the burden, with handling economic inequality being the most thorny.

Helmut Kohl, the then chancellor of West Germany, in order to alleviate this economic inequality and disparity, suggested for the privatization of the government-owned industries. This idea was materialized in the form of Treuhandanstalt, an agency, created by the East German govt. for privatising the industry and oversaw the restructure and sale of nearly 9000 state-owned industries, directly affecting a minimum of 2.5 million people. In addition to privatization and reprivatization of state held industries, the government also introduced a series of incentives for industrialists, nationally and internationally, to invest in the East. The most notable of these incentives included circumvention of collective agreements and undermining labour unions. A direct result of these policies is evident in Saxony, where only 39% of the employees are protected under collective agreements, which is far lower than the average in West Germany, which stands at an envying 57%. (7) Treuhandanstalt was also the site of various corruption scandals which wrecked the German standards of transparency and was dissolved in the year 1994 after having amassed an estimation of 270 billion marks in debt. Its legacy, however, continues to haunt the working-class East German households, which receive fewer benefits and lower wages than their Western German counterparts. These also made blue-collar workers in Eastern Germany more vulnerable to Economic recession and downturns.

Another important factor is high-income inequality that, even today presents a stark dichotomy between the two areas of Germany, with the most noticeable being the difference in per capita income between them. An average household, residing in the Eastern part of Germany barely makes 70% as compared to their Western German counterparts. Making matters worse, though, the unemployment rate has seen an overall decrease, the risk of poverty for unemployed people has been the highest since reunification. In fact, unemployed in Germany have the greatest risk of poverty in the EU at a staggering 70%. (8) Again, states, part of the former German Democratic Republic have amongst the highest proportion of unemployed people in the republic. (8) Five of the eight states having an unemployment rate higher than the national average saw the rise of AfD as a formidable political party and rewarded it with the second-highest number of seats in all of these states (Thuringian, Saxony, Saxony-Anhalt, Brandenburg, Mecklenburg-Vorpommern- Which happened to be a part of the erstwhile GDR).

The Global Financial Crisis, The refugee crisis and the AfD

For Eastern Germany, perhaps the straw that broke the camel's back was the Global Financial Crisis of 2008 and the slowdown that followed it. Eastern Germany residents, already suffering from lower per capita income, lesser income securities, reduced welfare benefits and higher risks of poverty, were caught ill-equipped to handle the crisis. The growth rate in Eastern Germany recorded a steep decline to a miserable 1% even after 3 years since the crisis, while the unemployment rate ballooned further. (9) Merkel led CDU's ignorance towards these issues culminated in countrywide resentment and ultimately, in the formation of AfD, with the aim of

providing an “Alternate for Germany”, with prominent economists being some of its key leaders.

In 2015, Merkel, against widespread criticism, opened its borders to Middle Eastern refugees. AfD reacted by making a strong deviation from its previous stand, becoming a platform for anti-immigration discourses. The residents in Eastern Germany were averse to the prospects of foisting migrants, whereas their Western German counterparts wholeheartedly opened their arms over the proposition. A plausible explanation of this knee-jerk reaction can be directly traced to their socio-economic status and the Law of Demand and Supply.

Refugees are largely unskilled or vocationally trained workers, that make a natural fit for the Manufacturing and Agriculture sector. This created widespread paranoia amongst the lower-income households in Germany, which again, were disproportionately located in Eastern Germany. A greater unskilled workforce, with stagnant market demand, meant a lower bargaining power for the blue-collared workers.

With dark clouds of uncertainty looming over their financial future and having their backs against the walls, the blue-collared German workers had no option, but to vote for the right, which was the only party addressing their concerns and insecurities. This resulted in an electoral mandate that toed that of the USA in 2016, in spirit and in the outcome. The AfD won resoundingly in states having a high unemployment rate, low per capita income, and being disproportionately engaged in Agriculture and Manufacturing sector.

Chapter III: Wrath of the ‘Workington Man’

Workington, a tier two city located on the coast of northern England, a landscape dotted by defunct coal mines, and factories which today remain the last reminiscence of the once throbbing city. With a population of barely above 25,000 souls, living in a city marked by decrepit infrastructure, the city possessed nothing sensational, worth offering to the national dailies, at least till the coinage of the term ‘Workington man’.

The Workington man, a term coined by the conservative think tank ‘Onward’ to refer to a voter that is a “stereotypical working-class, 45-plus white voter (more often than not, a man), without a college degree, residing in the North England, who had previously voted for Labour, but voted against the party line during the Brexit referendum. Another characteristic, identified by Onward about the Workington man was the economic insecurity that was instrumental in his vote, in conjunction with a slight degree of xenophobia and Euro-skepticism.

Loyal to the left, and coming from a blue-collared background, the Workington man had, at least in the last 3 British general elections voted for Labour. Much of the labor ‘red wall’ in the north of England, stretching from Manchester to Midlands and in the northeast of England, was trestled on the back of the Washington Man. (10)

The first jolt that hit the placid British politics came in the year 2016, where the Labour bastions in the north and northeast of England, going against the party line voted in favor of leaving Brexit, much to the delight of the right parties in the UK. Brexit, however, was not the greatest political upset for the Labour, as the decade had

a bigger surprise awaiting them. In 2017, a surprise election, called at the behest of the British Prime Minister Theresa May, in an attempt to further strengthen the Tories majority in the parliament backfired as the party lost 13 seats while aiding the Jeremy Corbyn led Labour, who increased their tally by 30 seats.

However, despite the electoral setback, partly owing to divided leadership, the Conservatives were successful in making major inroads into the Labour strongholds. Bishop Auckland, for example, had elected Labour in every election since 1918, but in 2017 saw the Labour majority shrink to 500 votes.

In the British parliamentary form of democracy, working on the first past the post system, the objective for the Boris Johnson-led conservatives to win the elections was extremely straightforward if not unambiguous: Win over the Workington man, and cruise with a majority at Westminster.

Economic background of the Workington Man:

The economic insecurity of the ‘Workington man’ is entangled to the high unemployment rates and low GDP per capita in his neighborhood. Delving further, the Workington man, in his prime days was employed in the manufacturing sector. (11)

In the UK since the second half of the 20th century, the UK has been undergoing the gradual process of de-industrialization, as a consequence of Globalization. While globalization has helped corporations in reducing their manufacturing costs, fueled the growth of Metropolis across the country and added some much-needed diversity in the demographic dividend of the country, it has also played a key role in exacerbating de-industrialization. A direct impact of this process is evident in the north of England and Midlands, where according to the former advisor of treasury, Diane Coyle, *“The UK’s ‘Leave’ vote could be seen as a vote against globalization and its uneven impact on different parts of the country, rather than a vote specifically against the EU. The proportions voting for Leave were higher in the Midlands and North of England, where de-industrialization struck hardest and where average incomes have stagnated. London, the UK’s only truly global city, saw growth and a high share of Remain voters.”* (12)

While Globalization has resulted in a gradual decimation of the manufacturing sector in the UK, advancement in technology has been critical in rendering several low skill workers unemployed over the course of time. Shipbuilding, car manufacturing, Iron ore production, some of the prominent economic activities covered under the realm of the manufacturing sector, have either stagnated at their pre-1970 production level or have recorded a slight decrease in their output. However, in terms of their employment generation, the manufacturing sector has, in absolute terms, recorded a steep decline.

Figure 2 The British steel industry: Employment and output



(13)

What makes this loss of job even more crucial is the fact that the manufacturing sector, had for centuries been the sanctuary for low-skill workers with basic education, providing them with a secure job and a stable income. However, with increasing technological efficiency and stable demand, the availability of jobs in this sector has significantly reduced, while the number of applicants has contrastingly increased.

Years of economic insecurity, increase in the cost of living, and increasingly stiffer job competition for the same jobs; while metros like London developed at unprecedented scales, the countryside in the North largely remained untouched by this prosperity and so did the Workington man.

Economically reduced to the fringes and politically marginalised, the Brexit vote was no less than a leash to a new life for this Labour supporter. For perhaps the first time in decades, the Workington Man in the pivotal position of influencing his destiny, and sided with the party that was in favour of the Brexit motion. The Brexit vote in 2016 and the Tories landslide victory in 2019, were nothing more than a flex reaction to the seething feeling of inequality and political marginalisation. As for Workington, the conservative candidate Mark Jenkinson won the constituency in the 2019 election.

Concluding Notes: Was this voting shift unprecedented?

In 2016 the IMF chief, Christine Lagarde in “Making Globalization Work for All”, argued on the need for all-inclusive growth. (14) While, it would be grossly unjust to deny globalization, its fair share of credit in aiding international financial prosperity, has either directly or indirectly rendered large sections of the workforce in the developed countries-irrelevant apart from the increase in income inequality. Advancements in Artificial Intelligence might have been instrumental in steaming these financial markets, however, it inevitably leads to the situation of “Jobless Growth”. Years of neglect, political marginalization, and apathy towards the cause of the White working class has led to a situation of political isolation. This isolation can be treated as one of the key factors as to how Poll Pundits across the political spectrum were unable to gauge the strength of this undercurrent which with time turned into a Conservative/Republican Tsunami.

Another development in this regard has been a gradual, but constant decline of Social mobility in the Western world, especially the USA and Western Europe. While there are countering claims available on this claim, there is a consensus that Social mobility in the USA has not increased. (15) While there has indeed been an absolute increase in Social mobility, the relative increase remains diminishing, meaning that ascending the

social and financial ladder is becoming increasingly impossible. According to noted economist and Harvard professor, Raj Chetty, in the 21st century the USA, the 'occupation and family background of a person has become more important than it was 30 years ago'.

And lastly, the last nail in the coffin can undoubtedly be the 2008 Financial Crisis. Millions of low skilled blue-collar workers were laid off as a part of the process of cost-cutting. Just as the growth had been disproportionately beneficial for a specific sector of the economy, so was recovery, with scores of industries capsizing forever. All the relief efforts, in the form of bailouts and zero-interest credit, were sufficient in mitigating the damage but were never sufficient enough to reestablish the now uprooted industry in the manufacturing sector.

The election of far-right candidates across the 'developed' Western World, by the working class, was the equivalent of their last bet on reaffirming their control over their financial destiny. While the anti-globalization and anti-free trade policies were abhorrently repelled by the urban dwellers (who in turn were dependant on these economic forces for their well being), they found for themselves a soft corner in the countryside and rural. For several voters who had been marginalized from the system, the election of fervently-eccentric anti-establishment leaders like Donald Trump and Boris Johnson was nothing short of slinging a 'Molotov' at the face of the establishment.

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