

The political riptide

The economies of developed countries often move together. When one of these countries is experiencing boom times, most likely the others are as well. Conversely, when one of them is in a recession or has high inflation, the others probably are experiencing these same conditions. This point was driven home to me when I heard a lecture by Nobel Laureate Milton Friedman. Professor Friedman was the keynote speaker of a session that explored whether the U.S. Federal Reserve Chair should get credit for the low, stable inflation rates in the U.S. between 1986 and 2007, a period often referred to as the Great Moderation. Friedman started off with a graph that showed the inflation rates over time. Sure enough, the inflation rates were unusually low and stable during the Great Moderation. With great dramatic flair, Friedman explained that this graph does not give any reason for us to give credit to the Fed chair, since the inflation numbers in his graph were from New Zealand.

The fact that the economies of so many countries move together has an interesting implication when it is considered together with my own research. My research suggests that voters hold the incumbent party responsible for fluctuations in the economy: rewarding the party in power at the polls during good economic times and punishing them during poor

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will have similar success being reelected. When the economies are performing poorly in most developed countries, the ruling parties in those countries will be likely to lose their elections.

I suspect this dynamic is happening now. The U.S. and Western European economies were all battered by the Covid-19 pandemic, and these countries still have high inflation rates. Voters have started to punish the incumbent parties for these bad economic times. In 2021, Chancellor Angela Merkel's party got trounced in Germany's elections and the chancellorship passed on to a person from a different political party. Recently in Great Britain, the Conservative Party became a minority party for the first time in 14 years. Even more recently in France, President Macron's centrist party came in second place in the parliamentary elections.

Across Europe, there seemed to be a wave of anti-incumbent sentiment that resulted in electoral losses for the ruling party. If this pattern holds, the political fortunes

of Joe Biden and his fellow Democrats do not look good. That is, American voters will punish Biden and the Democrats for the high inflation rates and economic turmoil, just like the European voters punished their own incumbents.

The same things caused poor economic performance in the Western countries. Covid-19 disrupted the economy and the governments all responded by flooding their economies with money, which led to high inflation rates. When voters got a chance, they punished their ruling party's politicians for the economy's poor performance. American voters will have their chance to do the same soon.

This column just laid out the political current that will affect this election. Given how many ruling parties lost in Europe, the current might be more of a riptide. Even so, other events can affect this election's outcome. The current concern over Biden's mental acuity is likely to produce even worse results for the Democrats than the political current would have alone. Of course, there is still time. A serious scandal by Donald Trump, one Americans care about, can work in the other direction and lessen the negative effect the political current will have on the Democrats. We will see what happens.

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