

Globalization, Democracy, and the Great Recession: Party Positions from an Expert Survey

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This paper reports the findings of a cross-national expert survey conducted early in 2009. Experts assessed the salience of globalization in their countries both before and during the current financial crisis. The experts were also asked to estimate political parties' positions on various aspects of globalization, again before and after the crisis. These assessments are related to trade dependence and foreign direct investment data. We investigate if, and if so, how much political parties' positions may be affected by the extent of globalization in their countries, and to what extent they have responded to the economic recession in policy areas related to globalization, across the most salient ideological dimensions, and in terms of whether those parties were in or out of government during the crisis.

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Globalization, Democracy, and the Great Recession” Party Positions From an Expert Survey

Is globalization a threat to democracy? An extensive literature debates whether or not, or more usually, to what extent, globalization significantly constrains states’ policy options, and thus reduces choices open to governments, political parties, and mass electorates more generally. Recent findings suggest that globalization may reduce the accountability of governments to their voters, particularly for their economic performance, and may even have the effect of reducing voter turnout. If these claims are well-founded, one would expect them to be reflected in the policies adopted by political parties. Parties in the most globalized countries, particularly those on the left, should be less strongly identified with policies they have traditionally advocated. Those in less globalized economies should continue to be more concerned to deliver policies that more directly benefit their core supporters. These questions are of some interest in the context of the economic recession of 2008 and 2009, a ‘shock’ of such severity that some observers have coined the term ‘deglobalization’ (Economist 2009a).

This paper takes advantage of a unique dataset that compiles expert estimates of the importance of globalization in 38 countries over 2008, the first year of what is becoming known as the ‘great recession’. The objective is to estimate, country-by-country, the extent of a globalization discourse in national debates, across ‘the mainstream’, among business and labour elites, and between political parties. The survey also reports experts’ assessments of change in that discourse and those

perceptions over the course of 2008, the main focus of this paper. We compare how closely, if at all, such discourses reflect countries' extent of globalization, estimated by inward foreign direct investment stocks (FDI) and trade dependence. The paper goes on to investigate if and how much political parties positions could be affected by the extent of globalization in their countries, and to what extent they have responded to the economic recession in policy areas related to globalization, across the most salient ideological dimensions, and in terms of whether those parties were in or out of government during the crisis.

Globalization and Democracy

This research addresses some important recent debates among those conducting empirical research into 'actually-existing democracies'. Apparently negative implications of economic globalization for social democracy (Gray 1998; Hertz 2001) and more generally for responsible party government in general (Caul and Gray 2000) have been theorised and asserted for some time, but analysis based on relevant empirical evidence has been much less apparent (for a review of relevant research so far see Kayser 2007). A lively literature debates and contests the claim that globalization necessitates a 'race to the bottom' in terms of social provision, wages, and employment conditions (for example, Weiss 1998; Economist, 2001). The evidence here is mixed. Much cross-national variation persists across these dimensions, and large public sectors and extensive social provision survive in many of the most globalized economies (Wolf 2004). Globalization may actually increase political and economic pressures for state intervention (Iversen and Cusack 2000) or at least, may have little or nothing to do with changes in social expenditure patterns (Potrafke 2009). If globalization puts social democratic models of capitalism under

pressure, it does so in consort with other changes, notably in demography and the costs of health care (Garrett 1998; Garrett and Mitchell 2001; Swank 1998, 2002). But this literature and these debates are extensive, and need not be rehearsed here except in passing.

The argument about democracy is more nuanced. Globalization implies constraint, and fewer choices available to democratic governments and their electorates (Ohmae 1990; Friedman 1999). Increased trade dependence puts pressure on governments to enhance the competitiveness of their economies, deregulating markets, lowering business taxes, and rooting out inefficiencies in public sectors via full or partial privatisation, or in terms of establishing pseudo-markets for public services. Increased financial flows and dependence on either inward or outward movements of money further encourage governments to lower taxes on business, and remove barriers to investment. How 'the markets' are anticipated to react to government decisions becomes a key parameter shaping such choices. Meanwhile mediation between mass electorates and policy-makers is increasingly in the hands of those responsible to the policy-makers, the regulators, or the owners of media businesses, not to the electors (Hertz 2001, 115-140). This puts particular pressures on social democratic parties (Rueda 2005).

Various caveats are required to balance such claims. The 'pessimists' who argue globalization limits democracy implicitly compare the present to a less constrained and more democratic past that almost certainly did not wholly exist except as an ideal-typical construct. One need only review the critiques of pluralism (Lukes 1974; Lindblom 1977), the capitalist state (Carnoy 1984), theories of responsible party

government (Birch 1964) and evidence of ideological convergence (Kirchheimer 1966) that date from the 1960s and 1970s. These remind us that arguments about the limits of democracy and the constraints faced by governments are far from new, and today, many arguments about the negative effects of globalization come from very similar directions and ideological positions. When governments seek to control markets, they need to do so with case and intelligence, and, particularly in the long term, economics usually trumps politics.

Nor is all theorisation united in its fear of the implications of globalization for democracy. For example, one line of analysis proposes that globalization fosters the process of democratization outside the developed world (Acemoglu and Robinson 2006). There is, indeed, a correlation between the progress of globalization and democratization over the period since the 1980s that could, of course, be spurious. Nonetheless, if the effects of globalization are to reduce trade and investment barriers between the developed and less developed countries, the other side of the coin representing the 'race to the bottom' is that the bottom has been rising, at least in some countries and regions. As prosperity increases in developing countries as a result of increased investment employment, and trade, if that prosperity begins to percolate more widely, inequalities will begin to narrow and the conditions for sustainable democracy will be enhanced. And as wealth in developing countries becomes based on a wider range of economic activities, economic elites will have less fear of a potentially redistributive democracy as their asset bases become less fixed, and more transferable (Boix 2003).

Back to the original side of the coin, of course, the diagnosis is less favourable. Governments may claim and be attributed lower responsibility (Hellwig, Ringsmuth, and Freeman 2007). Globalization will tend to increase inequalities in developed countries, because demand for lower-skilled and lower-educated workers shifts elsewhere, wages fall, and unemployment increases, or jobs move into the lower paid and more insecure service sector. Service sector expansion reduces the salience of the left-right political cleavage (Hellwig 2008). Increased inequality is probably associated with lower voting participation from those on lower incomes, which makes political party elites less attentive to them as the average income of the median voter rises. This presents a challenge for policy-makers, particularly on the left, to come up with alternatives to neo-liberalism. One response is to put considerable resources into education and skills training, focussing on productive activities that are competitive by virtue of their knowledge content, lifting the economy even more fully into the post-industrial era (Boix 1998). To the extent that policy-makers can resist the trend towards inequality, democratic participation should suffer less.

A key assumption of recent empirical analysis of the relation between globalization and democracy takes up another thread. Implicitly drawing on democratic elitist theories of retrospective accountability, and on theories of economic voting, it is argued that globalization disconnects or at least weakens the responsibility voters can assign to governments' capacities for economic management. Thus, economic voting is observed to be lower in more highly globalized economies (Hellwig 2001; 2007; Hellwig and Samuels 2007). Again, however, it would be a mistake to imagine that there was ever a time when governments could take more than a part of the glory or blame for the state of their economies, particularly in medium-sized and small

countries that respond to rather than shape the directions of the global economy. Yet governments may indeed be less willing to take responsibility rhetorically in recent times. Another extrapolation of the theory applies the same argument to turnout and, again, some evidence has been found (Tillman 2008; Marshall and Fisher 2008).

However, this approach raises at least as many questions as it answers. Are enough voters aware enough of their countries' level of globalization to be able to react in this way? Or, more likely, are their expectations driven by the discourse of political elites, who are scrambling to persuade voters to 'let them off the hook' when things go bad economically? But can we assume that such discourses accurately reflect between country-differences on globalization indices? More plausibly, they might reflect change over time. If so, why does research still come up with cross-national differences? Or is there an intervening variable, such as equality or inequality? These are much bigger issues that this paper can only marginally address.

What, meanwhile, does the return of sustained economic contraction mean for the debate about globalization, and globalization and democracy, and what are the implications of the dramatic sea change in the world economy during 2008? In late 2008 and early 2009 the indicators of economic globalization were in retreat. World trade had fallen, particularly in the economies most recently more opened up to world trade in East Asia. But other emerging economies, larger and somewhat less trade-dependent, have held up better, such as India and Brazil. The ill effects have spread from the banking and financial sectors to the real or 'productive' economies: the exporters of capital goods like Germany and Japan.

Financial flows were down, particularly to loans to developing countries, many of which will be paying more back than they currently receive, and to the post-communist countries of Eastern Europe, where banks were greatly exposed by foreign borrowing. Foreign direct investment (FDI) was also down, although here the biggest fall is in the rich countries, and there have been increases in its flows to South America and India. A third process associated with globalization, migration of labour between countries, is also down, as unemployment has risen in most economies, and foreign workers are tending to go home (Economist 2009a).

Data and Hypotheses

This paper reports findings from an expert survey on perceptions of globalization in 38 countries. Case selection was shaped by countries contributing to the Comparative Study of Electoral Systems (CSES), from which some relevant individual-level data is potentially available. Country experts were identified through professional channels, and those identified were sent an email message inviting them to participate. The questionnaire was online, and contained two sets of questions on general perceptions, and a larger component for which respondents were asked to estimate the positions of political parties on policy issues salient to globalization. Participating in early 2009, respondents were asked to estimate perceptions of globalization in their countries before the economic recession hit, at the beginning of 2008, with the situation at year's end. Further details of the survey can be found in the Appendix, including all the questions asked.

For comparison with expert judgements, some of the relevant country-level data on economic globalization from 2007 onwards has been acquired, but it is incomplete

and much is still likely to be revised by statistical authorities. We have no data, as yet, on changes in financial flows during 2008, but there is an excellent UNCTAD series for inward FDI stocks up to 2007. There is IMF data available for export and imports in US dollars, and GDP, for 2007 and 2008, all at current prices. However, annual figures for 2008 do not reflect the full extent of the decline in world trade, which according to World Bank data only began to collapse in October 2008 (Economist 2009b). Population and growth data also comes from the IMF. The key period appears to have been the last quarter of 2008 and the first quarter of 2009, largely unavailable for most countries at the time of competing this draft of our paper.

We ask several questions that generate some preliminary hypotheses, at this stage more rooted in common sense logic than rigorous theory.

1. How much, if at all, are general perceptions of the political salience of globalization related to the extent of globalization in the various countries, and with changes over year 2008?

One might assume, initially, that perceptions should follow reality. Yet most actors are only aware of their own country, and their own country's issues. Rarely, if at all, do they compare it with others. Given this, it may be that they are more sensitive to changes in the extent of globalization, or to other economic indicators, than to their 'base levels' as compared to those in other countries. Perceptions will shift with change over time, rather than simply reflect cross-sectional differences. On this question, we should note again the preliminary nature of the economic data available.

Confirmation of the null hypothesis is most likely, given this, although better data in the future might tell a different story.

2. How do experts perceive the positions of political parties on policy issues that might be influenced by their countries' degree of globalization, and how have these changed over the crisis?

The most salient and relevant hypotheses come from a literature on 'domestic compensation' for economic insecurity, primarily relating to trade dependence. Trade dependence creates greater vulnerability, particularly in small economies. Thus in those situations parties from all ideological persuasions are more likely to construct or at least tolerate higher levels of state intervention to provide social security (Cameron 1978; Rodrik 1998). But in terms of the regulation of trade itself, there have been two approaches: the most well-known Scandinavian model embraces free trade and globalization, on grounds of maximising efficiency and competitiveness. The resulting encouragement of economic growth makes it possible to generate and maintain the taxes necessary to support high levels of welfare expenditure. A second trade regulation model is now less fashionable, through import substitution, in which domestic industry is protected from external competition, and subsidised by more competitive export-orientated sectors, usually in agriculture or extractive industry (Baer 1972; Castles 1985; 1988). Thus compensation is provided via the wage system, through industrial employment, with the addition of highly targeted benefit systems, where social democratic governments have influence (Castles and Mitchell 1993).

In terms of the effects of recession, one can hypothesise at least two possibilities.

First, in times of uncertainty parties will revert to their traditional ideologies, parties of the right leaning toward traditional 'small government' solutions, resisting large-scale state intervention and calling for a return to fiscal responsibility as soon as possible, thus responding to their traditional voters who fear tax increases. Parties of the left will, on the other hand, be more willing to intervene, and to persist with intervention, and more likely to increase taxes, again, in response to the needs of their lower-income constituencies.

On the other hand, parties may remain more attuned to the perceived preferences of the median voter, particularly as this may be constructed by the mass media and political polling organizations. On this set of assumptions, response to the crisis will be limited, parties moving marginally in response to what they perceive as necessary strategies to meet the challenge as it is constructed in the dominant discourses.

Taking both sets of assumptions as drivers of political responses, parties themselves may be divided as to the best course of action, leading to internal dissent.

3. How, finally, are these effects conditioned by government incumbency?

Clearly, whether a government party is of the right or the left, it has less opportunity to play to what it considers the most electorally-appealing position, and more responsibility to respond to the problems at hand in a pragmatic fashion, taking the advice of its economic advisors. This, too, suggests a convergence pattern between governments of different stripes. Parties in opposition, however, may lean more in the direction of their core ideologies or constituencies.

Before reporting our findings, further explanation about our approach to data analysis is required. Normally, expert surveys report country-level data, or data on political party positions within countries (Castles and Mair, 1984; Huber and Inglehart 1995; Mair and Castles 1997; Budge 2000; Benoit and Laver 2006). There is an assumption that experts, by their nature, provide estimates that are highly correlated, not only internally, but also with other data such as party manifestos, for which there is some evidence (Marks 2006). Comparison with other sources, standard deviations and numbers of respondents by country usually confirm this. However, taking expert scores as relatively unproblematic makes it impossible to take account of whatever uncertainty remains about these estimates. There may be a relatively small number of responses from some countries, and comparative data sources may be thin or absent.

Here, to address these problems, we report findings using the experts themselves as unit-level data, and for the purposes of analysis clustered at country-level with robust standard errors applied. This applies quite a conservative test to hypothesis testing, while also taking account of all the variation in the individual-level data. Our findings should therefore be relatively robust, subject to some limits. Definitions of parties may be somewhat problematic, however. Here we distinguish between two party families, those of social democracy and conservatism, and discuss the implications further below. Note also that the survey includes 38 cases that may not reflect the entire universe of relevant countries, as their choice for the CSES was far from being a random sample.

Table 1. Indices of Economic Globalization in 38 Countries

| | FDI | | Trade |
|-------------|-------|-------------|-------|
| Japan | 3.0 | Brazil | 21.5 |
| Korea | 12.3 | USA | 23.0 |
| Taiwan | 12.7 | Japan | 30.1 |
| USA | 15.1 | Greece | 31.5 |
| Greece | 16.9 | Australia | 33.7 |
| Italy | 17.3 | UK | 37.7 |
| Germany | 19.0 | Turkey | 42.7 |
| Turkey | 22.2 | Spain | 44.0 |
| Slovenia | 22.5 | New Zealand | 44.9 |
| Norway | 24.0 | France | 45.2 |
| Brazil | 25.0 | Italy | 47.7 |
| Mexico | 29.7 | Iceland | 51.4 |
| Poland | 33.8 | Mexico | 55.5 |
| Austria | 34.0 | Norway | 55.9 |
| Australia | 34.4 | Canada | 56.1 |
| Finland | 34.8 | Portugal | 56.6 |
| Canada | 36.5 | Denmark | 64.9 |
| Israel | 37.0 | Israel | 68.9 |
| Spain | 37.4 | Korea | 69.4 |
| Lithuania | 38.3 | Poland | 69.7 |
| Latvia | 38.6 | Finland | 69.8 |
| France | 40.1 | Chile | 70.1 |
| Denmark | 47.1 | Sweden | 70.6 |
| UK | 48.6 | Germany | 71.7 |
| Portugal | 51.2 | Switzerland | 74.5 |
| Slovakia | 53.6 | Ireland | 79.7 |
| New Zealand | 55.6 | Latvia | 80.2 |
| Sweden | 56.0 | Austria | 84.3 |
| Czech | 57.7 | Lithuania | 107.0 |
| Iceland | 61.5 | Netherlands | 115.5 |
| Chile | 64.4 | Slovenia | 118.6 |
| Switzerland | 65.7 | Taiwan | 121.1 |
| Hungary | 70.5 | Bulgaria | 122.9 |
| Ireland | 73.6 | Estonia | 124.5 |
| Estonia | 78.0 | Hungary | 136.1 |
| Netherlands | 87.9 | Czech | 138.7 |
| Bulgaria | 92.3 | Slovakia | 159.4 |
| Belgium | 165.2 | Belgium | 184.3 |

Table 1 lists the countries sorted by their inward FDI stock at the end of 2007 and the percentage of imports and exports as a percentage of GDP for the same year. Belgium stands out an extreme case. Belgium included, the correlation between the two sets of data is $r=0.63$, without it, $r=0.47$. With FD logged, the correlation is $r=0.57$.

The Salience of Globalization Under Higher and Lower Globalization

One of the key questions in the survey asked experts to assess the salience of globalization as an issue in mainstream debate in their countries. Across the entire group, nearly 20 per cent named globalization as a major issue at the beginning of 2008 (N=485), increasing to nearly 50 per cent at the end of the year. However, the experts split almost 50:50 on whether the salience of globalization had increased or stayed the same in their respective countries.

Table 2 shows that the extent of inward FDI stocks by country had no relation to experts' perceptions of globalization salience at the beginning or end of 2008, and that trade dependence had a negative effect of those perceptions at the beginning, but not the end of 2008. In other words, experts in the least trade dependent countries thought globalization was more salient at the beginning of 2008 than those in the most trade dependent countries.

The Table also shows that change in perceptions of globalization salience did have expected effects. In the countries most exposed to FDI and to the effects of trade, perceptions of the salience of globalization did increase. It should be noted, however, that statistical significance – although not the shift in the direction of association – is driven over the threshold by the case of Belgium, the most trade-dependent country case.¹

Table 2: Expert Estimates of Globalization as Part of Mainstream Debate and Indicators of Globalization, 2007 and 2008

| | Start 2008 | End 2008 | Change over 2008 | Change (> <) |
|------------------------------|---------------|-------------|------------------------|-----------------|
| Trade Dependence 2007 | | | | |
| Coef | -0.008 ** | -0.003 | 0.006 ** | 0.008 ** |
| rse | 0.002 | 0.003 | 0.003 | 0.003 |
| avg chnge (min-max) | 0.155 | 0.06 | 0.086 | 0.217 |
| Trade Dependence 2008 | | | | |
| Coef | | -0.003 | 0.03 | |
| rse | | 0.003 | 0.042 | |
| avg chnge (min-max) | | 0.06 | 0.106 | |
| FDI 2007 (log) | | | | |
| Coef | -0.25 | 0.27 | 0.579 ** | 0.604 ** |
| rse | 0.21 | 0.21 | 0.176 | 0.218 |
| avg chnge (min-max) | 0.112 | 0.13 | 0.17 | 0.35 |

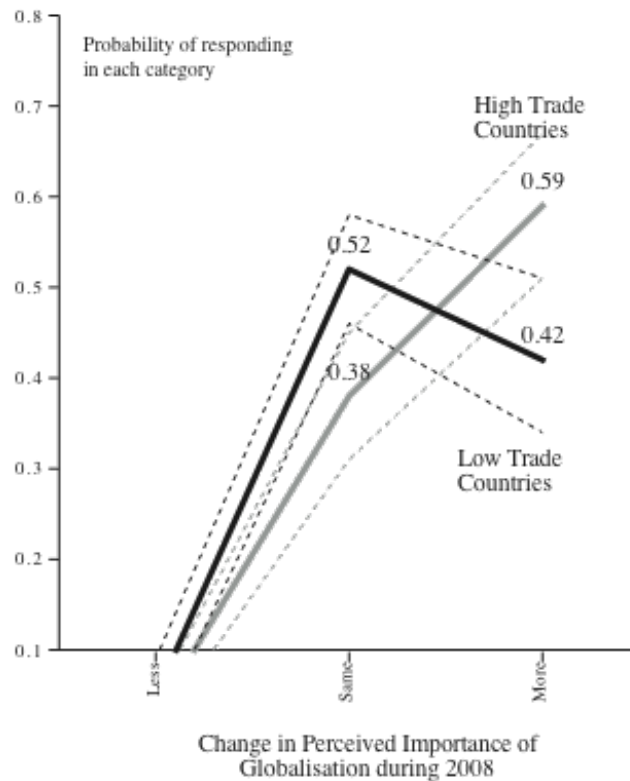
** significant at 99%

NOTES

1. The questions were: ‘to what extent was the issue of globalization part of mainstream political debate in [country] (at the beginning of 2008) (at the end of 2008). Response categories were a major issue (4), an issue raised from time to time (3), an issue occasionally mentioned (2), or an issue mentioned hardly at all (1). Response categories have been ‘flipped’ compared to the original questionnaire.
2. Figures in the Table are derived from ordinal logit regressions, with robust standard errors adjusted for 38 country clusters. Average change (minimum maximum) estimates derived from spost’s prchange process.
3. ‘Change’ is computed from the beginning of 2008 question subtracted from the end 2008 question. Change (><) collapses all negative scores to -1, all positive scores to +1.

Figures 1 and 2 plot the extent of these effects. The high and low categories for each figure are estimated in the middle of the highest and lowest clusters of countries, rather than at the extreme minimum and maximum values. Figure 1 shows that an expert in a high trade country is 17 per cent more likely to perceive the influence of globalization increasing than a person in a low trade country, and 14 per cent less likely than an expert in a low trade country to see it remaining the same. The confidence intervals indicate that the differences are 95% likely to exist, although they could be either somewhat smaller or larger than indicated.

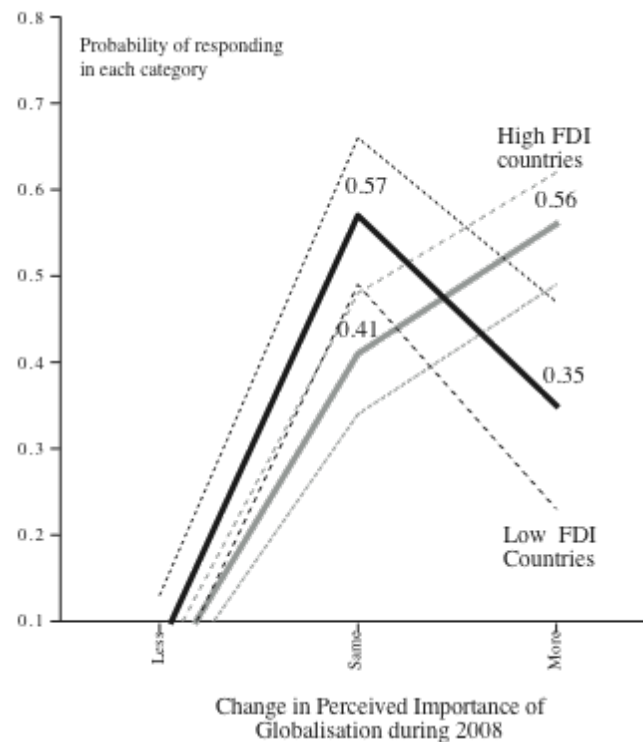
Figure 1. Expert Perceptions of Globalization salience by High and Low Trade Dependence Countries



NOTE: High trade countries estimated at 120%, (exports + imports)/GDP, low trade countries at 40%.

Figure 2 makes the same points in terms of FDI. An expert in a high FDI country is 21 percent more likely to perceive an increase in the salience of globalization in their country than an expert in a low FDI country, and 18 per cent less likely to see no change. The upshot of these findings is confirmation of the first hypothesis sketched in this paper: the salience of globalization in mainstream debate does not reflect cross-sectional differences, but change over time.

Figure 2. Expert Perceptions of Globalization salience by High and Low FDI Countries



NOTE: High FDI countries set at log FDI 4.1, Low FDI at 2.8.

Political Parties, Globalization, and the Recession

Turning next to the positions of political parties as perceived by experts, in conditions of higher globalization, are parties more likely to respond to their traditional constituencies, or to what they perceive to be the demands of the median voter that are likely to require a pragmatic vote-maximising response? Catering to traditional constituencies, for the left, would imply increased protectionism and, to the right, increased support for free trade, although that might depend, to some extent, on the balance between economic liberalism and conservatism on the right. If such a balance were an even one, parties of the right could be more prone to internal dissent. Here we focus on social democratic parties for the left and conservative parties for the right. In some countries, more than one party is found in each country in which case, we take the most significant. The conservative category excludes Liberal parties,

Christian Democratic parties, centrist rural parties, and right-wing populist parties, and therefore covers only 27 of the 38 countries. Social democratic parties can be identified in 33 of the 38 countries. They are distinct from socialist parties, further to their left. Further details about classification and categories can be found in the Appendix.

In Table 2, to test these expectations across various party policy dimensions, the first two sections regress expert perceptions of various party policy positions against official data on trade dependence and FDI data by their respective countries. The questions from which these are derived can be found in the Appendix. To the very top left of the Table, it can be seen that where trade dependence is higher, social democratic parties are more likely to be to the left, but where FDI is higher they are more likely to be to the right. FDI data is logged, and the scale ranges from 1 to 5 (its original values run from 3 to 165, FDI stocks as a percentage of GDP). Trade dependence runs from 21 to 184 (exports and imports as a percentage of GDP). The b estimates for trade dependence have been multiplied by ten, for interpretive purposes. Most of the dependent variable scales run from 0 to 10. With this information in mind, a ten per cent difference in the direction of greater trade dependency means a social democratic party is .13 further to the left but, extrapolating across a bigger section of the scale, a difference of 100 would see a social democratic party 1.3 points toward the left on the ten-point scale. By contrast, with the level of FDI moving about a fifth of the way up its range, a social democratic party is likely to be about 0.4 further to the right on the ten-point scale. Despite the difference in the parameter estimates, the effects of each globalization indicator seem about the same, albeit in different directions.

Looking across all sections of the Table, it is most apparent that while social democratic party policies are frequently affected by trade dependence, conservative parties positions' have no association with it at all. FDI appears to shape conservative policies only on taxing and spending issues, but has done so significantly only as a result of the recession. But these policies, of course, are very important. The higher the level of FDI, the more united conservatives tend to be, but, when they are out of government, conservatives are prone to be even more united, and out of office, less united.

Meanwhile social democrats are influenced by both FDI and trade dependence. High FDI generally sends social democrats to the right, trade dependence to the left. For example, trade dependence appears to move social democrats toward protectionism, while higher levels of FDI move them towards free trade. This is surprising, given the influential literature that has associated highly trade dependent social democracies with free trade: however, here the relationship is apparently influenced by a number of eastern European social democratic parties that cluster at the top of the trade dependence distribution. Again, trade dependence is associated with social democrats' preferences for state ownership and regulation. Higher FDI is perhaps associated with more enthusiasm for privatisation, although the global recession has reduced this somewhat, and these figures fall well outside statistical significance. Trade dependence is associated with more opposition to globalization, high FDI with support for it, again somewhat less enthusiastic by early 2009. The higher the FDI, the more social democrats acknowledge the salience of globalization, most strongly

when they are in government, which also makes social democrats more likely to favour international coordination of the international financial system.

The key absence in the social democratic picture is any effect of either indicator of economic globalization on the tax-spend trade-off. Neither does government participation have any effect. Social democratic positions on this matter are presumably what they are, regardless of globalization, or the global recession.

Table 3 explores the data more deeply for social democratic parties, widening the scope of the analysis to population size, economic development, and the identification of post-communism countries. Social democratic parties in countries with higher populations such as Japan, Mexico, and Brazil are less likely to favour free trade, while those in countries with smaller populations such as Hungary and Iceland more likely to support it (but Britain is a major relatively large-country exception). Social democratic parties in large countries are more likely to favour spending than those in small countries, as are social democratic parties in richer countries compared to those in poorer countries. The differences between rich/large and small/poor social democratic parties have intensified over the period of the global recession. (There is no significant interaction between being rich and large versus being poor and small, however. Social democratic parties in smaller countries are more likely to favour globalization, with no change in this over the recession. Post-communist social democratic parties are more likely to favour globalization than those in other countries, but their enthusiasm has waned somewhat over the recession.

Implications

The conservative approach taken here to the analysis of this expert survey data has paid off, at least to some degree. This paper outlines various findings that are highly plausible, and in line with expectations. Social democratic parties are significantly more affected by higher levels of globalization than conservative parties, and particularly more so for trade dependence. Trade dependence exposes small countries in particular to high levels of risk: the danger of unemployment for people on lower incomes and with lower level of skills, and the likelihood that tax revenues that fund social programmes will fall. Social democrats should be particularly sensitive to such risks and this paper confirms that this is the case. High trade dependence sends social democrats to the left, a finding consistent with much previous research.

However, the analysis here also finds that high levels of inward FDI have the effect of moving social democrats to the right. Again, this makes considerable sense, as if their economies rely heavily on FDI social democrats cannot afford to adversely effect further investment, or to adopt policies that might lead to disinvestment. However, when estimating the effects of each aspect of globalization on social democrats, one finds that they are about equal. To the extent that policies following from vulnerability to trade dependence, and those following from concern to maintain the confidence of international investors, are discrete, social democrats can move to the left on some policies and to the right on others: moving to the right, they may privatize and, to the left, they may invest more heavily in education and training, and continue and perhaps extend the redistribution of income through better designed and targeted tax and welfare policies.

The most salient effect of globalization on conservative parties, if anything, is likely to increase dimensions of political choice, although primarily to the right. The higher the level of FDI, the more likely conservative parties will seek to reduce expenditure and taxes: a dimension on which social democratic parties are much less affected, if at all. Moreover, the recession has intensified this tendency, possibly opening up more potential for differences between the left and the right.

Worth noting, to conclude, is the finding that social democrats, particularly in larger countries, are far less committed to free trade and to globalization itself than some might have expected. This goes against a substantial literature, and a thrust of policy advocacy, that contends that social democrats should embrace free trade because it maximises economic efficiency and economic growth, in large as well as small countries, thus making it possible to generate the tax base needed to redistribute income and provide social services. The most successful experiences of social democracy hitherto have indeed rested on this model. Increasing costs of energy and thus of transport, not to mention climate change, may indicate this strategy needs to be reconsidered. But almost certainly the dominant thrust of social democratic preferences for protectionism still look more backward than forward.

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Appendix

A: Countries and Parties

Appendix Table 1: Countries, Respondents, and Parties

| Country | N of Experts | SDP | Conservative |
|-------------|--------------|----------------------------|-------------------------------------|
| Australia | 11 | Labor Party | - |
| Austria | 20 | SPO | - |
| Belgium | 30 | PS and SP.A-SPIRIT | - |
| Brazil | 23 | Social Democratic Party | Democratic Movement |
| Bulgaria | 6 | Socialist | Democrats for a Strong Bulgaria |
| Canada | 17 | New Democrat | Conservative |
| Chile | 10 | Party for Democracy | Independent Democratic Union |
| Czech | 14 | Social Democratic Party | Civic Democratic Union |
| Denmark | 22 | Social Democratic Party | Conservative People's Party |
| Estonia | 3 | Social Democratic Party | Union of Pro Patria and Res Publica |
| Finland | 18 | Social Democratic Party | National Coalition Party |
| France | 31 | Socialist Party | Union for a Popular Movement |
| Germany | 14 | Social Democratic Party | - |
| Greece | 12 | Panhellenic Socialist | New Democracy |
| Hungary | 5 | Socialist Party | Fidesz (Civic Union) |
| Iceland | 5 | Social Democratic Alliance | Independence Party |
| Ireland | 9 | Labour | - |
| Israel | 15 | Labour | Likud |
| Italy | 37 | Democratic Left Party | - |
| Japan | 12 | Social Democratic Party | Liberal Democratic Party |
| Korea | 8 | - | Grand National Party |
| Latvia | 1 | - | People's Party |
| Lithuania | 14 | Social Democratic Party | National Resurrection Party |
| Mexico | 12 | Democratic Revolution | - |
| Netherlands | 9 | Labour | - |
| New Zealand | 11 | Labour | National |
| Norway | 48 | Labour | Conservative |
| Poland | 6 | Democratic Left Alliance | Law and Justice |
| Portugal | 9 | Socialist | Social Democratic Party |
| Slovakia | 2 | Social Democratic Party | - |
| Slovenia | 3 | Social Democratic Party | Democratic Party |
| Spain | 44 | Socialist | Popular Party |
| Sweden | 16 | Social Democratic Party | Moderate Party |
| Switzerland | 13 | Social Democratic Party | - |
| Taiwan | 5 | - | - |
| Turkey | 15 | Republican People's Party | AKP |
| UK | 27 | Labour | Conservative |
| USA | 16 | - | Republican |

B: The Questions

A1. We would like to start by asking you to characterize the parties in terms of their broad ideological stances on a general left-right dimension. On the scale below, 0 indicates that a party is at the extreme left of the ideological spectrum, 10 indicates that it is at the extreme right, and 5 means that it is at the centre. Please indicate the location of each party on a general left-right dimension, taking all aspects of party policy into account.

- A2. Another way parties are sometimes classified is in terms of their views on social policy. Some parties favour liberal policies on matters such as abortion, homosexuality, and euthanasia. Other parties oppose these policies. Others are located somewhere between these extremes. Using these criteria, on the scale below please indicate where the parties are located on questions of social policy, where 0 indicates strong preferences in favour of liberal policies on matters like abortion, homosexuality, and euthanasia and 10 indicates strong opposition to these policies.
- A3. Next consider the issue of immigration. Some political parties favour policies designed to help immigrants and asylum seekers integrate into the British society. Other parties favour policies designed to help immigrants and asylum seekers return to their country of origin. Still others are located somewhere between these extremes. Using these criteria, please indicate where the parties are located on questions of immigration policy, where 0 indicates strong preferences for helping immigrants and asylum seekers integrate into society and 10 indicates strong preferences for helping immigrants and asylum seekers return to their country of origin.
- A4. Next consider positions on the international economy. Some parties are strong supporters of free trade as a means to increase exports and consumer choice. Other parties favour protectionist policies to protect national industry. Others lie somewhere in the middle of these views. For each party, please tick the number that corresponds to the statement that, in your mind, best describes the position toward free trade that the party's leadership has taken over the course of 2008. Please, tick only one number. Strongly in favour of protectionism 0, strongly in favour of free trade 10.
- A5. Next we would like to ask you about fiscal policy. Some political parties feel it is important for the government to provide many more services even if it means an increase in spending. Other parties think the government should provide fewer services even in areas such as health and education in order to reduce spending. Still others are located somewhere between these extremes. Using these criteria, please indicate where the parties were located at the beginning of 2008 on questions of tax and spend, where 0 indicates strong preferences for cutting taxes and spending less on services and 10 indicates strong preferences for raising taxes and increasing spending on services.
- A6. Some parties may have changed their position on fiscal policy during the course of 2008. Below, please indicate where the parties were located at the end of 2008 on questions of tax and spend.
- A7. Next, we would like to ask you about the government's role in the economy. Some parties favour granting broad capacity to the government to regulate and even own business and industry. Other parties oppose regulation and nationalisation and instead favour the free market and private ownership of industry. Still others are located somewhere between these extremes. Using these criteria, please indicate where the parties were located at the beginning of 2008 on questions of government involvement in the economy, where 0 indicates strong preferences for nationalisation and regulation and 10 indicates strong preferences for privatisation and free market economics
- A8. Some parties may have changed their position on the government's role in the economy during the course of 2008. Below, please indicate where the parties

were located at the end of 2008 on questions of the government's role in the economy.

- B1. In this section we would like to ask you about economic globalization, defined as the free movement of goods, people, and services across national borders. In your own opinion, to what extent was the issue of globalization part of mainstream political debate in the UK at the beginning of 2008? Was it: a major issue (1), an issue raised from time to time (2), an issue occasionally mentioned (3), or an issue mentioned hardly at all (4)?
- B2. And what about the issue of globalization in political debate at the end of 2008? Was it: a major issue (1), an issue raised from time to time (2), an issue occasionally mentioned (3), or an issue mentioned hardly at all (4)? (Please tick the first box if the importance of the issue has remained the same).
- B3. Opinions differ in terms of the connection between economic globalization and policymaking in individual countries. Thinking in terms of each political party, is globalization of the economy believed to leave the British government with a great deal (1), quite a lot (2), not very much (3), or hardly any room (4) to make its own decisions about its economic policies? Please tick the answer that corresponds to the view of each party.
- B4. In the aftermath of the recent international financial crisis, some have advocated greater international coordination in financial regulation, while others have advocated that each country reform its own regulatory structures. Still others are located somewhere between these extremes. For each party, please tick the number that corresponds to the statement that, in your mind, best describes its position toward international coordination or national regulation in the aftermath of the international financial crisis. Strongly in favour of international coordination 0, at strongly in favour of national coordination 10.
- B5. In your opinion, what is the overall orientation of each political party toward the consequences of globalization? For each party, please tick the number that corresponds to the statement that, in your mind, best describes its overall orientation toward the consequences of globalization at the beginning of 2008, where 0 indicates strongly opposed to economic globalization and 10 indicates strongly in favour of economic globalization.
- B6. Some parties may have changed their position on the consequences of globalization during the course of 2008. Below, please indicate where the parties were located at the end of 2008 on the issue of globalization.
- B7. How much internal dissent has there been in the various political parties in the UK on the issue of globalization of the economy in 2008? Please tick one response for each party listed. Complete unity 1, minor dissent 2, significant dissent 3, party evenly split 4, leadership opposed by majority of activists 5.
- B8. Next, we would like you to think about the salience of globalization to the political parties in the UK. During 2008, how important has the world economy been to the parties in their public stance? Please, tick the appropriate response for each party. No importance at all 1, of little importance 2, some importance 3, great importance 4.
- B9. What about the salience of economic globalization to the business community in the UK? How important has economic globalization been to the business

community in its planning and strategy at the beginning and at the end of 2008? (If the importance hasn't changed over the course of 2008 please tick the same number in both rows). No importance at all 1, of little importance 2, some importance 3, great importance 4.

- B10. And finally what about the salience of economic globalization to the trade union movement in the UK? How important has economic globalization been to unions in their planning and strategy at the beginning and at the end of 2008? (If the importance hasn't changed over the course of 2008 please tick the same number in both columns). No importance at all 1, of little importance 2, some importance 3, great importance 4.

Table 2. Party Positions on Policy Dimensions Associated with FDI and Trade Dependence (A), plus Government Incumbency (B)

| Major Parties | A: Social Democratic Parties (33) | | A: Conservative Parties (27) | | B: Social Democratic Parties | | | B: Conservative Parties | | |
|--|-----------------------------------|------------------|------------------------------|------------------|------------------------------|------------------|------------------|-------------------------|-----------------|---------------|
| | Trade | FDI | Trade | FDI | Trade | FDI | Govt | Trade | FDI | Govt |
| Left (0) Right (10) | -.13** (.04) | .37* (.21) | .05 (.05) | -.04 (.15) | -.13*** (.04) | .37 (.22) | -.01 (.25) | .08* (.04) | -.03 (.12) | .23 (.18) |
| Social (Lib 0, Cons 10) | .06 (.06) | -.30 (.33) | -.14 (.09) | .08 (.44) | .05 (.06) | -.21 (.34) | -.45 (.37) | -.11 (.09) | -.03 (.53) | -.26 (.76) |
| Immigration (Integrate 0, Repatriate 10) | .02 (.06) | -.25 (.35) | .04 (.09) | -.44 (.31) | .02 (.06) | -.32 (.36) | .33 (.42) | -.01 (.08) | -.48 (.38) | -.07 (.66) |
| Trade (Protect 0, Free 10) | -.22*** (.05) | 1.12*** (.33) | .03 (.01) | .50 (.36) | -.21*** (.05) | 1.06*** (.33) | .31 (.42) | .07 (.12) | .48 (.45) | .17 (.59) |
| Tax Spend during 2008 (Reduce 0, Spend 10) | .03 (.03) | -.04 (.23) | -.07 (.09) | -.36 (.22) | .03 (.04) | -.05 (.23) | .01 (.24) | -.09 (.08) | -.36* (.20) | -.14 (.39) |
| Tax Spend end of 2008 (Reduce 0, Spend 10) | .01 (.05) | -.04 (.21) | -.02 (.10) | -.60** (.23) | .01 (.05) | .01 (.20) | .01 (.25) | -.04 (.07) | -.55** (.21) | -.05 (.42) |
| Privatisation during 2008 (Nationalise 0, Privatised 10) | -.10* (.06) | .54 (.36) | -.02 (.01) | .42 (.43) | -.10* (.06) | .48 (.35) | .27 (.34) | -.02 (.12) | .50 (.47) | .45 (.49) |
| Privatisation end of 2008 (Nationalise 0, Privatised 10) | -.10* (.05) | .45 (.28) | -.01 (.11) | .42 (.36) | -.10* (.05) | .46 (.29) | .06 (.29) | .01 (.12) | .40 (.40) | -.01 (.52) |
| Constraint (1 Great Deal Room, 4 Hardly any) | -.02 (.01) | 0.15 (.09) | .01 (.00) | -.05 (.10) | .01 (.01) | .16 (.11) | -.05 (.11) | .00 (.02) | -.05 (.08) | -.07 (.12) |
| Globalization during 2008 (Opposed 0, Favours 10) | -.17** (.06) | .76* (.38) | -.03 (.09) | .49* (.27) | -.16** (.06) | .62 (.39) | .62 (.44) | -.03 (.09) | .55 (.34) | .30 (.44) |
| Globalization end of 2008 (Opposed 0, Favours 10) | -.17** (.06) | .67* (.36) | .00 (.01) | .28 (.28) | -.16** (.07) | .58 (.38) | .40 (.47) | .01 (.10) | .28 (.36) | .12 (.53) |
| Coordination-Regulation (International 0, National 10) | .13* (.07) | -.64* (.49) | .10 (.08) | -.04 (.31) | .10 (.06) | -.33 (.46) | -1.19** (.43) | .09 (.10) | -.14 (.25) | -.43 (.47) |
| Globalization Salience (1 No importance, 4 Great) | -.04* (.02) | .31** (.10) | .00 (.02) | .17 (.11) | -.04** (.01) | .25** (.10) | .30** (.11) | .00 (.03) | .22* (.11) | .23 (.15) |
| Internal Dissent (Unity 1, Dissent 5) | -.01 (.02) | .01 (.20) | .00 (.03) | -.28*** (.10) | -.01 (.02) | -.04 (.20) | .08 (.15) | -.02 (.03) | -.19* (.10) | .25 (.16) |

***p<.01, **p<.05, *p<.1 OLS Regressions: A, $Party\ Position = a + b_1 FDI + b_2 Trade + e$; B, $Party\ Position = a + b_1 FDI + b_2 Trade + b_3 Partygov + e$
NOTES: FDI is logged, standard errors clustered by country. The bs and standard errors for imports and exports as a % of GDP are multiplied by ten.

Table 3. Social Democrat Policy Positions: Effects of Population, Development, and Post-Communism

| | Free Trade | | | Spend Before | | Spend After | | Favours Globalization Before | | | Favours Globalization After | | | | |
|-----------------------|------------|-----|------|--------------|------|-------------|-------|------------------------------|------|-------|-----------------------------|------|-------|----|------|
| | b | | rse | b | rse | b | rse | b | | rse | b | | rse | | |
| Trade | -0.26 | *** | 0.06 | 0.05 | 0.04 | 0.04 | 0.03 | -0.28 | *** | 0.07 | -0.28 | *** | 0.08 | | |
| FDI | 0.90 | ** | 0.42 | 0.14 | 0.25 | 0.30 | 0.21 | 0.60 | | 0.48 | 0.56 | | 0.47 | | |
| Population (10 mills) | -0.11 | *** | 0.04 | 0.06 | ** | 0.02 | 0.10 | ** | 0.04 | -0.11 | ** | 0.05 | -0.11 | ** | 0.05 |
| GDP PPP \$US1000s | 0.05 | | 0.21 | 0.23 | * | 0.13 | 0.36 | ** | 0.14 | -0.01 | | 0.21 | -0.01 | | 0.22 |
| Post-Communist | 0.16 | | 0.60 | 0.05 | | 0.53 | -0.17 | | 0.72 | 1.41 | ** | 0.64 | 1.36 | * | 0.67 |
| Social Democrat Govt | 0.12 | | 0.45 | -0.15 | | 0.28 | -0.26 | | 0.25 | 0.54 | | 0.44 | 0.34 | | 0.50 |
| Constant | 3.79 | ** | 1.87 | 4.71 | ** | 1.05 | 3.79 | ** | 1.13 | 5.16 | ** | 2.05 | 5.14 | ** | 2.06 |
| R-Squared | 0.15 | | | 0.02 | | | 0.05 | | | 0.16 | | | 0.18 | | |

***p<.01, **p<.05, *p<.10 OLS Regressions: $Party\ Position = a + b_1 FDI + b_2 Trade + b_3 Party\ gov + GDPPPP + Popn + pcommunism + e$

NOTES: As table 2, GDP in PPP person 2007 (World Bank), Population 2007 (IMF).

NOTES

¹ With Belgium dropped, the coefficient for the non-collapsed change variable is .006, rse .004, $P > |z|$ 0.13, minimum-maximum average change .07.