

20th June 2019

Politics in 2019

Storm clouds gathering

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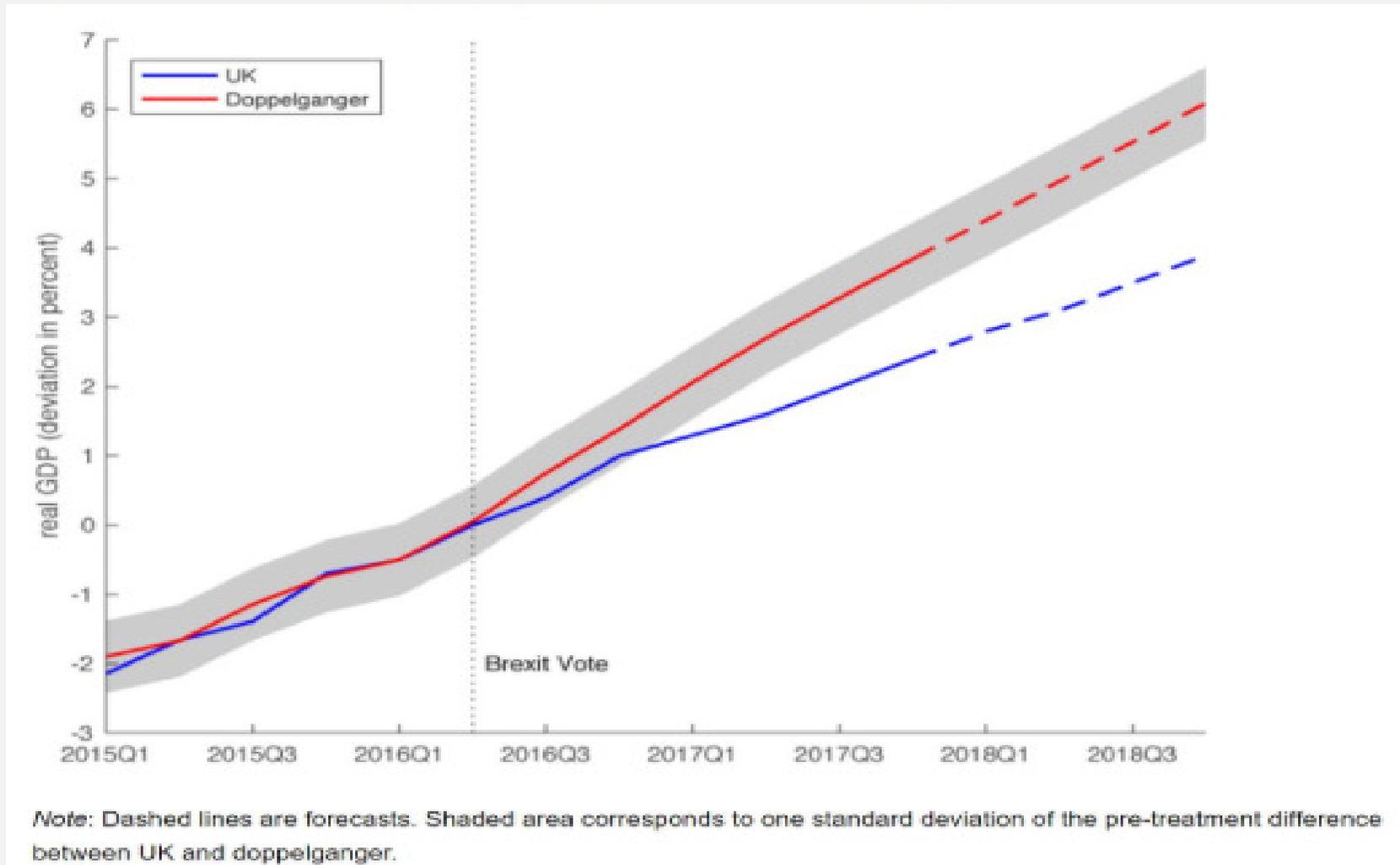
Does politics matter?

“We are fortunate that, thanks to globalisation, policy decisions in the US have been largely replaced by global market forces. National security aside, it hardly makes any difference who will be the next president. The world is governed by market forces.”

- Alan Greenspan, 2007

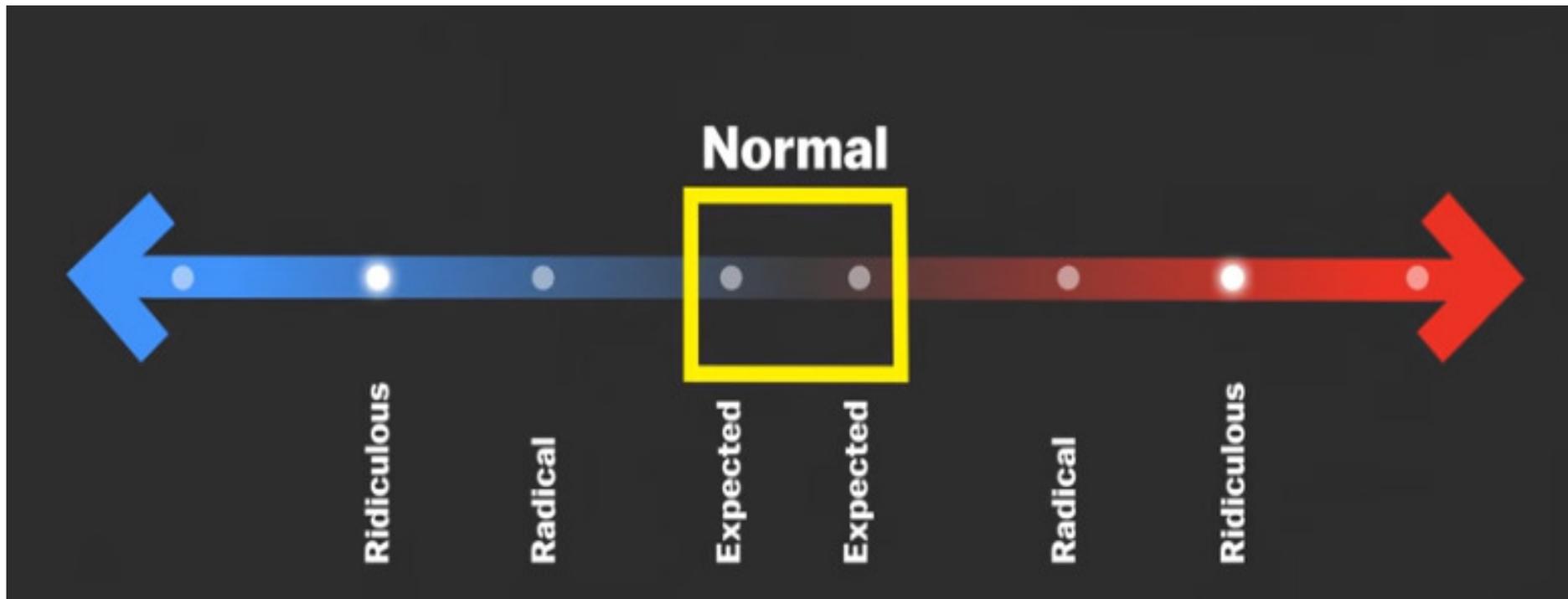


It does now!



Source: Born, Müller, Schularick, Sedláček, 2019

The Overton Window is shifting



Source: Vox, 2017

Forecasting is difficult...

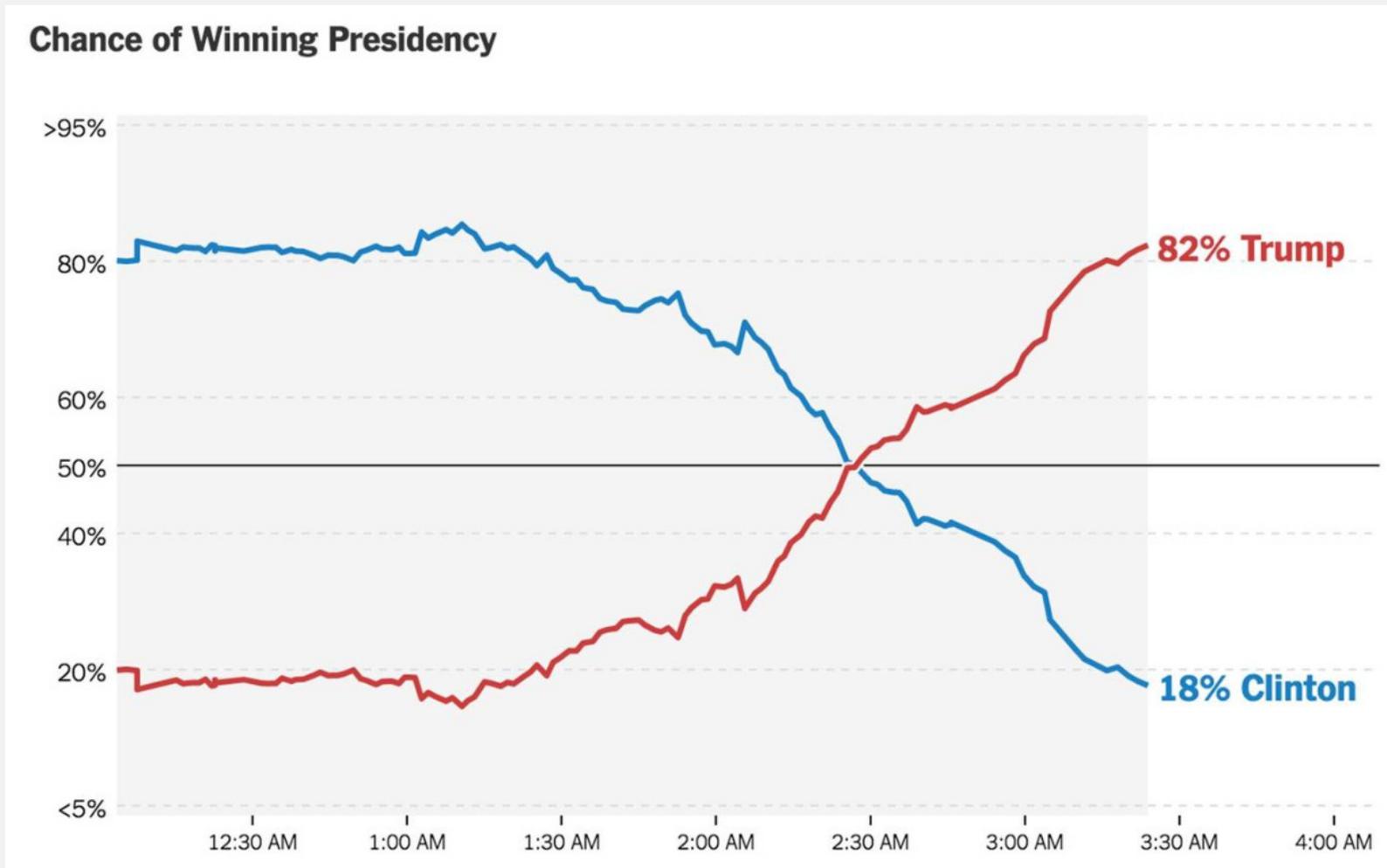
1) Brexit



Source: Political Betting, 2016

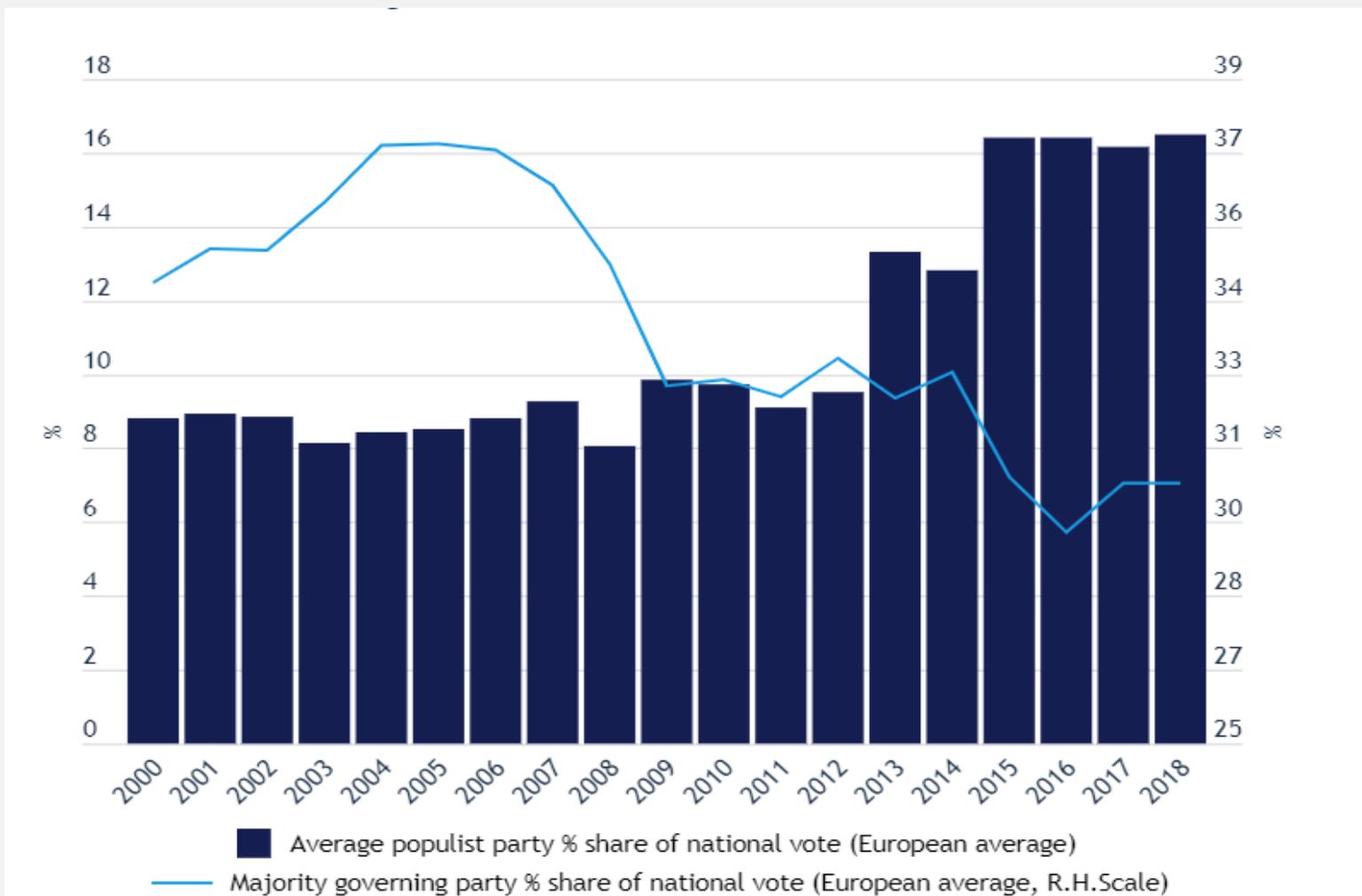
Forecasting is difficult...

2) US election



Source: 538, 2016

March of the “populists”



Source: NATIONAL SOURCES, ASIRI, DECEMBER 2018)

Populism?



1) Elite failure

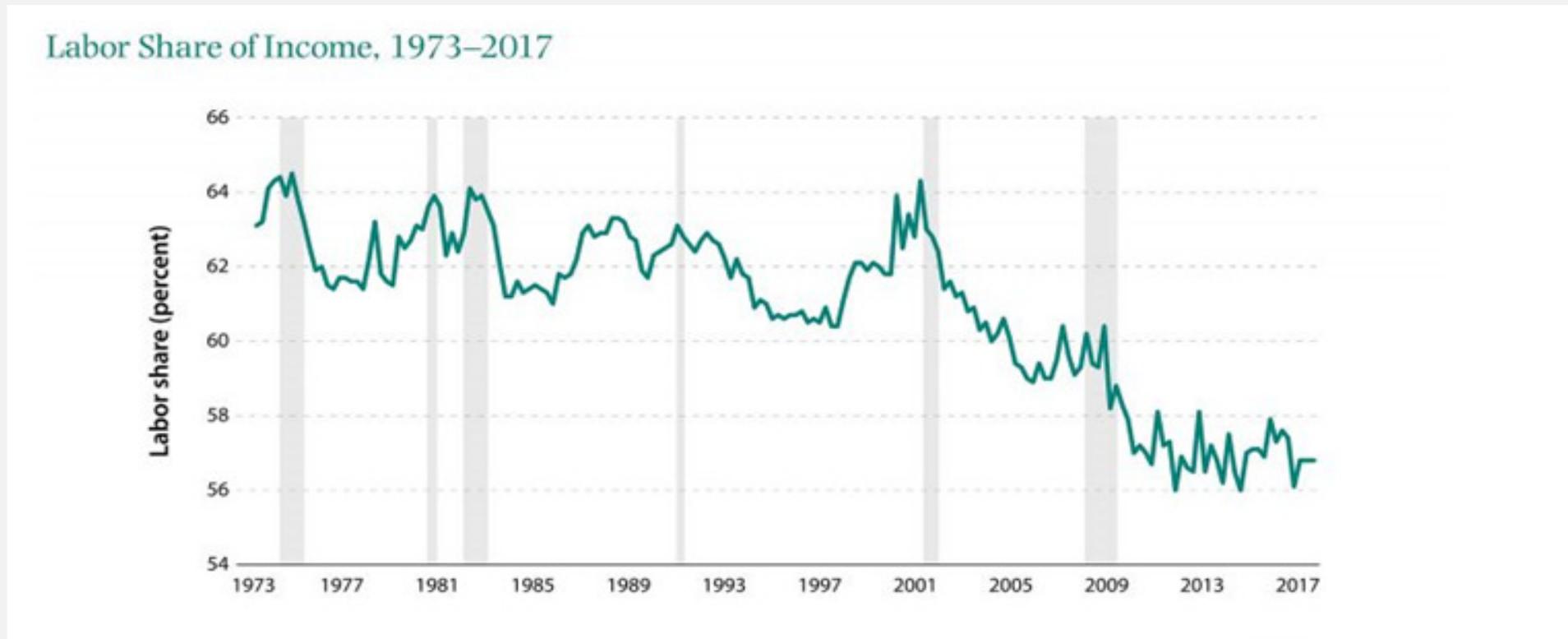
“I’ve found a flaw. I don’t know how significant or permanent it is. But I’ve been very distressed by that fact... A flaw in the model that I perceived as the critical functioning structure that defines how the world works”

- Alan Greenspan, October 2008



2) Economics

Labour share declining...

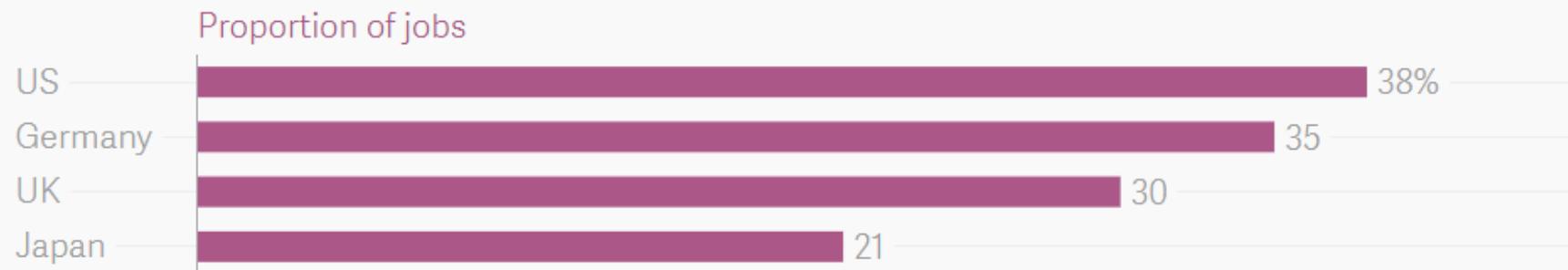


Source: Bureau of Labour Statistics, Brookings, 2017

2) Economics

... And hard to see reversing

Percentage of jobs at high risk of automation by early 2030s

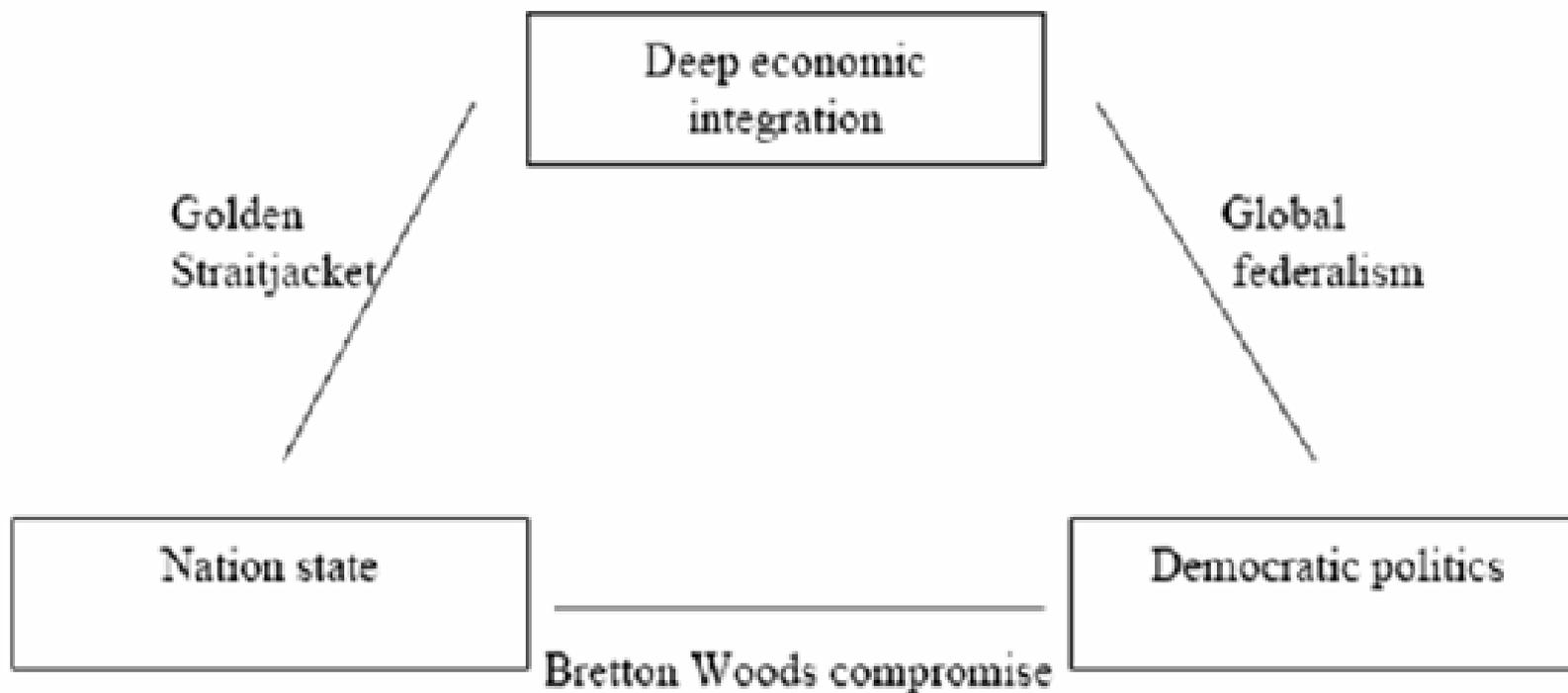


Source: PWC, 2018

3) Globalisation trilemma

Perhaps we can't have it all?

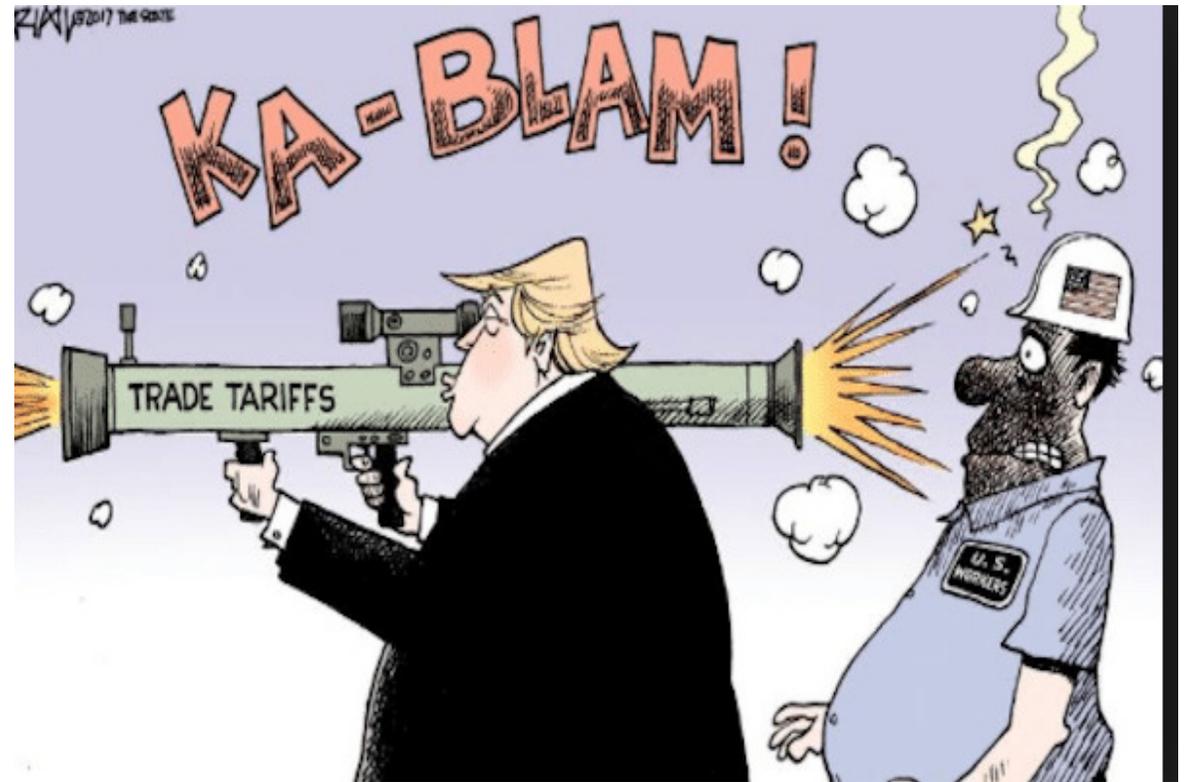
THE POLITICAL TRILEMMA OF THE WORLD ECONOMY



Source: Dani Rodrik, 2015

1) Trade war

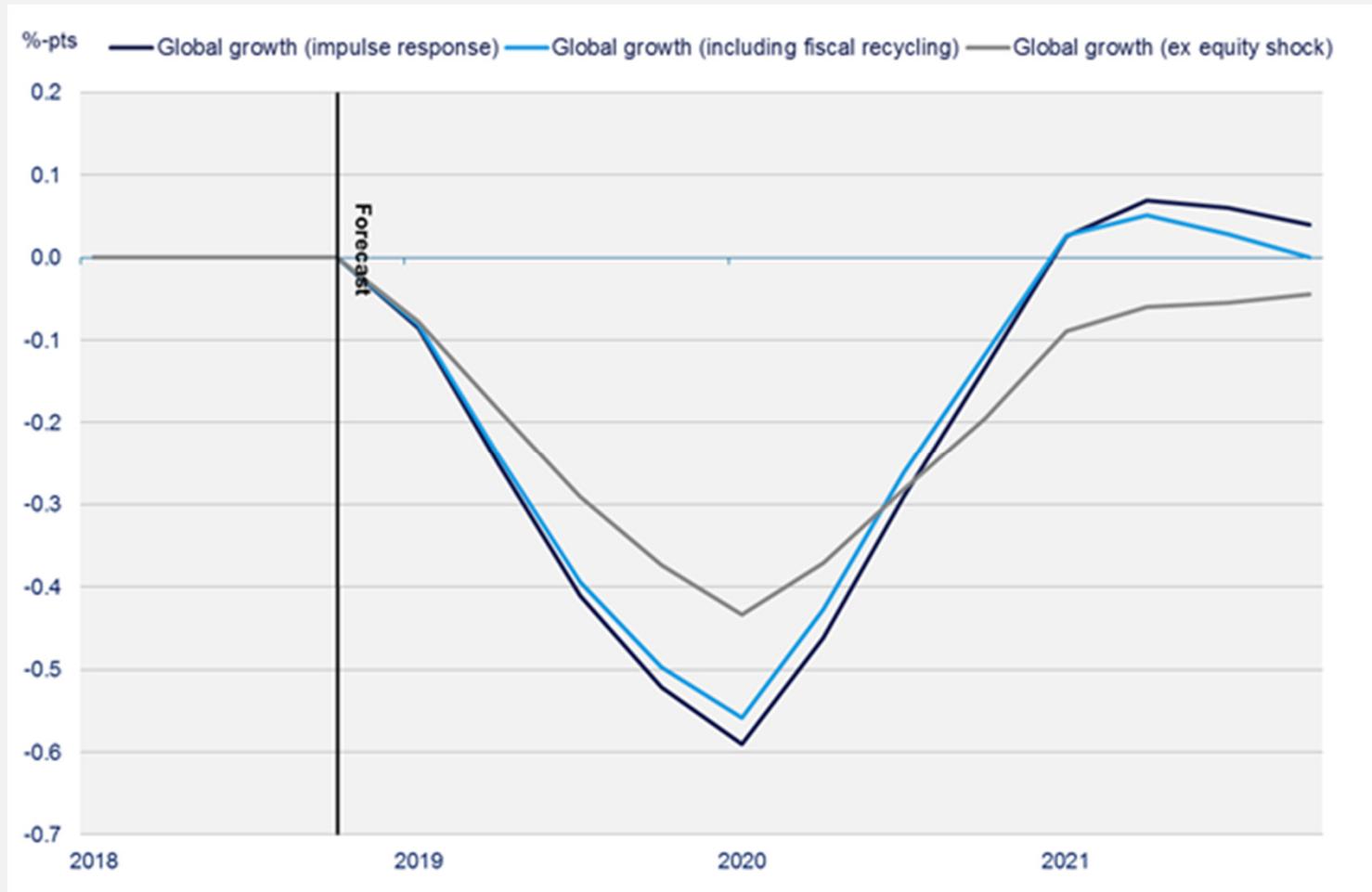
“Overall, using standard economic methods, we find that the full incidence of the tariff falls on domestic consumers, with a reduction in U.S. real income of \$1.4 billion per month by the end of 2018. We also see similar patterns for foreign countries who have retaliated against the U.S., which indicates that the trade war also reduced real income for other countries.”



Source: The Impact of the 2018 Trade War on U.S. Prices and Welfare. Amiti, Redding, Weinstein, March 2019

1) Trade war

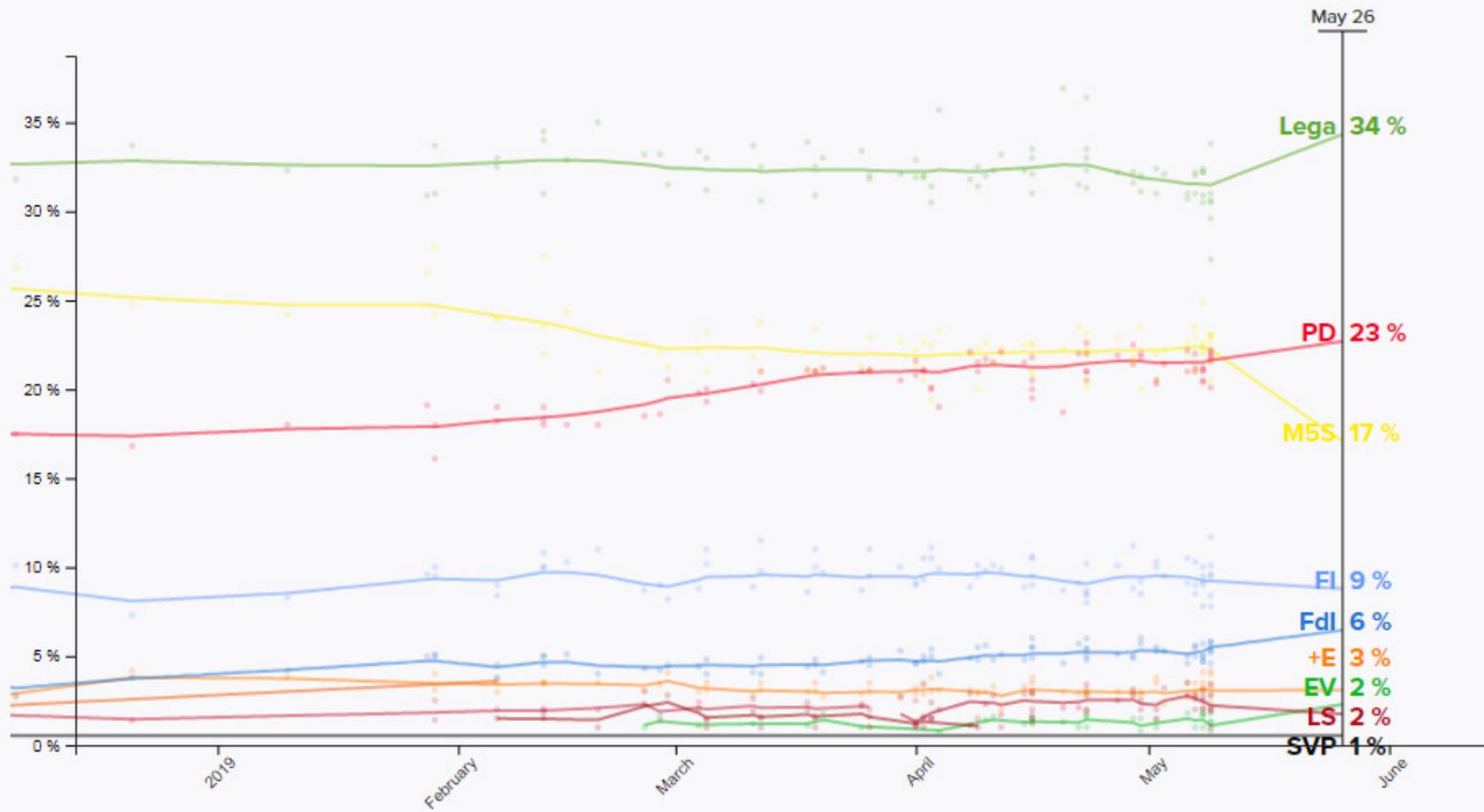
Our model says...



Source: Aberdeen Standard Investments, December 2018

2) Italy

Good time to have an election!

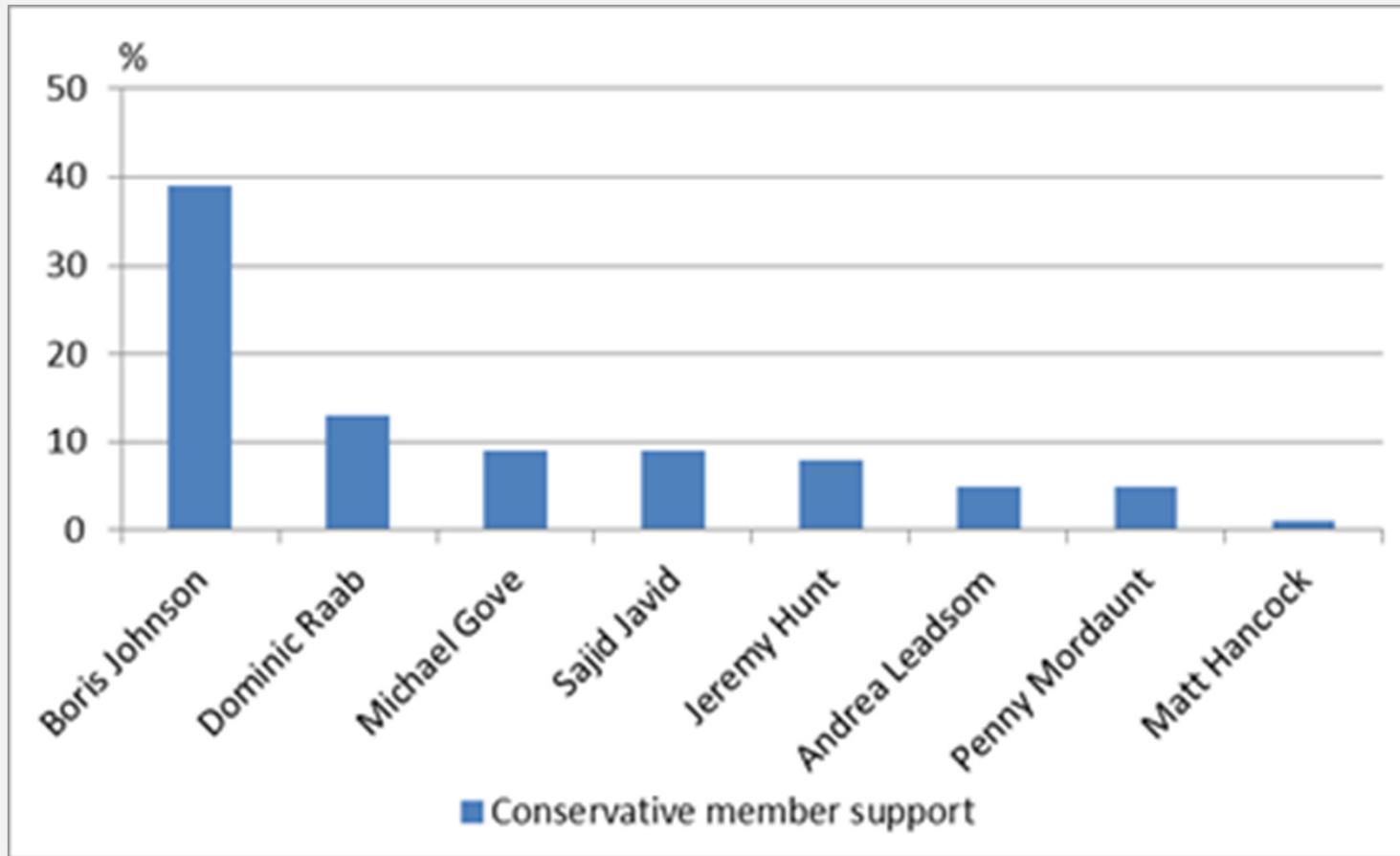


Source: Politico, 13 June 2019

2) Italy
Who's next?



3) Brexit



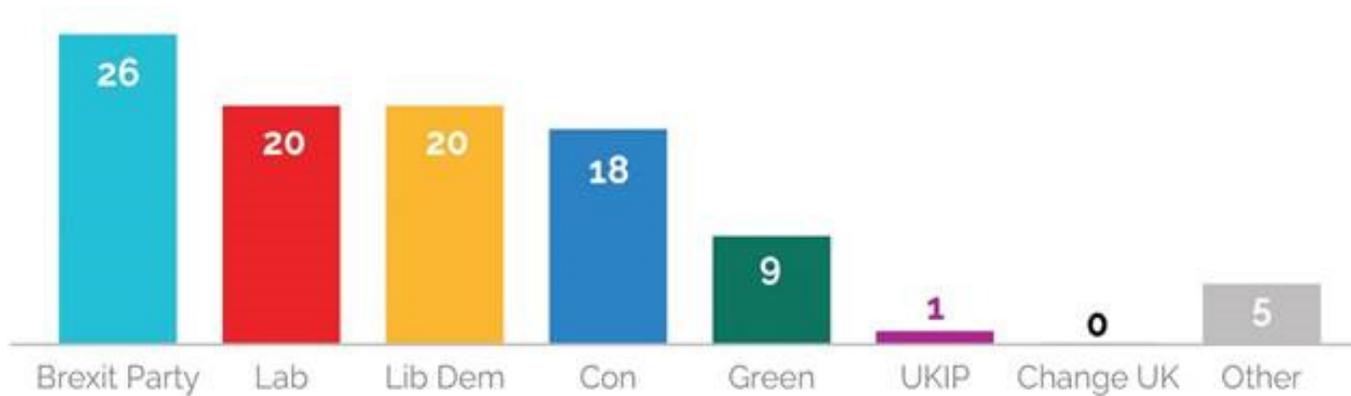
Source: Yougov/The Times. 29 May 2019

3) Brexit

Good time to have an election?

Westminster voting intention

If there were a general election held tomorrow, which party would you vote for? %

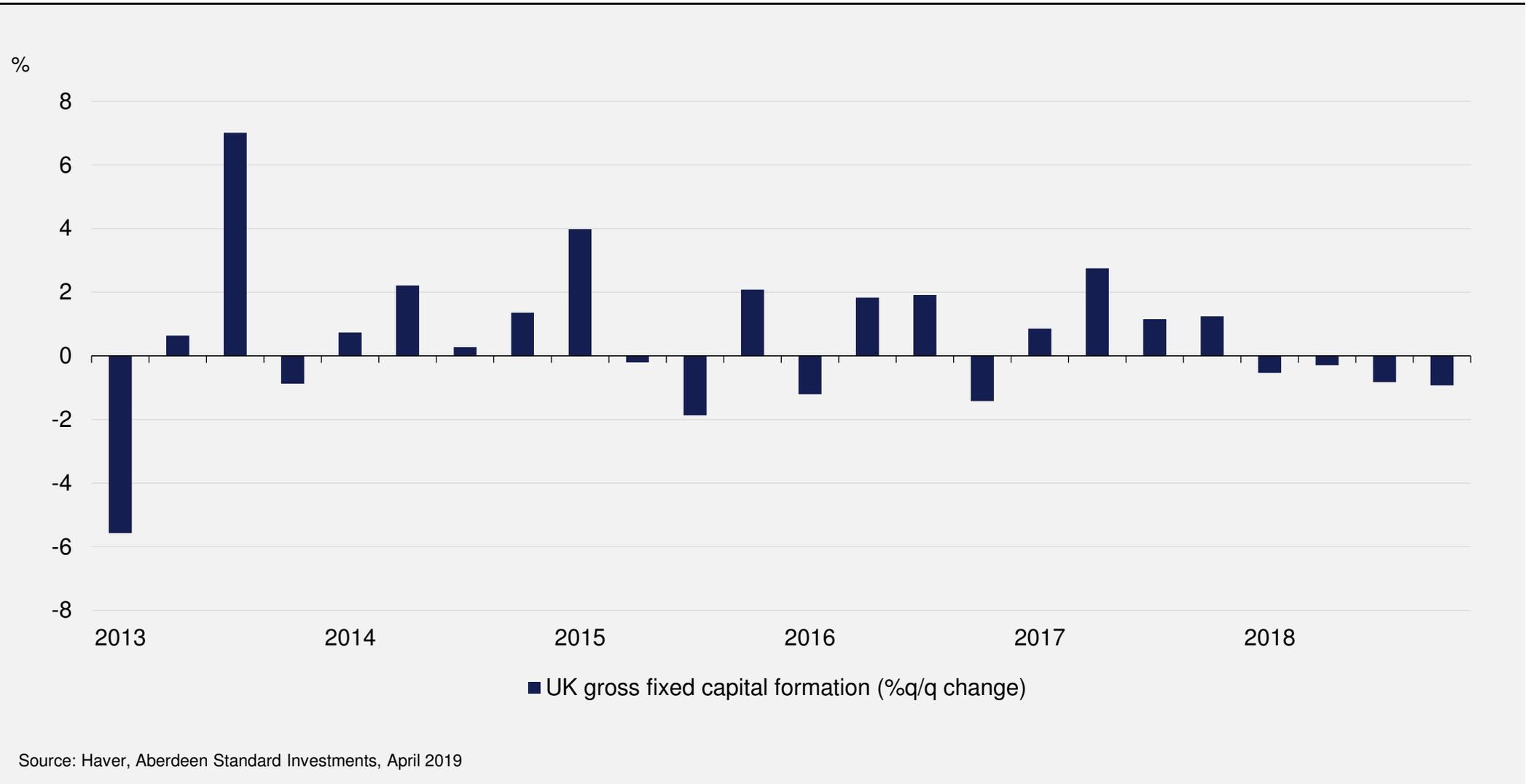


YouGov | yougov.com

5-6 June 2019

Source: Yougov, June 2019

2) Brexit Meanwhile...



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