

Predictions of Rising Violence And Unrest Around The World

Spanish economic historian Hans-Joachim Voth has discovered a stronger link than anyone realized between austerity and civil unrest. Which of course is terrifying as we enter the [Age of Austerity](#).

In a presentation at the [Institute for New Economic Thinking](#), Voth compared historical changes in government spending to an indexed measure of "Chaos"—anti-government demonstrations, riots, assassinations, general strikes and attempted revolutions. He found that declines in government spending lead to chaos.

Economists disagree on how much austerity is a good idea. What is typically neglected is the threat that austerity poses for the political and social fabric whose very existence allows modern economies to attain a high degree of efficiency. Once social and political instability take hold, the consequences can be dire – both in terms of political outcomes (such as in the case of the Weimar Republic's demise) and in terms of growth. The strong link between unrest and austerity suggests that cutting expenditures in times of crisis may be even harder than previously thought. If so, the sustainable level of debt in countries will be lower because budgets cannot easily be balanced by cuts. To avoid the spectre of default and a downward spiral of collapsing output, lower tax revenue, and a rising wave of unrest – an austerity trap – governments have to act more cautiously in good times. They need to borrow less and keep taxes high even if public debt is falling in a period of expansion.

Read more: <http://www.businessinsider.com/hansjoachim-voth-on-chaos-2012-4#ixzz1rvYYzpBh>