

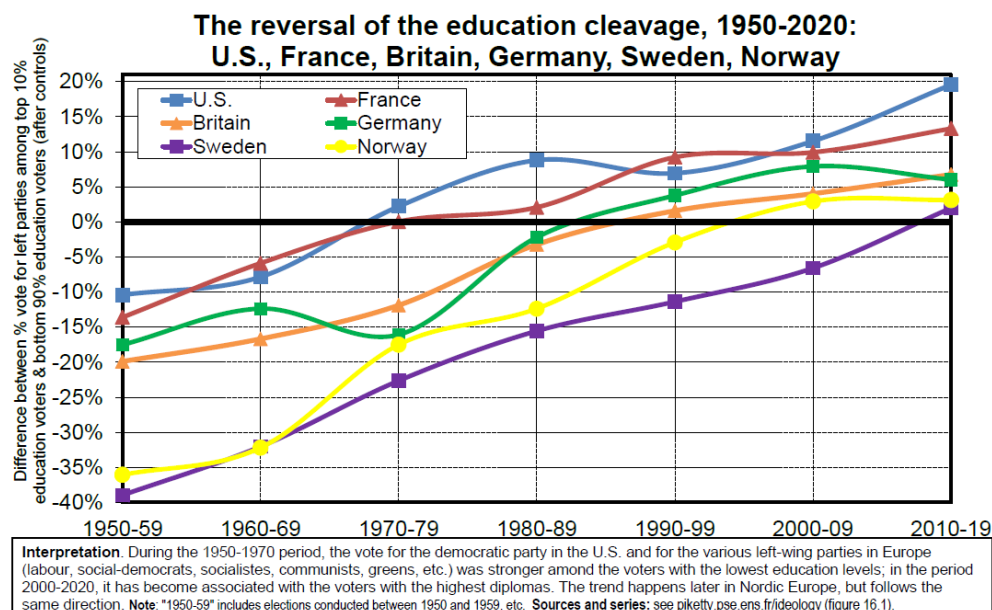
Lecture 8

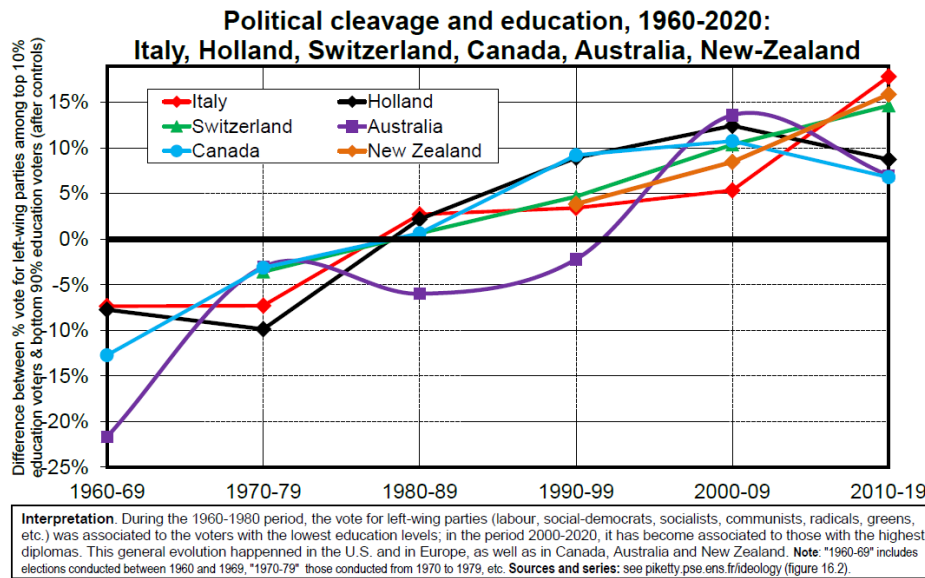
Capital and Ideology chap 16-17
Political Cleavages and Inequality

Political cleavages in post-colonial societies: social-nativism vs social-federalism

The reversal of education cleavage in Western democracies

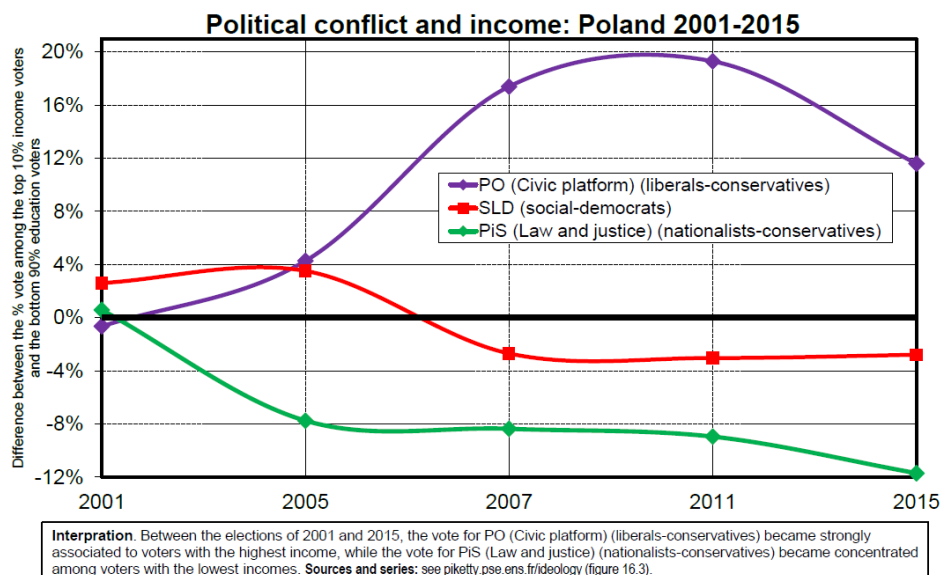
- The reversal of the education cleavage happened not only in France, the US and in the UK, but also in all other developed countries: Germany, Sweden, Norway, Italy, Australia, Canada, New Zealand, Netherlands, etc.
- Main explanations:
 - Large and persistent educational inequalities
 - Widespread perception that lower socioeconomic groups were gradually abandoned by ruling parties (captured by the winners of globalization)
 - Post-communist disillusionment against any form of internationalist socialism
 - Post-colonial identity conflict exploited by xenophobic right
 - rise of « social-nativism » : « the only way to protect socially disadvantaged natives is to protect borders and to fight migration, & certainly not to make false promises about universal solidarity, internationalism and socialism »

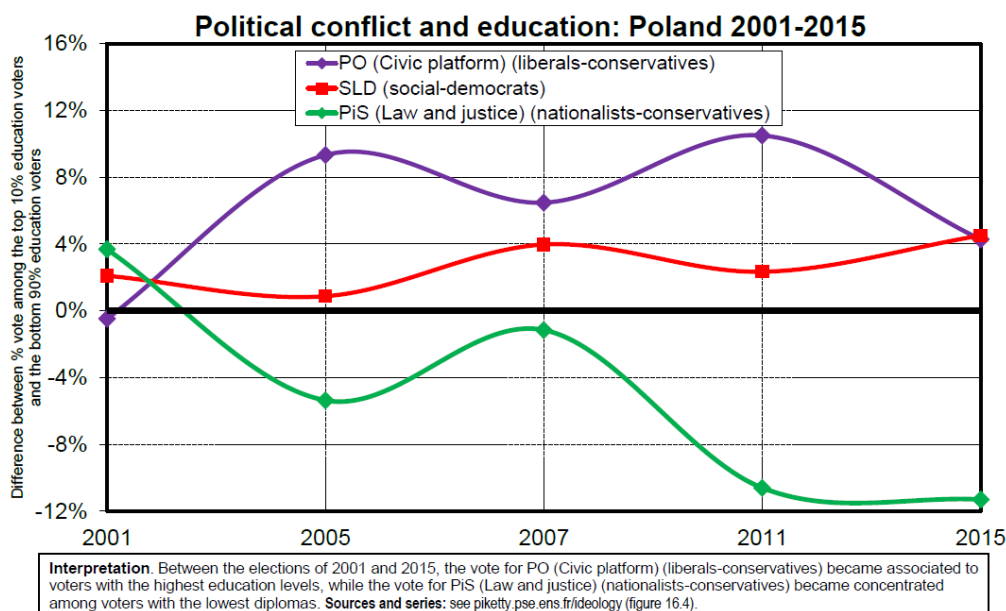




The rise of social-nativism in post-communist Eastern Europe

- For obvious reasons, post-communist disillusionment is particularly strong in Eastern Europe
- In many cases, former communist parties (turned social-democrats) took command of privatization during 1990s before falling into corruption scandals and/or voter disappointment during 2000s
- Typical example: **Poland**. Social-democrats (SLD) have almost entirely disappeared, so that **the political conflict is now between PO (Civic Platform) (liberals-conservatives, pro-business, pro-EU) and PiS (Law and Justice) (nationalists-conservatives, anti-migrants, anti-EU) (=social-nativists)**
- The PiS has been very good at portraying itself as pro-poor (creation of family benefits in addition to strong anti-migrant and nationalist stance), and has been to win two consecutive elections in 2015-2019

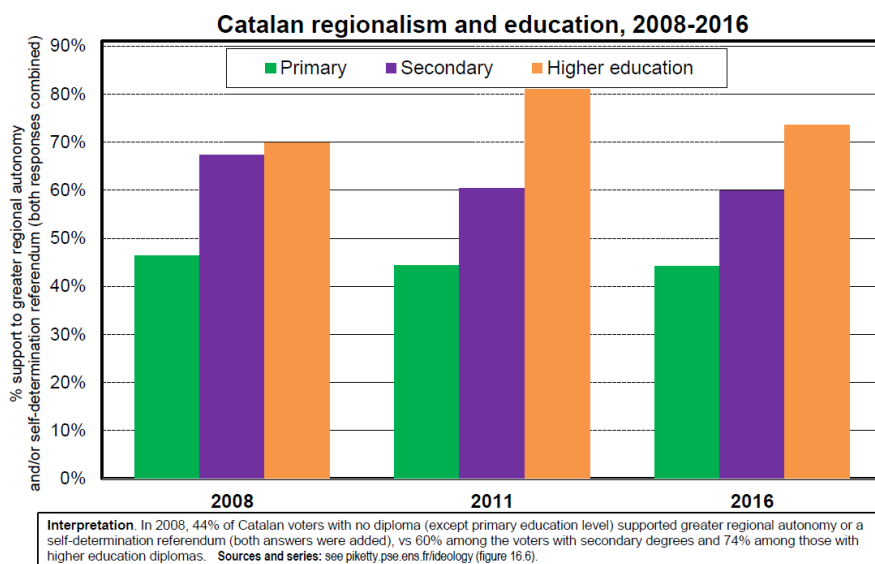
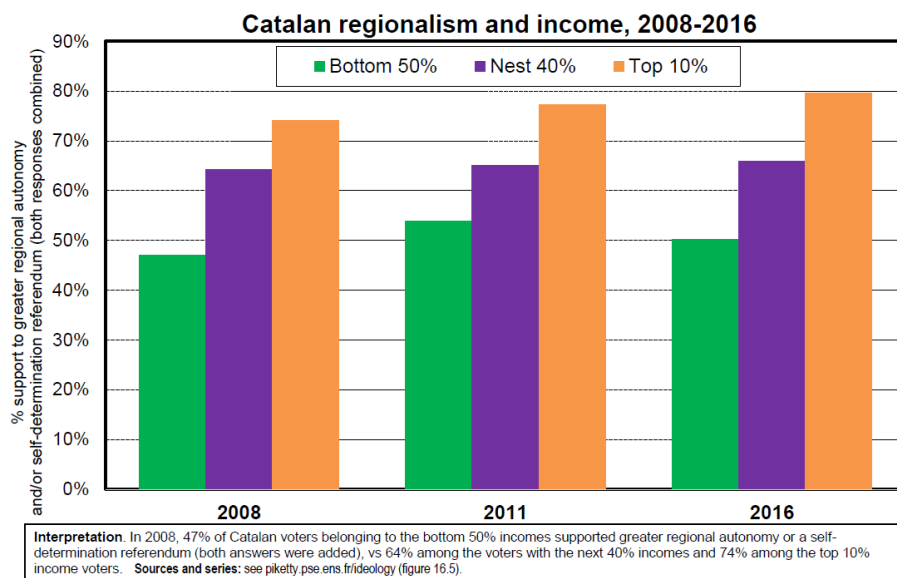




The social-nativist trap: lessons from Europe and the US

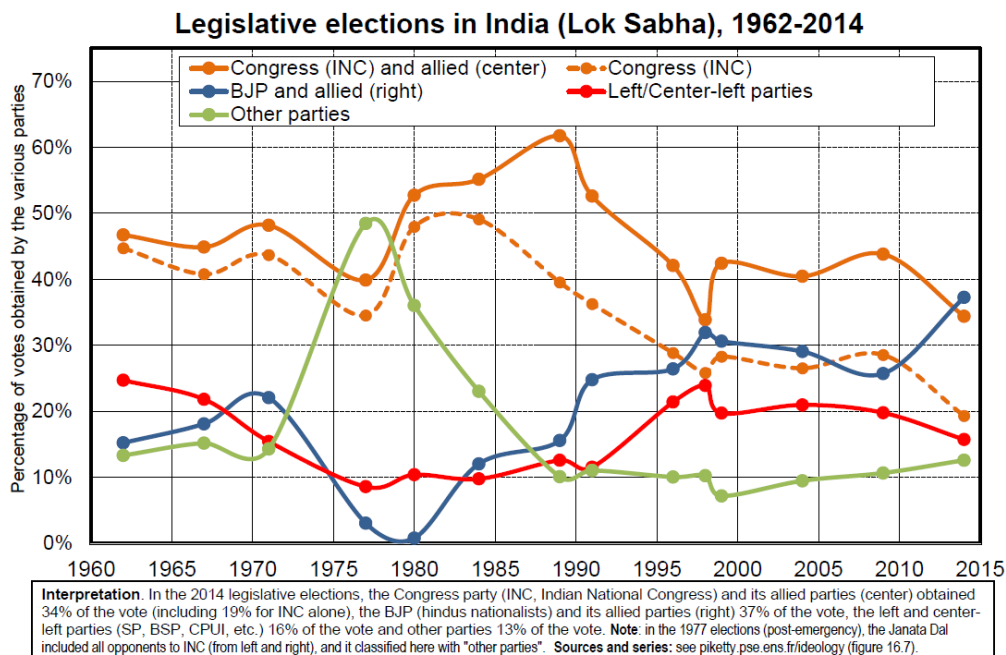
- Can the social-nativist parties in Europe become social-democratic parties in the long run, like the Democratic party in the US in the 20c?
- First, it is important to remember that this transition took a very long time in the US, and that it involved enormous human damages.
- I.e. between the 1870s and the 1950s, Southern Democrats enforced very strict racial segregation, encouraged KKK & the lynching of blacks, etc.
- Do we want Poland's PiS, French National Front or Italian Liga to conduct violent policies against migrants & their descendants for many decades before finally turning to Civil Rights policies, like US Democrats in the 1960s?
- Next, given the level of postcommunist disillusionment in early 21c, and also the magnitude of international tax competition to attract investment (which requires extensive international cooperation to be defeated), it is very unlikely that 21c social-nativist parties would turn to become New Deal parties with large tax progressivity and anti-inequality policies
- PiS in Poland: redistribution via lump-sum family benefits, but nothing on progressive taxation or workers rights
- Lega in Italy: anti-elitist discourse to justify strong stance against migrants, but very elitist (or nihilist) economic policy: repeal of progressive income tax
- FN/RN in France: used to adocate the repeal of the income tax (1980s); if they were in power they would probably exacerbate tax dumping
- Trump in the US: very strong stance against migrants, Latinos, etc., but continuation of the Reagan tax cut agenda
- Catalonia and the separatist trap

- Given the high level of tax competition in Europe, it is tempting for every country or region to benefit from trade integration while at the same time benefiting from being a tax haven and attracting other country's tax bases.
I.e. in the absence of federal taxes, there is clear incentive for high-income regions to become independent countries within Europe.
- Typical example: Catalonia. **The higher the level of income, the stronger the support for regional autonomy or independence.**
- Of course the fiscal motive is not the only reason behind the independentist movement: there are also cultural and linguistic motives, and there are left republican groups promoting independence.
- But it is clear that the debate would look very different if high-income taxpayers from Catalonia would keep paying the same income taxes to EU whether or not they obtain independence (e.g. like California).

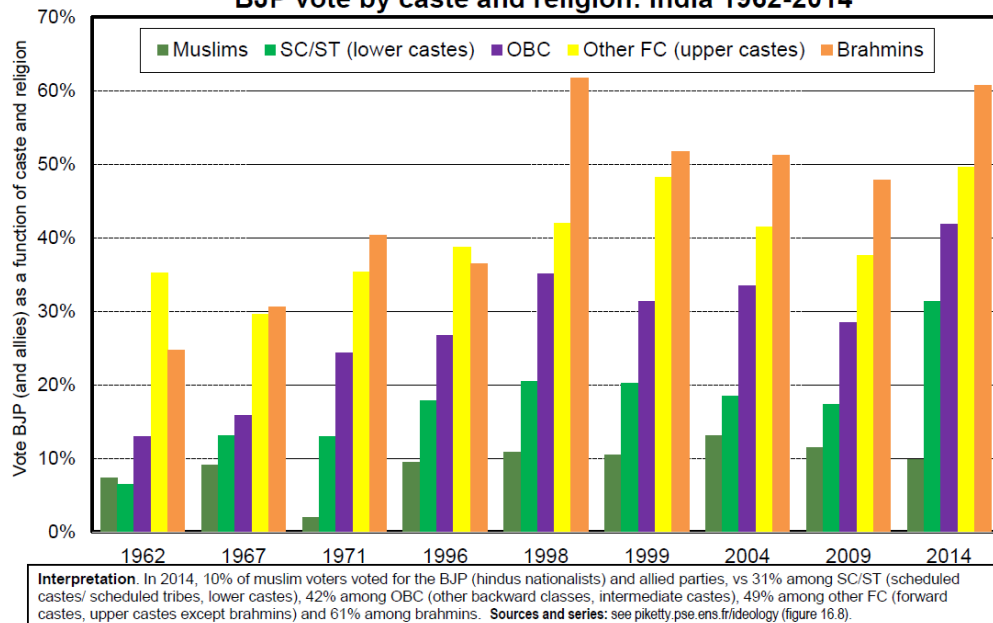


Changing political cleavages and class conflict in India & Brasil

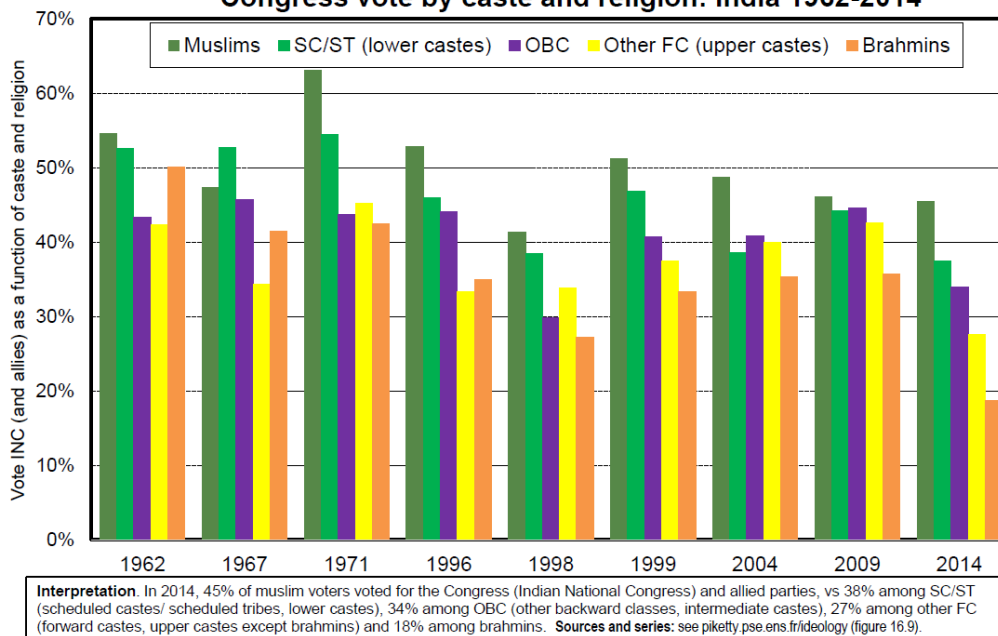
- It is critical to look at the political economy of redistribution in electoral democracies outside the West
- First, the breakdown of the left-right class-based party system observed in the West between 1950-1980 and 1990-2020 may not hold in other parts of the world. E.g. **in India or Brasil, one observes a move toward a more class- based party system since the 1980s-1990s** (to some extent, and despite adverse international trends making redistributive policies hard to conduct).
I.e. different political strategies and coalitions can make difference.
- Next, the structure of class-based vs identity-based conflict can take various forms and ought to be analyzed in a comparative spirit. E.g. **anti-Muslim cleavages play a key role in India and are in a way closer to the European identity-based conflicts than to the US racial divide.**
- India's party system. INC (Congress) was the independence party and used to be the dominant catch-all party.
- Beginning in the 1980s-1990s, the BJP (nationalist Hindu party) built its strategy against the Muslim minority and against the extension of the quota system from SC-ST (Scheduled Castes, Schedules Tribes) to OBC (other backward classes, including Muslims)
- **As a consequence, BJP has developped as an upper-caste, upper-class party, while Congress and left parties (socialist or low-caste parties like BSP) attract both the votes of the poor Muslims & the poor Hindus \neq Western democracies, where poor minority & poor majority voters generally do not vote for the same parties**
- This illustrates the role of institutions & ideology to build coalitions
- See Banerjee-Gethin-Piketty, Growing Cleavages in India? Evidence from the Changing Structure of Electorates 1962-2014, Economic and Political Weekly, 2019



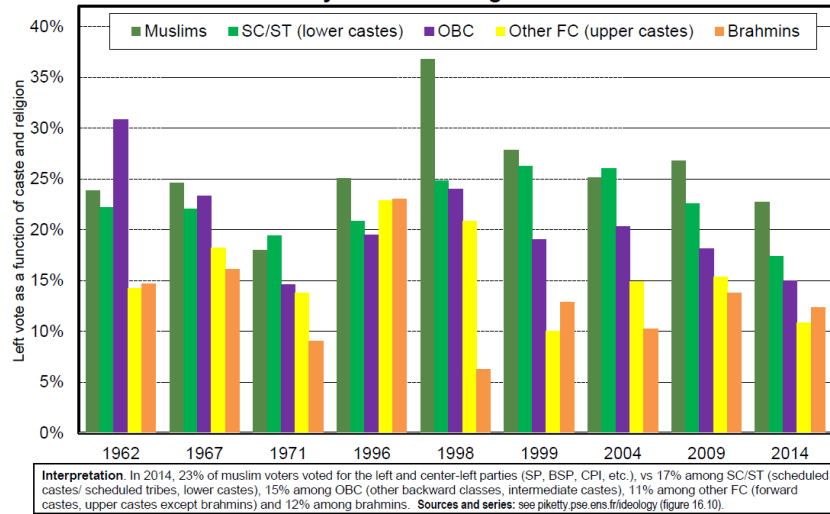
BJP vote by caste and religion: India 1962-2014



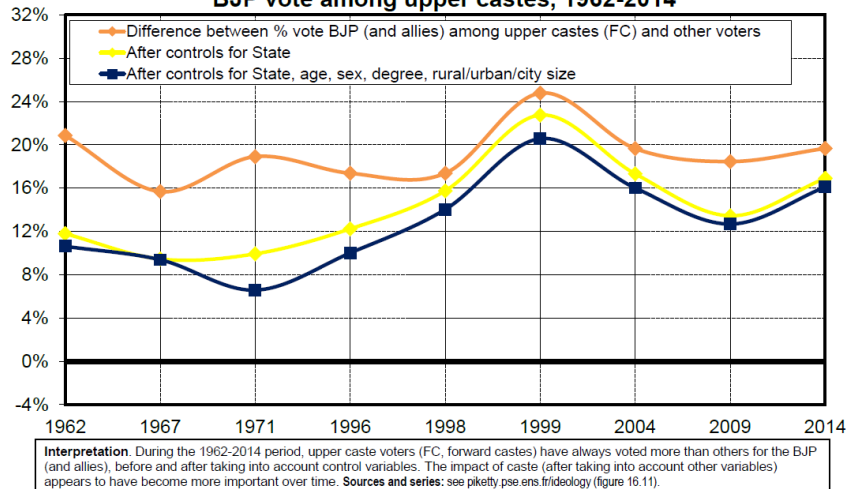
Congress vote by caste and religion: India 1962-2014



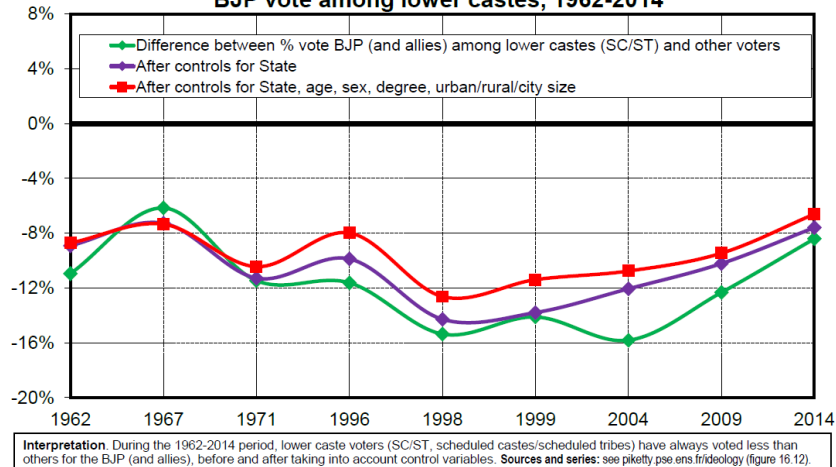
Left vote by caste and religion: India 1962-2014

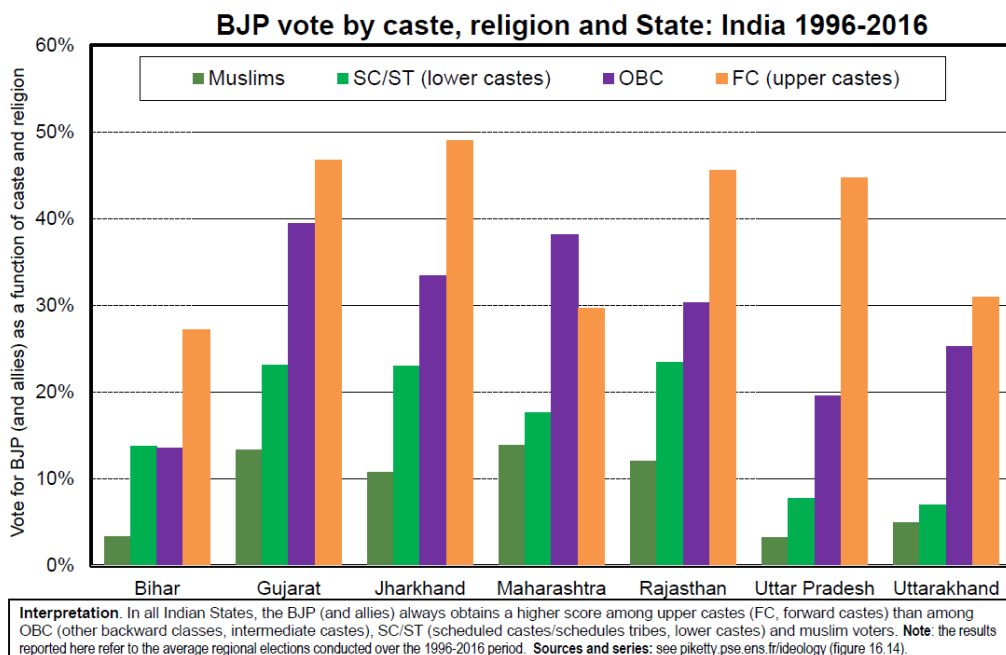
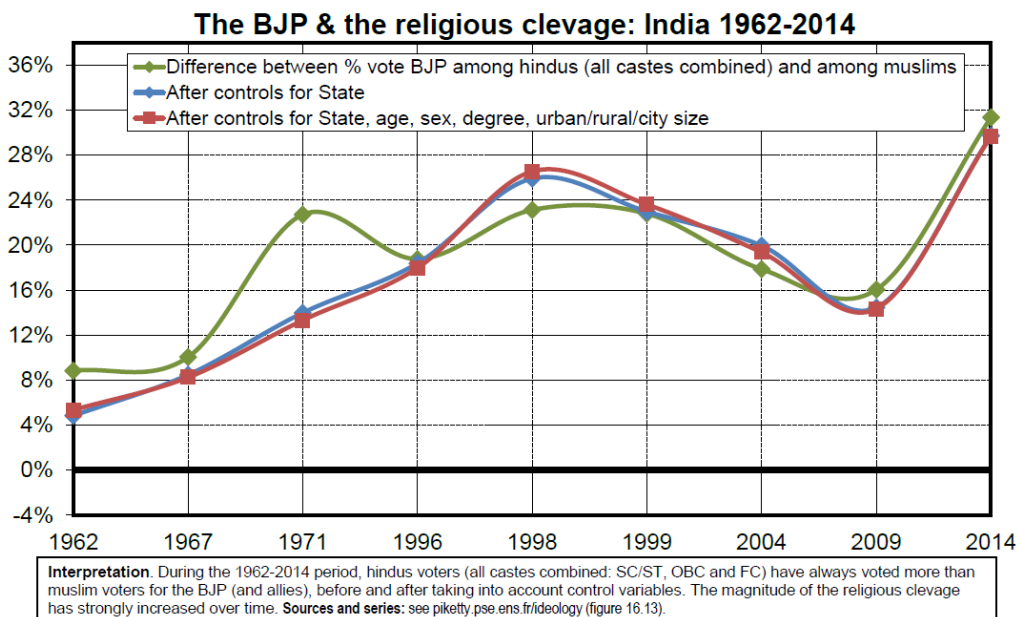


BJP vote among upper castes, 1962-2014



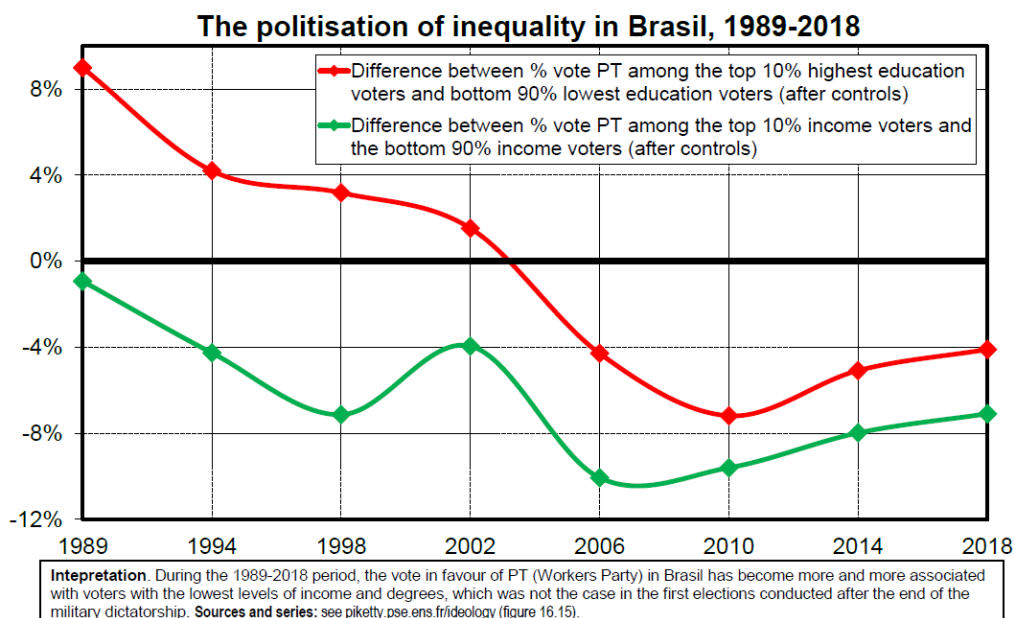
BJP vote among lower castes, 1962-2014





- The case of Brasil is very different, but also illustrates a case of gradual policy-based development of a class-based conflict
- The first elections with universal suffrage took place in 1989 in Brasil (1890-1964: suffrage restricted to literate population; 1964-1985: military dictatorship)
- Many political parties, including PT (Workers Party), which initially attracted urban wage earners from manufacturing sector & intellectuals
- During PT's experience in power in 2002-2014 that the PT electorate started to concentrate upon lower-income and lower-education voters (redistributive policies: Bolsa Familia, min wage, etc.)

- Like India, Brasil's experience also shows that it is difficult to develop a redistributive policy agenda in the current global ideological context, that is more favourable to identity-based conflict and nationalists



Social-federalism vs social-nativism

- The current organization of globalization, in Europe and more generally at the world level, is based upon free capital flows, free trade and laissez-faire competition between countries and economic actors, with little no international cooperation on fiscal, social or environmental policies
- Pb: economic openness has contributed to reduce poverty in poor countries, but free-market globalization also generates rising inequalities and social unrest, which itself fuels social-nativist & nationalist reactions
- Ideal solution = social-federalism, i.e. a new organization of globalization where trade and capital flows are subject to verifiable targets in terms of global public goods and global fiscal, social and environmental justice

→ major challenges for the future, together with the development of new forms of educational justice and redistribution of income and wealth

A novel organisation of globalisation: transnational democracy

Transnational Assembly

In charge of **global public goods** (climate, research, etc.) and of **global fiscal justice** (common taxes on high wealth and income holders and large corporations, carbon taxes)

National Assembly
Country A

National Assembly
Country B

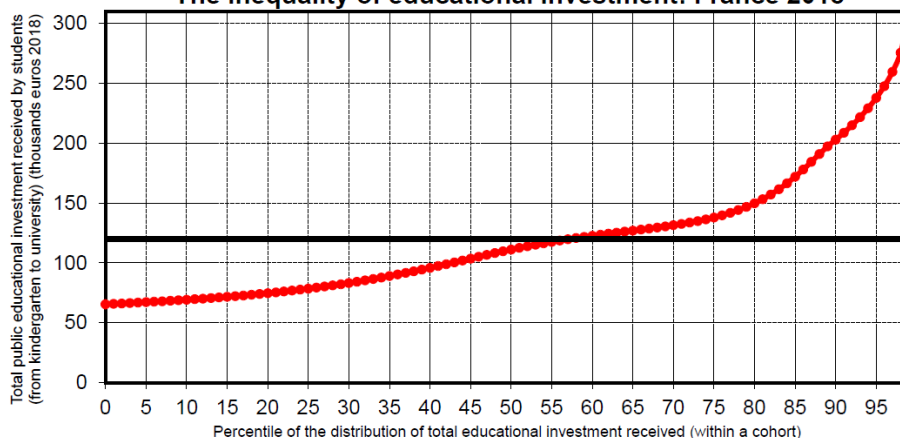
National Assembly
Country C

National Assembly
Country D

...

Interpretation. According to the proposed organisation, the treaties regulating globalisation (flows of goods, capital and individuals) will henceforth include the creation between the signatories States and Regional Unions of a Transnational Assembly in charge of global public goods (climate, research, etc.) and global fiscal justice (common taxes on high wealth and income holders and large corporations, carbon taxes). **Note.** Countries A, B, C, D can be States like France, Germany, Italy, Spain, etc., in which case the Transnational Assembly will be the European Assembly, or countries A, B, etc. could be Regional Unions like the European Union, the African Union, etc., in which case the Transnational Assembly would be that of the Euro-African Union. The Transnational Assembly could be formed of deputies from the National Assemblies and/or of transnational deputies especially elected for this purpose, depending on the situation. **Sources:** see piketty pse.ens.fr/deology (table 17.2).

The inequality of educational investment: France 2018



Interpretation. Total public educational investment received during their studies (from kindergarten to university) by students of the cohort reaching 18 in 2018 will be about 120 k€ (i.e. about 15 years of studies for an average cost of 8000€ per year). Within this generation, the 10% of students receiving the smallest educational investment receive about 65-70 k€, while the 10% receiving the most receive between 200 k€ and 300 k€. **Note:** average costs per year of study in the French educational system in 2015-2018 rank from 5-6 k€ in kindergarten-primary to 8-10 k€ in secondary, 9-10 k€ in universities and 15-16 k€ in preparatory classes to grandes écoles (elite tracks). **Sources and series:** see piketty pse.ens.fr/deology (figure 17.1).

The circulation of property and progressive taxation

Progressive tax on property (funding of the capital endowment allocated to each young adult)

| Multiple of average wealth | Annual tax on property (effective tax rate) | Tax on inheritances (effective tax rate) |
|----------------------------|---|--|
| 0,5 | 0,1% | 5% |
| 2 | 1% | 20% |
| 5 | 2% | 50% |
| 10 | 5% | 60% |
| 100 | 10% | 70% |
| 1000 | 60% | 80% |
| 10000 | 90% | 90% |

Progressive tax on income (funding of basic income and social and ecological State)

| Multiple of average income | Effective tax rate (including social contributions and carbon tax) |
|----------------------------|--|
| 0,5 | 10% |
| 2 | 40% |
| 5 | 50% |
| 10 | 60% |
| 100 | 70% |
| 1000 | 80% |
| 10000 | 90% |

Interpretation. The proposed tax system includes a progressive tax on property (annual tax and inheritance tax) funding a capital endowment for all young adults and a progressive tax on income (including social contributions and progressive tax on carbon emissions) funding the basic income and the social and ecological State (health, education, pensions, unemployment, energy, etc.). This system favouring the circulation of property is one of the constituting elements of participatory socialism, together with a 50-50 split of voting rights among workers representatives and shareholders in corporations. **Note:** in the example given here, the progressive property tax raises about 5% of national income (allowing to fund a capital endowment of about 60% of average net wealth, to be allocated to each young adult at 25-year of age) and the progressive income tax about 45% of national income (allowing to fund an annual basic income of about 60% of after-tax income, costing about 5% of national income, and the social and ecological State for about 40% of national income). **Sources:** see piketty pse.ens.fr/deology (table 17.1).