Introduction to Economic History : Capital, Inequality, Growth

(Master APE & PPD)

(EHESS & Paris School of Economics)

Thomas Piketty

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Lecture 8: Political cleavages in post-colonial societies: social-nativism vs social-federalism

(check on line for updated version)

Roadmap of the lecture

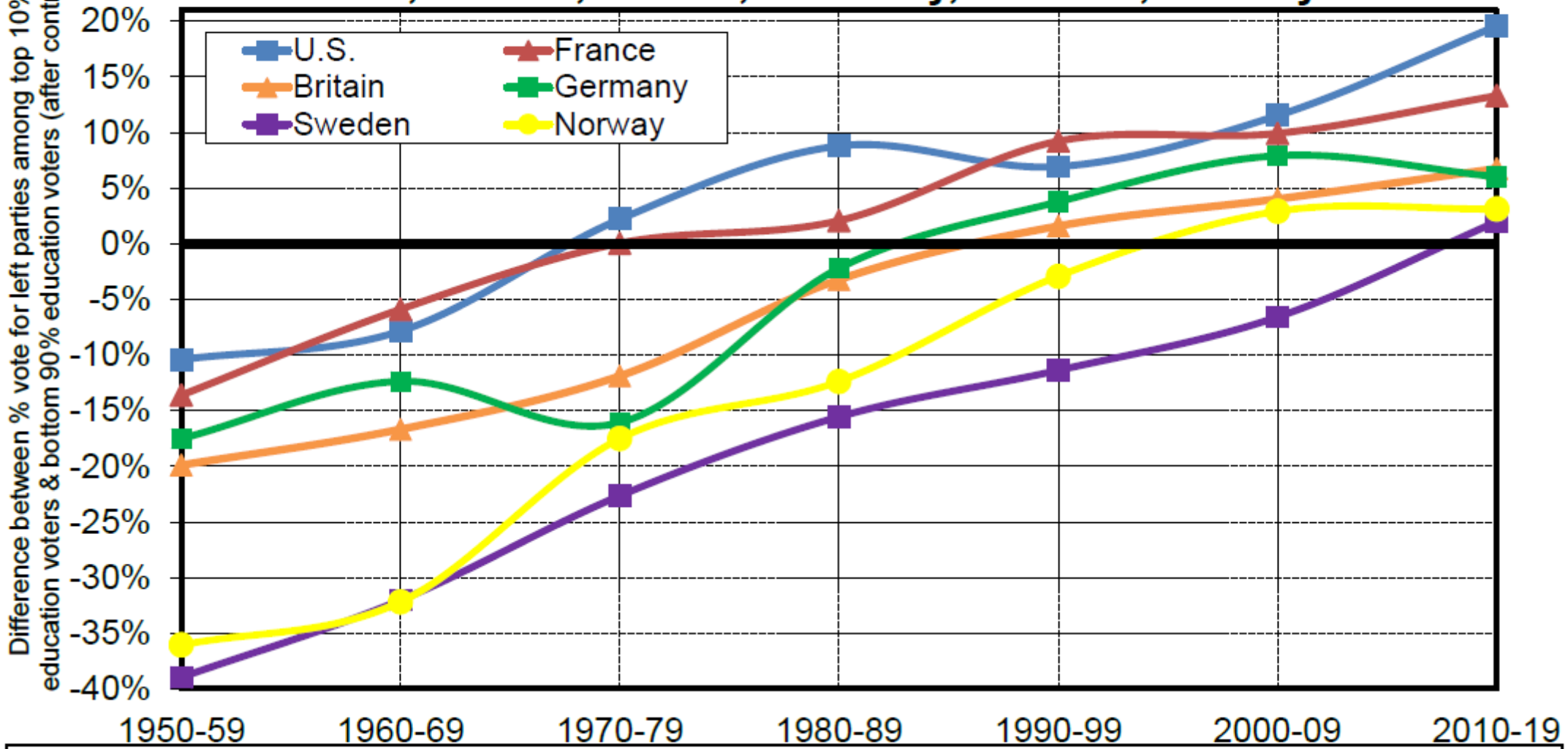
- The reversal of the education cleavage in Western democracies
- The rise of social-nativism in post-communist Eastern Europe
- The social-nativist trap: lessons from Europe and the US
- Changing political cleavages and class conflict in India & Brasil
- Social-federalism vs social-nativism

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 abandonned 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

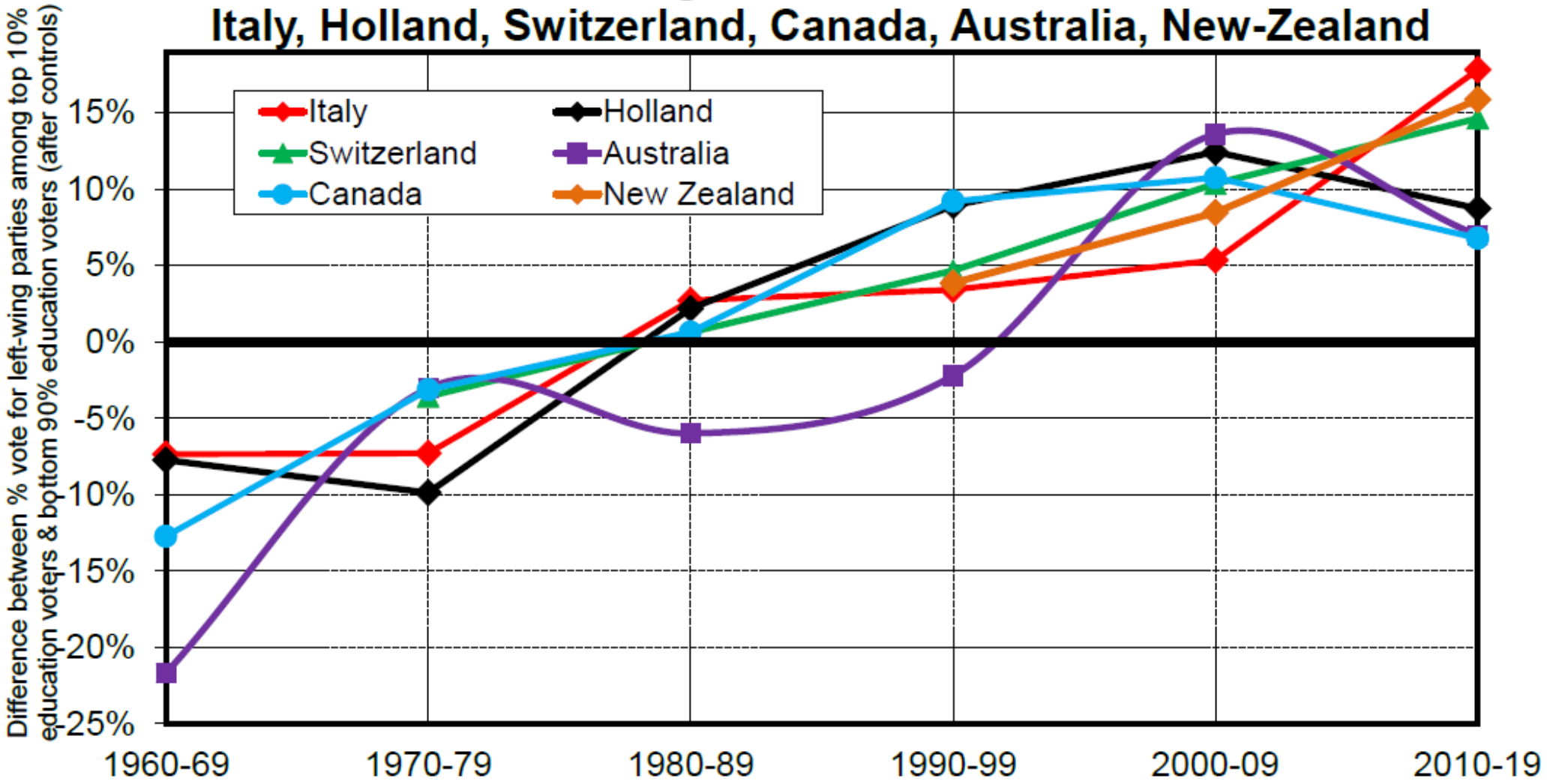
→ **rise of « social-nativism »** : « the only way to protect socially disadvantaged natives is to protect borders and to fight migration, & certainly not to make false promises about universal solidarity, internationalism and socialism »

The reversal of the education cleavage, 1950-2020: U.S., France, Britain, Germany, Sweden, Norway



Interpretation. During the 1950-1970 period, the vote for the democratic party in the U.S. and for the various left-wing parties in Europe (labour, social-democrats, socialistes, communists, greens, etc.) was stronger amond the voters with the lowest education levels; in the period 2000-2020, it has become associated with the voters with the highest diplomas. The trend happens later in Nordic Europe, but follows the same direction. **Note**: "1950-59" includes elections conducted between 1950 and 1959, etc. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.1).

Political cleavage and education, 1960-2020: Italy, Holland, Switzerland, Canada, Australia, New-Zealand

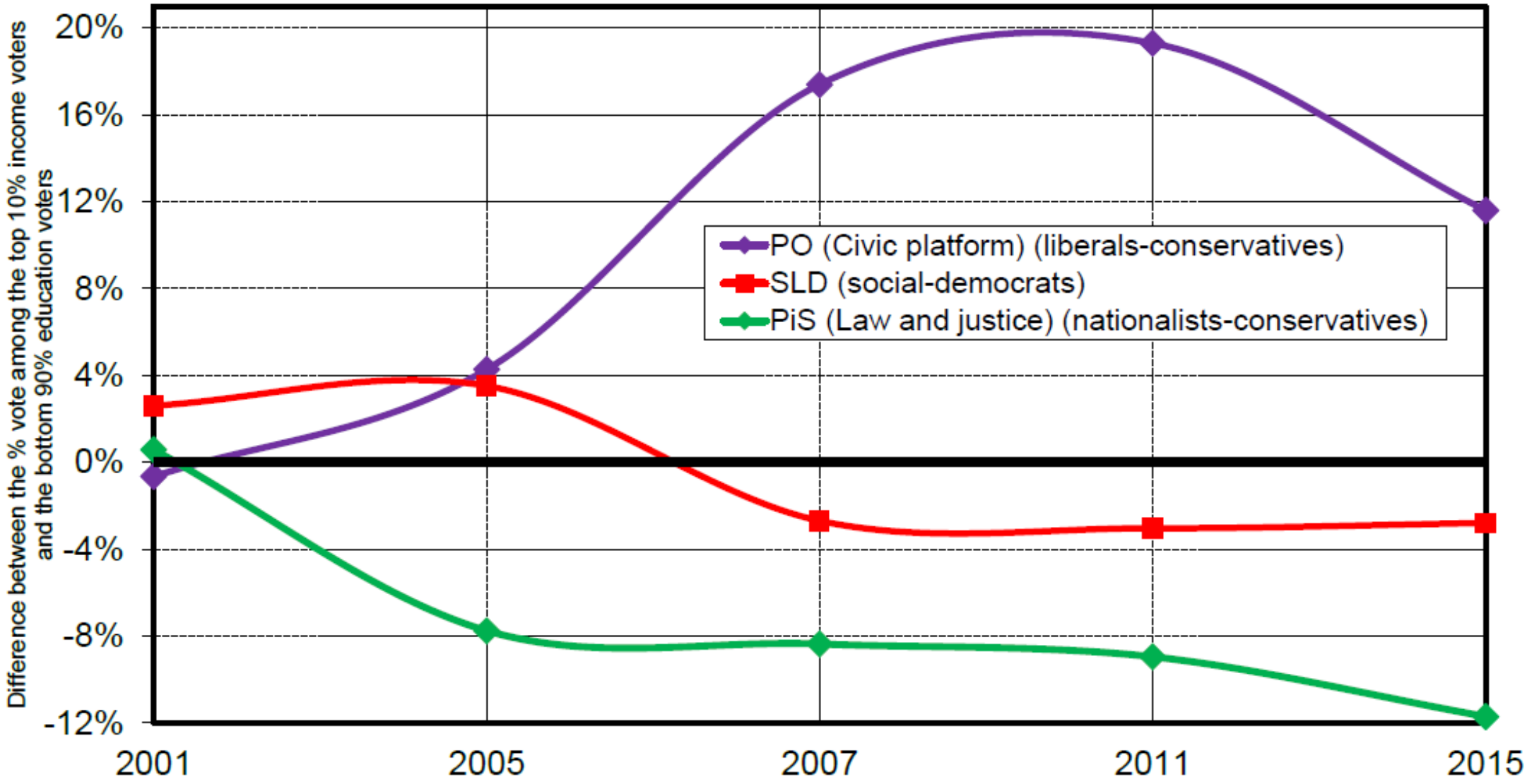


Interpretation. During the 1960-1980 period, the vote for left-wing parties (labour, social-democrats, socialists, communists, radicals, greens, etc.) was associated to the voters with the lowest education levels; in the period 2000-2020, it has become associated to those with the highest diplomas. This general evolution happenned in the U.S. and in Europe, as well as in Canada, Australia and New Zealand. **Note**: "1960-69" includes elections conducted between 1960 and 1969, "1970-79" those conducted from 1970 to 1979, etc. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.2).

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

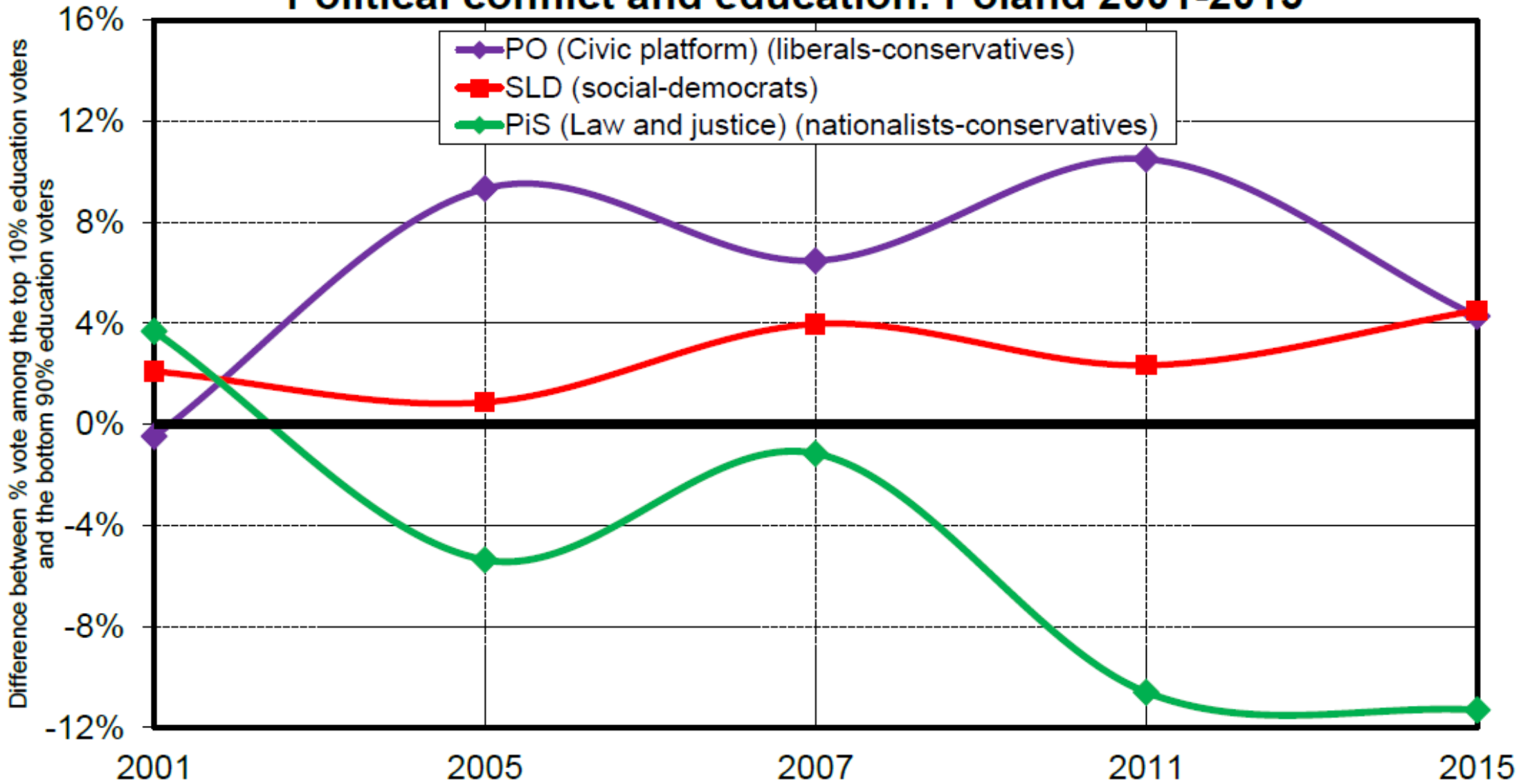
- For obvious reasons, post-communist disillusionment is particularly strong in Eastern Europe
- In many cases, former communist parties (turned social-democrats) took command of privatization during 1990s before falling into corruption scandals and/or voter disappointment during 2000s
- Typical example: **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 large family benefits in addition to strong anti-migrant and nationalist stance), and has been to win two consecutive elections in 2015 and 2019

Political conflict and income: Poland 2001-2015



Interpration. Between the elections of 2001 and 2015, the vote for PO (Civic platform) (liberals-conservatives) became strongly associated to voters with the highest income, while the vote for PiS (Law and justice) (nationalists-conservatives) became concentrated among voters with the lowest incomes. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.3).

Political conflict and education: Poland 2001-2015



Interpretation. Between the elections of 2001 and 2015, the vote for PO (Civic platform) (liberals-conservatives) became associated to voters with the highest education levels, while the vote for PiS (Law and justice) (nationalists-conservatives) became concentrated among voters with the lowest diplomas. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.4).

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

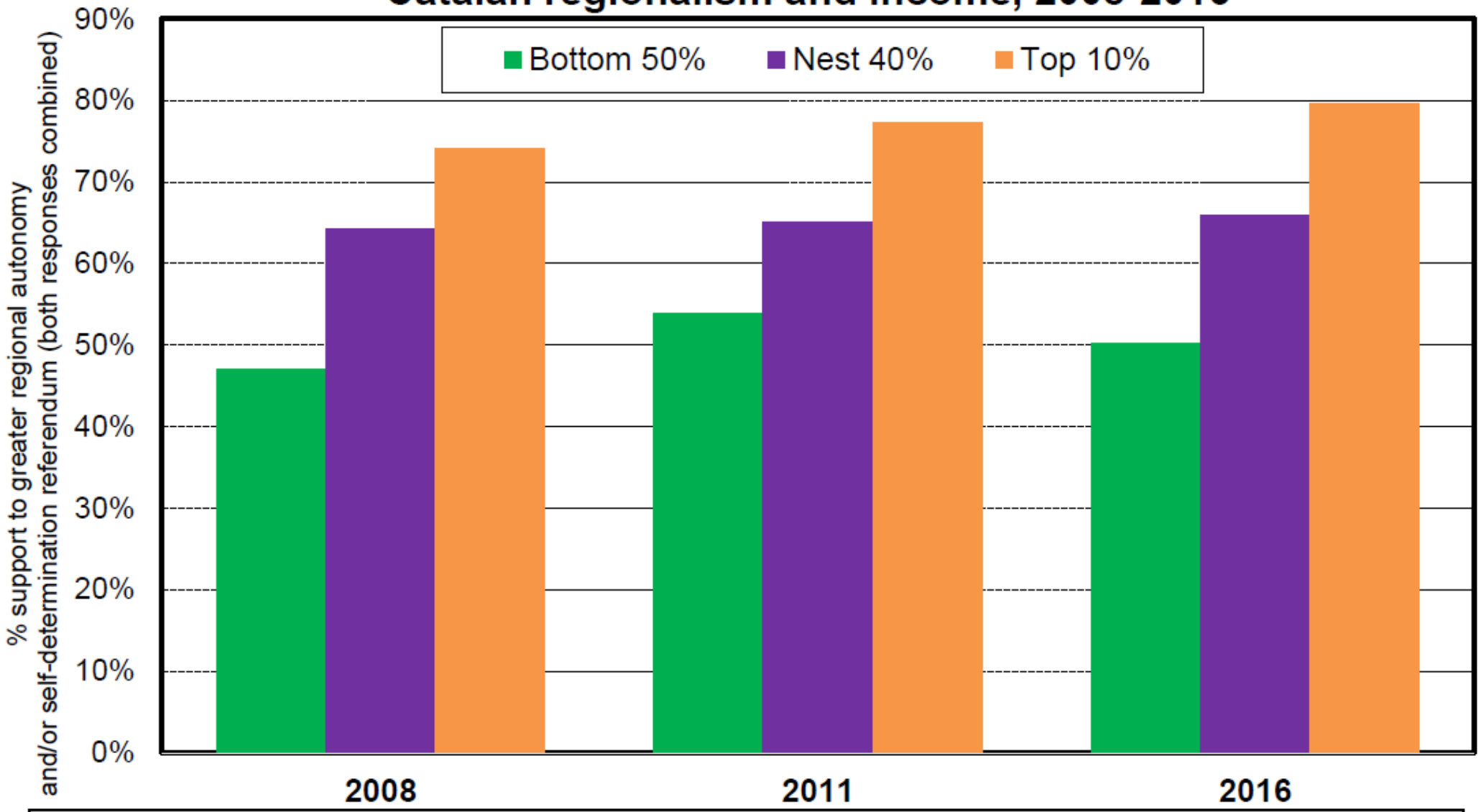
- **Can the social-nativist parties in Europe become social-democratic parties in the long run, like the Democratic party in the US in the 20c?**

- **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 desillusionment 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 againts migrants, Latinos, etc., but continuation of the Reagan tax cut agenda**

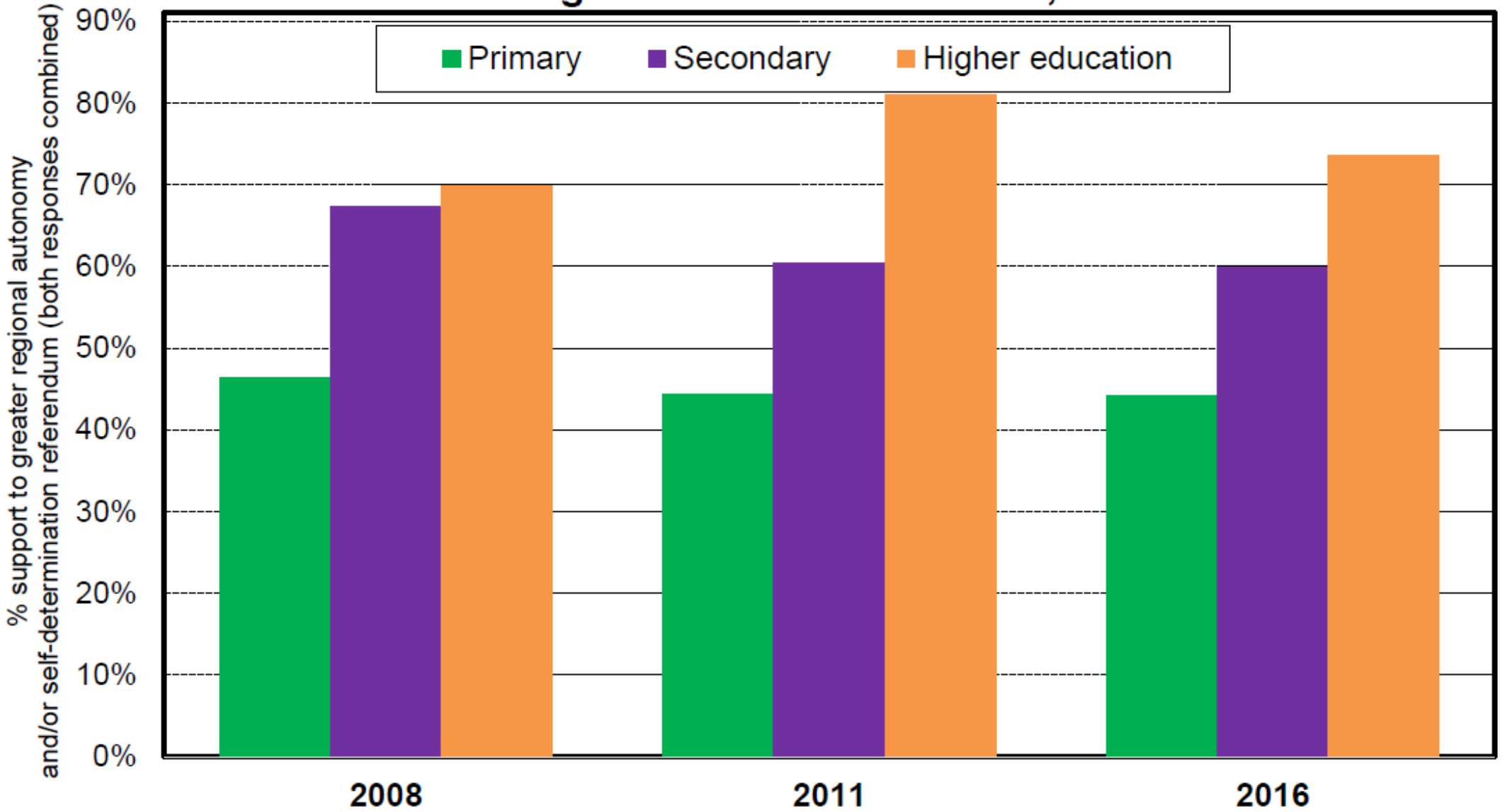
- **Catalonia and the separatist trap**
- Given the high level of tax competition of Europe, it is tempting for every country or region to benefit from trade integration while at the same time benefiting from being a tax haven and attracting other country's tax bases. **I.e. in the absence of federal taxes, there is clear incentive for high-income regions to become independant countries within Europe.**
- Typical exemple: Catalonia. **The higher the level of income, the stronger the support for regional autonomy or independance**.
- Of course the fiscal motive is not the only reason behind the independantist movement: there are also cultural and linguistic motives, and there are left republican groups promoting independance.
- 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 independance (e.g. like California in the US).

Catalan regionalism and income, 2008-2016



Interpretation. In 2008, 47% of Catalan voters belonging to the bottom 50% incomes supported greater regional autonomy or a self-determination referendum (both answers were added), vs 64% among the voters with the next 40% incomes and 74% among the top 10% income voters. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.5).

Catalan regionalism and education, 2008-2016



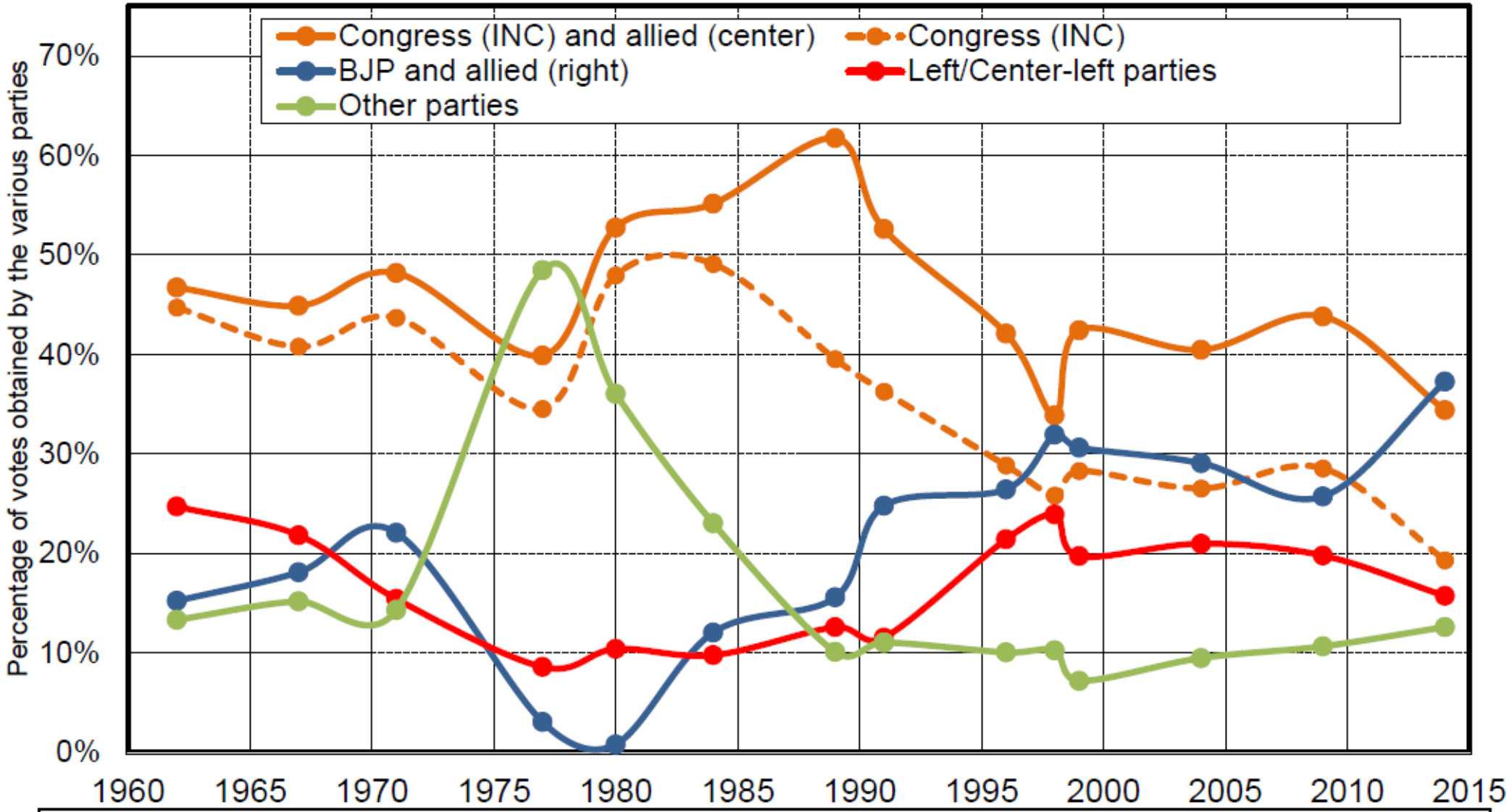
Interpretation. In 2008, 44% of Catalan voters with no diploma (except primary education level) supported greater regional autonomy or a self-determination referendum (both answers were added), vs 60% among the voters with secondary degrees and 74% among those with higher education diplomas. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.6).

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.**

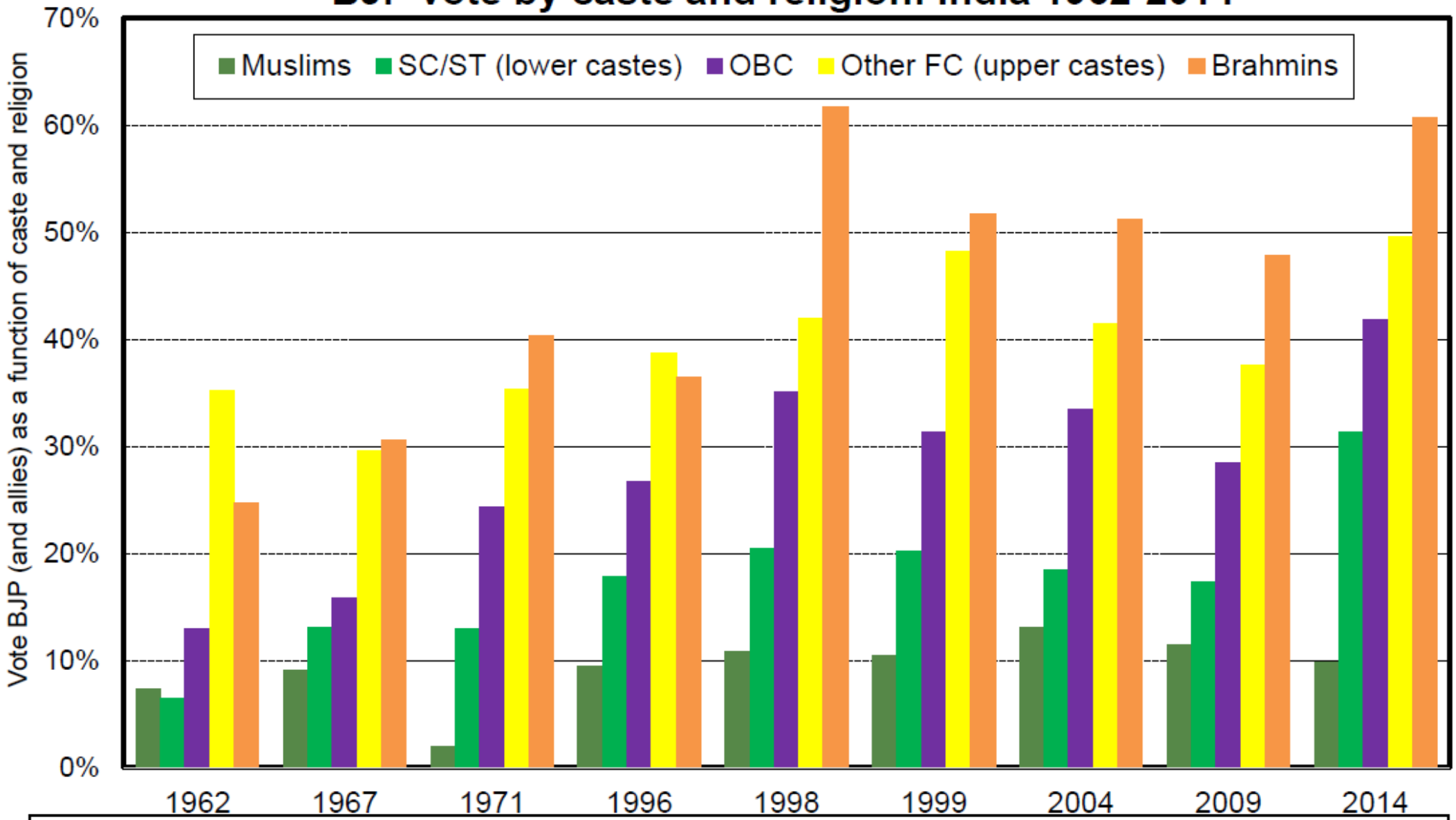
- India's party system. INC (Congress) was the independance party and used to be the dominant catch-all party.
- Beginning in the 1980s-1990s, the BJP (nationalist Hindu party) built its strategy against the Muslim minority and against the extension of the quota system from SC-ST (Scheduled Castes, Schedules 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 ≠ 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 (WID.world WP)

Legislative elections in India (Lok Sabha), 1962-2014



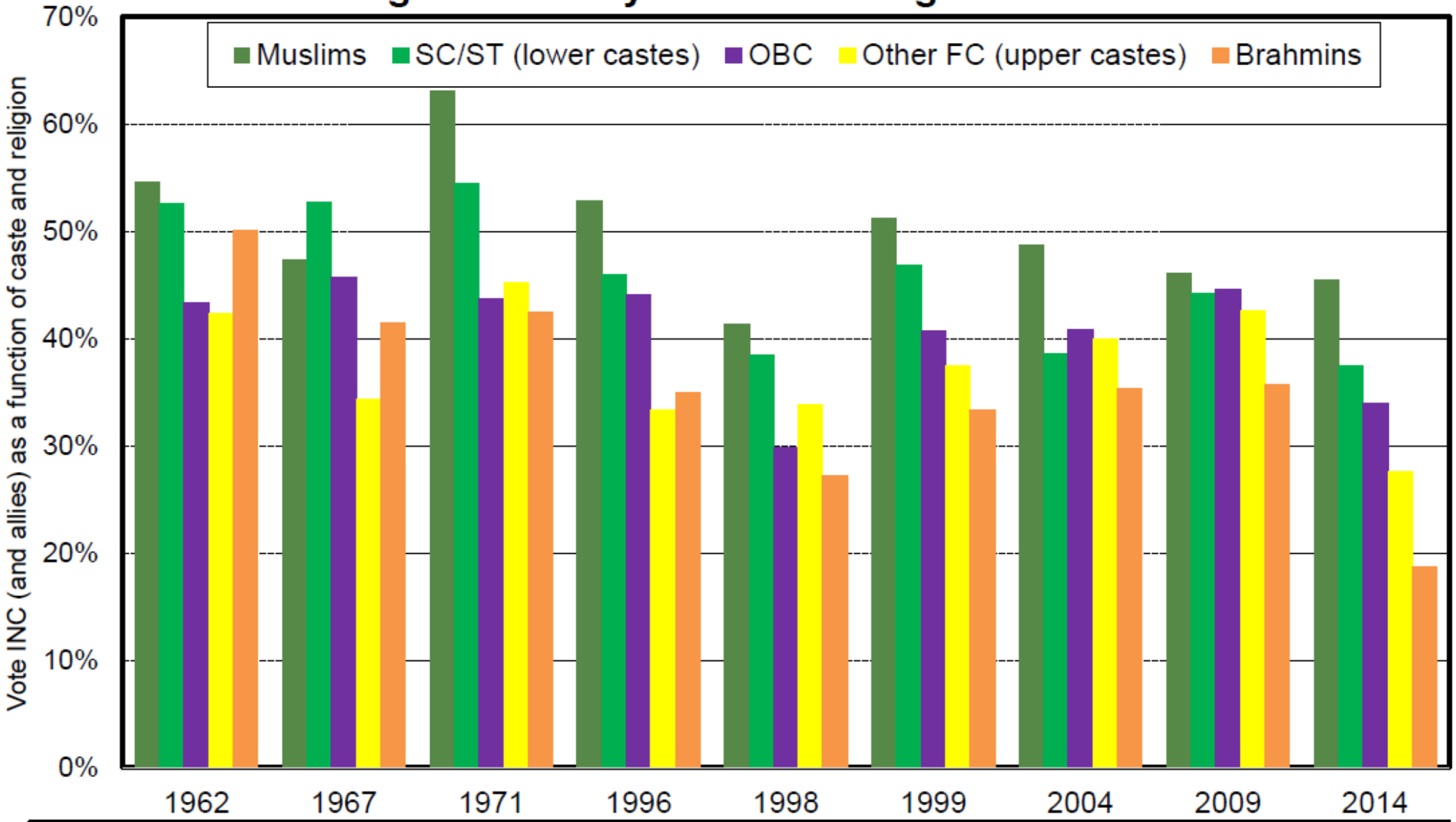
Interpretation. In the 2014 legislative elections, the Congress party (INC, Indian National Congress) and its allied parties (center) obtained 34% of the vote (including 19% for INC alone), the BJP (hindus nationalists) and its allied parties (right) 37% of the vote, the left and center-left parties (SP, BSP, CPUI, etc.) 16% of the vote and other parties 13% of the vote. **Note**: in the 1977 elections (post-emergency), the Janata Dal included all opponents to INC (from left and right), and it classified here with "other parties". **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.7).

BJP vote by caste and religion: India 1962-2014



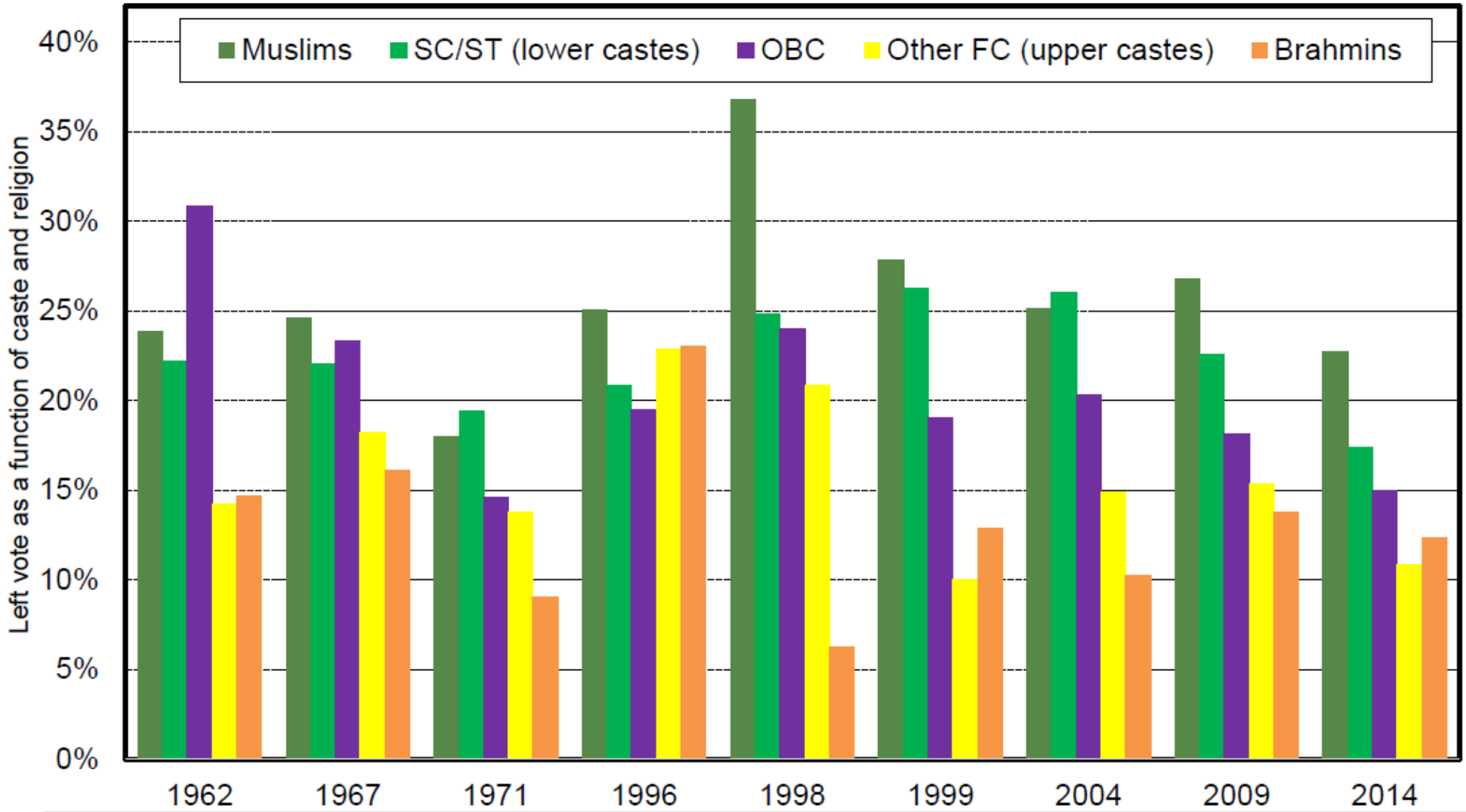
Interpretation. In 2014, 10% of muslim voters voted for the BJP (hindus nationalists) and allied parties, vs 31% among SC/ST (scheduled castes/ scheduled tribes, lower castes), 42% among OBC (other backward classes, intermediate castes), 49% among other FC (forward castes, upper castes except brahmins) and 61% among brahmins. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.8).

Congress vote by caste and religion: India 1962-2014



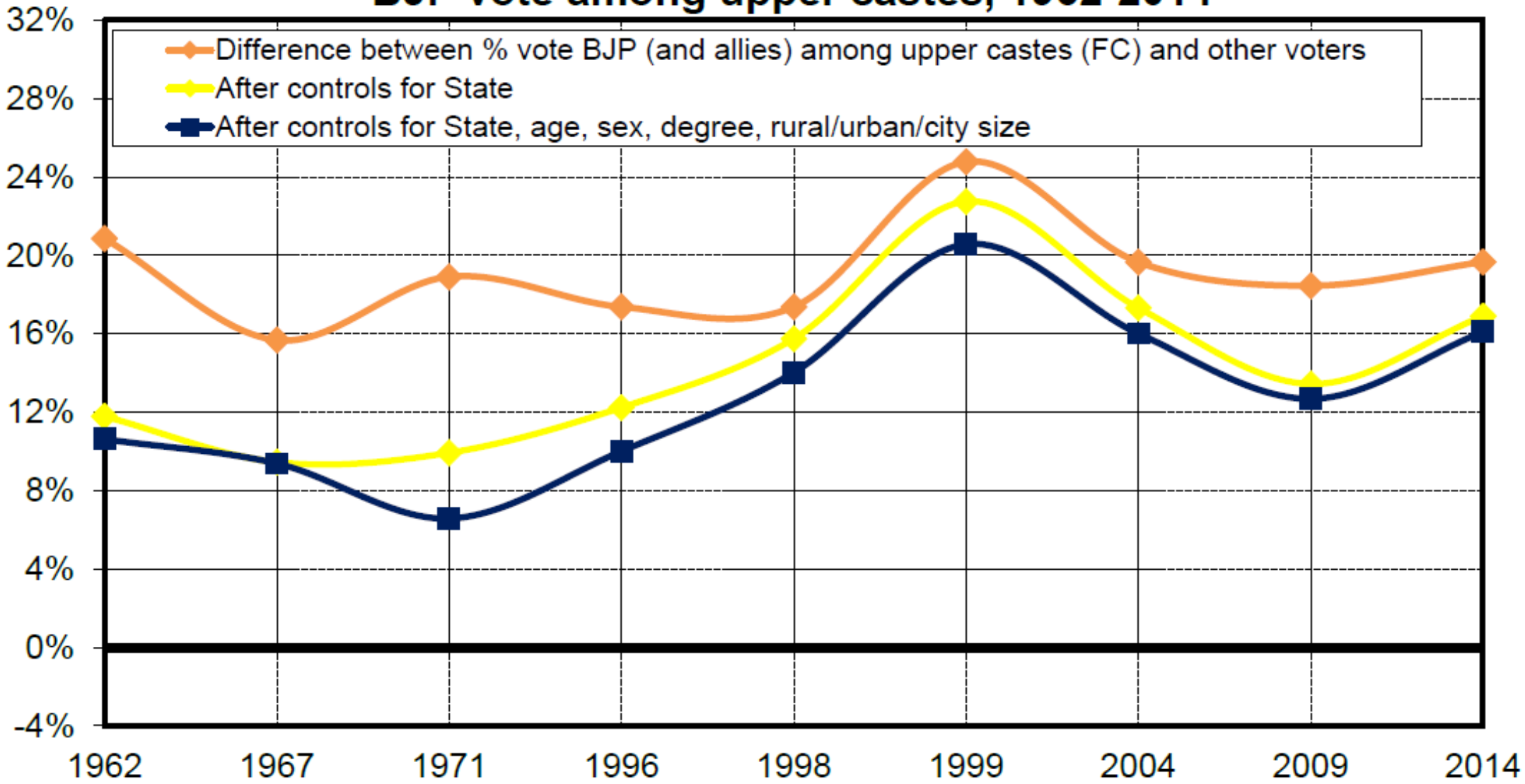
Interpretation. In 2014, 45% of muslim voters voted for the Congress (Indian National Congress) and allied parties, vs 38% among SC/ST (scheduled castes/ scheduled tribes, lower castes), 34% among OBC (other backward classes, intermediate castes), 27% among other FC (forward castes, upper castes except brahmins) and 18% among brahmins. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.9).

Left vote by caste and religion: India 1962-2014



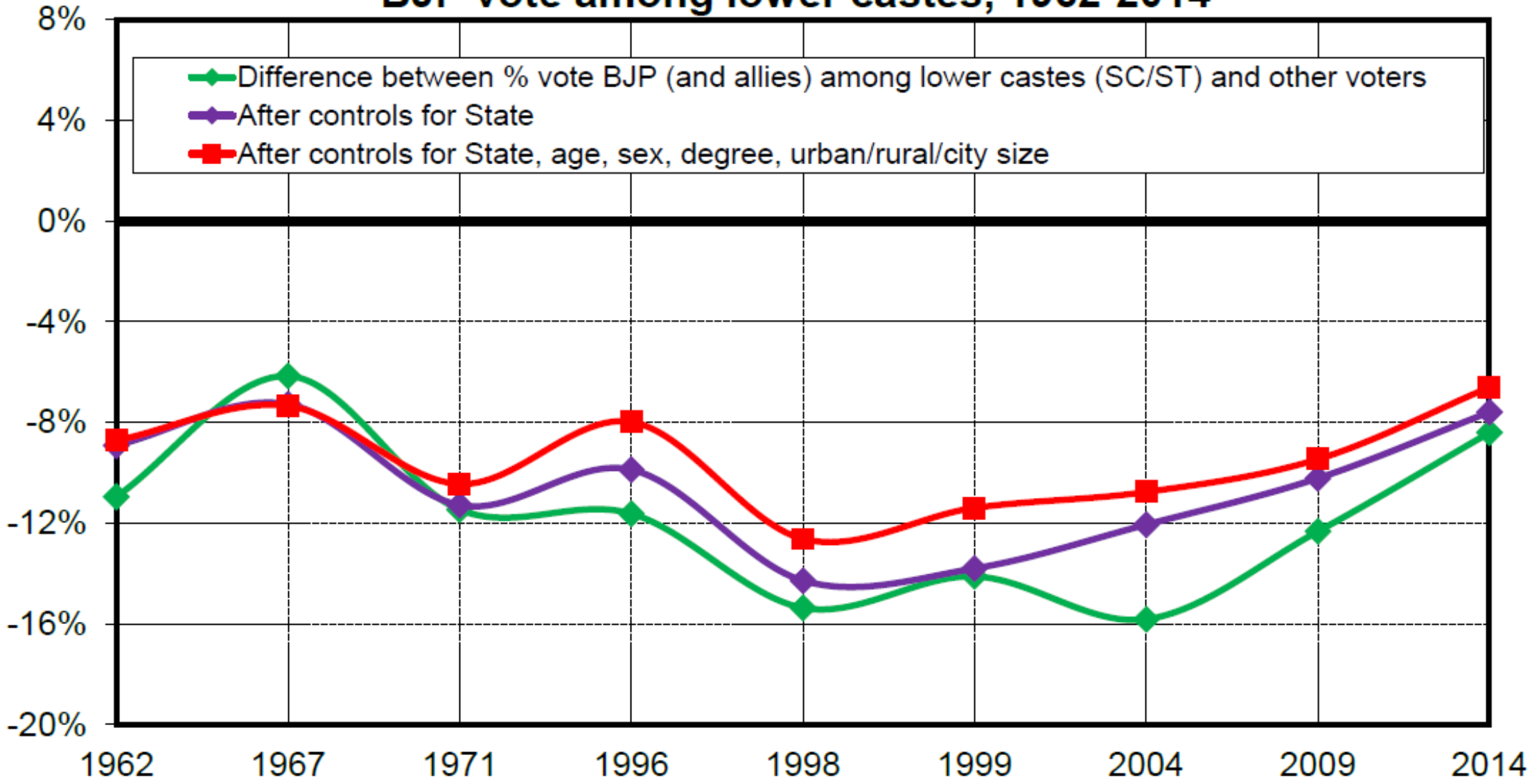
Interpretation. In 2014, 23% of muslim voters voted for the left and center-left parties (SP, BSP, CPI, etc.), vs 17% among SC/ST (scheduled castes/ scheduled tribes, lower castes), 15% among OBC (other backward classes, intermediate castes), 11% among other FC (forward castes, upper castes except brahmins) and 12% among brahmins. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.10).

BJP vote among upper castes, 1962-2014



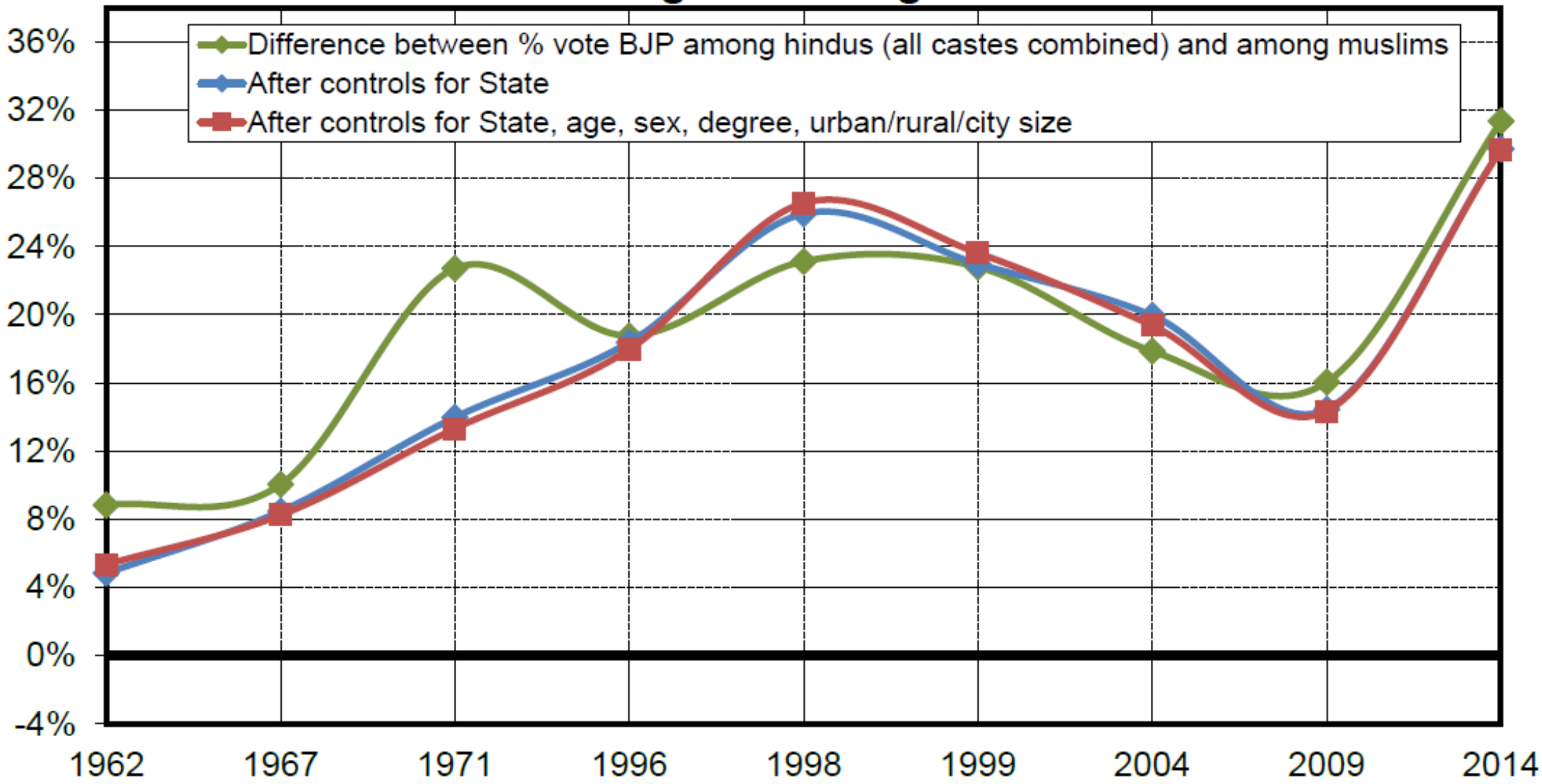
Interpretation. During the 1962-2014 period, upper caste voters (FC, forward castes) have always voted more than others for the BJP (and allies), before and after taking into account control variables. The impact of caste (after taking into account other variables) appears to have become more important over time. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.11).

BJP vote among lower castes, 1962-2014



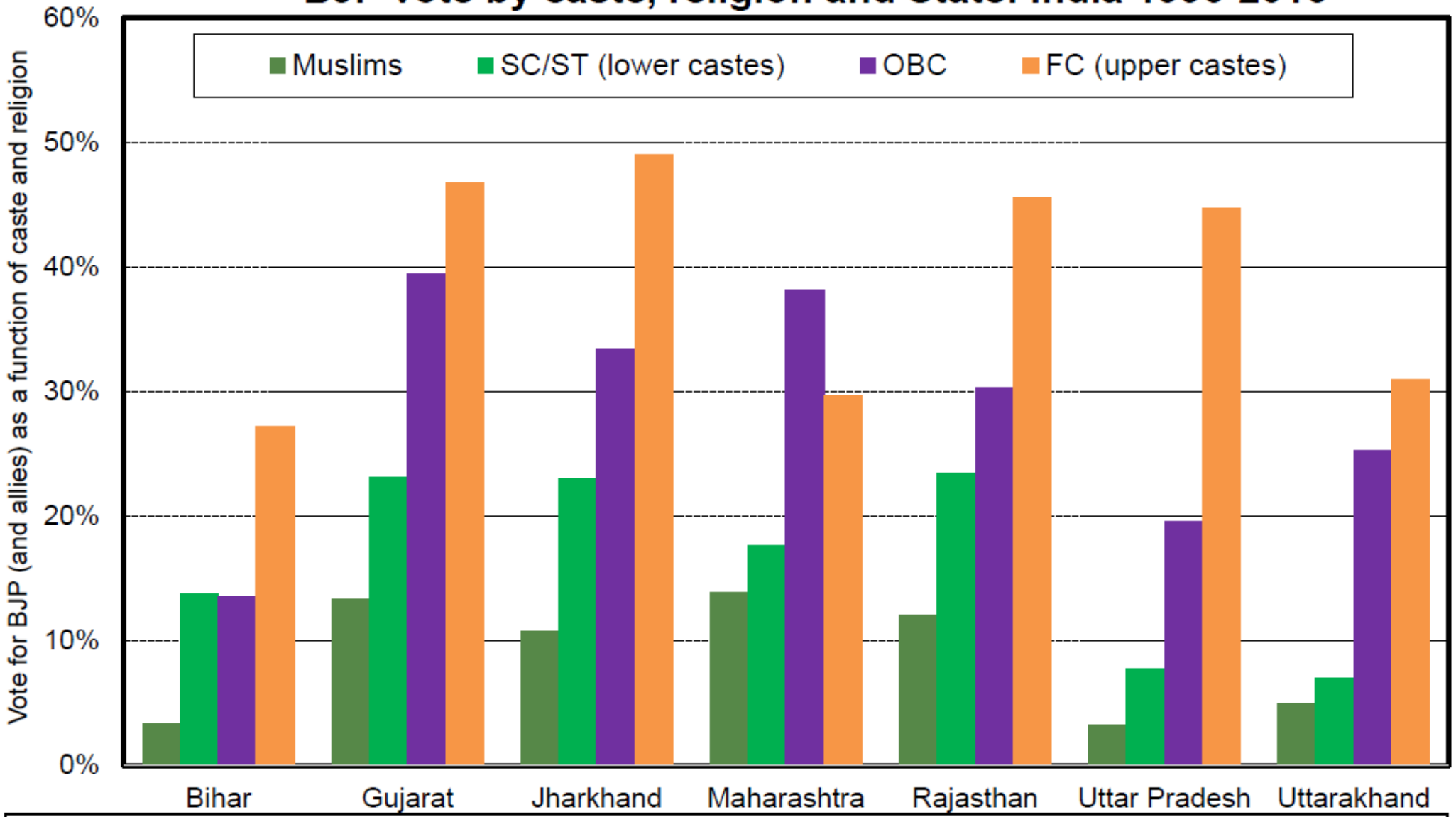
Interpretation. During the 1962-2014 period, lower caste voters (SC/ST, scheduled castes/scheduled tribes) have always voted less than others for the BJP (and allies), before and after taking into account control variables. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.12).

The BJP & the religious clevage: India 1962-2014



Interpretation. During the 1962-2014 period, hindus voters (all castes combined: SC/ST, OBC and FC) have always voted more than muslim voters for the BJP (and allies), before and after taking into account control variables. The magnitude of the religious clevage has strongly increased over time. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.13).

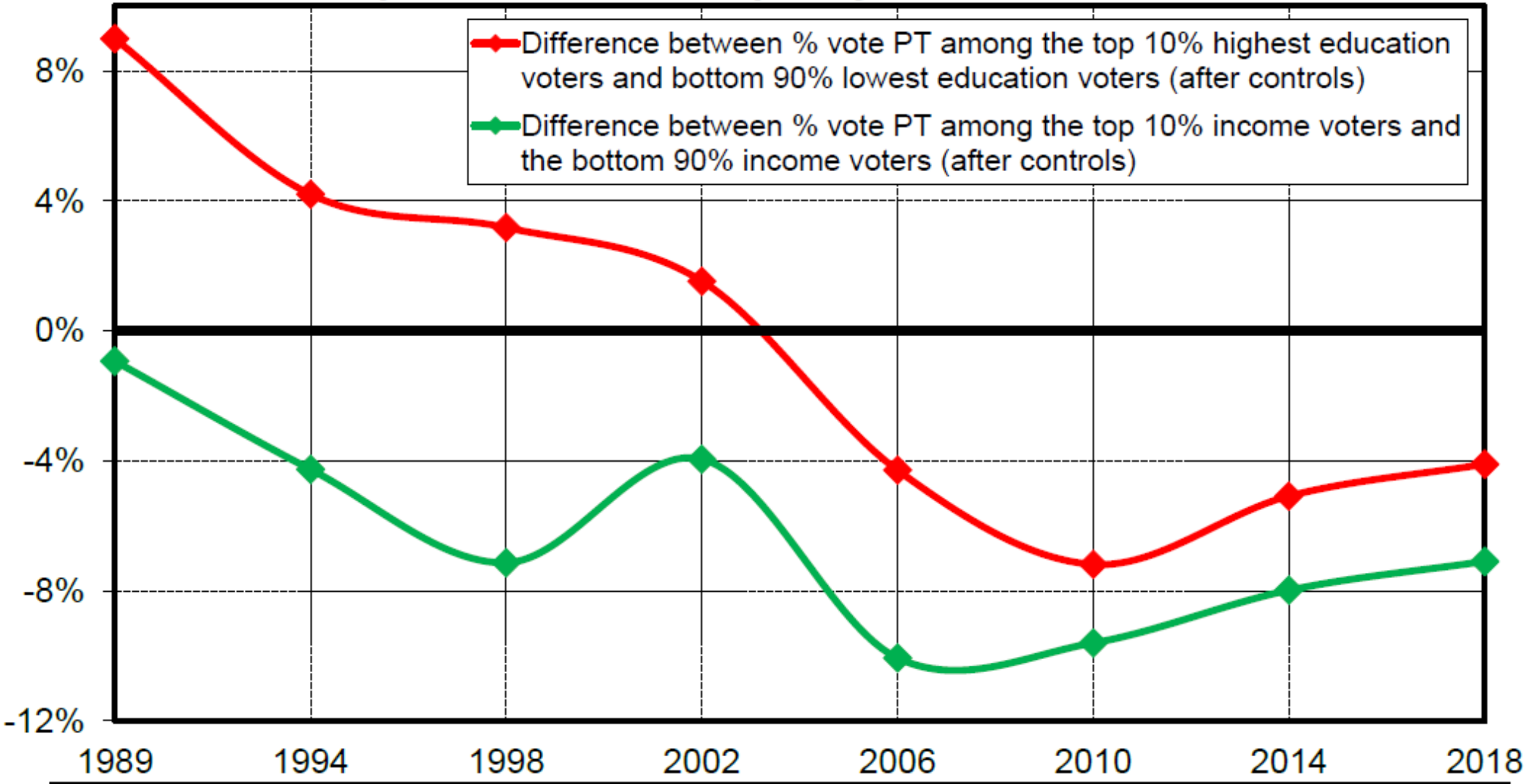
BJP vote by caste, religion and State: India 1996-2016



Interpretation. In all Indian States, the BJP (and allies) always obtains a higher score among upper castes (FC, forward castes) than among OBC (other backward classes, intermediate castes), SC/ST (scheduled castes/schedules tribes, lower castes) and muslim voters. **Note**: the results reported here refer to the average regional elections conducted over the 1996-2016 period. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.14).

- **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 intially attracted urban wage earners from manufacturing sector & intellectuals
- It is during PT's experience in power in 2002-2014 that the PT electorate started to concentrate upon lower-income and lower-education voters (following redistributive policies: Bolsa Familia, minimum 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**

The politisation of inequality in Brasil, 1989-2018



Intepretation. During the 1989-2018 period, the vote in favour of PT (Workers Party) in Brasil has become more and more associated with voters with the lowest levels of income and degrees, which was not the case in the first elections conducted after the end of the military dictatorship. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 16.15).

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**
- See Manifesto for the Democratization of Europe, Finance-Climate Pact, etc.

➔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

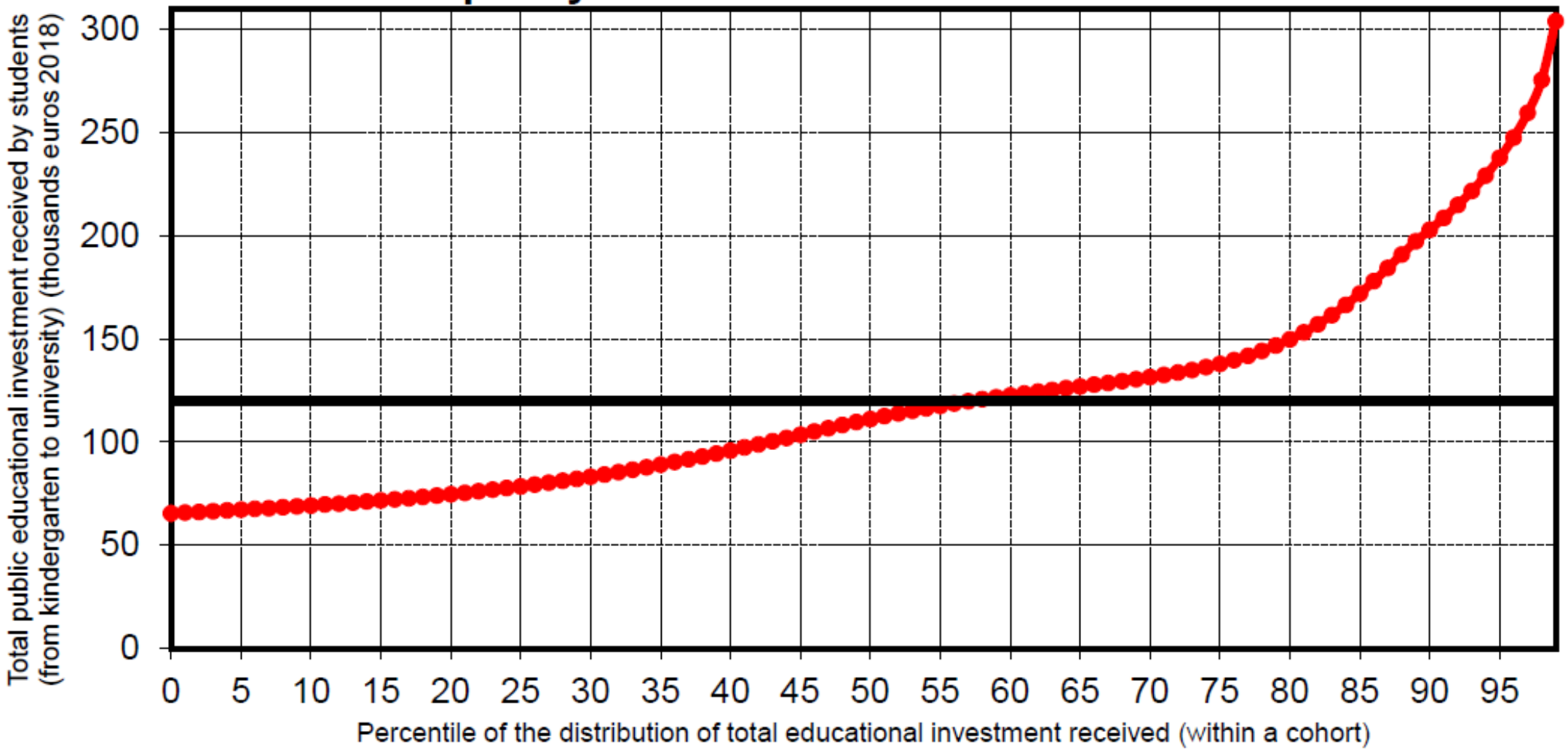
Transnational Assembly

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 Transational 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/ideology (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 ecoles* (etlite tracks).**Sources and series**: see piketty.pse.ens.fr/ideology (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 corportations. **Note**: in the exemple 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/ideology (table 17.1).

Thanks a lot for your attention!