

The Resurgent Right in the West

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We're talking about the resurgent right in the West. Let's get fix our intuitions with a little walk down memory lane. - In Chicago, they found a woman who holds the record. She used 80 names, 30 addresses, 15 telephone numbers to collect food stamps, social security, veteran's benefits for four non-existent deceased veterans husbands as well as welfare. Her tax free cash income alone has been running \$150,000 a year. - So that was Ronald Reagan running for the Republican nomination against Gerald Ford in 1976, which he was unsuccessful, and that's his famous welfare queens speech which would become if things had been able to go viral in those days, it did the paper equivalent of going viral and it represented this frontal assault on the welfare state, on what might be more broadly referred to as the postwar consensus that had prevailed in almost all of the capitalist democracies since the 1950s. In the US, it went by the name of the Great Society ushered in by Lyndon Johnson which was not only the civil rights legislation, but the creation of Medicare, considerable expansion of many components of the welfare state. In Britain, it was of course the postwar government of Clement Attlee voted into office in 1945 that put into place the major elements of the British welfare state. And in many of the European social democracies as they came to be called, we got countries that were marked by strong welfare and other forms of social protections such as health insurance, unemployment insurance, pensions, progressive tax systems, a lot of redistribution through the tax system, much more steeply progressive tax systems than in any of those countries today. And it's important to say that the support for this postwar consensus was substantially bipartisan. So for example, in Britain when the Conservatives under Churchill came back into power in 1951, many people said, "Oh, they're gonna roll back "everything that labor has done." Not a bit of it actually. They even expanded it.

And through much of the 1950s, '60s, and '70s, you saw in most countries the recognition of a kind of what seemed to be a substantially bipartisan support for this welfare state. In the US, in the Nixon Administration, of course, there was some pressure for lower taxes, but still, much of the welfare state was preserved and in some ways it was even expanded. They got things like, which I'll be talking about later in the course, such as universal basic income. Nixon has supported what he called a negative income tax, a kind of refundable tax credit.

We've ended up getting something that's a cousin of that. In Europe in countries like Germany where they have coalition governments, in the '60s and '70s, they were basically dominated by the social democrats. First, Willy Brandt, and then Helmut Schmidt. After in the early '80s, for reasons we'll be talking about next time, the social democrats got weaker and Helmut Kohl's Conservatives took over. But it was still, there was very substantial support for European social democracy across the political spectrum. For example, in the '60s and '70s in France and Italy where Communist parties had been very strong and had traditionally been more Stalinist like Communist parties, we had the advent of Euro-Communism. What was Euro-Communism? Well, one feature of it was that it was denounced by the Soviet Union as revisionist deviationism. And the other was that the standing joke in Italy in the 1970s was how can you tell that which is the Communist politician in parliament? How do you tell the Communist from the other politicians? And the answer was because they have more expensive suits. So the Euro-Communists again stop pushing this idea that social democracy was a way station on the way to Soviet style Communism and instead was a particular form of political and social organization that had come to stay. And it was seen to be as I said, a very broad bipartisan, or in Europe, multipartisan consensus. And this is what starts to come under attack in the late 1970s and early 1980s that Reagan is taking dead aim at the heart of that consensus and the new attack is marked by hostility to trade unions and the welfare state.

It's hostility to progressive taxation and hostility to regulation, the sort of forerunner of the neoliberalism that would be coming later. And as in Reagan's famous slogan, government is not the solution to our problems. Government is the problem. We have to weaken the power of government in the economy and let the market run. This is the basic idea. Now, the first thing to say about this is when people like Reagan and Thatcher came into power in the, Reagan got selected in 1980, in the 1980 election. Margaret Thatcher comes to power in 1979. She had beaten Edward Heath for the Conservative Party leadership in 1975 in the first competitive election for a leader in the Conservative Party in its history and people were quite stunned by this and she'd been thought to be a minor, second tier cabinet official without much future in the party. And indeed, I think it was Geoffrey Howe who said she'll be gone in six months. Turned out she was leader of the Conservative Party for 15 years and Prime Minister for 11 and a half years. But I think it's fair to say that most people did not take Reagan and Thatcher seriously. They saw them as real threats, but most people in the establishment, the political establishment, the economic establish, didn't take them seriously as long term threats. Those people tended to see this as a kind of aberrational outcome and that things would revert to normal. Social democracy was about alternation in power between center right and center left parties, and this was a center right moment, but things would revert. There were a few discordant voices. In the US perhaps, the most prescient one was a man by the name of Kevin Phillips who wrote a book, published a book in 1969 called "The Emerging Conservative Majority" predicting the rise of the new right in pretty much the form that it took.

But he wasn't, he was later on given great credit for having predicted this, but for the most part, for the most part, people did not see this as any kind of sea change or fundamental realignment of politics. And just to give you a sense in Britain. In 1980, the principle

intellectual architect of Thatcher's revolution was Sir Keith Joseph and he was her trade and industry minister and he was the source of all her economic ideas about monetarism and cutting spending. And here is Michael Foot who is by then the leader of the Labor Party in opposition commenting on Keith Joseph in the House of Commons just to give you a sense of how seriously they really took the threat from Thatcher. - I wouldn't like to miss out the right honorable gentleman, the Secretary of State for Industry who's had such a tremendous effect upon the government and our politics altogether. And as I see the right honorable late gentleman walking around the country looking puzzled, and forlorn, and wondering what's happened, I've often tried to remember what he reminds me of and the other day, I hit upon it because I recall that in my youth when I used to go in Plymouth, yes, I know, quite a time ago. You'll come to that one in a moment too. But I used to go when I lived in Plymouth every Saturday night along to the Palace Theater and the favorite I always used to watch there was a magician conjurer and they used to have in the audience dressed up as one of the most prominent alderman in the place a person who was sitting at the back of the audience. And the magician conjurer would come forward and say that he wanted to have from the audience a beautiful watch. And he would go amongst the audience. He'd go up to the alderman and eventually take off him a marvelous gold watch. And he'd bring it right back onto the stage. He'd enfold it in a beautiful red handkerchief. He placed it on the table there in front of us. He took up his mallet and he hit it! Smashed to smithereens! And then on his countenance would come exactly the puzzled look of the right honorable And he would step forward, and he would step forward.

He would step forward right 'til he, he'd step forward right to the front of the stage and he'd say, "I'm very sorry. "I'm very sorry. "I've forgotten the rest of the trick." That's the situation of the government. That's the situation of the government. They've forgotten the rest of the trick. It doesn't work and unless any objector might come along and suggest that it was only a trick, I can assure that at the Palace Theater in Plymouth, the way it was played, he used to come along at the end of the very act and say, "I'm very sorry. "I've still forgotten the trick." That's the situation in this country. - So there was Michael Foot making fun of Keith Joseph as a kind of buffoon who didn't know what he was doing and getting lots of positive reinforcement for that, but of course, the joke really was on Michael Foot. Three years later, he ran unsuccessfully against Margaret Thatcher and his election manifesto was called the longest suicide note in history subsequently by historians. So the joke was really on Foot and he completely underestimated the staying power of what was coming down the pike. So that's our agenda today and we're gonna look at the sources and implications of the resurgence of right wing politics across the Western democracies. So we're gonna look at several sources of this, one being the collapse of Communism, the second being embedded in the logic of distributive politics, and the third being the changing power relations in the economy. And all three of these things have an influence or should have an influence on how we think about the resurgence of the right and its political implications. And when we think about its political implications, I'm gonna talk briefly today but more next time about those implications in two-party systems like Britain and the US versus in multiparty systems where like we have on much of the continent.

So, let's start with the effects of the collapse of Communism. When the wall came down and when the Soviet Union started disintegrating, many, many intellectuals and analytical commentators thought that this would be good for European parties on the left. They thought generally that it would be good for two reasons. One, it made it clear that European social democracy or what we think of as a great society kind of political economy in the US is not a way station on the future to some either more stashed, if you like, outcome. That once we'd think of it rather as a kind of permanent equilibrium that can be defended on its own terms and is not something that's gonna produce something worse. Another way of putting perhaps the same point is it gets rid of the kind of bogeyman to mobilize against from the right. So you know that if you propose slight increases in progressive taxation or you improve healthcare, the notion of that you're trying to do is create Communism becomes less credible if there's no Communism in the world left to create. And many people thought that with the Communist threat gone, the end of the Cold War, we wouldn't need to mobilize against the Soviet Union anymore, that all of the money that had been spent on the arms race could be plowed back into the Western economies and we were in for a continuation, if you like, of the benign social democracy and maybe the power would shift once more back to the left. Maybe the right wing governments in say in Britain and the US, or the fact that power in Germany had now shifted as I already said from the social democrats to the CDU, maybe it would shift back. And what all of that failed to take account of was that, and this is really the story of Tony Judt's book "Postwar," some of which I've put on the syllabus, is that the social democratic economies and welfare states depended on a very fortuitous arrangement of demographic, economic, and geopolitical circumstances after the war.

The demographic one was that you had big working age populations relative to what we call dependent populations. We think of the dependency ratio is the ratio of working age to dependent. And dependent is defined under the age of 15 and above the age of 65. And of course, what really matters from the point of view of the fiscal health of the welfare state is the older crowd because parents mostly internalize the cost of children whereas governments in turn have to bear the cost of elderly people. And for the most part in all of these countries, we had big working populations and relatively small elderly populations. That would change as the baby boomer bulge worked its way through the population. And so there's one big source of fiscal stress inexorably coming at all of these systems as the ratio of working people to retired people would increase. Then secondly, much of the economic health of these countries had been result of the enormous infusion of funds by the Americans, the Marshall Plan in Europe, the rebuilding of the Japanese economy, and the fact that as I mentioned to you earlier, Europe was not spending money on its own defense so it had the resources to build up its domestic economies. And that too would go away or would start to diminish as the Cold War ended. Also, the American interest in sustaining these economies as bulwarks against the Soviet system would start to diminish as the Cold War ended. So the idea that European social democracy was sort of a permanent equilibrium was by no means obvious. It's certainly not in retrospect. A second thing to notice is that while the bogeymen of Communism might not have been there around which the Conservative, the ideological right could organize, there are always other potential

bogeymen and particularly as it's turned out since 9/11, Islamic fundamentalism is an alternative bogeyman around which to organize political movements and it has the added advantage that it's not a threat to Democratic capitalism.

You know, when Islamist regimes, when Islamists do come to power whether it's in Iran or Libya under Gaddafi, they run capitalist systems badly. There's no alternative. There's no Islamist model of the economy. So the idea that one has to worry about them as a threat to capitalism in a way that Communism had once been perceived is no longer there. And that's important because it diminishes the incentive to buy off working class discontent. So if you think about, go back to the new deal, after the Depression, Communist Party in the US was quite powerful. It's very influential in American unions, particularly in the CIO. We had 20% unemployment. There was real fear in the aftermath of the Depression that Communism might claim hearts and minds of large numbers of American workers and that is partly what motivated business elites and others to at least tacitly support the new deal. The notion was that you want to make sure America's workers do not reach a state of affairs where they think they have nothing to lose but their chains. And so my colleague Peter Swenson has done tremendous scholarship on this, but actually what Swenson shows is that there's never been significant expansion of a welfare state, even the European welfare states by the way, without significant at least tacit and sometimes active support from business. And part of it in the '30s and '40s was Keynesian thinking about revising the economy or proto-Keynesian thinking. The general theory didn't come out until well after the Depression, but there were many people making those kinds of arguments at the time. But it was also political. It was this idea that you want to give the dispossessed people who had been most harmed by the Depression a stake in the existing order. And similar arguments were made in Britain and Europe. For instance, Ralph Miliband, the father of Ed and David Miliband was a political economist who published a book in the early '60s I believe it was called "The Capitalist Industrial State" in which he argued the welfare state is capitalism's best friend.

He was a Marxist, well to the left even of Ed Miliband, and he thought that this was a bad thing because it was preventing the workers from becoming revolutionary because they had this stake in the existing order. And so this was the notion that if you don't do this, there's an alternative model out there vying for hearts and minds and we'd better look out for that. Once the alternative model has gone away, once there's no longer a Soviet Union, it's much easier to discount all of that. It's much easier to say well, let's, you know, you might not say it, but think move to the suburbs and build more prisons. It's not obvious that there's any reason of the sort that existed when there was a Communist alternative out there to continue to maintain expensive welfare states that would require substantial levels of taxation and maybe increasing levels of taxation given the changes in the demography. So the short of it is that those who had faith in the idea that the end of the Cold War was gonna be good for left of center parties were wrong and things have played out quite differently since that time. So that's our first thing. But I want now to turn to some more analytical thinking. Let's put on my analytical hat here. Some more analytical thinking about the logic of distributive politics because I think people don't think clearly enough about just what that logic is when they think about what's gonna happen in different political scenarios. So this is a famous picture of a hat from the beginning of "The Little Prince,"

Antoine de Saint-Exupery. And as you might recall, it's the very beginning of the book. He decides he wants to frighten the adults and he's gonna frighten the adults by drawing a picture of a boa constrictor eating an elephant. So he does. And he's absolutely devastated when the adults say, "That's a nice hat you've drawn." And he's furious. So he has to draw another picture showing the elephant, a sort of X-ray.

But he's so despondent that he decides to abandon his career as an artist and instead become a pilot which he duly does. Now, one thing we can know about this story is that the adults he was trying to frighten were not economists because had they been economists, he might have been able to frighten them with this picture because instead of not seeing, instead of seeing it as a hat, they might have seen it as a picture of the income distribution. And in particular, this feature of the income distribution which is that the median income is always below the mean income. Why would that be? Why is the median income always below the mean? Yup. - there are some extremely rich people. - Very rich people, right? The very rich people out here. In fact, you know, Gates, and Soros, and these, they're probably on the other side of Street down there actually, right? And so that pulls up the average, right? So that means that in every, you know, obviously there's a cut off point here because there's some level below which people won't survive, but the very rich people pull up the average so there are always more people below the average income. And so this had for a long time led political economists to think that politicians who are trying to win election will be responsive to the median voter and there'd sorta be a kind of impetus to redistribute downwardly because politicians need votes, they need to get elected, and so they will do that. This median voter is gonna be below the mean income. And indeed, this is a very old argument. So for example in the 19th century, people like John Stuart Mill were afraid of expanding the franchise for exactly this reason. And they came up with things like giving two votes to university graduates as a way to sort of blunt it. And Karl Marx after he'd been disappointed in 1830 when Communism had not arrived and he'd been disappointed in 1848 when the revolutions had not become Communist and he'd been disappointed in the Paris commune in 1871, he and Engel started talking about the parliamentary road to Socialism.

And this was exactly the same idea that maybe the workers would do through the ballot box, what they had not done at the barricades. And the 20th century's ideas the median voter theorem which basically says that politicians in search of the median voter are gonna support downward redistribution. A very famous paper by two people called Meltzer and Richard which I think is somewhere in the recommended readings on the syllabus. If not, it should be. And so the biggest puzzle of 20th century political economy is that this does not in fact happen. That there's lots of redistribution in Democratic capitalist systems, but it's all kinds of distribution. It can be from urban to rural sectors of the economy. It can be from one industry to another. It can be done through food subsidies. It can be done in all kinds of ways, but there's sometimes, there's regressive redistribution in capitalist systems. We'll talk later about the repeal of the estate tax which is an example of using the political system to actually redistribute in ways that produce more inequality. And so that being the case that the sort of standard expectations, the folk expectations that once you've got majority rule with the universal franchise, the poor are gonna soak the rich. Why wouldn't they?

They've got less. They're gonna soak the rich, but it doesn't happen. And so people have tried to understand why that doesn't happen and there are basically two approaches to thinking about that. So, one would be to say well, I've got one dimension here. The left wing party wants redistribution. The right wing party doesn't want redistribution and the median voter's gonna want redistribution and so the right wing party is gonnasorta be dragged to the left in search of the median voter or it's gonna lose, right? But what if there's another dimension as well? What if there's a dimension like race? So what if there's a dimension where people have racially exclusionary attitudes versus inclusionary attitudes? And then it might be the case that well, then it depends how much they compare about race versus how much they care about income or wealth, okay? And so this is the story of Richard Nixon's southern strategy, right? So what happens.

1964, you get the Civil Rights Act. 1965, we get the Voting Rights Act. Lyndon Johnson is famously reputed to have said, "Democrats have lost the South for a generation. "I've lost the South for the Democrats for a generation." Historians now debate whether he actually said it, but it was widely attributed to him. And the notion was that the Democrats historically had been the dominant party in the South and now that they had become associated with the Civil Rights Act, the Voting Rights Act, there was gonna be backlash and Nixon and his advisors thought he could capitalize on that backlash by offering to essentially limit the effects of the Voting Rights and Civil Rights Act in the South, stop that, and that would make, this would be the way in which the Republicans could attract voters who had previously supported the Democrats for economic reasons. And so once you put a second dimension into play, if you like, it's no longer the case that the median voter will necessarily want downward redistribution because they may want preservation of their racial status quo more. And so this is one of the ways in which scholars. My colleague in the Political Science Department, John Roemer has developed a number of these models that show this. Once you put a second dimension whether it, I'm just putting race here. It could be xenophobia. It could be women's rights. There might be another dimension. Again, you think about women's rights. Women may think the pro-choice pro-life dimension more important than the economic dimension and so vote differently. So once you put other dimensions into play, maybe the median voter won't vote for redistribution.

So that's one possible story about why we have not seen the sorts of developments that one might anticipate. Here's another story. So this is what game theorists refer to as the majority rule divide a dollar game. And here, the intuition is that if you divide a dollar by majority rule, no matter how you divide it, there is some potential majority to upset that division. So if you think if they start out with an equal division, you can see here that Stannis and Arya can decide to completely dispossess Joffrey and keep it all to themselves. But of course, if we think of things going around over time, then what if Joffrey's gonna come along to Arya and say, "I'll offer you a different deal. "You can keep 2/3 of it or 60% of it "and I'll take 40% of it, all right?" And if that were the case, if that became the new status quo, Stannis would come up and propose something else. And this could go on, and on, and on. And what the finding is is that it never ends. So that if you have majority rule dividing up any divisible good over time, there is no distribution that in principle is not susceptible to being upset by some new majority. So notice a couple of things about the majority rule

divide a dollar game that are very important for us going forward. The first is you don't need a second dimension here to get instability, right? Maybe there's a second dimension, maybe there isn't, but it's not necessary to have a second dimension to get instability. You can get instability with one dimension, right? Just money. This whole game is just about money. And that carries a further implication which is that interests alone will not produce effective demand for dominant redistribution or for retaining any particular distribution. Now, we're gonna be bringing into play the framework of interests, ideals, and institutions that I mentioned to you last week. And notice here I'm not just talking about interests as selfish. For example, the three people playing the divided dollar game.

Maybe one wants to give the money to save the whales. One wants to give the money to soup kitchens and one wants to spend it protecting wolves as my friend Nicolò up there would probably want to do. So they try to maximize their share of the pie, but we're not saying they're selfish people, right? But all we're saying is that if they want to maximize their share of the pie, the interest in maximizing is not gonna be enough to sustain any particular distribution because if it's just that, there will always be someone who will come along and offer you a better deal, right? So interests alone are not gonna be sufficient to get people to support any particular distribution including, of course, distribution from the average to the median voter. So if interests alone are not enough, let's think about the other two concepts. Let's think about ideals. So what we're really saying is in order for the median voter to achieve downward redistribution, all these people have to vote together. All of these people to the left of this line have to vote together, right? Because if the wealthy can buy off the poor with bread and circuses and make the middle class pay for it, you can get a coalition of the rich and the poor against the middle class or you can 2017 tax cuts. You give a small cut to the people at the bottom, a huge cut to the people at the top. People in the middle internalize the cost of that. Again, it's a majority rule, it's a majority coalition. It's not gonna be downward redistributive. So all of these people would have to vote together. So they'd have to have some ideals we can think about first to get them to vote together. So what ideals might there be? So one ideal obviously is what people think is fair. People think, you know, what is a fair distribution? Maybe you can motivate them with that. So here's the next question is well, what is fairness? Well, here's one answer to that. - So a final experiment that I want to mention to you is our fairness study.

So what we did is we put two Capuchin monkeys side by side. Again, these animals, they live in a group. They know each other. We take them out of the group, put them in a test chamber. And there's a very simple task that they need to do and if you give both of them cucumber for the task, the two monkeys side by side, they're perfectly willing to do this 25 times in a row. So cucumber even though it's really only water in my opinion, but cucumber is perfectly fine for them. Now, if you give the partner grapes. The food preferences of my Capuchin monkeys correspond exactly with the prices in the supermarket. And so if you give them grapes as a far better food, then you create inequity between them. So that's the experiment we did. Recently, we videotaped it with new monkeys who had never done the task thinking that maybe they would have a stronger reaction and that turned out to be right. The one on the left is the monkey who gets cucumber. The one on the right is the one who gets grapes. The one who gets cucumber, note that the first piece of cucumber is

perfectly fine, the first piece she eats. Then she sees the other one getting grape and you will see what happens. So she gives a rock to us. That's the task and we give her a piece of cucumber and she eats it. The other one needs to give a rock to us and that's what she does. And she gets a grape and she eats it. The other one sees that. She gives a rock to us now, gets again cucumber. She tests the rock now against the wall. She needs to give it to us and she gets cucumber again. So this is basically the Wall Street protest that you see here. - So what he finds there with the Capuchins is a very, he's studied it in many, many, many social animals and there's plenty of psychology to support the idea that human beings are the same. However, he fundamentally misinterprets the result of his study. Anyone think why do we say he misinterprets the implication, he doesn't see what this implies? Yeah.

No? It's not the Wall Street protestor because what infuriates this monkey is that another monkey just like it is getting more. The monkey's not bothered that the researcher has a bowl full of cucumbers and grapes, right? This is a very robust finding in the social psychology literature about people. Their sense of the word welfare is often other regarding, but they make relatively local comparisons. They do not compare themselves to people very different from themselves in the socioeconomic distribution. So where steel workers might compare themselves to auto workers or coal miners might compare themselves to people working in oil fields. And this is true, by the way, up and down the occupational scale. So a professor will be much angrier to discover that he or she earns \$5,000 less than the professor in the next office than to discover that he or she earns \$500,000 less than the attorney who lives next door. People tend to make relatively local comparisons and later on when we come to populism and all that, we'll discuss the implications of that in the politics that we're seeing right now. And so the point to make here is that people don't make global comparisons. They tend to compare people to people like themselves. Now, you could say. Yeah? - Is it only by occupation? - No, not necessarily. I mean, there's studies of children for example. You give a little boy a half a glass of orange juice and then you give his sister a full glass and he was happy before. Now, he's furious, right? So it depends what your reference group is. Paul Bloom who gave the Devane Lectures about four or five years ago is the local expert on reference groups, but it doesn't have to be in the same industry. It's got to be the kind of people you consider yourself to be like and by whom you want to be given esteem, right? So now, you might say, well, that's not necessarily fatal for solidarity because if you say well, I want to have at least as much as people like me. You could say well, let's get together and make sure we all get it, right? So it's not obviously fatal to solidarity.

And that's basically what Marx's theory of consciousness raising was about. But the trouble is that it competes with other ideals of fairness. So let's just consider a couple that are relevant to where we're headed. - Next Tuesday is election day. Next Tuesday, all of you will go to the polls and stand there in the polling place and make a decision. I think when you make that decision, it might be well if you would ask yourself are you better off than you were four years ago? Is it easier for you to go and buy things in the stores than it was four years ago? Is there more or less unemployment in the country than there was four years ago? And if you answer all of those questions yes, why then I think your choice is very obvious as to who you will vote for. - So there, he's saying something quite different. He's

saying ask yourself. This is Ronald Reagan in 1984 running for re-election. He's saying four years ago when I came into office, some here can remember what it was like in 1980. Interest rates were at 19%. Inflation was 12 or 13%. The economy was in pretty bad shape and by 1984, things were better. So he's saying you look at your circumstances now compared to four years ago and are you better off or not? This is what we might call a self referential comparison. It has nothing to do with what other people are getting, right? And it's not important from your point of view Reagan is anticipating what other people are getting. And this is what economists call a Pareto improvement, right? Economists are all about absolute gains, not about relative gains. People want to get on as high an indifference curve as they can in standard economic models without reference to the indifference curves that others might be on. Just to take the same logic across the channel, here's another formulation of it. - There is no doubt that the Prime Minister has in many ways achieved substantial success for the economy.

There is one statistic that I understand is not however challengeable and that is that over her 11 years, the gap between the richest 10% and the poorest 10% in this country has widened substantially. - That's right. - How can she say at the end of her chapter of British politics that she can justify many people in the constituency such as mine being relatively much poorer off, much less well housed, and much less well provided than it was in 1979? Surely, she accepts that is not a record that she or any Prime Minister can be proud of. - Mr. Speaker, all levels of income are better off than they were in 1979, but what the honorable member is saying is that he would rather the poor were poorer provided the rich were less rich. Once they start to talk about the gap, they'd rather the gap were that, down here, that. Not that, but that. - That's it. - So long as the gap is smaller, so long as the gap is smaller - Order! - They'd rather have the poor poorer. - So you know, there it is. Two fundamentally antithetical conceptions of fairness. So how should we think about the contest between them? Which is more powerful politically, do you think? Or maybe that's the wrong way to put it. What are the conditions under which one might become more powerful than the other? Any reflections on this? Yeah. We're gonna give you the microphone, yeah. Do you want to give it to him? Yeah. - Can everyone hear me? Yes. - Yeah. - It brings back to the mean and average income we saw previously. If you have more people that have less, then politically you're gonna have more people who are going to vote for the income. - So just run with that a little bit. So if you were designing a party platform trying to appeal to more solidarity based idea of getting more people to resist the Reagan and Thatcher logic here, what would your argument be? - To resist Thatcher and Reagan? My main argument would be we're all born equal. We need to earn the same thing. There's no reason why other people gain more.

- Okay and now, if you had to, if you had to bet in an upcoming election that you were right, how much of your own money would you bet? - This is taking the country to my opinions, but I think there's a good chance it will be successful in the next 15 months unfortunately. - Okay. You think the people's basic conception of a solidarity based conception of fairness can actually command people's support despite the appeals to what we might call an economist conception of absolute improvements? Any other arguments that somebody could imagine making in support of that notion? Yes, sir. You need the microphone, yeah. -

Since the Reagan administration, there has been no real growth in wages of the middle class. - Mm-hmm. - And all the additional productivity has gone to the upper class. So I think that is something that you could use as a political argument that would work. - So how would you make the argument? - That life is not better than it was 50 years ago for most of the people. That if anything, your salary is the same and your, and the likelihood of you keeping your salary is less. You're less secure and you're at the same level that you were 30 years ago. - Okay, so I see you oscillating now between two logics here. One is you're saying the world's become more unequal and the other is that you're saying people are becoming more insecure, right? So those two things are not the same and they gotta be importantly different. And what I'm gonna be arguing later in the course is that when people become insecure, there's a very different politics. Insecurity is not the same thing as inequality. People can be afraid of insecurity even if they're relatively well off if they feel threatened. Fear of insecurity produces a very different politics than outrage at inequality. And what's going on here is that if you look at the Reagan and Thatcher arguments, in addition to being completely self referential. They're just saying, they're both saying why should the poor care what the rich have if the poor are better off than they were before or at least as good as? So they're basically appealing to two things.

One is absolute improvement's more important than relative changes. And the other is that people, again, they then are appealing for prospects for upward mobility. They're saying you, you know, Reagan famously said I want an America where anybody can become a millionaire, right? People should be able to get ahead. Now, and that was certainly a difference between the politics of the new right in the 1980s and the politics of conservatism pro-market arguments today which revolve more around what psychologists and economists call loss aversion. It's no longer a politics about promising upward mobility. It's actually a politics revolving around as you said wages have stagnated and perhaps in real terms, actually gone down. People are more insecure. Make America great again is a slogan which implies that something's been taken away from you and I'm gonna bring it back, right? It's a very different notion than America's best days lie ahead. Now, it's interesting that Reagan was responsible for both those slogans. Make America great again and America's best days lie ahead. And in 2016, Trump used the first and Hillary used the second. But of course, the context in which Hillary was talking about America's best days lie ahead had been an era when we had had 304 decades of wage stagnation and growing economic insecurity. So it was a very different era than when Reagan and Thatcher were running in the 1980s. But those are more contextual things. I want to just make some more basic points about the logic of distribution here which is what Thatcher's success was keying off of was this wonderful line from the Times obituary of Benjamin Disraeli. He died in 1891. I don't know why it took them two years to write the obituary, but they said, "He discerned the conservative nature of the working man "in the same way as a sculptor "discerns an angel in a block of marble.

" So what Disraeli, he basically understood this logic of what we might call divide a guinea rather than divide a dollar, but that there was plenty of reasons to think that you could appeal to working class voters to support conservative policies. And one of the, I think, enduring myths on the intellectual left is that when poor people don't support redistributive

politics, they're somehow acting against their own interest. Sort of what's the matter with Kansas, right? Thomas Frank. Why are these people voting in ways that are not in their interest? Even setting aside whether there's a second dimension like race which might be part of the story but it might not be part of the story, being promised minor incremental improvements might be sufficient to get people to support a political program without reference to what others are doing. And I think the other thing to say. You could say okay, these are two competing conceptions of fairness. It's not obvious why one will win rather than the other, but the difficulty is that it's much harder to hold a solidaristic coalition together precisely because all you have to do is start picking off some people from that coalition until you've got enough. So even if 40, or 50, or 60% remain in solidarity with this basic conception of fairness, if you could promise upward mobility to others, that might be enough. Or if you could promise at least repairing the losses that they've had, maybe subsidies for the industries in which they work, that might be enough. And again, we'll talk much more about populism since 2016 later, but notice that Donald Trump in no rally, in no campaign speech, in no piece of campaign literature ever said he was gonna reduce the inequality in America. He said, "I'm gonna bring industrial jobs back." He said, "These people are corrupt "and they've been screwing things up," but he did not promise to reduce inequality. He promised to give people absolute improvements or at least prevent them from experiencing further absolute losses period.

So it makes it harder, we might say, all else equal, it's harder to sustain solidaristic conceptions of fairness because that's a coalition that can be picked apart in different ways and all it takes is getting enough people to support what you want to do and it starts to disintegrate. And that's what Thatcher did basically. She appealed to lower middle class workers, shop keepers, and working class voters with upwardly mobile aspirations and comparable things happened elsewhere in the 1980s. So the upshot is that even without a second dimension like race, solidarity is always vulnerable to splintering by these ideology, by these other ideologies or people promising to pick off somebody by promising them absolute gains or something better as part of some different coalition. So it sounds like ideals of fairness are not enough. They might help build a coalition and they might motivate people some of the time, but they're probably not gonna be enough. So what about institutions? What institutions could there be that would sustain a solidaristic, what I'm calling here a solidaristic conception that would get people to support single political platforms that might at least prevent regressive change or promote progressive change? Unions, yeah. They seem like the obvious candidate 'cause unions, unions are basically organizations that will pull together the people to the left of the median voter. So let's take a look at what we think about unions. - Sam Donaldson, ABC News - A strike by air traffic controllers. From the President, a strong warning. They are in violation of the law and if they do not report for work within 48 hours, they have forfeited their jobs and will be terminated. - From the union, a defiant response. - The controllers out there firmly believe in what they are doing and we will continue the strike. - From ABC, this is World News Tonight with Peter Jennings at the foreign desk in London.

And from our desk in Washington, Frank Reynolds. - Good evening. The strike began as scheduled at seven o'clock local time this morning. Its impact was immediate. Most flights

delayed, many more canceled, but there was no delay in the reaction of the federal government led by the president himself. We have a series of reports tonight. First, here is White House correspondent Sam Donaldson. - Four hours after the strike began, President Reagan described the aides as very angry and very determined to serve notice on the air traffic controllers that they had better return to work quickly or else. - Government cannot close down the assembly line. It has to provide without interruption the protective services which are government's reason for being. It was in recognition of this that the Congress passed a law forbidding strikes by government employees against the public safety. It is for this reason that I must tell those who fail to report for duty this morning, they are in violation of the law and if they do not report for work within 48 hours, they have forfeited their jobs and will be terminated. - Strong as the threat of firing may be, the administration moved rapidly to employ other weapons as well. Court proceedings to force the strikers back to work were begun in 19 separate courts. Criminal charges were being prepared against individuals. The first cases would be brought against union leaders, but FBI agents are compiling a complete list of strikers. The union's three and a half million dollar strike fund has been impounded by court order and a petition has been filed asking for decertification of the union meaning to put it out of business permanently. The President was asked why such strong action immediately? Why not some lesser action to begin with? - What lesser action can there be? The law is very explicit. They are violating the law. - The President is said by an aide to be tough as nails in his determination to break this strike.

And this morning, Mr. Reagan reminisced in the Oval Office about Calvin Coolidge's similar determination and success in breaking the Boston Police strike of 1919 when Coolidge was governor of Massachusetts. In this case, Mr. Reagan wanted to make the deadline for firing 24 hours at first. He finally settled on 48 in order to make certain that no air traffic controller could say later, he didn't get the word. The President seems convinced that by being tough, he can force many of the union members back to work. He also seems convinced that being tough is what the public wants. Sam Donaldson, ABC News, the White House. - And he did indeed fire those air traffic controllers. Let's go forward three years in the UK. - Mr. Chairman, what we have seen in the past few weeks is not picketing at all. It is an attempt by force to prevent others from doing what they have a right to do. It is intimidation. It is unlawful assembly. Our duty demands and the national interest requires that we see that violence does not pay and is seen not to pay. Let violence cease. Let the law be kept. That is the spoken and unspoken hope and wish of millions of our fellow citizens. - So those two confrontations were emblematic of the gloves coming off with the rise of the new right when Ronald Reagan fired the air traffic controllers in 1981 and Margaret Thatcher took on the miners who had been striking through much of the 1970s in Britain and broke the miner's union. And this signaled a start of a very different attitude toward unions on the part of right of center parties. And many people sort of date the big change here to those governments and those particular sort of symbolic confrontations. But the truth is that that was the tip of an iceberg that has a much longer provenance. So if you look at union membership in the US, you can see this starts from, goes from 1973 to 2009, and it basically falls in half. And if you take out public sector workers, it's overall union membership falls even more dramatically.

You can see here that private sector unions have all but disappeared. But what do these numbers ignore? What do these graphs not tell us? Most people know that. Most people know that since the 1970s, unionist rates, unions have gotten a lot smaller. Yeah? - There are a lot of jobs going away. - Yup, that's true, but what else, what do these numbers not tell us? What they don't tell us is it's not since the 1970s. It's since the 1950s that the high watermark of union membership in the US economy is really in the late 1940s and early 1950s. The Wagner Act protecting unions had been passed in 1935 as part of FDR's new deal legislation and had had very tepid opposition from business initially partly because of the fears of Communism, but that rapidly changed once it became obvious that the US economy was not gonna disappear, was not gonna collapse. And through much of the 1940s, there was a lot of lobbying to either get rid of Wagner or cut it back. And in 1947, Republican Congress passed the Taft-Hartley Act which over President Truman's veto by the way, so it was a very powerful Republican Congress did that, takes 2/3 in both houses, and Taft-Hartley cut back on a lot of union protections. So part of it was the politics, but we've seen as America has transformed from a manufacturing to a services economy, it's become less and less unionized partly for those sorts of political reasons and part because it's much harder to organize service sector than it is manufacturing, and mining, and things like that, and partly because more recently, the advent of free trade. The fact that capital is back to the Hirschman point, capital has many fewer exit costs than labor. Capital is more mobile than labor, so capital can leave at much lower cost than labor. Think about what I said about different exit costs being important when we talked about Hirschman. And those exit costs for capital have come down, and down, and down, and so we saw last time if they can't make enough money in China, they just move to Vietnam.

And then they'll go to Cambodia or some place else. So you've got low exit cost for capital, higher exit cost for labor. And so that makes it very difficult to sustain unionization. And this as somebody said when we were talking about, this has a lot to do, the red line there is a share of the income going to the top 10% and the blue line is the decline in unionization since the '50s. And as you can see, as unions get smaller and smaller, the inequality is growing. And somebody else mentioned as this has happened, we've seen a declining share of income going to the middle class. Again, I'll post these slides and you can look at them at your leisure. And this is not only the case in the US. You won't be able to see these probably, but these are all countries in which a different. You'll be able to see them when I post them. They're all countries in which the proportion of the work force has declined over the last several decades. And they're all the major economies. Unions have become smaller and weaker. There are a few exceptions, places like Belgium, Chile, Mexico. It's more or less remained flat. It seems like Finland is about the only country in the world in which unionization rates have actually increased. And so what are the implications of that? The implications of that are that unions which as the gentleman here said are probably the best institutional component for creating solidarity among voters to vote for certain platforms are decreasingly well equipped to do that. And particularly, it has been conventional wisdom that in two-party systems, the unionized workforce is relatively small so it's not gonna be able to get a lot of redistribution. And so this is a picture of inequalities in the US, the UK, Germany, and France over the past century. For all countries, it's this U shape. So

we go from the gilded age to where we are now more or less in this U shape with the more equality in the middle of the century.

But as you can see, the U is deeper in the US and the UK which have two party systems and it's shallower in France and Germany which have multiparty systems. And this has been a source of the conventional wisdom that two-party systems are less redistributive to the median voter than multi-party systems. This has been conventional wisdom for a very long time. And part of the reason here is as the left of center party is less and less connected to a powerful union movement, there's gonna be less demand on it to deliver those kinds of redistributive changes. And indeed, there's scholarship mostly from 20 or 30 years ago suggesting that multi-party systems are more responsive to the median voter in the policies that they actually enact.



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