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GLOBALIZATION AND THE TWIN SCOURGES OF ILLIBERALISM AND INEQUALITY

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Abstract: I examine the development of two distinct but inter-connected phenomena encompassing both the developed and developing world. The first is to do with the rise in inequality worldwide in both personal incomes and wealth, as well as the functional distribution of income between capital and labour. Associated with this is the rise of informal and precarious employment and a decline in social protection in developed countries, adversely affecting inter-generational mobility and equity. The second development is the rise of illiberal politics globally. Here one must separate electoral democracy as the process of holding elections, and adherence to the liberal values of tolerance, equality before the law and respect for minority rights. There has been the rise of populist politics everywhere in the world based upon identity, ethnicity, religion and other markers, so much so that identity often trumps economic interests in voter behavior. All of these developments have taken place in a highly globalized world economy, whose workings are largely unaccountable to national democratic scrutiny.

BRIEF CURRICULUM VITA

Syed Mansoob MURSHED is Professor of the Economics of Peace and Conflict at the International Institute of Social Studies (ISS), Erasmus University in the Netherlands and is also Professor of Economics at Coventry University in the UK. He was the first holder of the rotating Prince Claus Chair in Development and Equity in 2003. He was a Research Fellow at UNU/WIDER in Helsinki. He is the author of eight books and over 150 refereed journal papers and book chapters. His research interests are in the economics of conflict, resource abundance, aid conditionality, political economy, macroeconomics and international economics.
4.1 INTRODUCTION

At the beginning of the new millennium, development studies almost single-mindedly focused on the objective of poverty reduction. There were those who emphasized good governance, and democratic values\(^1\). This coincided with the so-called ‘third wave’ of democratization following the end of the cold war (Huntington, 1993), and gradually more and more nations across the planet became wedded to the idea of multi-party elections. Others in development studies were, as ever, more concerned with enhancing material well-being, the chief vehicle for doing so being economic growth. It was believed that economic growth constituted the principal avenue via which sustainable poverty reduction can be attained in low-income developing countries. Redistribution without enlarging the cake only served to make the already poor more equal. Thus, growth is a necessary condition for poverty reduction in low-income countries. Growth would always diminish poverty as long as some of the benefits of growth trickle down to the poor, even if its principal beneficiaries are the wealthy.\(^2\)

Truly pro-poor growth, however, such as in the notion advocated by Kakwani and Pernia (2000) suggested that growth to be truly pro-poor it must disproportionately benefit the poorer segments of society; thus requiring an improvement in the distribution of income.\(^2\) In the past two decades there has been considerable success in reducing poverty in the developing world as economic growth rates gathered pace, but this has been at the expense of rising inequality; see Jayadev, Lahoti and Reddy (2015). In the global North, inequality has also risen considerably, along with the rise in precarious employment (Standing, 2011). Furthermore, the last two decades have marked an era of prolonged real wage compression in developed economies, particularly since the financial crisis of 2008. The combined effects of wage compression and precarious employment (particularly in the two large English speaking nations, the USA and the UK) has meant that the spectre of poverty has once again returned to haunt Western economies, and non-contractual precarious employment or self-employment has transformed vast swathes of the labour force into something akin to the daily wage labour in the global South.

A degree of economic inequality is inevitable in any society, reflecting the price paid for the incentivization of risk and work effort, but inequality which perpetuates discriminatory practices against certain groups in society and prevents the under-privileged from rising by the fruits of their own effort is described as inequality of opportunity. This form of inequality is both undesirable and economically inefficient (Stiglitz, 2012; Roemer, 1998). The rise in inequality is a globally ubiquitous phenomenon, as is the growing tide of precarious work; attention needs to be paid to these phenomena, shifting our gaze away from a sole focus on poverty reduction. The next section examines these trends in the context of globalization.

This brings us to developments on the democratic front which ultimately governs the environment within which policy is formulated and implemented. Thus, economics and politics are inseparable. Multi-party electoral competition is now an almost universal periodic ritual, albeit subject to manipulation and violence in many cases. The fall of the Berlin Wall in 1989 created expectations, for a long wave of liberalism, but the past decade has seen the rise of populism and authoritarianism, which increasingly flout the liberal principles of a liberal-democracy, despite permitting regular elections. It is the liberal aspect of liberal-democracy that has been undermined. There appears to be a global trend towards illiberal democracies (Zakariah, 1997), and this tendency also requires our attention. Indeed, as Rodrik (2017) indicates, there is no good reason
to expect democracy and liberalism to necessarily cohabit, and in our globalized world they seem to be increasingly becoming strange bedfellows. I consider these developments in the third section of this chapter. The important point to bear in mind is that the twin phenomena considered in the chapter are inter-related, as there is a causal link running between the rising inequality and the surge in support for illiberal populism. The final section of the chapter offers a synthesis and concludes with a cautionary note directed against viewing de-globalization as a universal panacea for populism and inequality.

4.2 GLOBALIZATION AND INEQUALITY

Economic globalization refers to the intensity of international trade in goods and services, as well global financial flows. Increases in international trade nearly always have distributional consequences. After an expansion of trade, the factors of production employed in the exportable sector will witness a rise in their relative remuneration. This is because the exportable sectors of the economy expand, and the import-competing sectors contract, after increased international trade. Hence, greater globalization produces winners and losers. For example, with the end of the multi-fibre agreement which governed and restricted the import of garments from developing countries into OECD nations, the remaining European Union producers (in countries like Portugal) were hurt by Chinese goods, so they successfully lobbied for, and obtained a re-imposition of import controls. This raises the question as to whether society is wishes to compensate the losers from increased trade. Traditionally it was believed that if there was economic growth following enhanced trade, the gainers gain is greater than the loss of the losers; there is a potential for compensating the losers, provided enough political will exists to affect the re-distribution.

Financial globalization and open capital markets are regarded to be less benign. They are believed to promote financial crises, particularly in developing countries. For example the recent crisis in the Southern European (Greece, Spain, and Portugal) and Ireland part of the euro-zone can be linked to capital mobility, a common lower interest rate leading to unsustainable financial flows and debt accumulation, which, once the financial boom was over, led to massive contractions in the economies of those countries. Of course, the faulty institutional architecture which fails to combine a supra-national currency with a sufficiently common fiscal policy also plays a crucial part.

One of the greatest challenges of our day is the growing global tide of inequality in income and wealth which has coincided with increasing globalization, and what needs to be done to redress this phenomenon. (Stiglitz, 2012; Piketty, 2014). Inequalities in income are more commonly measured, but inequalities in wealth are far greater, and the ownership of wealth is far more concentrated compared to income. The chief concerns with these developments are to do with the income and wealth share of the richest 1% or 10% of the population. If we take a truly cosmopolitan view, treating the entire planet as a single entity, global inequality may have declined by about 2 percentage GINI points between 1988 and 2008 to around 70.5 (Lakner and Milanovic, 2015) as the two populous poor developing countries, China and India narrow their per-capita income gap with rich countries like the United States. The biggest beneficiaries of the change in
the global distribution of income during this period were the middle classes in emerging economies like China and India; the greatest losers are the traditional working classes in the developed segments of the world. The authors point out, however, that inequality measures mask serious underestimation of the income of the top decile in the income distribution, who are often missed out in household surveys. Accompanying this rise in inequality is more precarious work, informalisation and self-employment, which is more marked and noticeable in the global North, because precarious employment (and self-employment) had virtually become extinct in the developed segments of the world after the Second World War. In addition, the wealth share of the richest 1% in the world is greater than the rest of the population’s (99%) total wealth according to some sources (OXFAM, 2016).

The present world’s super-rich are considerably richer in real terms than the super-rich of the past like the Carnegie’s and Rockefellers (Goda, 2014), implying a greater concentration of wealth at the top than ever before in human history. In the developing world, recent surges in economic growth have lowered poverty, propelling a good number of countries to middle income status, along with a doubling of people (about 3.2 billion) who are just above a decent global poverty line ($2.5 to $10 per-day in purchasing power parity dollars). But this vast swathe of the global citizenry occupy a precariously unstable zone and risk descending back to poverty (Sumner, 2016).

Dabla-Norris et. Al (2015) and Ostry, Berg and Tsangarides (2014) show that the recent growth experiences of a cross-section of developed and developing countries suggest that inequality is actually harmful to growth prospects, contrary to the received wisdom that inequality (by permitting the rich to save and invest more in productive capital) oiled the wheels of growth. This could be because greater inequality leaves economies more prone to financial crises, greater inequality discourages human capital accumulation (education) among the poorer segments of society, and because inequality contains within it the seeds of conflict, which is harmful for growth. Moreover, the financial markets of today are less invested in productive manufacturing, and more in the casino capitalism of purely financial products, making the super-rich of today more like rentiers rather than the industrial capitalists of the past. On the causes of recent rises in income inequality, Dabla-Norris et. Al (2015) point out three phenomena. First, unskilled labour saving technical progress which first decimated manufacturing jobs, and latterly in services as well; secondly, financial globalization (but not trade openness); thirdly, less regulation of labour markets, including the informalisation of work are the chief culprits. The nature of global manufacturing production has become increasingly fragmented, with components produced and shipped to different locations across the globe, turning nation states into regions.

Financial globalization, and the greater mobility of capital contributes to greater inequality by lowering the bargaining power of labour under the threat of economic activities locating overseas (Furceri, Loungani and Ostry, 2017). Rodrik (2018) also maintains that greater mobile capital shifts the burden of adjustment to economic shocks more to labour. Highly mobile international capital also has the effect of lowering corporate taxes via tax competition, and narrows the fiscal space and capacity of the state (see Rodrik, 2018 and references therein). Technical progress has been cited as a major cause of job destruction, the displacement of production line workers, the automation of services, and the hollowing of the middle class by putting their traditional white collar jobs at risk. But as Rodrik (2018) points out, it is much more difficult to disentangle the
effects of technical progress on real wages and employment from globalization effects causing the same movements.

There is now ample evidence that redistributive policies, including social protection expenditures appear to no longer harm growth prospects (Ostry, Berg and Tsangarides, 2014) in recent years. Traditionally government expenditure, even for good causes, was felt to distort the economy away from efficient outcomes. Consequently, economic efficiency and equity considerations needed to be separated; moreover there was an efficiency-equity trade-off (see Okun, 1975), empirical evidence for which seems to have weakened in recent years, linked among other phenomenon to new forms of market failure and extreme inequality.

This leads us to the political economy considerations, as the choice and implementation of policies by the state are fundamentally the outcome of strategic interaction between different factions with different interests. Downs’ (1957) famous median voter theory suggests that the median voter’s preferences prevail in a democracy. Meltzer and Richard (1981) suggest that increases in the size of government in democracies are due to median voter pressure for redistribution. This is either due to the extension of the franchise (which lowers the median voter’s income relative to the national mean income), or when economic growth or transformation raises the average or mean income above that of the median voter, implying greater inequality. The idea being that when the average voter becomes relatively (but not absolutely) poorer compared to the national average, he will vote for more redistributive policies.

Our present era, however, can be characterized by the steady loss of median voter power. The rise in inequality world-wide has meant that the average or mean income is rising faster than median income. There has been a considerable shift in political clout away from the median voter to the policies that suit the super-rich, who compel the formulation of national policies to further the interests of the owners of internationally mobile capital and work skills. This manifests itself, chiefly, in the nation state feeling compelled to follow policies of fiscal austerity and wage compression, lest national participation in the globalized economy is jeopardized. This also frays the domestic social contract, and leads to the diminution of social protection. By contrast during the era of more limited globalization prior to the 1980s, the interests of the rich and the median income group did not necessarily conflict; it was an era of growing social protection, the provision of public services like education and health, employment rights, declining inequality and consensual democracy. The recent phenomenon of hyper-globalization (Rodrik, 2017), defined to occur when the costs of further globalization in terms of the increased inequality outweigh economic benefits, produces a democratic deficit and a nasty backlash; this is what we turn to in the next section.

4.3 ILLIBERALISM

Since the expression ‘illiberal democracy’ was coined by Fareed Zakaria (1997), a considerable number of scholars and commentators have drawn our attention to the recent rising tide of populist illiberalism and increased authoritarianism; Rodrik (2017), for example. The trend towards mainly right-wing populism is a feature mainly of developed countries that are established democracies;
the authoritarian feature is mainly ascribable to developing countries. As Rodrik (2017) puts it, a liberal society is one where there is respect for minority rights, constraints on the executive (and legislature), with an independent judiciary, and there is respect for the rule of law. In a democracy there is an electoral process in place. A purely electoral process may, however, elect populist dictators or parties with scant respect for liberalism. The tyranny of the majority may engender illiberal actions, as described by classical liberals (Mill, 1859; de Tocqueville, 1835). Additionally, populist leaders (referred to as demagogues in Aristotle’s Politics) can cause the degeneration of the polity.

Related to liberalism, are notions of the liberal peace that has important implications for both the internal workings of nations, as well as the relationships between countries. These ideas can be traced back to the work of Immanuel Kant, who in his essay on the Perpetual Peace (1795) argues that although war may be the natural state of man, peace can be established through deliberate design. This requires the adoption of a republican constitution simultaneously by all nations, which inter alia checks the war-like tendencies of monarchs and the citizenry; the resultant cosmopolitanism that emerges amongst the comity of nations would preclude war.

Kant’s thoughts provide us with information about the nature of the republican constitution that is of relevance to present day developing countries. First, observe the usage of the expression ‘perpetual’, implying permanence as opposed to a transient or opportunistic peace. Secondly, and most crucially, Kant refers to the separation of powers between the executive and legislature; we may also add the independence of the judiciary. Thirdly, the stability of the peace depends upon the source of sovereignty or legitimate power within the nation. Although like all classical liberals Kant was not in favour of majoritarian democracy based on universal suffrage, he nevertheless points out that good governance provided by a dictator or an absolute monarch is inherently unstable as he or his successors face temptations to deviate from good government, and the assurance of good governance is more forthcoming in a system of power that is representative of the people. Central to the Kantian republican constitution is a system of checks and balances or a separation of powers which is precisely what populist politicians across the globe are so assiduously undermining.

Mirroring Kant’s thoughts, is the contemporary philosopher, John Rawl’s (1999) notion of peace between liberal societies, which he refers to as peoples and not states. Rawls’ Law of Peoples is inspired by Kant’s foedus pacificum and is termed a ‘realistic utopia’. An ideal state is reasonable, even if in an imperfect world it is rational to deviate from such optima. He speaks of well-ordered peoples. These are mainly constitutional liberal democracies, which arrive at such a polity based on an idea of public reason. Public reason encompasses the realm of the political, and is not necessarily part of any comprehensive doctrine that individuals may believe in (for example religions or secular beliefs such as Marxism. In a well ordered society based on public reason human rights are respected, and the distribution of primary goods (a decent living standard, dignity, respect and the ability to participate) for each citizen’s functioning are acceptably arranged. Above all, the principle of reciprocity characterizes the determination and functioning of public reason and its workings as a constitutional liberal democracy. This implies both tolerance of difference, and respect for all other citizens. Liberal societies only fight in self-defence, and invade to prevent gross human rights abuses and genocides. Within societies, the emphasis has to be on tolerance,
akin to notions of liberty elucidated upon by Mill (1859), once again something that is undermined by populism.

The liberal peace has also an important economic dimension, a wheel greased by trade between nations promoting peaceful interaction, traceable to the work of Montesquieu (1748) and Paine (1791, 1792). To summarize the liberal peace, Gleditsch (2008) postulates a liberal ‘tripod’ where shared democratic values, economic inter-dependence and the common membership of international organizations together buttress the ‘liberal’ peace. The term ‘liberal’ internationalist should be underscored in this regard, to distinguish this school of thought from ‘realist’ strands in political science and international relations, or for that matter neo-conservative thinking, which also advocate the joint merits of market capitalism and democracy.

Returning to the subject of the growing tide of populist illiberalism in our contemporary world, Rodrik (2018) suggests that the rise in populism coincides with hyper-globalization. The vote share of populist parties since 2000 in selected European and Latin American nations has exceeded 10% (Rodrik, 2018, figure 1). Even in countries where the absence of proportional representation sidelines populist parties in legislatures, populist politicians can function within mainstream political parties. In Latin America, Venezuela for example, populism tends to be left-wing, harking back to the tradition of Peronism in the Argentina during the 1930s. In Europe, by contrast, with the exception of some movements in Greece, Spain and Italy, most populist parties are right wing. Although the support group for populism includes those impoverished by globalization, or millennials (youth) whose economic prospects are bleaker than for their parent’s generation, the phenomenon of mass migration in Europe has empowered right-wing demagogues who conflate the disadvantaging effects of hyper-globalization with immigration, especially Muslim immigrants (Rodrik, 2018). Murshed (2011) outlines a theoretical model where a fear message is sent out by a populist right-wing politician. The potential vote bank must interpret the signal for what it is. Those with a negative experience of migrants (Muslims, Africans), those who are older, and especially those with less education often cannot separate the noise from the signal, and subscribe to the negative message. For the UK, for example, Becker et.al (2017) indicate that the Brexit vote was greater in electoral districts with greater economic disadvantage after controlling for age and education. The right-wing politician simply uses the anti-immigrant or Islamophobic stance as a ploy to get elected, but could have little intention of fundamentally rolling back the inequality that hyper-globalization has produced. Indeed, it can be argued that in recent elections in the USA in 2016 (electing Donald Trump) and in the December 2019 election in the UK, the median American and English voter resounding voted to become poorer. The same can be said of the Indian elections of 2019 which kept Narendra Modi in power. Despite the nationalistic rhetoric, the ultimate outcome of the policies of these elected administrations will further immiserize the already poor in the US, England and India. Two explanations can be offered to rationalize this irrationality in the sense of Downs (1957). The first is cognitive dissonance and/or fooling. The second is to do with the ‘memetic’ viral spread of ideas, leading to identity based nationalism triumphing over economic interests in the minds of the median voter, who is willing to sacrifice economic interests for the sake of nationalist identity based actions such as America First, Brexit or the proscription of Muslims in India.

Indeed, it can be argued that it is no small coincidence that liberalism and democracy, as outlined above, co-exist (Rodrik, 2017). The majority can always tyrannize the minority in purely elective
democracies, especially in the absence of liberal constraints on executive power. Mukand and Rodrik (2020) analyze a model in which society is fragmented along three lines: there is a small elite who are characterized by their wealth, then a majority group that is poorer, and a minority who are differentiable from the majority by their different ethnicity. They use the model to distinguish between the rise of right-wing populism and left-wing populism. The former can be characterized by those that exploit cultural differences with the minority, and the latter by those that champion the cause of the relatively poorer. It may be that right-wing populism is more appealing to voters in societies experiencing greater immigration by those with different ethnicities and religion, and where the degree of social protection did not keep pace with the increase in inequality and marginalization due to policies of austerity. These members of the public conflate both economic and social problems with the influx of migrants, choosing to scapegoat them for nearly all of society’s difficulties. Left-wing movements arise when the majority decide to stand up to the economic elites.

There are cultural and economic explanations for such behaviour (Rodrik, 2019). The cultural explanation emphasizes alienation, exemplified not just in the fear of the ‘other’, but also in inter-generational and educational divides (Norris and Inglehart, 2019). Younger, more educated, and economically secure generations embrace more liberal and cosmopolitan values in contrast to older more conservative generations (Eichengreen, 2018). The economic explanations point to trends in declining real wages, precarious employment, labour saving technical progress, trade shocks, relocation to low cost countries, declining social protection all of which culminate in economic inequality and insecurity for below median households (Autor et al., 2017; Becker et al., 2017 for example). Economic shocks such as financial crises lower trust in existing leadership (Algan et al., 2017). A realignment of politics away from the traditional left-right divide to an elite versus non-elite struggle creates vacuums that populists can fill (Gennaioli and Tabellini, 2019). A sanguinary blow directed at established elites by supporting populists at the risk of further impoverishment is considered preferable to the centre-left redistributive agenda by many alienated, conservative and insecure voters.

In developing countries there has also been a rise in inequality, particularly in nations experiencing economic structural transformation. Associated with this is a rise in authoritarian tendencies, even in allegedly authoritarian developmental states, who employ elections and plebiscites. The V-Dem project produces several indices of democracy; see V-Dem (2017). Their definition of liberal democracy combines electoral democracy with a rule of law that involves respect for civil liberties, and judicial, as well as legislative, constraints on executive power. In the period between 2011 and 2016, more countries experienced statistically significant declines in this index than did the number which made progress in this respect. Most of these countries were in the developing world. If one looks at only the liberal component of the liberal democracy concept (excluding the electoral process), then 10 countries have made an advance, whereas 13 countries have experienced a decline in the liberal component between 2006 and 2016. When looking at the participatory principle of democracy, it is noteworthy that there has been a rise in the use of plebiscites and referenda in recent years (Altman, 2017). This may, on the surface, appear as good news for democracy, but in reality this form of democracy is a tool utilized by authoritarian executives to override legislative and constitutional constraints on their exercise of power.15

4.4 CONCLUSIONS
I have argued that we need to broaden the focus of development studies towards addressing the wider problems associated with the twin scourges of inequality and illiberalism. Thankfully, this is occurring. In essence, the phenomena of inequality and illiberalism are inextricably intertwined; the former is a causal factor behind the emergence of the latter. A liberal and tolerant society in the sense of Kant, Mill or Rawls cannot exist under circumstances of extreme and growing inequality. The rise in inequality, accompanied by the falling standard of living for many amongst generalized increases in prosperity, coupled with the rise in insecure employment and falling social protection helped give rise to populist politics, as is now widely accepted. In connection with populism, I have attempted to reemphasize the point made by many scholars that liberalism and electoral democracy based on universal adult franchise need not always co-exist. Populism can, of course, take a variety of forms, but the common thread in all right-wing and authoritarian populism is a strident nationalism. I have included the growth of ‘developmental’ authoritarianism amongst the rulers of developing countries within the illiberal trend that we are witnessing.

The global trend in inequality that we have been experiencing for the last four decades, and especially since the advent of the new millennium, creates entrenched inequalities of opportunity that are unjustifiable on both the grounds of equity, as well as economic efficiency. In many nations of the global North, this trend also produces inter-generational inequality, as the younger generation are seriously disadvantaged compared to the older generations who had more opportunities to accumulate human capital and wealth during times when public goods provision was more plentiful, and real wages were on an upward trend. The principal factors underlying this secular trend towards increased inequality are long waves in real wage compression even for median income-earners and the creeping insecurity and informalisation of employment. This has been a long-term trend, and not just a feature of downturns in the business cycle. Another factor that has promoted inequality is the decline in social protection in developed countries during long phases of austerity, including the public provision of education and health services, factors that both enhance human capital accumulation, as well as reducing inequality. As Piketty (2014) emphasizes, inequalities in wealth are far more significant than inequalities in income because of the enduring nature of the former, implying that the long-term solution to inequality lies in wealth taxes.

Is economic globalization the chief culprit in causing the rise in economic inequality, and the consequent rise in populist-nationalist illiberal politics? It is true that increased international trade alters the functional distribution of income, and in recent decades this has meant the immiserization of unskilled labour. Financial globalization genuinely promotes inequality. The threat of relocation of production in an era of globalization also serves to emasculate the organized power of labour. More open economies are also more susceptible to external economic shocks, requiring them to have bigger governments providing greater social protection to cushion the citizenry against these shocks (Rodrik, 1998). But another development, which helps to promote inequality and real wage compression: labour saving technical progress in manufacturing and also services. This tendency cannot be solely ascribed to globalization, and may take place independent of the extent of globalization. Criticism of ‘hyper-globalization’ emanates from both liberal and populist circles. Rodrik (2017) has pointed out the globalization trilemma, whereby the simultaneous achievement of national sovereignty, democracy and hyper-globalization is impossible. He advocates a more diminished form of globalization such as that which existed during the Bretton Woods era, particularly during the 1960s and 1970s, when there were curbs on financial flows, and the rules
governing the global economy were subject to the nation state’s redistributive social contract. Populists too are wary of globalization; there is some evidence of de-globalization in the world economy (van Bergeijk, 2019), highlighted by the aggressive trade policies of the USA since the inauguration of Donald Trump as President, and the COVID-19 pandemic is bound to disrupt global supply chains, forcing enterprises to rely more on domestic intermediate inputs.

At the time of writing the world is beset by the COVID-19 pandemic. Besides potentially causing the greatest recession since the Great Depression of the 1930s it has also exposed the extent of state failure in coping with this phenomenon. This painfully demonstrates the futility of the fiscal austerity pursued in the last two decades, which not only fanned inequality, but is also responsible for excessive COVID-19 fatalities. It is the disadvantaged all over the world whose lives and livelihoods are at the greatest risk. The question that remains is will the COVID-19 pandemic herald the demise of neo-liberal economic policies, just as the Black Death ushered in the demise of feudalism in 14th century England. History teaches us that this will not occur without a protracted struggle.

REFERENCES


The doyen of this approach could be regarded as Amartya Sen; see for example Sen (1999).

Economic growth can both reduce or increase inequality, which usually refers to the distribution of income. Given a fixed standard of measuring poverty, economic growth will reduce poverty unless the distribution of income worsens, considerably.

In developing countries (mainly in Asia) that have experienced an increase in their export of unskilled labour intensive goods (such as garments) one would expect a rise in the remuneration of the unskilled relative to the skilled. But this has not happened because of the shortage of skilled personnel (less public education expenditure) and the huge numbers of unskilled workers coming from the hinterland; see Mamoon and Murshed (2008).

According to Piketty (2014), the alarming trend in inequality mainly stems from wealth inequality, as well as the income share of top groups relative to poorest groups. There is a tendency for the wealth to national income ratios to increase since the 1970s, having declined for a period prior to that; wealth, whose ownership is more concentrated than income, multiplies faster than wage income creating an ever widening gap between capital and labour, the biggest source of inequality.

A GINI coefficient is the most common metric utilised to measure inequality. It is the the sum of differences of all individuals or groups from the average or mean. It ranges from 0 to 100, with the former implying perfect equality and the latter indicating that one person or group has all of society’s endowment. Thus, increases in the GINI coefficient indicate rising inequality.

This is because the extremely wealthy demand a high return to their financial investments, and the financial debt burden of the relatively poor, if securitized, can make economies more prone to financial crises, which in turn can cause major recessions.

The recent COVID-19 pandemic may slow down this phenomenon.

Rodrik (2017) cites the work of Mizruchi (2017) who argued that in the early post-war era (1945 to the 1970s) the corporate elite in the United States exhibited ethical considerations of civic responsibility and enlightened self-interest.

Arguably, the early constitution design of the United States with its checks and balances, separation of powers, as well as a bill of rights was designed to prevent such outcomes.

Akin to Thomas Hobbes’ conception of the non-contractual ‘state of nature’.

This could also create a confederation of nations with common values, such as with the European Union’s acquis communautaire.

This is like the viral spread of ideas, attributable to Richard Dawkins; see, Dawkins (2006), for example, where he utilizes this term to describe the spread of religion. A meme is an idea that can go viral, and whose spread may be facilitated by widespread internet access.

Here it can be argued that this median voter, especially in the USA or the UK, is middle-aged or older, and may be someone who is acquired a comfortable degree of wealth, and whose nationalistic voting preferences harm the economic prospects of the younger generation, his children or grandchildren.

The British Prime Minister between 1945-1951, Clement Attlee spoke of referenda in the following terms: “I could not consent to the introduction into our national life of a device so alien to all our traditions as the referendum which has only too often been the instrument of Nazism and fascism”, https://www.thelondoneconomic.com/politics:this-clement-attlee-quote-on-referendums-is-going-viral/02/09/, accessed 20th April 2020.