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# Rising Inequalities and Reconstruction of Labour Capital Compromises

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## Abstract

The so-called golden years of capitalism took place under the auspices of a broad political consensus that labour should be protected and benefit from economic growth. This compromise eroded in the 1980s and 1990s as shown by the rise in income inequalities and in unemployment. At the turn of the century, it became clear that the sustainability of the global economy was at stake. It is useful in this perspective to assess, as this chapter attempts to do, both the conditions in which the old compromise of the welfare states collapsed and how then the discussions on the sustainable development goals can be implemented and play the role of a new capital labour compromise at world level.

**Keywords:** income inequalities, capital labour compromise, financialization, sustainable development goals

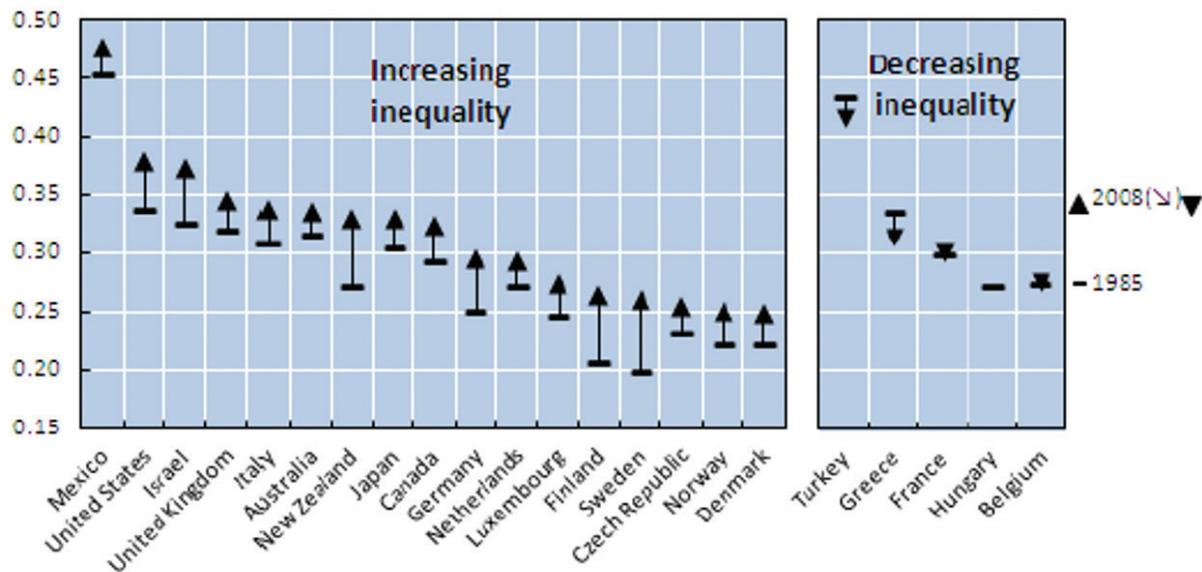
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## 1. Rising inequalities as a major trait of all contemporary societies

Developed economies have observed at the turn of the 1990s a rise in income inequalities. It seemed at first sight to be logically linked with an increasing internationalization of these economies. The competition of low-paid workers has indeed put a strong pressure on the wage of blue workers in these developed economies. Moreover this trend did not seem to decline as it should have, after a time of adjustment. Meanwhile the internationalization of the developing economies, which has effectively helped to reduce extreme poverty, has also been in most cases accompanied with growing income inequalities. By the beginning of the twenty-first century, the rise in inequality within countries had become a common phenomenon all around the globe. The demise of the communist alternative at the turn of the 1990s in both Russia (with the fall of the Berlin wall in 1990) and in China with the economic reform

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### Gini coefficients of income inequality, mid-1980s and late 2000s



*Note:* Data for mid-1980s refer to early 1990s for Czech Republic and Hungary.

*Source:* OECD Income Distribution and Poverty Database.

Figure 1. Gini coefficients of income inequality, mid 1980s and late 2000s.

put in place by Deng Xiaoping in the 1980s (first in villages then in major towns) can be considered as a factor contributing to this rise, but some three decades after observing that this trend went on so ubiquitously remains astonishing. The benefits brought by the development of market mechanisms all around the world have been distributed in ways that increased the income inequalities. The generality of this trend is puzzling, even if levels of inequalities still differ among countries. **Figure 1** shows how income inequalities have developed all across the board of developed economies from the mid-1980s to the late 2000s. This figure shows the generality of this trend,<sup>1</sup> even before the global financial crisis of 2008, which of course stands as a major factor fuelling the trend in the last decade. Indeed, as we shall see, a liberalized finance plays a major role in this trend, but one has to take into account that other factors also contribute to this phenomenon. A long-term view of the evolution of income inequality in the USA is very telling in that respect. Much before the liberalization of the banking system around the 1980s, with the dismantling of the Glass Steagall act which had been designed in the 1930s to limit speculative activities (see **Figure 2**), one can observe that inequality in the pre-tax distribution of income has practically ceased to decrease by the early 1950s. Only the post tax distribution of income shows some continuous decline in inequality. This phasing underlines that a decade or so after the big drop in inequality that immediately occurred with the entry of the USA in World War II the mechanisms governing employment and wages in the US economy did not anymore lead to a reduction in income inequality. Only some follow-up in the tax policy contributed to further reduce (lightly) income inequality. As soon as this

<sup>1</sup>With some rare exceptions over the period like France or Belgium on which we shall come back.

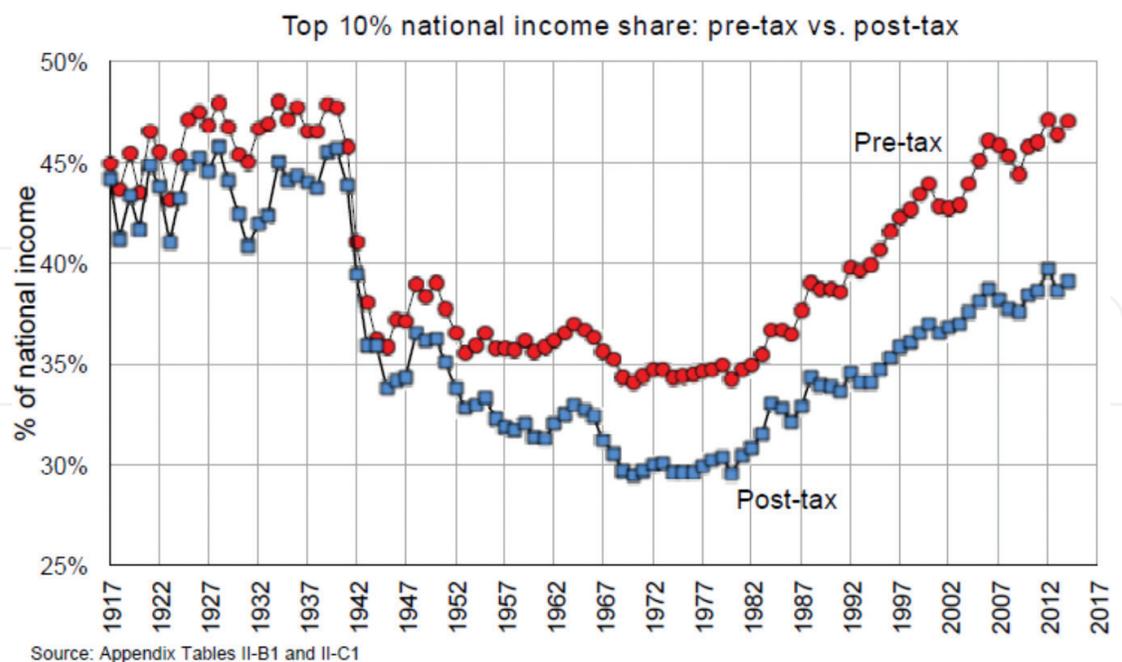


Figure 2. Income inequality over a century in the USA. Source: Piketty et al. [1].

tax policy started to reverse with the diffusion of the neoliberal economic ideology among the policy makers, income inequality (both pre-tax and post tax) resumes a growth that has been lasting till now (see Figure 2). The acknowledgment of such lasting trend in income inequality has had an extraordinary echo in public opinions in the western world. The topic is permanently addressed in media as well as in academic conferences. The success of Piketty's 2013 book [2] is very telling in that respect.<sup>2</sup> Still very little has been done in that respect to reverse the trend in raising income taxes. If anything, these taxes have been reduced in some countries to align with other competing economies. Everything seems to show that the very process of globalization fuels a downwards pressure on the levels of income taxation while pressing on low wages and boosting some high wages more closely associated to the dynamics of profits.

Kuznets, Nobel Prize winner in economics in 1971, predicted that trade liberalization would lead first to an increase in income inequalities which would reverse after a while. Though the long trend in the contemporary rise in income inequality does not seem to curb down.<sup>3</sup> Is it due to the scale of the present wave of liberalization of trade or to some other specific factor? How can one explain such rigidity? How can such unequal situation be endured by the populations? How is this politically sustainable in countries which have and are still praising

<sup>2</sup>With more than 2.5 million copies sold of this 700-page book worldwide by fall 2016 (see <https://theconversation.com/is-piketys-capital-in-the-twenty-first-century-really-the-most-unread-bestseller-67713>); this success stresses a societal fact, a mix of curiosity and anxiety, worth to be studied in itself.

<sup>3</sup>All the more puzzling that the Nobel nomination of 1971 mentioned that this attribution was "for his empirically founded interpretation of economic growth which has led to new and deepened insight into the economic and social structure and process of development", all of which comforts the idea we want to explore that times have changed after the 1970s.

equality and democracy? The reason has to be looked for in the political history of the specific relations between wage earners and capitalists in all the populations under view.

We shall restrict our investigation to the history of politics in the western economies which have for long been proud of their democratic systems which seemed to go all along with some normative views regarding the spread of incomes and more especially the spread of wages. Such views are social conventions which play a great role in the fabric of societies but which clearly can evolve along time depending on the social and economic contexts. Though such changes in conventions by nature are long processes and one may find difficult to see if a convention is slowly definitively petering out or just transitorily affected. Lessons can be drawn from history in that respect. And regarding the past of the democracies of the western world, a major reference remains the conventions on which, in the aftermath of World War II, the reconstruction of the capitalist regimes took place.

Section 2 will thus review rapidly the conventions that took place in the aftermath of World War II. On this basis, Section 3 will revisit the present situations in order to assess whether a new convention could emerge and of which kind.

## 2. Lessons of the post-World War II labour-capital compromises

The 1929 economic crisis, altogether with the ensuing disasters of World War II, led large part of the western populations to think that capitalism could not go on as it stood in the pre-war period. All the more so, communism could represent a desirable alternative for growing shares of the population if only to get rid of the spectrum of unemployment. Such stand was made clear in a famous paper of a polish follower of Keynes, Michael Kalecki, in 1943, [3] stating that capitalism will have to ensure full employment, or it would have to be scrapped. Such strong positions can be found in the various programs of reforms that were discussed, more or less in every western country, at the end of World War II. All these proposal, though termed differently and more or less explicitly and comprehensively regarding their view of full employment,<sup>4</sup> shared a common call for a drastic revision of capitalism towards what Shonfield [4] will call a “modern capitalism”. A view of the universal nature of this call at the time can be given by the spirit of a conference which took place in Philadelphia in 1944 (cf Supiot [5]), organized by the UN to give a fresh post-war restarting to the International Labor Office (ILO). The articles included in the Philadelphia declaration (presented in **Insert 1**) show how committing was the calls to reform capitalism. By and large these changes occurred in most western countries, and these “modern capitalisms” did effectively succeed within less than a decade to reach their own objectives of full employment and to develop their own welfare state. This diversity will be a lasting figure of this modern capitalism as it will be stressed at the turn of the twenty-first century by Hall and Soskice [6] and Amable and Petit [7]. The imperative of the reconstruction of the huge war destructions in Europe did give a boost to the rapid economic growth experience in most western countries in guiding the aftermath of World War II. A set of international institutions, negotiated at Bretton

<sup>4</sup>A major reference in these calls was Beveridge in the UK and the program of the Conseil National de la Résistance (CNR) for France. A similar call in the USA materialized with the vote of an employment act.

The final declaration, approved unanimously by the participants, reaffirmed four principles (now in the constitution of the ILO):

*Principle 1: Labour is not a commodity* which encapsulates workers as persons are at the heart of labour legislation and should be protected.

*Principle 2: Freedom of expression and association* are essential human rights.

*Principle 3: War against poverty* (required as poverty anywhere constitutes a danger to prosperity everywhere) *and want* (with unrelenting vigor within each nation and by continuous and concerted international effort).

*Principle 4: Tripartism* (in which the representatives of workers and employers, enjoying equal status with those of governments, join with them in free discussion and democratic decision, with a view to the promotion of the common welfare).

**Insert 1.** On the principles put forward at the Philadelphia conference organized by the ILO in 1944.

Wood (USA) in 1944,<sup>5</sup> also served as a framework, guiding the development of the western countries, slowly opening up to trade, facilitated by a fixed exchange rates system based on a dollar, freely convertible into gold. Significantly helping has also been at the time the Marshall plan launched by the USA to ensure a quick resuming of the European economies. All these special circumstances did accompany the turn towards these “modern capitalisms”, also qualified as welfare states, to refer to the role of the state in the organization of the welfare systems that were then developed. Still one should not be misled and think that these times were those of harmonic peaceful relations between labour and capital. The development of these welfare states has been marked by continuous struggles (mainly strikes) to increase rights, transfers and wages. All these improvements were parts of the current political debates. The issues were more on the timing of these measures, considering their actual feasibility, than on their principles which had been somehow acted with the big employment conventions of the World War II aftermath. It took also some times to the workers themselves to realize that major changes had occurred in the working of capitalism. Only around the 1960s did they realize to what extent their ways of life, social protection and aspirations had changed, with access to the American way of life, with their equipment goods, of which owning a car stood as the more symbolic, becoming the new normal. Somehow the widespread protest of the youth, at the end of the 1960s, was linked with the consciousness that the emergence of relatively affluent, more consumerist societies<sup>6</sup> was bound to change the old patterns of social relations. Strangely enough, another face of the coin showed up rather rapidly at the turn of the 1970s: the impact on the environment of this development, using intensively natural resources. A report stressing the limits of growth was widely diffused (cf. [8]) but seemed at the time to have a limited influence on policies, much concerned by the slowdown in economic growth which occurred then. In effect, in this more consumer-oriented world, fuelled by increasing trade flows, the trust in a gold exchange standard, based on the dollar, suddenly collapsed, largely due to the costs of the Vietnam war for the USA. A system of flexible exchange rates soon replaced the gold standard fixed exchange rate system. The transition rapidly fuelled waves of interrelated inflations of domestic prices, mainly launched by a high rise in

<sup>5</sup>Where Keynes himself played a great role

<sup>6</sup>Indeed the protests of the youth around 1968 had many origins, but looking at some of the references like Marcuse, the trend towards a more materialistic, more individualistic world was one of them.

oil prices, set up by the OPEC, a coalition of oil producers, eager to protect their incomes in times highly uncertain. This oil price shock in turn led to a sharp slowdown in the economic growth rates of the western countries and to unprecedented rises in unemployment, thought in the first place to be transitory. Policy makers at the time focused on the reduction of inflation as the main way to adjust to the change to a flexible exchange rate regime. In this fight against price inflation, the liberalization of the economies became the main motto and wage rigidities the main factor in accusation. The flexibilization of labour markets surged as a major policy issue. At this point the contradiction with the big labour-capital compromise became obvious. Full employment had lost its priority, and the sharing of productivity gains was not any more the major determinant of wage increases. Though of the full employment convention had not entirely disappeared. Policies against inflation were still presented as a transitory mean to adjust to the competitiveness among countries introduced by a flexible exchange rate system. At the turn of the 1980s, as the situation was not improving a decade after the collapse of the Bretton Woods fixed exchange rate system, another kind of argument was advanced. Free market economics would bring to the workers a consumer surplus, the reduction in prices of consumer goods helping to rise their purchasing power. The argument was weak as what the workers could win in such bargain was largely overtaken by the losses induced by increasing unemployment and a stagnation of wages following the flexibilization of labour markets adjusting to the rising competition of low-wage countries. Still this argument has been advanced by such "populist" leaders as Reagan and Thatcher, a way for them to sell the Friedmanian turn in the public management of the western economies. Within a decade or so, this turn to free market economics made it clear: a vast majority of wage earners were the losers, and the theme of the consumer surplus was not heard of anymore, if only in the handbooks of the apologists of this free market economics, attached to the formal beauty of the highly unrealistic neoclassical model of general equilibrium. This "silent revolution" (to echo Gill [9]) which put an end to the references to the full employment convention of the post-war period was somehow completed in the early 1990s with the demise of the communist alternative, as symbolized by the fall of the Berlin wall. Meanwhile the consumerist movements that emerged in the 1970s and early 1980s petered out in the 1990s (as shown by the rise and fall of Ralf Nader in the political scene of the USA<sup>7</sup>); no alternative convention emerged from the political debates. The main benefiter of this liberalization of the economies has finally been the financial sector. It took advantage of the liberalization of trade and capital movements to develop its operations at a global level. The rising role of finance, which much contributed to the hollowing out of the full employment convention, is still far to have been unanimously accepted. For some it is a key factor for the adaptation of the economy; for others it fuels all kinds of speculations, leading to detrimental financial crises, tax evasion and wealth concentration. Strangely enough finance even succeeded to find ways to develop financial services for an impoverished working class, diffusing new specific loans for housing or acquiring equipment goods (see [10, 11]). The sub-prime loans were one of these tools and will remain in history as the uncontrolled financial instrument at the origin of the 2008 global financial crisis. The securitization of uncertain loans (e.g. potentially non-performing loans) created lots of financial havocs. No wonder that so many politicians have issued bashing statements on finance and all the more surprising that so few actions have

<sup>7</sup>A fall that went so far that Ralf Nader at the presidential election of 2000 said to prefer Bush for a shock therapy to Al Gore, that he considered as an anaesthetist.

been taken to domesticate it.<sup>8</sup> A good reason may be that the 2008 GFC (global financial crisis) has shown the limited power of countries to coordinate their actions vis à vis a world of finance, largely interconnected and including some major financial powers, giving a new dimension to the “too big to fail” argument. It does not follow that all citizens had a dual view of finance. The need to domesticate finance has become in the process a clear dividing lines between pros and antis, between those who would like to go back to a boaring finance<sup>9</sup> (to quote Bidhe [12]) and those who see In a liberalized innovative finance an efficient tool of development. Still those in favor of a domestication of finance remained in all developed countries a minority. On the other side, an apathy, if not a sympathy, towards the role of finance has been developing a long time with what can be considered as a passive corruption of large parts of the elites. The financial sector, widely speaking, for example, insurance and business services, has strongly contributed to an incredible widening of the wage scales in most activities. Pretending to reward individual productivities (where in most cases they cannot be distinguished from collective ones<sup>10</sup>), they paved the way for a general expansion of the wage scales. While major entrepreneurs of the 1950s and 1960s supported a norm of 1–10 between wages in a given enterprise; this ratio went up to some 400 in some industries at the turn of the twenty-first century. It became so much out of the current social norms that Obama could in the years 2000s regret the existence of such “obscene wages” (see [13]). No wonder then that, with such devastation of the full employment conventions of the post-war era, researchers like Piketty could observe a steady rise in income inequalities (see Section 1). Even more alarming this trend, legitimizing wide scales of wages, was not a transitory phenomenon, linked with a generation that had the opportunity to experience the turn towards a new free market economics; it also tended to become a new normal for the new elites entering the flexibilized labour markets. The financial sector did attract in the 2000s a fair share of the elite of the major schools of the western world (see Colander [14] for the USA). Such largely extended wage hierarchies, at a time when conversely the wage labour status was itself divided into many kinds of petty jobs, had thus become more or less a common trait in the developed economies. Does that mean that the erosion of the full employment conventions, a silent revolution indeed, considering the lack or weakness of protests on the political scenes, had been accomplished by the time of the 2008 GFC? Indeed a good share of the new social elites seemed both largely internationalized and considering as a new sustainable growth regime this world, where most of the norms regarding distribution (with wide ranging wage scales) and production (with international games of mergers and acquisitions) have been set by the financial sector. Indeed authors coined the term financialization to characterize such new regime.<sup>11</sup> The whole question is then whether such regime is transitory or sustainable. To answer such question, one needs to pay more attention to the factors of change and to the various challenges met by our societies.

<sup>8</sup>A typical instance of such duality is given by the President Hollande who first claimed, while campaigning, that “finance” was his enemy and who finally did not dare to do anything, for fear he could only harm French Banks in a world of globalized finance, well out of reach of national policies.

<sup>9</sup>Until its abolition by Bill Clinton in 1999, the Glass Steagall Act voted in 1933 restricted branching and forced banks to deal either with securities or with commercial banking but not with both.

<sup>10</sup>If only in very specific cases where the financial values of individuals are given by a specific market, as it is the case for actors in sports or in the showbiz or can be tied to the results of their operations as with the traders in finance.

<sup>11</sup>For an overview of the socialization of this process of financialization, see the special issue of the *Revue de la Régulation* <https://journals.openedition.org/regulation/12337> and especially the interview of a specialist of the issue Greta Kripner [15].

### 3. Towards an era of new compromises or the entry in times of post democracy?

Indeed the political debates around the financialization of most of the developed economies lead one to consider it as a rather transitional regime as it looks politically unsustainable.<sup>12</sup> The success of Piketty's book, denouncing the long and widespread rise of inequalities within countries around the world is showing a wide questioning, which in a democracy could become the basis of a political rejection of such financialized regime. But this display of an anxious questioning in a broad social class of educated people does not seem sufficient for such political turn around.<sup>13</sup> The fiscal policy measures recommended in the book, such as a tax on wealth that would apply across the globe (to take into account fiscal evasion), did not rally masses of citizens and had little echo in political debates. They may have looked too far out of reach to mobilize a large political movement. It does not follow that these denunciations had no impact. They contribute to some consciousness of the drawbacks of the present development regimes, weakening the positions of those who try to legitimize them and strengthening all those who are in favor of radical changes. In that sense it is an active determinant in the class struggle that is developing between labour and capital in the moving context created by the hollowing out of the full employment conventions. Interestingly enough there has been other examples of similar denunciations which helped to forge new "compromises" if we can apply through times this notion (which seems rather fitted for the "modern capitalism" mentioned above). We could refer to the hygienists who denounced the poor health state of the working class in the early age of industrialization, endangering the very reproduction of the capitalist regime and thus helped to raise the social issue. But this was a rough and primitive phase of capitalism. Some decades after, while a more mature capitalism, under the pressure of rising social conflicts (see Marx Communism Manifesto 1868), had taken on board that it had to address a social question (as shown in Germany with the creation by Bismarck in the 1880s of a first kind of welfare state), a book on income inequality had a wide audience. *Progress and poverty* (1879) of the American essayist Henry George was sold for over 3 million copies [16]. The book focused on the rent that land owners enjoy from the development of the economy that the industry of labour and capital produces. George called for a significant taxation of this rent which could help to enhance development in financing public utilities and measures of welfare (including a basic income scheme). The book had a lot of influence not only in the USA but also in the UK. It was inspiring in launching the progressive era that would lead more than half a century later to the "modern capitalism" referred to above. It thus, for instance, was one of the references in the creation of the Fabian Society in the UK. This current of thought was clearly reformist, proung a soft transition (Fabius, the Roman model, was famous for his art of delaying to wait for the good timing) and not at all hinting at gathering a

<sup>12</sup>While its economic sustainability seems constantly under the threat of rising risks of major financial crisis, not too speak of its highly limited capacity to act on the environmental issues, as it appears more and more clearly with the failures of free market mechanisms to cope with environmental issues. See also Boyer [17].

<sup>13</sup>Very few people fear like Alain Minc, French essayist and business man close to Macron, that inequalities are too high and that we risk some insurrection.

momentum that would have helped a full change of labour-capital compromise.<sup>14</sup> At the same time, the writings of Karl Marx were much more challenging of the existing political order, as they focused on rising the political consciousness of those under the discriminatory pressures of the capitalists for their living. To have any significant leverage effect, the denunciation of inequalities has to come with a clear exposition of who win, who loose and in which manner. The readership of the two books on inequality did feature who are the winners, but how does it happen and how could it be stopped remain unclear. In such context, to call for taxation, be they specific, remains vague. The political mobilization, required for such taxations to effectively occur, has to be done on a broader base, explaining what will be done with these taxes and how it would change the labour-capital relations.<sup>15</sup> This political incompleteness of the mere denunciation of a rising income inequality is shown by the facts that the major political movements contesting the present state of the compromise between labour and capital are the so-called populist movements which in the first place claim their opposition to the internationalization of the economies, which they saw as the main cause of unemployment and hardship. Most of these “populist” movements have become protectionist and accuse most of the elites to form a new international social class. Still they are not calling upfront for taxation policies that would reduce income inequality within countries.<sup>16</sup> Indeed the electorate of these populist movements cannot be characterized by specifically low levels of income.<sup>17</sup> As surprising as it may be, the denunciation of rising income inequality is not rallying the electorate of populist movements, nothing like the rallying effect of the migration issue. The fact that little attention is paid to income inequality invites to consider these populist movements as a phase in a deeper political transformation. Mouffe and Errejon [18] thus speak of a “populist moment”, stressing the transitional nature of the emergence of these movements. It seems all the more relevant that their silence on the rise in income inequalities could well lead to major splits within these movements.<sup>18</sup> Could such split fuel some political recomposition? Indeed the opponents to these populist movements represent a large variety of stands, regarding the present trends of internationalization. As a matter of fact, those who accept or support more or less actively this internationalization remain most often divided in at least two political parties, reproducing an old right and left division. Some authors identify the most active supporters, as technocrats (see [19]); others denounce a supranational elite, although these groups do not constitute effective political parties. These outspoken supporters express their beliefs in the benefits that the international order, governed by the set of existing international bodies, has delivered and will continue to do so in the near future. Still the opinions in this broad loose

<sup>14</sup>Incidentally Henry Georges was much in favor of free trade, praising its advantages in terms of consumer surplus, an influence which may be why Reagan and Thatcher used the same argument to support the turn in the early 1980s towards economic liberalism.

<sup>15</sup>Olivier Blanchard, ex chief economist of the IMF, does suggest in an interview in *Le Monde* (July 10, 2018) that it is necessary to extend the redistribution, in terms of negative income tax and increases in public spending on education in order to reverse the rising trend in income inequality, adding that governments are acting too slowly on this objective as they are on climate change.

<sup>16</sup>At the turn of the 1970s, some populist movements like the Front National in France were clearly in favor of economic neoliberalism and only progressively turned to call for protectionist policies, still being relatively silent on income inequality among nationals.

<sup>17</sup>As shown with the 2016 US presidential election where the lower income class voted more for Clinton than for Trump.

<sup>18</sup>This transitional aspect is also stressed in Coates [20] who refers to Gramsci notion of “morbid symptoms” between two social settlements.

group vary largely depending on the type of market mechanisms that should in their view prevail in the dynamics of further internationalization. Some strongly believe that market forces, led by price competitiveness, should be the driving force, and their favorite policies are geared towards the reduction of tariffs. Others pay more attention to the fact that norms of products and production modes should evolve in order to meet the various challenges encountered in the course of the expansion of internationalization. Trying to avoid worsening of labour conditions (such as uses of child labour or slaves) has been among the first calls for normative actions. Monitoring the freedom of investment and the mobility of capital in order to limit unfair competition linked with too big disparities in financial power has been another topic of concern, not to speak of fiscal competition among trade partners. Intellectual property rights are also a matter of continuous harsh discussions, be it on their amount or on their duration. Clearly for this second group of supporters, the regulation of markets by means of norms of production and products is an ongoing concern conditioning, a proper functioning of markets that would effectively increase the well-being of the populations. In this context common to most developed economies where a broad group has more or less actively supported the recent trends of internationalization, two new factors are bound to exacerbate their division and may lead to a split. The first factor is that tariffs on trade have been extensively reduced and it is much more disputable to pretend that further reduction in tariffs could lead to an increased internationalization that could benefit all trade partners in terms of growth and employment (see Reza [21] who points at various official reports showing the opposite). It follows that the reduction of “invisible” barriers to trade (e.g. non-tariff) tends to become a central issue for any further internationalization, a perspective which is highly dividing the group which had been so far open to internationalization. The second factor, which is also fuelling this gap, is the widespread and rising acknowledgment of major threats on the sustainability of our patterns of development which is calling urgently for new norms on products and modes of production. The sharp inflection of the monitoring of the internationalization that this acknowledgment implies is a rising source of conflicts. The supports of internationalization will for a sizeable share of the group become more and more radically conditioned by strict norms on products and modes of production, while the “dedicated free marketers”, only concerned with price competitiveness, will consider as abusive the burst of non-tariff barriers to trade. Could such a turn of affairs lead to a political restructuring ending with a new social settlement? Indeed, if the rising income inequality leads to a split of the populist movements, while their opponents split on strict monitoring of markets, there could be some room for a reconstruction of a renewed left. Much depends on the new solidarities that could emerge in this process. If the search for more sustainable development paths leads to support short production-consumption circuits, circular and collaborative economy, it may help low-income people in reducing their current expenditures. Still such restructuring has little chance to occur right away at national levels, where charismatic populist leaders see to it that no political alternative emerges. Chances are more open for such political restructuring to occur at local levels. In that respect it has been widely stressed that even if the rationale for ecological policies is strong, pro-environmental actions are really mobilizing people when experienced at local levels, while their purpose remains too abstract at national or international level (an argument rightly put forward by Latour [22]). In that perspective environmental policies could, through a bottom-up process, taking advantages of a multitude of local experiences, effectively initiate

some political recombination. It would have to be relayed at national levels by policies accommodating the policy requirements expressed in the diverse local experiences. But for this political recombination to be itself sustainable, the whole process needs also to be relayed at the international level. Only then would we end with a sustainable compromise around environmental issues. This last transformation at the international level is not in itself a minor step. Part of the rise of the populist movements seems to have come from the exteriority of the supranational level in diverse regional union. As stressed in Aglietta, Ieron [23], the resentment of populations vis a vis the supranational institutions came from the lack of political involvement of the people in the running of these supranational institutions, all of which adds to the complexity and hazard conditioning the emergence of a lasting new compromise. The worry comes also from the fact that such multilevel arrangement is bound to take time when precisely most of the environmental issues imperatively require rapid actions to be taken. The huge challenge of the international process of negotiations monitored by the United Nations is precisely to speed up the processes of local transformations worldwide in order to prevent a fatal degradation of the environment. If a new democratic and efficient global governance of the environment does not take place rapidly enough, there is a big risk of conflicts between countries that will have turned into aggressive authoritarian states under the influence of unreconstructed populist governments.<sup>19</sup>

#### **4. To conclude on the narrow road that could lead to a new compromise**

Under the auspices of the United Nations Framework Conventions on climate change (UNFCCC), a series of Conventions of the Parties COP have been meeting every year since the Rio Earth Summit of 1992 to discuss how countries could cooperate to meet an environmental challenge increasingly acknowledged as threatening human survival on earth. The Paris Convention of the Parties (COP21 in December 2015) succeeded to rally all countries, developed and developing, in committing themselves (by means of Nationally Determined Contributions) in this battle. This was soon followed by the expression of 17 objectives, the Sustainable Development Goals (SDGs), listing the various types of actions to be undertaken to win this battle. These objectives took seriously the three dimensions of the global objective of sustainability, combining environmental sustainability with social and economic sustainability. This declension implies that the battle can be fought at various levels, be it the nation, the region, the city or the neighborhood. It thus opens to the development of new social links of cooperation, solidarity and responsibility that may significantly contribute to the reconstruction of the populist movements that we alluded to in the above section. A major plague of the last decade of growth and internationalization has been the development of misery (as distinct of poverty<sup>20</sup>) even if economic growth has helped to reduce poverty, especially in developing countries. Misery is often linked with an urbanization where the poor have lost

<sup>19</sup>A trend exposed in Crouch [24] assertion of our entry in a post democratic era.

<sup>20</sup>A distinction clearly expressed by Joseph Wresinsky, initiator in the 1960s of International Movement ATD Fourth World "Poverty, material deprivation, oppression inflicted by those who have power are hard to bear. What is truly insufferable however is being despised and continuously reminded that one is an inferior and utterly useless being".

their communitarian links.<sup>21</sup> Incidentally, the last two decades have also been the ones where the share of menial precarious jobs in developed economies has significantly increased. A major characteristic of this precariousness, beyond the relative poverty of these workers, is the lack of secure work-based identity (as stressed in Standing [25] book), and in that sense, it also impacted formal jobs in developing countries. In this context, the battle at various levels to promote the SDGs becomes a potential major instrument to counter this trend and restore the citizenship status which is lacking so crudely. This reconstruction of settlement status would significantly reduce the attractiveness of the populist movements and force the reconstruction of the populist movements called for. Making such assessment, we are confronted with the discussion reported in Milanovic book [26], opposing legal inequality and income inequality. Milanovic, following Therborn and Piketty, underlines the danger of a single-minded focus on existential inequality, which may seem to be the case when we insist on basing identities on a secure work. As a matter of fact, one has to stress that comprehensive and effective promotions of the SDGs are also bound to develop a fair size of non-market activities, promoting the (re)creations of Commons, the emergence of cooperatives and practices of collaborative activities. The insistence on the local levels of action goes in that direction; the construction of a new compromise that should gain some momentum is a largely bottom-up process. The size of the expansion of non-market activities is bound to produce a real break towards what could be called to the least a “Modern capitalism number 2”. Nevertheless to reach such momentum, the process will need to rely rapidly enough on some scheme of basic income.<sup>22</sup> There is a wide range of such possible schemes if one includes to a basic monetary transfer some free access to goods and services as well as opportunities of financing various personal projects with local complementary currencies. In such perspective, the emergence of a new compromise between labour and capital at a truly international level would certainly take a big diversity of forms, even more than it did with the post-World War II compromise, with a logic driven by a continuous adaptation to environmental changes. It should also rapidly lead to a political recombination, splitting the old populist trends for ex-followers to take part in some of the new non-market activities, becoming more and more part of the modern ways of life. New alliances will be passed with those parts of elite classes favoring internationalization, providing that markets are strictly regulated to preserve the environment and the human beings. A growing fraction of the new generations, more and more concerned to take part in activities contributing one way or another to the SDGs, will support such alliances. Old dedicated free marketers and unreconstructed reactionary populists may maintain some oppositions, bound to decrease as market mechanisms will be more and more unable to cope with the degradation of the environment. But again the new compromise has to gain rapidly enough momentum to contribute to the expected adaptation to our changing environment with the risks if it fails to leave the room to authoritarian regimes and endless open conflicts.

<sup>21</sup>A distinction already stressed by the French writer Charles Peguy in 1902 and reused by Paul Goodman commenting the war on poverty launched by President Lyndon Johnson in 1964. Let us notice *passim* that 2008 is also the year where urban population became a majority in the world population.

<sup>22</sup>In that sense the approach of Guy Standing is very consistent, being one of initiators of BIEN, Basic Income, European Network, while developing his work on the extension of the precariat.

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