

HOW THE PLANNED PERVERSION OF DEMOCRACY GENERATED ACCELERATING INEQUALITIES

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Abstract

One cannot doubt the ubiquitous lack of hope and confidence in the so-called democratic institutions by the large majority of people. The fundamental reason thereof is the blatant contradiction between the principle of democracy, promoting the rule of law and thereby the welfare of people, and the indomitable tendency of rising and unsustainable inequality in terms of income, standard of living and wealth. All studies display the same dire outcome: a concentration of income and wealth in a tiny minority, a genuine ruling class, the famous one percent of predator barons of the gilded age, and even for Europe, of the pre-revolution era². What is at stake is to understand the paramount failure of political institutions to meet the essential of democracy. It could be a road to genuine reforms³ preventing a disaster caused by the sheer rejection of democratic institutions bringing misery without hope of a better future.

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1.The fatal metamorphosis of the capitalist system

An indomitable tendency to unbearable inequality started in all democratic societies quite at the same time, the early seventies of the XX century: There could be one explanation not linked to the decadence of political institutions; a very long-run metamorphosis of the capitalist system, the second great transformation to use Karl Polanyi's title of his masterpiece book "The Great Transformation" (1944), (Kari

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2 It is significant that in Europe, France, Germany, Spain, Italy, Portugal, old high nobility families are still in the 1%. In the UK, more than half of the billionaires are from the high nobility. In France, for a very long time, the Orleans Family, the former royal family, was the wealthiest one until the death of the last claimant, the Count of Paris.

3 True ones of course. One of the most outrageous features of modern terms is to call something "reforms" when it genuinely is "counter-reforms".

Polanyi Levitt, 2014). Its major characteristics would be the cumulative growth of the pure financial sphere out of the thirst of capitalists to exact unlimited profits out of pure speculation without indulging into productive expenditures. The equally cumulative growth of the so-called high-tech industries and the unchecked" globalisation" should be added to this essential factor. This third factor allows the accelerated emergence of transnational companies transferring their productive activities to the lowest possible production-cost countries. These three factors together seem to explain the growing inequalities in income and wealth:

- The strong rise of income and wealth in the so-called financial sector relative to the old manufacturing sector.
- In the production sector, the growing income and wealth in "high-tech" sectors relative to other sectors.
- Globalisation automatically leads to a drop in the domestic sector employment that could only be checked by an adjustment to the lowest level of workers and employees' income. The outcome is an amazing rise in aggregate profits for corporations re-exporting their production to "rich countries".

The second factor could be a sign of progress at least in the short run. It is not true for the two other factors of the second great transformation because they reflect a decadence of the system which becomes more and more fragile since it would be driven by both the non-reversal of expectations of the private sector and the growth of enough demand to absorb the fly-away of production. Even the second factor embodies a mystery: what could be the final demand for new high-tech products. Together, the three factors of the great transformation lead automatically to a rise in effective unemployment and thereby to a drop in income and wealth of those who are abandoned on the road.

2. What hides the dread metamorphosis of the system?: An unchecked metamorphosis of the political infrastructure

Herein lies the deep mystery of the second great transformation: Why did the democratic State do nothing to compensate the dire outcomes of which the final outcome could be a society where the sole activities and source of employment would be the financial sector providing less and less employment thanks to ultra-computerization, a cornucopia for a tiny minority of traders and bankers while globalisation would generate such a threat that workers and employees would be glad to be paid like in Bangladesh or the Philippines!

How could we explain such a dramatic failure of political institutions? Could we discover the cause of the second great transformation in the failure or even collapse of democratic institutions. In this modest contribution, let us endeavour to discover the marks and causes of this failure against what Polanyi had already warned us (Kari Polanyi Levitt op cit) and Mazzucato (2013).

The lethal road to consensus

The first cause is the lethal drive to consensus between left-wing and right-wing political parties. Left-wing parties used to defend and promote welfare of the poorest majority, while right-wing parties were staunch supporters of the wealthiest established ruling class, thereby adversaries of social reforms. What made the drive to consensus a disaster was that everywhere it enshrines an absolute endorsement of conservative values by left-wing parties. The outcome was the emergence of a one-party system out of a desperate effort of the former political left to metamorphose itself as the true defender of the faith in pro-market, pro-corporate values, even in pro-financial markets; "save our banks" becomes a slogan of the former left. The best analysis of this rejection of the former faith in full employment out of a social, "Keynesian" agenda is to be found in the ideology of Blair's new-labour in UK (Blair, 1998, Campbell, 2007) with a thorough critique written by Andrew Rawnsley, (2001, 2010). It is henceforth certain that the "Blair revolution" was more Hayekian than Margaret Thatcher. Its supreme goal was to jettison old labour agenda with its traditional constituency (workers, employees, pensioners) in order to attract the support of the postulated wealthiest pro-future elite by winning the support of the media. The core article of faith of the Blairist ideology was that all commitments to full employment and sustainable egalitarianism were a burden, the legacy of the past⁴. In some ways, the Blair revolution was a masterpiece. It became a model everywhere for left-wing parties while it enshrined the death of the left. It is true that the strategy of consensus had been first implemented in France by the Mitterrand regime (Parguez and Bliet 2006, 2008) but it had not been so shrewdly justified⁵.

Political organized consensus: The art of silence for those who suffer

The final outcome of the consensus with its core slogan "the art of good governance" was that all debates vanished in the political structure. There were no more any significant forces to defend employment and welfare. The second great transformation should be deemed the age of counter-reforms⁶, since reforms henceforth embodied abolition of all obstacles to "market laws". What were "market laws" in the new regime?: All kinds of actions that fitted the selfish agenda of the ruling elite. Thereby, the rule of finance, globalization, computer culture became the substitute for all former commitments in the agenda of former left-wing parties. The disastrous impact of consensus was compounded by dramatic disorders in both the very structure of political parties and the structure of the State itself, even in the source of political power.

3. The death of political parties and the impact on their constituency

There is a political science law first framed by Tocqueville in his famous book "Democracy in America" (1840): *"In any party there is an inverse relationship between*

4 This hate of the "past" is to be found everywhere in former socialist parties of which the new slogan is "social-liberalism" meaning the whole society political structure is to meet the ultra-pro-market agenda

5 At least before the Hollande regime who lacks the caution of Mitterrand and his prestige and art of lie.

6 Or more reactionary reforms going back to the past for the sake of the future.

the magnitude of members and the commitment of the party rulers to their deepest wishes“. Tocqueville’s law rediscovered by Polanyi (op cit) applies perfectly to the former left-wing parties: since their rulers ignored the core wishes of their traditional constituency, the number of members collapsed since the great U-Turn. Everywhere, whatever they are, the democratic party in the USA, the new labour in the UK, the socialist party in France, the SPD in Germany, they tend to be just an authoritarian structure with dwindling membership: the outcome is the inexistence of any debates within the party. Not the least opposition to the ultra-right turn is accepted, under the penalty of exclusion and no more hope to be elected.

A party deprived of membership is indeed in a situation of extreme fragility. Herein is the second fundamental law of politics: *Despairing of having any impact on the bureaucratic ruling structure, an increasing number of traditional supporters could choose to abstain from voting*. The second law has a much more disastrous impact on former left-wing parties than on well-established conservative parties (Rawnsley op cit for UK). The explanation is straightforward: conservative parties everywhere have always had a small but faithful constituency; they never truly renounced their commitments. Thereby, under the threat of abstention, the fly of supporters is minimal.

Ultimately, laws of politics must enforce a total domination for a long time of the ruling 1%, whatever the dire state of society. Such a dire event is in conformity with a third law of politics discovered by Thomas Ferguson (1995) for the USA, but it applies everywhere, especially in the UK and France. This law must be deemed: the law of political investment: In the course of time, the cost of political campaigns never stopped to rise, it generated a whole industry of communications, investors betting on the rate of return they could exact from the winners. Traditional contributors to the left could no more compete with the largest source of capital invested into politics. It explains perfectly Blair’s strategy, the French socialist leadership adoration of “big money“, Carter, Clinton and Obama show equal adoration of financial markets and banks and wish to protect them. No significant role for unions any more, if they still exist, even less for grass root organizations. Money coming from members matters no more to frame a political agenda.

The rule of “experts”

The ultimate source of demise of any concern for the majority of people suffering from unsustainable inequalities is enshrined into the very structure of the State: The devolution of decision power to a small elite of “experts“. What is to be deemed a pure “technocracy” is the very denial of democracy.

Herein lie the ultimate laws of politics revealing the fall of democratic political institutions of which the symbol is the outrageous rise of fatal inequality. It is much more dramatic in Europe than in the USA or Canada, because this devolution of power is magnified in Europe by some new-feudal aspects compounding the impact of the inexistence of the separation of powers, reflecting the inexistence of any role for the parliament.

The rising ignorance of the professional-for-life political class led to the transfer of both fiscal and monetary policy to a tiny group of “experts”.

4. The rule of “experts” contradicts the essential principle of democracy

The rule of “experts” contradicts the very essential principle of democracy for three major reasons:

1. They are appointed by the government relying on its pure arbitrary power.
2. All of them share the same economic, if not a mere political ideology. Herein is the explanation of the impossibility of a genuine New Deal. They are staunch Anti-Keynesian, staunch believers in an ultra Hayekian credo, unceasingly preaching the supreme virtue of austerity embodying the dismantling of the “old” “out-of-fashion” welfare State. Thereby, they strive to convince the political class of the necessity of balancing the budget by the abolition of expenditures that should deter animal spirits of the private sector. “Economic experts” in the course of time became the church whose God is the whimsical opinion of financial markets. Thereby, one must not be stunned by either their serendipitous indifference to rising inequalities or by their support of increasing inequalities. Their ultra Post-Hayekian ideology enshrines some social-futurist vision rooted into the dogma of rewards to efficiency: Who enjoys the highest level of income and wealth but those who are engines of progress!
3. How could the unanimity of “experts” be explained both at the national level and at the level of international organizations (IMF, World Bank, European Institutions), whatever their pure political denomination. Taking care of the lack of a sound corpus of studies, I dare to rely on two assumptions. The first one is that this new ruling class has been trained in the same institutions whose core ideology is a mix of contempt of the rule of “ignorance” by the “people” of the scientific art of managing the States and a quasi-religious faith in “pure economics” as a road to a perfect world. This faith itself is mixing Post-Hayekian dogmatic cult of “markets” and post-Walrasian cult of mathematical models of government. Both increasingly embody some ultra Neo-Darwinian automatic selection of the “best” by the “best”. Herein lies the approach to the art of rule by great and prestigious American universities (MIT, Harvard). French “grandes écoles” and the most famous “Business Schools” that are the most earnest supporters of the new Art of Power! Most of the new class is trained and formatted for life in these schools.

My second assumption is that the new class is ruling both the State and the private sector. Thereby, more and more new promotions start by advising political rulers in the hope of being soon appointed on the ruling boards of the largest private corporations, especially financial ones: After they go back to public service as supreme decisions-makers. Those twin assumptions illuminate the metamorphosis of democracy for the people and by the people into what must be deemed a mere technocratic authoritarian regime acting against the people. Such a dire metamorphosis could be deemed the third great transformation against which Karl Polanyi warned (Kari Polanyi Levitt, op cit).

The fatal impact of inequalities

Why is this fatal great transformation generating increasing inequalities more advanced in Europe than in the USA? The major cause is the institutional nature of the European Union, since the start (Parguez, 1999, 2014). In the USA, because of the separation of power, the Congress enjoys an independent power relative to the executive. Thereby, the Congress has the power to rely on a budget office to which non orthodox “experts” may be appointed by the democratic party’s left and moderate wings; on the contrary, parliaments in Europe today are deprived of any true power, they are just blindly endorsing the President or the Prime-Minister policy which just reflects the will of the ruling class.

The European Union was planned to organize a new political order enslaving the States’ political power to a rigid strait-jacket of norms monitored by independent authorities, i.e. the seat of a pure technocratic power, while the monetary policy was transferred to a supra-national oligarchy of the former national central banks under the guise of the European Central Bank. Fiscal policy has been recently transferred by the so-called fiscal consolidation pact in each Member State to a supreme independent “High Authority” on which has been bestowed the power to monitor the convergence towards the new norm, quasi-zero “structural deficits” (Parguez 2014 op cit).

Thanks to this dismantling of the State, obviously some return to a modern feudal age, the new ruling class enjoys an absolute power. What is at stake is explicitly put forward in the national budgets, for instance in the new French budget and, what is more striking, in its very declaration of purpose, in which it is written.

“Henceforth, the State having lost its power to create money at will must win the support and confidence of financial markets”.

Since the new class controls the so-called markets, it is henceforth able to ignore the reluctance of public opinion: herein is the new conventional wisdom: because of its ignorance, hate of “modernity”, etc., public opinion is to be ignored and despised.

It could be argued that this new-feudal system hides the stalwart will of the whole political class, in terms of the art of power, it is indeed very useful; national governments may use their enslavement to European order as a scapegoat protecting them against the wrath of the public opinion.

Ultimately, the new class enjoys an unchecked power to impose the policy it wants. What is this policy? Austerity forever! What are the supreme commandments of austerity (Parguez 2013)?: Enforcing a permanent squeeze of public expenditures looked by the financial power as not enough pro-market in order to attain a structural balanced budget: enforcing high enough a taxation on workers, salaries of employees, middle-class professionals in order both to reinforce the impact of expenditures squeeze while cutting taxation on the wealthiest “dynamic elite”, at last abstaining from checking the worse impact of globalization.

The disastrous impact of this stalwart "quasi-religion" has been proven by all sensible studies, for instance, James Galbraith (2008, 2012), Mazzucato (op cit), Parguez and Bliet (op cit). (Seccareccia 2012).

5. The final outcome: The death of democracy by austerity

The worsening of the level of effective unemployment spreading all over society but in the small and declining part contributing to "progress" fit the beliefs of the new class. The outcomes of this horrendous "bad great transformation" are a fatal and non-efficient dramatic rise in inequality of income, standard of living and wealth.

I. Money incomes of the majority drop relative to incomes of the tiny financial elite, the postulated incarnation of progress. The rise of unemployment has cumulative effects, because it becomes enshrined into the expectations of those who are victims of unemployment and suffer from loss of incomes, while those who are still working are ready to accept any drop in incomes, because of the threat of future loss of jobs.

II. The collapse of the growing majority's standard of living is caused by a very perverse impact of the dismantling of the State imposed by remorseless austerity: the hijacking of former State activities by private corporations imposing high costs and therefore, rationing access. Privatization is especially disastrous for the majority in health and education, and public utilities. It is a cornucopia for the private sector industries, of which money ruling managers are former technocratic advisers. One must never forget that the symbiosis between the "experts" class and the "professional politicians class" is a source of amazing profits. Austerity embodies what is deemed "corruption", nothing of the virtues of founding fathers of the democratic State remains. "Corruption" is today the proof of the art of using power to exact amazing incomes displaying the proof of efficiency and Modernity⁷.

III. Amazing inequalities in net wealth are the twin of income inequalities for three major reasons which are the perfect mirror of the political structure perversion. First, the wealthiest ruling class out of its quasi-absolute power enjoys such amazing income, especially in its stronghold, the financial sector, that it may save enough to reconcile conspicuous consumption with rising net wealth. Since net wealth generates growing incomes, the process is cumulative. Indeed, most of its net wealth is invested into whatever real estate, but a large share is invested into pure financial assets of which the value is sustained by speculation, but speculation itself is sustained by a growing injection of money thanks to the monetary policy of central banks under the cloak of "quantitative easing". It should be deemed the "save our banks" credo and more accurately, the "save our wealthiest class interest dogma".

Second, to the contrary, the new great transformation either compels the majority to become net borrowers (Seccareccia op cit) or, which is worse, when they strive to

⁷ I do think it is a crucial failure of the new conventional wisdom. Corruption as a sin could have a meaning in a virtuous democratic system. Today, in a fully corrupt political system, it is not an anomaly. It is the new norm useful for imposing reactionary reforms, like the IMF cherished concept of "perverted capitalism".

save their future through private pension funds, they subsidize speculation and net wealth of the new ruling elite.

Third, ultimately there seems to be no more limit on the concentration of wealth. Here is a perfect example of the law of three powers discovered by the French historians Jean Lhomme (1960) and Annie Lacroix-Riz (2006). The new ruling class is shrewdly using its quasi-absolute political power to exact absolute economic power granting it through the control and art of communications in order to win social power, a legitimacy rewarding its "science of management".

The final proof of the perversion of democratic institutions is that, as it has been explained, while an overwhelming majority suffers and becomes hopeless for its future and its children, the political system deprives it of any voice. A very few learned political scientists and economists and historians dare to denounce the bottomless abyss in which democracy is doomed. There are some in the USA: Thomas Ferguson, Robert Johnson⁸, (2011), James Galbraith (op cit); there is no credible voice in Europe warning of the impending disaster, at least nobody enjoying enough respect to be protected against rejection or being ridiculed by the power elite. European situation has been perfectly explained by the former French President François Mitterrand after his U-turn: "What is freedom?: Let people think what they want and speak as long as nobody may hear them". (Parguez and Bliet, op cit).

6. A modest agenda to restore democracy

Finally, what should be the true political reforms of institutions to prevent the disaster? Their leading spirit must be the substitution of a genuine welfare State for the existing predator-bureaucratic and ultra-elitist State. By true welfare State, I mean a political structure acting for the majority, endowing the majority with the effective right to be heard, so as to promote its true concerns. As shown by all sound political science studies germane to sound polls⁹, what the overwhelming majority wants is decent jobs, living incomes, secure pensions, possibility of expecting a better future. The prerequisite of the abolition of the rather hidden totalitarian State is the existence of true debates by the abolition of the drive to consensus embodying the death of true left-wing parties. True debates require an end to the drive towards the one-party system enshrining the desire to seduce the wealthiest already ruling elite. It would allow the abolition of the ideology of "government culture", a nickname for selling its soul for money and respect. Going back to the source of democracy implies also many linked reforms: abolition of the outrageous cost of political campaigns, a true separation of power, ending the demise of parliaments and mainly the abolition of the usurpation of power by an homogeneous cast of "experts" and "specialists". An obvious and fundamental outcome is to abolish the transfer of political power to independent institutions, which raises the debate over the very existence of the new order. Fighting the tendency to unbearable inequalities requires abolishing austerity and its protecting stronghold forever, of which the perfect example is the Euro new-

⁸ One must also refer to Ferguson, Jorgensen and Chen (2013).

⁹ The art of manipulating polls to get the desired answer has been beautifully denounced by Ferguson (1995).

order straitjacket. One should go further! Substitution of a proportional voting system for the ultra-majority one existing in Europe, herein seems to be a solution to the zero representation or the under-representation of parties defending the majority suffering from inequalities. There is more, the rule of a ubiquitous class of homogeneous experts fits another obligation, ending the existence, like in Europe, of a professional class of politicians for life having nothing to fear from the people.

Indeed, such an agenda could be looked as "marxist", but it implies an absolute denial of the existing conventional and obscurantist wisdom, some "cultural revolution" germane to a return to the spirit of democracy before it is too late. One may just hope that it could happen out of emergency before it is too late to prevent, to quote the wonderful picture of Ferguson and Johnson, the advent of creatures from the swamps and the total collapse of the existing political system. I would end by a reference to Leon Trotsky's last book "In defence of Marxism" (1941). "From a catastrophe, a worse catastrophe could emerge".

Trotsky had in mind a situation when falling into the abyss of poverty, looking at a corrupt elite without any useful contribution from its part, people become enraged and are ready to the worse turning to neo-fascist demagogos, neo-theocratic taliban-like prophets, etc...

7. Conclusion

This "modest agenda is germane to a "cultural" revolution because it requires to put forward what could be the most fundamental law restoring democratic virtue: The abolition of a political structure rooted into a pure unjust meritocracy forgetting the welfare of the people.

The perfect model of unjust meritocracy was the Chinese Confucian bureaucracy in China. Grades in the ascent to supreme power were only determined by success to exams of which the structure was fixed for eternity: ability to comment and develop the writings of the master, Confucius. As shown by the best historian of China (Morris Rossabi), granting absolute power to merits or grades at these exams was a disaster. It (Rossabi, 2014) explains the stagnation of China and the ubiquitous poverty excepting the meritocratic elite.

The analysis of Confucian China with the western political structure is striking: The "experts" class whose merits to rule are only justified by their grades in perfectly homogeneous exams in ruling teaching institutions is tantamount to the return of Confucius! Such a false "meritocracy" is to be destroyed, herein is maybe the first prerequisite to fight unjust inequalities.¹⁰

¹⁰ Such an Anti-Neo Confucian reform has nothing to do, Rossabi (op cit) emphasizes this truth, with Mao Zedong "cultural revolution", unleashed by a mad dictator to destroy all forces of progress.

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