

# THE ISSUE OF GLOBALIZATION AFTER DONALD TRUMP'S VICTORY. REFLECTIONS ON A NEW TYPE OF INEQUALITY

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## BETWEEN SOCIAL INEQUALITY AND “LEGAL PLUNDER”

One of the famous scientists in the world, Thomas Piketty, documented the periodically rise and fall of income distribution curve at the national, regional and global scale. In that sense, Thomas Piketty's book, *Capital in the Twenty-First Century*, is “one of the watershed books in economic thinking”<sup>1</sup>. The number of the researchers of distribution income topic is progressive growing starting with the pioneers of the domain and continuing with the recent sociologists and economists focused on the same topic: Atkinson (2002)<sup>2</sup> in the UK, Piketty and Saez in the United States (2003), again Piketty and Atkinson, 2010<sup>3</sup>, and Alvaredo *et al.* 2013<sup>4</sup>, in the emerging economies. The pivotal idea of these kinds of studies is the variation of the share which the top 1% of income gets in the total income. Piketty demonstrated that in the last 40 years “the top 1%, or even more narrowly top 0.1%, have dramatically increased their share of total income”<sup>5</sup>. The French

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<sup>1</sup> Branko Milanovic (October 2013). *The return of “patrimonial capitalism”: review of Thomas Piketty's “Capital in the 21st century”*, ([https://mpira.ub.uni-muenchen.de/52384/1/MPRA\\_paper\\_52384.pdf](https://mpira.ub.uni-muenchen.de/52384/1/MPRA_paper_52384.pdf), Retrieved September, 22, 2018, p 1. See also Steven Pearlstein (*March 28, 2014*). “‘Capital in the Twenty-first Century’ by Thomas Piketty”. *The Washington Post*.

<sup>2</sup> Atkinson, Anthony B. (2002), “Top Incomes in the United Kingdom over the Twentieth Century”. University of Oxford, Discussion papers in social and economic history, No. 43. Available at <http://www.nuffield.ox.ac.uk/users/atkinson/TopIncomes20033.pdf>. Retrieved in 22 september, 2018

<sup>3</sup> Atkinson, Anthony B. and Thomas Piketty (2010), *Top incomes: A global perspective*, Oxford University Press, 2010.

<sup>4</sup> Alvaredo, Facundo, Anthony B. Atkinson, Thomas, Piketty, and Emmanuel Saez (2013), “The Top 1 Percent in International and Historical Perspective” *Journal of Economic Perspectives*, 27(3): 3–20.

<sup>5</sup> Milanovic (October 2013): “Thomas Piketty and Emmanuel Saez (2003 famous graphs of the income shares of US top decile, top 1% and top 0.1%, showing that at the turn of the 21st century rich's income shares approached the extremely high values from the roaring twenties, are now found all over the Internet and in many magazines and newspapers. But their origin goes back to Piketty's 2001 book on top incomes in France”.

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economist appears to be a “researcher of income concentration”, as Milanovic underlines in his paper on Piketty’s book. This is the challenging issue in Eastern European countries after the fall of communism. The first phase in their recent history is comprehensible partially by the transition from a period of the socialist income dispersion, meant to create the socialist way of distribution, to a period of income distribution, meant to create the new class of capitalists in these countries. Such a phenomenon becomes itself comprehensible through another wider one, namely through the relation between return on capital ratio and the rate of economic growth, which explain also the inequality issue in society. In Piketty’s view, the return on capital ratio records periodically a progressive increasing while the income rate and rate of growth record during the same period a progressive decreasing at the global scale. It is like a curse: “the ineluctable rise of the top...and the stagnation of everybody else”<sup>6</sup>. Consequently, the society registered a sort of segmentation, a fracture so that instead of a unique society there emerged two in one. These two get to be mutually exclusive registering conflicting motions. Th. Piketty analysis can be used as an analytical tool to understand what has happened in East Europe after the fall of communism. All eastern European countries started to be indebted, went into recession and consequently entered under the control of international financial institutions. The “**debt-fuelled recession** destroyed much wealth”, Th. Piketty argues. The real problem is that while in the west the return to capital outpaces the rate of growth laying however a good foundation for a sustainable development, in the East, the capital plundered not only labour income but also a distinct sort of possession that we might call the „property of labour”. Consequently, the return on capital destroyed here the foundation of a sustainable development instead of undergirding and securing it. By means of the east reforms of transition, the new world-scaling hidden interest groups and strategists decided to use local governments to take property away from the collective agent (communal property), i.e. the working people who supposedly have too much collectively and the situation has to be corrected by what F Bastiat used to call „legal plunder”, that is a transfer of property from the many (collective property) to the few (private property). In the East not only labour was screwed but the wealth itself has been taken away from the entire people to be given to some few so called capitalists. «„American libertarian George Leef attacked Piketty's work as “an apology for the use of state coercion to take property away from some people who supposedly have too much,” which in the words of Frédéric Bastiat he calls “legal plunder”. Diverting more resources from the voluntary, “generally efficient” private sector and into the coercive, “generally inefficient” government sector, he says, was a bad trade-off, especially for poorer people. Diverting more resources from the voluntary, “generally efficient” private sector and into the coercive, “generally inefficient” government sector, he says, was a bad trade-off,

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<sup>6</sup> Ibidem.

especially for poorer people”»<sup>7</sup> Diverting property from the socialist government sector, being labeled as „generally inefficient” (by invoking the so called thesis of the state as a bad manager) in favor of the “generally efficient” private sector, here it is what was the axis of the reformatory doctrine in East. Under this thesis, the reformers have come to consider natural, besides any responsibility, destruction of property (fortunes). Such was the devastating period of transition when the industry was properly „killed” and the profile of Romanian economy was deeply changed. We may understand, due to this circumstance, the migration explosion; as long as the high qualified people woke up overnight without jobs, since their jobs disappeared with the liquidation of industries in which they had been employed by then. What happened in the last period of time especially after the moment when Donald Trump won elections in America? Can we speak about a historical shift in the structural pattern of world system? What kind of tenets shall we get from such events as Donald Trump's victory based on a “populist” electoral platform generally defied by the wright wing intellectuals in the postmodern era?

#### WHAT DOES IT MEAN “THE TRIUMPH OF DONALD TRUMP”?

Thomas Piketty warns, in an article from *The Guardian*, that we need to redefine, rethink and therefore reorient the globalization lest Trump-ism will prevail in the political orientation of different nations. He is right unless we observe that just such a new impulse towards a redefinition of globalization is the essence of Trump-ism. As a matter of fact, Trump warns us that the main problem of the epoch is the inequality not only between top and bottom, reach and poor, but also between different countries and world regions, and not only between advanced and underdeveloped countries but also between core economies that were pushed, by the policy of market liberalization and commercial deregulation (initiated by Reagan and exacerbated by Clinton, Bush and Obama), to a slower and slower rhythm while semi-peripheral economy experienced meantime a suddenly explosive rhythm of development. He warns on the *inequality of rhythms*, i.e., another type of inequality that has come into existence between those countries which until yesterday were slow and dilatory-like countries and today they have come to outpace the rhythm of those which, until now, were considered reach and sedulous countries but, which (because of the wrong orientation in favour of a globalisation progress even to their own cost) have entered a period of slowing-down their rhythm up to drop below the rhythm of the previously less dynamic countries. The frequently quoted example is that of China, for instance, in relation to America. Such a shift affects the global scale equilibrium being the weight and

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<sup>7</sup> See: [https://en.wikipedia.org/wiki/Capital\\_in\\_the\\_Twenty-First\\_Century](https://en.wikipedia.org/wiki/Capital_in_the_Twenty-First_Century).

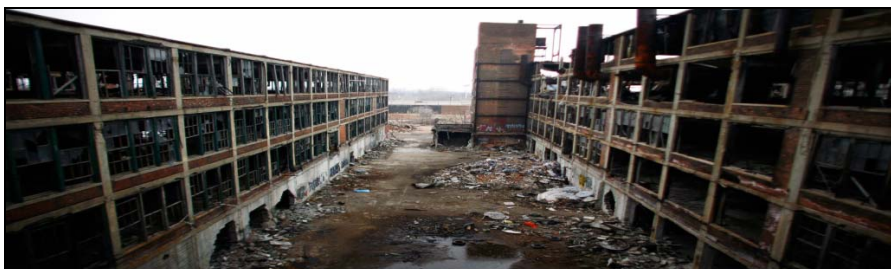
the role of the great economies for the equilibrium of the world system. Thomas Piketty argued in the same direction but he fails by sliding into a globalist utopia: “The main lesson for Europe and the world is clear: as a matter of urgency, globalization must be fundamentally re-oriented. The main challenges of our times are the rise in inequality and global warming. We must therefore implement international treaties enabling us to respond to these challenges and to promote a model for fair and sustainable development”.<sup>8</sup> The obstacle in the path to implementation of “international treaties enabling us” to tax the world wealth of the top 1% of the rich people is just the lack of will and interest from the part of the moneyed, propertied people. Who, what corporation or country will freely accept even the “minimum rates of corporation tax and targets for carbon emissions which to be verified and sanctioned”<sup>9</sup> by an extra-authority so that the inequality should be finally diminished at the global scale? The Trump-ism assumes a new perspective on the way leading to the diminishing of inequality by changing the parameters like the world rate of return on capital and the taxation of wealth on the global scale. Such a new policy leading to change the rapport between rate of return on capital and the rate of economic growth, his doctrine seems to suggest, won’t succeed unless we start by reforming and reorienting the domestic policy, i.e., by proceeding from the inside of proper countries not from the inside of the world system itself (as if you were a world government). A great economy as the USA’s may influence the dynamic of the world system by changing the relation between the rate of domestic growth and the rate on return to domestic capital. I suggest calling such a new orientation: economic neo-nationalism i.e. a policy and doctrine that results from the second phase of the identity ambivalence in the movement of any entity. Idea is that after the first phase of the economy of scale (when the cost advantages are obtained due to size or scale of operation, and, hence to an expansionary phase in the dynamic of an economy) there, necessarily, will follow a second one, of the increasing the return on national wealth by shrinking the scale of the national policy as to the orientation of economy, i.e., by passing from an expansionary phase to a self-contracting one, from an extraverted, world-centred orientation, to the nation-centred orientation. Here it is the image of the decaying manufacturing plant in USA, due to market liberalization and commercial deregulation, a phenomenon that led to the triumph of Trump and to the Trump-ism taking off in America and, by side-effects, in the whole world<sup>10</sup>.

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<sup>8</sup> Ibidem.

<sup>9</sup> Ibidem.

<sup>10</sup> Retrieved from <https://www.theguardian.com/commentisfree/2016/nov/16/globalization-trump-inequality-thomas-piketty>, 28 of april, 2017: Thomas Piketty: *We must rethink globalization or Trumpism will prevail*.



Source: <https://www.theguardian.com/commentisfree/2016/nov/16/globalization-trump-inequality-thomas-piketty>, 28 of april, 2017: Thomas Piketty: *'We must rethink globalization or Trumpism will prevail.*

The economic thesis is that a world government to make correction of the world system economy by implementing for instance, as Piketty suggests, the taxation on the wealth at the global scale, is a utopia<sup>11</sup>. But a domestic policy that start by changing the relation between rate of return on domestic capital and the rate of economic growth is not only credible but also unavoidable if we want to prevent a new world economic crisis and even a crash of the world system itself. I used to call such a new order based on this Trump's-like policy the *fourth capitalism*, a notion invoked by C. Bădescu in his book on the welfare regimes<sup>12</sup>. This capitalism is the only one that assures a solution to the welfare regimes' disparity between East and West, South and North. Such a policy as it is the one Trump is promoting (that assumes a new order and a new paradigm to the inequality challenge) is the single resolutely answer to the challenge of a world disorder dominated by chaos, which will strike, like a tsunami, the world economy in the next period. What was the Brexit for the European System is the Trump-ism for the World System, meaning a creative response to an endemic challenge. Thomas Piketty is right when he deplores the old-age type of agreements (like, for instance EU-Canada free trade deal) that do not contain "absolutely no restrictive measures concerning fiscal or climate issues" and which "enable multinationals to sue states under private arbitration courts, bypassing the public tribunals available to one and all"<sup>13</sup>. An example is the Romania's case of the agreement that allowed to Bechtel Corporation to sue Romania under such private arbitration court and to oblige Romanian government to a heavy ransom of about 2 trillions of US dollars to a company that hasn't even started some earthwork by digging at least a dike.

<sup>11</sup> See Romer, Paul (2015). "Mathiness in the Theory of Economic Growth". *American Economic Review. Papers & Proceedings*. **105** (5): 89–93. doi:10.1257/aer.p20151066. "According to american economist, P Romer, some researchers use unrealistic assumptions and strained interpretations of their results in order to push an ideological agenda, and use a smokescreen of fancy mathematics to disguise their intentions" (<https://en.wikipedia.org/wiki/Mathiness>).

<sup>12</sup> Bădescu, C., *The Epistemological Boundaries of the Welfare Regimes Theory*, fair copy, 2018.

<sup>13</sup> Thomas Piketty: *We must rethink globalization or Trumpism will prevail*, in ibidem.

The nation-centred government will change the situation inside of their own countries ensuring against such binding measures as disadvantageous preconditions in regular contracts. In the backstage of such contracts international compulsory agreements lurk allowing to a multinational to sue a country under private courts and to oblige them to such abnormal penalties but because back to a corporation such courts and transnational agreements are waylaying any governmental frailty and debilitation. Such treaties have weaved a super-national architecture that, under the mask of “protecting the investors”, give mandatory power to multinationals leading so to an asymmetric economy that brings forth a peripheral condition to unprotected societies. Piketty call such an architecture “legal imperialism” that imposes its rules and its dues to national companies and government. Trump has arisen against such “legal imperialism” inside of America giving start to a new movement in the world arena of an extraordinary value being that it leads to a new international order. The new slogan will be: “what isn’t good for America is not good in the world”. Or, to translate a popular saying: “What you just don't like, another makes him no”.