

Determinants of Social Conflict

Joan Esteban, IAE-CSIC and Barcelona GSE

Summary of joint work with [Debraj Ray](#) NYU and [Laura Mayoral](#) IAE published in Science, Econometrica, American Economic Review, Journal of Economic Theory... through 1994-2015.

XXXV Jornadas de Economía de la Salud

Granada, 18 June 2015

Contents

1. Social Conflict: basic facts
2. Inequality and Social Conflict
3. Measuring social antagonism
4. The role of ethnicity in social conflict
5. Why are we seeing more ethnic than class conflict
6. Current rising inequality: the “resurgence of class struggle”

The Ubiquity of Internal Conflict

- Internal Violent Conflict is Endemic
- Since 1945: 25 interstate wars, battle deaths approx. 3-8 million

The Ubiquity of Internal Conflict

■ Internal Violent Conflict is Endemic

- Since 1945: 25 interstate wars, battle deaths approx. 3-8 million
- Since 1945: 240 civil wars in almost half of the UN countries, of which 114 with more than 1000 dead. In 2015 we have 24 ongoing civil wars + 9 internationalized civil wars.

A death toll of around 20m as a direct result.

- Plus 12-25 million civilian non-combatant casualties (estimated by the Political Instability Task Force, 2010)

The Ubiquity of Internal Conflict

■ Internal Violent Conflict is Endemic

- Since 1945: 25 interstate wars, battle deaths approx. 3-8 million
- Since 1945: 240 civil wars in almost half of the UN countries, of which 114 with more than 1000 dead. In 2015 we have 24 ongoing civil wars + 9 internationalized civil wars.

A death toll of around 20m as a direct result.

- Plus 12-25 million civilian non-combatant casualties (estimated by the Political Instability Task Force, 2010)
- We also have forced displacements (43 million people in 2014, UN).

The Ubiquity of Internal Conflict

■ Internal Violent Conflict is Endemic

- Since 1945: 25 interstate wars, battle deaths approx. 3-8 million
- Since 1945: 240 civil wars in almost half of the UN countries, of which 114 with more than 1000 dead. In 2015 we have 24 ongoing civil wars + 9 internationalized civil wars.

A death toll of around 20m as a direct result.

- Plus 12-25 million civilian non-combatant casualties (estimated by the Political Instability Task Force, 2010)
- We also have forced displacements (43 million people in 2014, UN).

■ But less violent forms of social conflict also produce very large social losses.

The Ubiquity of Internal Conflict

■ There are two remarkable facts about social conflict that deserve notice:

■ First, within-country conflicts account for an enormous share of deaths and hardship in the world today.

Why so much destructive conflict?

■ Second, internal conflicts often appear to be ethnic in nature rather than driven by economic class differences.

Why ethnicity and not class?

Class and Civil Conflict

- For most of the 20th C **class struggle**, or more generally, economic inequality has been viewed as the main driver of social conflict in industrial or semi-industrial society.

This clearly is Marx's dominant influence in the social sciences. In Sen's [1972] words: *“the relation between inequality and rebellion is indeed a close one”*.

Class and Civil Conflict

- For most of the 20th C **class struggle**, or more generally, economic inequality has been viewed as the main driver of social conflict in industrial or semi-industrial society.

This clearly is Marx's dominant influence in the social sciences. In Sen's [1972] words: *“the relation between inequality and rebellion is indeed a close one”*.

- Intuitive as it might seem, this relationship has garnered **no empirical endorsement**. Possibly hundreds of empirical tests have failed to find a link between social conflict and various indices of economic inequality, notably the Gini index.

Class and Civil Conflict

- For most of the 20th C **class struggle**, or more generally, economic inequality has been viewed as the main driver of social conflict in industrial or semi-industrial society.

This clearly is Marx's dominant influence in the social sciences. In Sen's [1972] words: *“the relation between inequality and rebellion is indeed a close one”*.

- Intuitive as it might seem, this relationship has garnered **no empirical endorsement**. Possibly hundreds of empirical tests have failed to find a link between social conflict and various indices of economic inequality, notably the Gini index.
- But is **income inequality** the adequate concept?

Does income inequality capture social antagonisms?

- The Principle of Progressive Transfers:

If we take away one unit of income from one person and transfer it to another person with lower income, inequality has to come down.

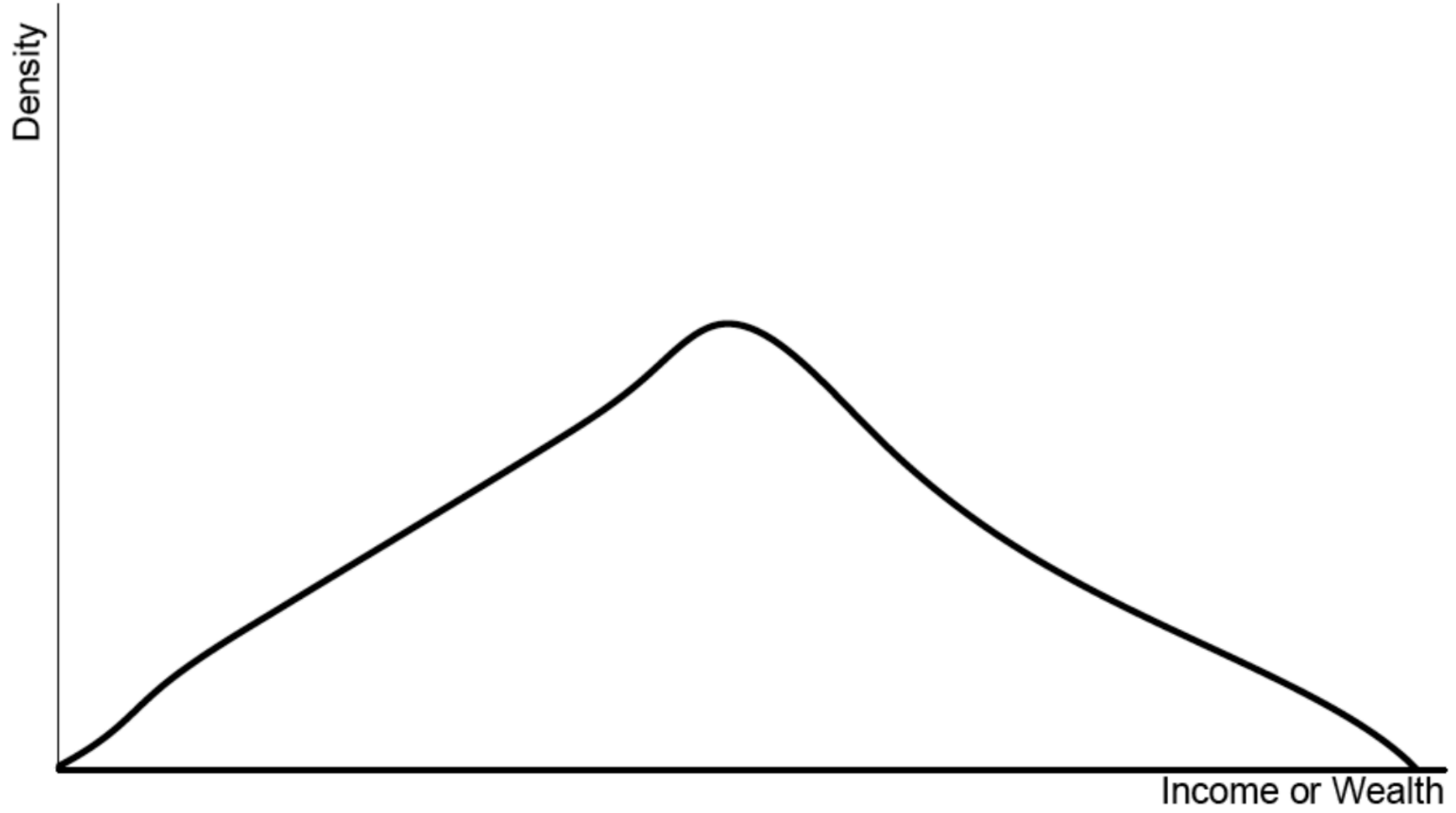
Does income inequality capture social antagonisms?

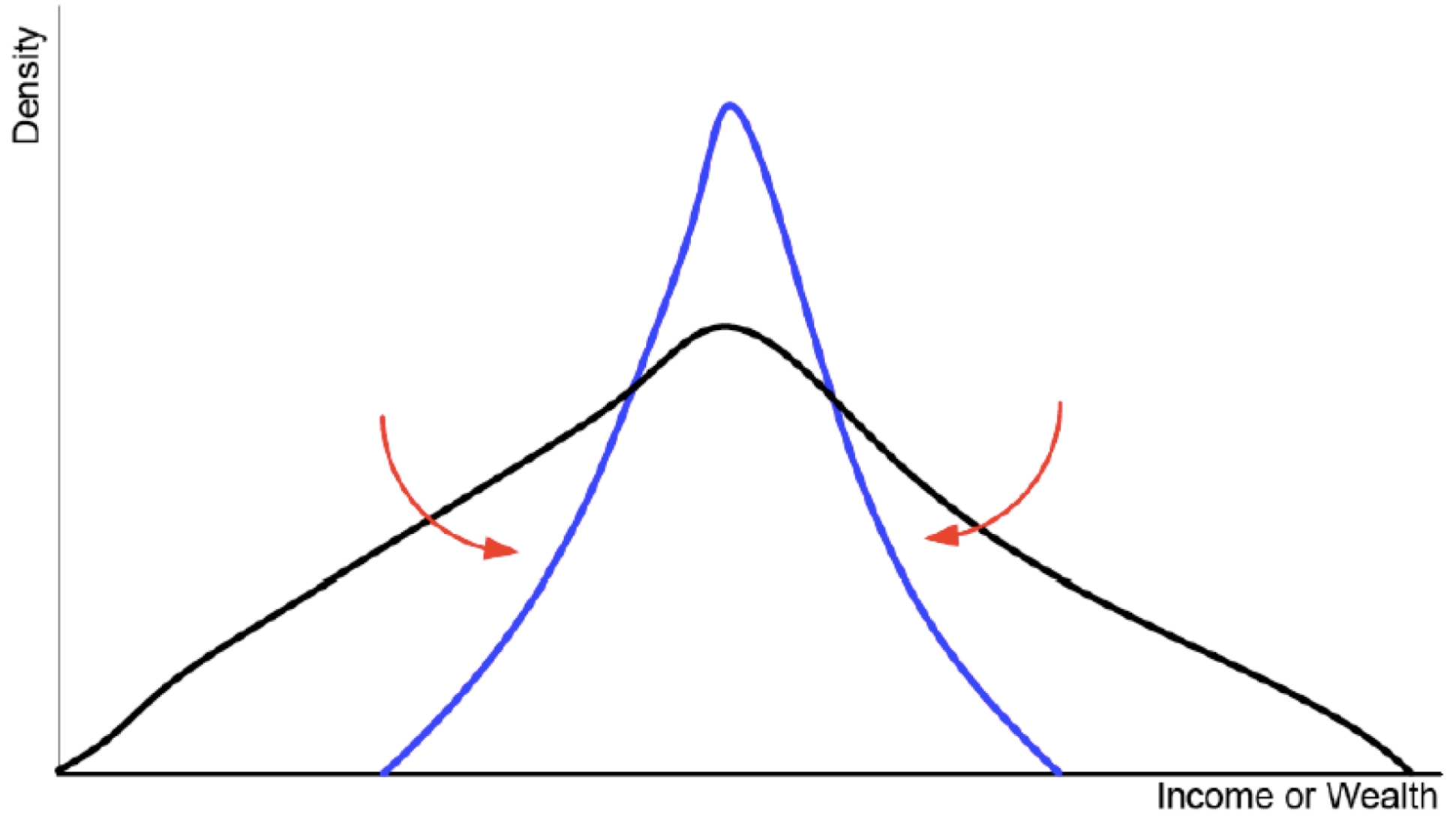
■ The Principle of Progressive Transfers:

If we take away one unit of income from one person and transfer it to another person with lower income, inequality has to come down.

■ Indeed all inequality indices go down because the new Lorenz curve dominates the initial one.

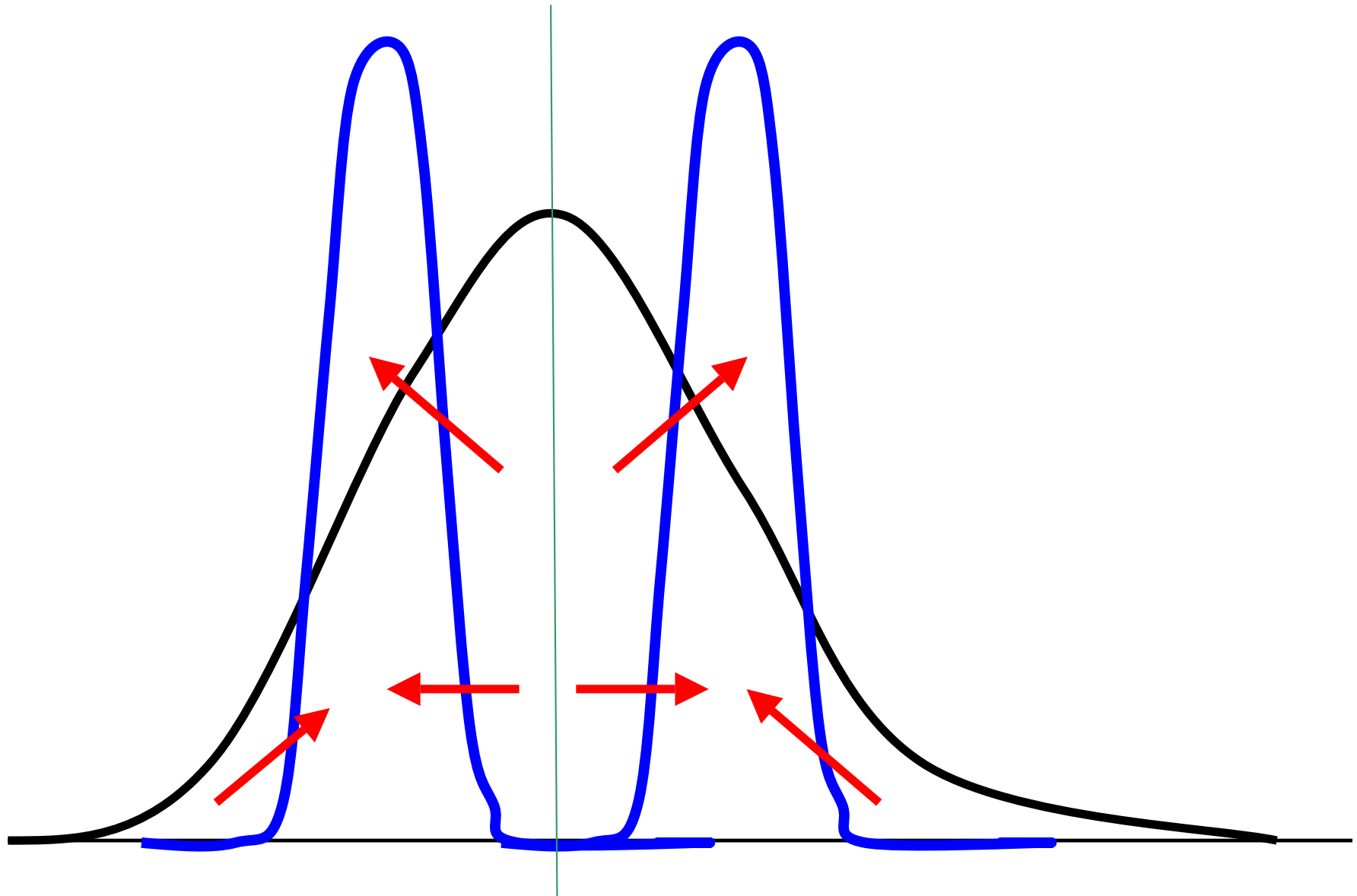
It is equivalent to **second order stochastic dominance** and to **Lorenz curve dominance**.





- But suppose that we apply the transfers separately among the rich and among the poor, [or among men and women, local and immigrants...]
- All measures of inequality will say that inequality has come down.
- Observe the new distribution

Example: progressive transfers and their effect on the Lorenz curve



Polarization and social antagonism

- The new distribution might have less inequality, but it is more polarized.

Polarization and social antagonism

- The new distribution might have less inequality, but it is more polarized.
- This is the reason why inequality measures fail to capture the degree of social antagonism.

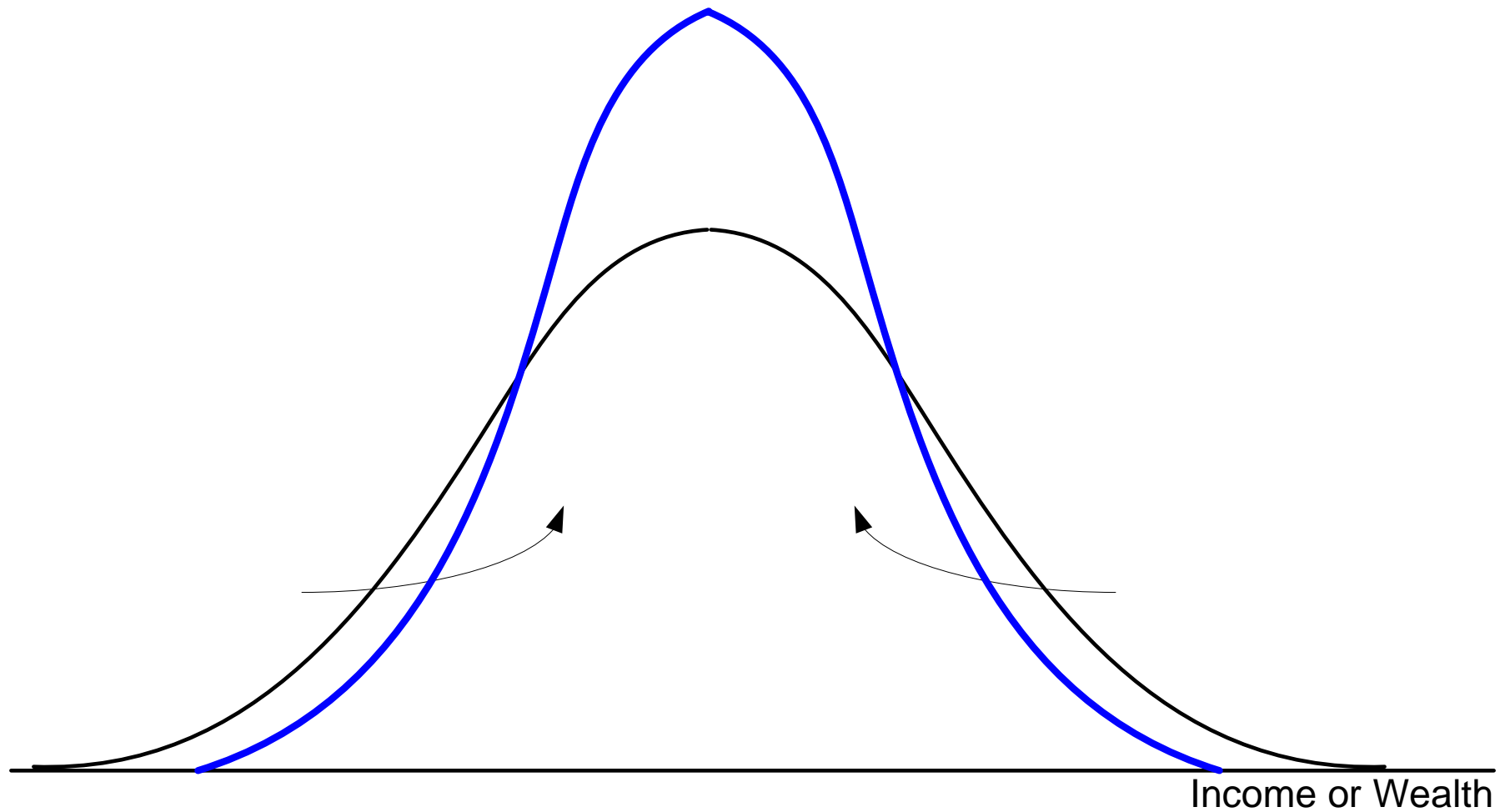
Polarization and social antagonism

- The new distribution might have less inequality, **but it is more polarized**.
- This is the reason why inequality measures fail to capture the degree of **social antagonism**.
- The index of **polarisation** is designed to measure the sum of all interpersonal **antagonisms** in society.
- This index is based on the idea that the **antagonism** between any two individuals is driven by: (i) the **alienation** between them and by (ii) the group **identity** felt by this individual.

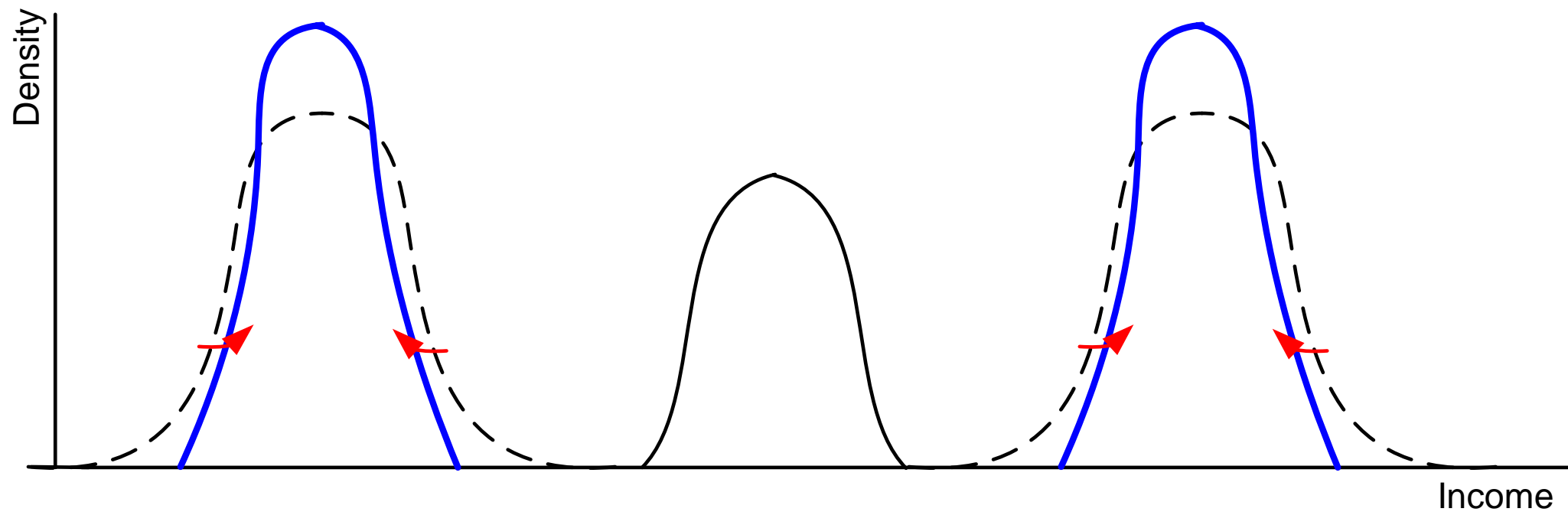
Polarization and social antagonism

- The new distribution might have less inequality, but it is more polarized.
- This is the reason why inequality measures fail to capture the degree of social antagonism.
- The index of polarisation is designed to measure the sum of all interpersonal antagonisms in society.
 - This index is based on the idea that the antagonism between any two individuals is driven by: (i) the alienation between them and by (ii) the group identity felt by this individual.
 - Social conflict is between well defined homogenous groups that feel alien to each other.
 - We derive an index of polarisation from three axioms.

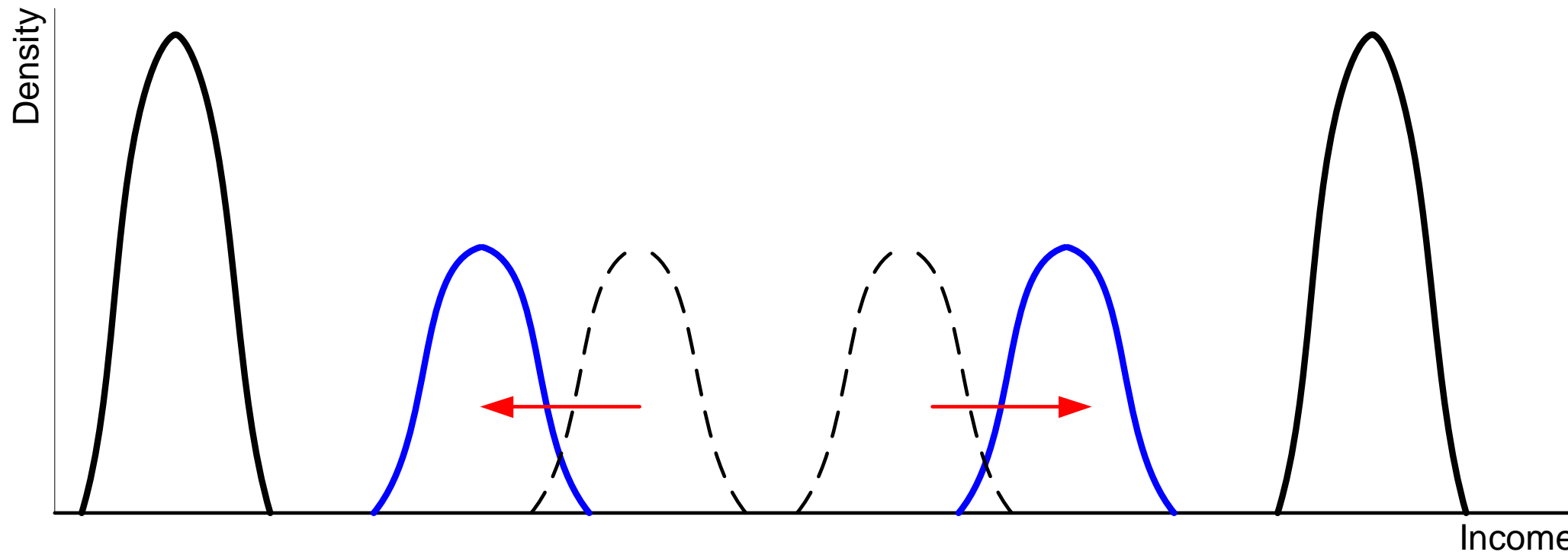
Polarization and social antagonism



Polarization and social antagonism



Polarization and social antagonism



Polarization and social antagonism

If we agree that the three axioms capture how this measure should react to these changes, there is one and only one measure that behaves accordingly

Polarization and social antagonism

If we agree that the three axioms capture how this measure should react to these changes, there is one and only one measure that behaves accordingly

$$P = \sum_i n_i \sum_j n_j [n_i d_{ij}] = \sum_i \sum_j n_i^2 n_j d_{ij}.$$

Population size of each group: n_i

Alienation of individuals of group i with respect to j : d_{ij} .

Polarization and social antagonism

If we agree that the three axioms capture how this measure should react to these changes, there is one and only one measure that behaves accordingly

$$P = \sum_i n_i \sum_j n_j [n_i d_{ij}] = \sum_i \sum_j n_i^2 n_j d_{ij}.$$

Population size of each group: n_i

Alienation of individuals of group i with respect to j : d_{ij} .

For continuous distributions the index is

$$\int \int |x - y| f(x)^2 f(y) dx dy.$$

Ethnicity and Civil Conflict

- Maybe research has failed to find anything with respect to class conflict because has focused on the wrong index. [We shall come back to this].

Ethnicity and Civil Conflict

- Maybe research has failed to find anything with respect to class conflict because has focused on the wrong index. [We shall come back to this].
- Even if our previous point is correct, the fact is that **internal conflicts often appear to be ethnic** in nature. **More than half of the civil conflicts have been recorded as ethnic or religious.**

Ethnicity and Civil Conflict

- Maybe research has failed to find anything with respect to class conflict because has focused on the wrong index. [We shall come back to this].
- Even if our previous point is correct, the fact is that **internal conflicts often appear to be ethnic** in nature. **More than half of the civil conflicts have been recorded as ethnic or religious.**

This case-based evidence has had an enormous influence on the way of thinking about the main drivers of civil conflict:

Ethnicity and Civil Conflict

- Maybe research has failed to find anything with respect to class conflict because has focused on the wrong index. [We shall come back to this].
- Even if our previous point is correct, the fact is that **internal conflicts often appear to be ethnic** in nature. **More than half of the civil conflicts have been recorded as ethnic or religious.**

This case-based evidence has had an enormous influence on the way of thinking about the main drivers of civil conflict:

- D. Horowitz, author of a monumental treatise on the subject of ethnic conflict, observes that **“In much of Asia and Africa, it is only modest hyperbole to assert that the Marxian prophecy has had an ethnic fulfilment”**.

Ethnicity and Civil Conflict

- Maybe research has failed to find anything with respect to class conflict because has focused on the wrong index. [We shall come back to this].
- Even if our previous point is correct, the fact is that **internal conflicts often appear to be ethnic** in nature. **More than half of the civil conflicts have been recorded as ethnic or religious.**

This case-based evidence has had an enormous influence on the way of thinking about the main drivers of civil conflict:

- D. Horowitz, author of a monumental treatise on the subject of ethnic conflict, observes that **“In much of Asia and Africa, it is only modest hyperbole to assert that the Marxian prophecy has had an ethnic fulfilment”**.
- Brubaker and Laitin (1998), **“...the eclipse of the left-right ideological axis.”**

Ethnicity and Civil Conflict

- Maybe research has failed to find anything with respect to class conflict because has focused on the wrong index. [We shall come back to this].
- Even if our previous point is correct, the fact is that **internal conflicts often appear to be ethnic** in nature. **More than half of the civil conflicts have been recorded as ethnic or religious.**

This case-based evidence has had an enormous influence on the way of thinking about the main drivers of civil conflict:

- D. Horowitz, author of a monumental treatise on the subject of ethnic conflict, observes that **“In much of Asia and Africa, it is only modest hyperbole to assert that the Marxian prophecy has had an ethnic fulfilment”**.
- Brubaker and Laitin (1998), **“...the eclipse of the left-right ideological axis.”**
- Do **“ethnic divisions”** predict conflict within countries?
- If this were true, **how should we interpret** such a result?

Ethnic Fractionalization and Social Antagonism

How to measure ethnic diversity in a society?

■ Fractionalization

This is the Hirschman-Herfindahl index

$$F = \sum_i n_i(1 - n_i),$$

Has been a most used index of ethnic diversity. Intuition.

Ethnic Fractionalization and Social Antagonism

How to measure ethnic diversity in a society?

■ Fractionalization

This is the Hirschman-Herfindahl index

$$F = \sum_i n_i(1 - n_i),$$

Has been a most used index of ethnic diversity. Intuition.

■ First contributions to the study of the role of ethnicity in civil conflicts used fractionalisation:

Easterly and Levine (1997), Collier (2001), Collier and Hoeffler (2004), Fearon and Laitin (2003), Miguel et al. (2004) or Montalvo and Reynal-Querol (2005). Blattman and Miguel (2010). But, ethnic fractionalization has been found not to be statistically significant in explaining conflict.

Ethnicity and Civil Conflict

- Why is ethnicity relevant?
 - **Primordialist**: Ancestral hatred. Huntington.
 - **Instrumentalist**: Ethnicity is used as a marker to achieve other goals: political or economic benefits. Economic/social antagonism might find its expression via ethnicity. Easier identification.

Ethnicity and Civil Conflict

■ Why is ethnicity relevant?

- **Primordialist**: Ancestral hatred. Huntington.
- **Instrumentalist**: Ethnicity is used as a marker to achieve other goals: political or economic benefits. Economic/social antagonism might find its expression via ethnicity. Easier identification.

■ What goals drive ethnic conflicts?

- **Greed**: the main goal is to appropriate rents after controlling the state.
- **Grievance**: the main goal is the ethnic pride or revenge for ancestral grievances.

Ethnicity and Civil Conflict

- In order to answer these questions we have defined a formal model that permits a more systematic view on the determinants of ethnic conflict. Notice that ethnic means non-economic marker.
- How is conflict modelled? Intuitive explanation.

Ethnicity and Civil Conflict

- In order to answer these questions we have defined a formal model that permits a more systematic view on the determinants of ethnic conflict. Notice that ethnic means non-economic marker.
- How is conflict modelled? Intuitive explanation.
- Main ingredients:
 - The ethnic groups in society, their size, and how alien feel from each other. [*Narodov Mira* atlas, recently geo-referenced and *Ethnologue* for cultural distances.]
 - The benefits from conquering power: socio/political and economic.
 - Socio/political: political repression π
 - Economic: size of rents controlled from the government μ per capita.

Ethnicity and Civil Conflict

Solving the model, we obtain that in equilibrium:

$$\frac{c'(\rho)\rho}{\pi + \mu} \approx \alpha [\lambda P + (1 - \lambda)F] + (1 - \alpha)\lambda \frac{G}{N} + \frac{\text{Constant}}{N}$$

- Meaning of LHS: ρ is resources wasted per capita
 - Meaning of RHS: $\lambda = \frac{\pi}{\pi + \mu}$, $\alpha =$ commitment to the group.
-
- We have derived from the model that the relation between conflict intensity and the distributional measures is linear.
 - When group concern is maximal, $\alpha = 1$, only F and P play a role. With pure egoism, $\alpha = 0$, only G matters [but G/N is negligible].

Ethnicity and Civil Conflict

Solving the model, we obtain that in equilibrium:

$$\frac{c'(\rho)\rho}{\pi + \mu} \approx \alpha [\lambda P + (1 - \lambda)F] + (1 - \alpha)\lambda \frac{G}{N} + \frac{\text{Constant}}{N}$$

- Meaning of LHS: ρ is resources wasted per capita
 - Meaning of RHS: $\lambda = \frac{\pi}{\pi + \mu}$, $\alpha =$ commitment to the group.
-
- We have derived from the model that the relation between conflict intensity and the distributional measures is linear.
 - When group concern is maximal, $\alpha = 1$, only F and P play a role. With pure egoism, $\alpha = 0$, only G matters [but G/N is negligible].
 - When conflict is on a public good, $\lambda = 1$, only G and P and with a purely private payoff, $\lambda = 0$, only F matters.

Ethnicity and Civil Conflict

Solving the model, we obtain that in equilibrium:

$$\frac{c'(\rho)\rho}{\pi + \mu} \approx \alpha [\lambda P + (1 - \lambda)F] + (1 - \alpha)\lambda \frac{G}{N} + \frac{\text{Constant}}{N}$$

- Meaning of LHS: ρ is resources wasted per capita
- Meaning of RHS: $\lambda = \frac{\pi}{\pi + \mu}$, $\alpha =$ commitment to the group.
- We have derived from the model that the relation between conflict intensity and the distributional measures is linear.
- When group concern is maximal, $\alpha = 1$, only F and P play a role. With pure egoism, $\alpha = 0$, only G matters [but G/N is negligible].
- When conflict is on a public good, $\lambda = 1$, only G and P and with a purely private payoff, $\lambda = 0$, only F matters.
- With $\lambda = \alpha = 1$ P is the only relevant indicator for conflict.

Empirical implementation

We study 138 countries over 1960–2008, with the time period divided into five-year intervals. That yields a total of 1125 observations (in most cases).

■ Conflict intensity

- **As death toll:** PRIO dataset.

prio-c is equal to 0 if the country is at peace in those five years; to 1 if it has experienced low-intensity conflict (more than 25 battle related deaths but less than 1000) in any of these years, or to 2 if the country has been in high-level conflict (more than 1000 casualties) in any of the five years.

- **As social unrest:** the *Index of Social Conflict*, isc, computed by the Cross-National Time-Series Data Archive.

It provides a continuous measure of several manifestations of social unrest with no threshold dividing “peace” from “war”. The index isc is formed by taking a weighted average over eight different manifestations of internal conflict, such as politically motivated assassinations, riots, guerrilla warfare, etc.

Variable	(1) prio-c	(2) isc	(3) prio-c	(4) isc	(5) prio-c	(6) isc
P	*** 5.16 (0.001)	*** 19.50 (0.002)	- 1.48 (0.606)	- 16.33 (0.227)	- 1.47 (0.701)	- 23.80 (0.212)
F	* 0.93 (0.070)	* 3.56 (0.061)	0.76 (0.196)	0.31 (0.878)	0.87 (0.403)	- 0.16 (0.710)
$P\lambda$			*** 11.174 (0.003)	*** 61.89 (0.001)		
$F(1 - \lambda)$			* 1.19 (0.097)	*** 10.40 (0.000)		
$P\lambda\alpha$					* 12.65 (0.087)	*** 90.32 (0.010)
$F(1 - \lambda)\alpha$					2.54 (0.164)	** 13.15 (0.018)
gdppc	** - 0.34 (0.047)	*** - 2.26 (0.004)	* - 0.36 (0.080)	*** - 3.02 (0.001)	- 0.25 (0.375)	*** - 3.68 (0.007)
pop	*** 0.24 (0.000)	*** 1.14 (0.000)	*** 0.21 (0.001)	*** 1.30 (0.000)	* 0.09 (0.166)	** 1.29 (0.013)
nr	- 0.27 (0.178)	- 0.53 (0.497)	- 0.00 (0.570)	0.00 (0.432)	** 0.00 (0.011)	* 0.00 (0.090)
mount	0.00 (0.537)	0.02 (0.186)	0.00 (0.362)	* 0.03 (0.061)	* 0.01 (0.060)	** 0.05 (0.020)
ncont	*** 1.06 (0.001)	*** 4.55 (0.001)	** 0.77 (0.026)	*** 4.28 (0.001)	*** 1.37 (0.004)	*** 5.89 (0.000)
politics	0.18 (0.498)	0.29 (0.789)	- 0.00 (0.328)	** - 0.00 (0.026)	0.00 (0.886)	- 0.00 (0.374)
lag	*** 1.99 (0.000)	*** 0.46 (0.000)	*** 1.94 (0.000)	*** 0.44 (0.000)	*** 1.84 (0.000)	*** 0.40 (0.000)
const	-	0.90 (0.915)	-	9.19 (0.398)	-	15.40 (0.328)
(Pseudo)-R ²	0.35	0.43	0.36	0.44	0.40	0.43
Observations	1125	1111	1104	1090	447	443
Countries	138	138	138	138	53	53

What have we learned on conflict?

- Significant and strong links between ethnicity and conflict.
- The theory allows us to draw additional interesting inferences:
 - Conclusive evidence that monetary gains, “greed”, is not the only significant driver: public payoffs are significant and very important. Otherwise only fractionalization would matter. ■ Theory says that P and F have to enter interacted with publicness and α . Once interacted are the only ones to significant.
 - The disappearance of the effects of P and F once interactions are introduced suggests that ethnicity matters, not intrinsically [primordialists], but rather instrumentally. ■ The model works well with both high intensity civil wars [PRIO-C] and smaller scale social unrest [ISC]. ■ No regional effects: we use regional controls. Also have repeated the exercise by removing one continent at a time.
- Caveat: the results do not exclude that economic class differences might also be relevant. In research agenda.

Class versus Ethnic Conflict

Class versus Ethnic Conflict

- We have just seen that ethnic divisions are a determinant of social conflict, but only when they are combined with social and economic gains.
- But why such social and economic gains are not channelled through class alliance?
- Now I will discuss why it is easier to form ethnic alliances rather than class alliances.
- Economic demarcation across classes is a two-edged sword: while it breeds resentment, the **very poverty of the have-nots deprives them from the means for a successful insurrection.**
- Across-group heterogeneity coupled with within-group homogeneity has been seen as a necessary condition for conflict.

My own work with Debraj Ray on *polarization* exploits this plausible idea.

Class versus Ethnic Conflict

- Indeed, **internal homogeneity and external heterogeneity** permit common and well defined group goals.
- But what if successful activism demands **various inputs**?
- Successful movements require finances, effective organisation, intellectuals turning emotions into manifestos, grass-root militants...

Class versus Ethnic Conflict

- Indeed, *internal homogeneity and external heterogeneity* permit common and well defined group goals.
- But what if successful activism demands *various inputs*?
- Successful movements require finances, effective organisation, intellectuals turning emotions into manifestos, grass-root militants...
- The argument I want to develop is the following:

*When effectiveness in conflict requires various and distinct inputs, within-group heterogeneity might **increase**, rather than **reduce** the group's fighting efficiency.*

Specifically, let me consider the role of heterogeneity when money and bodies are both necessary for conflict.

Does income inequality across groups or within groups fuel ethnic conflict?

Class versus Ethnic Conflict

- Consider the case of a society divided on an ethnic issue. Each ethnic group will be heterogeneous because there will be rich and poor.
- Success needs both monetary contributions and activists organising activities, demonstrations, or even violent resistance.
- Quite naturally the rich will contribute the money and the poor the activism.

Class versus Ethnic Conflict

- What happens if income inequality **within** the ethnic group increases?
- The rich have become richer and the poor poorer.
- The rich will contribute more money and the poor will be cheaper to mobilise: the level of activism will go up.

Class versus Ethnic Conflict

- What happens if income inequality **within** the ethnic group increases?
 - The rich have become richer and the poor poorer.
 - The rich will contribute more money and the poor will be cheaper to mobilise: the level of activism will go up.
- What happens if income differences **between** the two ethnic groups increase?
 - The rich will contribute more but the activists will be more expensive to mobilise.
 - Hence, income diversity across ethnic groups has ambiguous effects.

Class versus Ethnic Conflict

- What happens if income inequality **within** the ethnic group increases?
 - The rich have become richer and the poor poorer.
 - The rich will contribute more money and the poor will be cheaper to mobilise: the level of activism will go up.
- What happens if income differences **between** the two ethnic groups increase?
 - The rich will contribute more but the activists will be more expensive to mobilise.
 - Hence, income diversity across ethnic groups has ambiguous effects.
- What happens when society is divided into economic classes?
 - The poor have little money and hence will hardly be able to oppose effective activism.

Class versus Ethnic Conflict

- What kind of alliance will we see, class or ethnic?

Suppose there are two ethnic groups and two economic classes. The poor are a majority and one of the two ethnic groups is larger.

- In an ethnic alliance the rich will contribute the finances and the poor the militants.
- If the benefits are the same, the poor of the ethnic majority will prefer to be in an ethnic alliance rather than in a class alliance.
- The rich of the ethnic majority prefer ethnic to class conflict.

Class versus Ethnic Conflict

- What kind of alliance will we see, class or ethnic?

Suppose there are two ethnic groups and two economic classes. The poor are a majority and one of the two ethnic groups is larger.

- In an ethnic alliance the rich will contribute the finances and the poor the militants.
 - If the benefits are the same, the poor of the ethnic majority will prefer to be in an ethnic alliance rather than in a class alliance.
 - The rich of the ethnic majority prefer ethnic to class conflict.
- Therefore, in case of a threat of class conflict, the rich of the ethnic majority will prefer to promote ethnic values and precipitate inter-ethnic conflict. Ethnic: nationalism/separatism, religion, language...

Class versus Ethnic Conflict

- What kind of alliance will we see, class or ethnic?

Suppose there are two ethnic groups and two economic classes. The poor are a majority and one of the two ethnic groups is larger.

- In an ethnic alliance the rich will contribute the finances and the poor the militants.
 - If the benefits are the same, the poor of the ethnic majority will prefer to be in an ethnic alliance rather than in a class alliance.
 - The rich of the ethnic majority prefer ethnic to class conflict.
- Therefore, in case of a threat of class conflict, the rich of the ethnic majority will prefer to promote ethnic values and precipitate inter-ethnic conflict. Ethnic: nationalism/separatism, religion, language...
- Of course, if the gains of the poor from a class conflict are much larger than from an ethnic conflict we will eventually see class as the major social cleavage.

Class versus Ethnic Conflict: Summing up

- Why more ethnic than class conflict?

Class versus Ethnic Conflict: Summing up

■ Why more ethnic than class conflict?

- [1] Since money is also needed for effective confrontation, ethnic alliances are more effective and easy to form.
- [2] The rich will strategically induce ethnic cleavages in order to avoid class conflict.
- [3] Conflicts seem to be channelled through ethnic groups. Empirically we find that ethnicity plays a role not by itself but only when it is instrumental to obtain benefits.
- [4] Effective class confrontation is not driven by income inequality but by income polarisation.

Class versus Ethnic Conflict: Summing up

■ Why more ethnic than class conflict?

- [1] Since money is also needed for effective confrontation, ethnic alliances are more effective and easy to form.
- [2] The rich will strategically induce ethnic cleavages in order to avoid class conflict.
- [3] Conflicts seem to be channelled through ethnic groups. Empirically we find that ethnicity plays a role not by itself but only when it is instrumental to obtain benefits.
- [4] Effective class confrontation is not driven by income inequality but by income polarisation.

How is the distribution of incomes in the US and the EU changing?

Towards Class Conflict?

- We observe a major increase in inequality in the US and the EU. Picketty: the top 1% have become richer than ever before.
- We shall see that there are deeper changes too.
- The situation has become so extreme that even the OECD and the IMF make strong statements in favour of greater redistribution.

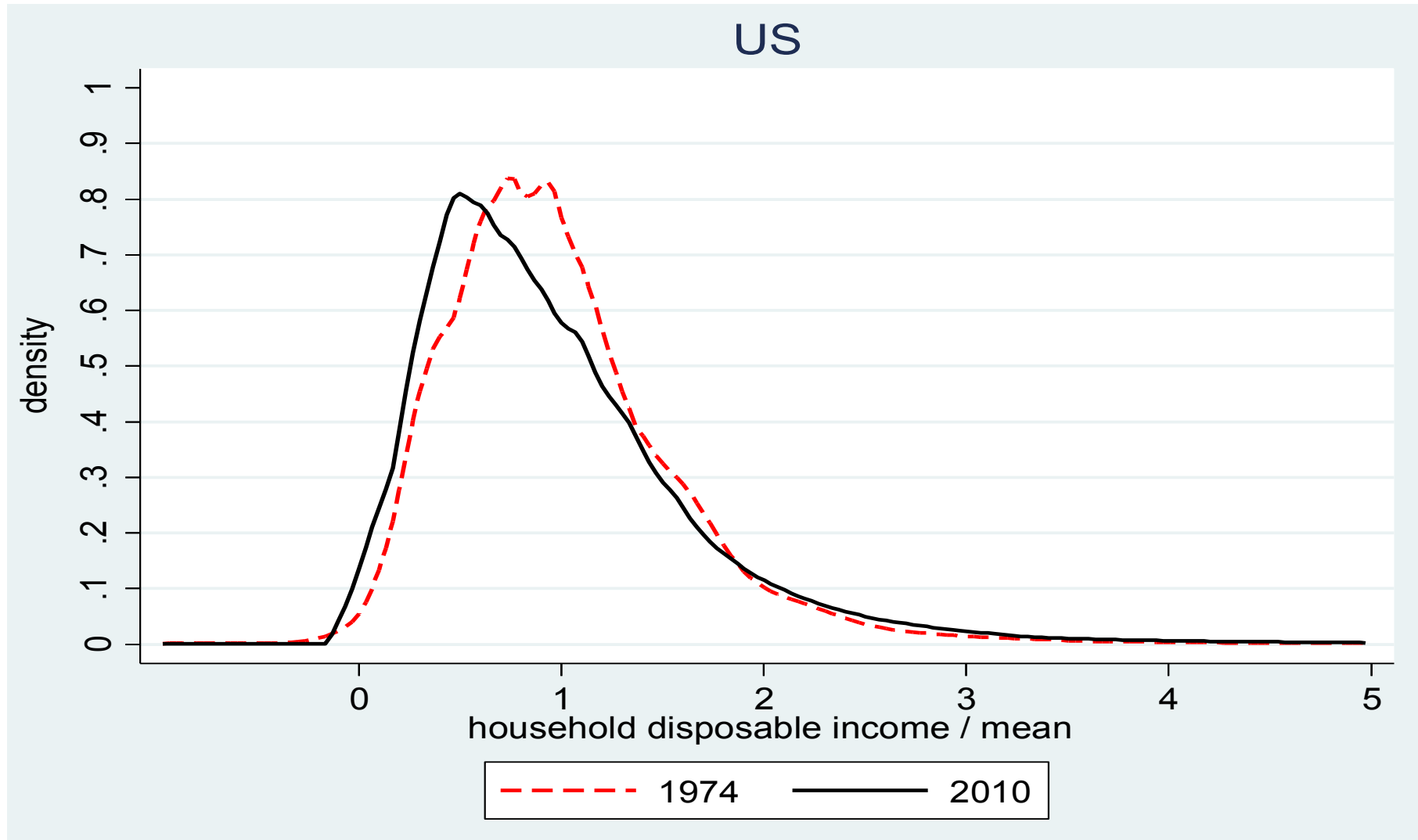
Towards Class Conflict?

- We observe a major increase in inequality in the US and the EU. Picketty: the top 1% have become richer than ever before.
- We shall see that there are deeper changes too.
- The situation has become so extreme that even the OECD and the IMF make strong statements in favour of greater redistribution.
- Warren Buffett: “There is class warfare, all right, but it is my class, the rich class, that is making war, and we are winning. NYT 26 November 2006.
- Headline of *Time* magazine 1 April 2014: “There is a Class War Going On and the Poor Are Getting Their Butts Kicked”
- Headline of *The Observer* 30 November 2014: “Class war is back again and British politicians are running scared”.

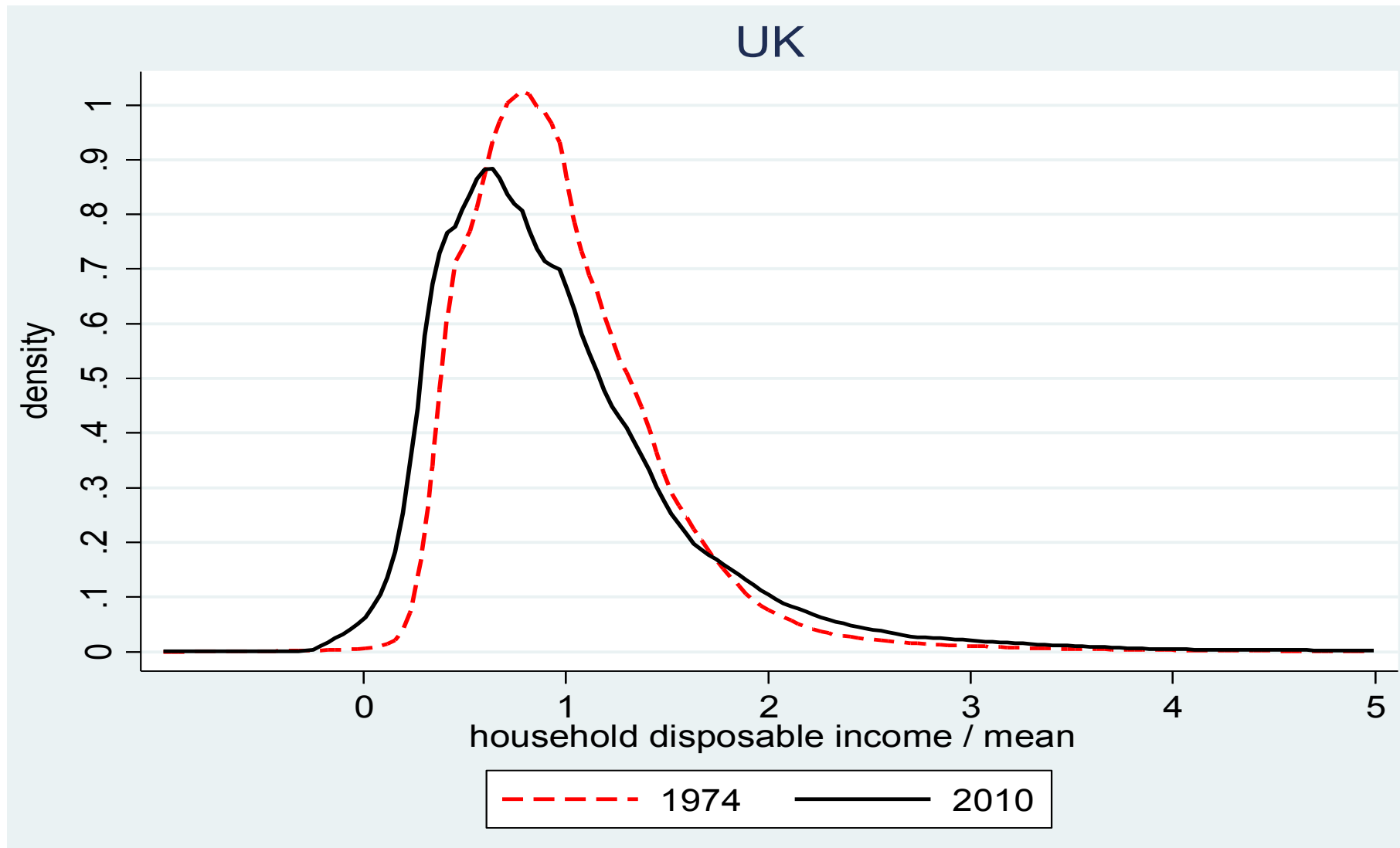
Towards Class Conflict?

- We observe a major increase in inequality in the US and the EU. Picketty: the top 1% have become richer than ever before.
- We shall see that there are deeper changes too.
- The situation has become so extreme that even the OECD and the IMF make strong statements in favour of greater redistribution.
- Warren Buffett: “There is class warfare, all right, but it is my class, the rich class, that is making war, and we are winning. NYT 26 November 2006.
- Headline of *Time* magazine 1 April 2014: “There is a Class War Going On and the Poor Are Getting Their Butts Kicked”
- Headline of *The Observer* 30 November 2014: “Class war is back again and British politicians are running scared”.
- Let us examine the change in the distribution of incomes.

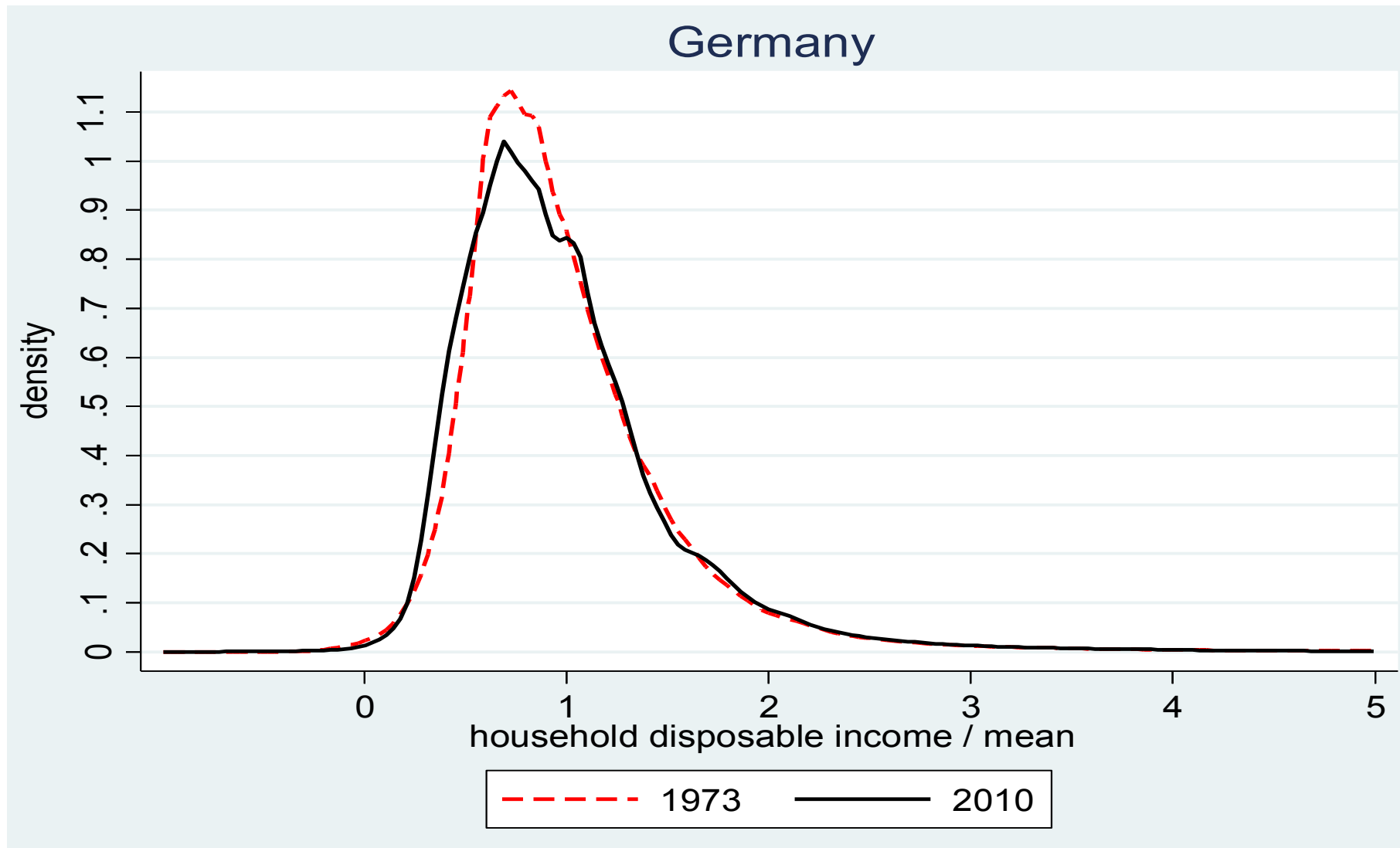
Changes in the income distribution: US, UK, Germany, Spain



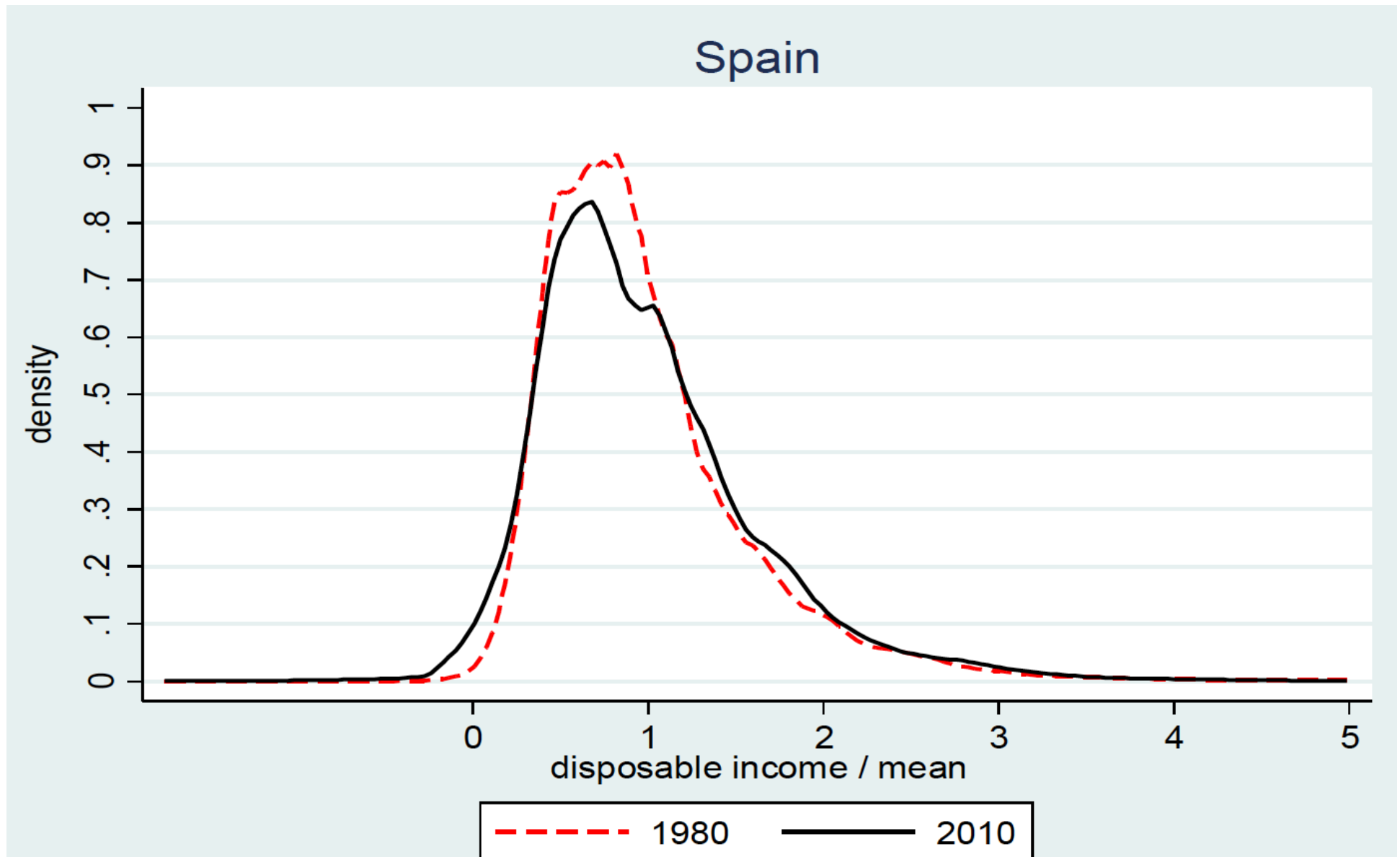
Changes in the income distribution: US, UK, Germany, Spain



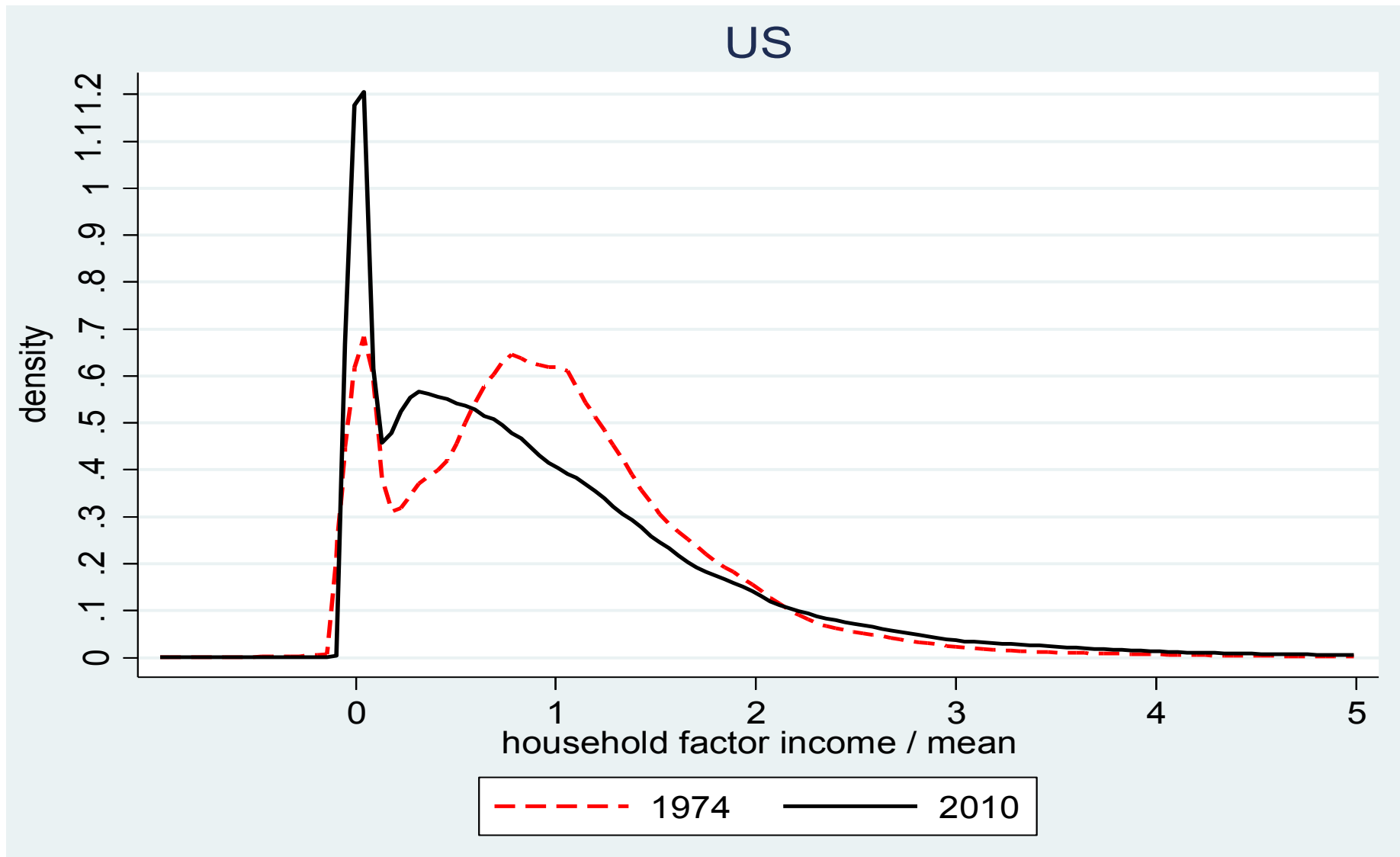
Changes in the income distribution: US, UK, Germany, Spain



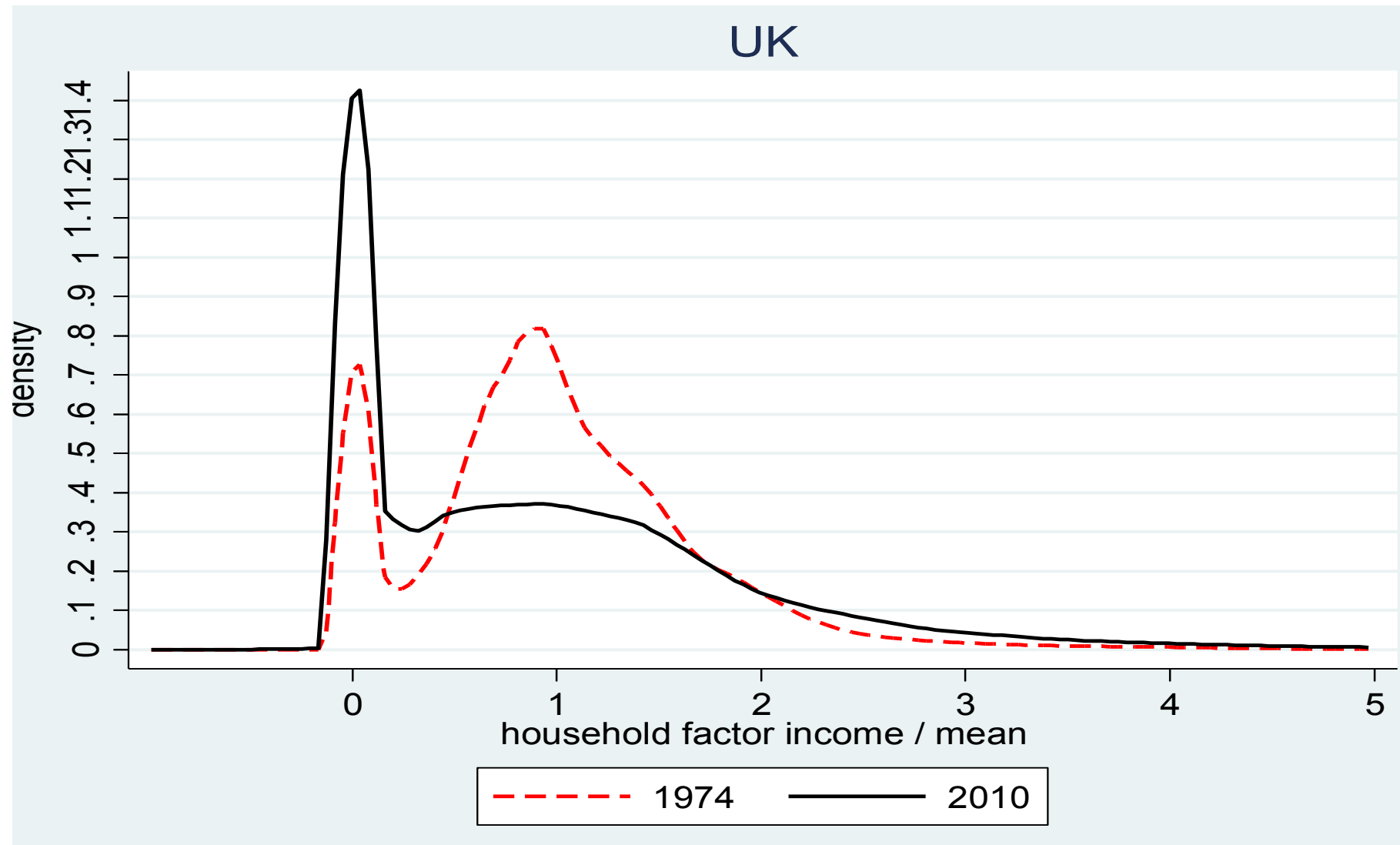
Changes in the income distribution: US, UK, Germany, Spain



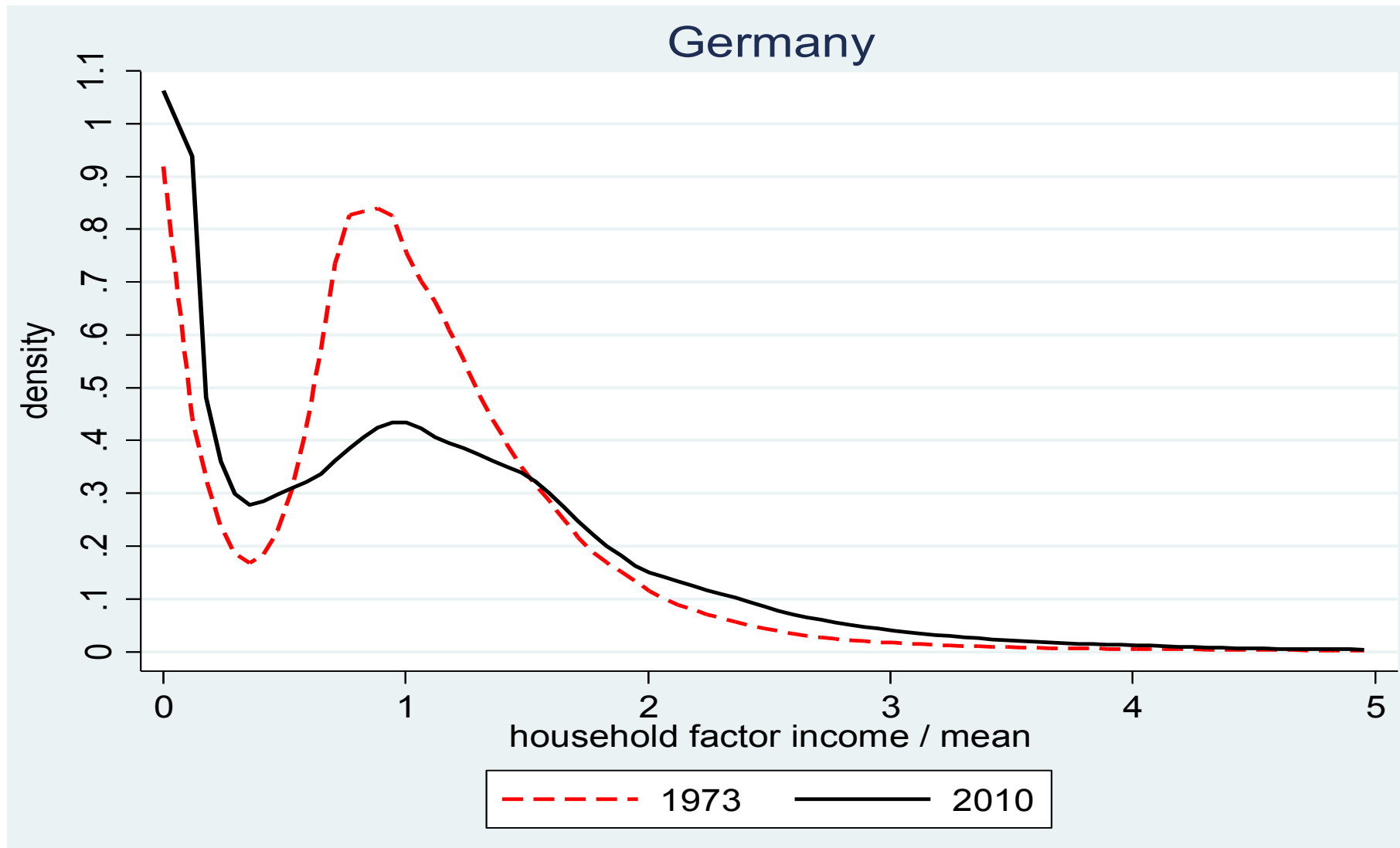
Changes in the income distribution: US, UK, Germany, Spain



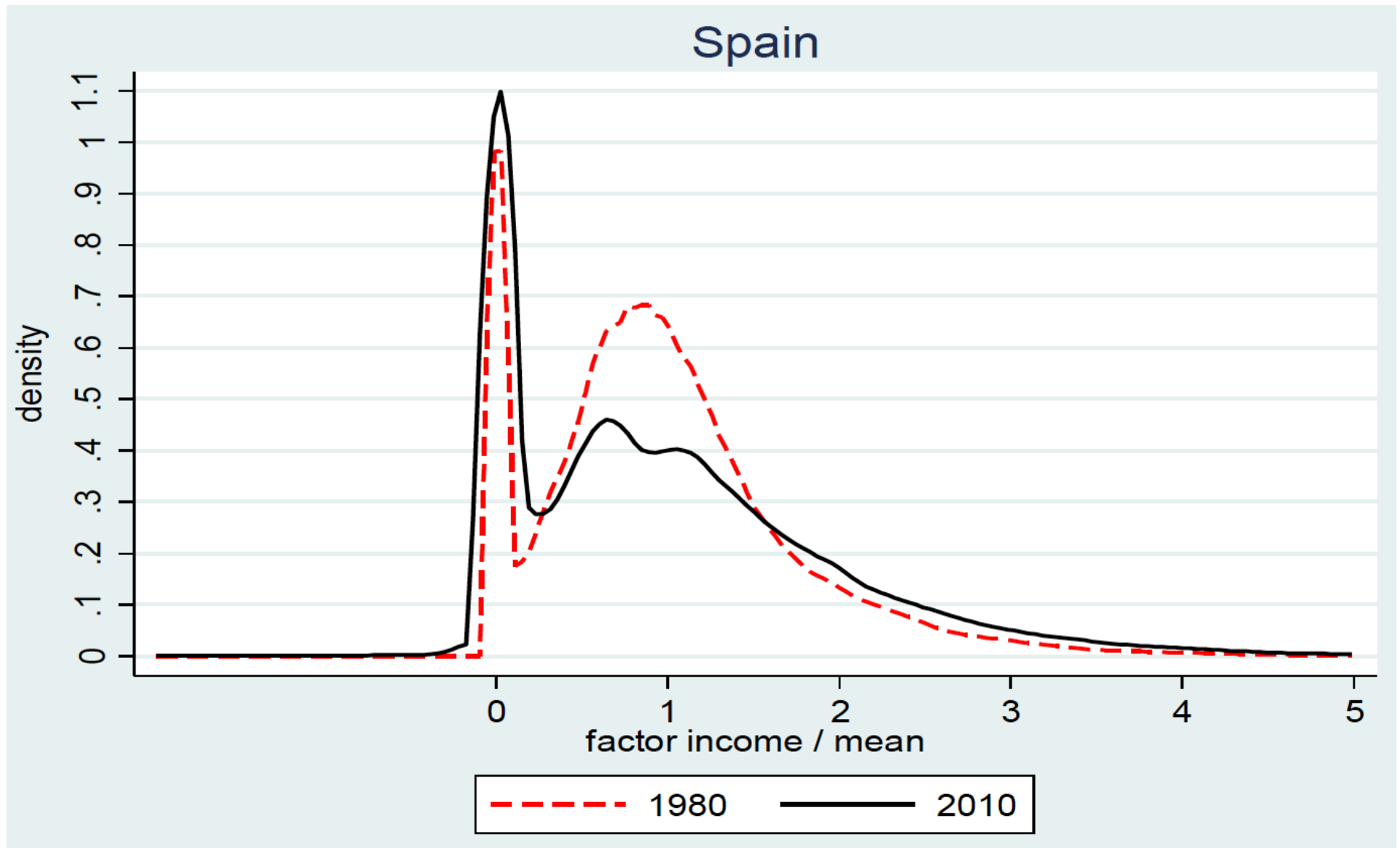
Changes in the income distribution: US, UK, Germany, Spain



Changes in the income distribution: US, UK, Germany, Spain



Changes in the income distribution: US, UK, Germany, Spain



Changes in the income distribution: US, UK, Germany, Spain

- Great changes in how the market pays individuals. Still to be explained...
- Major stress on the welfare system to compensate for a more uneven distribution.
- Disappearance of the middle working class with incomes about the mean.

Changes in the income distribution: US, UK, Germany, Spain

- Great changes in how the market pays individuals. Still to be explained...
- Major stress on the welfare system to compensate for a more uneven distribution.
- Disappearance of the middle working class with incomes about the mean.
- Increase in income distances [alienation], but decrease in group identification.
- We might observe signs of discontent but not much of class organised effective militancy because of lack of group identification.
- We may more easily see discontent channelled through ethnic expressions.