

**Tim Phillips [00:00:00]:**

Welcome to VoxTalks Economics, recorded live at the PSE CEPR Policy Forum at the Paris School of Economics. My name is Tim Phillips. In this episode, can we sustain our political institutions with our current level of inequality? This morning in his keynote, Thomas Piketty said that if economic inequality leads to political inequality, what does that look like and how do we solve the problem? Julia Cagé of Sciences Po is the expert on political inequality. She's just been talking about it now. Julia. Welcome to VoxTalks.

**Julia Cagé [00:00:46]:**

Hi.

**Tim Phillips [00:00:48]:**

Thank you for doing it so soon after your lecture. And one of the things that you were talking about is participation in elections, that's been going down recently. How serious is the participation problem?

**Julia Cagé [00:00:59]:**

It's a very serious problem if you believe that in representative democracy people need to vote. And if people do not vote is it because they do not longer believe in representative democracy, in a sense. If you look at the number of countries, if you look at France, if you look at the UK, if you look at the US. The drop in recent decades has been impressive. In some elections, you have less than 50% of the population that just turn out and vote. So it means that half of the people do not believe in elections and they prefer to stay home. So for some elections, you have like, some variations. For example, the last elections in the US, it was a little bit better, but the overall trend is looking pretty bad.

**Tim Phillips [00:01:39]:**

Often our prior position on this is that poor people don't vote. Is that the case?

**Julia Cagé [00:01:43]:**

It's the case as of today. If you look at the vote difference between poor people and rich people, you see that poor people do vote more than rich people. And this is something that we knew for recent years for survey data, but in some work we did with Thomas Piketty for a book that will be out in French in the fall, next year in English, we look at the difference of the vote for poor people and rich people, not only in the 80s or the 90s, but since the beginning of the 19th century. And what is really striking, if you look at the data, is that first of all, in the 50s, 60s, 70s, 80s in France, poor people were actually voting more than rich people, and that the vote

differential between poor people and rich people today, it's much higher than what it was in the 19th century. So we have kind of a new phenomena. And so it means that we should think twice about the explanation we are used to giving in the literature, just saying that, okay, poor people are less educated or less interested into politics or they're more lazy when it comes to turnout. It's not the case. They've voted much more in recent decades. So the question is, why did they decide to stop voting?

**Tim Phillips [00:02:44]:**

So the phrase we're talking about is political inequality. Could you define what political inequality is? It's a slightly slippery term.

**Julia Cagé [00:02:53]:**

I think I cannot give one good definition. And you have like ten different definitions in the literature. I can tell you what I am interested in. What I am interested in is the different strategies rich people can use to influence the political debate and the political game. They can do that either by giving money directly to political parties and campaigns, and this is something for which we have a lot of evidence in the literature. They can do so by giving charitable donations. And one of the things I have documented in my work is the fact that charitable donations by rich people, they tend to be politically motivated and they can do so. This was not part of the lecture, but this is also a topic I am interested in by buying and controlling media outlets. So this is the first dimension of political inequality, in a sense, is that if rich people give much more to charities with a political dimension or to political parties or have a higher stake on media, at the end of the day, it's hard to define democracy as one person, one vote. It's more like €1 or \$1, 1 vote because rich people will have an higher stake in the political game. So this would be like the first dimension of political inequality that I am interested in. And the second one is representation. And here I think we have two different things that we need to take into account. The first one is substantive representation. So the fact that preferences of the poor are not taken into account and the one of the rich are taken into account to a largest extent by politicians. And the second one that I think has been too much ignored, at least in the economic literature, you have much more work by sociologists and by political scientists is really the issue of descriptive representation. So really the issue of the identity of politicians. If you look at the characteristics of the politicians compared to the characteristics of the citizens, and in particular, you know, whether they were like blue collar or white collar workers before becoming a politicians, here you have a high degree of non representativeness of MPs in a number of Western democracies.

**Tim Phillips [00:04:38]:**

Take those in order. First of all, on this donation data that you're looking at, we are used to seeing data now on political donations, lobbying, and it's pretty clear how that influences the process. Why are you focusing on charities?

**Julia Cagé [00:04:54]:**

First of all, because in fact, if you look at charitable donations, they tend to be much more important on average than political donations. So in fact, if you just focus on political donations, you are missing part of the story. And the second thing is that there are a lot of different things that we call charities. For example, when you look at think tanks, they are included into the charities category. And by the way, it means that they can benefit from tax deduction when you make a donation to a think tank. And so for a lot of rich people, in particular in countries where you are capped on political donations. So basically they cannot give as much money as they want to buy political influence. They are going to use charitable donations as another way to buy this political influence.

**Tim Phillips [00:05:29]:**

And this is very focused amongst the rich and the ultra rich in the population.

**Julia Cagé [00:05:33]:**

The big difference between political donations and charitable donations is that the share of donors, particularly among poor people, is much lower for political donations than for charitable donations. Then in terms of concentration, you have a higher share of donors for charitable donations, including among the poor, but they give much less. And given that there is no cap on charitable contributions, rich people give much more. So overall, if you look at the overall concentration of charitable donations, this is us or even more concentrated than political donations.

**Tim Phillips [00:06:00]:**

It's unusual because the whole conference is talking about inequality today. You think of charitable donations being, generally speaking, a good thing. They come from the rich, they go to helping a charitable cause. This is not your story.

**Julia Cagé [00:06:14]:**

So I hope I change your mind. No, this is not my story because this is not the case. But I am not the only one that is working on that. In particular, there is a very, very good book by Rob Reich from the University of Stanford that is called Just Giving. It was published in 2018 that really showed that the majority of the charitable donations in the US, they do not benefit poor people, they do benefit rich people. But then it turns out that when you make a charitable donation, you benefit from a tax deduction. So at the end of the day, you use public money to subsidize donations that are going to benefit the rich more than the poor. So this is not even like flat in terms of redistribution. This is anti redistributive.

**Tim Phillips [00:06:51]:**

Oh dear. So let's talk about representation as well, the identity of the politicians. First of all, you showed a graph to show how many politicians are working class in different countries and in the UK it's really almost none now.

**Julia Cagé [00:07:06]:**

So if you look at countries like the US and France, it has always been low. So you don't have a lot of blue collars. So the trends are decreasing, but from very low level. In the UK it's different because if you look at the 50s, 60s in the UK for members of the Labor Party, you had up to like 30, 34, 35% of Labor Party MPs that were from working class background. It has never been the case for the Conservative, but you really had this like high degree of representation of blue collar workers among Labor Party MPs and this just collapsed in particular since the 1980s, 1990s. And now the share is as low for Labor Parties and for Conservative Party which is not so far from zero.

**Tim Phillips [00:07:45]:**

Do we know why this is?

**Julia Cagé [00:07:47]:**

So you can have different explanations. My favorite explanation when I look at the data and what happened at the same time is really the fact that at the end of the 1980s, 1990s there were reforms that were like pushed in part by Margaret Thatcher. So it was a good idea for her if she wanted to destroy the Labor Party she made it more difficult for union in the UK to fund political parties in particular before there were opt out option. So basically you were a member of the unions, you will fund automatically the party that she turned into an opt in. So you need to say that you want to do so. And so the share of funding for the labor parties that came from union just strongly declined since the end of the 1980s, 1990s. And if you look at the data, you see more and more large donors, more and more like millionaires and billionaires funding the Labor Party. Some of them, like in the UK, it's kind of striking in the data, they're even going to run for the Labor Party. So basically, they pay their seat, but for some of them, they just buy policies indirectly by funding the party. So basically you have a party that was funded by unions and in a sense that were pushing in favor of the political preferences of these unions, so like the blue collar workers and now that just received money from very rich people and that has economic policy that is much less redistributive than what it was before. Like the turning point in the UK now we will see in the future and now the Labour Party is having a number of change but the turning point and you really see that both in the donations data and the vote data and in the kind of policy implemented, was under Tony Blair. Tony Blair is really the end of the blue collar Labor Party in the UK from this point of view.

**Tim Phillips [00:09:13]:**

For anyone that's listening to this who's younger than me, Tony Blair was elected in 1997 for the Labor Party but it was a different kind of Labor Party before. It was a very union dominated Labor Party.

**Julia Cagé [00:09:24]:**

It was the end of that '97.

**Tim Phillips [00:09:33]:**

Does this matter though, Julia? If you've got the same number of MPs and they come from the same party, does it really matter their background before they get into parliament?

**Julia Cagé [00:09:43]:**

It matters for two reasons. It matters first, because MPs do not vote the same way depending on their background. This has been very well documented in particular in the case of the US by a book by Nicholas Carnes that is called *White Collar Government* where it really shows the fact that even like within the Republican, within the Democratic Party, blue collars and white collars MPs do not vote the same way. So this is the first reason why. So it has an impact direct impact on the kind of policies that are implemented and I think we should consider that much more, even if it has been ignored a lot. I also think it matters because people care about descriptive representation, people care about the fact of having MPs that look like them. And this is something that we see in the data. In particular, if you look at participation, like if you look at the UK, I have a paper on that with Edgard Dewitt was a PhD student at Sciences Po and with joining Oxford University right now. So it would be a good country to study the case of British politics. One of the things that we did is that we map over the 20th centuries the characteristics of the different constituencies and the characteristics of all the candidates running in these constituencies. And one of the things that is really striking from the results that we obtain is that an average turnout is lower when you have a higher gap between the characteristics of the candidates and the characteristics of the constituency. So basically, people vote less when their candidates look less like them. And this might also explain why we see such a drop in recent years in political participation.

**Tim Phillips [00:11:04]:**

I'd note that some countries now have quotas for MPs to make that descriptive representation happen. Has that been a benefit in participation in reducing political inequality?

**Julia Cagé [00:11:18]:**

So this is one thing that we observed in India and which was put in place at the end of the colonization. In India, what they did is that they decided to have reserved districts for scheduled caste. So this is not as if they were like quota on the share of candidates that are from the scheduled caste in all the different districts, but basically in a small number of constituencies, you can just vote among scheduled caste. This has been studied in particular by Norwegian politician that is called Francesca Jensenius. And what she shows is that absence, this, the representation of this scheduled caste would be even lower than what we observe today. So yes, it's good. If you look at gender, for example, and gender parity, the only reason why it improves over time is because of the introduction of quota. This is when you change the law. When you look at the pattern of declining social parity, we see that if we do not change the law, if anything, it will worsen in the future. Well, you might say that the good news is that given it's already near zero, it might not worsen much more. But this is a little bit ironic.

**[Voiceover] [00:12:19]:**

How well does campaign finance work? In October 2020, Julia revealed how much a vote costs in British and French elections. Listen to our episode titled The Price of a Vote.

**Tim Phillips [00:12:36]:**

Julia, there's a lot of younger people now who are just getting to the age of voting, and they're not particularly motivated by the chance to vote. But they are politically active in other ways, in direct action, in demonstration, if that is the way that they exercise their politics, is the decline in participation such a problem? Because they are finding other ways to improve their world?

**Julia Cagé [00:13:00]:**

It's an issue because obviously they are finding other ways to improve the world and they are doing so and that's great but protesting is not enough. Look at France for example, we have protests like in January, February, March against the retirement reform and still now we have the pension reform. So the good things to do if you were not willing to have this pension reform was to go and vote against Macron at the time of the legislative or the presidential elections. Now we protest and I was supportive of this protest and to be completely clear and that's good and I went and marched and was in the street that was not enough. So the only thing that can really help on top of everything else it's not something that is a substitute is really to go and pick your own political leaders.

**Tim Phillips [00:13:48]:**

Are you optimistic about the sort of reforms for example like caps on campaign contributions that can make a change to this? Are they enough to make a change to this?

**Julia Cagé [00:13:59]:**

It depends on the country. I would say that in the US now I'm pretty pessimistic the country like France I still have some hope but in particular because now this is a topic on the table and the opposition has taken some commitment to do so. So I hope that when they will be elected they will do so. In a country like the UK it's complicated. You have a very nice number of reports on that. Tim Besley did very nice work on that too trying to see whether or not at the end it will work. The big issue in the UK that you have this trade off where the Labour Party wants to limit donations and the Conservative Party was to say okay but then no corporate donations from unions and basically the equilibrium is do nothing. It's never good to do nothing in particular when we see such low rate of participation. The only thing is that if young people do not go and vote they won't push an agenda for reforming the voting system and in particular campaign finance. So they should do both. But I think this is part of our responsibility like people working on political inequality to convince them that it is of importance and that they should take that into account.

**Tim Phillips [00:14:58]:**

That's the message go out and vote. Julia, thank you very much.

**Julia Cagé [00:15:04]:**

Go and vote for the young but for the politicians reform the system because the young they are right when they do not vote because they no longer believe in representative democracy. Representative democracy does not work well as of today. The good news is that we know how to fix it. So let's tell our politicians change the system and then let's say the young people, you won't have any reasons not to go and vote.

**Tim Phillips [00:15:26]:**

Julia, thank you very much.

**[Voiceover] [00:15:30]:**

This has been a VoxTalk recorded at the Paris School of Economics CEPR Policy Forum, 2023. If you like what you hear, subscribe. You can find us wherever you get your podcasts, and you can listen to clips of past and future episodes. When you follow us on Instagram at Voxtalks Economics.