

# Chapter 17

## Global Recession and Income Inequality: Factors of Disruption for Elites in the Twenty-First Century



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### Introduction

Global Governance (GG) is a system of institutions and rules that allows different national and regional economies to be connected by trade, labour flows, money and information. At the same time, GG includes specific systems that connect all types of markets. Most importantly, it has a system of enforcement to ensure the smooth operation of this immense system.<sup>1</sup> Disturbances to the GG system can have a positive or creative effect. These include technological shocks, the information revolution, trade conflicts, antimonopoly cases, etc. In addition, improved global education, scientific progress and all factors related to helping humanity such as trends in poverty eradication, the empowerment of women and the environmental and biodiversity protection movements can also have a positive influence on global governance.

Occasional economic shocks influence GG negatively by diverting the attention of political elites to other urgent national problems, and by tightening budgets devoted to reducing inequality domestically versus reducing poverty and solving other problems on the global level. Large-scale socio-economic shocks can also aggravate the situation with GG, limiting capabilities and shifting the focus of national political elites. In this chapter, we intend to show the chain of economic-socio-political shocks that occurred on the national level during the period of 2008–2018. Those shocks affected the actual positions of elites and created high uncertainty. The negative influence of domestic economic problems and renewed debates on issues of inequality intensified international conflicts and destabilised

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<sup>1</sup>See chapter by A. Kurdin in this volume.

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electoral processes. Taken together, these trends have been changing and endangering the GG for some years. This puts long-term global stability in question.

This chapter is devoted to the set of economic-socio-political problems that Western societies have faced in the past decade. Section “Introduction” analyses the growth and well-being of developed and developing countries during and after the Great Recession of 2008–2009. Section “Growth and Well-Being in the Twenty-First Century” explores key trends in social inequality and especially the crisis of relative inequality. Section “A Crisis of Relative Inequality” examines trends in democracy indicators and ends with a look at the reasons for the growing political instability.

The Great Recession of 2008–2009, the subsequent slow recovery and the sudden shock in 2014 to the economic life of business, labour markets and state finance greatly aggravated the social situation worldwide. The first key idea here is obvious: the socio-economic depression and crisis in global governance have resulted from 5 years of recession and slow recovery in 2009–2013, and not only from the one deep shock in 2008–2009.

Although the world had gone through numerous business cycles between the mid-1970s and twenty-first century, that experience could not predict the scope and length of the difficulties that came later. Renewed social inequalities added to the difficult experience of the Great Recession for all strata of society. The unexpected shock came after a period of high growth and positive expectations for the future, while the huge economic swings became a chapter in the economic history books. The middle and lower classes suffered a profound psychological shock due to the sudden decline in income, expectations, inequality in everyday life and the sensational reappearance of that inequality in the media. Bad economic and social news naturally had a negative influence on societies and changed previously stable patterns of political life in the well-established old democracies dramatically. In this work, we will focus on the general picture and on five of the most developed democracies in particular (the USA, France, Germany, the UK and Italy).

These changes have had a significant effect on the domestic politics and electoral processes in major countries—and in a very unexpected way. States, the public and governments were faced with having to choose between addressing difficult domestic problems at high political cost and taking the more tempting approach of blaming external dangers and enemies as the primary cause of those problems. Political elites were deeply disturbed and concerned by the uncertain economic growth and the wide publicity it received, as well as by political debates on the growing social inequality. Domestic instability during these years was soon exacerbated by an escalation of international tensions and conflicts, including the Arab Spring.

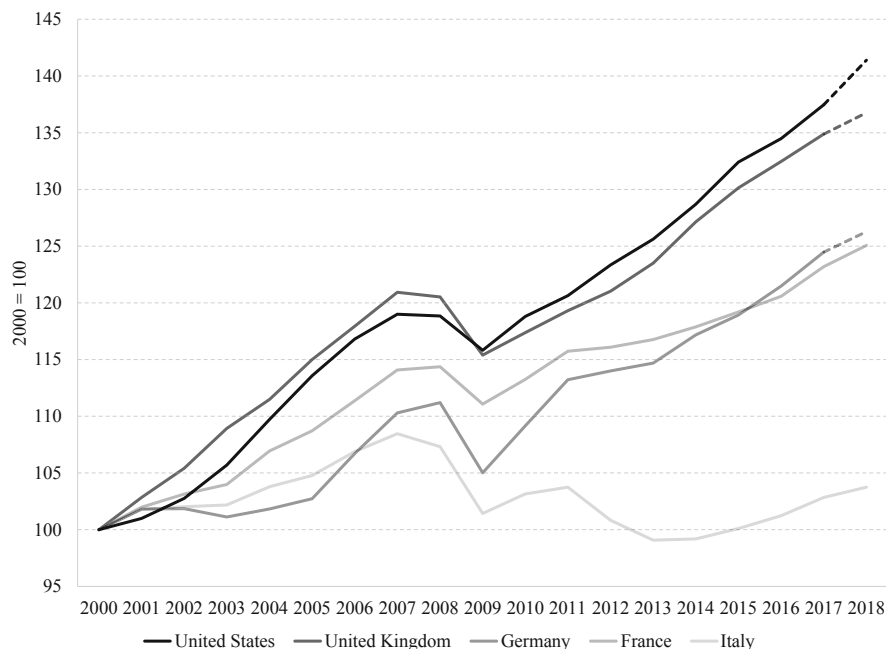
## **Growth and Well-Being in the Twenty-First Century**

The global economy did not experience any decline in international trade and total GDP from the end of the Second World War until the global recession of 2008–2009. After the collapse of the Soviet Union, general tensions declined and

economic growth fluctuated through mild business cycles until the mid-1970s. Academics constantly reassured students, governments, the general public and—much more importantly—elites that no major crisis was possible. Figure 17.1 gives a relatively clear picture of the global economic prosperity that reigned in 1990–2008. High oil prices and the rapidly growing role of China were the key issues of the global economy prior to the Great Recession.

The prolonged prosperity had allowed global civil society and elites to turn their attention to global problems: poverty, the ecology, climate change prevention, etc. The economic growth of recent decades has contributed to the partial resolution of a number of global issues. The UN Millennium Goals documented global society's success in setting new, much more broad and ambitious objectives. The global community was able to negotiate and sign both the UN Sustainable Development Goals and the Paris Climate change prevention agreements in 2015. Now it looks as though these agreements were the last achievements of the old global governance system.

The US Lehman Brothers bank collapse in September of 2008 came as a dramatic and unexpected shock to businesses, governments and ordinary people around the world. In addition, it triggered a subsequent financial avalanche, deep recession and prolonged credit crunch that came as a shock to all people—and to elites in particular. It is especially important that countless households, firms, governments



**Fig. 17.1** GDP growth, 2000 = 100, 2000–2018. Estimations of IMF. Source: IMF

and economists around the world had lived for several generations in the firm conviction that major shocks were no longer possible.

One by-product of this intensive growth during the last quarter century was an increasing inequality between countries in terms of development (Grigoryev and Pavlyushina 2018). China and India have experienced some increase in their per capita GDP PPP. Still, extreme poverty is far from being eradicated, and demographic trends point to higher birthrates in quite a number of developing countries, as well as among poorer strata in even the relatively successful developing countries. It is important to emphasise that the Sustainable Development Goal for the reduction of inequality between countries and social inequality within countries (SDG №10) from the new UN agreement approved in 2015 will probably never be achieved (UN 2015). The international community and many economists have not yet given up hope that the less developed world will ‘catch up’, resulting in a general convergence of countries. Our research (Grigoryev and Pavlyushina 2018) indicates, however, that the gaps between groups of countries (cluster approach) are slowly increasing. This means that even all the economic problems in the USA, the European Union and elsewhere did not prevent highly developed countries from widening the gap (in dollar PPP) with other groups. The distance between these groups, or clusters, grew the most from 1992 to 2016. Due to their size, a few special cases such as China and India have a serious effect on the world economic structure. Against the backdrop of growing inequality, it has become more difficult to find solutions to such global problems as poverty and climate change given the multiplicity of development objectives and the increasingly tough constraints to budgets. Each country has its own agenda for spending its limited resources. And global inequality places more stress on governments, parliaments and societies in a time of recession because it forces them to make a difficult choice between national socio-economic needs and global problems that require more attention.

We argue that the Great Recession had a deeper and more prolonged effect on the expectations of elites and middle classes than the usual business cycle fluctuations. The slow growth of the ‘pie’ (national income or budgetary resources) tends to intensify efforts by the various social strata and groups to preserve their share of the income and to guarantee the long-term well-being of the middle strata. For its part, the upper strata strive to maintain its positive income dynamics, to steadily increase consumption and to preserve its privileges.

The most obvious and socially important features of the business recessions are, of course, the unemployment rate and the decline in incomes and consumption (Table 17.1). The labour market in OECD countries suffered for some time from international competition in many industries combined with the impact of certain structural changes, particularly from high-wage manufacturing employment to low-wage jobs (good for immigrants) in health care and services for pensioners and elderly people. The clearest recessionary shocks were recorded in the USA, the UK and Italy (Table 17.2). Although employment rates recovered in 2014, the change could not easily overcome the painful memories of millions of people who had lost jobs or some income during the previous 5 years.

**Table 17.1** Average unemployment rate in leading countries, %, 2000–2017

|         | 2000–2008 | 2009–2013 | 2014–2017 | Maximum unemployment rate after recession, % (year) |
|---------|-----------|-----------|-----------|-----------------------------------------------------|
| France  | 8.49      | 9.52      | 10.04     | 10.38 (2015)                                        |
| Germany | 9.04      | 6.21      | 4.38      | 7.67 (2009)                                         |
| UK      | 5.20      | 7.84      | 5.23      | 8.10 (2011)                                         |
| USA     | 5.13      | 8.65      | 5.16      | 9.61 (2010)                                         |
| Italy   | 7.95      | 9.45      | 11.87     | 12.63 (2014)                                        |

Source: IMF

**Table 17.2** Average growth rate of real personal consumption (indexed by CPI, 2015), %

|                | 2000–2008 | 2008–2013 | 2013–2017 | Decline of personal consumption in 2009, % |
|----------------|-----------|-----------|-----------|--------------------------------------------|
| France         | 2.09      | 0.95      | 2.84      | –1.03                                      |
| Germany        | 1.81      | –0.18     | 1.19      | –1.28                                      |
| Italy          | 0.14      | 0.47      | 1.83      | –0.49                                      |
| United Kingdom | 0.78      | –1.76     | 1.28      | –2.66                                      |
| United States  | 2.47      | –0.80     | 2.67      | –4.16                                      |

Source: Euromonitor, IMF

The long-term growth of real personal consumption was the important feature of the pre-recession market economies in the 1990s and 2000s. The dramatic decline in 2009 and long subsequent stagnation was a shock for many strata of society, industries, regions and social groups. Several things were particularly shock-inducing for those most affected: the steep drop in consumption and demand in 2009; the 5 years of painfully enduring without ‘a light at the end of the tunnel’; the feeling that ‘the impossible happened’; and the sharp rise in uncertainty for everybody. The dangerous debt crisis in a number of smaller European countries—Greece, Spain, Portugal, Iceland and others—also contribute to the feeling that ‘the sky is falling.’

The working population was hardest hit by the deep recession and long, painful recovery. The decline in consumption was not distributed as evenly among households as unemployment. In 2016, candidate Donald Trump concentrated his efforts on a few industrial states that turned out to be of critical importance in the race. Although the US national unemployment rate was down to 4.9%, by the fall of 2016, Trump’s electorate to be had an exhausting memory of recent two-digit unemployment and reacted accordingly.

It is extremely rare for personal consumption in a developed country to decline on a nationwide scale in the twenty-first century. A majority of economists agree that the G20’s approach to handling the Great Recession was very reasonable, considering the complete unexpectedness and scope of the decline in GDP.

We cannot cover all the features of the Great Recession of 2008–2009 and the five long difficult years, 2009–2013, or all the difficulties the world experienced during that period. Nevertheless, the sovereign debt crisis deserves serious attention. There

**Table 17.3** General government gross debt, billion USD, and average debt growth rate, %, 2000–2018

|                | 2000    | 2008    | 2018     | Average growth<br>2000–2008 | Average growth<br>2008–2013 | Average growth<br>2013–2018 | Debt to<br>GDP<br>ratio,<br>2018 |
|----------------|---------|---------|----------|-----------------------------|-----------------------------|-----------------------------|----------------------------------|
| France         | 801.00  | 2014.30 | 2688.40  | 9.89                        | 7.60                        | 2.05                        | 96.69                            |
| Germany        | 1146.10 | 2453.50 | 2395.90  | 7.61                        | 5.02                        | –2.40                       | 59.77                            |
| Italy          | 1198.30 | 2457.00 | 2705.00  | 7.05                        | 3.95                        | 1.32                        | 130.28                           |
| United Kingdom | 370.90  | 1153.90 | 2164.20  | 12.36                       | 14.99                       | 3.20                        | 87.38                            |
| United States  | 5628.70 | 9986.10 | 21478.20 | 6.68                        | 11.07                       | 4.99                        | 107.20                           |

Source: IMF, Economic report of the President

is a great deal of literature on the problems of Greece's debt, the US federal debt problem and the problems of other countries burdened with significant debt. Table 17.3 makes it clear to what extent the monetary authorities were feared that the debt crisis could spiral out of control. Efforts to prevent soaring debt required numerous painful budget cuts, stoking tensions between governments and opposition forces in every country affected. Budget cuts and debt control were fuelling electoral conflicts.

The debt crisis had extremely important outcomes concerning the subject of this paper. First, it limited the ability of developed countries' governments to handle anti-cyclical financing domestically. The combined effect of the Maastricht's norms and the huge US deficit was to 'tie the hands' of government elites at the very moment they most needed financial manoeuvring room. The G20 sought to avoid panic and financial collapse in 2008–2010. They committed to using every available economic and financial tool to assure the stability and proper functioning of financial markets. They also committed to ensuring that actions were closely communicated so that the action of one country would not come at the expense of others or of the stability of the system as a whole. This was the most important act of global governance. It definitely helped to prevent trade wars and so-called 'competitive devaluations' of national currencies could have pulled the global community into a second Great Depression. Ultimately, instead of a Great Depression, the world experienced a milder Great Recession.

The Great Recession suddenly and deeply aggravated the problem of public choice in the distribution of resources (esp. financial). It was a situation of anti-crisis measures vs. budget and debt stability; employment vs. cost reduction; availability of credits for businesses vs. financial stability; assistance to poor countries vs. helping the domestic poor; and focusing on national socio-economic problems vs. such global problems as poverty, climate, etc.

As a result, elites and governments were overloaded by potential dangers in domestic affairs, international relations and global stability. As everyone knows, and as we will show later in this chapter, this overload was also felt by national

electorates, and they generally responded with the two or three methods available to democratic countries: staging street protests; changing governments at practically every election; and even changing the way in which parties are configured. By the way, the domestic political systems of the five leading developed democracies had not yet reached a state of stability as of 2019. As a result of these pressures, global governance has taken a step backward and delayed carrying out various affairs. Governments and political elites have begun to experience a very real fear of the future. The emerging economic nationalism is a reaction not only to objective economic problems but also to the psychological problems of uncertainty and the fear of failure caused by this shock.

The fear of another Great Depression returned and depressed socio-political life. Expectations of stability and enduring prosperity as a basis for business, personal and family planning were replaced by the fear of poverty, disillusionment and uncertainty. This, in turn, caused a loss of trust in the stability of the system, in governments and in political parties. Global governance might not have been the first victim of this process, but it appears to have suffered the most from these interconnected crises and shocks.

## **A Crisis of Relative Inequality**

The important initial observation for this study is that the citizens of developed countries could not have been as satisfied with their lives in the last decade as they had been before the Great Recession. To a great extent, the recession most affected the attitudes and expectations of the elites and general population of developed democracies. The Millennium Development Goals succeeded in reducing absolute poverty in the developing countries (mostly China and India) by 2015. This was a major achievement, but with the current global population of 7.5 billion, it was expected to swell by an additional 2 billion—most among the ranks of the poor—and this accomplishment could be at risk.

In the long run, growing inequality means that the poor, and even members of the lower middle class, will have fewer opportunities to receive a quality education and realise their professional dreams. Productivity and economic growth also suffer as a result. At the same time, inequality negatively affects fertility. Of course, the best ways to improve well-being remain access to higher education, shifting into promising industries, rational spending and increasing personal savings. At the same time, however, statistics indicate that the wealthiest members of society are not getting rich as a result of higher salaries.

Key studies on inequality show that there is no convergence in income and wealth levels now and will not be in the foreseeable future given current trends (Krugman 2013; Piketty 2014). Shrinking incomes during the five most difficult years prompted a 'protective' model of consumer behaviour and even greater spending compression. Different categories of expenditures respond to the crisis differently. Discretionary spending, as usually happens during crises, is common, and the share

of food among overall purchases is increasing, especially for the poor. Retail sales have also changed within individual product groups. Social inequality is closely correlated with consumer spending. Income inequality is assessed as the number of goods and services that can be purchased with this income. The consumption levels and patterns of any given household depend on its relative position within this unequal social system. This applies to both food and non-food items, as well as paid services that are more reflective of the social structure.

Since 2008, a number of societies and countries have been experiencing instability and difficulties in development. This includes dramatic changes in electoral processes, configurations of parties and electorate choices in the old developed democracies. Analysis shows that there was no significant reduction of bilateral assistance in 2009, but also no substantial strengthening of world political support (no increase of financial flows) for resolving global problems.

An important by-product of the recessions is the temporary reduction of income inequality due a simple difference in the degree to which incomes contract. Because profits and dividends, interest on deposits, etc. decline more deeply during a recession than salaries and wages do, income inequality tends to decrease over the short term. The unemployment, shrinking disposable incomes and decreased consumption seen during the years of recession and subsequent recovery probably cause more intense suffering for the middle class and poor than simply a bit of psychological distress over lower salaries.

Quite another matter is the assessment of inequality among the affected strata of the population during a recession. Actual inequality differs significantly from the simple numerical measurements of income and consumption of different social groups. We also should take into account the public debates and unusually wide media coverage given to the problem and to different aspects of social inequality. The time factor should also be taken into account—a 1-year interruption of prosperity due to external shocks or business cycle events might be considered as an unpleasant event, but 5 years of troubles and uncertainties will inevitably be viewed as a danger to the whole prospect of prosperity.

Ever since the eighteenth century, economists have studied the accumulation of wealth and income growth, the distribution of accumulated capital and the emergence of inequality. Whereas early studies focused more on empirical estimates of events and considered problems from the point of view of various ideologies, the latest research is based on the use of complex models and the analysis of large data sets. But, throughout the history of inequality research, economists and sociologists have focused on three main questions: Has inequality truly reached high levels? Is inequality shrinking over time? and Does inequality slow economic growth? The last question acquired particular urgency after the Great Recession of 2008–2009, and the answer is not as straightforward as it might seem at first glance. Some models show that moderate inequality in a developed state often has a positive effect on economic growth (Li and Zou 1998). A significant redistribution of income (within the framework of social policy) can stabilise the dynamics of consumption: with a high degree of social protection, the lower strata of the population receive social transfers. Since the poorest devote most of their income to consumption rather than

savings, this increases demand and contributes to economic growth in the short run. The modern study of economic growth and social inequality goes back to the works of Kuznets (1955), Atkinson (1975, 2015), Krugman (2008, 2013), Stiglitz (2012, 2013, 2015), Piketty (2014) and Milanovic (2011).<sup>2</sup>

Milanovic offers another way of analysing inequality—‘not by class, but by location’ (2016). At the same time, the author suggests, when addressing inequality from a global rather than national perspective, citizenship in one country is a form of ‘rent’ or permanent advantage, whereas citizenship in another, ‘less desirable’ country amounts to a lifelong ‘punishment’. Milanovic and Lakner (2013) showed on what is known as an ‘Elephant Graph’ that in 1988–2008 developing countries formed a more sustainable middle class at the expense of their population’s income growth in the middle of distribution, while in developed countries, the sharp rise in the incomes of the wealthiest occurred at the expense of the middle class. Note that China’s new middle class constitutes a large part of the ‘elephant’s mid-section’. In 2016, Milanovic made the interesting suggestion that, instead of Kuznets’ umbrella, it might be possible to find ‘Kuznets wave’. This assumption, however, has not yet been confirmed statistically.

We suggest that the establishment of institutions in a country (Acemoglu et al. 2004) creates a type of inequality through the introduction of taxes and social systems, vertical elevators, tolerance for poverty, etc. Inequality is less prevalent in European countries due to the spread of Christianity and the influence of the socialist experiment and its implementation (taxes and social protections) in Europe in the twentieth century (Barbara 2012; Hoffman et al. 2002). Indeed, once it has appeared, social inequality has proven remarkably resilient to economic growth.

From the perspective of interdisciplinary studies, the structure and dynamics of the social inequality affecting a group reveals a great deal about the condition of that country’s civil society. Vertical social lifts (especially in Anglo-Saxon countries) allow some individuals (e.g., in higher education, show business or sports) to shift to a fundamentally different level of income without it causing a significant shift in the country’s overall level of inequality. The imperfections of the market economy, the peculiarities of the social fabric (such as, until recently, castes in India) and inefficient education and labour markets tend to perpetuate inequality in a country.

According to our analysis, income inequality in the world did not decrease during the period of intensive economic growth (1990–2008). Global economic growth did not change the key parameter—the share of the tenth decile of the population in income in developed and some developing countries (Grigoryev and Salmina 2013). Studies have shown that internal social inequality does not disappear by itself with economic growth and requires special attention. The nature of social inequality in the world has been determined by historical factors that some countries have managed to overcome with the help of intensive development (China and South Korea) and the creation of institutions adequate to the current structure of that country’s economy. The extent of absolute poverty in the world began to decrease, but it remains a large-

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<sup>2</sup>See chapter of M. Dabrowski for an extensive review of the relevant literature on this theme.

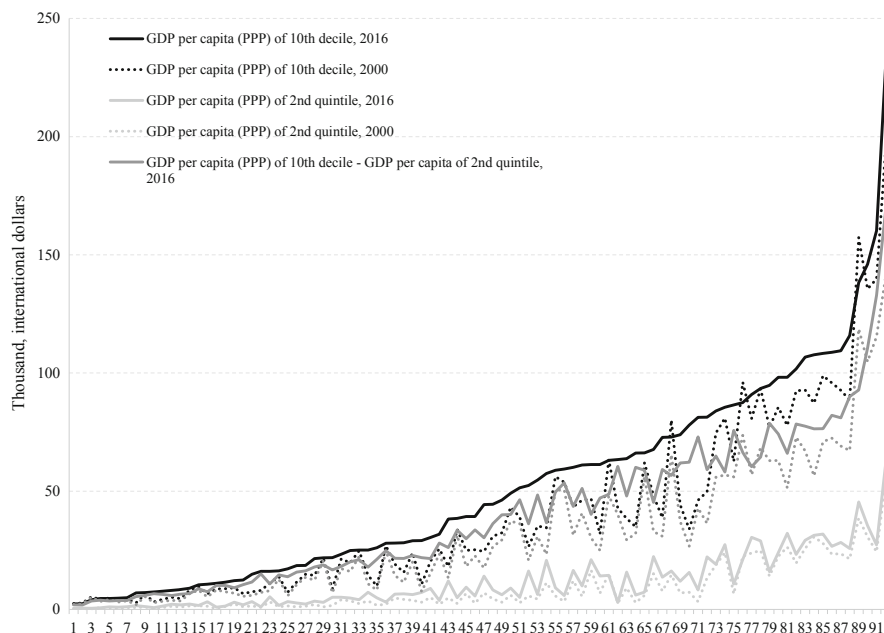
scale problem, and in some cases relative poverty creates sharp social contrasts. During a recession, the growth of poverty is a worrying sign.

The data reveals a pattern that can apparently be associated with the Great Divergence (Great Difference or European Economic Miracle), colonialism, transformation of the post-socialist space and differences between the Anglo-Saxon and European continental market economies. The share of the tenth decile varies over a wide range up to approximately 25,000 international dollars/person, or until countries enter the second cluster. Further, the share of the tenth decile begins to decline somewhat, and the variation shrinks, entering a relatively narrow range. Anglo-Saxon countries are on average higher and 'more to the right' of a large group of developed countries (for 25,000 international dollars/person). In fact, we see another manifestation of the differences between the two models of market economy and their social institutions (taxes, vertical mobility) in relation to social inequality. This is important, in particular, for understanding the development paths of the post-reform Russian economy and the combination of social mobility and paternalism. In short, however, this picture changed little in 1992–2016. Once it becomes part of national institutions, social (relative) inequality remains, despite economic growth and a decline in poverty. This is an important factor in socio-political processes in developed democracies.

Research shows that the higher the GDP per capita in a country, the higher the income of the tenth decile per capita is. Separation begins approximately at the level of 15,000 international dollars/person in the country. The record share of Luxembourg's tenth decile might be unusual, but one cannot deny the fact that, in terms of income, the wealthy strata separate from the rest of the population in the early stages of development and consolidate this advantage as the national economy grows. Studies indicate a rigidity in shares of income distribution but a broadening linear (or absolute) gap over time (Fig. 17.2). We believe that the growing gap between the average incomes of the tenth decile and second quintile are readily apparent in the lower middle strata. Wide academic debate and extensive media coverage of the ultra-wealthy only compound the disillusionment of the 'middle-middle' and 'middle-lower' strata. Together they represent the majority of households and electorates of developed democracies. They are not suffering from hunger or homelessness, but they are perfectly aware (by experience and from information flows) that their standard of living is constantly lagging behind those who earn incomparably more or who were born to wealth and luxury. The widening social gap does not create a danger that a proletarian of strong leftists movements will emerge in the developed democracies, but it does shake political stability along other lines.

The distribution of household incomes has become more unequal during the post-2008 economic recovery as the effects of the recession reversed. France is often considered to be an equalitarian country with a low level of inequality. Of course, this is particularly true in comparison with the USA, where inequality has skyrocketed recently. But the fact remains that France has also experienced a sharp rise in inequality.

Japan has an income-inequality problem, and it is getting worse. Japanese income inequality started to increase gradually in the 1980s, increased significantly during



**Fig. 17.2** GDP per capita of different income groups in 91 countries, 2000, 2016. Source: IMF, Authors' calculations

the late 1990s and has increased more slowly since. Poverty grew most among people aged 20–39 years and children up to 10 years, but declined among the elderly. Another factor is major changes in employment. In response to the economic recessions of the last three decades and the high cost of employee benefits, many Japanese firms avoid recruiting full-time employees and instead hired part-time, contract and temporary workers. Because the average earnings of non-standard employees are lower than those of full-time employees, the increase in non-standard employment and labour market segmentation have caused income disparity to widen.

During the period of 2000–2018, the European Union was generally successful in demonstrating convergence among a number of Central and Eastern European countries that were integrating into the EU. That process passed through two stages with regard to the ‘old 15’ EU countries and the ‘new 13’. In 2000–2008, the growth rates of the future and, after 2004, new EU members significantly exceeded the growth rates of the core EU countries. In our opinion, this resulted from a synergy of three factors. First, in the early 2000s, these countries overcame a transformational crisis and started along their growth trajectories under the influence of fundamental elements of a market economy. Second, the opening of their markets and their accession to the EU played a significant role in accelerating their development. Third, we note the significant financial support from the EU—investments in levelling development.

In 2008, the weighted average GDP at PPP of the EU-13 countries was 55.2%, and in 2016, 63.5% of the same indicator for the EU-15. From 1980 to 1990, the EU average per capita GDP in PPP increased from 25,400 international dollars/person (9 members) to 30,000 (12 members).

In 2000, in the EU-15, per capita GDP at PPP reached 35,300 international dollars/person. Size constraints of this chapter make it impossible to include all information on inequality by wealth in the OECD and other countries. It should be emphasised, however, that wealth inequality among households is also quite visible and well reported by the media—especially with stories about billionaires, oligarchs and the world's wealthiest 1% (Murtin and d'Ercole 2015).

In 2000, the per capita GDP at PPP of what were then the 13 future EU countries averaged 14,700 international dollars/person, but by 2008, that number had risen to 21,700, or from 41.6% to 55.2% of the EU-15 average. This marked a significant success for Cyprus, Slovenia, the Czech Republic and the Baltic countries that might be partially a result of integration. At the same time, the dynamic growth of a number of EU-13 countries was largely a natural process and the result of a decade-long transformation of economic institutions. Thus, the entry of 'new' members undoubtedly increased the distribution of GDP per capita in PPP in the EU as a whole, because the level of development of the newcomers was significantly lower, but due to economic growth, both before and after 2004, the gap between the EU-15 countries and the EU-13 declined slightly.

The overall favourable trend towards the levelling of development and rapid growth in many EU countries was broken by the crisis of 2008–2009. This largely explains the concern of the European elites with the difficulties of domestic development, the severity of problems in the sphere of finance and debt and the need to address the crisis of the southern countries. The expected UK exit from the EU (Brexit) should also be viewed in the context of the overall picture. The European Group represents the 'EU Cluster' in terms of tremendous integration efforts, invested funds and a multitude of steps in various areas in order to strengthen the 'acquis' community' (the EU's *acquis communautaire* legal norms). With the exception of Great Britain and Portugal, most of these countries have relatively low levels of inequality, and the share of the tenth decile fluctuates slightly.

Former socialist countries began the transformation in 1992, and it is difficult to estimate the degree of inequality at that time. Milanovic (1998) in particular noted the importance of the crisis in the post-Soviet space, accompanied by the growth of inequality both within the whole group and in individual countries. This created the potential for significant economic growth (including 'recovery') in the former 'socialist camp' in the 2000s and for the uneven growth of inequality during the transition to private ownership and a market economy. However, inequality changed only slightly in these countries. According to available statistics on the group of socialist countries, the average share of the tenth decile in 1992 was 27.0%, and had fallen to 25.5% in 2000. However, this is due to the extremely high inequality in Kyrgyzstan in 1992 (the share of the tenth decile was 40.3%). Excluding it, the average share of the tenth decile in income in the former socialist countries was 25.6% in 1992 and 25.9% in 2000.

Data for 2000–2016 show a decrease in the share of the tenth decile in almost all countries. It fell most markedly in Moldova (from 28.5% to 22.5%) and Kazakhstan (from 26.7% to 22.3%), but increased in Russia (from 27.6% to 29.7%). Income inequality appeared in Russia during the 1990s and has changed little since then. Shares of quintiles in the distribution of income have not actually changed since 1999, as well as its structure as a whole (Grigoryev and Pavlyushina 2017).

The BRICS group of countries combines economies with significant differences in their level of development and models of economic growth. China, comparable in terms of population with India, produces almost 2.5 times the GDP at PPP (23.2 trillion international dollars and 9.5 trillion, respectively, in 2017). The values of this indicator for China, Brazil and South Africa, however, are much closer: 16,700, 15,600 and 13,500 international dollars/person, respectively. Russians earn almost twice this sum (27,800 international dollars/person), while Indians earn only half (7200 international dollars/person). At the same time, the highest degree of social inequality is noted in South Africa (due to the specificity of statistics collection, the country is not represented in the graphs), which is in the middle of the distribution. The share of the richest tenth decile in revenues in 2017 was equal to 50.5% in South Africa, 40.4% in Brazil, 31.4% in China, 29.8% in India and 29.7% in Russia. We also note that in the BRICS countries, the task of reducing social inequalities has been set at the political level.

Thus, Russia's Prime Minister D. Medvedev (2016) said that whereas the problem 'did not cause much alarm in conditions of steady and dynamic growth', it now 'becomes a source of economic and political instability'. The government of South Africa calls unemployment, inequality, poverty and the lack of necessary infrastructure—including for the more rapid development of industries—the main factors currently hindering development.

In summary, studies show that the level of social inequality in most countries has remained almost constant in recent decades, with only minor fluctuations observed. The only slight decline in inequality occurred during the recession of 2008–2009 (and the second wave): the important by-product of recessions is the temporary reduction of income inequality due to a simple difference in the degree to which incomes contract. Because profits and dividends, interest on deposits, etc. experience a deeper decline than salaries and wages, it causes a short-term change lowering of the level of income inequality.

Overall, the inequality in Anglo-Saxon, European and Asian countries remains almost constant. This means that institutions and tools for the redistribution of income and wealth—improving the efficiency of the labour market, creating a social state, introducing progressive taxation—do not overcome the established country-specific 'rules' that are deeply rooted in the institutions of modern economies and societies. Thus this shows clearly that the redistribution of income alone does not solve the problem of inequality. The elites are primarily interested in retaining their customary standard of living, their control over the situation, and securing social stability (domestic peace) by redistributing income to the poor (but not middle) strata to help ameliorate extreme poverty. But at the same time, the middle class (that accounts for 40–60% of the population) needs to have vertical lifts, tax cuts and a

strong and competitive business environment. The unemployment, shrinking disposable incomes and decreased consumption seen during the years of recession and subsequent recovery probably cause more intense suffering to the middle class and poor than simply a bit of psychological distress over lower salaries. This cannot be solved by simple methods and must be addressed in a proper way. As was seen in the last decade, tensions between elites—who are constantly growing wealthier and trying to not only retain but even increase their sphere of influence—and the increasingly unhappy middle class have led to greater political instability.

## From Crisis and Inequality to Political Instability

Our hypothesis is based on the conclusions mentioned above. The economic shock of 2009–2014 was not about just the drop in the GDP and the subsequent slow recovery. It marked a profound change in the faith that the people of developed countries had in the idea of a stable future. Coming so unexpectedly, it shook the stability and regulation of the private financial sphere, as well as state finance and debt, the energy transition and global governance, bringing about tremendous changes.

What began as the well-known story of inequality in the market economy has reappeared suddenly as profound social (and wealth) inequality and a weakening middle class in a host of countries.

That contributed to instability and dramatic shifts in the political landscape. The sudden awakening of elites to the difficulties faced by their respective societies, along with the changes in those societies, led to, at times, dramatic shifts in political systems. That translated into a change of priorities in state policies, electoral programs and the slogans and leaders chosen by voters.

We set out to make three technical analyses using the EIU Democracy Index: (1) dynamic of overall indexes of democracy (IOD) between 2008 and 2017 according to global socio-economic dynamics; (2) a cluster analysis of IOD to reflect the differences in countries' level of development; (3) and a more detailed analysis of IOD by five sub-categories with a focus on their outcome.

Our opening hypothesis assumes a generally positive trend for the IOD of low-income clusters (5–7) in the period 2006–2017 and a generally stable level of IOD for the most developed (1) cluster. As for clusters 2–4—including most developing countries (according to population and output) that are trying to catch up to developed ones—we expect to find a more mixed picture, including possible regression due to the 'middle income trap' problem.

Table 17.4 provides a picture that makes it possible to disaggregate overall IOD by cluster groups. Changes in the overall IOD of cluster 1 between 2008 and 2017 were rather small, but diminishing. But three wealthy clusters showed declines of roughly 0.35 points of IOD, and clusters 4–6 showed some increase in democracy indicators. This composition supports the general conclusion that democracy in the wealthier countries was negatively affected during economic and social troubles.

**Table 17.4** Index of democracy (EIU) by clusters, 2008–2017

| Clusters                        | 1 <sup>a</sup> | 2    | 3    | 4    | 5    | 6    | 7    |
|---------------------------------|----------------|------|------|------|------|------|------|
| Number of countries             | 22             | 25   | 18   | 30   | 23   | 12   | 18   |
| Overall index                   |                |      |      |      |      |      |      |
| 2008                            | 8.65           | 7.00 | 5.55 | 5.51 | 4.36 | 4.10 | 4.02 |
| 2017                            | 8.55           | 6.68 | 5.39 | 5.63 | 4.55 | 4.30 | 3.83 |
| Electoral process and pluralism |                |      |      |      |      |      |      |
| 2008                            | 9.10           | 8.49 | 6.22 | 6.71 | 4.40 | 3.77 | 4.27 |
| 2017                            | 9.14           | 8.11 | 5.59 | 6.91 | 4.70 | 4.12 | 3.92 |
| Functioning of government       |                |      |      |      |      |      |      |
| 2008                            | 8.68           | 6.37 | 4.91 | 4.51 | 4.29 | 3.35 | 2.77 |
| 2017                            | 8.53           | 6.08 | 4.77 | 4.98 | 4.24 | 3.27 | 2.46 |
| Political participation         |                |      |      |      |      |      |      |
| 2008                            | 7.42           | 5.80 | 4.50 | 4.40 | 3.30 | 3.61 | 3.61 |
| 2017                            | 7.62           | 5.88 | 5.24 | 5.29 | 4.20 | 4.44 | 3.88 |
| Political culture               |                |      |      |      |      |      |      |
| 2008                            | 8.58           | 6.37 | 5.66 | 5.02 | 4.86 | 5.42 | 4.96 |
| 2017                            | 8.32           | 6.05 | 5.55 | 4.96 | 4.95 | 5.47 | 4.96 |
| Civil liberties                 |                |      |      |      |      |      |      |
| 2008                            | 9.37           | 7.50 | 6.04 | 6.46 | 4.99 | 4.38 | 4.04 |
| 2017                            | 9.16           | 7.28 | 5.80 | 6.16 | 4.65 | 4.19 | 3.95 |

Source: EIU and authors calculations; countries in clusters are taken by 2016

<sup>a</sup>Three Arabic Kingdoms of the Persian Gulf are not counted in cluster 1

As we have seen in paragraph 1, the leading world democracies experienced serious economic problems in 2008–2014. We must reiterate that the shock of the global financial crisis and recession of 2008–2009 that started in the USA (and that was hit the hardest) also affected other key countries. The social and psychological impact it had on households and countries (societies and elites) was the result of a minimum of four factors: the effect of an unexpected shock after a long period of prosperity; the unusual depth of the recession; the extended period of low growth in consumption and high unemployment; and the wide publicity given to uncertainty about the future—including public debates about inequality (paragraph 2). Here we can match periods of economic and social events with changes in the indexes of democracies. But we should take into account that political shifts are not a simple function of economic and social changes. Political shifts occur only after a time delay and after a process of ‘stockpiling’—a protracted compounding of problems—that differs by country. We know this effect in particular from events of the 1990s in countries of transition: their populations suffered deep and long crises (aside from

institutional transformation) that had very serious (albeit very different) consequences for political life.

The information available in the IOD base makes possible a more detailed analysis by subindexes. The first—‘electoral process and pluralism’—demonstrates the stability for cluster 1, a sizable reduction of IOD for clusters 2–3 and similar improvement for clusters 4–5. More important is the level of IOD by this parameter: clusters 1–2 have a level 8+, corresponding to a stable democracy, and clusters 3–4 have values of 5.6 and 6.9, respectively. This means that the less affluent countries of cluster 4 have a better and growing index indicative of an unstable democracy. The IOD for clusters 5–6 are also improving.

Subindex 2, ‘functioning of government’, was stable or declining (with two exceptions) over the period—unsurprising for these difficult times. The third index, ‘political participation’, almost unilaterally goes up and very significantly, but it does not reach more than level 7.62 even for cluster 1. Here we insist that such a jump in participation reflects real tendencies in social ‘awakening’ during difficult times and the growing influence of the information revolution on global political processes. Moreover, this is the only subindex that exhibits such a substantial increase. It most likely indicates that more information is reaching the ‘masses’ and greater activity by people concerned about their well-being and public affairs.

The latter consideration is mirrored by the behaviour of the two other subindexes, ‘political culture’ and ‘civil liberties’, both of which decline across most of the clusters. Oddly, political culture declined in the most developed countries, in which social experience was not so dramatic as to cause this change. Here we can pose an interesting question for future studies: what impact did the increasing downward flow of political information have on the population? It was the responsibility of political elites to support political culture in the democratic processes. The wide variations in the subindexes for different aspects of the democratic process essentially provide a glimpse into the complex processes of democracy in interesting times. It is not difficult to conclude that much more participation coupled with a decline of political culture and liberties is a recipe for political trouble.

The changes in IOD described here create a broad and troubling picture of recent democratic processes (as reflected by the indexes). Because we are ultimately looking for events that undermine global governance (from within the leading powers themselves), it is reasonable to examine those powers’ IOD. Table 17.5 makes it possible to study shifts in IOD by country. It is readily evident that individual shifts in IOD are no less troubling than shifts by clusters.

Five mature democracies are among countries with high GDP, high political importance and influence in international affairs. What example have they given to the world in the recent decades with regard to democracy indicators? If we trust this tool for measurement, their example is not particularly inspiring! All of them have experienced a decline in the overall index of democracy, following the trend of clusters 1–2 by economic development indicators. Of course, the overall indexes are above or close to 8—the threshold of a full-fledged democracy. The overall indexes of all of five countries had the same general dynamic. ‘Electoral process and pluralism’ remains high for all and ‘functioning of the government’ visibly declined

**Table 17.5** Indexes of democracy by type, by countries, 2008 and 2017

| Country                  | Year | Cluster № | Overall index | Electoral process and pluralism | Functioning of the government | Political participation | Political culture | Civil liberties |
|--------------------------|------|-----------|---------------|---------------------------------|-------------------------------|-------------------------|-------------------|-----------------|
| United States of America | 2008 | 1         | 8.22          | 8.75                            | 7.86                          | 7.22                    | 8.75              | 8.53            |
| United States of America | 2017 | 1         | 7.98          | 9.17                            | 7.14                          | 7.22                    | 8.13              | 8.24            |
| United Kingdom           | 2008 | 1         | 8.14          | 9.58                            | 8.57                          | 5                       | 8.75              | 8.82            |
| United Kingdom           | 2017 | 1         | 8.53          | 9.58                            | 7.50                          | 8.33                    | 8.13              | 9.12            |
| France                   | 2008 | 1         | 8.07          | 9.58                            | 7.50                          | 6.67                    | 7.50              | 9.12            |
| France                   | 2017 | 1         | 7.80          | 9.58                            | 7.50                          | 7.78                    | 5.63              | 8.53            |
| Germany                  | 2008 | 1         | 8.82          | 9.58                            | 8.57                          | 7.78                    | 8.75              | 9.41            |
| Germany                  | 2017 | 1         | 8.61          | 9.58                            | 8.21                          | 8.33                    | 7.50              | 9.41            |
| Italy                    | 2008 | 2         | 7.99          | 9.58                            | 6.43                          | 6.67                    | 8.13              | 9.12            |
| Italy                    | 2017 | 2         | 7.98          | 9.58                            | 6.43                          | 7.22                    | 8.13              | 8.53            |
| Russia                   | 2008 | 2         | 4.48          | 5.25                            | 2.86                          | 5.56                    | 3.75              | 5               |
| Russia                   | 2017 | 2         | 3.17          | 2.17                            | 1.79                          | 5                       | 2.50              | 4.41            |
| Brazil                   | 2008 | 3         | 7.38          | 9.58                            | 7.86                          | 4.44                    | 5.63              | 9.41            |
| Brazil                   | 2017 | 3         | 6.86          | 9.58                            | 5.36                          | 6.11                    | 5                 | 8.24            |
| China                    | 2008 | 3         | 3.04          | 0                               | 5                             | 2.78                    | 6.25              | 1.18            |
| China                    | 2017 | 3         | 3.10          | 0                               | 5                             | 2.78                    | 6.25              | 1.47            |
| India                    | 2008 | 5         | 7.80          | 9.58                            | 8.21                          | 5.56                    | 6.25              | 9.41            |
| India                    | 2017 | 5         | 7.23          | 9.17                            | 6.79                          | 7.22                    | 5.63              | 7.35            |
| South Africa             | 2008 |           | 7.91          | 8.75                            | 7.86                          | 7.22                    | 6.88              | 8.82            |
| South Africa             | 2017 |           | 7.24          | 7.42                            | 7.50                          | 8.33                    | 5                 | 7.94            |

Source: <http://www.eiu.com/default.aspx>

in the USA, the UK and Italy. And, as we stressed with regard to the cluster analysis above, we observe a practically uniform pattern spanning the decade: ‘participation’ is on the rise, while ‘political culture’ and ‘social liberties’ are on the decline (with the exception of ‘liberties’ in the UK and Germany). As we noted above, the crosscurrents between ‘political participation’ and ‘political culture and liberties’ are manifestations of instability in political processes in these mature democracies.

We would like to underscore that the IOD of three democratic BRICS countries (Brazil, India and South Africa) had a very high level of overall indexes—close to Italy (and to the critical 8 mark)—in 2008. They all retain their position in the Defective Democracies section after losing 0.52–0.67 points in 2017. China and Russia are in the Authoritarian section now, and the latter lost its position in the Hybrid section. All three democracies (but not China or Russia) demonstrated substantial growth in their ‘political participation’ subindexes in the range of 1.11–1.67 points. And, like mature democracies, these three countries have shown a similar dramatic decline in the ‘political culture’ and ‘civil liberties’ indexes, joining the global trend of the period.

An analysis of ten important individual countries confirms the general trends of the decade. The Great Recession and slow recovery of 5 years (2009–2013) interrupted economic growth. This, and serious social problems, led to a restructuring of IOD. This was an unforeseen turn of events, and the result was that both political culture and civil liberties suffered a decline. It is not surprising that the functioning of governments underwent fluctuations in these difficult times. The stability of electoral processes and the growth of political participation were definitely positive developments of that period.

More widespread participation by the population in political processes is a very positive development overall. It is related to at least two or three factors: the prolonged period of economic difficulties that households experienced, the intensification of political debates on these subjects and the huge increase of information available to and pouring down on the electorate. It is also possible that increased participation in politics could bring the less educated or ‘politically uncultured’ strata of populations into the political processes.

In the last decade, the whole political ‘field’ has become more dependent on intensive information flows. The traditional sensationalism of Western societies now looks like the Stone Age of propaganda by comparison. It is probably still difficult to build a model capable of distinguishing between the primary influence that social problems have on a population and the secondary influence of information flows. But we can see the consequence for the political process: the loss of the electorate’s trust in traditional parties and political systems. There is a growing dependence on new information flows coupled with a deep feeling of uncertainty, with ‘Prophets’ and ‘Great Enemies’ such as Macron, Trump, Russian hackers and Italian leaders appearing out of nowhere every few months.

We suggest taking a short look into the electoral pattern in five major developed democracies before and after the Great Recession. It would take volumes to fully describe the politics of both periods, so we made a digest of key changes in five countries (Table 17.6). The general pattern of political changes at that time is well-

**Table 17.6** Electoral changes after the Great Recession of 2008–2009

|         | 2000–2008—Traditional pattern                                                                                                              | 2009–2018—Rapid changes                                                                                                                                                                      |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | Economic growth—no expectations of shocks                                                                                                  | Shock, recession and instability and uncertainty                                                                                                                                             |
| USA     | Close contest on elections by parties, divided Congress. No Florida recount. Bush 2 (48% in 2000)—Obama. Medicare, shutdowns on debt; Iraq | Close contest on elections by parties; wars of attrition. Obama-Trump non-system effect (48% in 2016). Arab Spring, End of History, etc. Medicare, trade wars, border wall, Mueller, Russia! |
| UK      | Three party; close contests. Blair—labour. Traditional issues; Iraq, terrorism                                                             | Four parties, decline of labour; conservatives Cameron—May. Scottish referendum, Brexit, EU uncertainty, Russia!                                                                             |
| France  | Close contest. Republican presidents—Chirac, Sarkozy. Le Pen as danger to system. Social issues, strikes                                   | Failure of Holland and socialist. Landslide victory of Macron and new party over Le Pen in 2017. Fillon eliminated by courts. Terrorism, migration, Russia                                   |
| Germany | Three party plus Green plus Left; Schröder to Merkel as stability. Rise of Germany role in EU, and globally                                | Five parties plus Ultra-right, issue of coalitions. Merkel. Migration (2015); Trump, sanctions, Russia                                                                                       |
| Italy   | Democrats V Left. Berlusconi domination by coalitions. He was eliminated by courts                                                         | New party system, Five Star Movement; Euroscepticism. Bersani—Di Maio. Regional inequality. Illegal immigration                                                                              |

Source: Evaluation by authors

known: the disappearance of traditional patterns and especially the collapse of the old two- and three-party systems.

All five countries, that play a very important role in global affairs, saw dramatic shifts during the second period. The speed of changes and their specific details were defined by a combination of political systems and electoral cycles. A permanent domestic scandal in the USA has been developing since Donald Trump's election campaign in 2016, but the underlying social shifts had been building for years. The 'End of History' approach to global affairs seemed to work for a considerable time. The direct clash between US political parties and between the president and 'deep government' involves many areas and can probably be worth to be considered a 'war of attrition'.

Because the electoral cycles of the leading democracies are not synchronised, almost no year passes without important elections—and the usual political infighting—in at least one of the leading countries. Political elites must constantly seek important themes for the next elections, even as new forces reshape political (party) systems. Social societies are experiencing the immense pressure of modern changes in technologies and information. The political landscape is changing shape under the influence of social issues such as inequality and the growing contrast between the upper and upper middle classes, on the one hand, numerous lower middle lower class strata—practically in the centre of the social spectrum—on the other hand.

Older European democracies and US society experienced dramatic changes, but the case of Britain seems to be the most dramatic. The elites of the oldest European

democracy might feel vulnerable and unjustly punished by fate. Mr. Blair played the main trusted partner of the USA in Asian (Iraq) affairs but tumbled from the acme of international prestige due to a series of unfortunate events: Mr. Blair's acknowledgement of the absence of evidence of WMDs in Iraq; terrorist attacks; Scottish independence; Brexit and the unresolved problem of the 'divorce agreement' with the EU. The Ukraine, Syria and other cases offered a perfect distraction from domestic troubles and disappointments. Russia is 'the perfect source of all troubles'. British-US sanctions, coupled with Brexit, put the UK in second or even first place on the list of negative influences on global governance!

Throughout the whole period after the recession, France has been struggling with traditional labour conflicts, disputes over civil liberties and suppressed (and denied) conflicts with impoverished naturalised migrants. The French elites have also had to deal with many problems such as terrorist attacks and issues in France's former colonies. Against this backdrop, in only a short time, France has gone all the way from a traditional 'left of centre' system, to 'right of centre' and to a complete reversal. The Republican candidate Fillon was eliminated by court decision, and the elites invented a brand new candidate, Macron, with his newly minted party. The newcomer had the support of the elites and bested the right-wing candidate, Le Pen, in a 2:1 romp in the second tour. His new party took control of Parliament in true 'Italian style'. But a 33% show of support for Le Pen, who was immediately charged in the courts, is still good reason for the elites to be worried. The 'yellow jackets' movement and President Macron's plummeting popularity in 2018–2019 demonstrate a simple truth: the reconfiguration of the country's political landscape has not ended. In this situation, external problems provide a reliable buttress of domestic unity.

The case of Germany appears less troubling, considering the falling unemployment rate and high level of development. But the stable leadership of Ms. Merkel has its limits, of which the migration crisis of 2015 was an indication. The political system has gone from a three-party to a six-party system, from the Left to the ultra-Right and numerous problems with coalitions. The German leadership is extremely important for European (EU) and global governance, but only in the presence of at least some stability at home and a long-term vision for European and global problems.

The Italian electorate voted twice in recent years for the Eurosceptic rightist Five Star Movement party. Those who hoped for political stability after the epoch of Berlusconi, who was eliminated from political life by a court decision, are probably disillusioned already. The migration crisis left Italy on the front-line and created difficulties in relations with Brussels on many issues.

The electoral picture in BRICS countries is also very complicated. China and Russia demonstrate political stability and strong leadership but are criticised as authoritarian regimes. Brazil is emerging from 4 years of socio-economic and socio-political crises that include a combination of street protests, court actions against two elected presidents sentenced on corruption charges and democratic processes. The South African political process reflects the difficult economic and social problems particularly. India is a unique case of a stable democracy resulting

from ongoing efforts by the elites to balance economic development with the complex redistribution of income and democratic processes. Three of the leading democracies have managed to cope with the serious problems of the decade, but backtracked on the level of democracy, as measured by IOD (EII). The final analysis is simple: democracy holds, but is not advancing. There is no 'end of history' with regard to the ten major countries. The world is in transition, and politicians (essentially elites) must act very carefully in handling socio-political affairs.

## Conclusion

Global governance is suffering because the elites are trying to stabilise domestic control, looking for outside resources and attempting to shift their own responsibility for the shocks and crises onto external enemies.

Having five different but very difficult cases of problems in the political systems, one can see the extent to which countries' elites are concerned by immediate domestic problems. Social problems and inequality play an important role as a link between economic problems and political processes.

Global governance has become a victim in several ways of the processes described here. First, financial constraints are limiting resources for solutions of SDGs, especially poverty, inequality and climate change prevention. Elites have to make a difficult choice between battling problems of domestic poverty (with all the variations by country) and fighting the poverty in the developing world. The same is true of climate issues, energy transition, etc.

Second, key governance issues require coordination among the major actors—something that is simply not possible in a world of conflicting interests. In fact, a world without adequate cooperative governance is at risk of losing control over some very important problems, especially poverty and climate change prevention. Achieving global SDG is probably out of our reach for the next decade or more, as inequality among countries and social strata continues to grow.

Prospects for the near future are not particularly encouraging. Global economic growth recovered in 2016–2018, but business is now operating under new and tighter financial regulations, the debt problem is not resolved and migration poses a socio-political risk for many countries and regions. It is clear now that the business cycle is not finished and the media are actively prophesying the next financial shock. The halting success in achieving the UN Sustainable Development Goals seems to demonstrate the dangers mankind faces by devoting insufficient political, intellectual and financial resources to its growing problems. Given the rigidity of inequality (SDG №10) and the accumulated dissatisfaction of the lower middle and lower strata in the developed countries, poverty remains visible across the developing and developed world. And we must assume these problems will influence civil societies and political processes for a long time to come. Now, however, there is no Karl Marx, Communist Party or Soviet Union that can be blamed for all the troubles. As a result, certain political circles find it convenient to deflect attention from domestic

troubles by suggesting that Russia should be automatically considered the primary suspect in all difficult situations.

Now, more than ever, the global situation requires a much higher level of cooperation and the establishment of predictable international institutions—what amounts to a ‘New Compromise’ on global governance. So far, the agendas of the leading powers indicate a focus on maximising political gains based on hostile and uncompromising positions. The global political community faces the risk of failing to resolve global problems, not to mention protracted conflicts—some of them possibly involving force.

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