

Debate 1 : Can Social Cohesion Survive Inequalities ?

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From a global perspective, income inequality has been decreasing since the 1980s (CEPII, 2019). The decline of poverty in the world and the improvement of human development indicators are symptoms of this decrease. While a large part of this evolution can be explained by the catching up of China and India since 2000, economic convergence between countries has been more broad-based.

At the same time, however, income inequality from a within-country perspective increased in almost all countries between the 1980s and the financial crisis, particularly in China and Russia – with more disparate developments since then.

Income inequality, however, is only part of the issue. Equality of opportunities, which refers in particular to the question of social mobility but also to equal access conditions throughout the country, is necessary both for effectiveness – in order to ensure that everyone contributes to their fullest – and for acceptance of some inequalities.

If we look at these different indicators, the situation differs across developed countries.

The United States is a topical case: the labour share of value added has decreased, as well as the relative income of middle classes, and life expectancy is even declining since 2015.

In France, inequalities of access and opportunity are in the forefront. While the labour share and post-redistribution income inequalities have been fairly stable at a broad scale, the socio-economic status of parents largely determines the income prospects of their children as well as their educational achievement. Territorial inequalities are substantial, even within regions. Although the median income of an inhabitant in the broad Paris area (*Ile de France*) was more than 20% higher than that of an inhabitant of the Northern region of *Hauts de France* in 2013 (CGET, Observatoire des territoires, 2017), the median income difference between employment areas within the Ile de France region is above 25%. Social indicators also display large spatial heterogeneity.

The broader question of the future of the middle class in developed economies must also be raised. Work by the OECD (2019) points to a reduction in the share of people belonging to the middle class, in line with higher job polarisation (due to increasing trade integration and technical progress) and rising costs of living – in particular housing price rises, which sometimes grew faster than incomes.

Based on these findings, the panel will be asked to answer two main questions:

- Have we reached a breaking point in terms of inequalities? What are the consequences of current developments on social cohesion?

- What actions are needed from the State and from companies?