

Globalisation, nations and taxes

The tension between the cosmopolitanism of a new global elite, and old-style nationalism

ILLUSTRATION BY BINAY SINHA



In his *Imagined Communities*, the political scientist Benedict Anderson identifies four waves of nationalism. The first was the “creole” wars of liberation in North and South America, prompted by the policy of the European powers of barring the entry of the “creole” elite to higher official and political office in the metropole, even as the “peninsular” had access to high positions in both the colonies and the metropole. The accident of birth in the Americas seemed to condemn the “creole” to an inferior status, even though in every other respect – language, descent, customs, religion, manners – he was indistinguishable from the “peninsular”. The Nation serving Demos, which has been a defining characteristic of the modern age, was born.



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The second wave of nationalism was the result of the spread of a “vernacular” nationalism. The world of Christendom had a common language – Latin – but this was the *lingua franca* of administration, diplomacy, theology and scholarship. In the localities there was a multiplicity of tongues. The vernacular languages became important with the spread of the printing press. Some of these vernacular languages, French and early English, had become competitors of Latin as “languages of power” by the 16th century. The emergence of a commercial bourgeoisie also expanded the demand for the products of the vernacular presses.

The threat that this vernacular nationalism posed to the dynasts of Europe led to the third wave of nationalism — “official” nationalism, whereby the dynasts sought to identify themselves with the new found vernacular “nation”. The spread of this official nationalism was in turn to lead to the scramble for empire and the First World War.

The final phase of nationalism was in areas where directly or indirectly the spread of Western imperialism had damaged the “*amour propre*” of indigenous high status groups, as in India. The Treaty of Versailles at the end of the First World War buried the dynastic age and the nation-state became the international norm.

As Isaiah Berlin emphasised, even though nation-

alism was pervasive in the 19th century “no significant thinkers predicted for it a future in which it would play an even more dominant role” (*Against the Current*). This was largely because, as Marx and other socialist thinkers thought, nationalism would be undermined by the powerful cosmopolitan forces unleashed by the first period of globalisation under Pax Britannica. But this was not to be, in part because of the nationalist passions unleashed by the World Wars and the global economic disorder of the first half of the 20th century. It is only with the second period of globalisation from 1980 that cosmopolitanism has begun to contest the nationalist impulse.

This second period of globalisation, associated with the American Pax, has created a global cosmopolitan class whose associations, residences and businesses are not tied exclusively to national boundaries. They have gone to the same elite universities (mainly in the United States and Europe), joined public international organisations or private multinationals and global financial institutions with transnational interests and loyalties, and they are increasingly intermarried. Today’s cosmopolitan elite has evolved from the commercial bourgeoisie of the 19th century, for whom their national community was not based on personal relations but on an imagined community visualised through the medium of the vernacular presses.

By contrast, Professor Anderson argues, there was a pan-European aristocratic ruling class, with a feeling of solidarity as part of a community with a common identity, which was linked fairly closely despite differences in their vernacular languages and cultures by “the personalisation of political relations implied by sexual intercourse and inheritance”. On the other hand, with the vernacular languages replacing the common European *lingua franca* as the print language for more than two centuries, the “imagined community” of the rising bourgeoisie could not extend beyond the vernacular boundaries, like the political community in the age of aristocracy. For, as Professor Anderson puts it, “one can sleep with any-

one, but one can only read some people’s words”.

But in this second age of globalisation this, too, has changed. With the spread of literacy around the developing world and the emergence of English as the new global *lingua franca*, all aspirants to join the new cosmopolitan elites speak English (at least as a second language), as witnessed by the demand for English language schooling in primary schools in both China and India. So like the aristocrats of yore, the new cosmopolitan bourgeoisie not only sleeps with one another but can also read each other’s words!

This has had the paradoxical effect of creating a tension between the cosmopolitan openness demanded by globalisation, and the sense of a loss of national identity with the transnational flow of labour, capital, goods and services removing former economic and social national niches. The international mobility of both capital and skilled labour induced by globalisation makes it difficult to tax either to the extent that was possible in much of the pre-globalisation era. This has meant that the central issue that led to political mobilisation by mass political parties – the conflicting interests of labour and capital – has lost its resonance. With the resulting erosion of the national tax base, the ameliorative measures taken to mitigate this conflict through the creation of welfare states based on progressive taxation have also become unsustainable.

This has led to the formation of a union of national predatory states led by the United States and organised by the Organisation for Economic Co-operation and Development to prevent tax competition amongst national fiscs that the cosmopolitan bourgeoisie and associated institutions (such as multinationals) had used to legally limit their tax liabilities in high-tax regions. Whether this will succeed remains doubtful — and certainly undesirable from the viewpoint of classical liberalism.

One important effect of the creation of a cosmopolitan bourgeoisie is that its members can, if they are in the political arena, mitigate the nationalist and illiberal impulses of their countrymen. Thus, it is reported that many of the “princelings” in China who have been educated at Ivy League universities have lobbied their elders to reduce the sentence of the democracy advocate and Nobel laureate, Liu Xiaobo.

But this has in turn created a tension between nationalism and cosmopolitanism. Britain’s former prime minister, Tony Blair, argued soon after leaving office that the central ideological axis was no longer “left versus right” but “open versus closed”. This has created a problem for political parties faced by the demands of market liberalism and the resentment of the “creative destruction” it requires. The success of populist parties in the recent European elections shows this as a common trend in democracies since the Great Recession.

In the United States, the growing concern about the rise in inequality has also led to protectionist pressures, a backlash against easing immigration laws and also a questioning of the United States’ global role bordering on isolationism. Thus, despite the global benefits that globalisation has brought there is a danger, as in the 1930s, of its reversal with the rise of economic nationalism.