

Global Capitalism in Disarray. Stagnation, Asset Prices and Inequality

Andres Solimano

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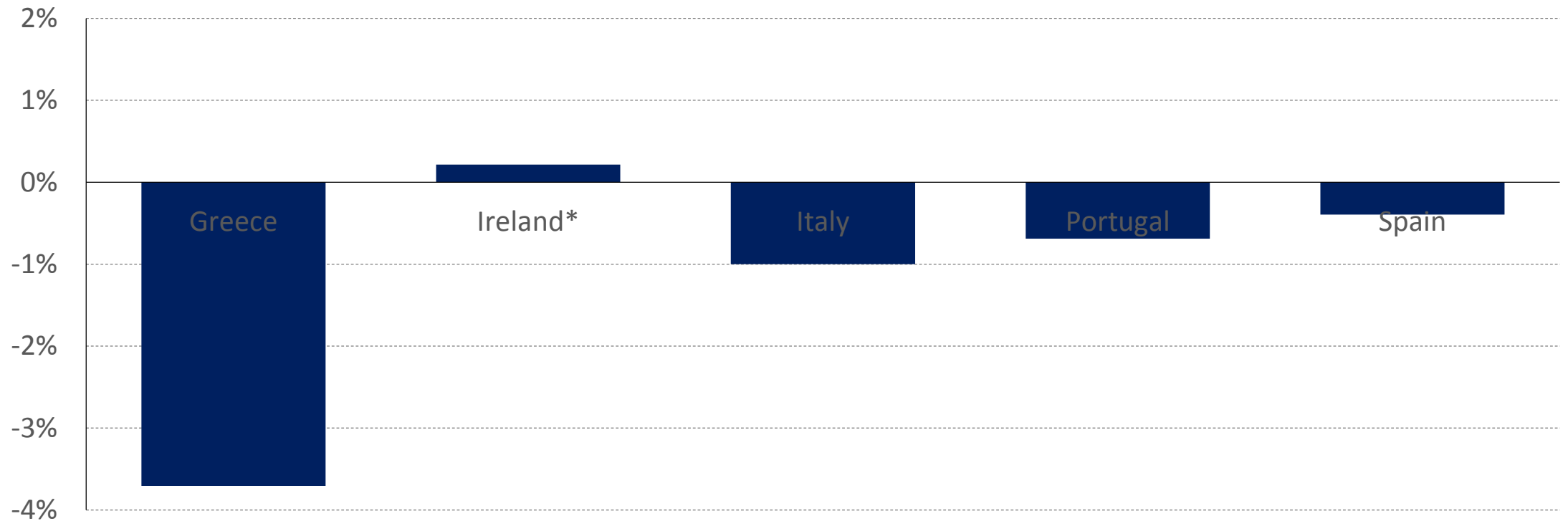
Madrid-Athens-Rome

A. Uneven growth and stagnation

- More rapid recovery in USA and core Europe.
- More severe stagnation in European Periphery.

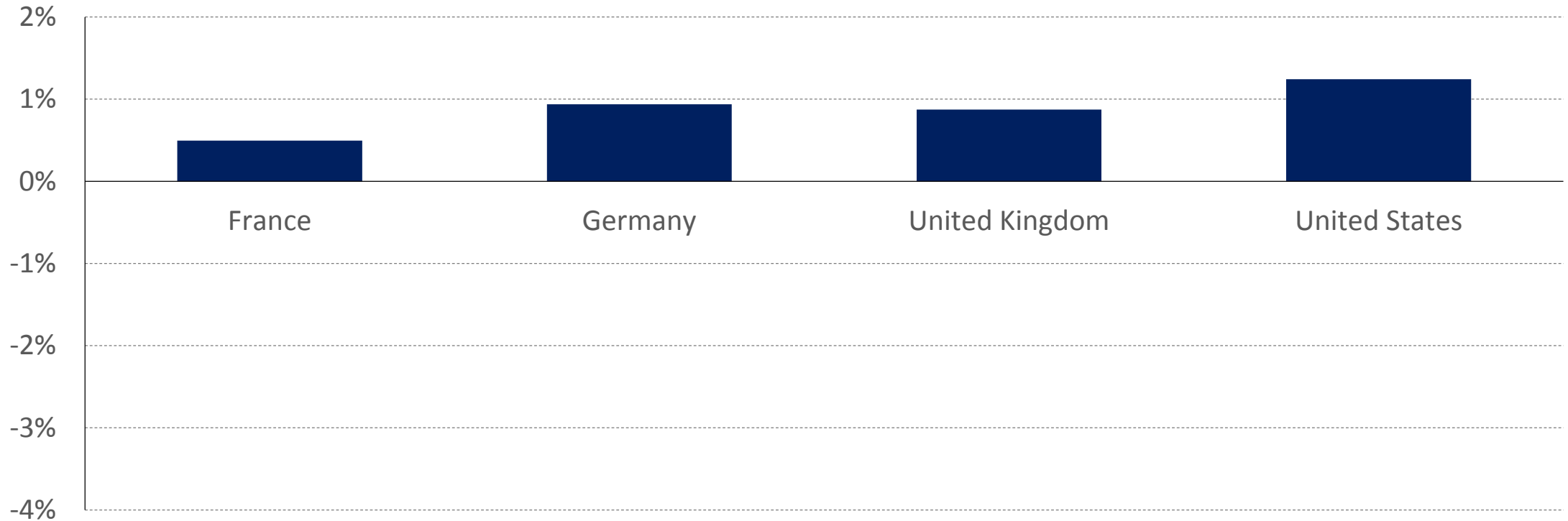
Stagnation in the European periphery

Economic Stagnation in **European Periphery** (GDP growth rate, percentage 2008-2015)

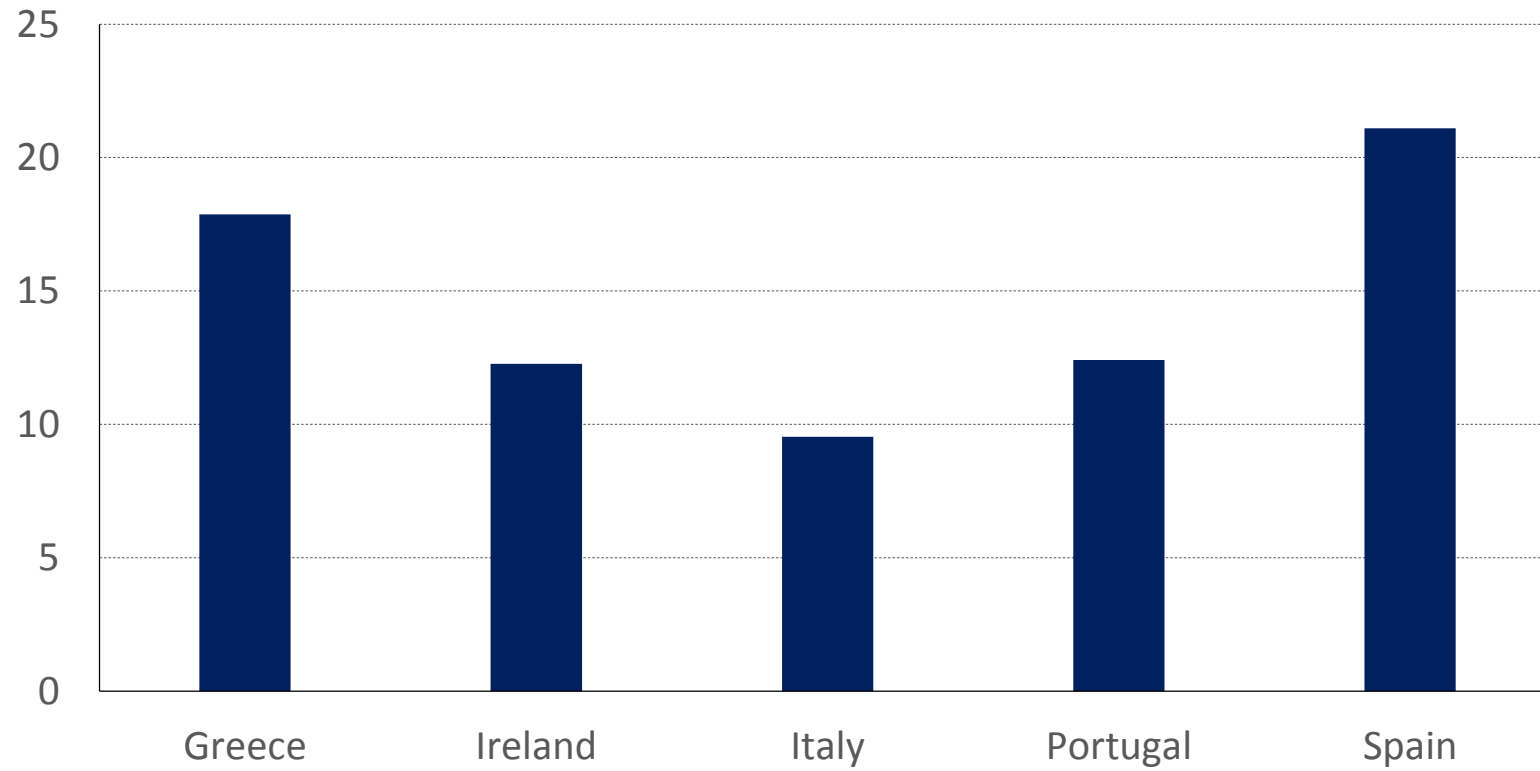


(Slow) Growth in the US and core Europe

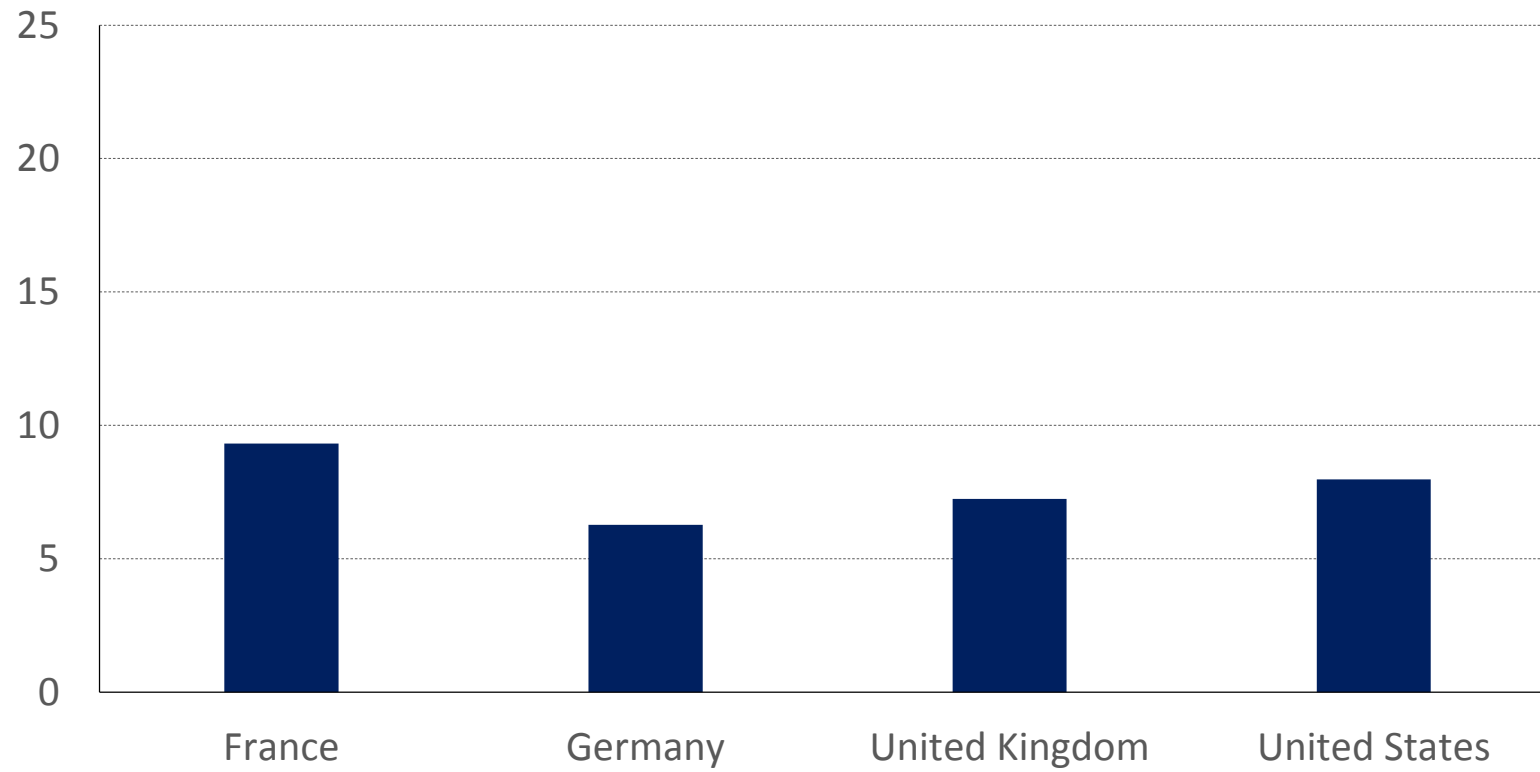
Economic Stagnation in **US and Core Europe** (GDP growth rate, percentage 2008-2015)



Unemployment rate - Crisis and Post-Crisis Period (2008-2015): European Periphery

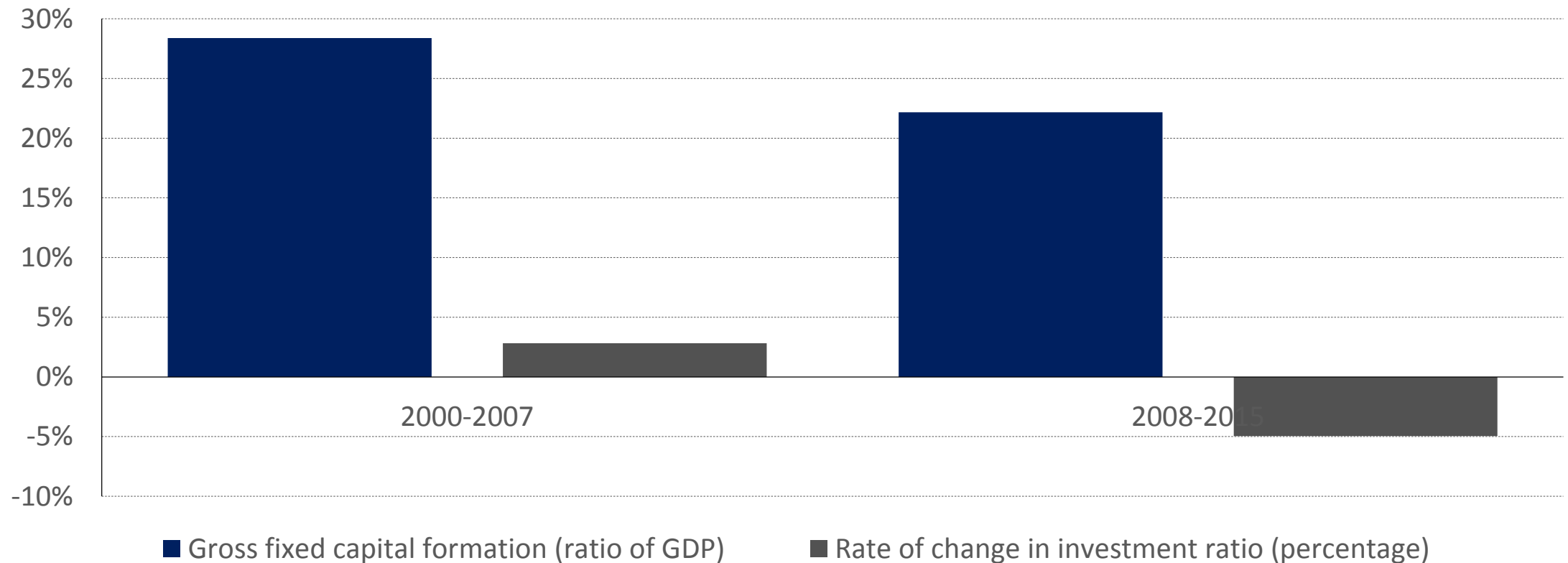


Unemployment rate - Crisis and Post-Crisis Period (2008-2015): Core Europe



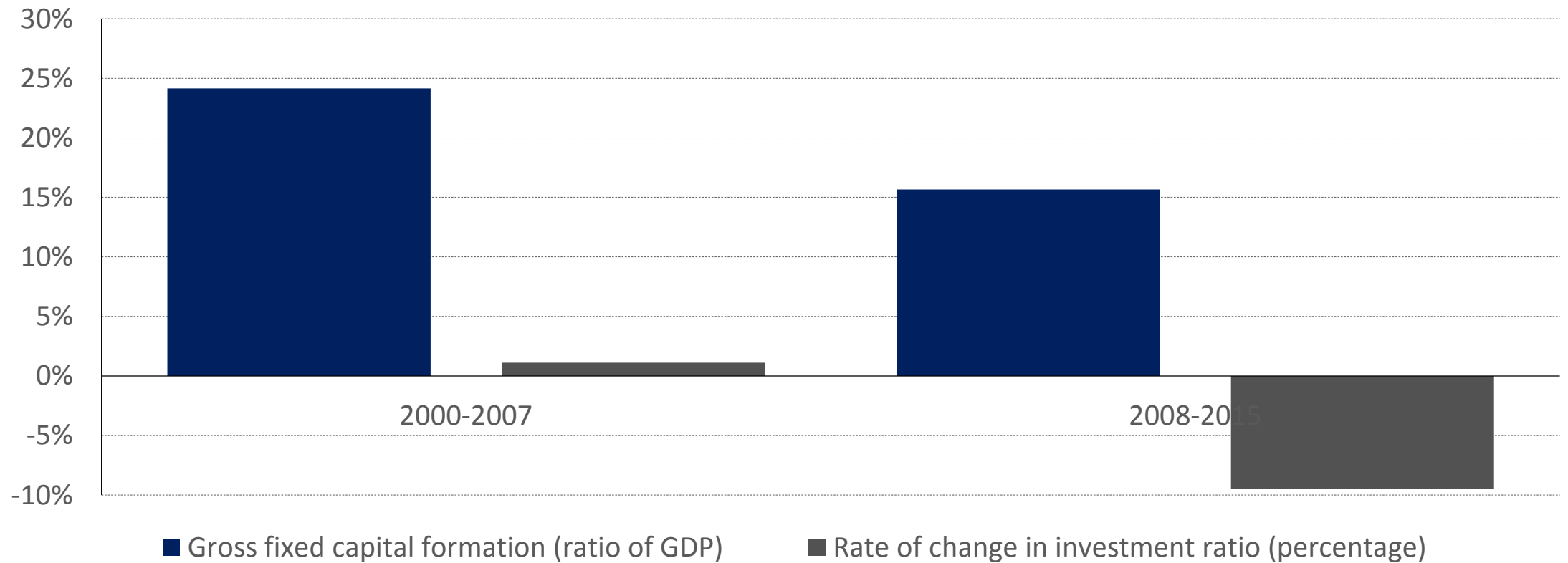
Cut of investment in Spain (2000-07 vs 2008-15)

Spain: Gross fixed capital formation, ratio to GDP (percent), 2000-2015



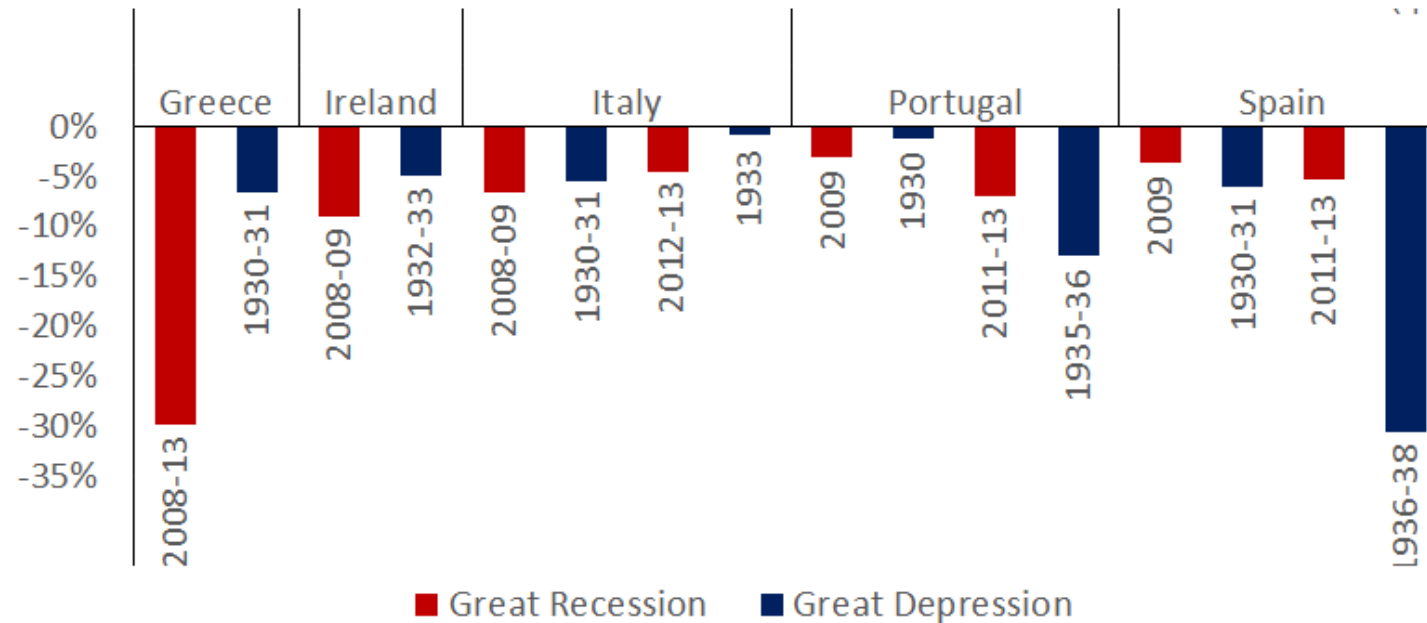
Cut of investment in Greece: (2000-07 vs 2008-15)

Greece: Gross fixed capital formation, ratio to GDP (percent), 2000-2015

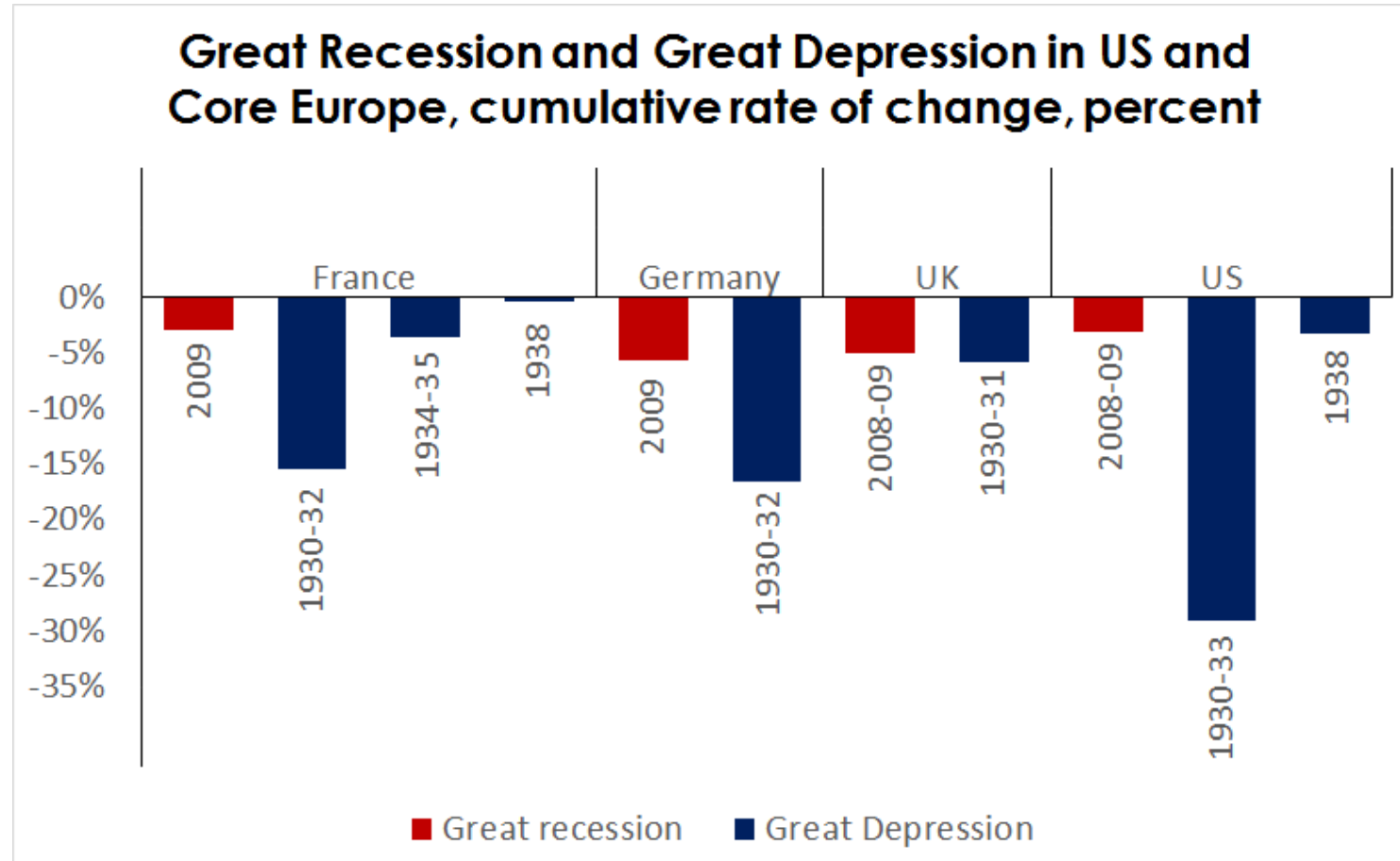


Great recession (2008-15) vs great depression (1930s): European periphery, GDP

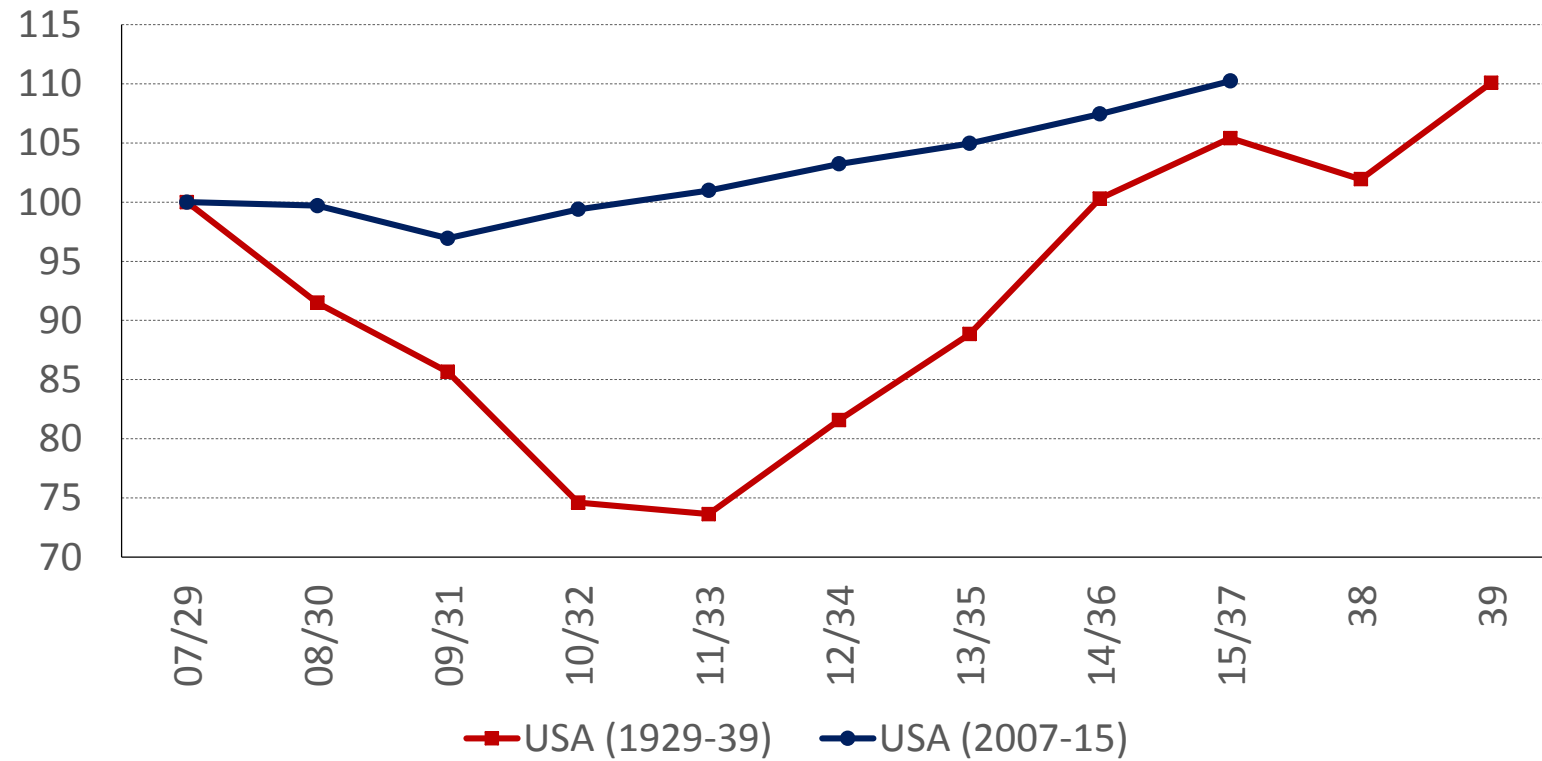
Great Recession and Great Depression in European Periphery, cumulative rate of change (percent)



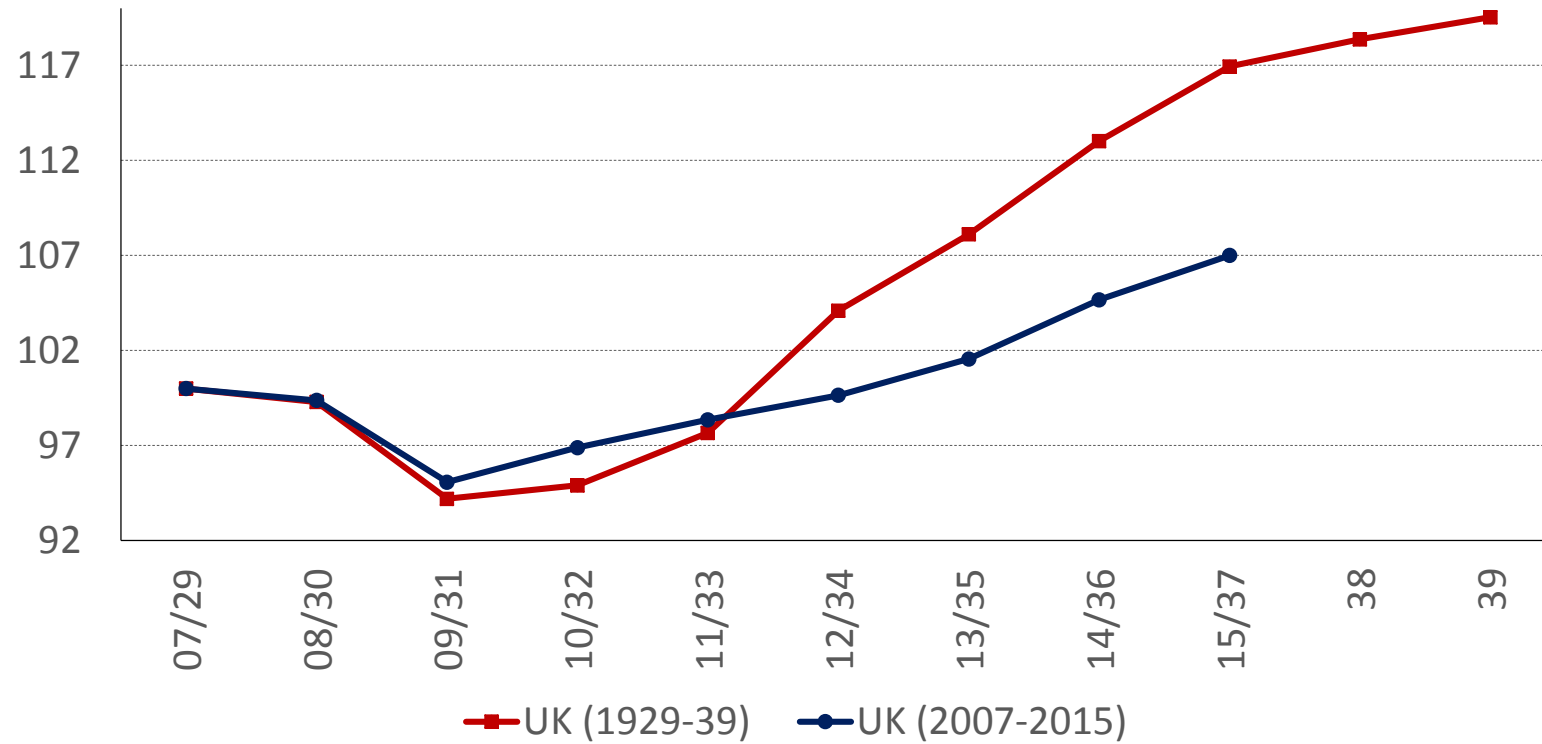
Great recession vs great depression: USA and Core Europe, GDP



USA: Evolution of real GDP in periods of crisis (1929 and 2007), 1929=2007=100



UK: Evolution of real GDP in periods of crisis (1929 and 2007), 1929=2007=100



Comparisons : then and now

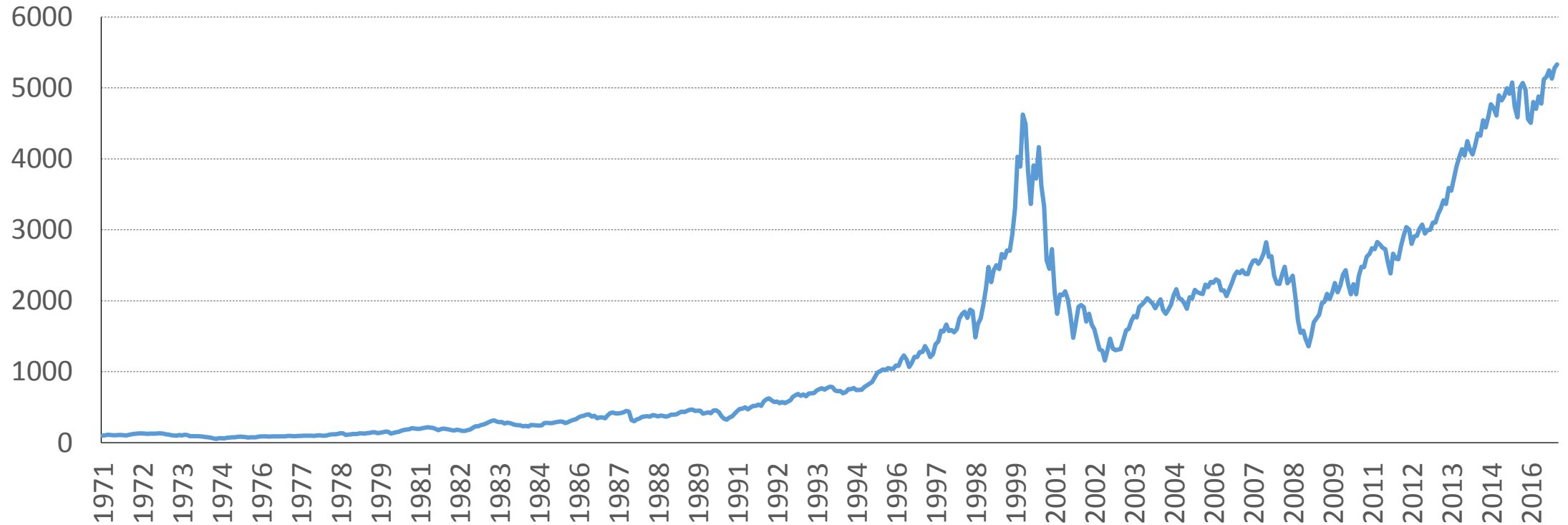
- The great recession was more severe than the great depression for various countries in the European periphery (Greece, Ireland and Portugal).
- The great depression was more severe than the great recession in the USA, Germany and France

B. Asset Prices in the Stock Market and Housing Market

- Stock market prices have recovered faster than economic activity in the US and UK, keep depressed in Greece, Italy.
- Milder recovery in housing market.
- Are stock market prices good predictors of future growth?

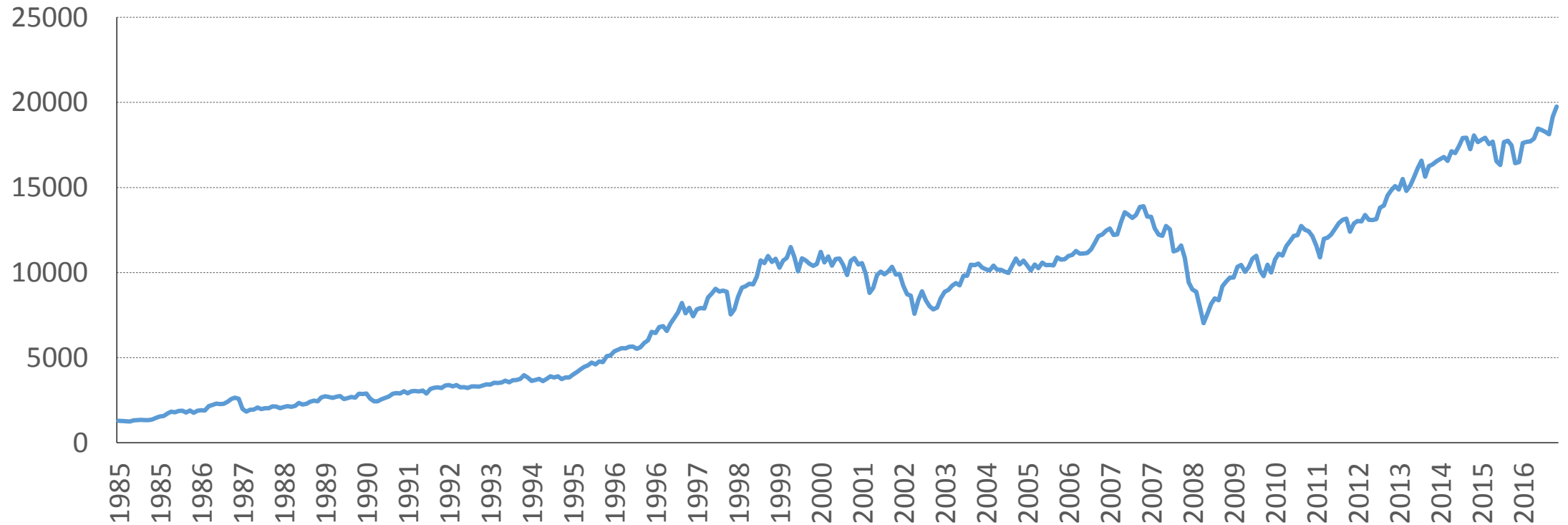
Stock Market Prices in the USA, (NASDAQ)

United States Stock Market Prices: NASDAQ Real (1971-2016), 1971=100



Stock Market Prices in the USA, (Dow Jones)

**United States Stock Market Prices: Dow Jones Industrial Average Real
(1985-2016), 1985=100**



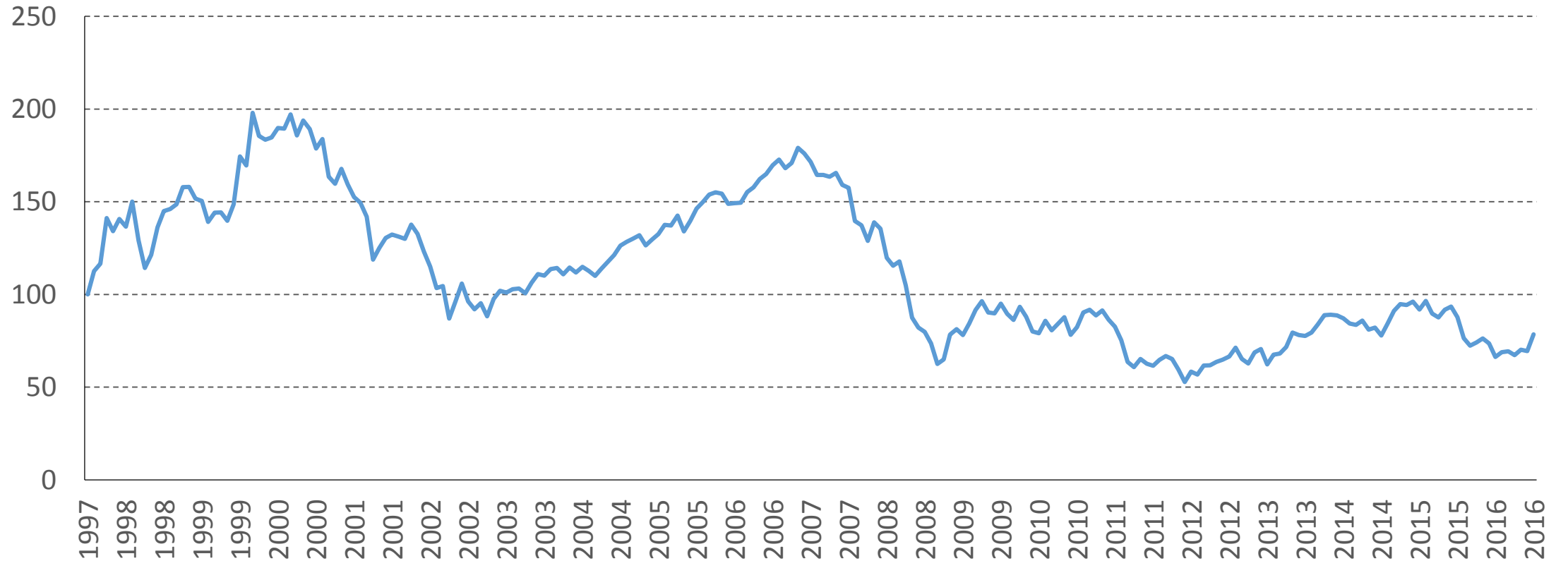
Stock Market Prices in Greece

Greece Stock Market Prices: FTSE Athex 20 Real (1997-2016), 1997=100



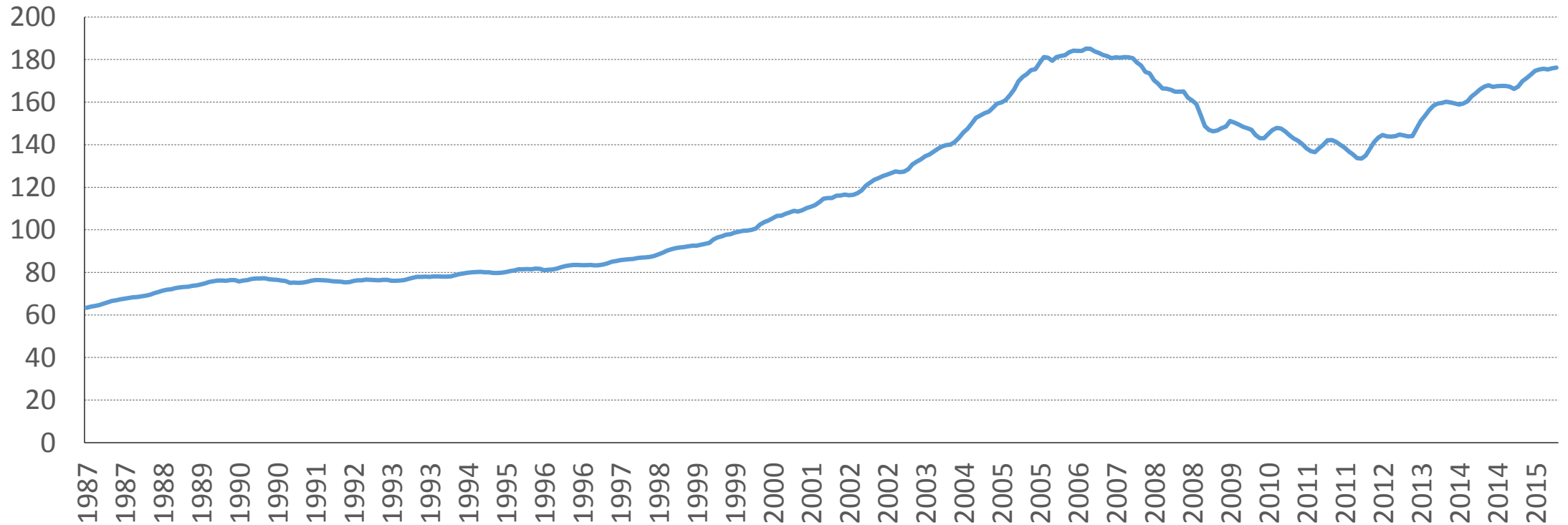
Stock Market Prices in Italy

Italy Stock Market Prices: FTSE MIB Index Real (1997-2016), 1997=100



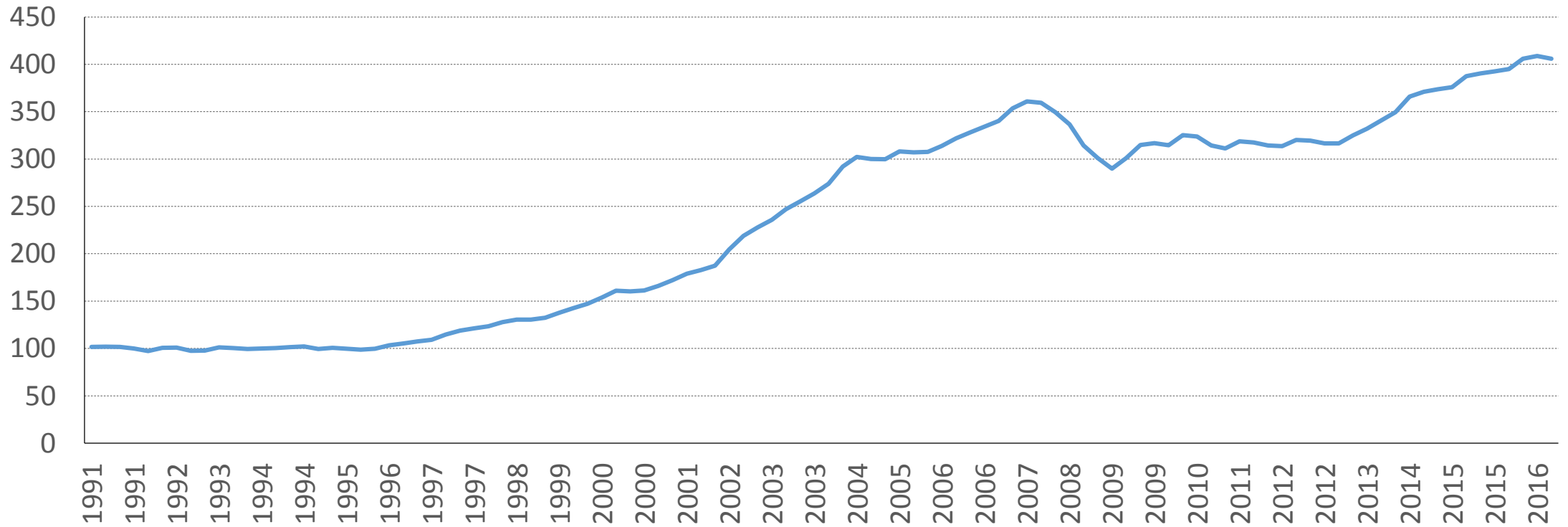
Housing Prices in the USA

**United States House Prices: Standard & Poor's Case-Shiller Home Price index
(Real-National), 2000=100, 1987-2016**



Housing Prices in the UK

House Prices, Nationwide, United Kingdom, all properties, Real Index, 1993Q1=100, 1991-2016



C. The rise of economic inequality

- Income Gini coefficients have risen in the US, UK, Russia, China in the last to three two decades.
- Fall in labor shares in national income in main economies and developing countries.
- Wealth inequality much higher than income inequality.
- Big wealth concentration at the top

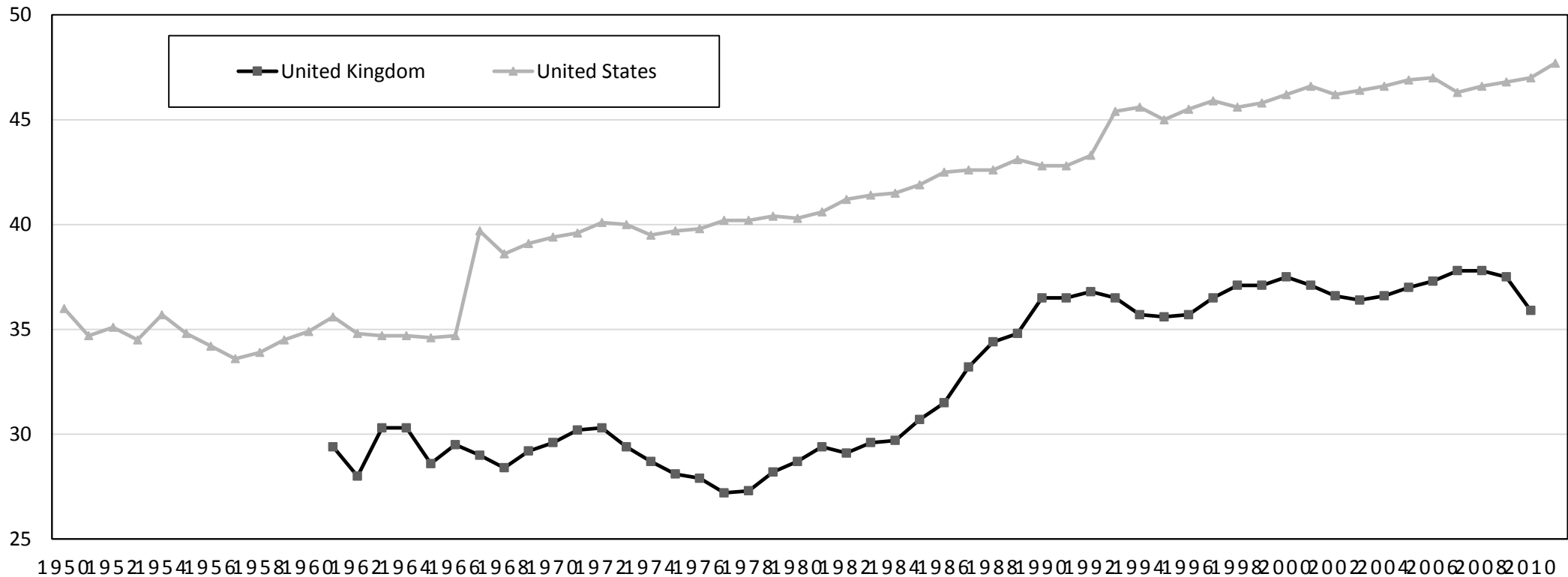
Main trends in inequality

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Policies and tendencies affecting labor

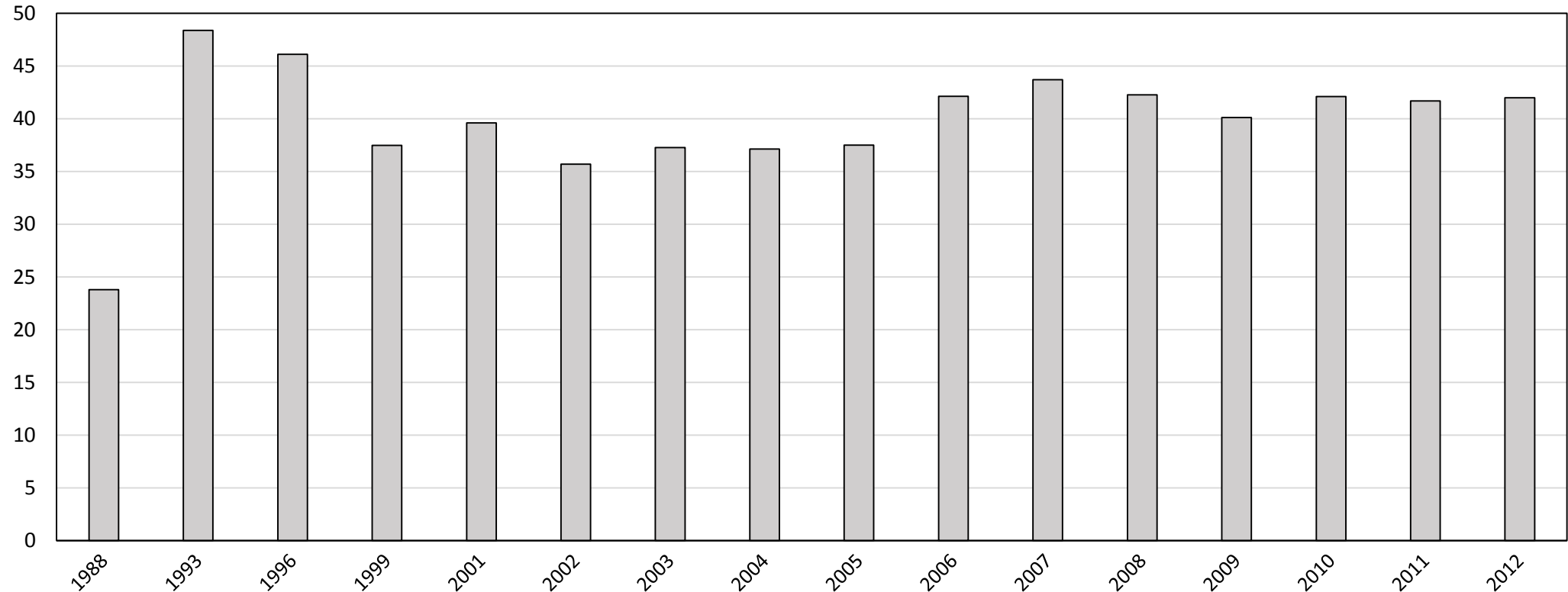
- Greater globalization of capital than labor.
- Lower union density.
- Greater tolerance for inequality and larger wage differentials.
- Labor-saving technical progress.
- Labor migration to high income countries and south-south migration

Rising inequality in the US and UK (Gini coefficient, income)



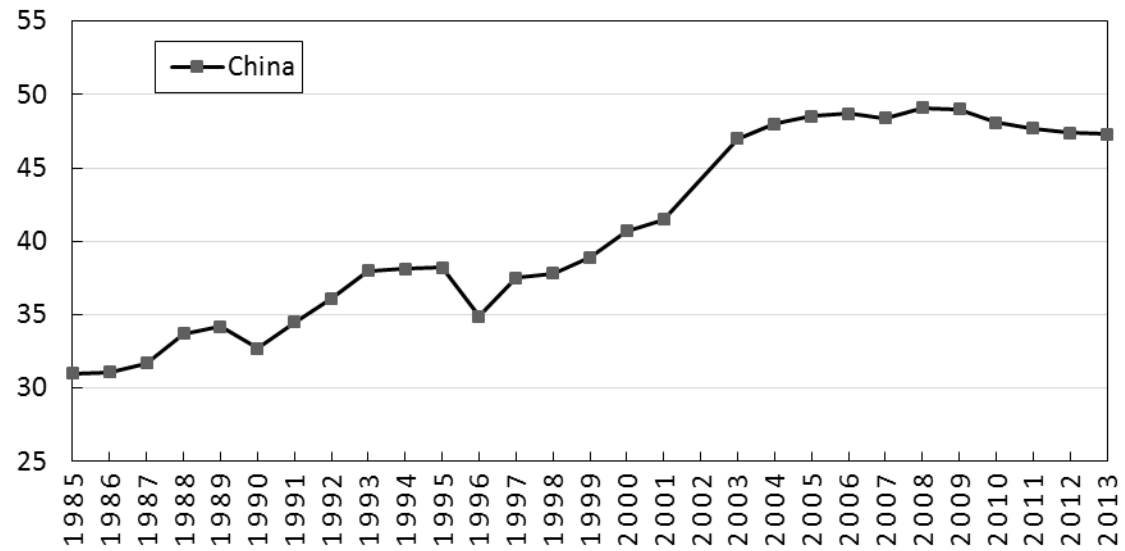
Source: All the Ginis database (2013)

The rise of inequality in Russia, 1998-2012



Source: 1988-2009: "All the Ginis Database" (2013), 2010-2012: IBGE (2014)

The rise of inequality in China, 1985-2013



Source: 1985-2001: NBS from "All the Ginis database" (2013), 2003-2013: NBS from IBGE (2014)

Declining labor shares in national income

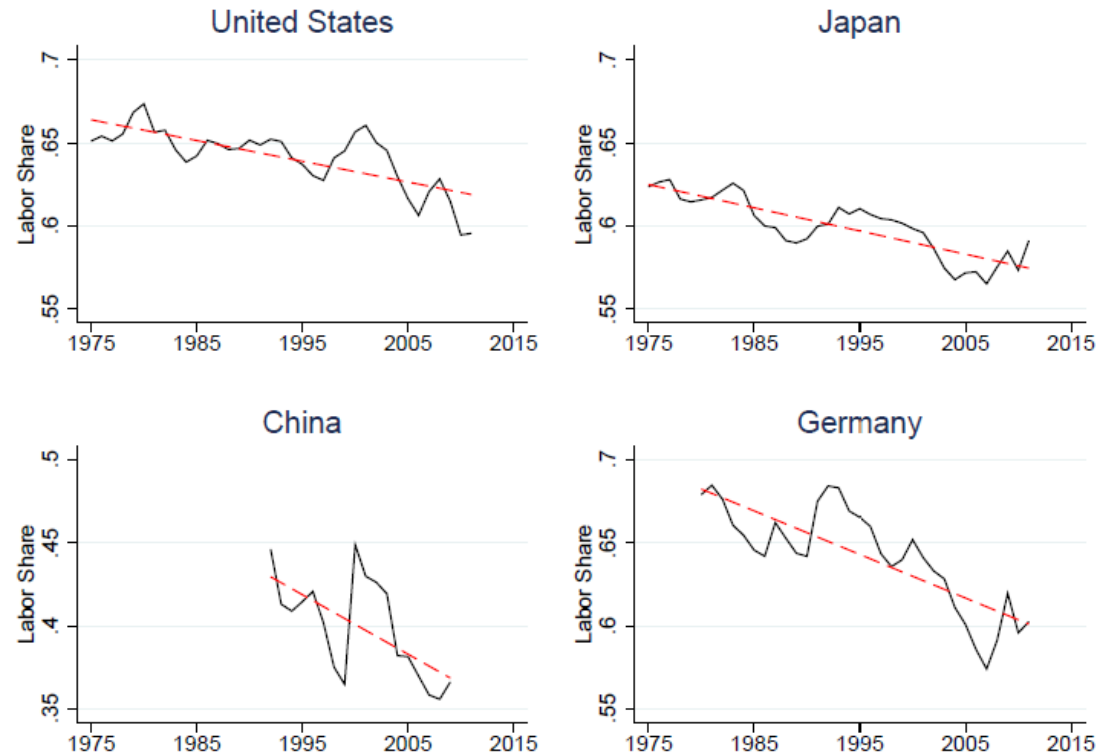


Figure 2: Declining Labor Share for the Largest Countries

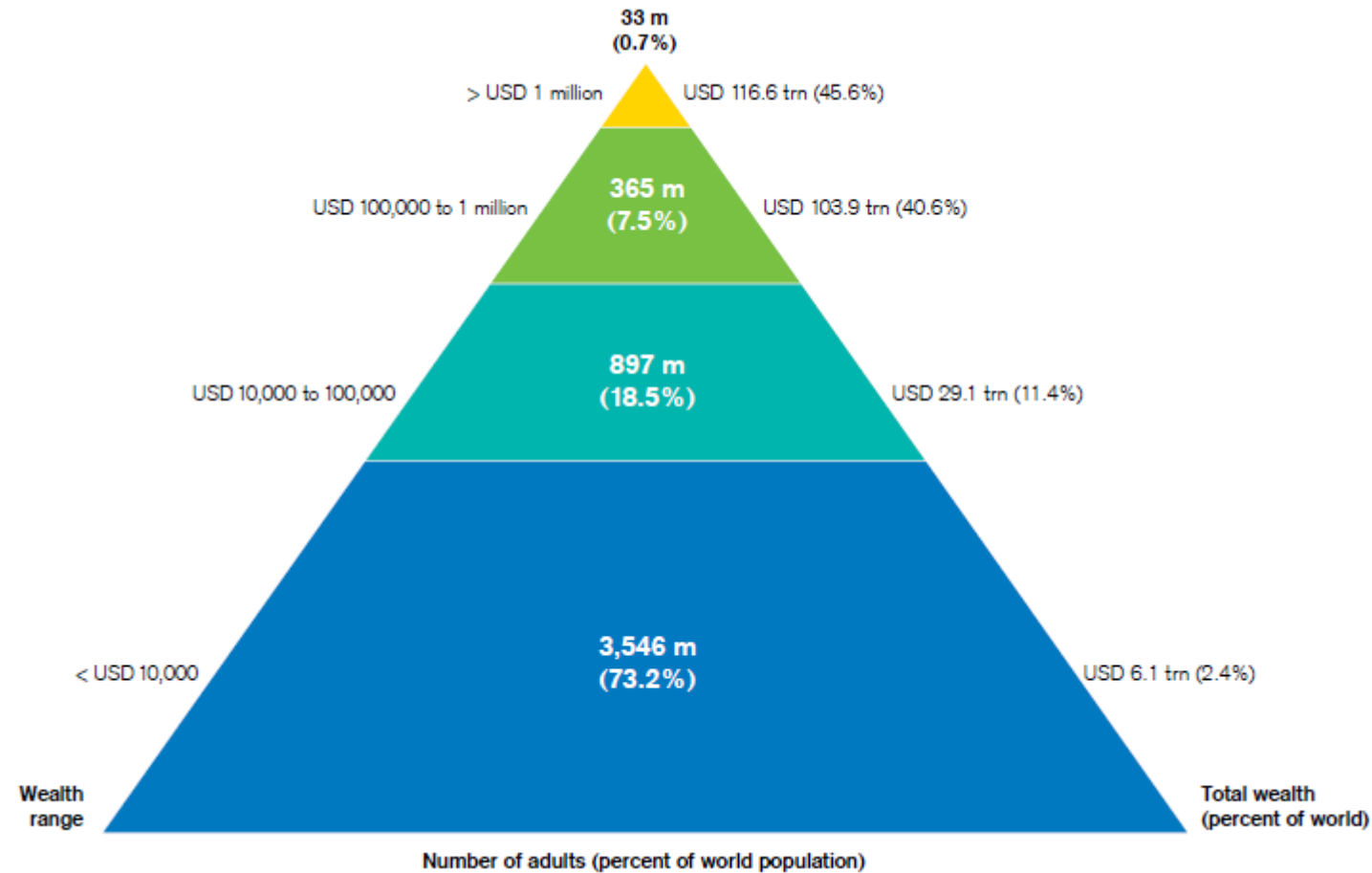
Notes: The figure shows the labor share and its linear trend for the four largest economies in the world from 1975.

Gini coefficients for Income and Wealth (OECD and World, 2008-2010, in percent)

	Gross income	Disposable Income	Wealth
OECD	46.8	31.6	71.7
Latin America	53.0	49.0	-
World	-	39.8	81.6

Source: Credit Suisse (2013), OECD Stat and WDI (World Bank)

Global Wealth pyramid 2016: World's wealth distribution



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2016

Policy challenges ahead

- How to reduce global trend toward higher inequality.
- How to reverse fall in labor share.
- How to reduce big wage gaps.
- More pro-labor growth and redistributive social policies.
- Better wealth distribution.

Big Questions

- Is the world turning to economic nationalism?
- Are we approaching to the end of globalization (as we know it)?
- Role of inequality in the turn around of political preferences against globalization and neoliberal economic order?
- Are we already living in secular stagnation?
- Are asset market prices sustainable?