



FONDATION POUR LES ÉTUDES
ET RECHERCHES
SUR LE DÉVELOPPEMENT
INTERNATIONAL

Global Capitalism in Disarray

Inequality, debt and Austerity

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Comments

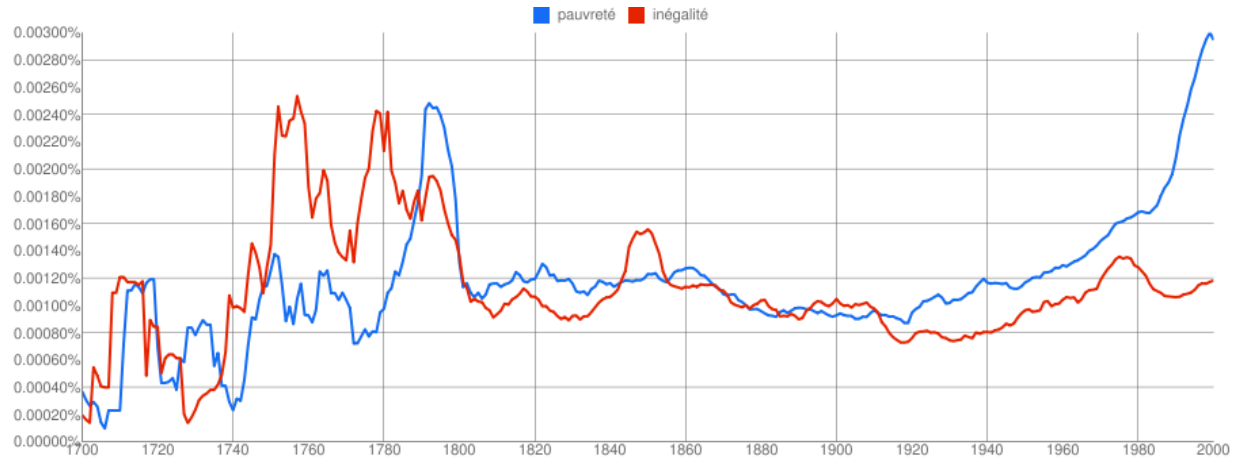
Jaime de Melo

UNCTAD seminar, Geneva, June 6 2017

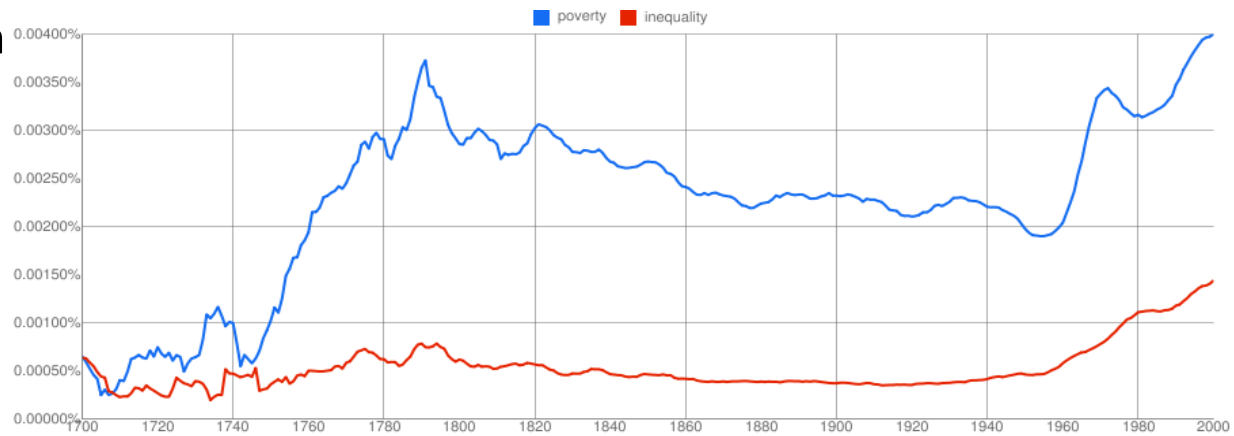
Inequality is back !

(courtesy 'ngram' via Martin Ravallion)

French



English



Great Stuff !

- Monumental work on the «anglo-saxon love affair»
- Emphasis on evolution of inequality (wealth and income) in the narrative of 2008-14 crisis. Huge increase in wealth concentration post 2008.
- Balanced presentation of different theories of business cycles (Wicksell, Knight, Marx, Keynes, Hansen, Minsky) each contributing to explaining the 2008-14 crisis.
- Public & private debt cycles (chp. 8) (--the too powerful to fail and the socialization of private debt «a la cono sur»).
- Possibility of a debt overhang preventing growth resumption.
- Our prolonged stagnation nicely discussed in terms of 4 contributing factors («secular stagnation», «savings glut», «troika-led austerity», supply-side, debt overhang).
- Interesting comparative case study of evolution of inequality in Chile and South Africa (though very different starting points—see below)

Growth-Inequality-Poverty nexus (Openness/Technical progress-growth-inequality)

-- Labor-saving technical progress (Wood 1995)

---The IT revolution and fall of communication costs (Baldwin (2016)

---Robots (Acemoglu and Restrepo (2017))

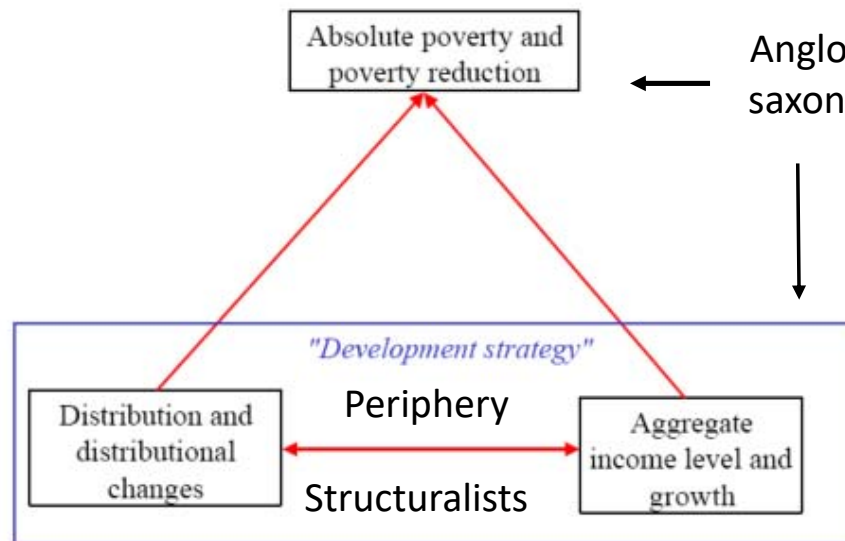
+

--wealth concentration (capital G=0.9!!)

↓

WL/PY falling inexorably....

The Poverty-Growth-Inequality triangle



Globalisation good for growth + trickle down ???

So is there a trilemma ?

Political economy of Globalization in Chile

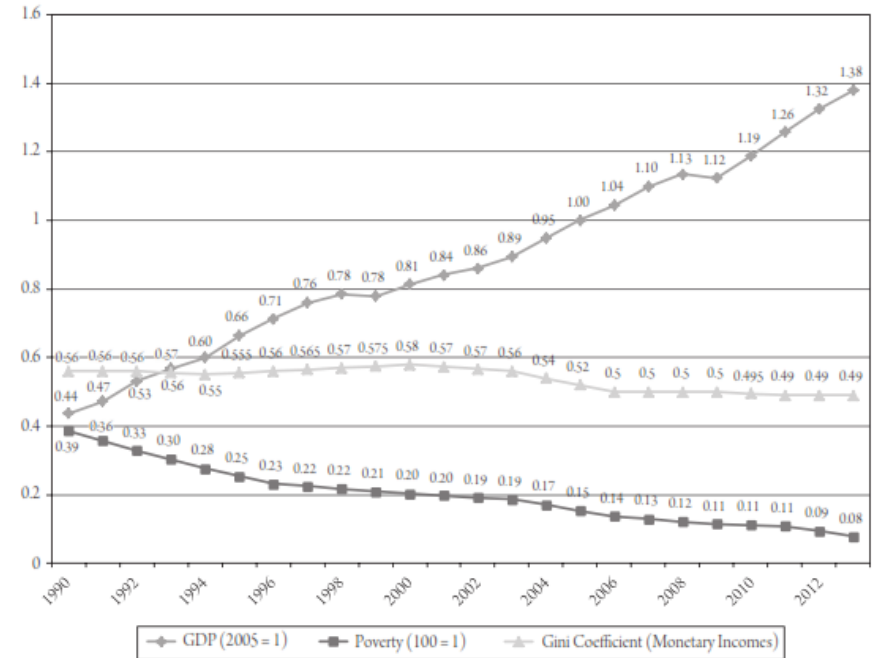
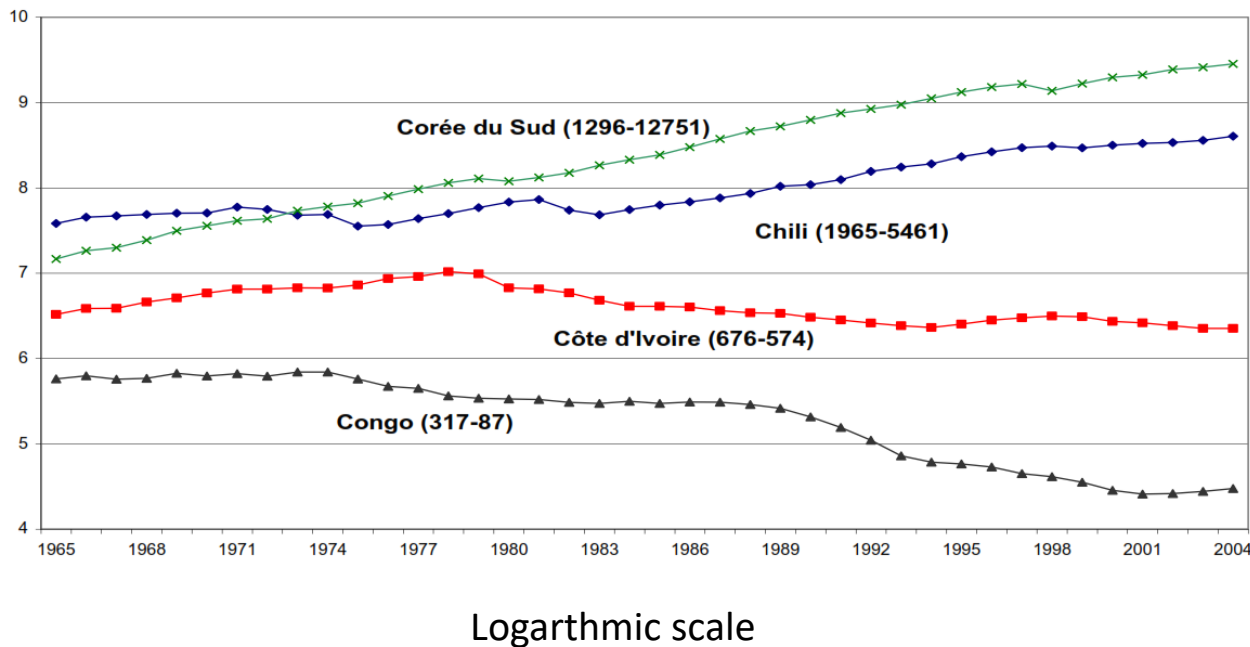


Figure 6.1 Chile: Growth, Poverty, and Inequality, 1990–2013. Source: World Bank and Ministry of Social Development of Chile.

Should show trends since reform period

A change of economic regime in Chile around 1975-6.
Presumably poverty reduction started around then while
inequality persisted

Political economy: Opposition to reforms because of uncertainty (Fernandez-Rodrik (1991) under democratic (e.g. Frei) governments. But Chile continued opening under democratically-elected governments once adjustment costs had been borne under dictatorship.

Is Globalization Dead?

Baldwin «The Great Convergence» (2016): <http://www.hup.harvard.edu/catalog.php?isbn=9780674660489>

Too late to stop the delocalisation activities of multinationals now that communication costs are down (alliance of high-skill/high-wage in North with low-wage in the South)!

Rodrik: Too late <https://www.project-syndicate.org/commentary/free-trade-losers-compensation-too-late-by-dani-rodrik-2017-04> Time inconsistency !

Stephen King : “Grave New World: The End of Globalisation, the Return of History” Robots in rich countries to replace cheap labor from South. Pressure from migrants from failed states + climate change pressure. Add in the rise in populism and the result is that cooperation between states will be harder to come by...

Milanovic (<http://voxeu.org/article/reducing-inequality-deconcentrating-capital>). Only solution to rising concentration of wealth observed so far is deconcentrating capital ownership would prevent WL/PY from falling inexorably. But this is likely to be as difficult to apply as Piketty taxes !!!