Τεχνοπαγκοσμιοποίηση – Επιπτώσεις

Μεταβολές στη τεχνολογία

1970 – Τέλος της τεχνολογικής φάσης των πετροχημικών και αυτοκινητοβιομηχανίας , έναρξη της φάσης της πληροφορικής με παράλληλη μετατροπή των μεγάλων παλαιών βιομηχανιών σε διεθνείς αλυσίδες παραγωγής.

Συνοδευτικές θεσμικές μεταβολές

- Μείωση δασμών , απελευθέρωση εμπορίου (κυρίαρχη στρατηγική προώθηση εξαγωγών)
- Ελεύθερη διακύμανση ισοτιμιών
- Ανεξαρτησία κεντρικών τραπεζών
- Έναρξη της ελεύθερης διακίνησης κεφαλαίων (κυρίως από το 1980 και μετά)
- Μείωση των κρατικών ρυθμίσεων και παρεμβάσεων
- Επικράτηση της ιδεολογίας της αποτελεσματικότητας των αγορών (efficient market theory)
- Ιδιωτικοποιήσεις
- Περισσότερες διευκολύνσεις στις διεθνείς μετακινήσεις των εργαζομένων (ιδιαίτερα από το 1980 και μετά)

Το νέο αυτό σύστημα εδραιώθηκε στις αρχές του 1980 και για δύο δεκαετίες προκάλεσε μεγάλη αύξηση της παραγωγικότητας η οποία συνοδεύτηκε από υψηλούς ετήσιους ρυθμούς ανάπτυξης στις περισσότερες χώρες (4-5%) και ακόμη υψηλότερους ρυθμούς ανάπτυξης του διεθνούς εμπορίου (6-8%).

Το 2000 είχαμε το κραχ των τεχνολογικών εταιριών στα διεθνή χρηματιστήρια (dot com bubble).

Το 2008 (χρηματοοικονομική – τραπεζική κρίση) και έναρξη της μείωσης των ρυθμών ανάπτυξης της παραγωγικότητας .

Επιπτώσεις της τεχνοπαγκοσμιοποίησης στη κατανομή των εισοδημάτων σε διεθνές επίπεδο και σε επιμέρους χώρες (βλέπε σχετικές φωτοτυπίες).

Φαινόμενα ανάλογα με το σημερινό

Έχουν παρουσιαστεί και στο παρελθόν σχετικά φαινόμενα, κατά τη μετάβαση από τη γεωργία στη βιομηχανία , στις σημερινές πλούσιες χώρες (τέλος του 19^{ου} αιώνα και συνεχίστηκε μέχρι τα μέσα του 20^{ου} αιώνα) με συνέπεια την πτώση των τιμών αγροτικών προϊόντων, πτώχευση αγροτών και αγροτικών τραπεζών, ιδιαίτερα κατά την οικονομική κρίση 1929 -1930 .

Αντιμετωπίστηκαν:

- Με τη μετανάστευση κυρίως προς την Αμερική και τις Αγγλικές αποικίες (Αυστραλία, Νέα Ζηλανδία κλπ) – περιοχές που ήταν αραιοκατοικημένες.
- Με την καθιέρωση αγροτικής πολιτικής στην Αμερική (μέρος του New Deal – Agricultural Adjustment Act - κατά την κρίση του 1929). Στην Ευρώπη με την ίδρυση της ΕΟΚ 1958 και την εφαρμογή αγροτικής πολιτικής (βασικός λόγος ίδρυσης της ΕΟΚ). Με την πολιτική αυτή επιδιώχθηκε η διαχείριση της αγροτικής κρίσης που κυρίως απασχολούσε την Γαλλία , την Γερμανία και την Ιταλία (βλέπε πίνακα).

Απασχόληση στη γεωργία ως % επί της συνολικής απασχόλησης

	1900	1958	2016
Γαλλία	42,2	22,0	2,8
Γερμανία	33,8	16,1	1,6
Ιταλία	58,7	32,9	4,0

Ένας λόγος που η Μεγάλη Βρετανία διατήρησε πιο χαλαρούς δεσμούς με την Ευρωπαϊκή Ένωση , ήταν ότι δεν χρειαζόταν τόσο πολύ αυτή την αγροτική πολιτική, δεδομένου ότι το 1980, η αγροτική απασχόληση ήταν μόνο το 9,2% και το 1958 το 4,1%.

Προοπτικές :

Αυτές εξαρτώνται από την εξέλιξη της τεχνολογίας , αλλά και από τις αλλαγές του θεσμικού πλαισίου που θα συνοδεύσουν τις τεχνολογικές αυτές μεταβολές. Και οι δύο αυτοί παράγοντες διέπονται από σημαντική αβεβαιότητα.

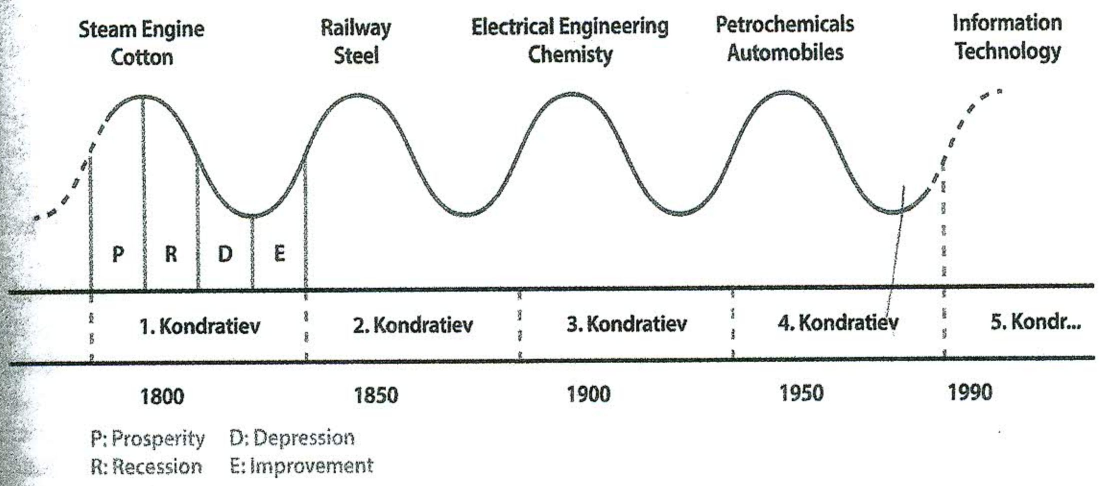
- Τι επιπτώσεις θα έχουν, στην παραγωγικότητα, στην απασχόληση και στην εισοδηματική ανισότητα, οι νέες τεχνολογίες;
- Ποια θεσμικά μέτρα θα ληφθούν ώστε τα οικονομικά οφέλη να κατανέμονται ευρύτερα στην κοινωνία;

π.χ.

- μέτρα φορολογικά
- μέτρα για την διαφάνεια του πολιτικού χρήματος,
- μέτρα κατά της διαφθοράς
- δημιουργία δίκαιου και αποτελεσματικού δικαστικού συστήματος (τήρηση νόμων)
- πρόσβαση σε ποιοτικό εκπαιδευτικό σύστημα και από μη προνομιούχες οικονομικά τάξεις

Τα πιο πάνω μέτρα και ιδιαίτερα το τελευταίο, πρέπει να αποσκοπούν στην αύξηση της κοινωνικής κινητικότητας μεταξύ των διαφόρων τάξεων (βλέπε σχετικό πίνακα στις συνημμένες φωτοτυπίες – "Economic Mobility Rankings").

1



Source: Wikipedia

After about twenty or thirty years, however, most of the gains associated with the new technology have been realized and productivity growth begins to slow. With technological differentiation no longer enabling business growth as effectively, businesses respond by creating various regulatory barriers to competition, or by moving production to lower-cost sites away from the sites of the technological frontier. For the sites on the technological frontier, this is a time of dearth. As always, it is the lower orders who suffer most, and thus what begins as technological senescence develops into economic stagnation and, if not addressed by political elites, eventually builds into a crisis of political legitimacy.

Thus the arrival of the steam engine fueled the first K-wave of growth in the early 19th century: the steam-driven textile mills wreaked havoc on craft cloth producers, of course, but also generated enormous productivity gains, most of which were captured by the early industrialists of midlands England and the Americans in New England. Eventually, however, as other regions and countries began to catch up technologically to the steam engine, the relative productivity and thus profitability of these industries began to decline in the 1820s. However, just as this was taking place, a new set of platform technologies began to emerge in the form of railways and steel mills, which among other things enabled a drastic reordering of the way farmers could bring their crops to market, thus again increasing overall productivity.

In Kondratiev's telling, the course of K-waves were almost exclusively determined by technology. However, it is important to understand that technology is always situated and developed within a particular set of political and economic institutions—institutions that from time to time must be reconfigured in order for a country's political economy to be able to maximize the productivity benefits of emergent technology platforms. This is a crucial point, and one that Kondratiev himself did not sufficiently appreciate: In order for countries to thrive, technology is not enough; rather it is the *assemblage* of technology and institutions that is critical. States that fail to reconfigure their political and economic institutions to accommodate and exploit the new technologies risk ceding their spots on the technology frontier to nimbler competitors.

From this perspective, what was critical to the British economy's ability to reap the productivity benefits associated with the second technological wave of railroads and steel were institutional reforms, including the abolition in 1846 of tariffs on grain imports, which lowered the cost of food for the growing class of industrial laborers. In other words, as railroads and steamships technologically enabled the creation of transnational grain markets, institutional reform allowed Britain to translate that technological potential into improved productivity across the industrial landscape.

2

Ian Hathaway, of the Brookings Institution, note that the number of startups is lower than at any time since the late 1970s, and that more companies die than are born, pushing up their average age. American workers are also changing jobs and moving across state borders less often than at any time since the 1970s.

Competition is for losers

The superstar effect is particularly marked in the knowledge economy. In Silicon Valley a handful of giants are enjoying market shares and profit margins not seen since the robber barons in the late 19th century. "Competition is for losers," says Peter Thiel, a co-founder of PayPal, a payments system, and the first outside investor in Facebook. On Wall Street the five largest banks have increased their share of America's banking assets from 25% in 2000 to 45% today.

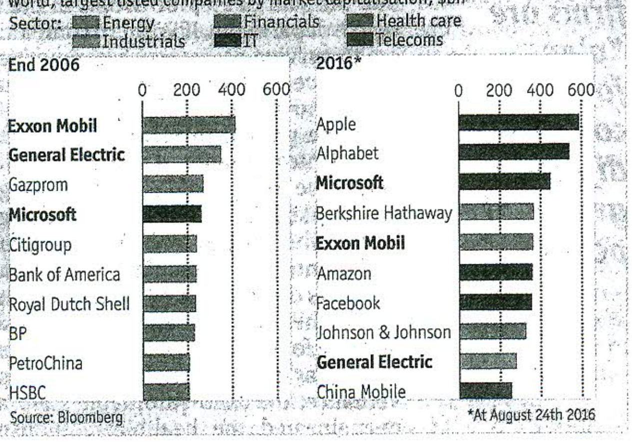
The picture in other rich countries is more varied. Whereas in Britain and South Korea the scale of consolidation has been similar to that in America, in continental Europe it has been much less pronounced. In a list of the world's top 100 companies by market capitalisation compiled by PWC, an accountancy firm, the number of continental European firms has declined from 19 in 2009 to 17 now. Still, in most of the world some consolidation is the rule. The OECD, a club of mostly rich countries, notes that firms with more than 250 employees account for the biggest share of value added in every country it monitors.

There are good reasons for thinking that the superstar effect will gather strength. Big and powerful companies force their rivals to bulk up in order to compete with them. They also oblige large numbers of lawyers, consultancies and other professional-services firms to become global to supply their needs. Digitisation reinforces the trend because digital companies can exploit network effects and operate across borders.

James Manyika, of the McKinsey Global Institute, points out that today's superstar companies are big in different ways from their predecessors. In the old days companies with large revenues and global footprints almost always had lots of assets and employees. Some superstar companies, such as Walmart and Exxon, still do. But digital companies with huge market valuations and market shares typically have few assets. In 1990 the top three carmakers in Detroit between them had nominal revenues of $250 billion, a market capitalisation of $36 billion and 1.2m employees. In 2014 the top three companies in Silicon Valley had revenues of $247 billion and a market capitalisation of over $1 trillion but just 137,000 employees.

A virtually new world

World, largest listed companies by market capitalisation, $bn



Source: Bloomberg *At August 24th 2016

Yet even "old" big companies employ far fewer people than they used to. Exxon, the world's most successful oil company, has cut back its workforce from 150,000 in the 1960s to less than half that today, despite having merged with a giant rival, Mobil. At the same time "new" big companies are becoming more like the corporations of yore. High-tech companies often give senior jobs to former Washington insiders and employ armies of lobbyists. Many modern superstar companies park their money in offshore hideaways and devote considerable efforts to keeping down their tax bills. Superstar companies tend to excel at everything they do—including squeezing as much as they can out of government while paying the lowest possible taxes.

This special report will explain why the age of entrepreneurialism, ushered in by Britain's Margaret Thatcher and America's Ronald Reagan, is giving way to an age of corporate consolidation even as most companies are becoming more virtual. It will examine the forces behind the rise of the superstars and reveal their managerial secrets. And it will attempt to answer the question that Roosevelt raised in Osawatomie: are such corporate giants a cause for concern or for celebration? ■

Driving forces

Why giants thrive

The power of technology, globalisation and regulation

ACROSS NORTHERN CALIFORNIA the world's best-known tech companies are engaged in a construction contest. Facebook got off to an early start with a building of 430,000 square feet (40,000 square metres) that looks like a giant warehouse. It is said to be the largest open-plan office building in the world. Google is hard at work on a new headquarters to replace its Googleplex: a collection of movable glass buildings that can expand or contract as business requires. Samsung and Uber, too, are in construction mode. But the most ambitious builder is Apple, which is spending $5 billion on something that looks like a giant spaceship.

Silicon Valley is a very different place from what it was in the 1990s. Back then it was seen as the breeding ground of a new kind of capitalism—open-ended and freewheeling—and a new kind of business organisation—small, nimble and fluid. Companies popped up to solve specific problems and then disappeared. Nomadic professionals hopped from one company to another, knowing that their value lay in their skills rather than their willingness to wear the company collar. Today the valley has been thoroughly corporatised: a handful of winner-takes-most companies have taken over the world's most vibrant innovation centre, while the region's (admittedly numerous) startups compete to provide the big league with services or, if they are lucky, with their next acquisition.

Tech aristocracy

The most successful tech companies have achieved massive scale in just a couple of decades. Google processes 4 billion searches a day. The number of people who go on Facebook every month is much larger than the population of China. These companies have translated vast scale into market dominance and soaring revenues. The infrastructure of the information economy is increasingly controlled by a handful of companies: Ama- ▶▶

3

communications technology. What these technologies enabled was, again, the creation of whole new industries—from software to mobile phone networks. But perhaps even more importantly, it drove the recasting of older industries around global supply chains, thus producing sustained productivity gains in many other industries, not just in the "tech" sector. All the political measures designed to enable "flexibility" created enormous opportunities for computer-driven redesign of global supply chains.

No sector gained more in terms of profitability growth than the financial services sector, which, once freed of 1930s-vintage regulations designed to enable the previous K-wave and enabled by computer technology, refashioned itself into a giant proprietary trading machine designed to capture the productivity gains of other sectors for its own profit. But the key point is this: Without the political reforms of the 1970s and early 1980s, the potential inherent in the new silicon platform would not have been realized, at least not to the same extent or in the same places.

In any event, as this new system consolidated in the early 1980s, it launched a new K-wave that, for more than two decades, produced a great renewal of productivity growth, along with a host of new industries. The iconic businesses of this period of American capitalism were of course software companies like Oracle, Microsoft, and Google. But perhaps more emblematic was the inexorable rise of Walmart, a company built on the exploitation of software-enabled inventory management and global supply chains. Symbolizing the economic polarization of this era, founder Sam Walton's bevy of plutocratic heirs today are collectively worth more than $100 billion, while at the same time the company employs more than two million people at wages that require supplemental government welfare subsidies in order to be made livable.[8]

In effect, this has turned the Federal government into the handmaiden of the Big Box business model itself, and so constitutes a somewhat novel form of corporate welfare. Since the 1970s, median family incomes in the United States have stagnated even as the silicon-driven K-wave has dramatically improved the economy's total factor productivity. The uneven social distribution of gains—with the profits captured by elites rather than broadly shared—is the signature feature of the post-Fordist structure of accumulation that emerged in the 1970s.

Around 2000, however, this latest K-wave began to subside, that is, it reached the mature ("R") phase. Since 2000—not coincidentally, the year the dot-com bubble burst—productivity gains in the U.S. economy have slowed dramatically. (See figure on previous page.) Whereas the emblematic companies of the first phase of the infotech revolution were the likes of Oracle and Microsoft, whose business software drastically increased their users' economic productivity, the most successful software company founded since 2000 has been Facebook—an era-defining social media platform,

[8]Simon Head, "Inside the Leviathan," *New York Review of Books*, December 16, 2004.

Source: Economist Intelligence Unit

▸in a slum can see the skyscraper nearby, technology allows anyone with a smartphone to see how the most privileged live. Expectations rise faster than governments can deliver and a pervasive sense of injustice undermines peoples' faith in the system. Without trust, capitalism and markets cannot continue to deliver the gains they have delivered in the past centuries.

This paradox of progress and peril has been decades in the making. While I am proud of what my administration has accomplished these past eight years, I have always acknowledged that the work of perfecting our union would take far longer. The presidency is a relay race, requiring each of us to do our part to bring the country closer to its highest aspirations. So where does my successor go from here?

Further progress re
that America's econom
complicated mechanis
some more radical ref
the abstract—breaking
banks or erecting prohi
on imports—the econo
tion. It cannot simp
wholesale and put back together again without real consequences for real people.

Instead, fully restoring faith in an economy where hardworking Americans can get ahead requires addressing four major structural challenges: boosting productivity growth, combating rising inequality, ensuring that everyone who wants a job can get one and building a resilient economy that's primed for future growth.

Restoring economic dynamism

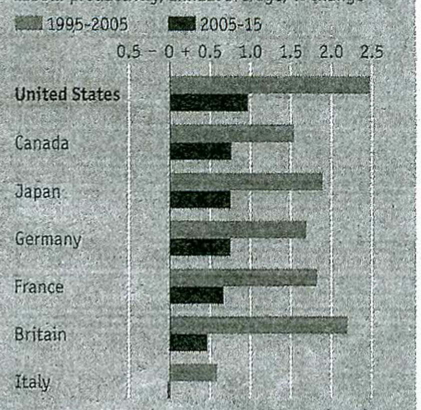
First, in recent years, we have seen incredible technological advances through the internet, mobile broadband and devices, artificial intelligence, robotics, advanced materials, improvements in energy efficiency and personalised medicine. But while these innovations have changed lives, they have not yet substantially boosted measured productivity growth. Over the past decade, America has enjoyed the fastest productivity growth in the G7, but it has slowed across nearly all advanced economies (see chart 1). Without a faster-growing economy, we will not be able to generate the wage gains people want, regardless of how we divide up the pie.

A major source of the recent productivity slowdown has been a shortfall of public and private investment caused, in part, by a hangover from the financial crisis. But it has also been caused by self-imposed constraints: an anti-tax ideology that rejects virtually all sources of new public funding; a fixation on deficits at the expense of the deferred maintenance bills we are passing to our children, particularly for infrastructure; and a political system so partisan that previously bipartisan ideas like bridge and airport upgrades are nonstarters.

We could also help private investment

Most productive 1

Labour productivity, annual average, % change



Sources: Conference Board; Council of Economic Advisers

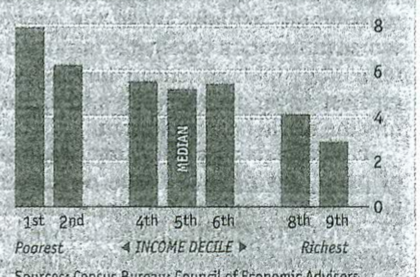
everything from boosting funding for early childhood education to improving high schools, making college more affordable and expanding high-quality job training.

Lifting productivity and wages also depends on creating a global race to the top in rules for trade. While some communities have suffered from foreign competition, trade has helped our economy much more than it has hurt. Exports helped lead us out of the recession. American firms that export pay their workers up to 18% more on average than companies that do not, according to a report by my Council of Economic Advisers. So, I will keep pushing for Congress to pass the Trans-Pacific Partnership and to conclude a Transatlantic Trade and Investment Partnership with the EU. These agreements, and stepped-up trade enforcement, will level the playing field for workers and businesses alike.

Second, alongside slowing productivity, inequality has risen in most advanced economies, with that increase most pronounced in the United States. In 1979, the top 1% of American families received 7% of

More for the poor and middle class 2

Real US household income, 2015
% increase on a year earlier



Sources: Census Bureau; Council of Economic Advisers

all after-tax income. By 2007, that sh
had more than doubled to 17%. This ch
lenges the very essence of who Americ
are as a people. We don't begrudge succ
we aspire to it and admire those w
achieve it. In fact, we've often accep
more inequality than many other nati
because we are convinced that with h
work, we can improve our own stat
and watch our children do even better.

As Abraham Lincoln said, "while we
not propose any war upon capital, we
wish to allow the humblest man an eq
chance to get rich with everybody el
That's the problem with increased
equality—it diminishes upward mobilit
makes the top and bottom rungs of the l
der "stickier"—harder to move up a
harder to lose your place at the top.

listed many causes
ty: technology, edu
eclining unions an
There is someth
ve made real p
But I believe t
alues have a
past, differen
in pay between corporate executives a
their workers were constrained by a gr
er degree of social interaction betw
employees at all levels—at church, at t
children's schools, in civic organisati
That's why CEOs took home about 20
30-times as much as their average wor
The reduction or elimination of this c
straining factor is one reason why tod
CEO is now paid over 250-times more.

Economies are more successful w
we close the gap between rich and p
and growth is broadly based. This is
just a moral argument. Research sh
that growth is more fragile and recessi
more frequent in countries with greate
equality. Concentrated wealth at the
means less of the broad-based consu
spending that drives market economie

America has shown that progres
possible. Last year, income gains were l
er for households at the bottom and r
dle of the income distribution than
those at the top (see chart 2). Under my
ministration, we will have boosted
comes for families in the bottom fifth o
income distribution by 18% by 2017, w
raising the average tax rates on househ
projected to earn over $8m per year—
top 0.1%—by nearly 7 percentage po
based on calculations by the Departn
of the Treasury. While the top 1% of ho
holds now pay more of their fair share
changes enacted during my admini
tion have increased the share of incom
ceived by all other families by more t
the tax changes in any previous adm
tration since at least 1960.

Even these efforts fall well short. In
future, we need to be even more aggres
in enacting measures to reverse the
cades-long rise in inequality. Un

4B

PART II

6 Prosperity

During the last couple of hundred years we have become much richer than in all previous history. This can be measured in many ways (and we shall look at some of these below), but the most obvious of these is to look at the available production per capita. This provides us with a measurement of how much an average individual can buy.[483] Figure 29 gives an estimate of the global development in GDP per capita over the last 2,000 years. After an almost constant $400 throughout most of human history, we passed the $700 line in 1800, and 200 years later we were on average more than eight times richer.[484]

If we look at Figure 30 we can see that there has been a 36-fold increase in per capita American production since 1789,[485] and a similar 20-fold British increase since 1756. In 2000 the US economy produced goods and services for an average American at the value of $36,200; at the end of the eighteenth century, an American would have made just 996 present-day dollars.[486] The average Briton had £15,700 in 2000 compared to just 792 present-day pounds in 1756.

This development is not unique to the US or the UK. In Figure 31 we can see that all regions of the world have experienced substantial per capita growth although it has not been equally pronounced throughout: Western Europe has seen a 13-fold

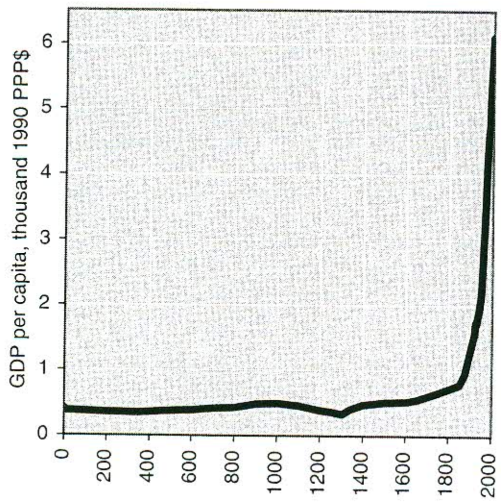


Figure 29 Estimated global GDP per capita 0–2000 CE. The estimate also extends backwards (with very little change) to 1,000,000 BCE. The little break is the 1930s depression. Source: DeLong 2000a.

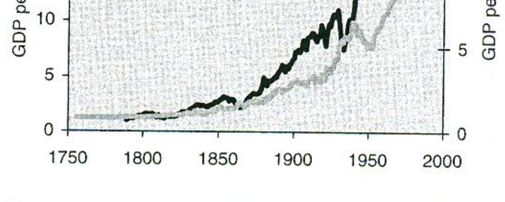
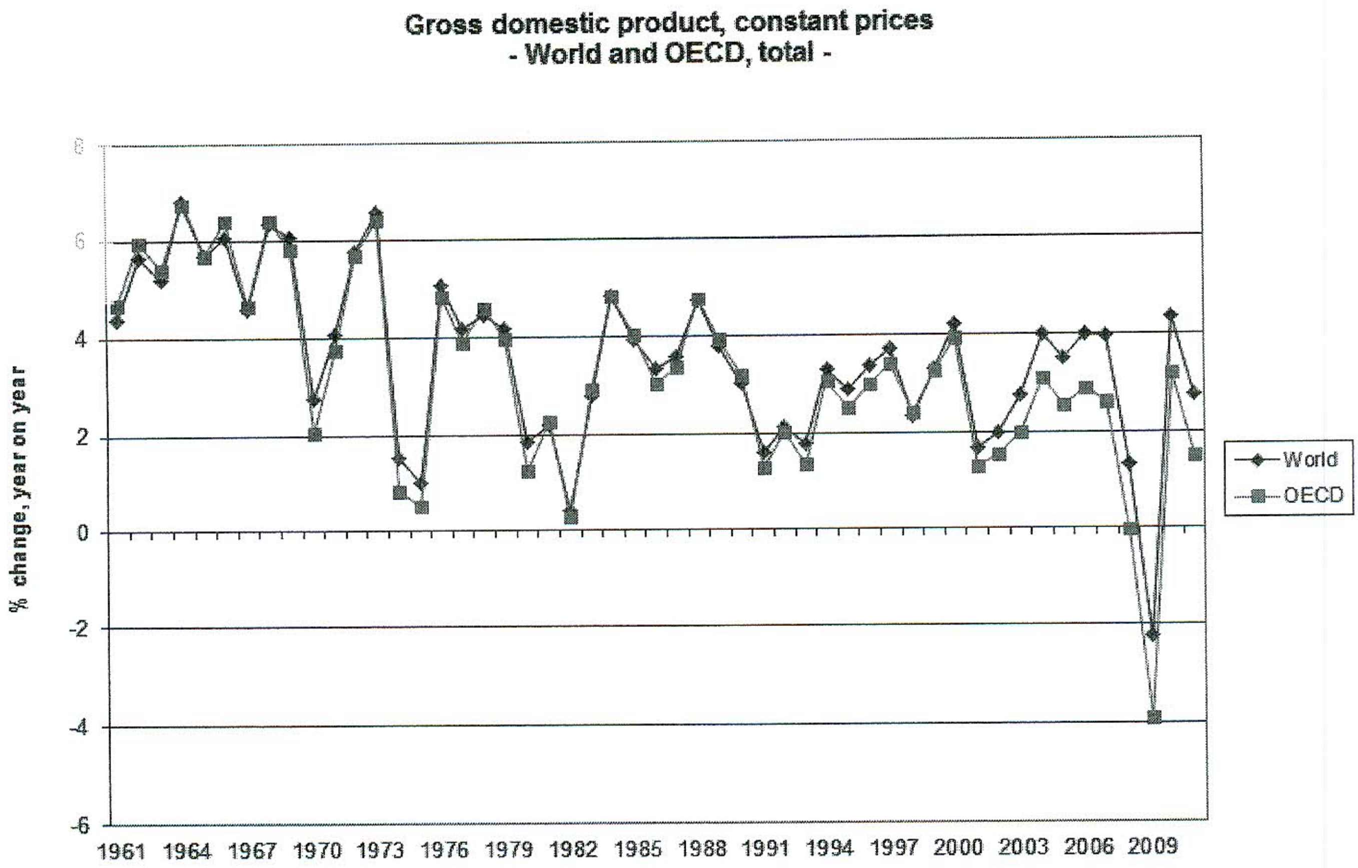


Figure 30 UK (1756–2000) and US (1789–2000) GDP per capita in constant 2000$ and 2000£ at the 2000 exchange rate (£/$=1.52, HM Treasury 2001:16). Source: UK: 1756–1846: Floud and Harris 1996:55, 1830–1975: Flora *et al.* 1983:366–9, 1960–97 World Bank 1999a, 1975–99: HM Treasury 2000:4, 2001:4, ONS 2001d, UK CPI 2001. US: 1789–1988: Mitchell 1993: 748, 749, 753, 761, BEA 2000, 2001, CPI 2001.

5



Rate of change of Gross domestic product, world and OECD, since 1961.

More details

Alex1011 - Own work

World GDP growth rate and GDP growth rate of total OECD countries. Data source: World Bank Group and OECD.

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About | Discussion | Help

6

Economics in business

Our view on economic forecasts, to regulation to behavioural economics, with consideration to what businesses should be thinking about.

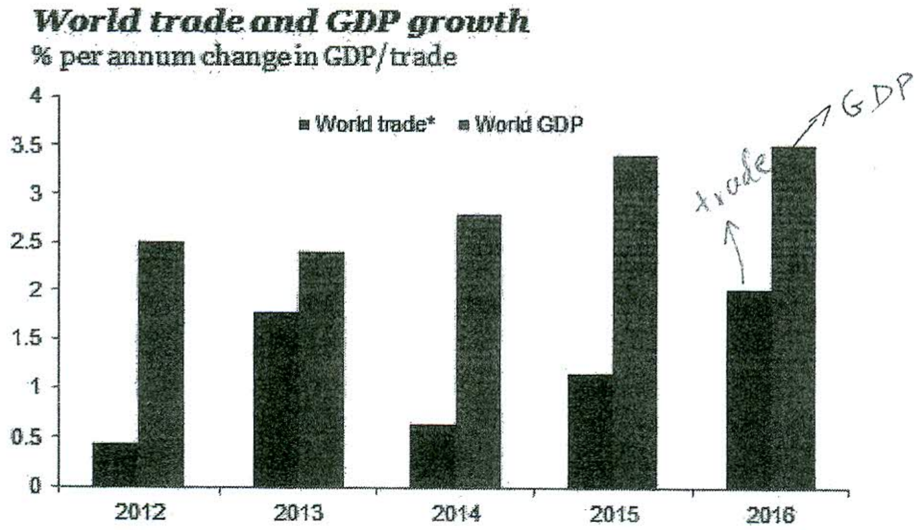
Has trade growth become disconnected from GDP growth?

09 December 2014

By Dr Rebecca Harding*

Recent world trade data has shown a pick-up after a very flat period from last autumn until this summer. In the third quarter of this year, the CPB World Trade Monitor shows trade volumes rising at 2% above the previous quarter. So does this mean that the world economy is picking up, rather than slowing down as policy-makers fear? Not necessarily.

The conventional wisdom for many years has been that there has been a close relationship between world trade and GDP, with trade volumes growing roughly twice as fast as global economic output. But since 2012, this relationship has broken down – indeed this is something which Delta Economics had projected would happen. Since 2012, world trade volumes have risen below the global GDP growth rate. And with the prices of traded goods also falling in dollar terms, the growth in the value of trade has significantly underperformed global growth – a pattern which is set to continue into the future, as the chart below shows.



Source: World Bank (GDP) and Delta Economics (Trade data)

**World trade measured in dollars - at current prices 2012-13, constant prices 2014-16*

There are two questions that come out of this.

First, did the relationship between world trade and global trade ever really exist? The answer to this is a qualified yes. The World Trade Organisation's research suggests that, in the post-war period trade volumes grew by 8% and GDP by around 5% as a result of trade liberalisation. Between 1990 and 2008, global real GDP expanded at an annual rate of 3.2%, whilst world trade volumes grew by 6.0%. But since 2008, world trade has grown slower than GDP and the share c exports in GDP has fallen after a 25 year upwards trend.

So second, why is there are a breakdown now? For all practical purposes trade has grown more quickly than GDP in the post-war period. There are four things that have driven this: the post-war re-building of Western Europe; trade liberalisation accompanied by freely floating exchange rates; technological change which has enabled globalisation; and the rapid entrance of emerging Asia, specifically China, into the global economic order

7

Economic and financial indicators

Economic data

% change on year ago

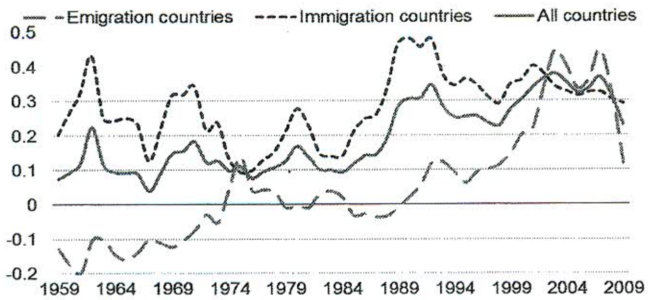
	Gross domestic product			Industrial production	Consumer prices		Unemployment rate, %	Current-account balance		Budget balance	Interest rates, %	Currency units, per $	
	latest	qtr*	2016†	latest	latest	2016†		latest 12 months, $bn	% of GDP 2016†	% of GDP 2016†	10-year gov't bonds, latest	Oct 26th	year ago
United States	+1.3 Q2	+1.4	+1.5	-1.0 Sep	+1.5 Sep	+1.3	5.0 Sep	-488.2 Q2	-2.6	-3.2	1.75	-	-
China	+6.7 Q3	+7.4	+6.6	+6.1 Sep	+1.9 Sep	+2.0	4.0 Q3§	+260.9 Q2	+2.6	-3.8	2.45§§	6.77	6.35
Japan	+0.8 Q2	+0.7	+0.6	+4.5 Aug	-0.5 Aug	-0.2	3.1 Aug	+173.6 Aug	+3.6	-5.1	-0.06	104	121
Britain	+2.1 Q2	+2.7	+1.8	+0.8 Aug	+1.0 Sep	+0.7	4.9 Jul††	-161.2 Q2	-5.6	-3.9	1.12	0.82	0.65
Canada	+0.9 Q2	-1.6	+1.3	-0.7 Jul	+1.3 Sep	+1.6	7.0 Sep	-51.1 Q2	-3.3	-2.6	1.16	1.33	1.31
Euro area	+1.6 Q2	+1.2	+1.5	+1.8 Aug	+0.4 Sep	+0.2	10.1 Aug	+383.9 Aug	+3.2	-1.7	0.09	0.92	0.91
Austria	+1.2 Q2	-0.9	+1.3	+2.3 Aug	+0.9 Sep	+1.0	6.2 Aug	+8.2 Q2	+2.4	-1.3	0.22	0.92	0.91
Belgium	+1.4 Q2	+2.2	+1.3	+1.0 Aug	+1.9 Sep	+1.8	8.2 Aug	+4.8 Jun	+1.2	-2.8	0.36	0.92	0.91
France	+1.3 Q2	-0.4	+1.3	+0.5 Aug	+0.4 Sep	+0.3	10.5 Aug	-27.3 Aug‡	-0.4	-3.3	0.31	0.92	0.91
Germany	+1.7 Q2	+1.7	+1.7	+2.0 Aug	+0.7 Sep	+0.4	6.1 Sep	+305.6 Aug	+8.4	+0.9	0.09	0.92	0.91
Greece	-0.4 Q2	+0.7	-0.6	-0.3 Aug	-1.0 Sep	-0.1	23.2 Jul	-0.3 Aug	-1.0	-5.8	8.28	0.92	0.91
Italy	+0.7 Q2	+0.1	+0.8	+4.1 Aug	+0.1 Sep	nil	11.4 Aug	+46.3 Aug	+2.5	-2.6	1.54	0.92	0.91
Netherlands	+2.3 Q2	+2.6	+1.6	+2.2 Aug	+0.1 Sep	+0.3	7.0 Sep	+59.7 Q2	+9.2	-1.2	0.12	0.92	0.91
Spain	+3.2 Q2	+3.4	+3.0	+6.8 Aug	+0.2 Sep	-0.4	19.5 Aug	+22.0 Jul	+1.4	-4.3	1.08	0.92	0.91
Czech Republic	+3.6 Q2	+3.7	+2.4	+13.1 Aug	+0.5 Sep	+0.6	5.2 Sep§	+3.7 Q2	+1.5	nil	0.48	24.8	24.5
Denmark	+0.8 Q2	+1.5	+1.0	+2.1 Aug	nil Sep	+0.4	4.3 Aug	+25.8 Aug	+6.4	-1.0	0.23	6.81	6.75
Norway	+2.5 Q2	+0.1	+1.0	-5.6 Aug	+3.6 Sep	+3.5	5.0 Jul‡‡	+23.6 Q2	+5.3	+3.0	1.31	8.26	8.34
Poland	+3.0 Q2	+3.6	+3.1	+3.2 Sep	-0.5 Sep	-0.8	8.3 Sep§	-2.7 Aug	-1.0	-2.9	3.07	3.97	3.86
Russia	-0.6 Q2	na	-0.7	-0.8 Sep	+6.4 Sep	+7.3	5.2 Sep§	+30.2 Q3	+3.1	-3.7	8.41	62.7	62.8
Sweden	+3.4 Q2	+2.0	+3.1	-4.8 Aug	+0.9 Sep	+1.0	6.1 Sep§	+25.4 Q2	+5.1	-0.3	0.16	8.90	8.50
Switzerland	+2.0 Q2	+2.5	+1.4	-1.2 Q2	-0.2 Sep	-0.5	3.3 Sep	+66.1 Q2	+9.3	+0.2	-0.42	0.99	0.98
Turkey	+3.1 Q2	na	+3.2	+2.8 Aug	+7.3 Sep	+7.8	10.7 Jul§	-31.0 Aug	-4.7	-1.8	9.94	3.08	2.89
Australia	+3.3 Q2	+2.1	+2.8	+3.7 Q2	+1.3 Q3	+1.2	5.6 Sep	-52.8 Q2	-4.2	-2.1	2.23	1.30	1.38
Hong Kong	+1.7 Q2	+6.5	+1.6	-0.4 Q2	+2.6 Sep	+2.7	3.4 Sep‡‡	+13.6 Q2	+3.0	+0.1	1.04	7.76	7.75
India	+7.1 Q2	+5.5	+7.6	-0.7 Aug	+4.3 Sep	+5.2	5.0 2015	-16.2 Q2	-1.0	-3.8	6.87	66.8	64.9
Indonesia	+5.2 Q2	na	+5.0	+4.8 Aug	+3.1 Sep	+3.6	5.5 Q1§	-18.7 Q2	-2.2	-2.6	7.03	13,008	13,645
Malaysia	+4.0 Q2	na	+4.3	+4.9 Aug	+1.5 Sep	+1.9	3.5 Aug§	+5.3 Q2	+1.0	-3.4	3.58	4.16	4.23
Pakistan	+5.7 2016**	na	+5.7	+1.5 Aug	+3.9 Sep	+3.9	5.9 2015	-4.1 Q3	-0.8	-4.6	8.03†††	105	104
Philippines	+7.0 Q2	+7.4	+6.4	+13.6 Aug	+2.3 Sep	+1.7	5.4 Q3§	+3.2 Jun	+1.1	-1.0	3.80	48.4	46.5
Singapore	+2.0 Q2	-4.1	+1.0	+6.7 Sep	-0.2 Sep	-0.7	2.1 Q3	+58.4 Q2	+19.4	+0.7	1.81	1.39	1.39
South Korea	+2.7 Q3	+2.8	+2.6	+2.3 Aug	+1.2 Sep	+0.9	3.6 Sep§	+101.3 Aug	+7.2	-1.4	1.63	1,134	1,134
Taiwan	+0.7 Q2	+0.2	+0.7	+5.0 Sep	+0.3 Sep	+1.1	3.9 Sep	+75.7 Q2	+13.3	-0.5	0.96	31.6	32.4
Thailand	+3.5 Q2	+3.2	+3.1	+3.1 Aug	+0.4 Sep	+0.2	0.9 Aug§	+42.4 Q2	+5.3	-2.5	2.19	35.0	35.5
Argentina	-3.4 Q2	-8.0	-1.5	-2.5 Oct	— ***	—	9.3 Q2§	-15.4 Q2	-2.4	-5.0	na	15.2	9.52
Brazil	-3.8 Q2	-2.3	-3.2	-5.2 Aug	+8.5 Sep	+8.3	11.8 Aug§	-23.3 Sep	-1.1	-6.4	11.24	3.12	3.88
Chile	+1.5 Q2	-1.4	+1.7	+2.8 Aug	+3.1 Sep	+3.9	6.9 Aug§‡‡	-5.1 Q2	-1.9	-2.5	4.18	654	685
Colombia	+2.0 Q2	+0.8	+2.0	+9.4 Aug	+7.3 Sep	+7.6	9.0 Aug§	-15.7 Q2	-5.1	-3.7	7.27	2,958	2,915
Mexico	+2.5 Q2	-0.7	+2.1	+0.3 Aug	+3.0 Sep	+2.9	3.9 Sep	-30.9 Q2	-2.9	-3.0	6.15	18.6	16.5
Venezuela	-8.8 Q4~	-6.2	-14.2	na	na	+485	7.3 Apr§	-17.8 Q3~	-3.0	-24.3	10.57	9.99	6.31
Egypt	+6.7 Q1	na	+4.4	-13.1 Aug	+14.1 Sep	+12.8	12.5 Q2§	-18.7 Q2	-6.8	-11.5	na	8.88	8.03
Israel	+2.8 Q2	+4.3	+3.0	+1.7 Jul	-0.4 Sep	-0.4	4.6 Aug	+12.1 Q2	+3.3	-2.4	1.81	3.84	3.88
Saudi Arabia	+3.5 2015	na	+1.1	na	+3.0 Sep	+4.2	5.6 2015	-61.5 Q2	-5.6	-11.6	na	3.75	3.75
South Africa	+0.6 Q2	+3.3	+0.4	+0.1 Aug	+6.1 Sep	+6.4	26.6 Q2§	-12.9 Q2	-4.1	-3.4	8.88	13.9	13.6

Source: Haver Analytics. *% change on previous quarter, annual rate. †*The Economist* poll or Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. ~2014 **Year ending June. ††Latest 3 months. ‡‡3-month moving average. §§5-year yield. ***Official number not yet proved to be reliable; The State Street PriceStats Inflation Index, Sept 35.92%; year ago 26.47% †††Dollar-denominated bonds.

Migration flows and immigrant populations have been increasing for decades

Since the 1960s, net migration to OECD countries has increased, although this long-term trend is characterised by some sharp fluctuations, often in response to the business cycle or geopolitical events. Over that same period, many OECD countries have shifted from being countries of emigration to countries of immigration.

Net migration to OECD countries as a percentage of the total resident population, 1959-2009



Source: OECD Population and Vital Statistics database.

According to most recent population censuses, between 2000/01 and 2010/11, the number of immigrants in the OECD increased by around 35%. In 2010/11 there were more than 100 million foreign-born in the OECD compared to just over 75 million a decade earlier (OECD-UNDESA, 2013).

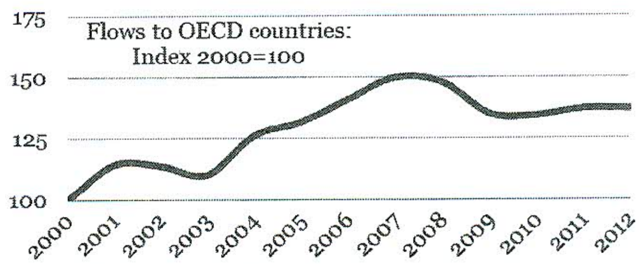
A little more than half of the foreign-born, or 52%, were women and 75% were aged between 25 and 64. Mexico is the main country of origin with 11 million emigrants, followed by China (3.8 million), the United Kingdom (3.5 million) and India (3.4 million). The number of immigrants in OECD countries who were born in China, India and Romania has increased by more than 1.5 million in ten years.

Overall, international migration flows to OECD countries are a third higher in 2010 than they were in 2000. At first glance these facts may support the idea of a constant, if not accelerating, increase in migration.

However, the situation is actually more nuanced as global migration flows to OECD have not followed a steady trend. After a strong increase at the turn of the century and a peak in 2007, they fell sharply in 2008 and 2009, in response to the global financial crisis, and then remained relatively stable until 2012.

In 2012, total permanent migration flows to the OECD reached 4 million, half of which is for European OECD countries.

Migration flows to the OECD area, 2000-2012



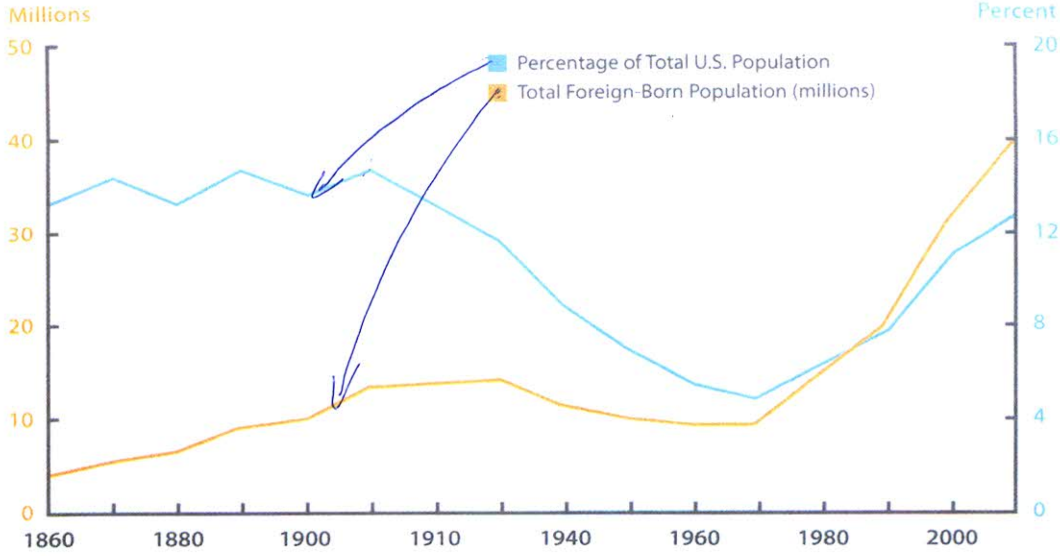
Source: OECD International Migration database.

Looking at the evolution by country of destination gives an even more complex picture. Apart from Japan and Korea, where immigration remains at relatively low and stable levels, flows to other countries showed large variations over the first decade of the millennium. Spain displayed the widest variations, with inflows tripling between 2000 and 2007 before subsequently decreasing to a third of the 2007 peak. Trends observed in 2012 clearly illustrate this responsiveness to economic conditions.

The overall level of permanent international migration to OECD countries remained fairly stable in 2012 relative to 2011, dropping by only 0.4% (15 000 persons). Yet, this overall stability hides highly diverging patterns across countries of destination and by type of migration. In fact, the heterogeneity in migration trends has never been as marked as today.

Migration trends are diverging widely across countries

Germany stands out among the countries where immigration increased in 2012. Flows increased by over a third compared with 2011, reaching 400 000 persons. Germany became the second-largest immigration country, after the United States, in the OECD in 2012, receiving more than 10% of all permanent immigration to the OECD area. In 2009, it was only the eighth largest. This spectacular increase has been fuelled mainly by inflows from central and eastern European countries and, to a lesser degree, southern Europe.



Source: Congressional Budget Office

many significant government restrictions, particularly with respect to labor, individual companies and whole industries restructured from national to global supply chains to take advantage of wage and regulatory arbitrage opportunities. Labor lost here, too, this time ceding bargaining power to capital, which could threaten to, and often did, move manufacturing facilities to countries or locations with less politically effective unions and lower labor costs.

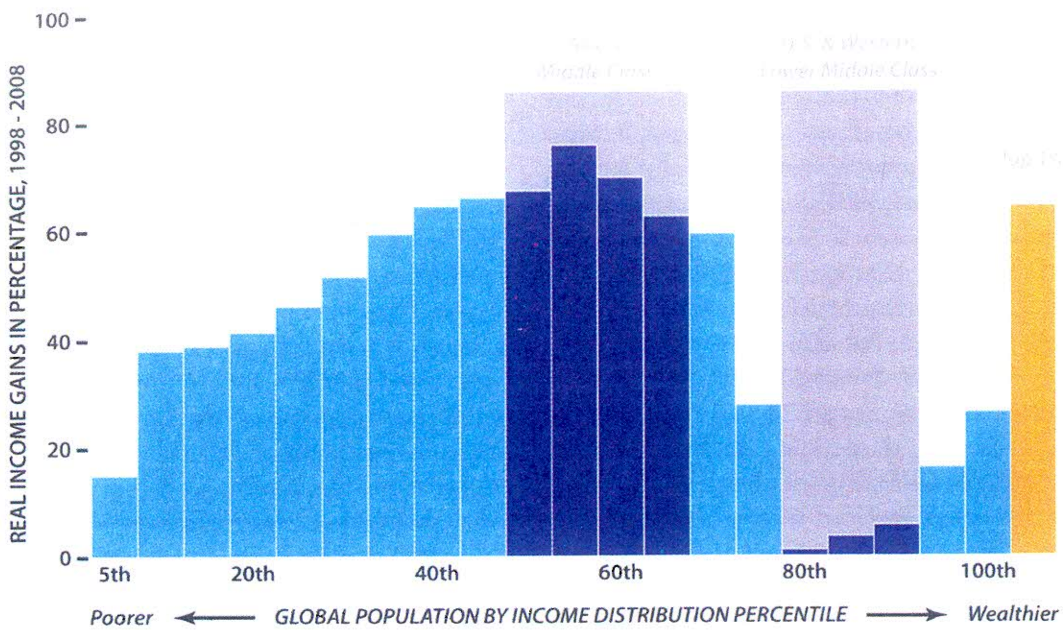
Fourth, the 1970s were also the moment when the aforementioned "efficient market hypothesis" went from theoretical musing to the central ideological justification for the distributional consequences of our current capitalist order. Whereas the post-New Deal moral economy of the United States frowned upon drastic disparities in pay between workers and bosses, after the 1970s the "wealth creators" found themselves able to justify ever more disparate pay packages. As a result, the ratio of CEO-to-worker pay has grown dramatically, from 18-to-1 in 1965 to 27-to-1 in 1978 to 137-to-1 in 1995 to 202-to-1 in 2012.[7]

Fifth, the 1970s also saw dramatic increases in immigration from the Global South to the Global North, which eventually increased the foreign-born populations in Western Europe and the United States to levels beyond anything in living memory. This provided cheap labor for business owners, and cheaper goods and services for consumers, but again eroded labor's bargaining power and set the stage for cultural tensions as immigrant communities did not always assimilate as expected. (See figure above.)

Finally, and crucially, the 1970s also marked the end of the New Deal liberal consensus around a government-managed mixed economy, and its displacement by the so-called conservative political hegemony, symbolized by the election of Ronald Reagan, who declared at his inauguration, "In the present crisis, government is not the solution to our problem; government is the problem." The extent of that hegemony became apparent during the first Clinton presidency, which completed the work of the Reagan revolution by "ending welfare as we know it," that is, replacing welfare with a carcereal disciplinary logic designed to repress those excluded from the benefits of the new economy.

All of these politically driven reforms in turn dovetailed beautifully (from the point of view of productivity growth) with the emergence of a new Kondratiev technology platform, namely, silicon-based information and

[7] Natalie Sabadish and Lawrence Mishel, "CEO Pay in 2012 Was Extraordinarily High Relative to Typical Workers and Other High Earners," Economic Policy Institute Issue Brief No. 367, June 26, 2013.



Source: Harvard Business Review

class. (See figure on following page.) In addition, the rate of labor productivity increase has slowed, which means there are fewer gains to distribute, and ever more of them are being captured by the top.

The Political Economy of Long Capitalist Waves

The real question turns out to be twofold. First, why are the gains of the economy so poorly distributed? Second, why has productivity growth slowed so much over the past ten years? Let us take the second question first, and then come back to the question of distribution.

There actually is a well-known (though not uncontroversial) historical explanation for why we should not be surprised that the past few years have been a period of slowing productivity growth in the old industrial core of the North Atlantic—in other words, in countries on the technological frontier. And that is because, starting at about the time the dot-com bubble burst in 2000, we entered the declining-growth stages of the current phase of global capitalism that kicked off in the 1970s.

The theory that capitalism at the technology frontier operates in higher- and lower-growth cycles was originally developed nearly a century ago by the Russian economist Nikolai Kondratiev, who, for his efforts to explain capitalism's seemingly inexorable ability to renew itself, was executed by Stalin in 1938. Kondratiev's theory postulates that over the past 250 years or so, capitalism has evolved through a series of forty- to sixty-year cycles, based on what the leading industrial sectors were for countries at the technology frontier. According to Kondratiev's theory, each of these "K-waves" follows a similar cycle. (See figure on next page.) First, a new breakthrough technology or set of technologies is invented and rolled out broadly. What defines these technologies is that they are "platform" technologies (what economists call "general purpose technologies") that not only dramatically enhance worker productivity, but also enable the creation of new businesses and whole new categories of employment previously unimagined.[4]

[4]Nikolai Kondratieff, "The Long Waves in Economic Life," *Review* (Fernand Braudel Center, 1979 [1926]).

11

Free exchange | How the other tenth lives

The world should be both encouraged and embarrassed by the latest global poverty figures

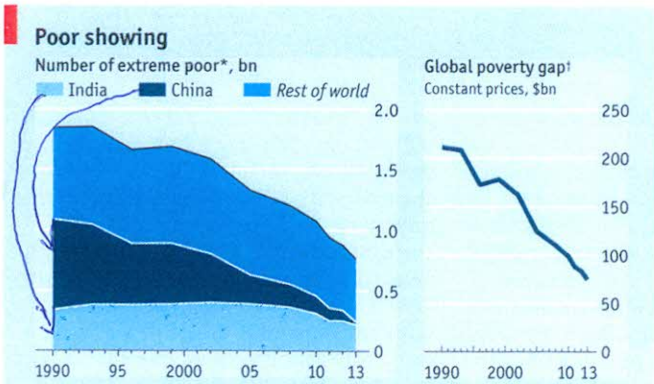
WHAT is the most important number in global economics? Judging by the volume of commentary it excites, America's monthly payrolls report (released on October 7th) might qualify. Other contenders include the oil price or the dollar's exchange rate against the euro, yen or yuan. These numbers all reflect, and affect, the pace of economic activity, with immediate consequences for bond yields, share prices and global prosperity—which is what economics is ultimately all about.

But if global prosperity is the ruling concern of economics, then perhaps a more significant number was released on October 2nd by the World Bank. It reported that 767m people live in extreme poverty, subsisting on less than $1.90 a day, calculated at purchasing-power parity and 2011 prices. The figure is not up-to-the-minute: such is the difficulty in gathering the data that it is already over two years out of date. Nor did the announcement move any markets. But the number nonetheless matters. It represents the best attempt to measure gains in prosperity among the people most in need of them.

The latest figures should arouse mixed feelings. They are simultaneously a cause for celebration, pity, scepticism and shame. The poverty headcount is worth cheering because it is so much lower than it was. Over the 20 years from 1993 to 2013, the number of poor people fell by over 1 billion, from roughly one in three to about one in ten. Even the global financial crisis did not interrupt this progress (see left-hand chart).

The biggest declines took place, unsurprisingly, in the world's two biggest countries. In India, the number of poor people fell by 218m from 2004 to 2013, according to the World Bank. In China, it fell by more than 320m from 2002 to 2012. These grand human achievements are often taken for granted. The governments in power during these periods (led by Hu Jintao and Wen Jiabao in China and by Sonia Gandhi and Manmohan Singh in India) are commonly described as disappointments, even though half a billion people escaped poverty on their watch. If only the rest of the world's governments could disappoint in a similar fashion.

Yet the World Bank's report is cause for pity as well as celebration. After all, 767m is still a lot of people and $1.90 is not a lot of money. It is hard to imagine how anyone could subsist on so little. The World Bank's yardstick is based on the poverty lines for 15 dirt-poor countries. Their lines typically calculate an amount of money that would allow a person to eat enough calories, given the national diet and other pressures on their budgets. In Zambia, for example, a person on the poverty line can afford a daily diet of two-three plates of *nshima* (a maize staple known as mealie meal), a sweet potato, a few spoonfuls of oil, a couple of teaspoons of sugar, a handful of peanuts and twice a week, a banana or mango and a small serving of meat. Such a person would have just 28% of his budget left over for other things.



Sources: World Bank; IMF; *The Economist*

*Living below $1.90 a day, using 2011 $ at purchasing-power parity
†The aggregate amount by which the global poor fall short of the poverty line (calculated at market exchange rates)

As well as pity, the World Bank's global poverty tally should also invite some scepticism. Counting the poor is laborious and treacherous, as the bank freely admits. Fewer than 40 countries actually carried out a new survey of households in 2013, leaving the bank to fill in the gaps with projections. India's last survey was in 2012. China, which replaced separate rural and urban surveys with an integrated survey in 2013, also started including as income the implicit household rent owner-occupiers pay themselves. That switch lowered its poverty count by over 30m.

Even innocuous tweaks in survey questions can make a big difference. An experiment in El Salvador, cited by the World Bank's researchers, managed to cut measured poverty by over 30% simply by asking more specific questions. Instead of asking how much was spent on fruit, vegetables and legumes, it asked about plantains, mangoes, green chilies, and so on. Owing to a printing error, a Ugandan survey failed to mention public-transport fares as an example of travel expenses. The error seems to have reduced reported transport spending by over 70%.

One-thousandth for the tenth

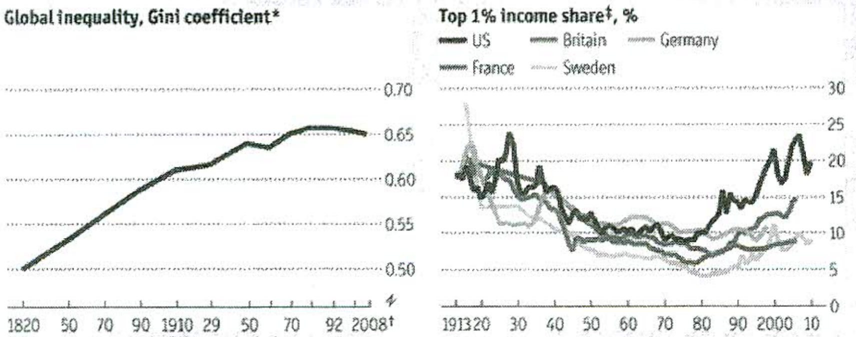
The global poverty count should also elicit a kind of embarrassment. As the world economy grows ever more prosperous and sophisticated, the problem of extreme poverty looks less like a tragic inevitability and more like a peculiar anachronism. The average person in extreme poverty lives on $1.33 per day. It would therefore take just $0.57 per day to rescue them from this plight. That observation invites a thought experiment. If it were somehow possible to transfer without cost the right amount of money into the right hands, how much would it take to end extreme poverty altogether? The answer is just $159 billion a year, according to the World Bank, or less than 0.2% of global GDP.

That estimate is calculated at purchasing-power parity. If an actual dollar were transferred to a poor country from America, it would stretch much further, because prices in poor countries tend to be lower (a point made years ago by Surjit Bhalla, an Indian economist, now of Observatory Group, a macroeconomic advisory firm). Taking these lower prices into account, the amount needed to bring all the world's poor up to the poverty line drops to $78 billion a year, or just 0.1% of global GDP (see right-hand chart). In reality, of course, money cannot be directed so precisely to the poor, nor transferred cost-free. In some countries, the infusion of money might also push up prices and currencies, making the endeavour more expensive. Nonetheless, this thought experiment illuminates the diminishing size of the problem. The world can afford to end poverty. Indeed, it might end poverty before it figures out how to measure it accurately.

If the World Bank's dream of a world free of poverty is ever fulfilled, will the bank then sit back and rest on its laurels? No chance. It has adopted another dream: "shared prosperity", which obliges it to care about the poorest 40% in each country, however rich they may be. Even if extreme poverty is eventually eradicated, the bottom 40% will always be with us. ■

Economist.com/blogs/freeexchange

It depends how you look at it



Sources: The World Top Incomes Database; World Bank; "Inequality among World Citizens: 1820-1992", by Bourguignon & Morrisson, *The American Economic Review*, 2002; "A short history of global inequality: The past two centuries", by Branko Milanovic, *Explorations in Economic History*, May 2011

*0=perfect equality, 1=perfect inequality ‡Estimate †Includes capital gains, except Britain and France

inequality rises in the early stages of industrialisation as people leave the land, become more productive and earn more in factories. Once industrialisation is complete and better-educated citizens demand redistribution from their government, it declines again.

Until 1980 this prediction appeared to have been vindicated. But the past 30 years have put paid to the Kuznets curve, at least in advanced economies. These days the inverted U has turned into something closer to an italicised *N*, with the final stroke pointing menacingly upwards.

Although inequality has been on the rise for three decades, its political prominence is newer. During the go-go years before the financial crisis, growing disparities were hardly at the top of politicians' to-do list. One reason was that asset bubbles and cheap credit eased life for everyone. Financiers were growing fabulously wealthy in the early 2000s, but others could also borrow ever more against the value of their home.

That changed after the crash. The bank rescues shone a spotlight on the unfairness of a system in which affluent bankers were bailed out whereas ordinary folk lost their houses and jobs. And in today's sluggish economies, more inequality often means that people at the bottom and even in the middle of the income distribution are falling behind not just in relative but also in absolute terms.

The Occupy Wall Street campaign proved incoherent and ephemeral, but inequality and fairness have moved right up the political agenda. America's presidential election is largely being fought over questions such as whether taxes should rise at the top, and how big a role government should play in helping the rest. In Europe France's new president, François Hollande, wants a top income-tax rate of 75%. New surcharges on the richest are part of austerity programmes in Portugal and Spain.

Even in more buoyant emerging economies, inequality is a growing worry. India's government is under fire for the lack of "inclusive growth" and for cronyism that has enriched insiders, evident from dubious mobile-phone-spectrum auctions and dodgy mining deals. China's leaders fear that growing disparities will cause social unrest. Wen Jiabao, the outgoing prime minister, has long pushed for a "harmonious society".

Many economists, too, now worry that widening income disparities may have damaging side-effects. In theory, inequality has an ambiguous relationship with prosperity. It can boost growth, because richer folk save and invest more and because people work harder in response to incentives. But big income gaps can also be inefficient, because they can bar talented poor people from access to education or feed resentment that results in growth-destroying populist policies.

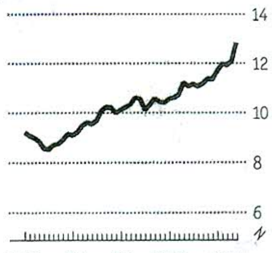
The mainstream consensus has long been that a growing economy raises all boats, to much better effect than incentive-dulling redistribution. Robert Lucas, a Nobel prize-winner, epitomised the orthodoxy when he wrote in 2003 that "of the tendencies that are harmful to sound economics, the most seductive and…poisonous is to focus on questions of distribution."

But now the economics establishment has become concerned about who gets what. Research by economists at the IMF suggests that income inequality slows growth, causes

(13)

filling up with newer businesses, says Ted Conner of the Durham Chamber of Commerce. Duke University, the centre of much of the city's innovation, is taking some of the space for labs.

Rising to the top
US household incomes
Ratio of 90th to 10th percentile
2014 dollars



Source: US Census Bureau

North Carolina exemplifies both the promise and the casualties of today's open economy. Yet even thriving local businesses there grumble that America gets the raw end of trade deals, and that foreign rivals benefit from unfair subsidies and lax regulation. In places that have found it harder to adapt to changing times, the rumblings tend to be louder. Across the Western world there is growing unease about globalisation and the lopsided, unstable sort of capitalism it is believed to have wrought.

A backlash against freer trade is reshaping politics. Donald Trump has clinched an unlikely nomination as the Republican Party's candidate in November's presidential elections with the support of blue-collar men in America's South and its rustbelt. These are places that lost lots of manufacturing jobs in the decade after 2001, when America was hit by a surge of imports from China (which Mr Trump says he will keep out with punitive tariffs). Free trade now causes so much hostility that Hillary Clinton, the Democratic Party's presidential candidate, was forced to disown the Trans-Pacific Partnership (TPP), a trade deal with Asia that she herself helped to negotiate. Talks on a new trade deal with the European Union, the Transatlantic Trade and Investment Partnership (TTIP), have stalled. Senior politicians in Germany and France have turned against it in response to popular opposition to the pact, which is meant to lower investment and regulatory barriers between Europe and America.

Keep-out signs

The commitment to free movement of people within the EU has also come under strain. In June Britain, one of Europe's stronger economies, voted in a referendum to leave the EU after 43 years as a member. Support for Brexit was strong in the north of England and Wales, where much of Britain's manufacturing used to be; but it was firmest in places that had seen big increases in migrant populations in recent years. Since Britain's vote to leave, anti-establishment parties in France, the Netherlands, Germany, Italy and Austria have called for referendums on EU membership in their countries too. Such parties favour closed borders, caps on migration and barriers to trade. They are gaining in popularity and now hold sway in governments in eight EU countries. Mr Trump, for his part, has promised to build a wall along the border with Mexico to keep out immigrants.

There is growing disquiet, too, about the unfettered movement of capital. More of the value created by companies is intangible, and businesses that rely on selling ideas find it easier to set up shop where taxes are low. America has clamped down on so-called tax inversions, in which a big company moves to a low-tax country after agreeing to be bought by a smaller firm based there. Europeans grumble that American firms engage in too many clever tricks to avoid tax. In August the European Commission told Ireland to recoup up to €13 billion ($14.5 billion) in unpaid taxes from Apple, ruling that the company's low tax bill was a source of unfair competition.

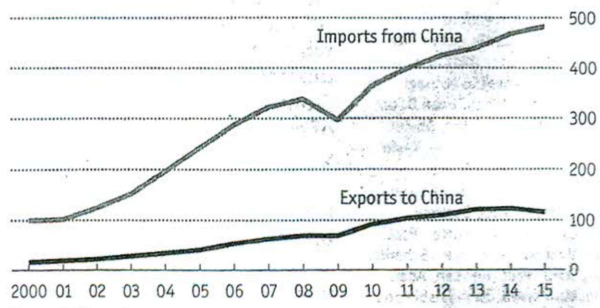
Free movement of debt capital has meant that trouble in one part of the world (say, America's subprime crisis) quickly spreads to other parts. The fickleness of capital flows is one reason why the EU's most ambitious cross-border initiative, the euro, which has joined 19 of its 28 members in a currency union, is in trouble. In the euro's early years, countries such as Greece, Italy, Ireland, Portugal and Spain enjoyed ample credit and low borrowing costs, thanks to floods of private short-term capital from other EU countries. When crisis struck, that credit dried up and had to be replaced with massive official loans, from the ECB and from bail-out funds. The conditions attached to such support have caused relations between creditor countries such as Germany and debtors such as Greece to sour.

Some claim that the growing discontent in the rich world is not really about economics. After all, Britain and America, at least, have enjoyed reasonable GDP growth recently, and unemployment in both countries has dropped to around 5%. Instead, the argument goes, the revolt against economic openness reflects deeper anxieties about lost relative status. Some arise from the emergence of China as a global power; others are rooted within individual societies. For example, in parts of Europe opposition to migrants was prompted by the Syrian refugee crisis. It stems less from worries about the effect of immigration on wages or jobs than from a perceived threat to social cohesion.

But there is a material basis for discontent nevertheless, because a sluggish economic recovery has bypassed large groups of people. In America one in six working-age men without a college degree is not part of the workforce, according to an analysis by the Council of Economic Advisers, a White House think-tank. In Britain, though more people than ever are in work, wage rises have not kept up with inflation. Only in London and its hinterland in the south-east has real income per person risen above its level before the 2007-08 financial crisis. Most other rich countries are in the same boat. A report by the McKinsey Global Institute, a think-tank, found that the real incomes of two-thirds of households in 25 advanced economies were flat or fell between 2005 and 2014, compared with 2% in the previous decade. The few gains in a sluggish economy have gone to a salaried gentry.

This has fed a widespread sense that an open economy is good for a small elite but does nothing for the broad mass of people. Even academics and policymakers who used to welcome openness unreservedly are having second thoughts. They had always understood that free trade creates losers as well as winners, but thought that the disruption was transitory and the gains were big enough to compensate those who lose out. However, a body of new research suggests that China's integration into global trade caused more lasting damage than expected to some rich-world workers. Those displaced by a surge in imports from ▸▸

Cause for concern
US merchandise trade with China, $bn

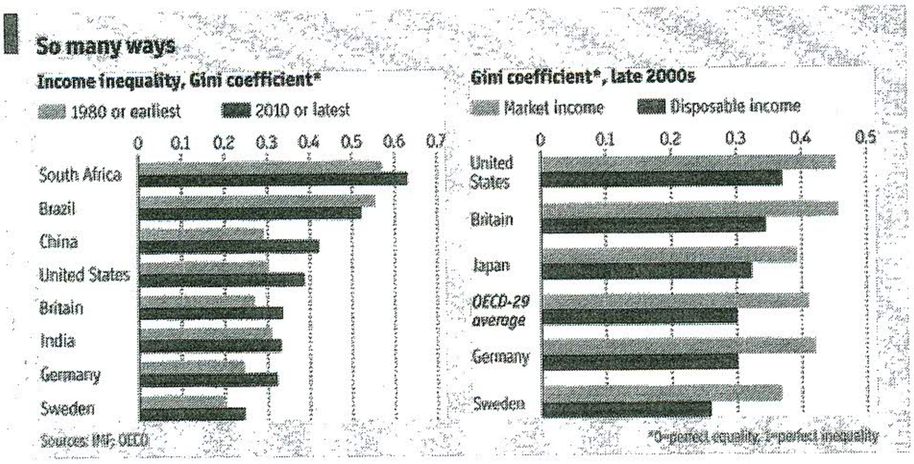


Source: US Census Bureau

is an extraordinary development, and it is not confined to America. Many countries, including Britain, Canada, China, India and even egalitarian Sweden, have seen a rise in the share of national income taken by the top 1%. The numbers of the ultra-wealthy have soared around the globe. According to *Forbes* magazine's rich list, America has some 421 billionaires, Russia 96, China 95 and India 48. The world's richest man is a Mexican (Carlos Slim, worth some $69 billion). The world's largest new house belongs to an Indian. Mukesh Ambani's 27-storey skyscraper in Mumbai occupies 400,000 square feet, making it 1,300 times bigger than the average shack in the slums that surround it.

The concentration of wealth at the very top is part of a much broader rise in disparities all along the income distribution. The best-known way of measuring inequality is the Gini coefficient, named after an Italian statistician called Corrado Gini. It aggregates the gaps between people's incomes into a single measure. If everyone in a group has the same income, the Gini coefficient is 0; if all income goes to one person, it is 1.

The level of inequality differs widely around the world. Emerging economies are more unequal than rich ones. Scandinavian countries have the smallest income disparities, with a Gini coefficient for disposable income of around 0.25. At the other end of the spectrum the world's most unequal, such as South Africa, register Ginis of around 0.6. (Because of the way the scale is constructed, a modest-sounding difference in the Gini ratio implies a big difference in inequality.)



Income gaps have also changed to varying degrees. America's Gini for disposable income is up by almost 30% since 1980, to 0.39. Sweden's is up by a quarter, to 0.24. China's has risen by around 50% to 0.42 (and by some measures to 0.48). The biggest exception to the general upward trend is Latin America, long the world's most unequal continent, where Gini coefficients have fallen sharply over the past ten years. But the majority of the people on the planet live in countries where income disparities are bigger than they were a generation ago.

That does not mean the world as a whole has become more unequal. Global inequality—the income gaps between all people on the planet—has begun to fall as poorer countries catch up with richer ones. Two French economists, François Bourguignon and Christian Morrisson, have calculated a "global Gini" that measures the scale of income disparities among everyone in the world. Their index shows that global inequality rose in the 19th and 20th centuries because richer economies, on average, grew faster than poorer ones. Recently that pattern has reversed and global inequality has started to fall even as inequality within many countries has risen. By that measure, the planet as a whole is becoming a fairer place. But in a world of nation states it is inequality within countries that has political salience, and this special report will focus on that.

From U to N

The widening of income gaps is a reversal of the pattern in much of the 20th century, when inequality narrowed in many countries. That narrowing seemed so inevitable that Simon Kuznets, a Belarusian-born Harvard economist, in 1955 famously described the relationship between inequality and prosperity as an upside-down U. According to the "Kuznets curve",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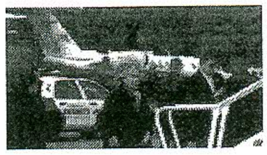
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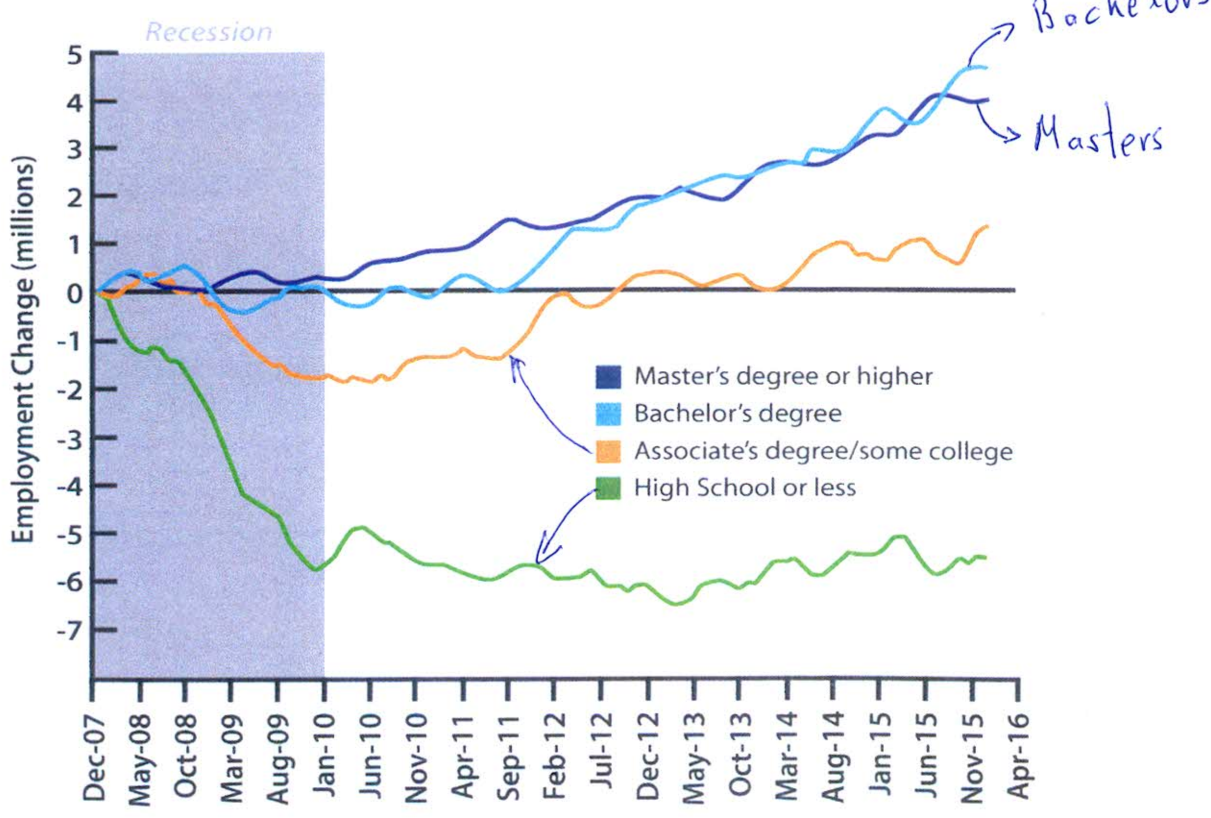
inflection point proving that the trends giving rise to the Great Recession were not just or mainly about outsized business cycles, and that the recession itself was not a V-shaped but an L-shaped recession. The shift in the labor profile proved highly class-unequal. "Turbo-capitalism," as Edward Luttwak labeled it two decades ago, has been an unmitgated catastrophe for the less educated, less mobile, less flexible portion of the population. While the economy recovered relatively quickly for the rich and well-educated—banking profits quickly bounced back and times have never been better in Silicon Valley—the blue-collar and service sector jobs that disappeared in 2008 have mostly not returned.

In other words, the populist class-based anger we see has a basis in economic reality, and what it means politically is that the United States (and, indeed, almost all the advanced Western countries) needs a new social-political compact that provides avenues for broadening the class base of wealth creation in the old industrial core of the Global North. Until and unless we develop such a compact, ugly political things will continue to unfold, and the longer that ugliness goes on the more damage will be done to advanced societies—to their reservoirs of social trust, to their self-confidence and sense of personal and communal security, and possibly to their national security as well.

If you are a victim of the churn, you may have little patience for the observation that this sort of thing has happened before. And in times past the outcome has not always been a continual descent into the abyss. If things sometimes change for the worse, they have also changed for the better. In that regard, I believe there are good reasons for short- to medium-term pessimism, but for optimism over the longer term.

Where the Anger Comes From

The empirical economic basis for populist economic-based anger is not hard to show. Lower-education, low-mobility



Source: World Economic Forum

Marxist, the best way to reach the goal of a good society is through free markets, open competition, and the removal of wasteful government barriers.

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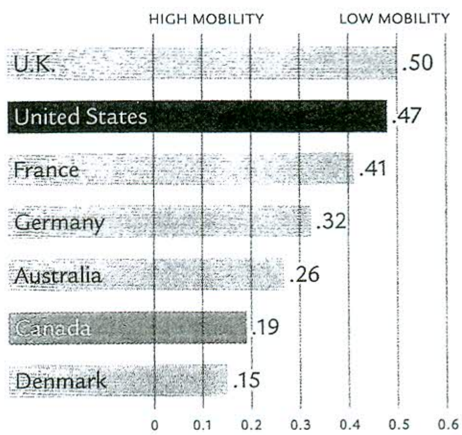
Readers of Umberto Eco's *The Name of the Rose* will have encountered the word palimpsest, used to describe a manuscript in which one text has been written over another, and in which traces of the original remain. So it is with Canada, a country that beats the U.S. hands down on economic mobility. Canada has the reputation of being more liberal than the U.S., but in reality it is more conservative because its liberal policies are written over a page of deep conservatism.

Economic Mobility Rankings



Source: Economic Mobility Project, Pew Charitable Trusts

Whereas the U.S. comes in at a highly immobile 0.47 on the Pew mobility scale, Canada is at 0.19, very close to Denmark's 0.15. What is further remarkable about Canada is that the difference is mostly at the top and bottom of the distribution. Between the tenth and 90th deciles there isn't much difference between the two countries. The difference is in the bottom and top ten percent, where the poorest parents raise the poorest kids and the richest parents raise the richest kids.

For parents in the top U.S. decile, 46 percent of their kids will end up in the top two deciles and only 2 percent in the bottom decile. The members of the top decile comprise a New Class of lawyers, academics, trust-fund babies, and media types—a group that wields undue influence in both political parties and dominates our culture. These are the people who said yes, there is an immigration crisis—but it's caused by our failure to give illegals a pathway to citizenship!

There's a top ten percent in Canada of course, but its children are far more likely to descend into the middle or lower classes. There's also a bottom ten percent, but its children are far more likely to rise to the top. The country of opportunity, the country we've imagined ourselves to be, isn't dead—it moved to Canada, a country that ranks higher than the U.S. on measures of economic freedom. Yes, Canada has its much-vaunted Medicare system, but cross-border differences in health care don't explain the mobility levels. And when you add it all up, America has a more generous welfare system than Canada or just about anywhere else. To explain Canada's higher mobility levels, one has to turn to differences in education systems, immigration laws, regulatory burdens, the rule of law, and corruption—on all of which counts, Canada is a more conservative country.

America's K-12 public schools perform poorly, relative to the rest of the First World. Its universities are great fun for the kids, but many students emerge on graduation no better educated than when they arrived. What should be an elevator to the upper class is stalled on the ground floor. One study has concluded that if American public school students were magically raised to Canadian levels, the economic gain would amount to a 20 percent annual pay increase for the average American worker.

The U.S. has a two-tiered education system: a superb set of schools and colleges for the upper classes and a mediocre set for everyone else. The best of our colleges are the best anywhere, but the average Canadian school is better