An alternative vision for the global and European economies

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Growth after WWII and last three decades

**Europe**
- 1950-1973: 5
- 1987-2017: 2

**US**
- 1950-1973: 4
- 1987-2017: 2

Source: Maddison, Dynamic Forces; World Bank
Source: FRED data
Increase in income inequality in the US

Evolution of average pre-tax income, US

- Bottom 90%
- Top 1%

Thousand $ (2016)
Europe: less increase in inequality in some countries than in others

Source: World Wealth and Income Database
1. LABOR SHARE

Source: Giovannoni (2014) based on NIPA and WTID data

Source: Olivier G. Giovannoni
US: Disconnect Between Productivity and a Typical Worker’s Compensation, 1948-2015

Note: Data are for average hourly compensation of production/nonsupervisory workers in the private sector and net productivity of the total economy. "Net productivity" is the growth of output of goods and services minus depreciation per hour worked.

Source: EPI analysis of data from the BEA and BLS (see technical appendix of Understanding the Historic Divergence Between Productivity and a Typical Worker’s Pay for more detailed information)

Economic Policy Institute
Inequality even at the top 0.1%

CEO compensation has grown faster than the wages of the top 0.1 percent and the stock market

Cumulative percentage change in CEO compensation, wages of the top 0.1 percent, and the S&P 500, 1978–2015

Notes: Wage data for the top 0.1 percent is not yet available for 2015.
Source: EPI analysis of Compustat Execucomp, Social Security Administration, and Federal Reserve Bank of St. Louis databases.

Economic Policy Institute
Europe: Disconnect in Productivity and Compensation

Source: Eurostat
Top 1% income share in the United States 1913-2015

Note: Fiscal income is defined as the sum of all income items reported on income tax returns, before any deduction. It includes labour income, capital income and mixed income. The concept of fiscal income varies with national tax legislations, so in order to make international comparisons it is preferable to use the concept of national income. The population is comprised of individuals over age 20. The base unit is the individual (rather than the household) but resources are split equally within couples.

Source: World Wealth and Income Database
Historical Living Standards
Income inequality and earnings mobility

The Relationship between Income Inequality and Social Mobility

Around the world, high income inequality is associated with low social mobility.

Source: Corak (2013); World Bank (2013).
Note: Reproduction of figure 2 from Corak (2013). Data points for Italy and the United Kingdom overlap. The x-axis shows Gini coefficients as reported by the World Bank. The y-axis is a measure of social mobility and is equal to 1 minus the intergenerational earnings elasticity for each country.
Europe is likely never to recover what was lost in the eurocrisis

Figure 12
GDP is not a good measure of economic performance

- Large number of technical problems
- Doesn’t take into account distribution
- Doesn't take into account sustainability
- Doesn’t take into account overall well-being

Important because what we measure affects what we do and strive for, and how we evaluate success

Conclusion

• We have had forty years of the neoliberal experiment. We can now declare, without ambiguity, it has been a failure.

• There is a need for an alternative.

• In my recent book, I’ve called this alternative progressive capitalism. But whether one calls it democratic socialism or social democracy or the European social model—the name’s not important.

• What is important is that there is an alternative to Europe’s current economic framework.

• I hope, too, that Europe’s politics allows it to choose this brighter way forward.