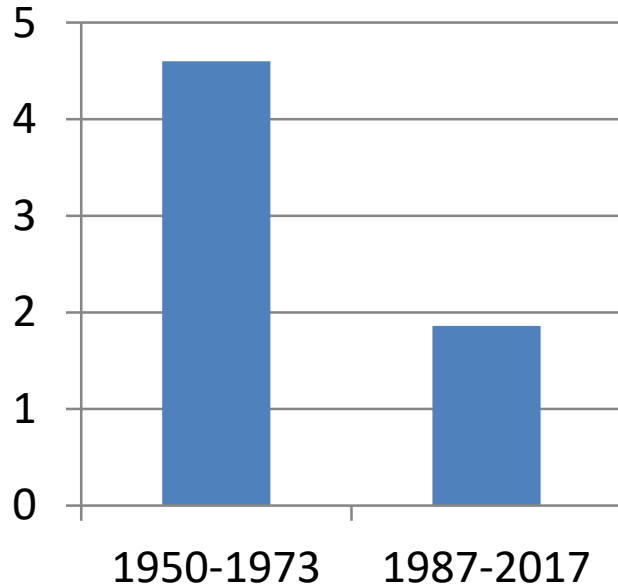


An alternative vision for the global and European economies

Joseph Stiglitz
Vienna ETUC
May, 2018

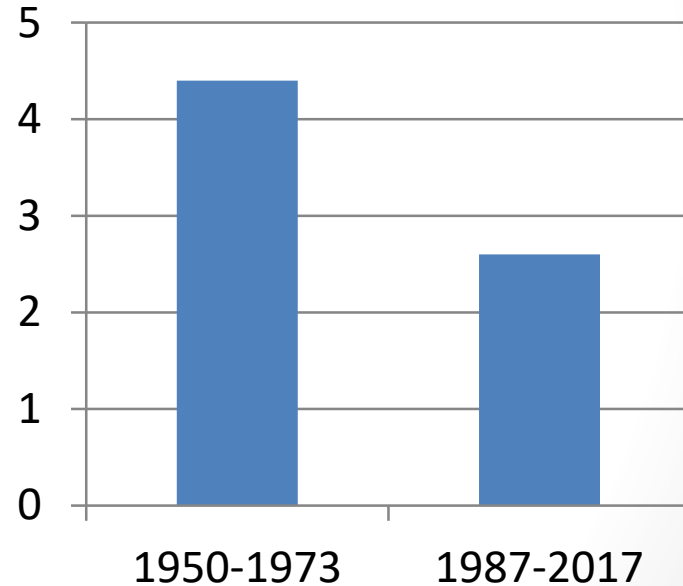
Growth after WWII and last three decades

Europe



Source: Maddison, Dynamic Forces; World Bank

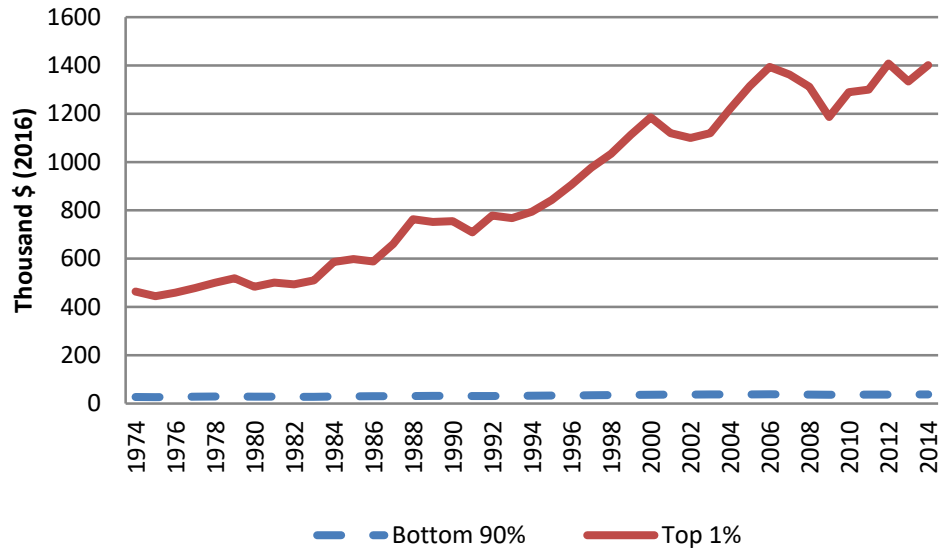
US



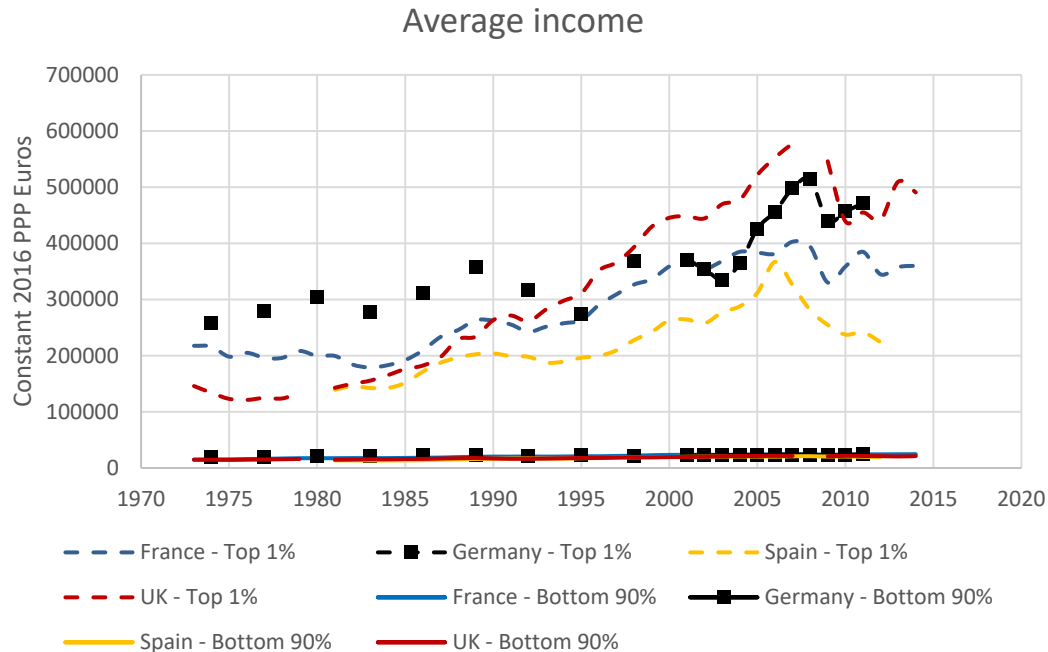
Source: FRED data

Increase in income inequality in the US

Evolution of average pre-tax income, US

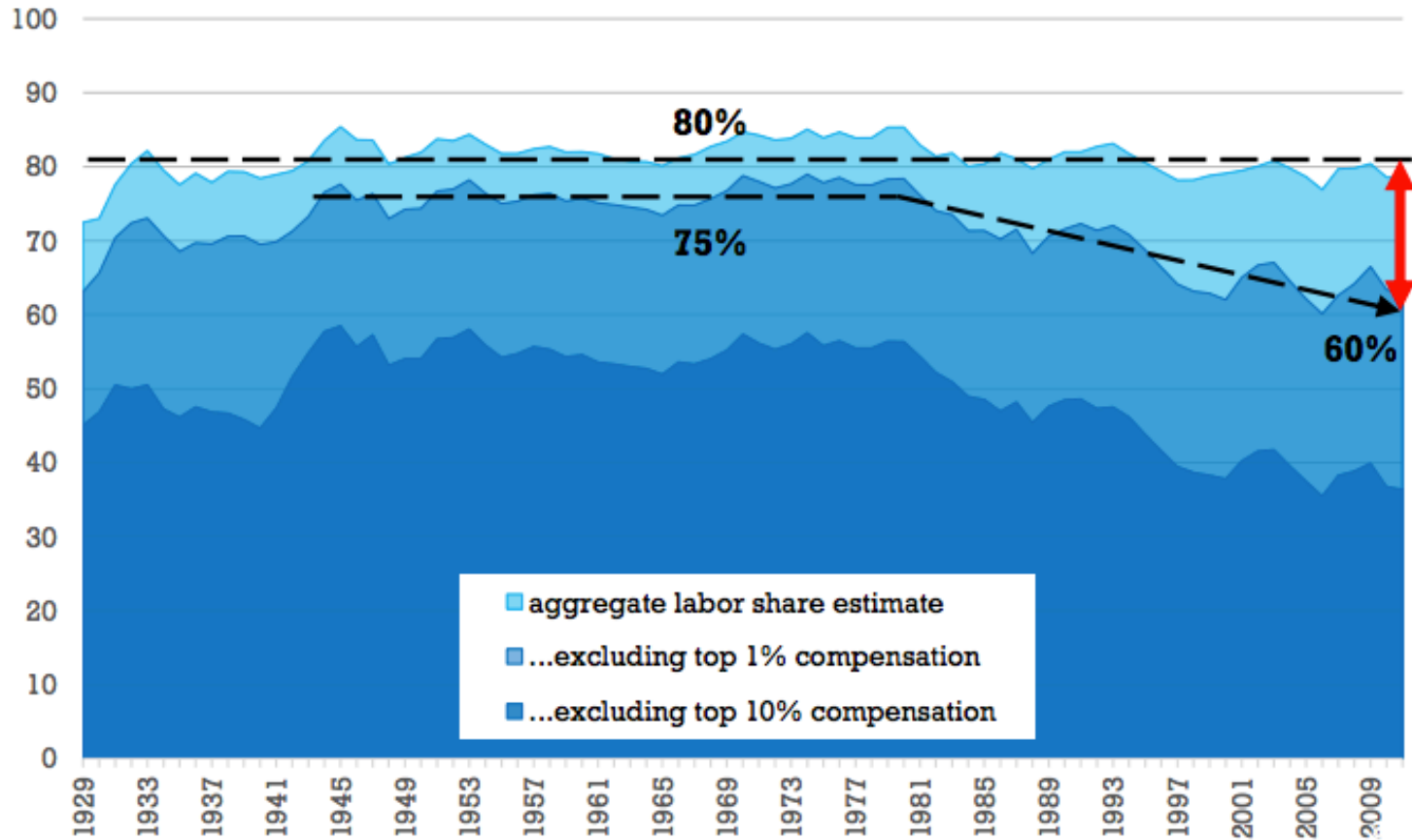


Europe: less increase in inequality in some countries than in others



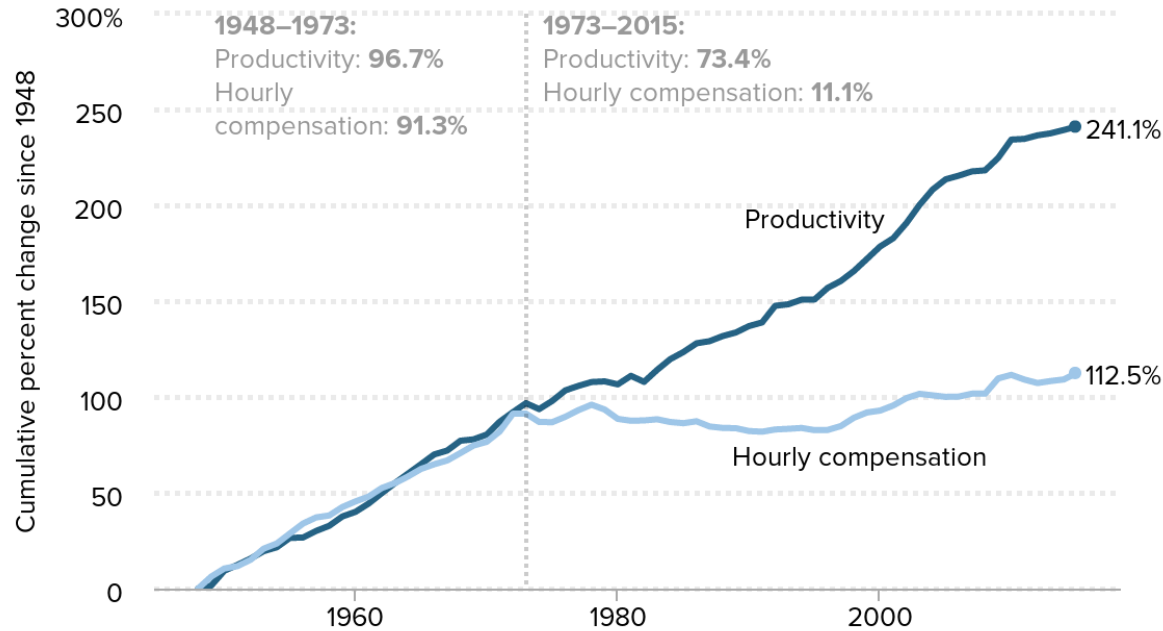
Source: World Wealth and Income Database

1. LABOR SHARE



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

US: Disconnect Between Productivity and a Typical Worker's Compensation, 1948-2015



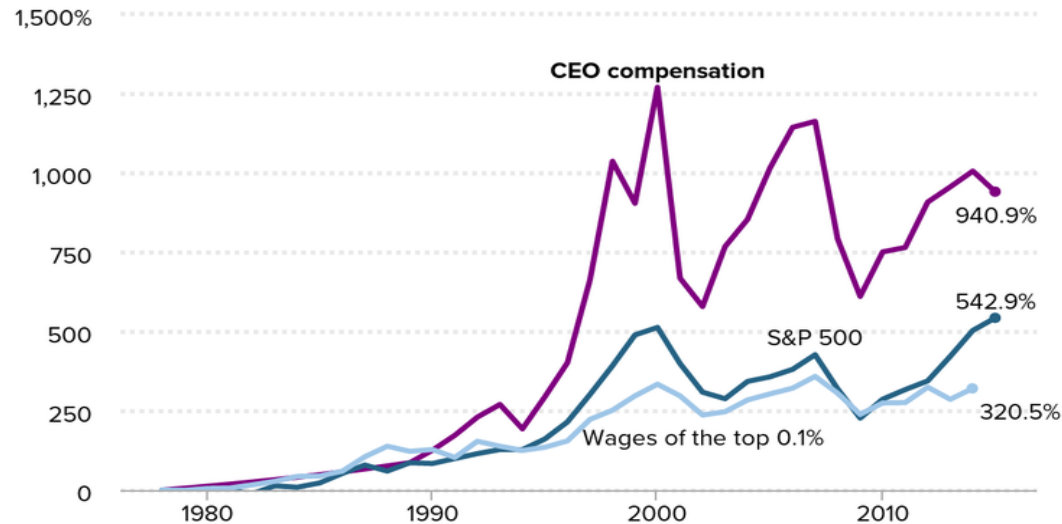
Note: Data are for average hourly compensation of production/nonsupervisory workers in the private sector and net productivity of the total economy. "Net productivity" is the growth of output of goods and services minus depreciation per hour worked.

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)

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

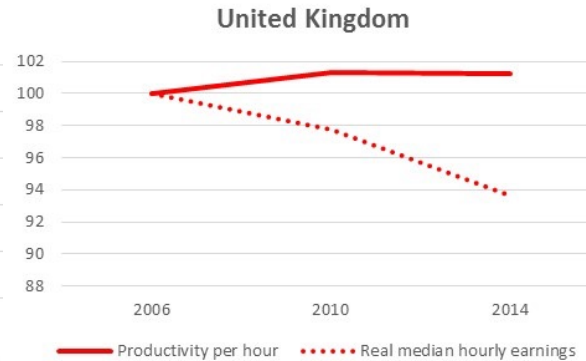
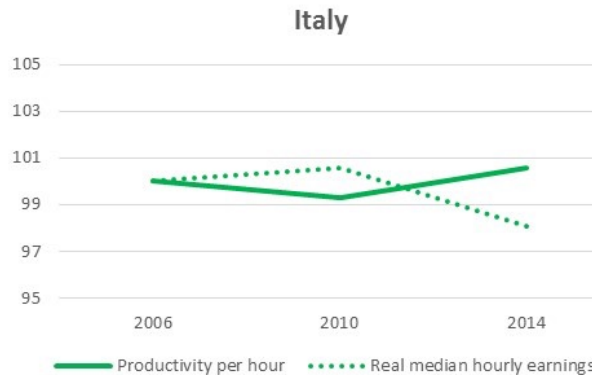
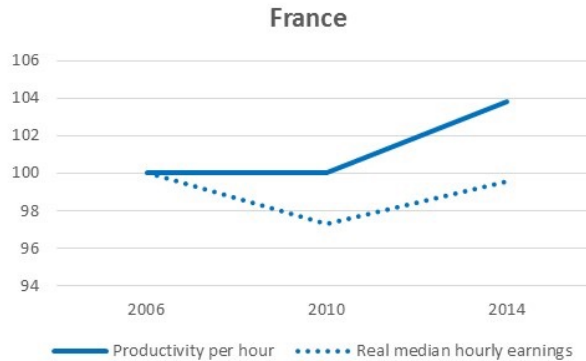
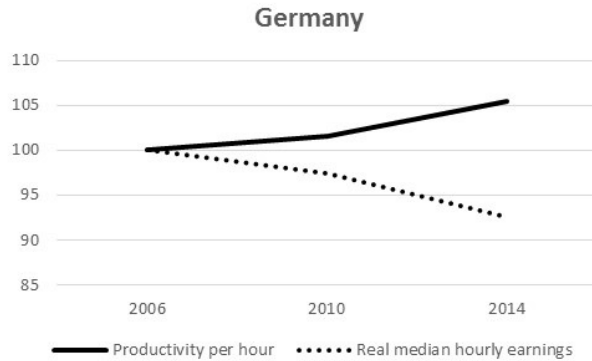
Cumulative percentage change in CEO compensation, wages of the top 0.1 percent, and the S&P 500, 1978–2015



Notes: Wage data for the top 0.1 percent is not yet available for 2015.

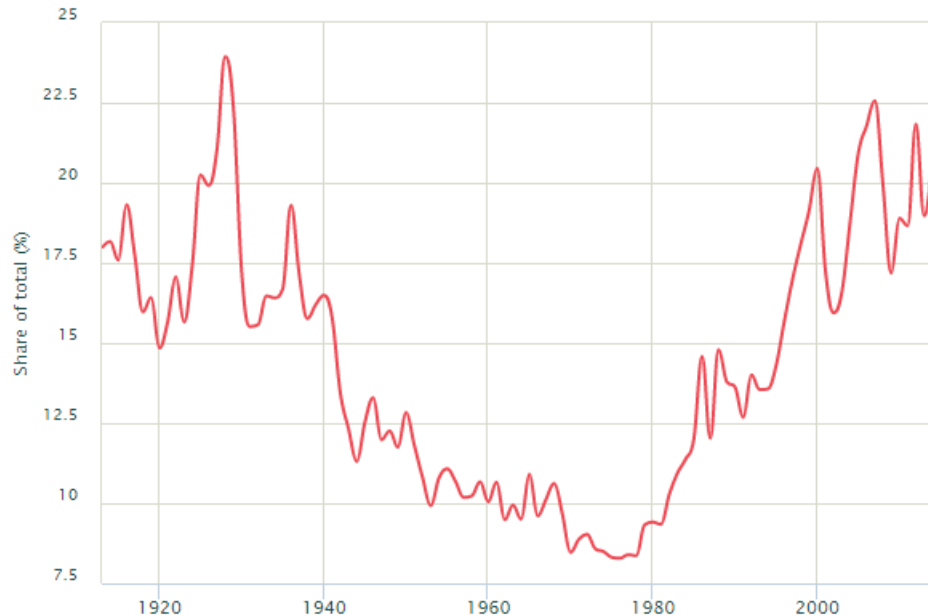
Source: EPI analysis of Compustat Execucomp, Social Security Administration, and Federal Reserve Bank of St. Louis databases.

Europe: Disconnect in Productivity and Compensation



Source: Eurostat

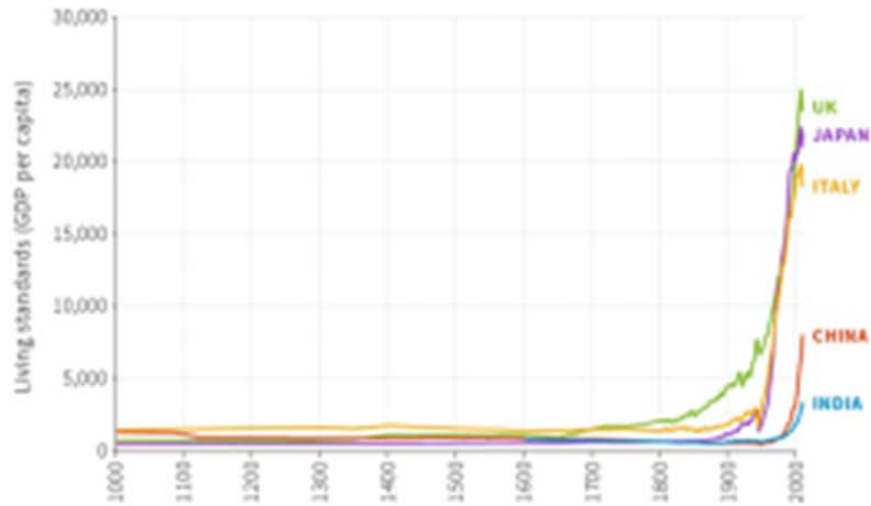
Top 1% income share in the United States 1913-2015



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.

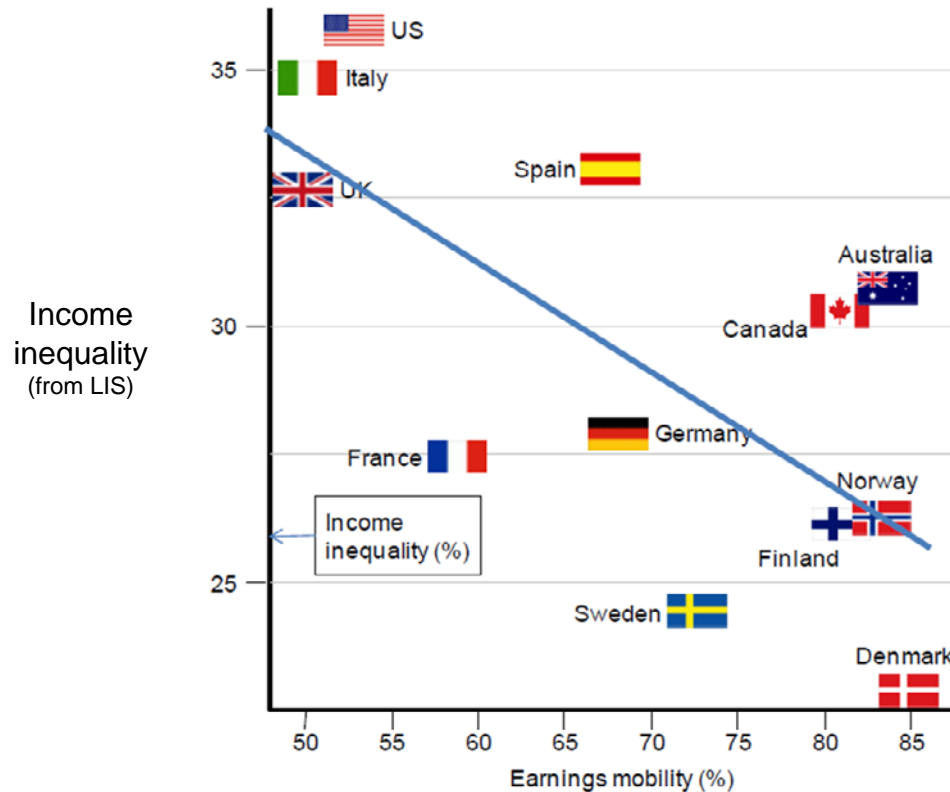
Source: World Wealth and Income Database

Historical Living Standards



Source: INET

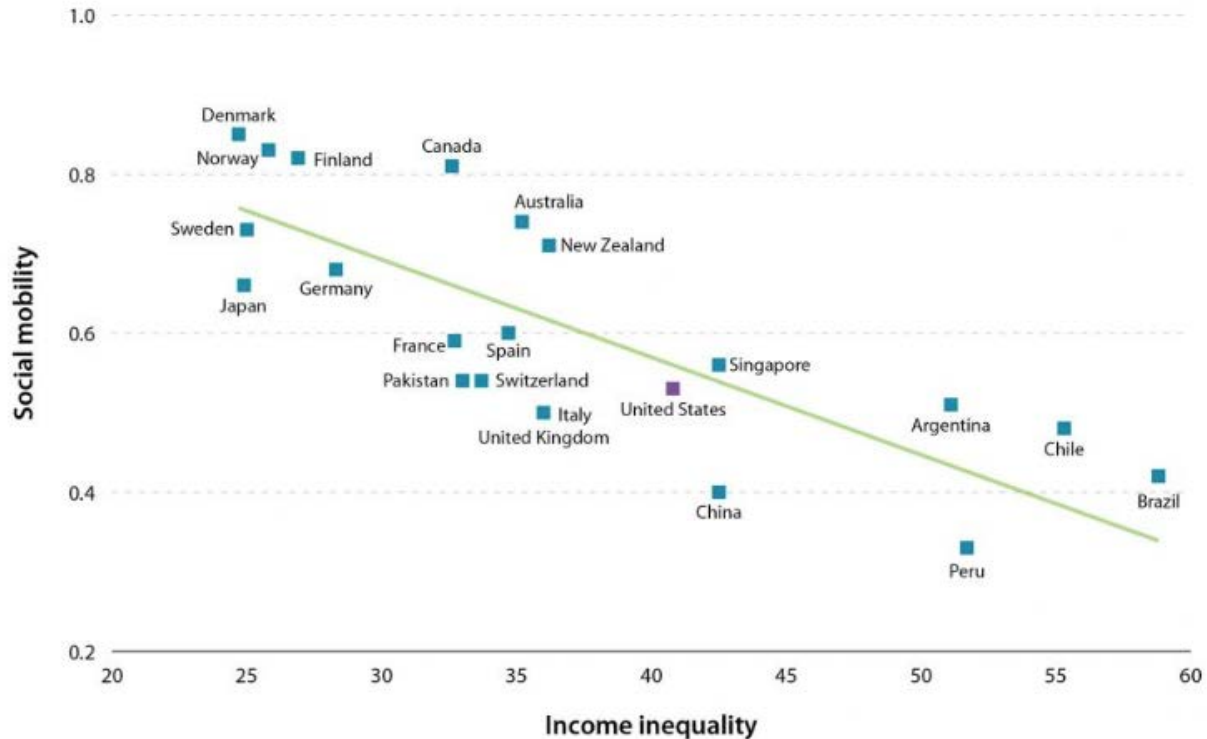
Income inequality and earnings mobility



Source: Janet Gornick, OECD 2008. *Growing Unequal: Income Distribution and Poverty in OECD Countries*. Paris: OECD

The Relationship between Income Inequality and Social Mobility

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

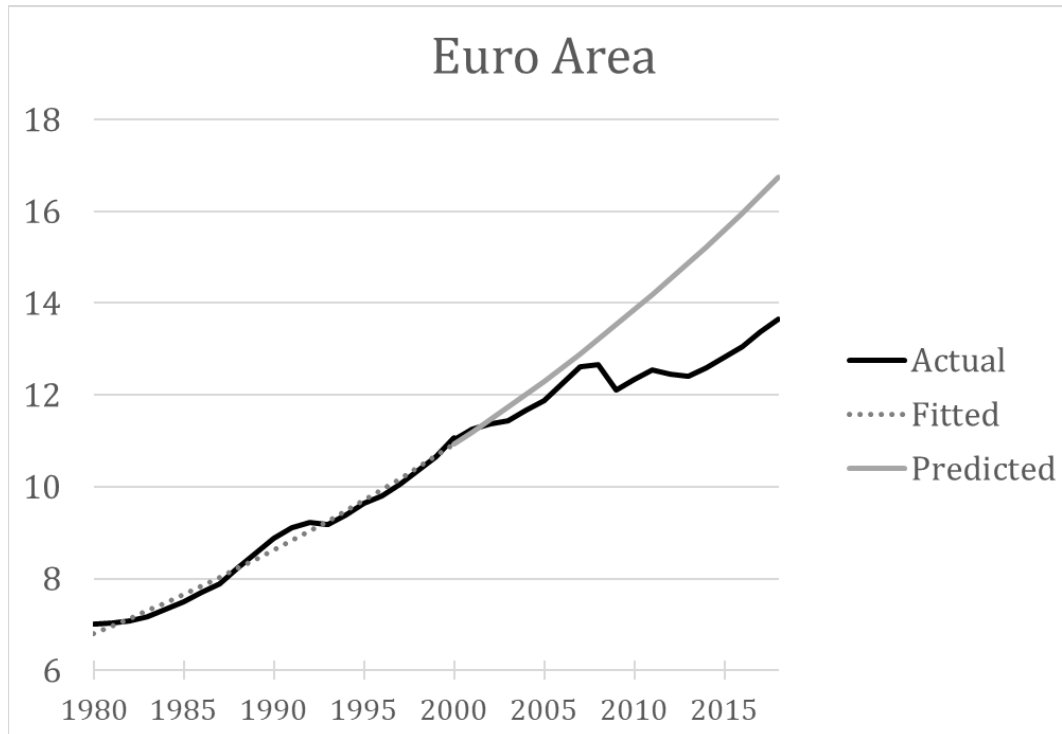


Source: Corak (2013); World Bank (2013).

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

These are among the insights of the International Commission on the Measurement of Economic Performance and Social Progress in its 2009 report, *Mismeasuring our lives: why GDP doesn't add up*, and of the recent reports of the High-Level Expert Group on the Measurement of Economic Performance and Social Progress at the OECD, *For Good Measure: Advancing Research on Well-being Metrics Beyond GDP* and *Beyond GDP: Measuring What Counts for Economic and Social Performance*

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.

