Inequality trends within and between countries: challenges and alternatives

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Reunión Magna
Los objetivos del Desarrollo Sustentable
Academia Brasilera de Ciencias
Mayo 14-16, 2019
Rio de Janeiro

Presentation

- Two parallel discourses that make for odd bedfellows: challenges for the 21st century
- An unbalanced world that leads to a national decoupling of productivity, employment and wages
    - A technological revolution without a process of skill deepening.
    - Financial revolution, globalization and technological change.
- Challenges at the national level
- Challenges at the global level
- A proposal for the SDGs

A remainder: Latin America´s Pendulum

Accumulation Crises

- State bashing

Incorporation Crises

- Populism

Rights based approach and an efficiency consumer led and cost containment paradigm

- The world has seen an unprecedented increase in rhetoric and politics linked to the idea of human rights that are not just civil and political, but also social, economic and cultural
- At the same time most policy both at the global and national level is also increasingly dominated by a discourse and paradigm that seeks gains in efficiency, through labor cost containment, fiscal modesty and competitive profit margins for capital
- While in the long run one can argue that these ideas might be compatible (doubtful) they are quite clearly incompatible in the short and medium run.
- Technological change, globalization and financial dominance create conditions conducive to the second discourse to succeed, unless, global regulations pick up where national regulations and state power are no longer possible.
- Yet states at the national level can still do better than what they do today. Yet in order to do so they need to review three social distributional contracts: labor/capita, gender and generational.

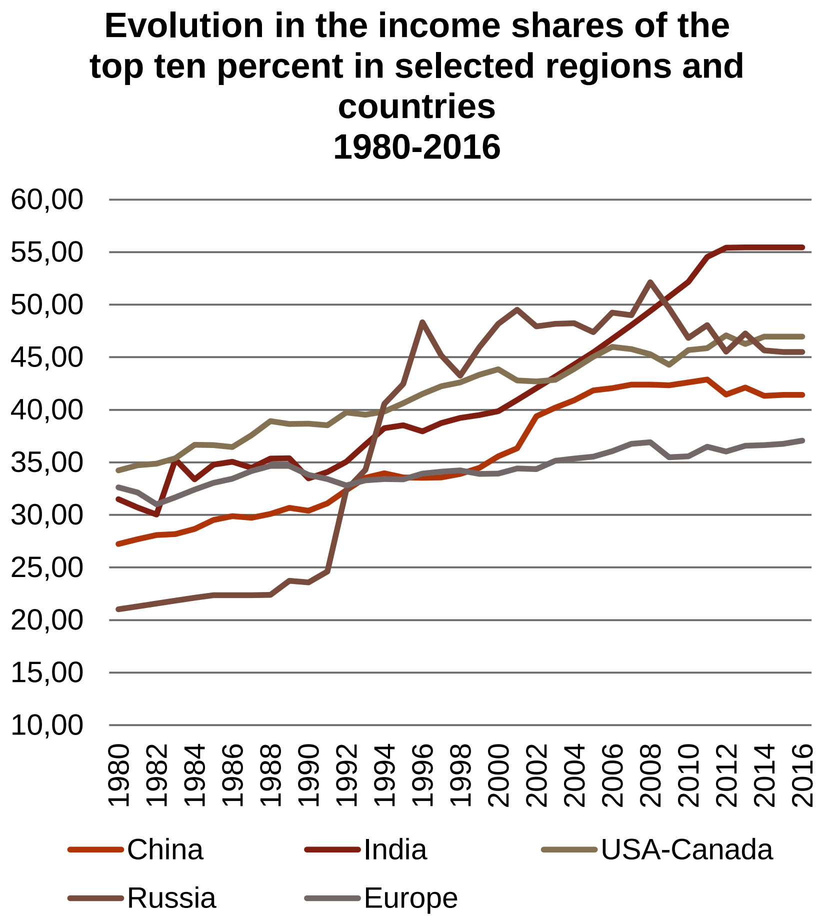
Who leads demand:

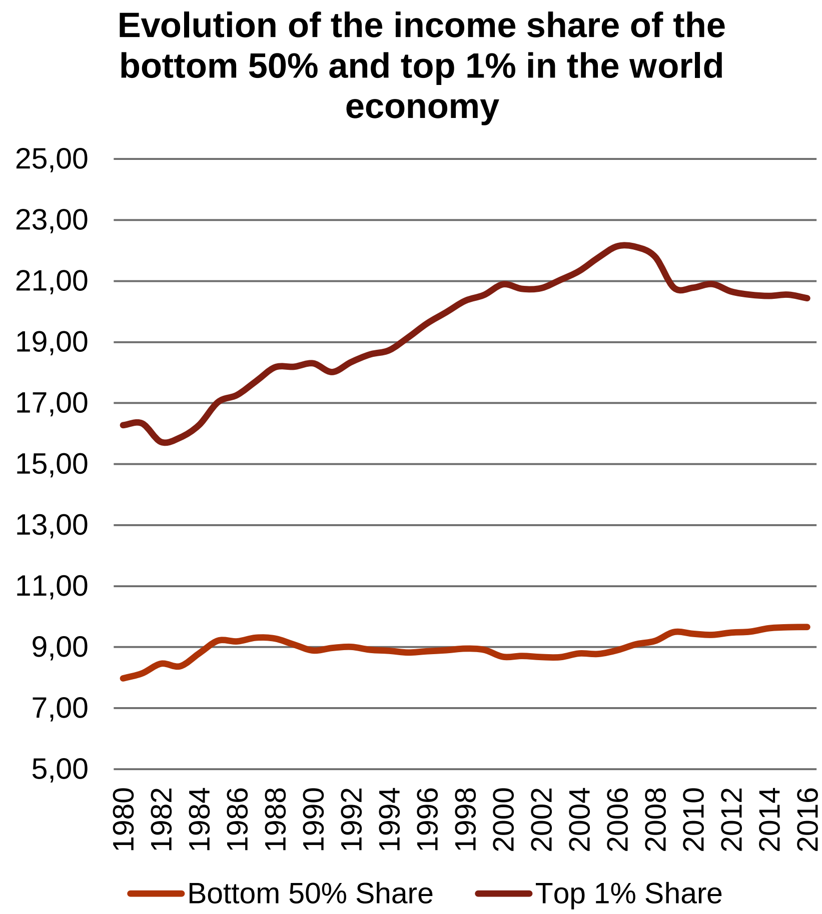
- Export driven growth
  - World unbalances remain
  - Low wages and bad jobs large part of early phases of export driven growth
- Debt driven growth
  - Deepening and diversification of financial instruments
  - Bubbles inevitable
  - Regressive adjustment to bursts
- Balancing Internal and Global Demand driven growth
  - Wages –social and/or private- required to increase in line with productivity
  - If below, debt driven growth takes over, if above, you get inflation and employment suffers.

Productivity, employment, private wage and “social wage”

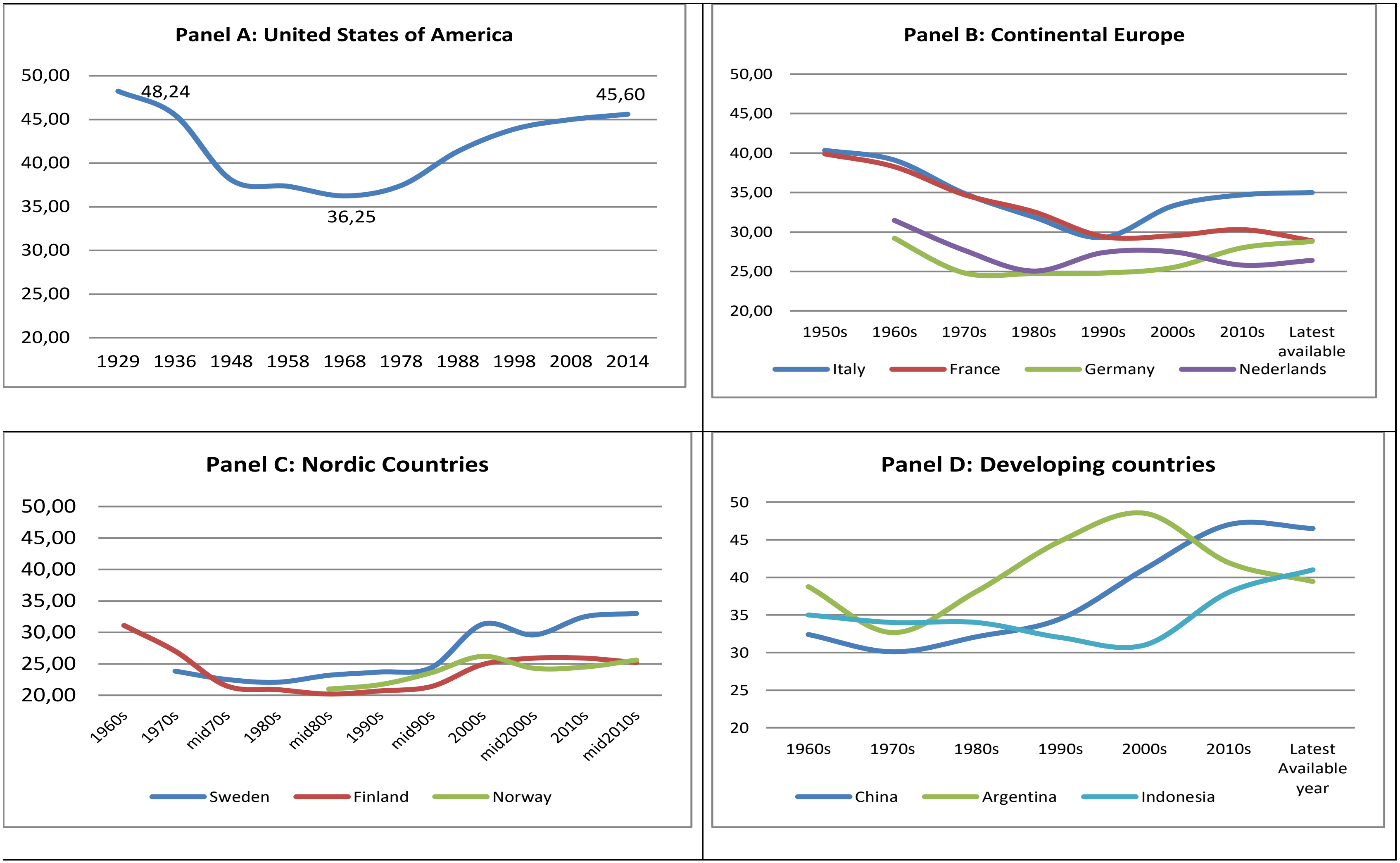
- How to increase productivity. The million dollar question.
- How to relink productivity increases with employment growth at the national level. ¿Is it possible?
- How to reconnect productivity increases with wage increases at the national, sector and firm level.
- How can we link again productivity gains at the national level with growth of the social wage through transfers and services.

With current trends SDG 10 will be hard to achieve:

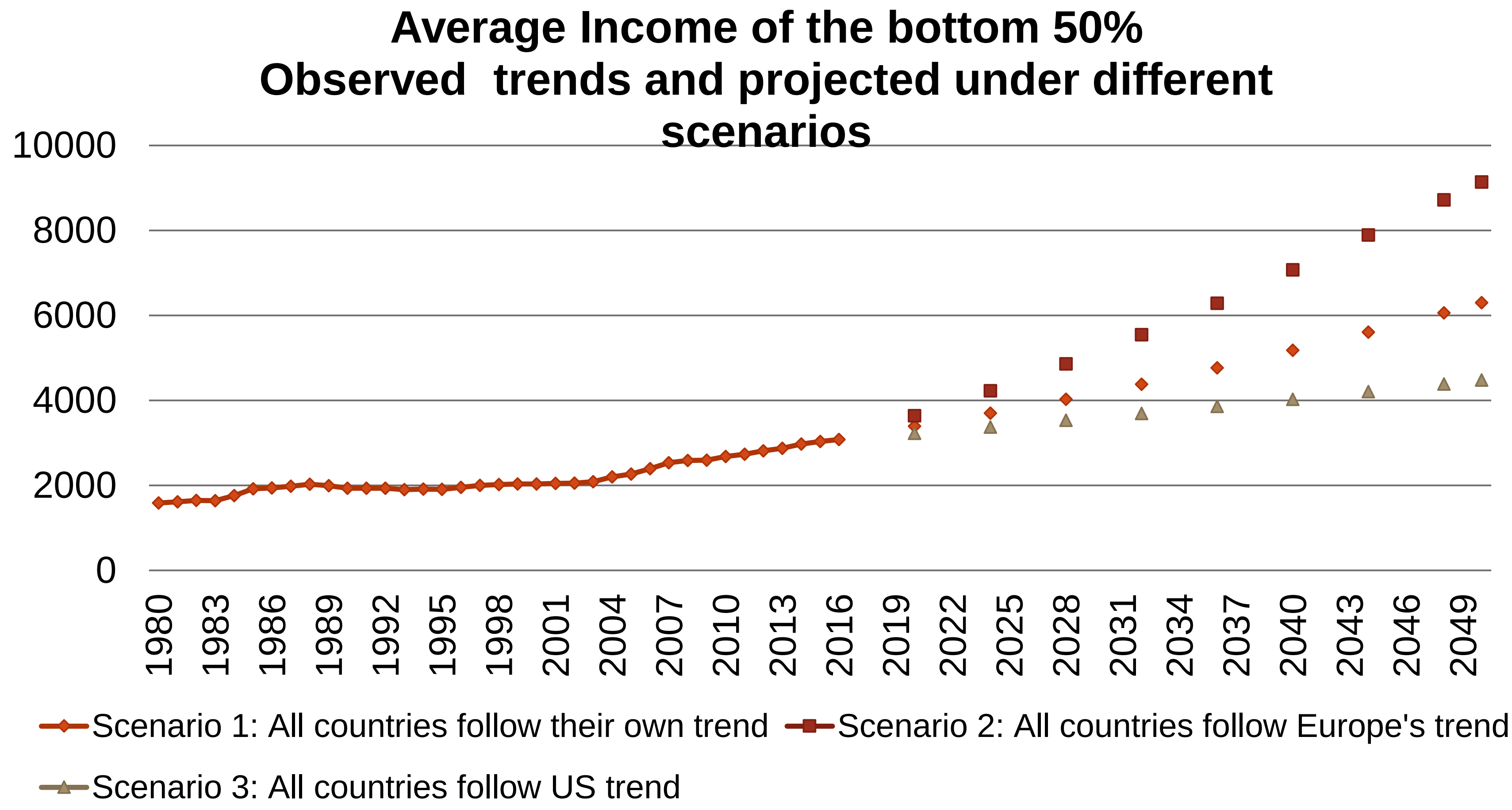




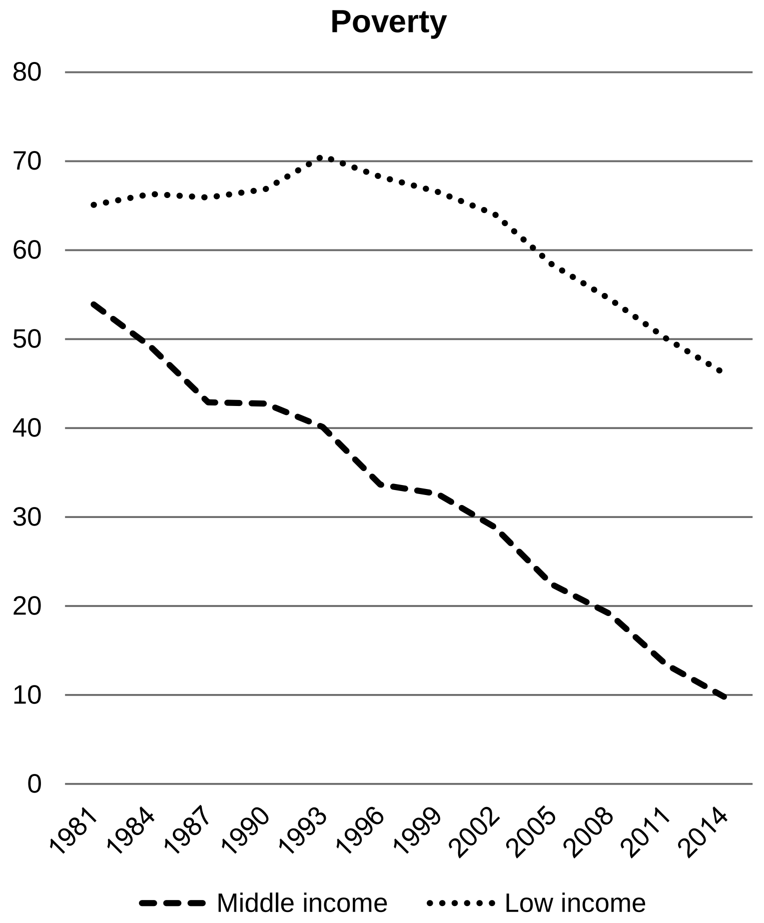
Other evidence of within country inequality

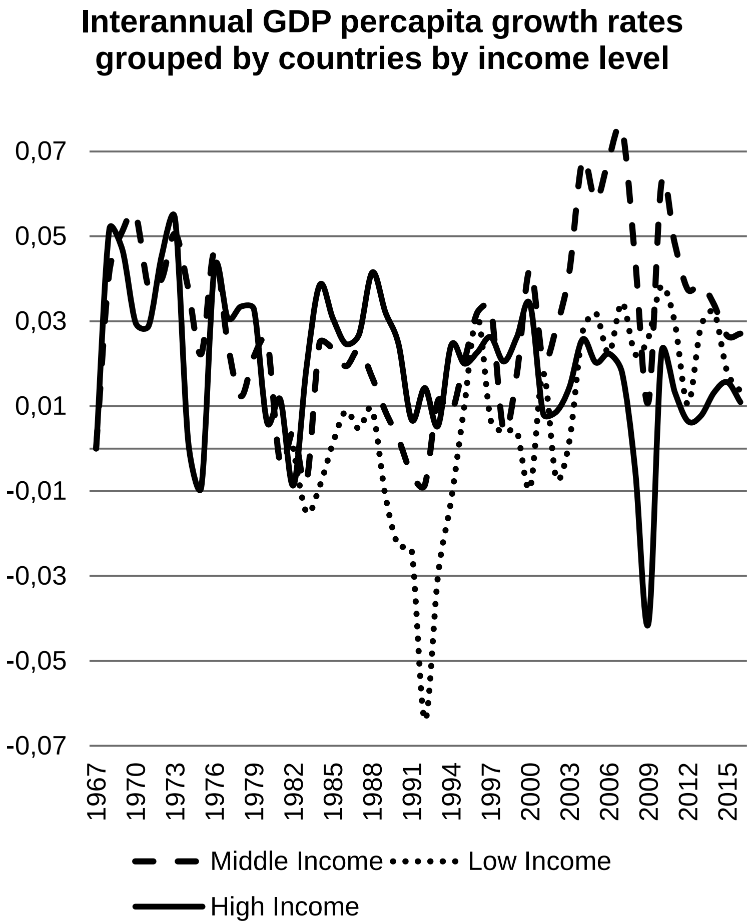


In a BAU scenario, or worse in a US scenario trends in inequality will risk achieving SDG 1

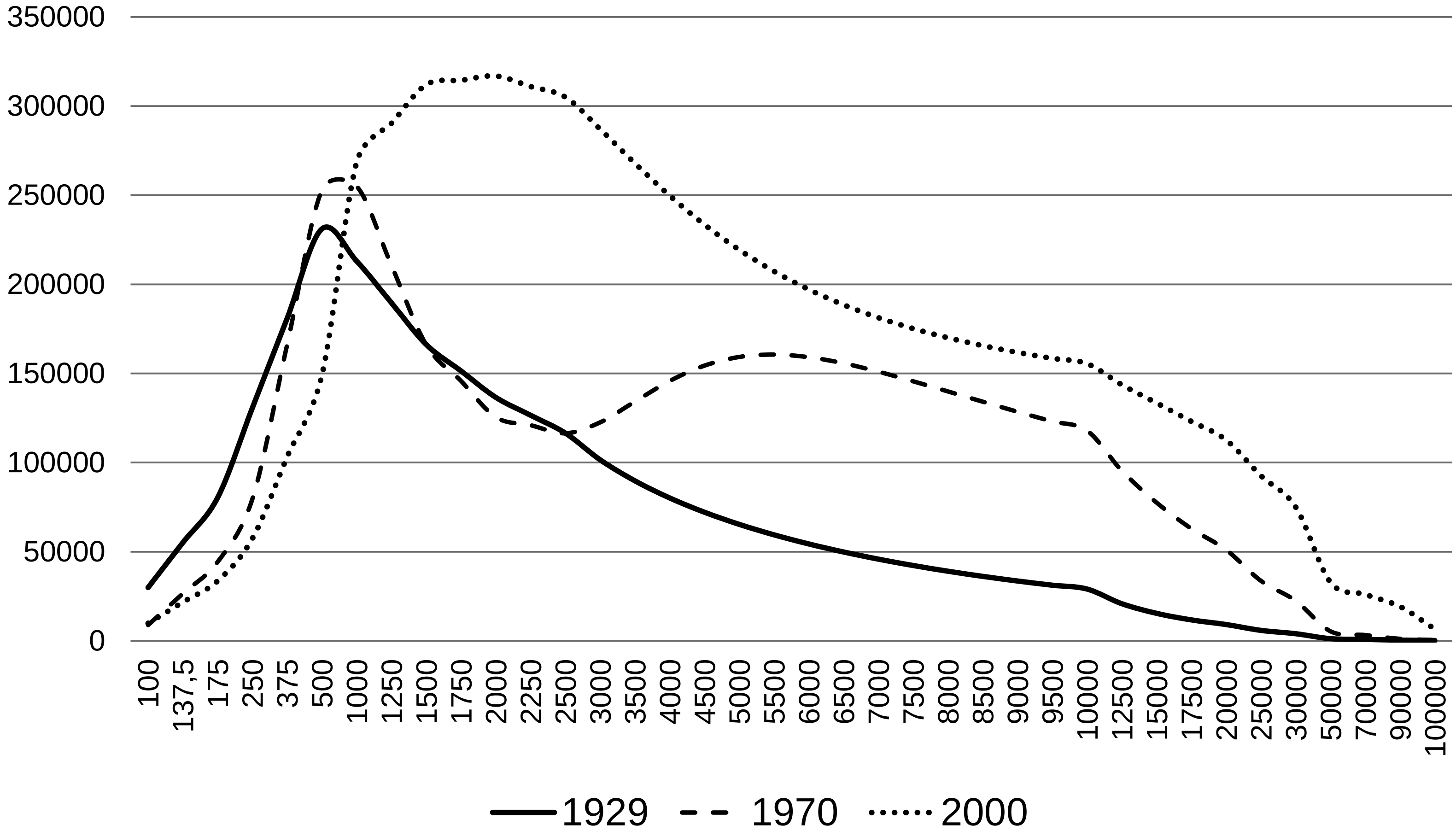


Between country inequalities and development outcomes

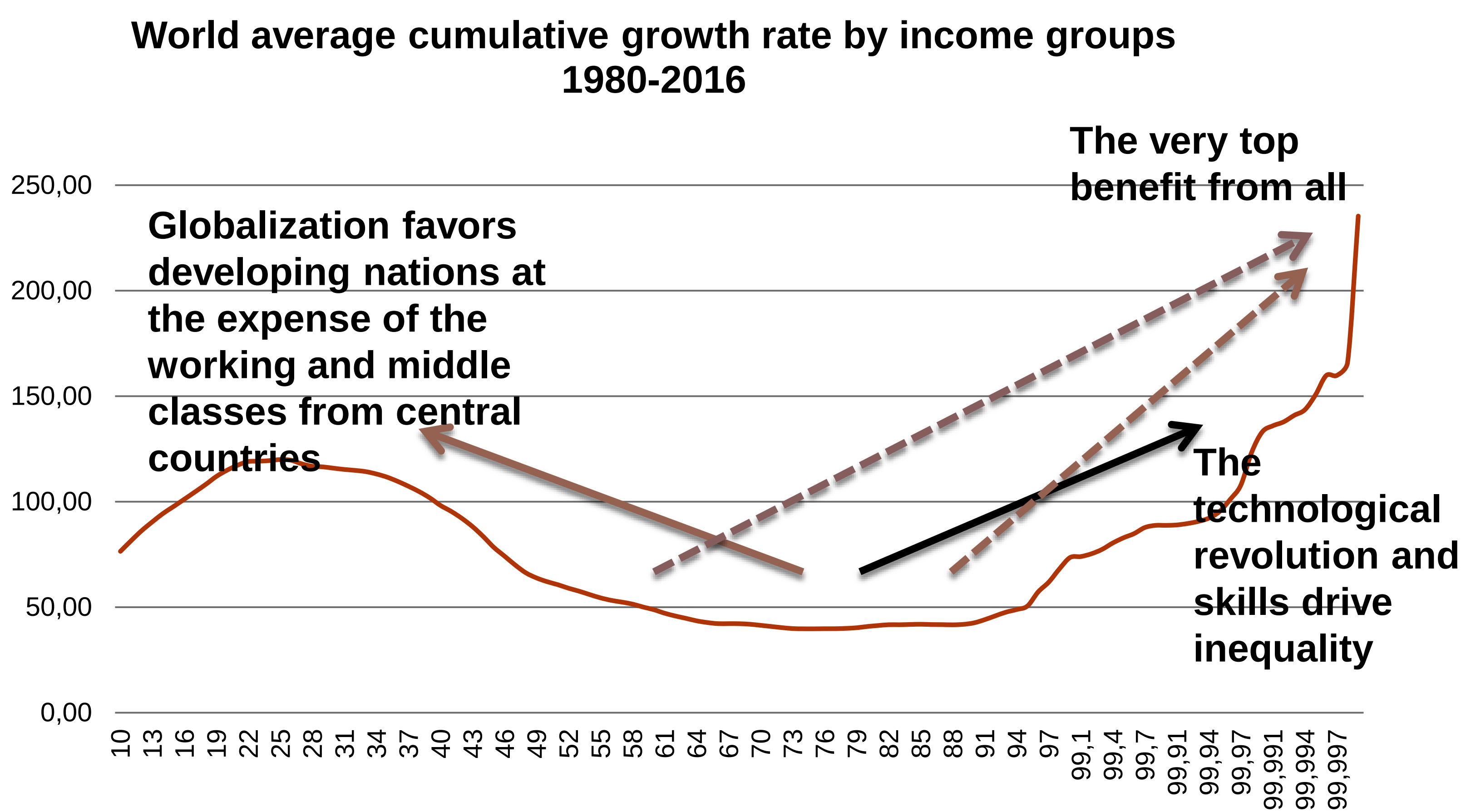




World Income distribution in different moments of world history



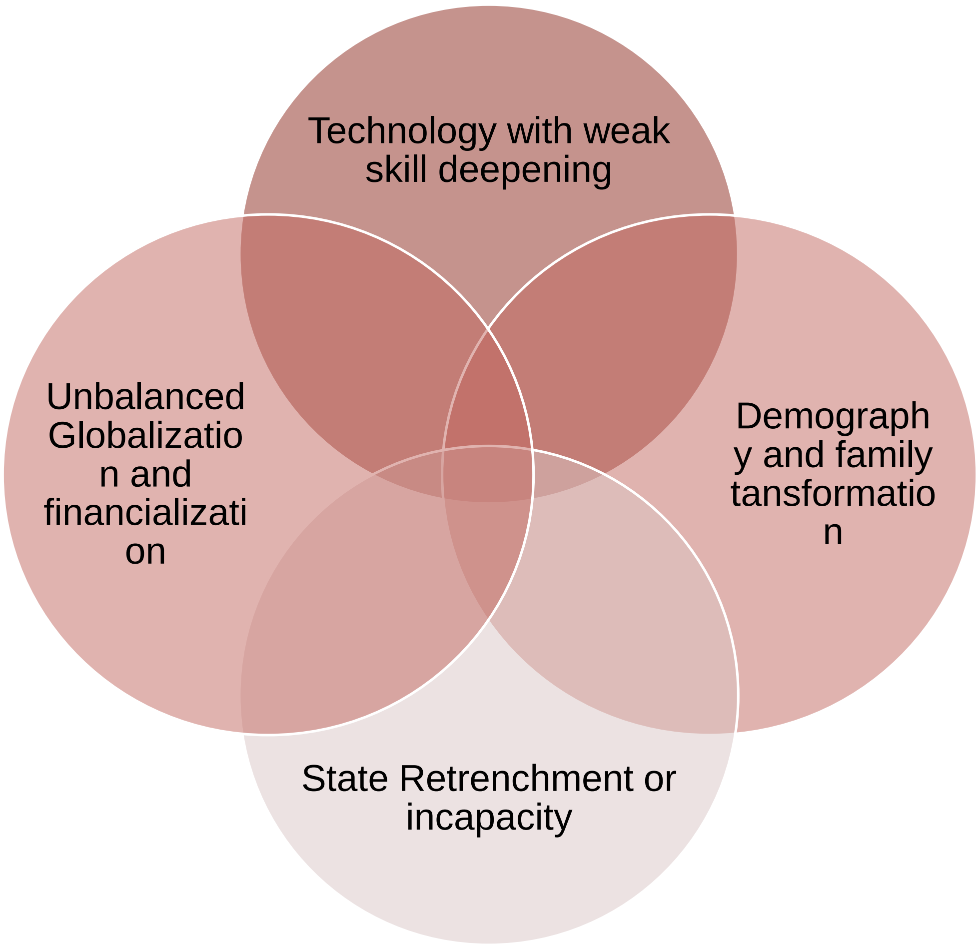
Three narratives on the elephant curve



Let us not be fooled by the apparent good news of the elephant curve

- Percentile 1980 2016 Absolute Change ($) Relative Change (%)
- 0 – 10 423 616 193 46
- 10 – 20 876 1,592 716 82
- 20 – 30 1,203 2,426 1,223 102
- 30 – 40 1,762 3,426 1,664 94
- 20 – 30 2,848 4,715 1,867 66
- 50 – 60 4,495 6,440 1,944 43
- 60 – 70 6,845 9,015 2,170 32
- 70 – 80 10,581 13,447 2,866 27
- 80 – 90 16,780 21,565 **4,785** 29
- 90 – 99 32,753 46,492 **13,739** 42
- 99 – 100 145,094 269,991 **124,897** 86
- 99 – 99.9 100,754 169,744 68,990 68
- 99.9 – 99.99 373,253 694,666 321,414 86
- 99.99 – 99.999 1,400,730 3,252,951 1,852,221 132
- 99.999 – 100 8,216,276 25,425,483 17,209,207 209

Structural causes



Challenges at the national and global level

NATION/STATE LEVEL

Labor/Capital contract

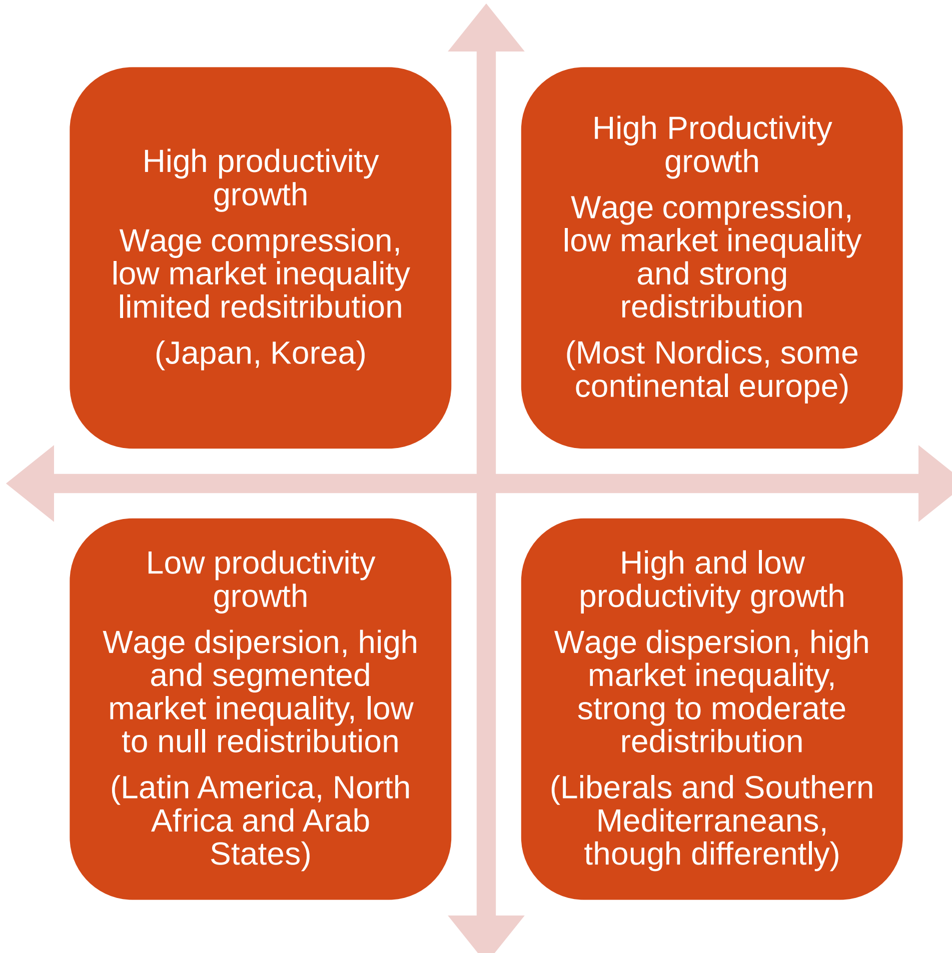
Gender Contract

Generational contract

GLOBAL LEVEL

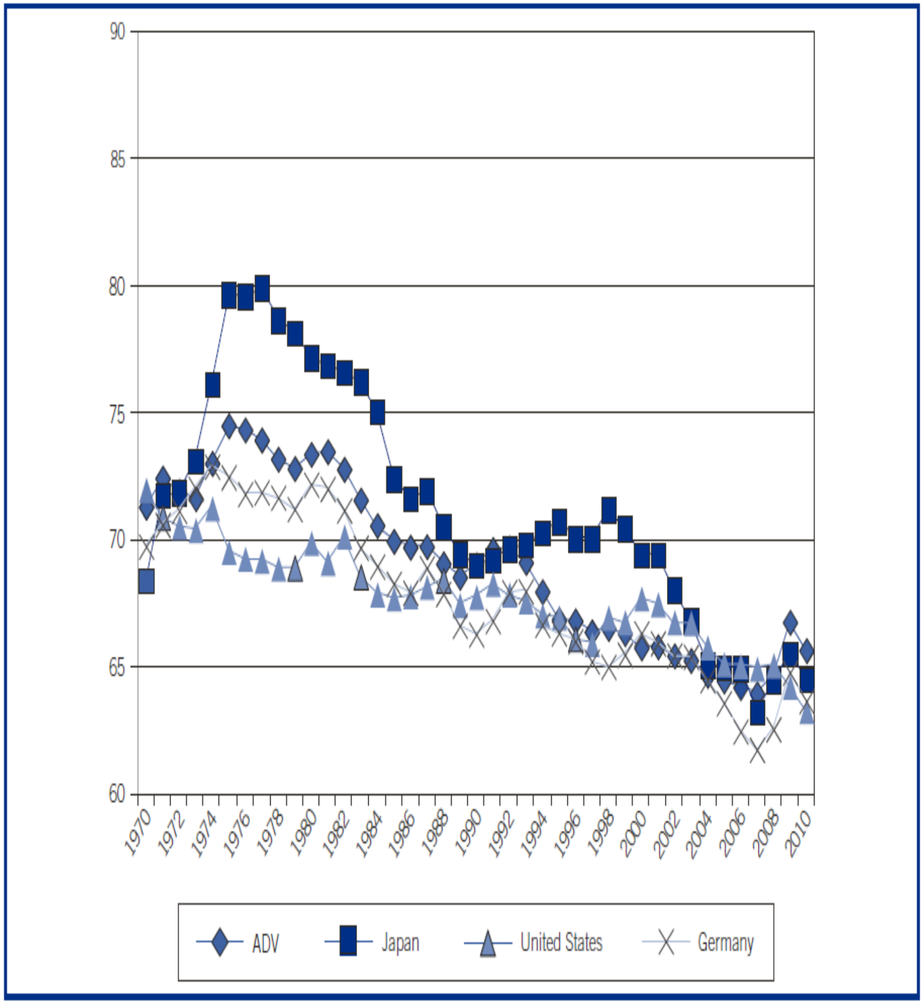
Move towards global civil, political and social citizenship

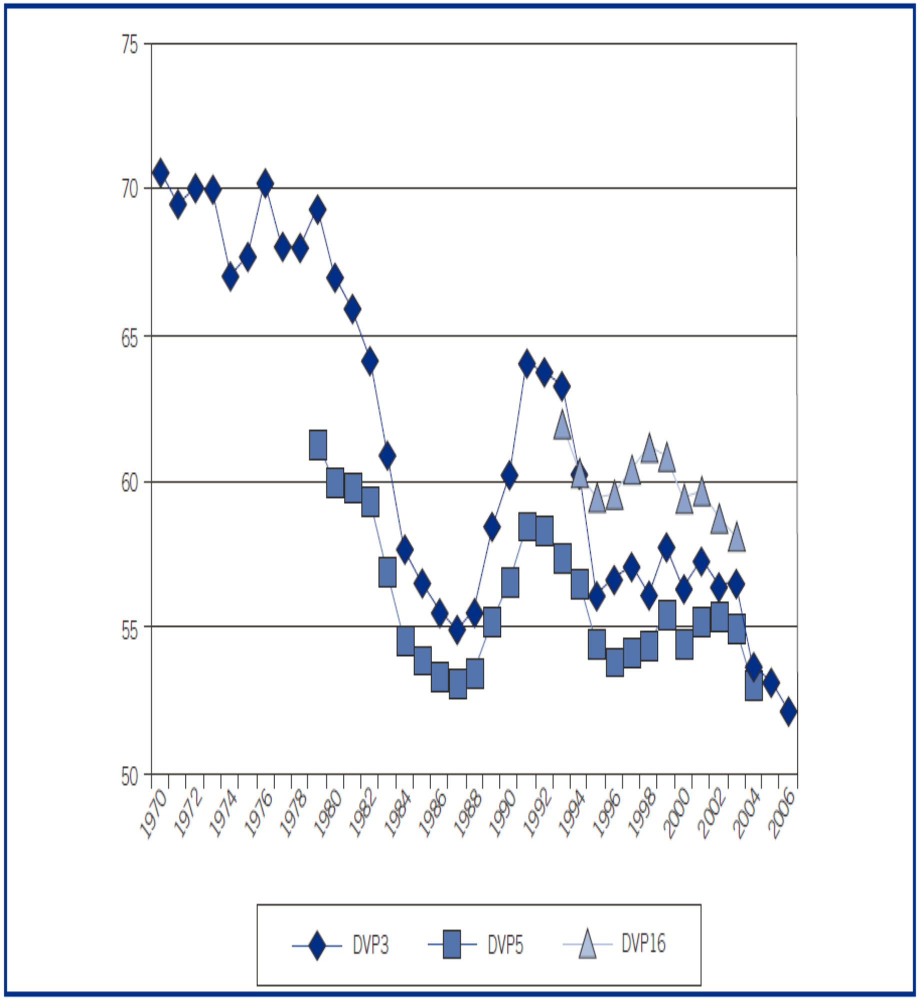
Historical national level configurations



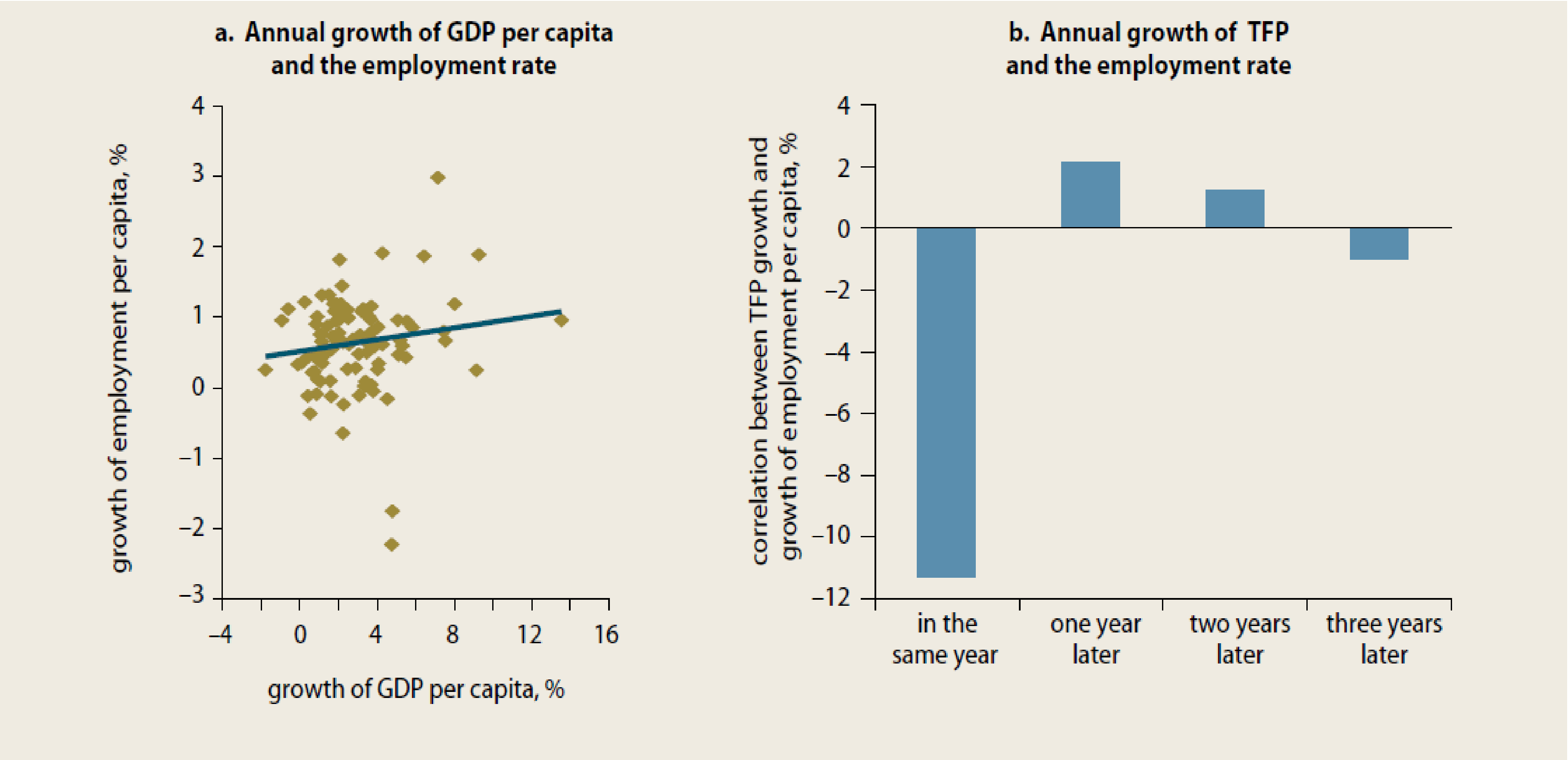
The labor/capital contract (or productivity contract)

Labour share in the economy has declined in both developed and developing countries



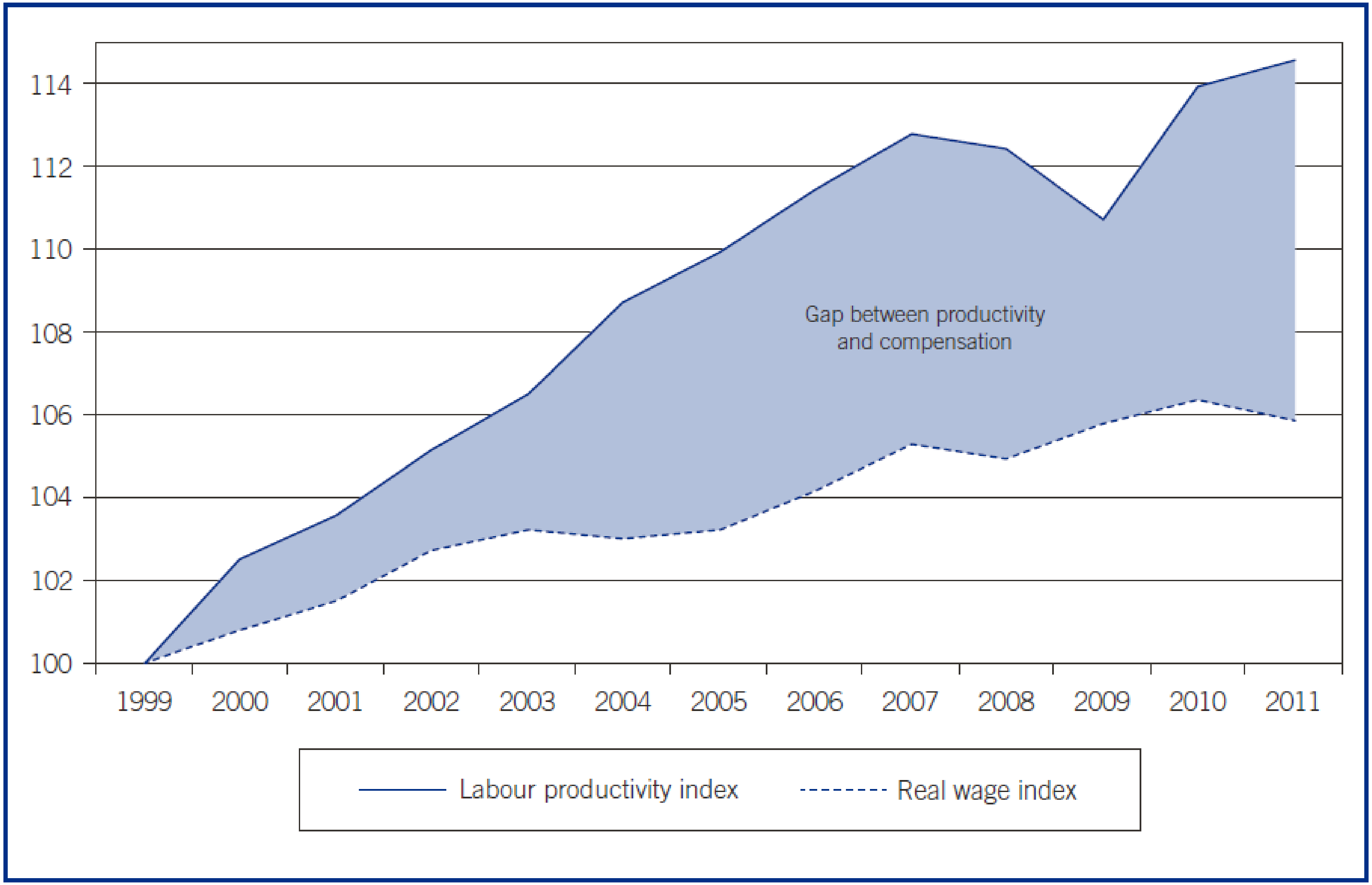


Weak relations at best, low elasticities

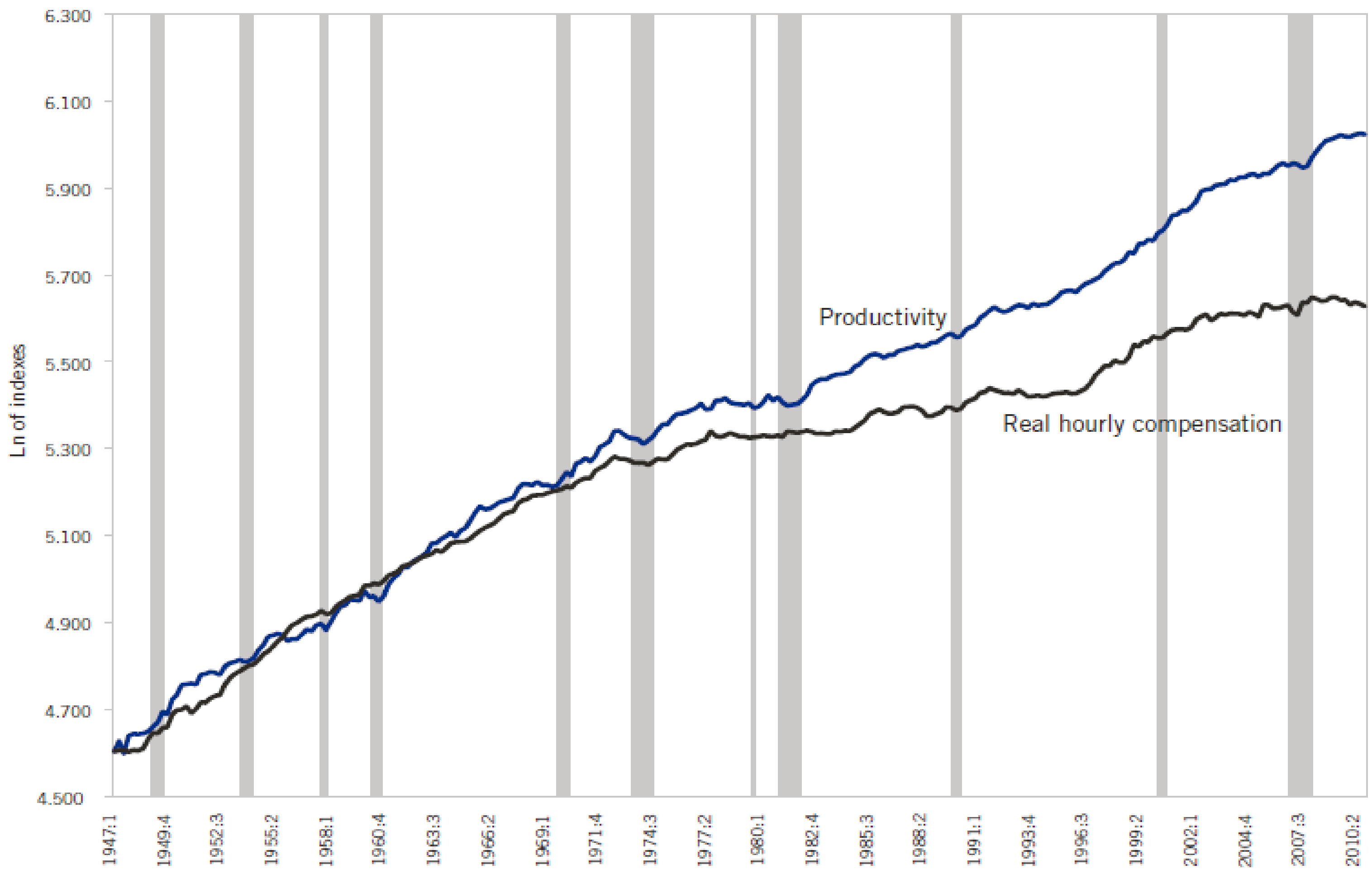


Source: World Development Report 2013 team estimates based on average growth decomposition accounting for years 1999–2009.

Productivity and Wages…



US productivity and real hourly wage

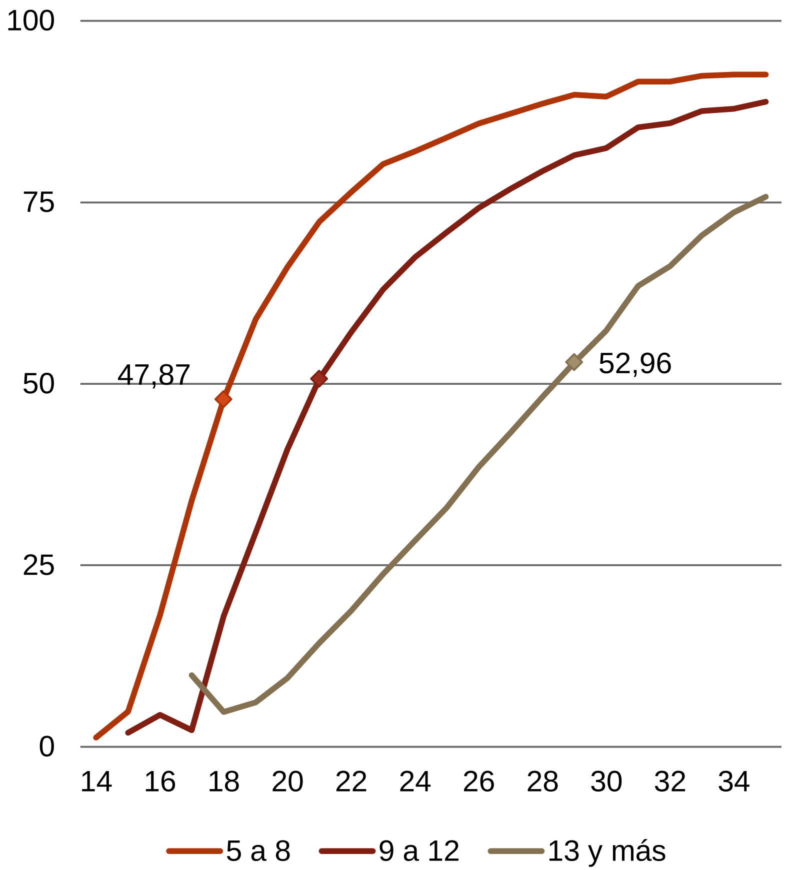


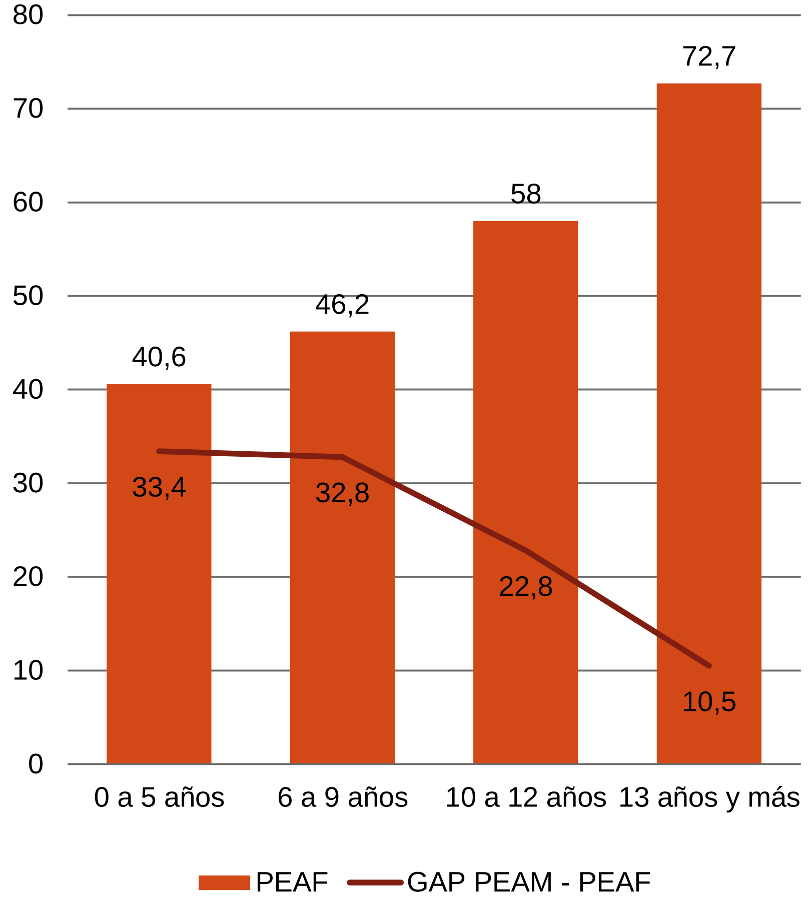
A new productivity contract

- Wages should increase in line with productivity in relatively long cycles, not below nor above.
- If wages increase slightly below productivity gains, then taxes and a social wage (through transfers and services) should increase slightly above productivity.
- Labor markets should be flexible for that to happen, yet social protection should also be strong. Rather than systems that protect a particular occupation or individual employment situation, we need systems that protect the person in flexible labor markets and a high rate of employment.

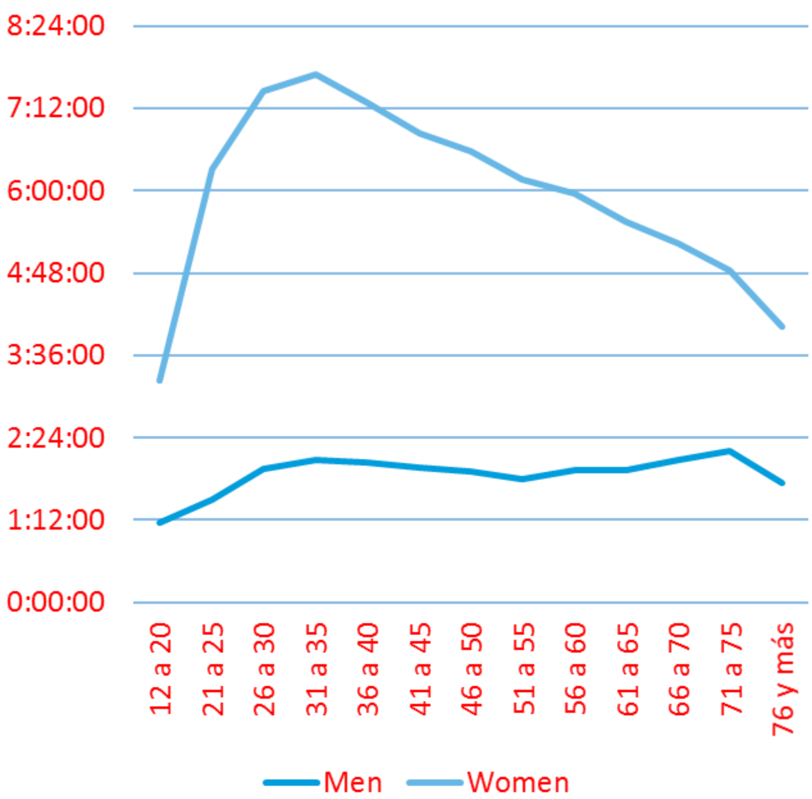
The gender contract

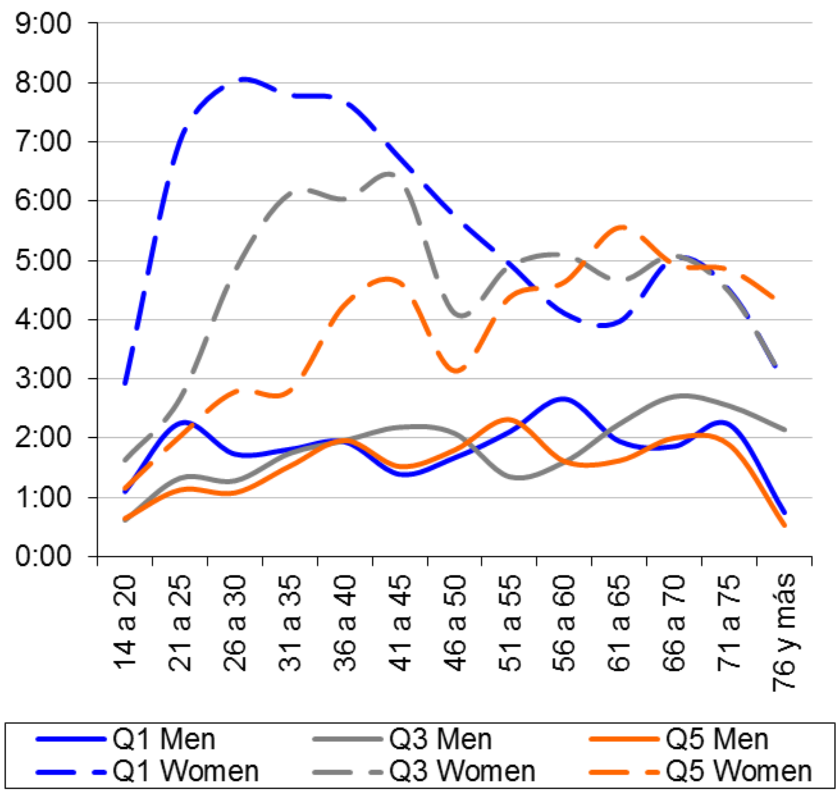
Estratificación de fecundidad y de participación laboral femenina





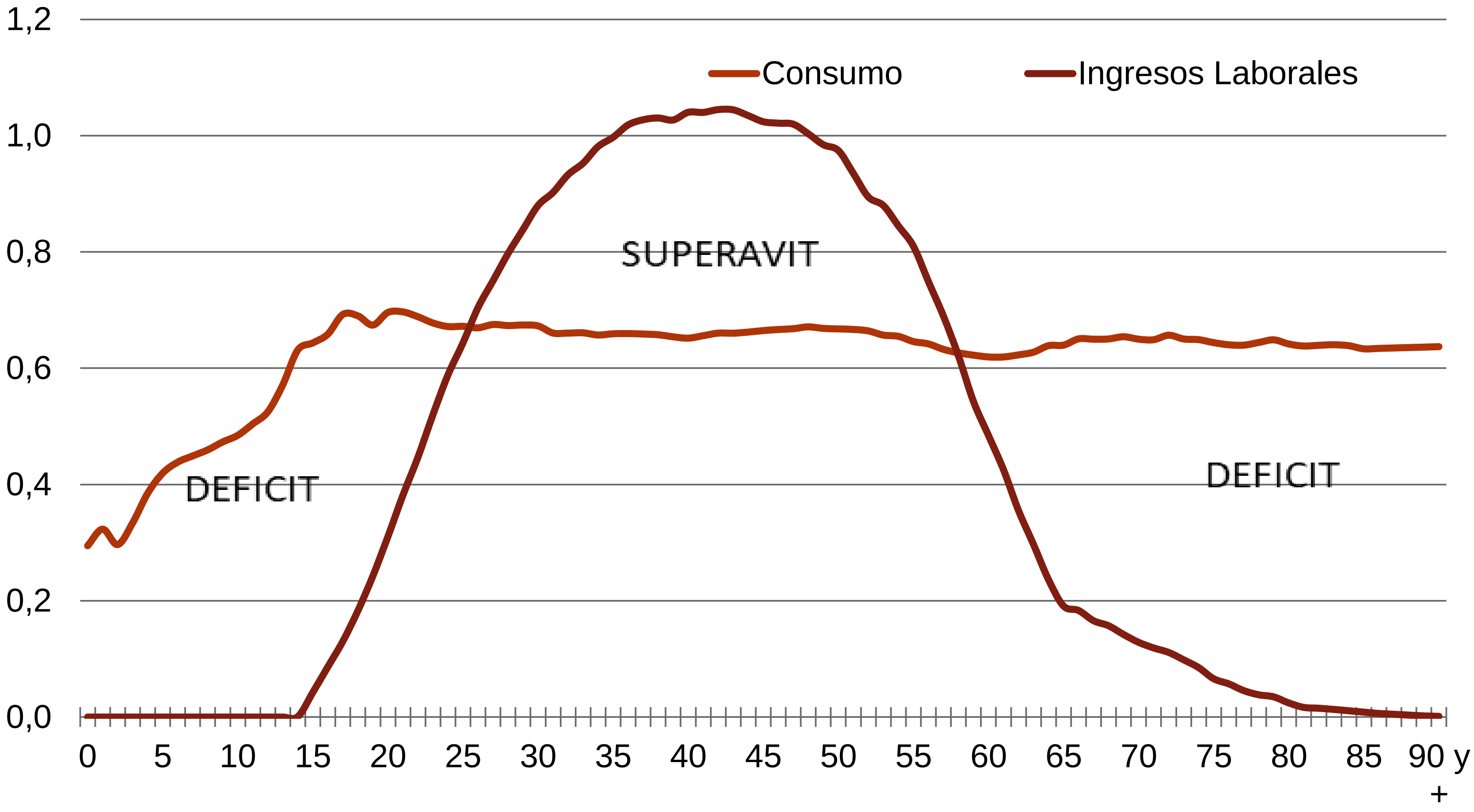
Unless we understand how these state of affairs is both unfair and inefficient, and seek policies that instead of locking in such patterns, revert them, gender inequality will persist and negatively affect income and wealth inequality (and viceversa) both within and between countries



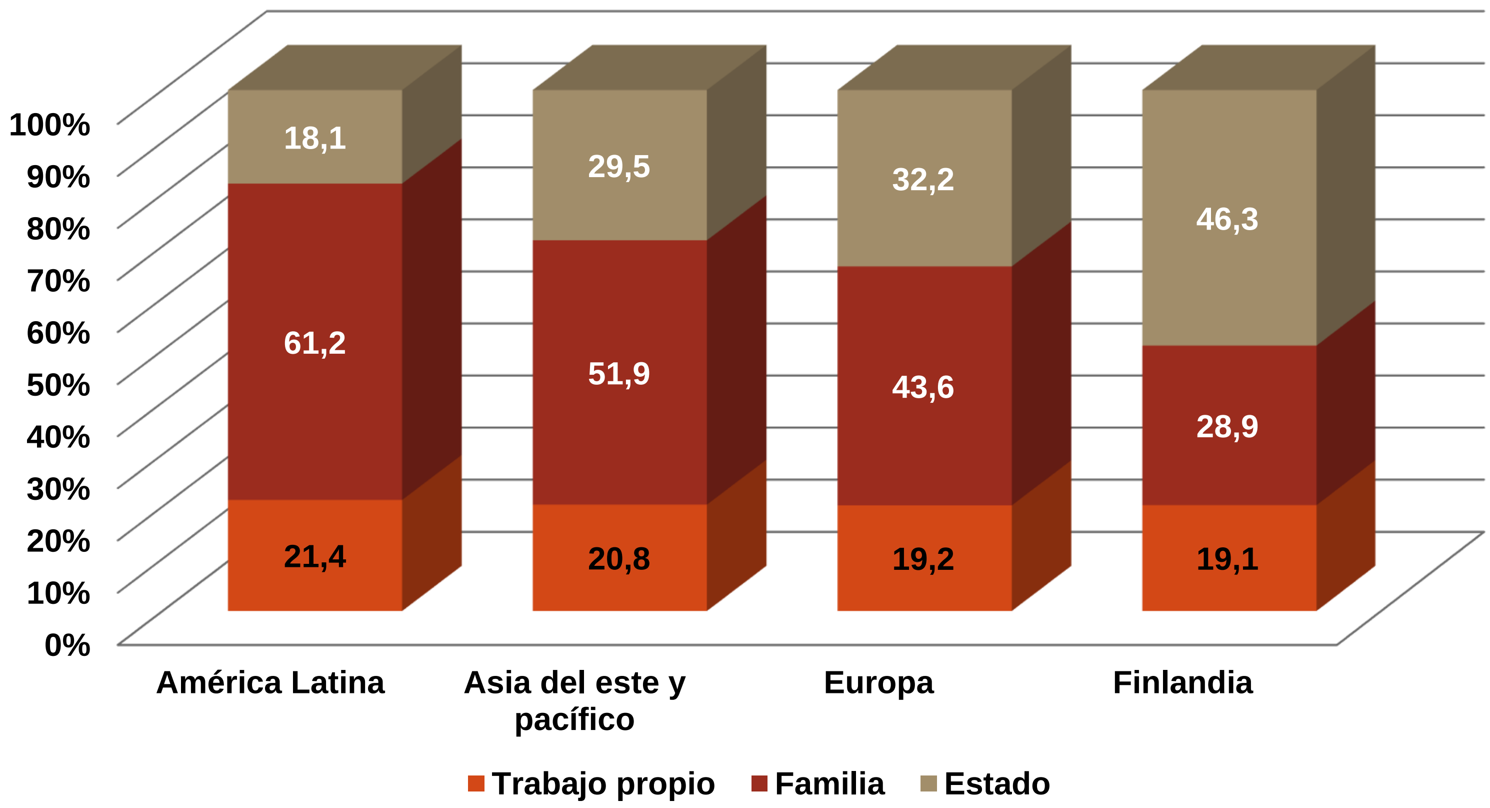


The generational contract

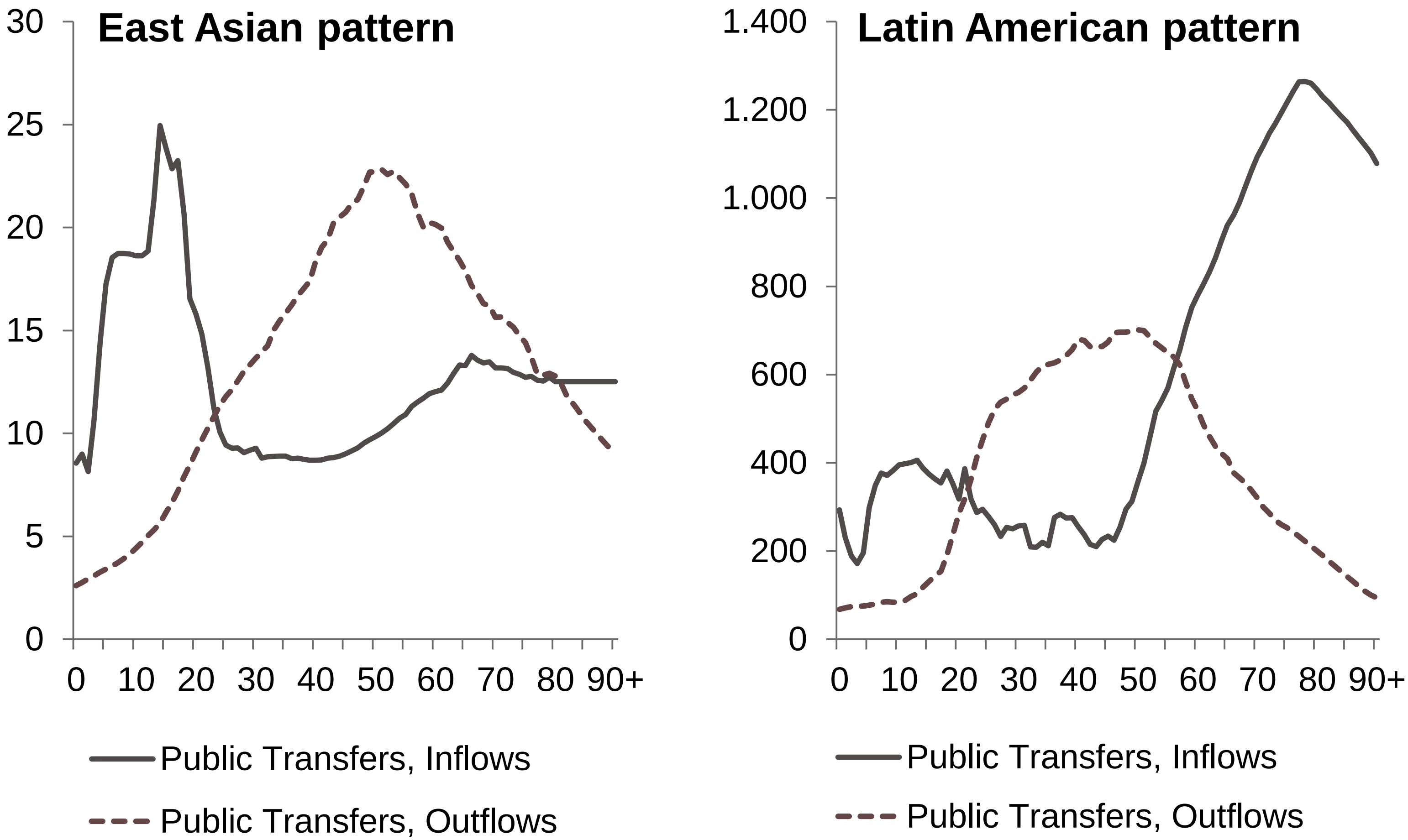
Ingreso laboral y Consumo promedio per-cápita por edad (en relación al promedio de ingreso y consumo del grupo de 30 a 49 años)



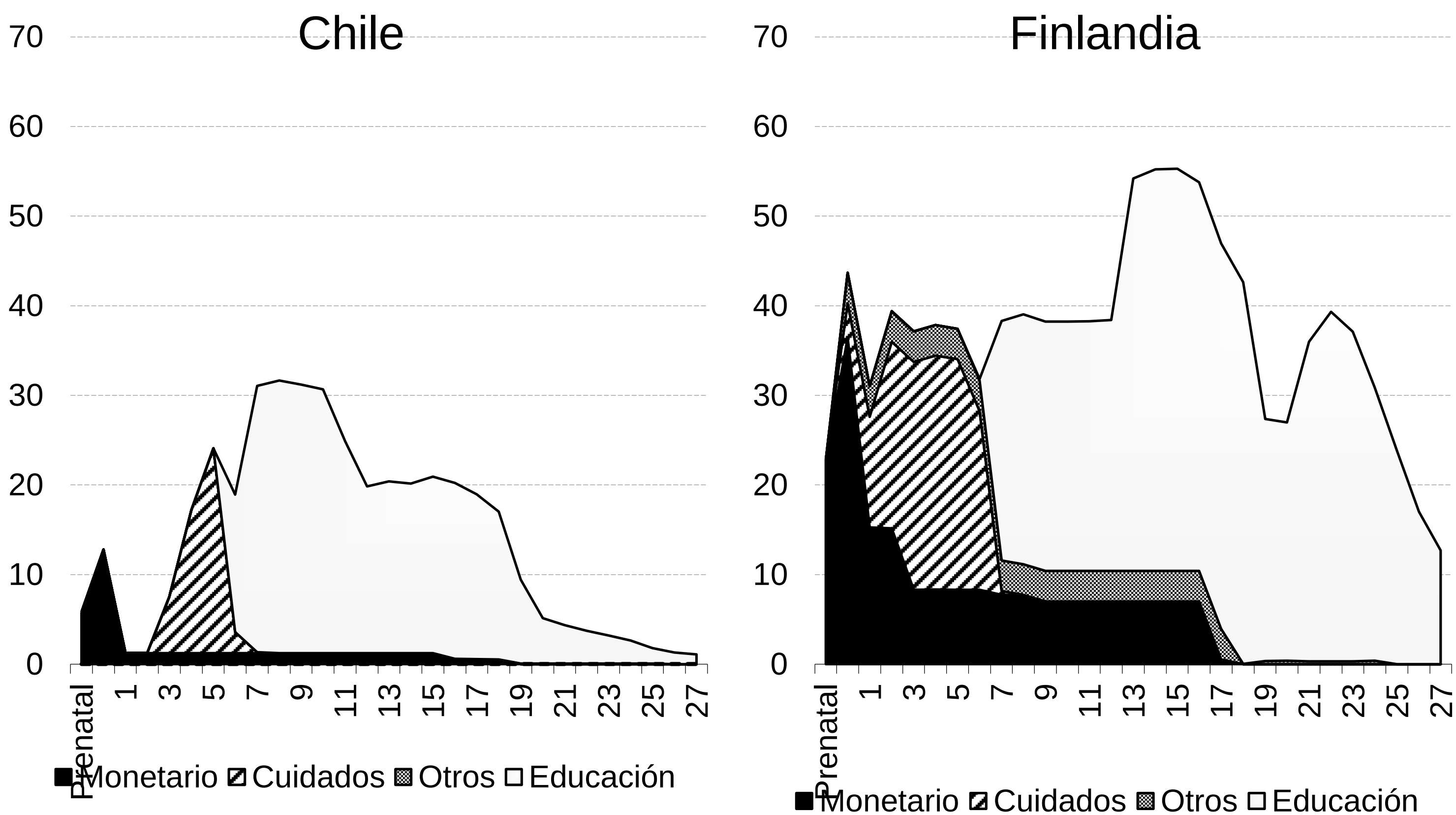
Fuentes que financian el consumo promedio de niños, adolescentes y jóvenes entre 0 y 24 años



Dos modelos diferentes en países en vías de desarrollo



Gasto social promedio por niño por tipo de intervención para edades simples como porcentaje de la mediana de ingresos de hogares con miembros en edad activa

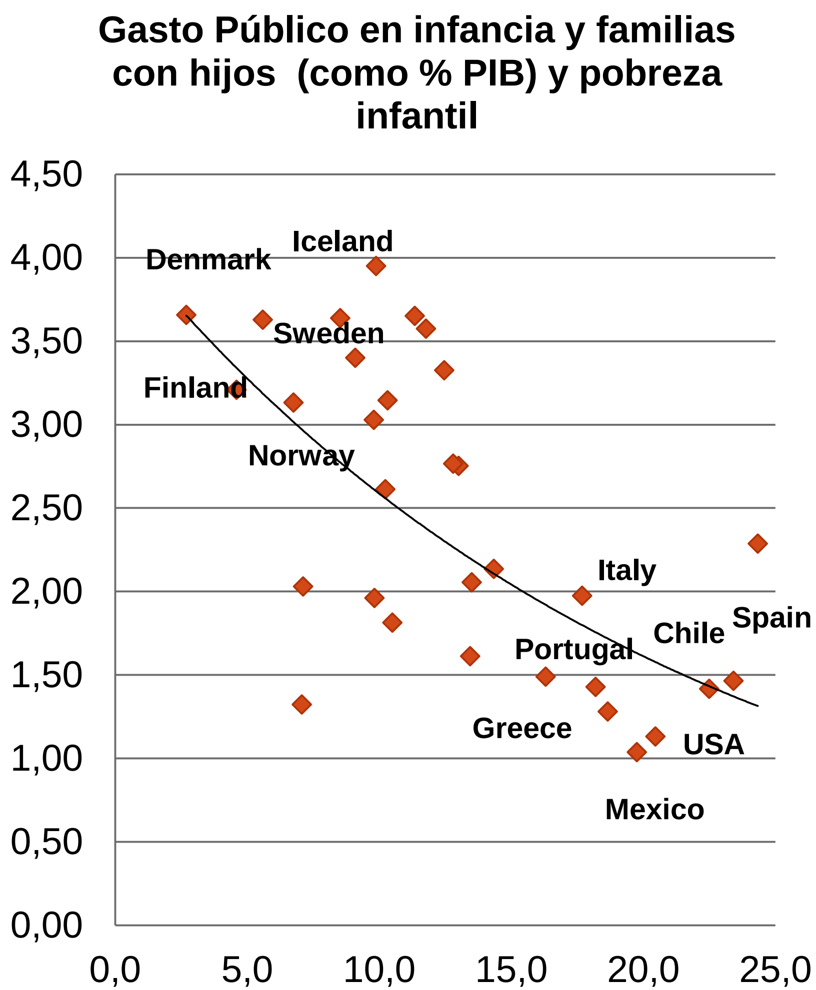


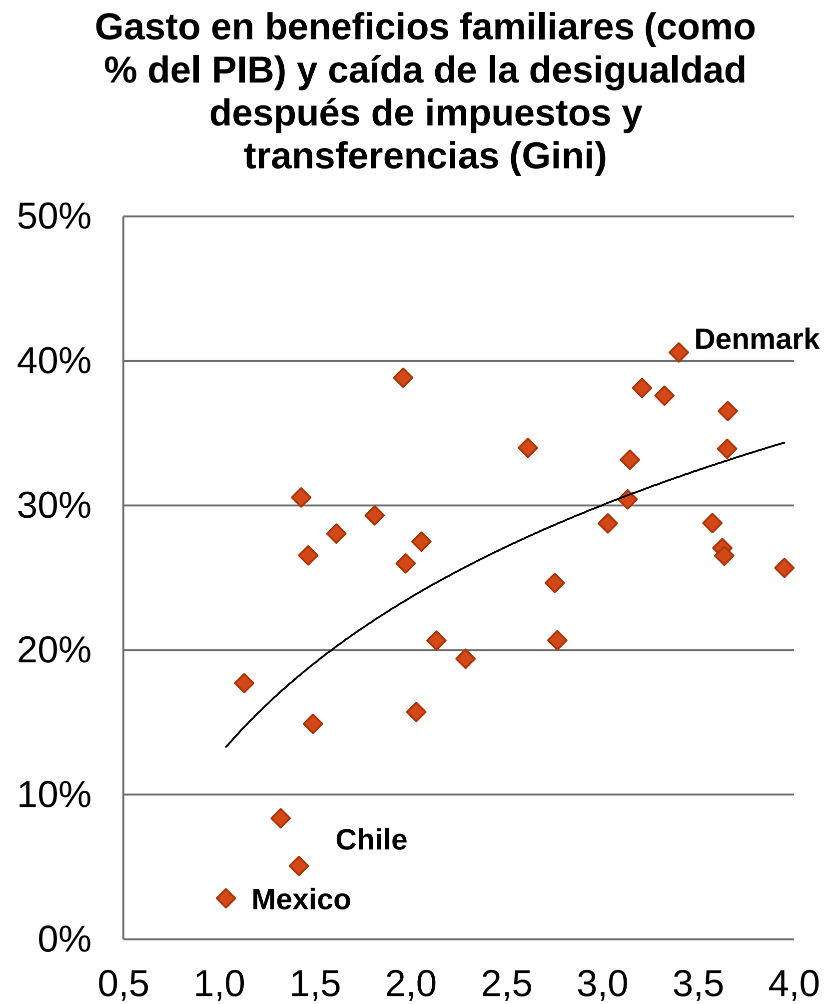
Is there a template to look at for a new gender, generational and productivity contract?

Fecundidad, empleo femenino y pobreza infantil según región

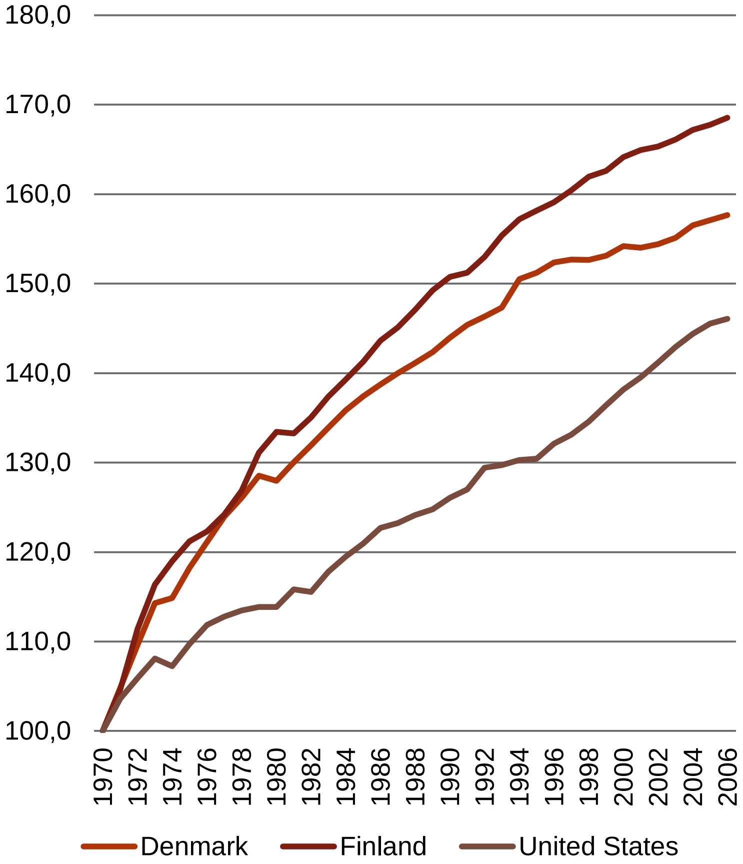
	Noruega, Suecia, Islandia, Dinamarca, Finlandia	España, Portugal, Italia, Grecia	Brasil, Chile, Uruguay, Costa Rica, Argentina, México	USA, N.Zelanda, Australia, Irlanda, Gran Bretaña
Fecundidad	1,84-2,22	1,32-1,53	1,70-2,16	1,94-2,12
Convergencia Fecundidad	Alta	Moderada	Baja	Moderada
Empleo Femenino	Alto	Bajo/Medio	Bajo	Medio/Alto
Estratificación Empleo Femenino.	Baja	Moderado	Alta	Moderado y Alto
Pobreza Infantil	Baja	Moderada y Alta	Muy Alta	Moderada y Alta
Relación entre Pobreza. Infantil y Pobreza	Menor	Mayor	Mucho Mayor	Similar y Mayor

Inversión en infancia, pobreza y desigualdad

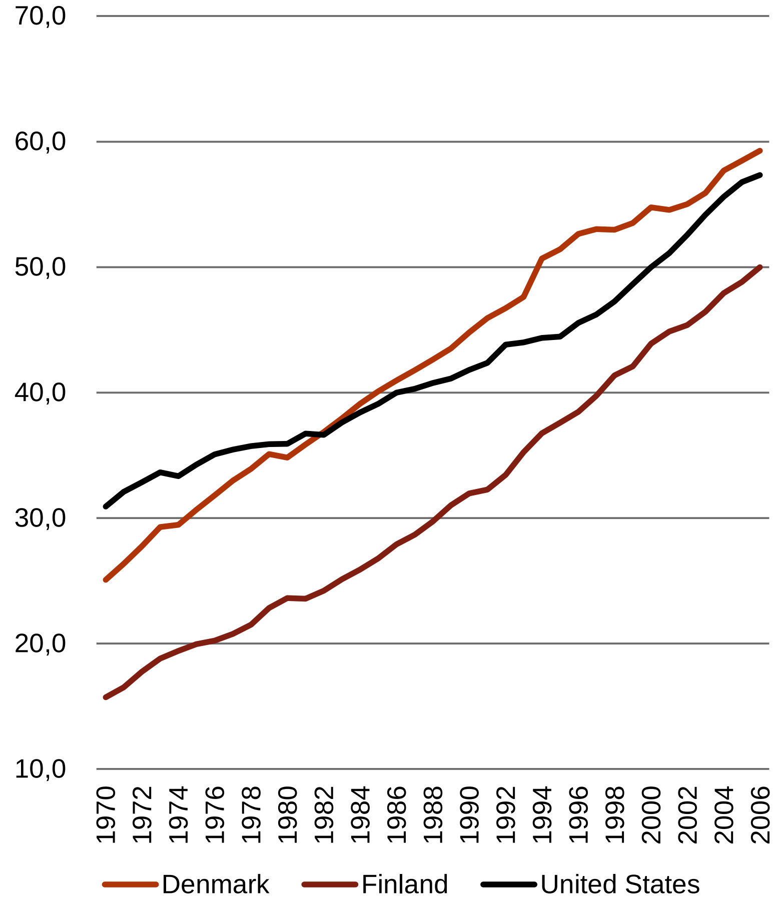




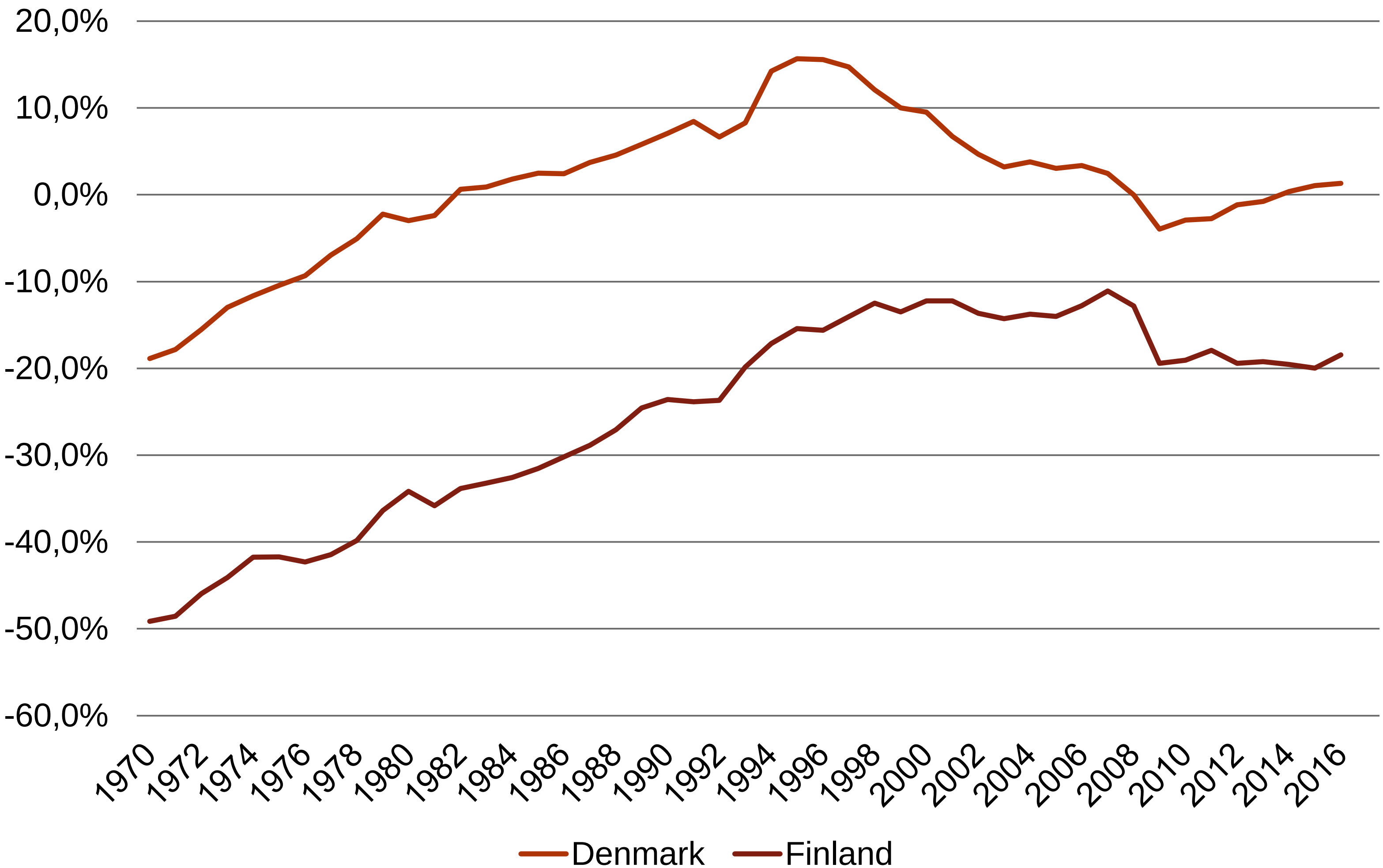
Evolución de la productividad (medida como PIB por hora trabajada) (base 100=1970)



Evolución de la productividad (como PIB por hora trabajada)



Brecha de productividad respecto a USA (medido como PIB por hora trabajada)



Some thoughts for a global agenda

Civil Rights

- Increase mobility and rights of mobile labour, moderate mobility and rights of mobile capital.
- Extend International Courts with binding force.

Political Rights

- Review Government structures of UN and multilateral institutions.
- Incorporate through WTO stringent labor quality requirements for open trade agreements and GATT. Same as blacklisting tax havens, blacklist labor dumping.

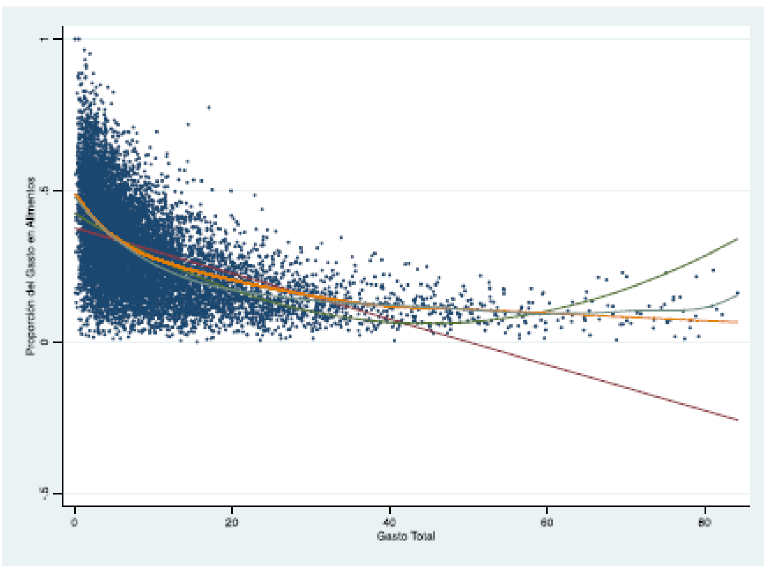
Social Rights

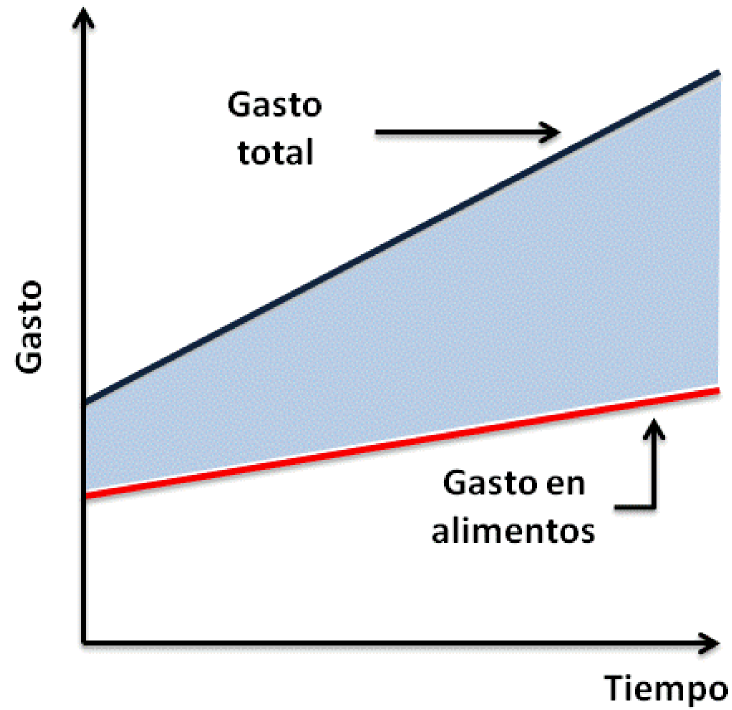
- Tobin once again. Let capital be mobile, but reap part of those gains towards a subsidy for a basic protection floor in LDCs
- Global Carbon Tax: Create a global fund to help LDC and MICs leapfrog in terms of green investments and greeen economy providing green jobs
- Review global patent policies and multinational/state disputes

Using increasing wealth wrongly?

Types of goods and the road to heightened inequality

Consumo y riqueza: oportunidades





Coaliciones distributivas: bienes públicos, preferentes, privados y posicionales

Bienes Públicos

(no rivalidad y no exclusión)

Bienes Preferentes

(externalidades,regulaciones y subsidios o impuestos)

Bienes privados

(eficiencia de mercado aunque utilidad nunca autocontenida)

Bienes posicionales

(doble rivalidad y doble exclusión)

Bienes públicos, preferentes, privados y posicionales

Bienes públicos, preferentes, privados y posicionales

Una economía política bloqueada

La trampa de los bienes públicos

Los costos fijos privados y los caminos privados que estructuran el imaginario de los sectores emergentes de alcanzar el status de clase media

El efecto disgregador y fragmentador de la focalización restringida

El efecto candado de los sistemas contributivos y el efecto veto de los sistemas privatizados y privados de prestación social