UNIVERSITÄT
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Institut für
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A Decade of Stagnation. Why?

Comments on

Girardi/Paternesi Meloni/Stirati, Cynamon/Fazzari, Turner

GER and NED = only two eurozone countries with autonomous demand expansion after 2000 (Stirati et al.)
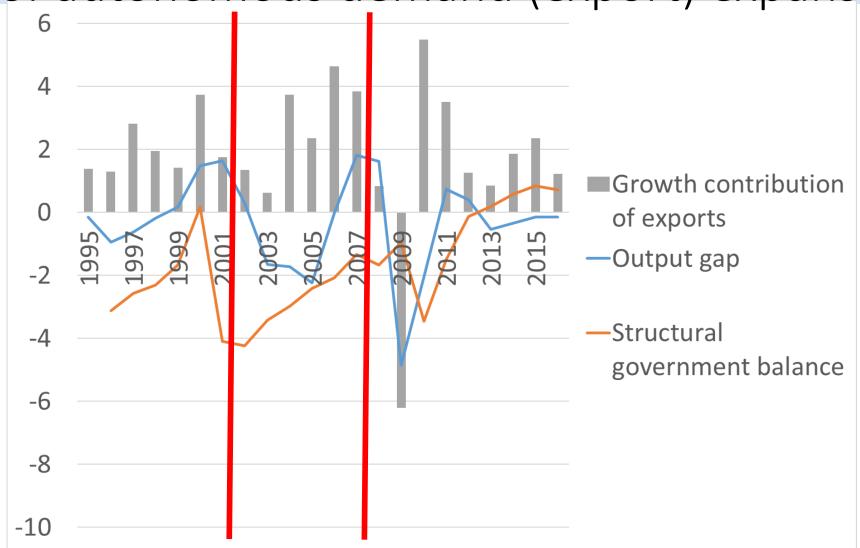
Identified expansions

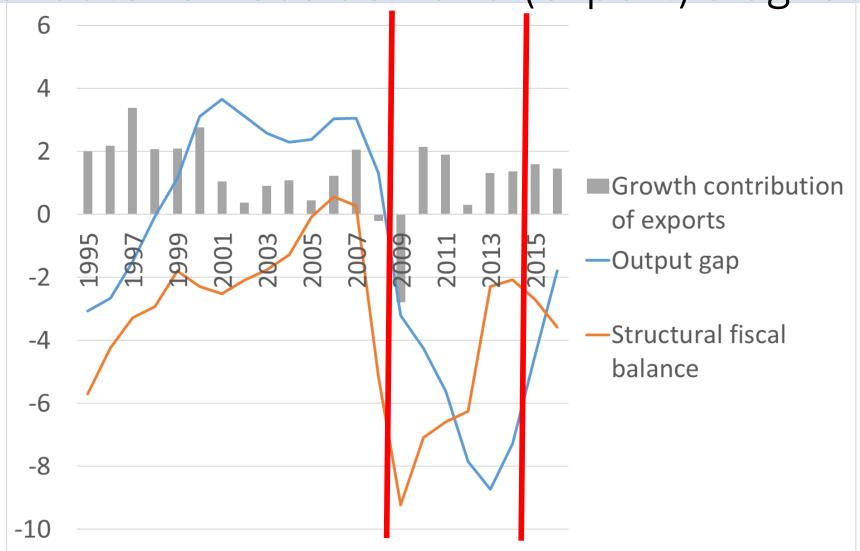| Country	Year	ΔZ	Country	Year	ΔZ	Country	Year	ΔZ	Country	Year	ΔZ
AUS	1993	6.36	FRA	1961-65	7.31	KOR	1972-73	29.77	SVK	2006	15.76
AUS	2000-01	6.86	FRA	1970	7.33	KOR	1976	17.19	SLO	2000	11.17
AUS	2009	8.00	FRA	1973-74	10.26	KOR	1986	15.93	SLO	2006	10.01
AUS	1979	6.23	GER	2000	6.96	KOR	1998	19.42	SPA	1966	10.79
AUS	2000	6.41	GER	2006	6.31	KOR	2008	19.91	SPA	1968-69	11.51
BEL	1972-74	8.87	GRE	1999-00	11.87	LAT	2004-05	14.91	SPA	1971	11.07
CAN	1973-74	7.57	HUN	2000	14.14	LIT	1997	15.55	SWE	1963-64	8.19
CAN	1978	6.17	HUN	2006	15.27	LIT	2005	15.33	SWE	1968-69	7.33
CAN	1994	6.26	ICE	2001	10.84	LUX	1998	11.73	SWE	1974	11.99
CAN	2000	7.13	ICE	2008	13.87	LUX	2000	17.32	SUI	2000	8.15
CZE	2005	10.53	IRE	1995	13.58	NED	1973-74	9.44	SUI	2007	8.10
DEN	1974	8.88	IRE	2000	15.03	NED	2000	9.49	SUI	2013	6.75
DEN	1979-81	5.56	ISR	1999-00	10.01	NED	2006	6.75	UK	1973-74	11.54
DEN	1994	6.22	ITA	1962	8.01	NZL	1999-00	7.43	UK	2006	7.36
DEN	2000	7.90	ITA	1965	10.37	NZL	2006	6.63	USA	1961	6.02
DEN	2006	5.65	ITA	1968	10.75	NZL	2008	6.79	USA	1966-67	7.78
EST	2005	12.86	ITA	1974	7.66	NOR	1979-80	6.81	USA	1970	6.81
FIN	1964	7.85	ITA	1976	6.99	NOR	1989-90	6.07	USA	1974	6.52
FIN	1968-69	9.04	JAP	1962	12.83	NOR	1996	5.84	USA	1980	6.31
FIN	1972	10.50	JAP	1964-66	10.65	POL	1997	7.77	USA	1992	5.87
FIN	1974	8.79	JAP	1968-69	12.39	POL	2003	9.28	USA	2008	6.86
FIN	1977	8.14	JAP	1974	14.12	POL	2006	10.60	WDE	1976	5.14
FIN	1979	7.67				POR	1978-80	9.90	WDE	1980	5.42
FIN	1992	7.48				POR	1989	9.54	WDE	1990	6.06

Persistent effects of autonomous demand expansions

Appendix

Lucky Germany (2002-2007): Fiscal consolidation in times of autonomous demand (export) expansion
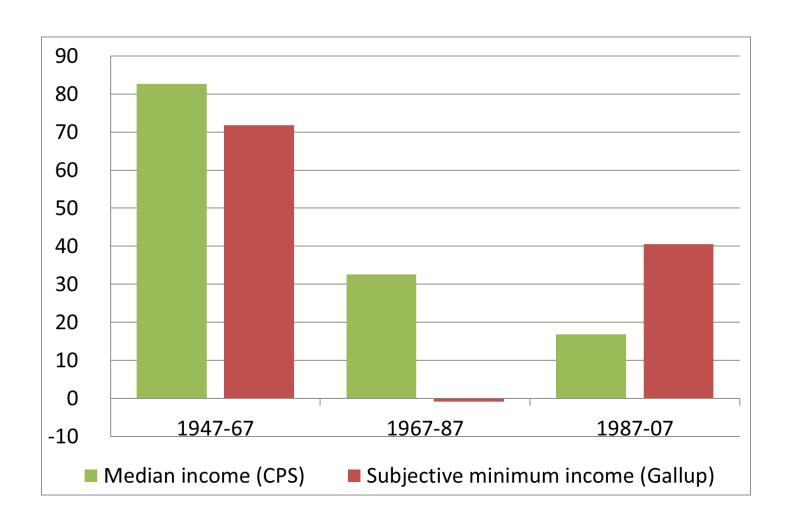
Unlucky Spain (2009-2014): Fiscal consolidation in times of autonomous demand (export) stagnation

Income inequality and positional consumption

- Cynamon and Fazzari and Turner refer to the argument that

  1) Before the crisis, demand was kept strong because high saving by top income groups was channeled into borrowing by lower income groups who tried to keep up with the rich in terms of positional consumption

  2) After the crisis, "the economy's central function to recycle income back into demand is deeply compromised" (Cynamon/Fazzari) because an overindebted middle class can no longer absorb high savings by businesses and top income households

Neoliberalism generated a new feeling of need in the middle class through rising inequality

Gallup minimum income question:

"What is the smallest amount of yearly income a family of four would need to get along in your local community?"

How to avoid stagnation (in the short run)?

- I agree with Cynamon and Fazzari that we need to "create a high pressure economy" in the short run, "restoring income growth broadly across the distribution"

- I also agree that in order to create a "high pressure economy", we need
  - Expansionary fiscal policy
  - More equal income distribution
  - while "investment will take care of itself if the demand growth path accelerates."

And in the long run?

- Ecological boundaries
- Signs of "egalitarian stagnation" in the 1970s as an indication of social progress and potential satiation of need
- Neoliberalism has created the urgent need for growing middle class incomes because rise in inequality has exacerbated positional concerns
- In a mature and egalitarian economy, we could (and for ecological reasons may need to) "absorb some part of the unwarranted surplus by increased leisure (which are a wonderful way of getting rid of money) and shorter hours." (Keynes, 1943)

Conclusions

- We need expansionary policies to fight unequal stagnation and political instability in the short run…

- …and develop an egalitarian low growth (ecologically sustainable) economy in the (not so) long run.