
Outsiders and the Economy: facing political headwinds ?



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Key issues

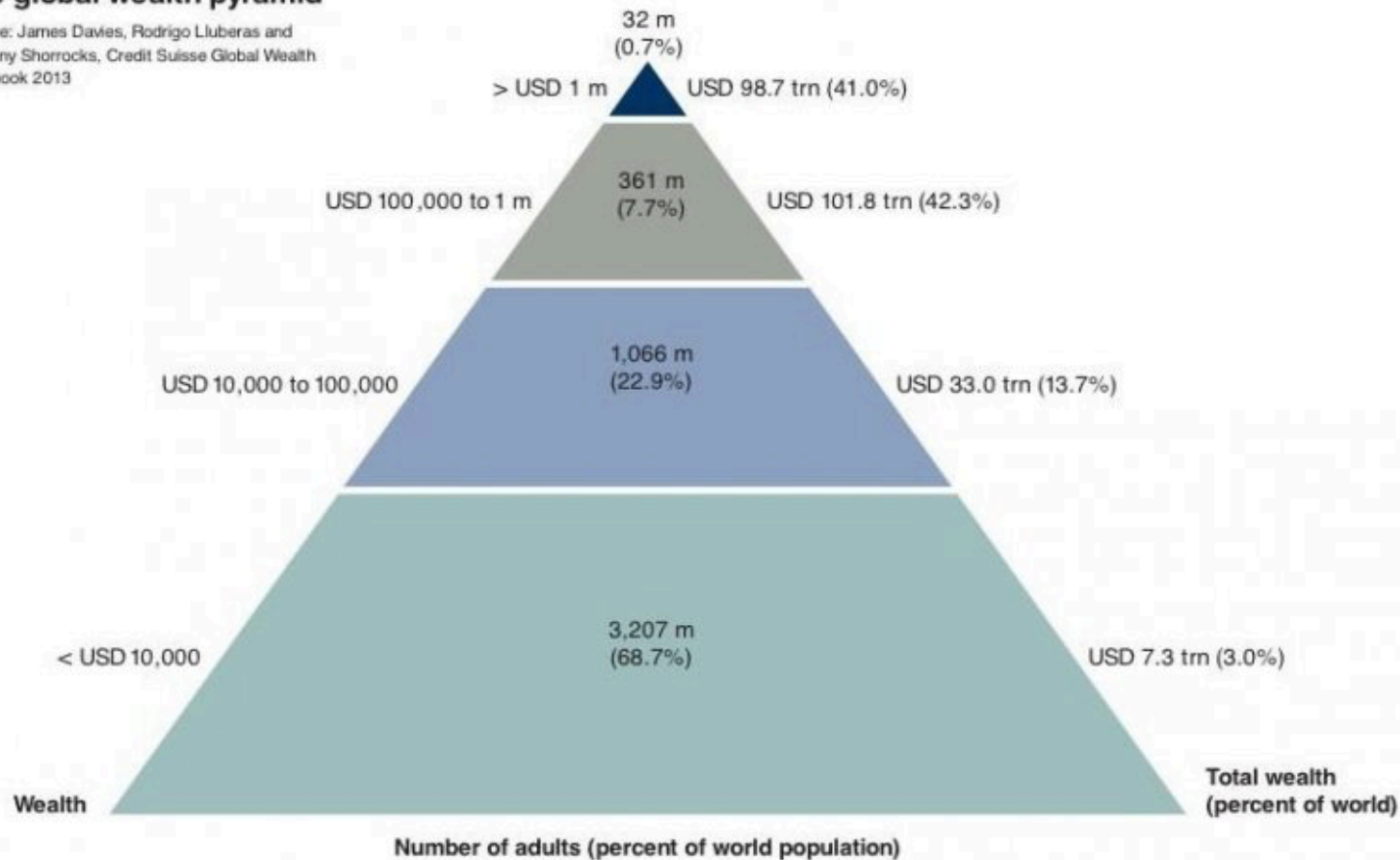
- ❑ Who are the outsiders ? Keynesians, Economic Nationalists, populists ... ?
- ❑ What economic policies should be implemented to boost Middle-class income ?
- ❑ Role of international organizations: can Supra-national ones cope with sovereign economic goals ?
- ❑ Can we have both income growth and increased equality ?
- ❑ Can we get rid of the damages of globalization whilst keeping the benefits ?



The Global Wealth Pyramid

The global wealth pyramid

Source: James Davies, Rodrigo Liuberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2013



Taxing the ultra-rich: what else ?

World's eight richest people have same wealth as poorest 50%

A new report by Oxfam warns of the growing and dangerous concentration of wealth



i Indian migrant daily wage workers bath at a public well in New Delhi. New information shows that poverty in China and India is worse than previously thought. Photograph: Altaf Qadri/AP

1. **Bill Gates**
2. **Armancio Ortega (Zara)**
3. **Warren Buffett**
4. **Carlos Slim Helu (Mexico Telecoms)**
5. **Jeff Bezos (Amazon)**
6. **Mark Zuckerberg (FB)**
7. **Larry Ellison (Oracle)**
8. **Michael Bloomberg**

The world's eight richest billionaires control the same wealth between them as the poorest half of the globe's population, according to a charity warning of an ever-increasing and dangerous concentration of wealth.



Trump: not exactly a Keynesian



- Clinton was in the camp of Keynesian economics: more government spending and tax cuts to boost aggregate demand:
 - Target middle-income class spending on food, medicine and shelter
 - Offset deficit spending with higher taxes on large Corporations and HNWIs (earning more than USD 400K a year)

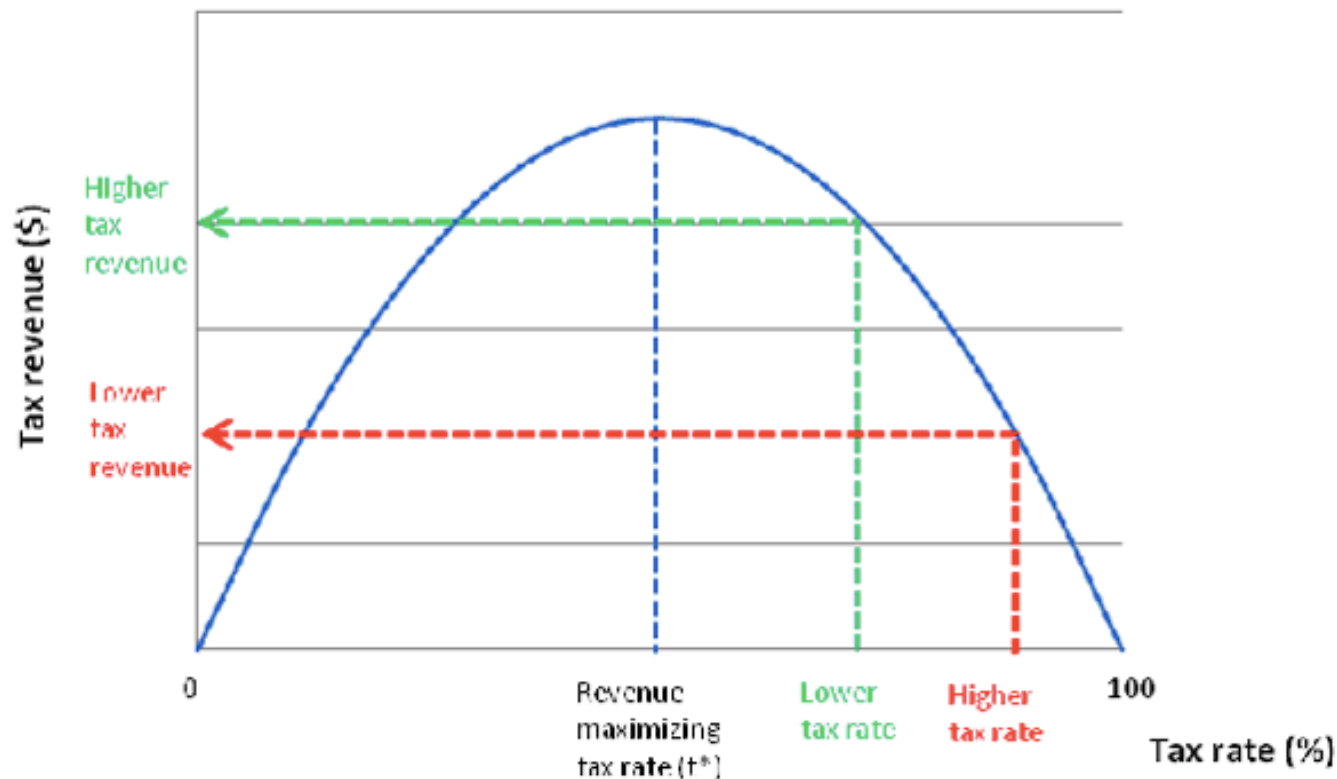


- Trump is the camp of Supply-side economics: reduce Corporate costs (interest rates, taxes), eliminate regulation: cash-rich companies will use the additional revenues to expand and hire more workers
 - Opposed to free trade agreements
 - Stop outsourcing by raising tariffs (China: +45%, Mexico: +35%...)



That looks like nice doesn't it ?

Laffer Curve: Above the revenue-maximizing tax rate, a lower tax rate results in higher tax revenue...

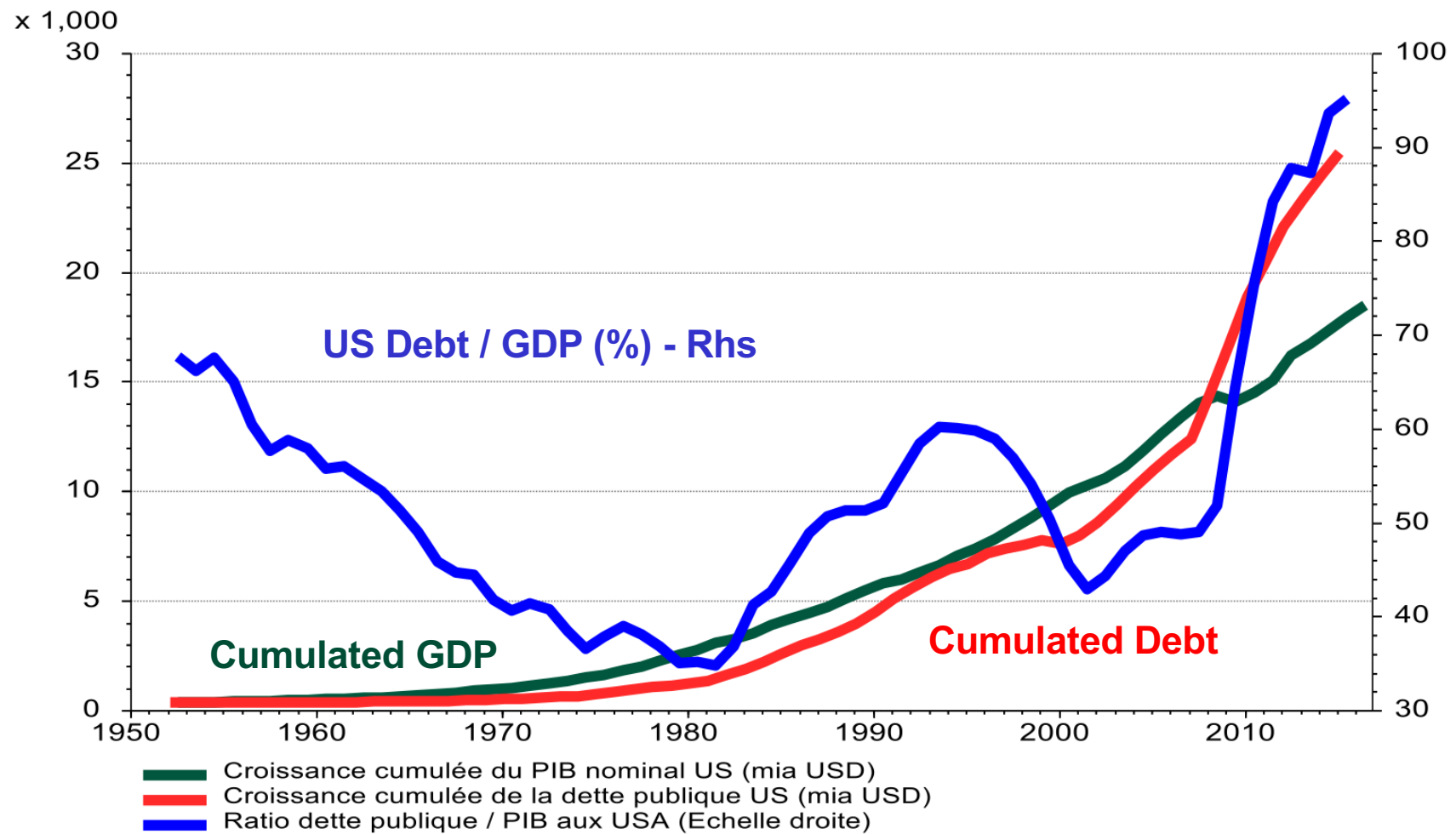


Trumponomics: we've been there before !

- ❑ Supply side economics were implemented during Reagan's first mandate, in 1981.
- ❑ Corporate tax cuts gives firms more money to:
 - ▶ Hire more workers
 - ▶ Invest in capital equipment
 - ▶ Produce more goods and services
- ❑ Some supply-siders even argue that any lost tax revenue will be recouped through greater tax receipts from a booming economy

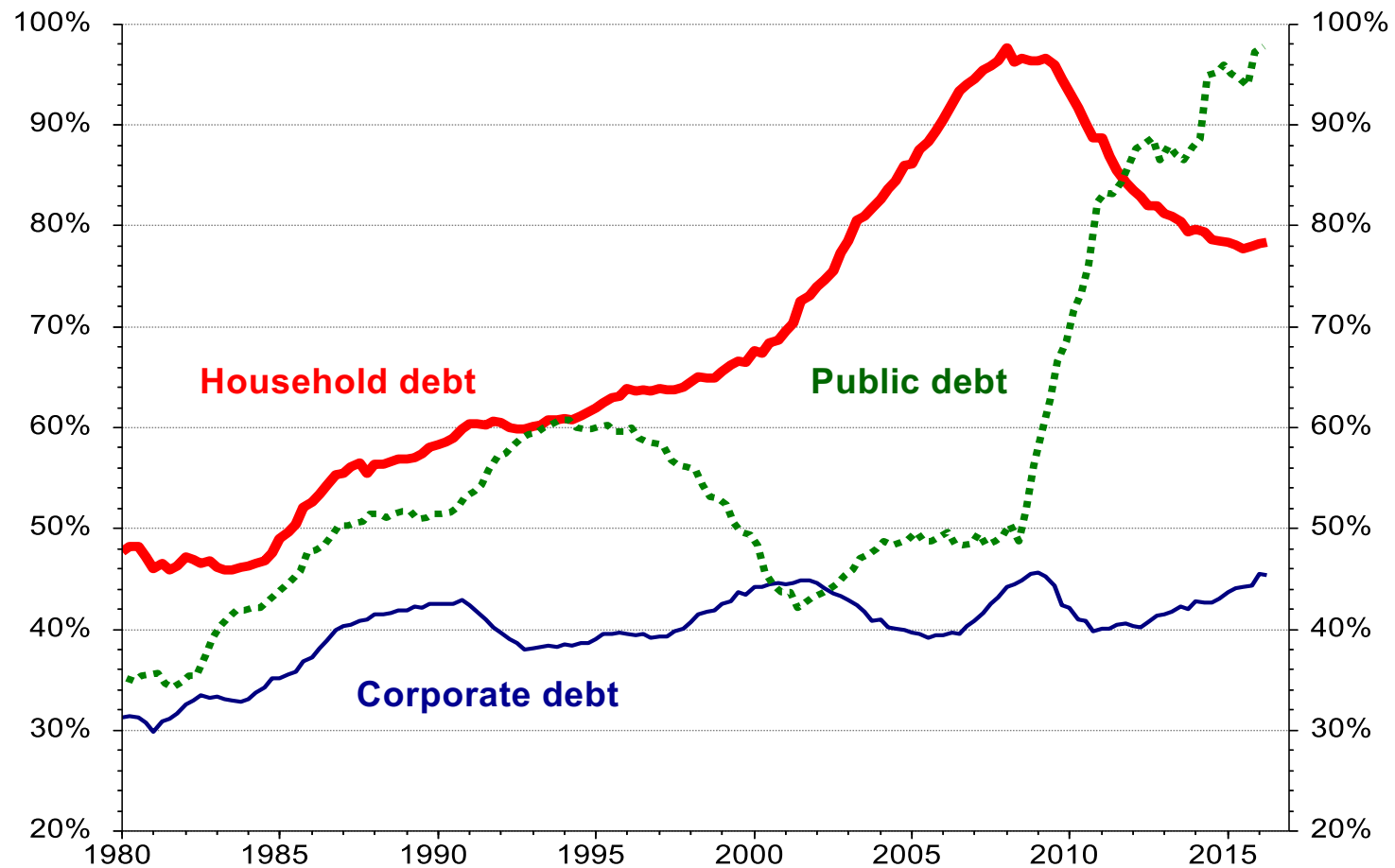


With Reaganomics, we did get some growth but ...



Source: Thomson Reuters Datastream

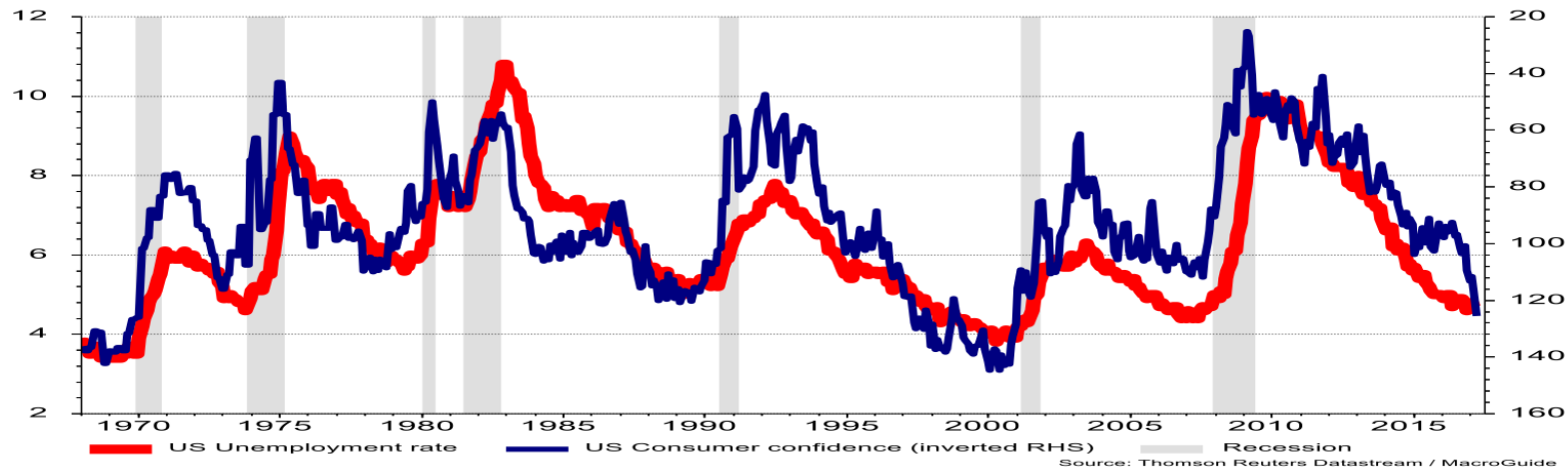
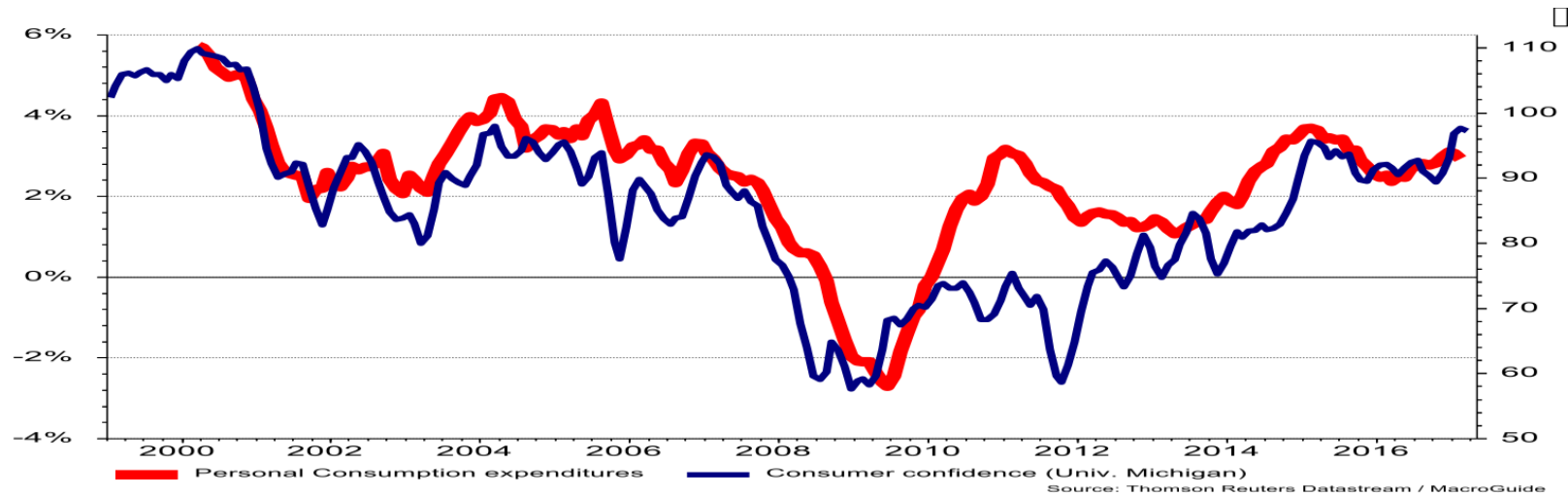
... US debt went overhang



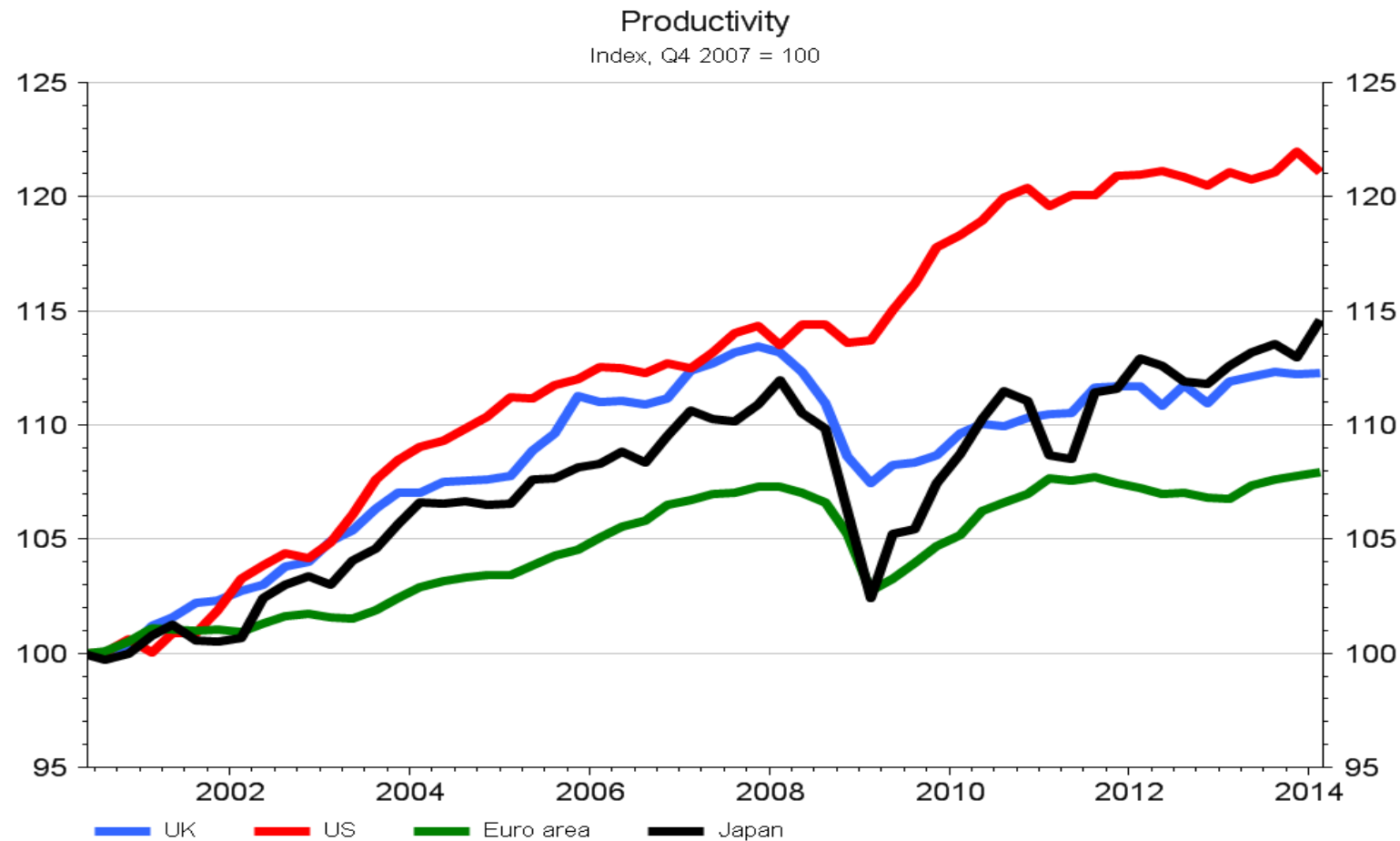
Source: Thomson Reuters Datastream / MacroGuide



Euphoric US consumers to drive growth ...



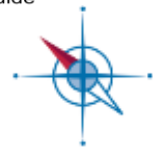
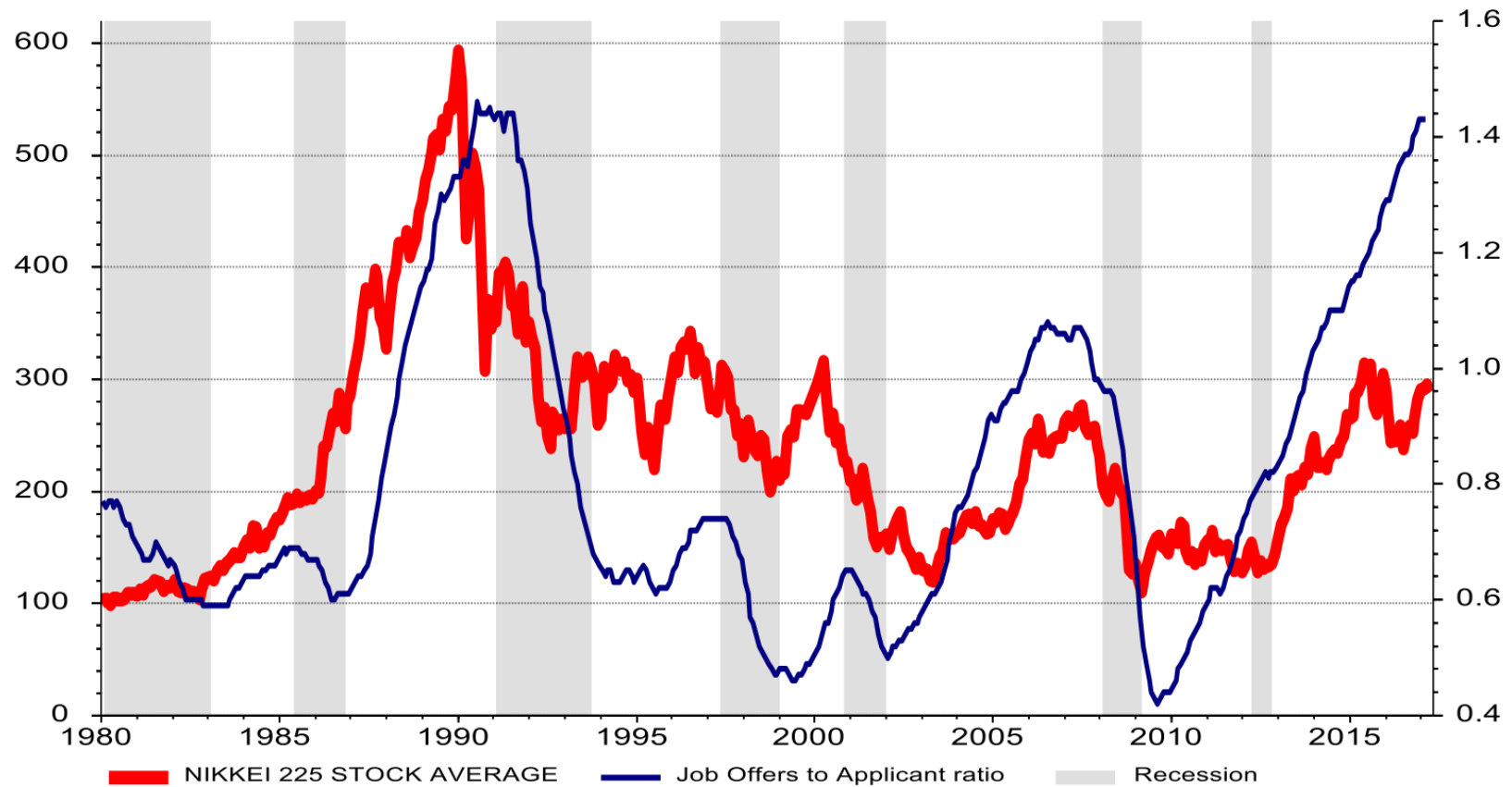
Euro area: the productivity laggard



Source: Thomson Reuters Datastream / MacroGuide



Japan: Abenomics is working



Conclusions

- ❑ The new President will play the old trick of « Supply side » policies for reviving growth, adding a protectionist twist to it. Not sure whether it will curtail US debt and income inequality
- ❑ Rising employment to full employment like in the US and Japan should be the ultimate goal in Europe
- ❑ Ensuring that full employment – with good wage growth - is here to last and growth does not go hand-in-hand with debt overhang, should matter more than what percentage of global wealth is owned by the Zuckerbergs of this world !

