

GLOBAL RISK, GOVERNANCE AND MOUNTING WEALTH GAP



CIFE SEMINAR ROMA-NICE 2024-25

MICHEL-HENRY BOUCHET

1



**MYTH = GLOBALIZATION GENERATES GROWING ECONOMIC
WEALTH AND WELL-BEING FOR ALL...**



Fact: Economic growth boils down to rising GDP,
that is **not** development!

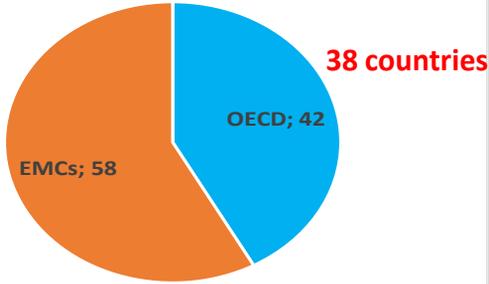
- GDP says nothing regarding **wealth distribution** nor
regarding inclusiveness and sustainability

MH BOUCHET/SKEMA -CIFE 2024

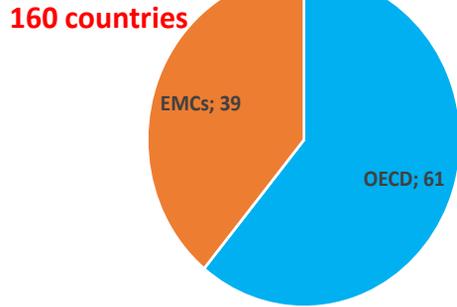
2

CATCHING UP FOR WHOM?

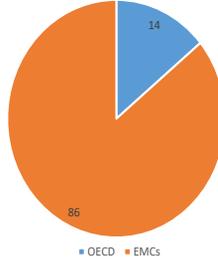
Share of Global GDP 2023



Share of Global Trade 2023



World population share

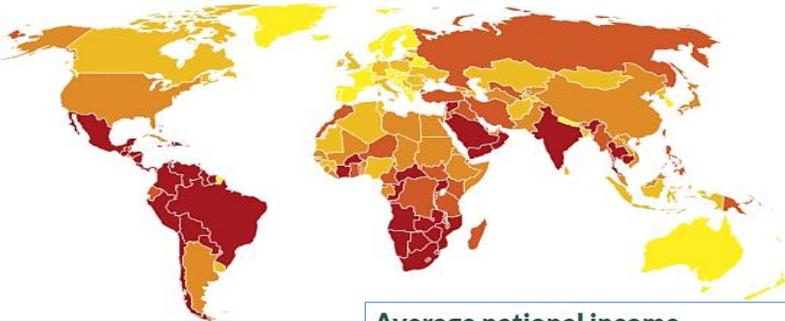


MH BOUCHET/SKEMA -CIFE 2024

3

Top 10% national income share

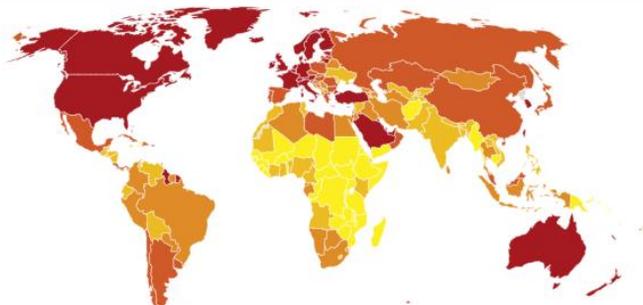
Region View



GLOBAL INEQUALITY IS RISING IN POOR COUNTRIES!

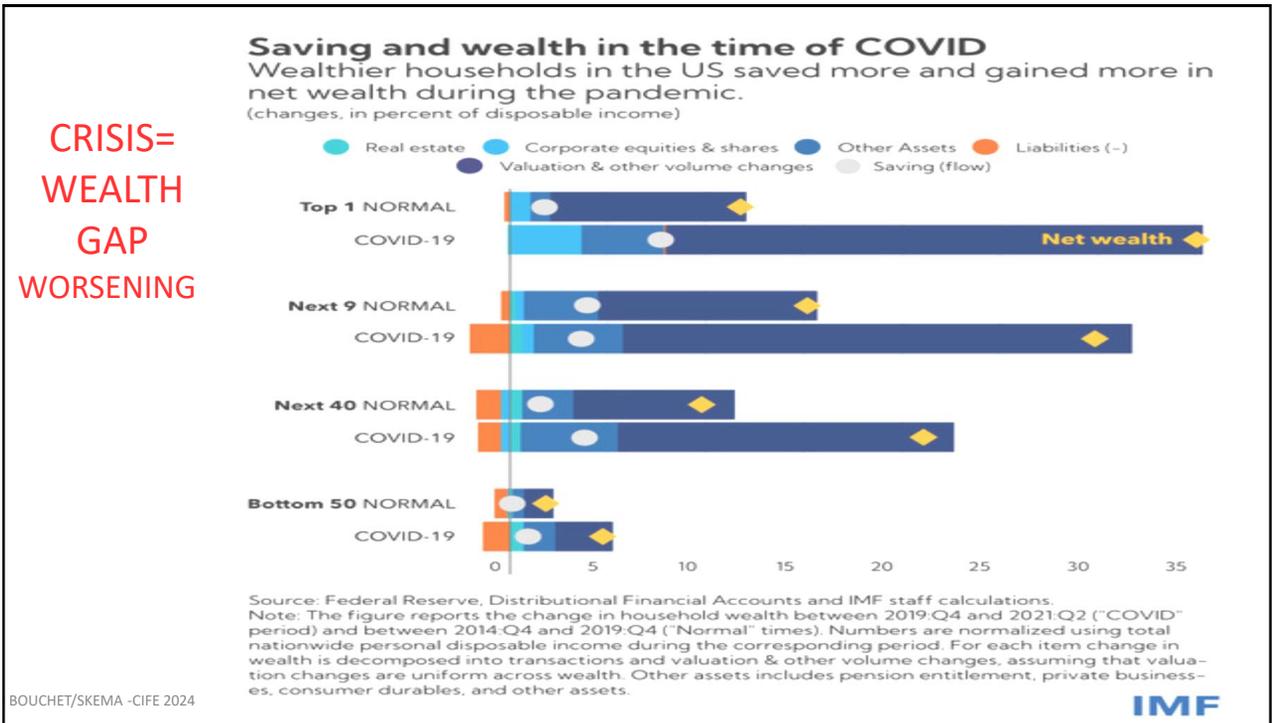
Average national income

Region View



MH BOUCHET/SKEMA -CIFE 2024
Source: Global inequality database 2023

4



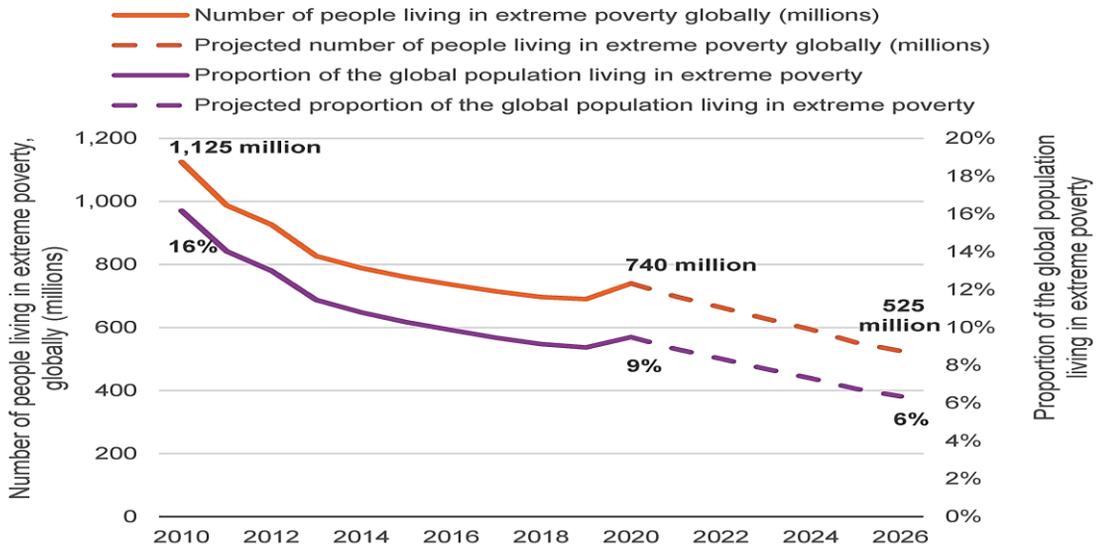
5

FACTS: THE JURY IS STILL OUT

- 2022-24 World Bank report: re-definition of extreme poverty: threshold moving from \$1,90 to **\$2,15/day**
- **9% of world population** still < poverty line (700 million), mainly in South Asia and Sub-saharan Africa
- Small number of countries experiencing declining inequality since 2008 (UK, Germany, US, Brazil, China)
- In 2021-22, the pandemic impact led to growing inequality within and between countries
- The COVID pandemic is estimated to push an additional 150 million people into extreme poverty by 2022
- By 2030, the global poverty rate could be **about 7%?**

MH BOUCHET/SKEMA - CIFE 2024

6

FACTS: THE JURY IS STILL OUT**COVID CRISIS + STAGFLATION = INCREASED POVERTY IN ALMOST ALL COUNTRIES!)**

MH BOUCHET/SKEMA - CIFE 2024

7

FACTS: THE JURY IS STILL OUT

China and India have experienced the greatest national reductions in people living in extreme poverty: > 407 million people across those two countries moved out of extreme poverty between 2010 and 2021.

For **26 countries in sub-Saharan Africa**, the number of people living in extreme poverty **has increased** between 2010 and 2020.

Largest increases = Angola, Democratic Republic of the Congo, South Sudan

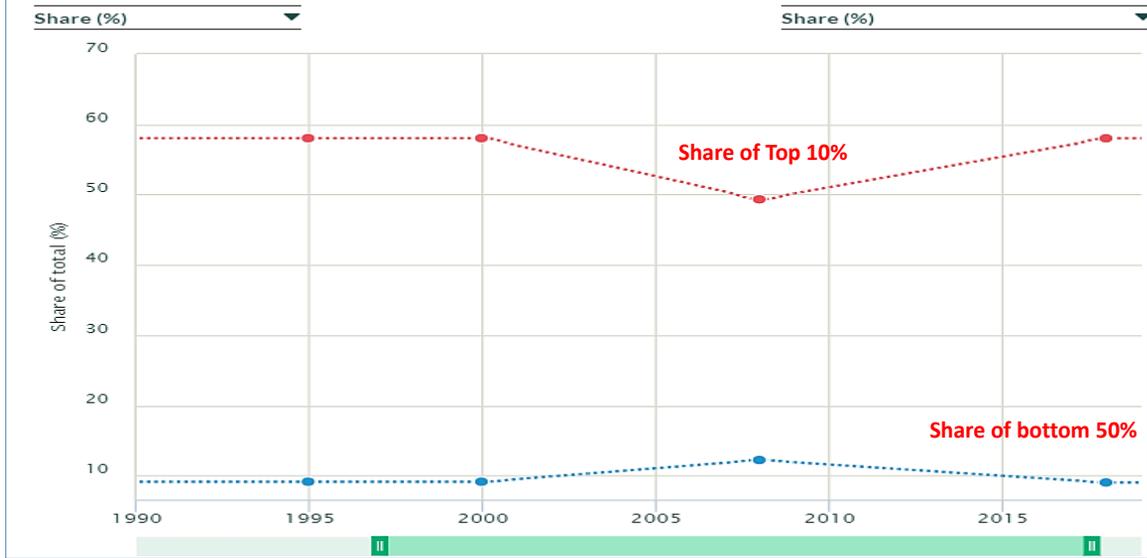
In 2024, **66%** of the global population living in extreme poverty live in sub-Saharan Africa.

MH BOUCHET/SKEMA - CIFE 2024

8

**IN AFRICA, RICH COUNTRIES WITH POOR PEOPLE
(GABON, CAMEROON, ANGOLA, CONGO, MOZAMBIQUE...)**

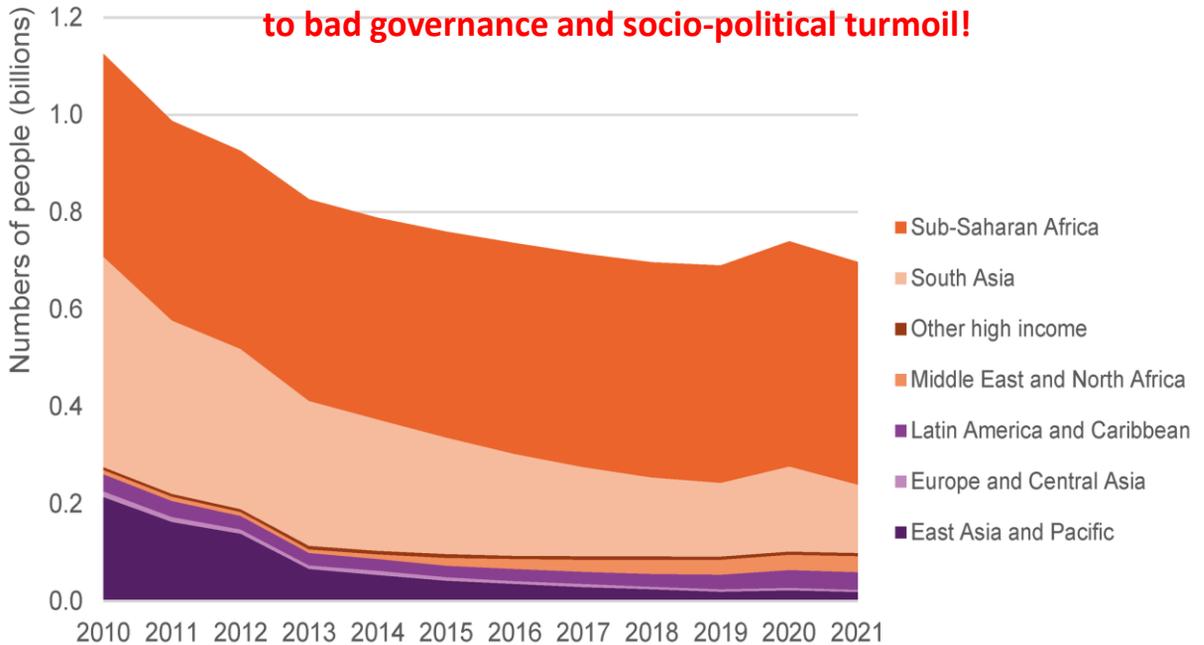
Income inequality, Angola, 1990-2019



MH BOUCHET/SKEMA - CIFE 2024

9

In 2021-23 poverty keeps increasing in Africa due to bad governance and socio-political turmoil!



MH BOUCHET/SKEMA - CIFE 2024

10

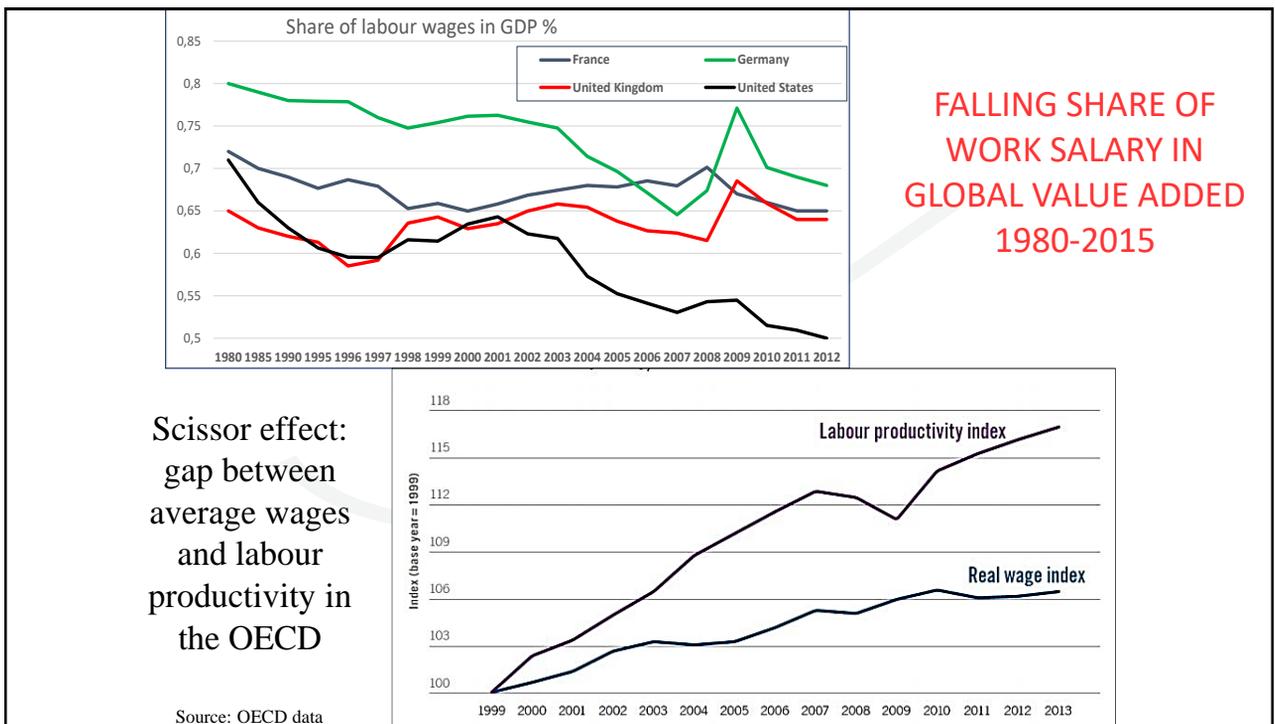
➔ FACT: INCOME UNEQUALITY IS NOT A MONOPOLY OF DEVELOPING COUNTRIES!

1. **GINI index of revenue inequality** worsens for many OECD countries since the global financial crisis (including France)
2. Since the mid-1980s and the worldwide extension of the market economy, unprecedented **distortion** in value-added distribution in developed countries
3. Rising share of profits in **GDP/falling share of wages**: income equality has worsened

According to McKinsey, 2/3 of households in 25 advanced economies, the equivalent of 550 million people, had their wages and income flat or falling in 2015 compared with 2005.

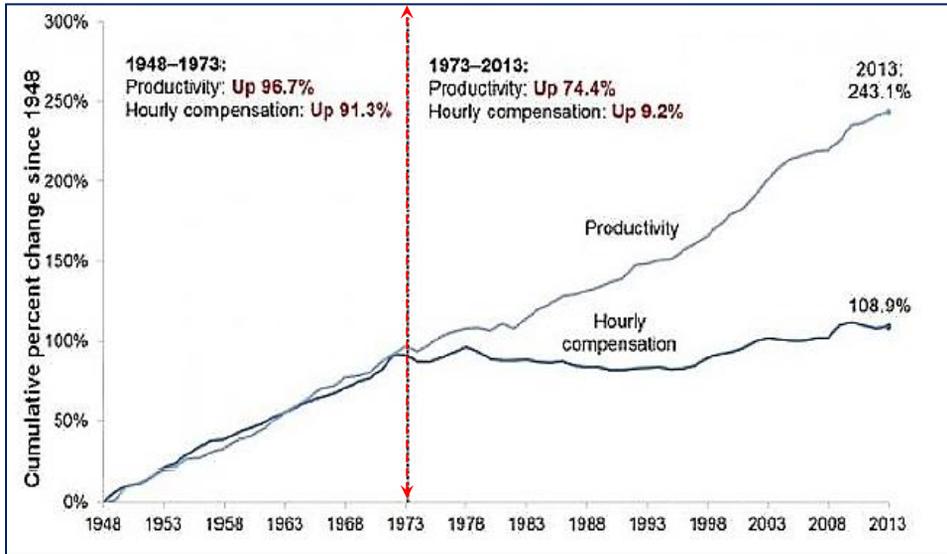
MH BOUCHET/SKEMA -CIFE 2024

11



12

**THE RACE BETWEEN WAGES AND PRODUCTIVITY IN THE US
(AND MOST OECD COUNTRIES!)**



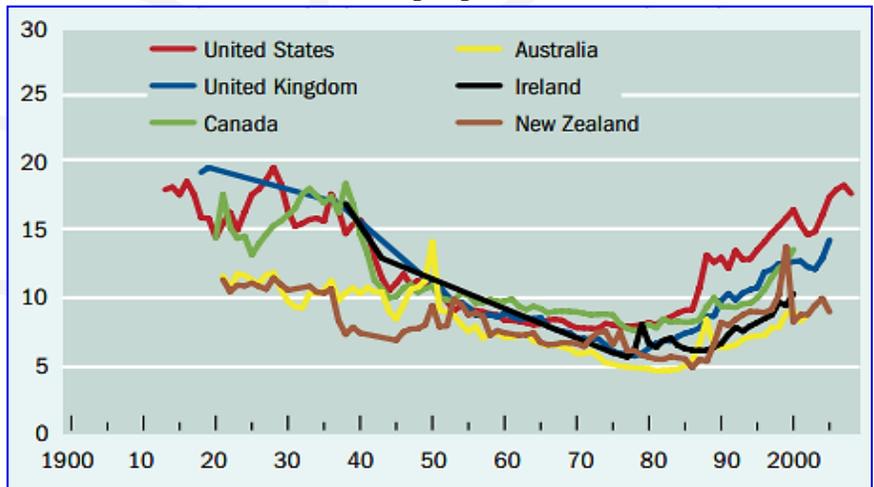
MH BOUCHET/SKEMA - CIFE 2024

13

**GLOBALIZATION & INCOME INEQUALITY:
AFTER DECLINING IN THE FIRST HALF OF THE 20TH CENTURY,
INCOME INEQUALITY MAKES A COMEBACK!**

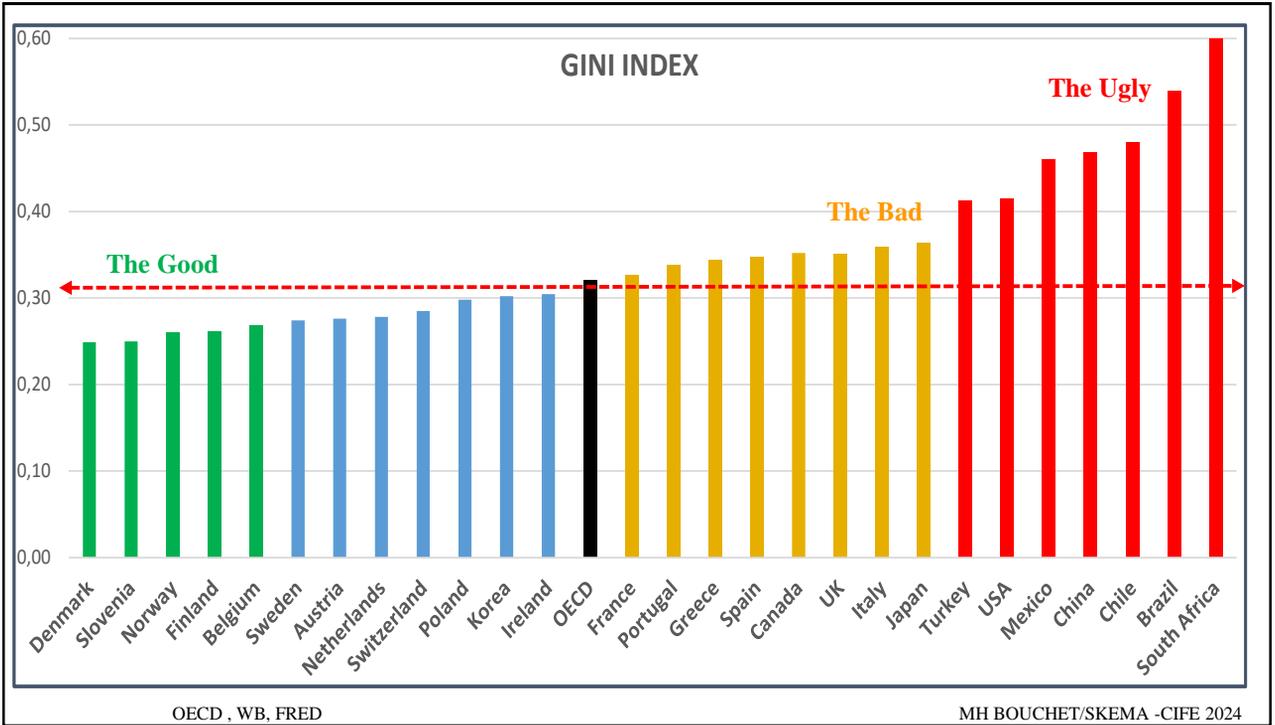
Share in **income distribution**
of top 1 percent

Hyperfinance's emergence in the 1980s coincides with the rising share of income for capital owners and top executives

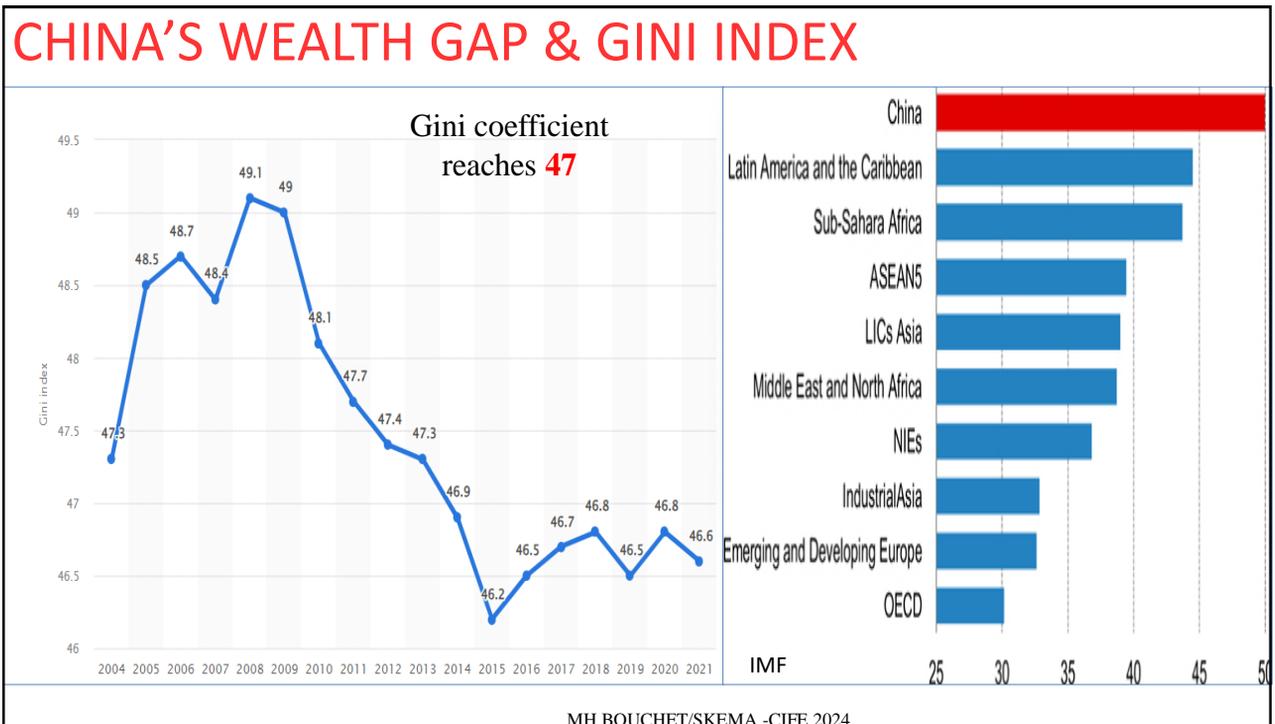


MH BOUCHET/SKEMA - CIFE 2024
Source: IMF

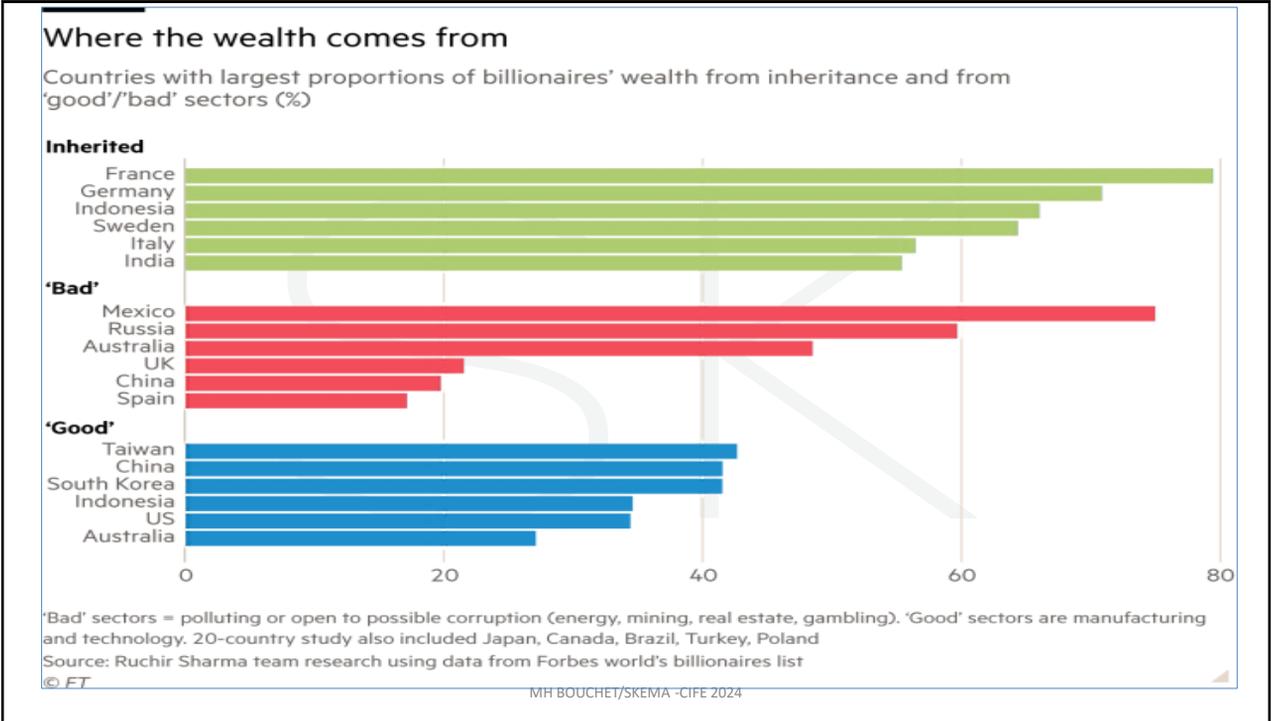
14



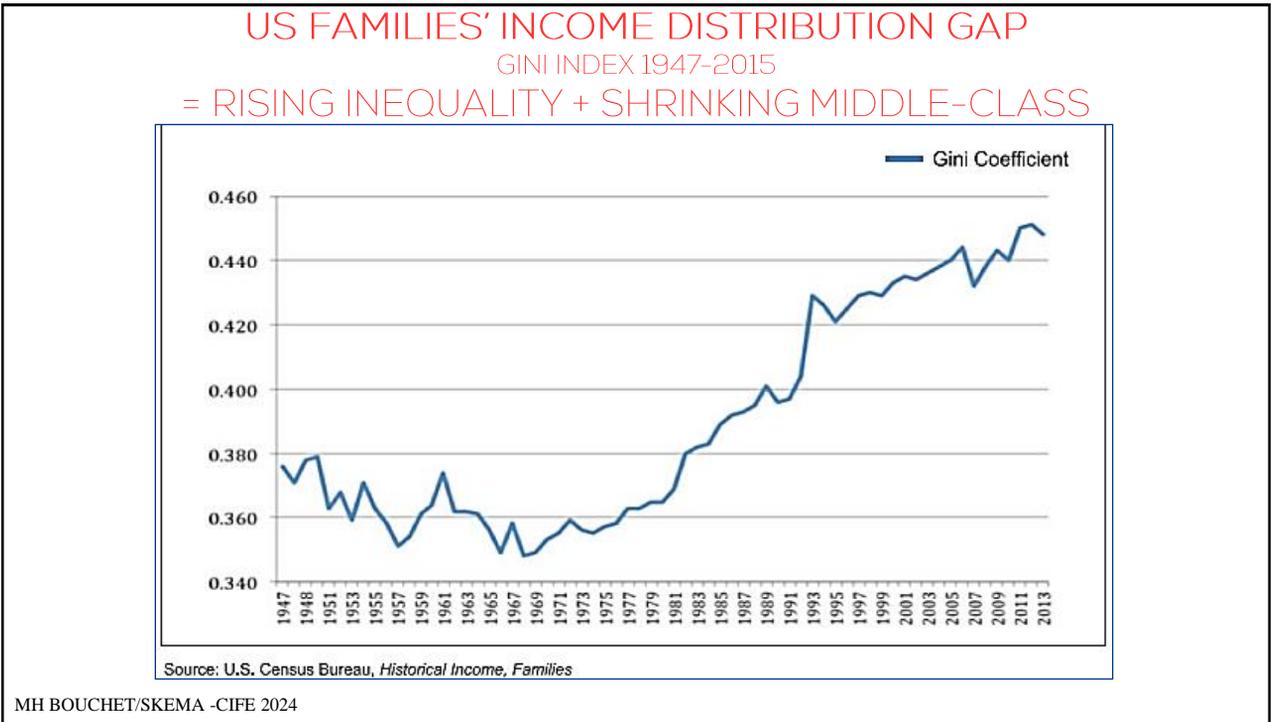
15



16



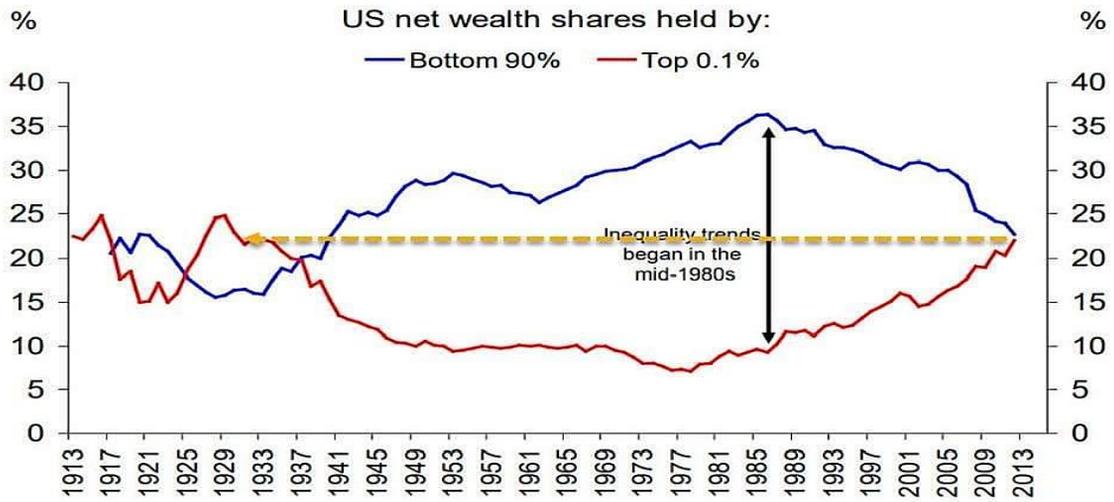
17



18

RISING INEQUALITY SINCE THE 1980S= DEREGULATION

US: Top 0.1% owns as many assets as the bottom 90%



Source: The World Wealth and Income Database, DB Global Markets Research

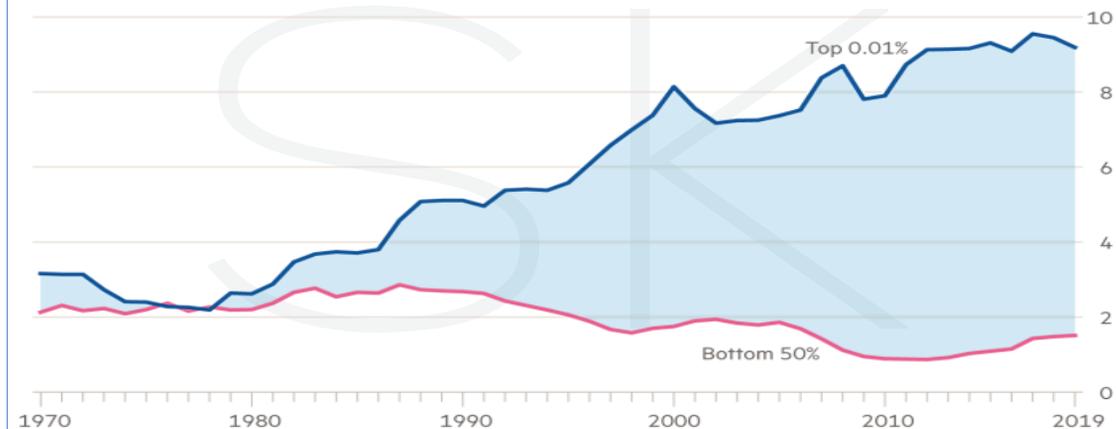
MH BOUCHET/SKEMA - CIFE 2024

19

50 YEARS OF GROWING WEALTH GAP 1970-2020

Inequality has been rising in the US since the 1970s

Share of US net personal wealth (%) held by groups across the wealth distribution



Source: World Inequality Database

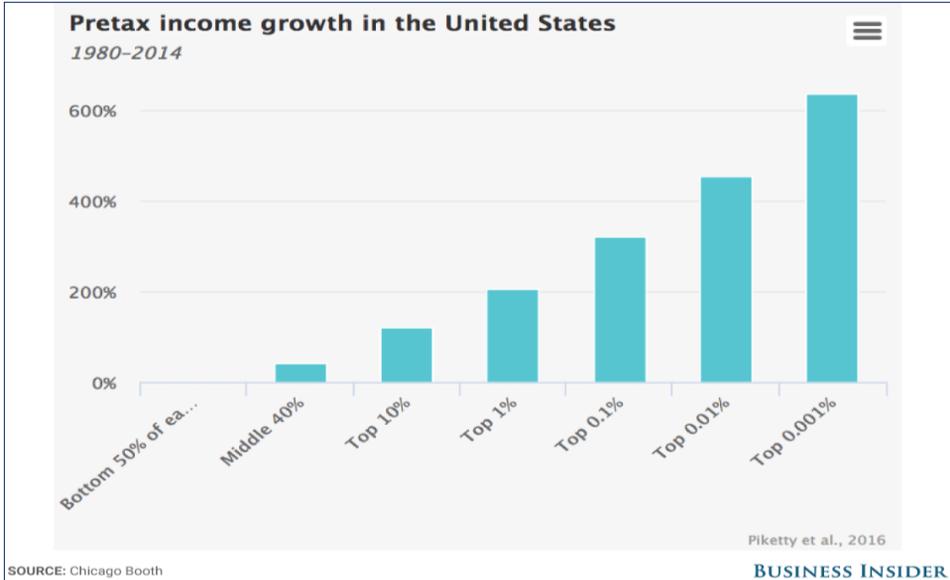
© FT

MH BOUCHET/SKEMA - CIFE 2024

20

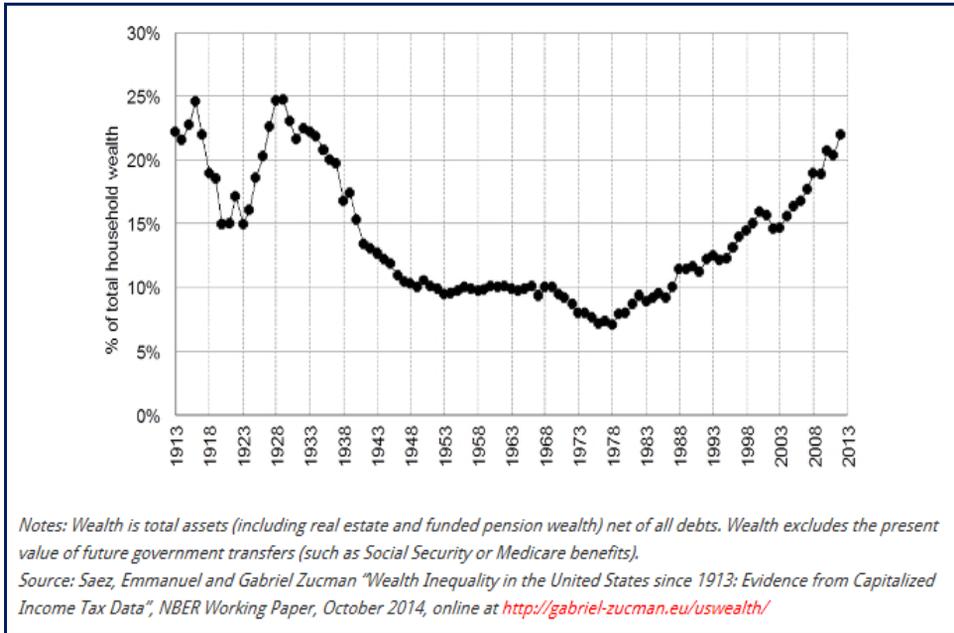
US REAL MEDIAN HOUSEHOLD INCOME 1980-2015

In 2010-15 growth has been slow, and big businesses and wealthy investors have been its major beneficiaries, rather than middle-class wage earners, but it has not been a job-less recovery with wage stagnation. However, median income is still <1999, and it does not say anything regarding distribution. Moreover, income is a flow and can hide wide wealth gaps.



21

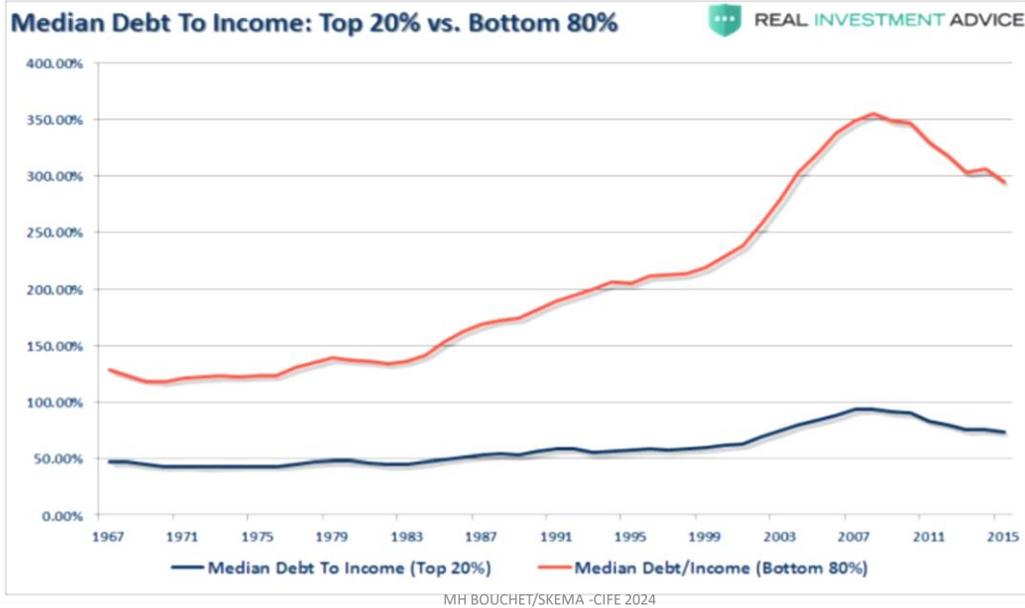
US WEALTH ACCUMULATION: TOP 0,1% 1913-2013 = 22%



MH BOUCHET/SKEMA - CIEE 2024

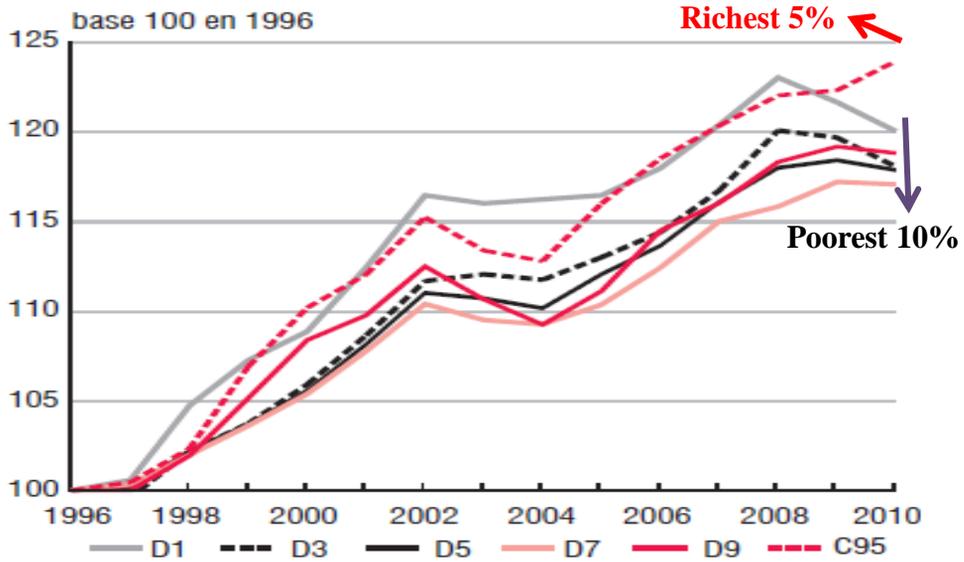
22

THE POOR IN THE US HAVE NOT BENEFITTED FROM MUCH DELEVERAGING: COMBINATION OF MEDIOCRE SOCIO-ECONOMIC PROSPECTS AND LARGE DEBT/INCOME RATIO!



23

FRANCE: PER CAPITA INCOME BETWEEN 10% POOREST AND 5% RICHEST 1996-2010



24

WHAT TO DO, THEN? NO SILVER BULLET SOLUTION



▶ **STIGLITZ**
Capitalism is failing: Need of **fiscal stimulus** to boost consumer spending, minimum wage increase, and tax incentives for labour-intensive investment

□ **Kuznets and Liberal school**
Patience! **Trickle-down economics**
Better education, life-long learning and retraining, labour market mobility, human capital investment

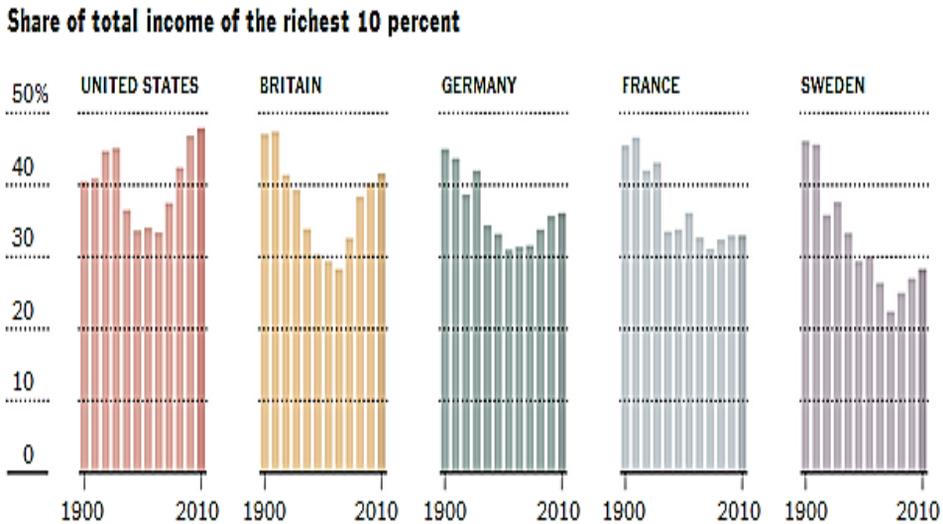
▶ **PIKETTY**
After WWII, « golden age » of capitalism, followed by **soaring inequality?**
= Global wealth tax



MH BOUCHET/SKEMA -CIFE 2024

25

RISING GROWTH OF CAPITAL RETURN > ECONOMIC GROWTH RATE = LARGER INCOME INEQUALITY



Source: T. Picketty 2014

MH BOUCHET/SKEMA -CIFE 2024

26

PIKETTY'S GROWING WEALTH GAP: RIGHT OR WRONG?

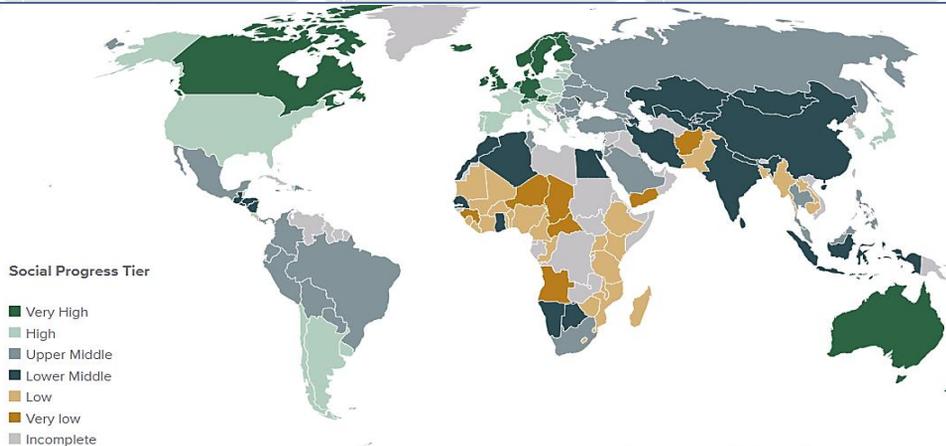
- ▶ **Rate of return k (5%) on financial assets $>$ g real economy's growth rate (2,5%) = rising share of K in GDP = growing inequality = patrimonial capitalism**
 - ▶ Rising value of K due to monopoly power, rents, stock markets, land value speculation
1. **However**, rate of return on K lower than assumed by Piketty
 2. Innovation and technology lead to temporary higher income for entrepreneurs
 3. Only real estate owners and not financial capitalists get richer and richer!
 4. Each and every « capitalist » is not a *rentier*
 5. Change in savings rate can offset change in income distribution
 6. Decreasing share of wages due to lower union membership and de-skilling process

Brookings Inst., 03-2015
IMF 08-2016

MH BOUCHET/SKEMA -CIFE 2024

27

MEASURING SOCIO-ECONOMIC PROGRESS ACROSS TIME AND ACROSS COUNTRIES?



MH BOUCHET/SKEMA -CIFE 2024

28

**COUNTRY RISK HAS TO DO WITH INCOME DISTRIBUTION, WEALTH GAP,
INCLUSIVE GROWTH AND SOCIO-ECONOMIC DEVELOPMENT!**

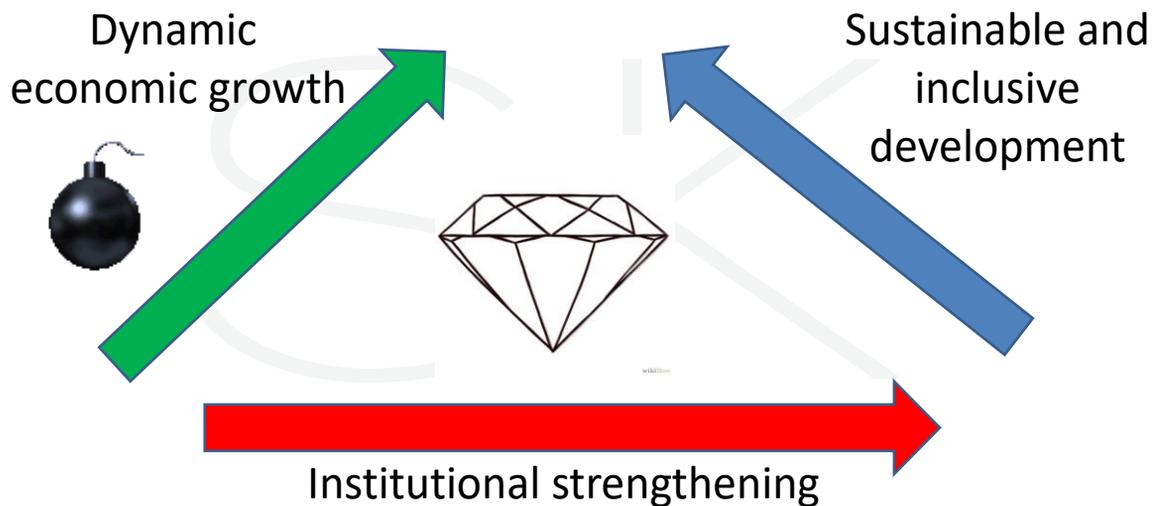
**SUSTAINABLE GROWTH REQUIRES SOCIAL MOBILIZATION AND
POLITICAL STABILITY WITHIN A « NATION » RATHER THAN IN A
« COUNTRY »**

- ▶ Development = social inclusiveness
Σ (policy choices + political choices)

MH BOUCHET/SKEMA -CIFE 2024

29

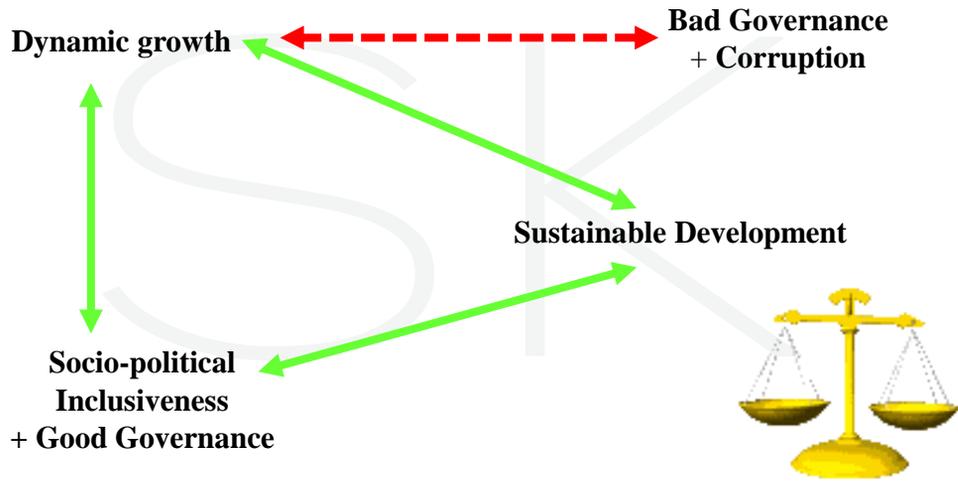
THE REQUIRED SOCIO-POLITICAL STABILITY TRIANGLE



MH BOUCHET/SKEMA -CIFE 2024

30

TRILEMMA OF GROWTH AND DEVELOPMENT?



MH BOUCHET/SKEMA -CIFE 2024