

The Great Disruption?

Session 2

From Social Democracy to Market Liberalism
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End of the 'golden age'

- Income shock
- Productivity shock
- Inflation shock
- Unemployment shock
- Earnings shock
- Finally, interest-rate shock
- Trends similar everywhere. American circumstances not unique.
 - Similar policies?
 - Underlying fundamentals? [invisible shocks?]
 - Combination of both?

Stagflation

Phillips curve tradeoff no longer works. Discredits Keynesian fine-tuning. Villains, variously, greedy trade unions, spendthrift governments.

War, oil, management, professionals?

Windfall for borrowers, nightmare for creditors

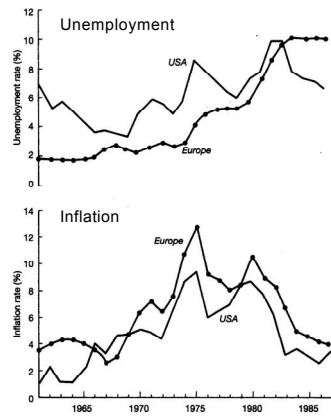
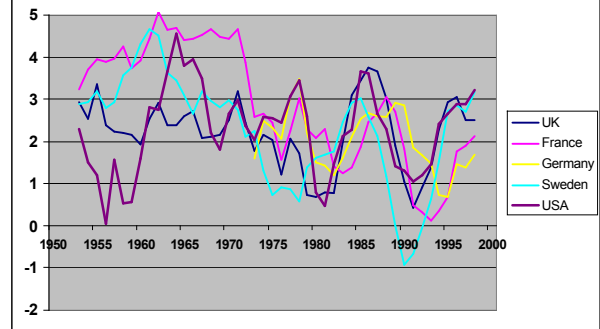


Figure 1.1 The economic crisis of the 1970s: inflation and unemployment in the US and Europe, 1960-1987

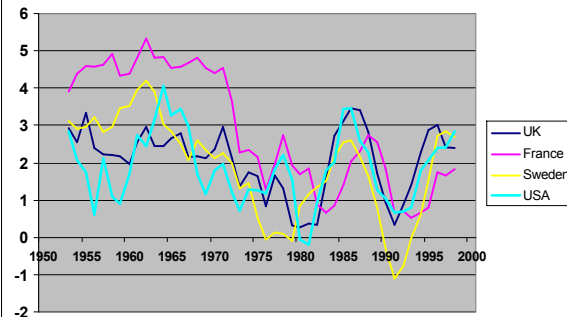
Harvey, *Neoliberalism*

Real (PPP) GDP per head growth, 5 yr average



Penn World Tables, 2002

Productivity Growth per Worker, 5yr average



Penn World Tables, 2002

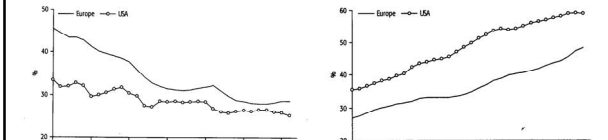


Fig. 5.1. Men's Employment Rate in Industry, 1970-2001
Source: OECD. See Data Appendix.

Fig. 5.2. Women's Employment Rate in Services, 1970-2001
Source: OECD. See Data Appendix.

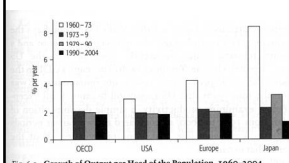


Fig. 6.1. Growth of Output per Head of the Population, 1960-2004
Source: Groningen Growth and Development Centre. See Data Appendix.

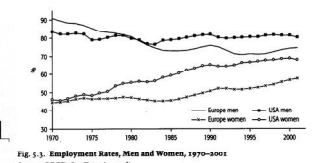
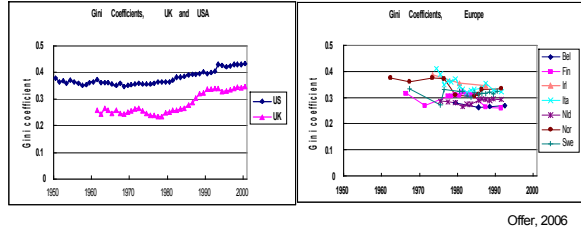


Fig. 5.3. Employment Rates, Men and Women, 1970-2001
Source: OECD. See Data Appendix.

Andrew Glyn, *Capitalism Unleashed* (2006)

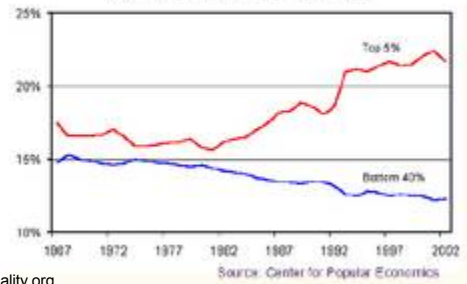
Market-liberal inequality



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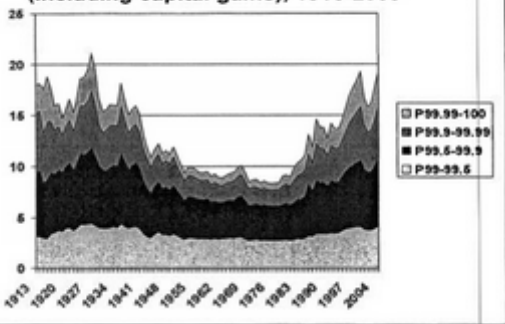
USA

Share of Total Income Received By Top 5% and Bottom 40%



Inequality.org

Top fractiles income shares (including capital gains), 1913-2005



Piketty & Saez, from Pierson 2007 presentation

FIGURE 5-1
SHARE OF MARKETABLE NET WORTH HELD BY TOP PERCENTILE OF WEALTHHOLDERS: SWEDEN, UNITED KINGDOM, UNITED STATES, 1920-1991

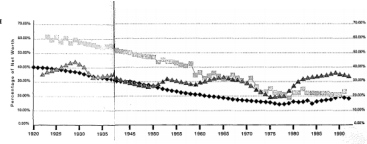
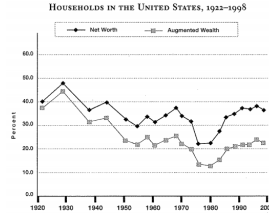


FIGURE 3-1
SHARE OF WEALTH OWNED BY THE TOP 1 PERCENT OF HOUSEHOLDS IN THE UNITED STATES, 1922-1998



Wolf, *Top Heavy* (2002)

FIGURE 6-1
WEALTH INEQUALITY VERSUS INCOME INEQUALITY (1920-1998)

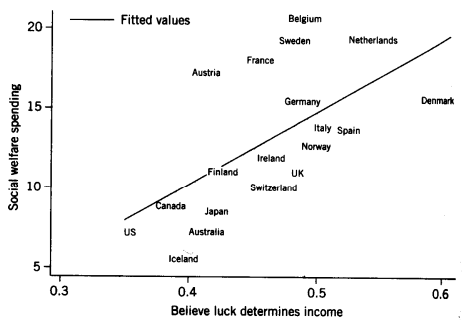


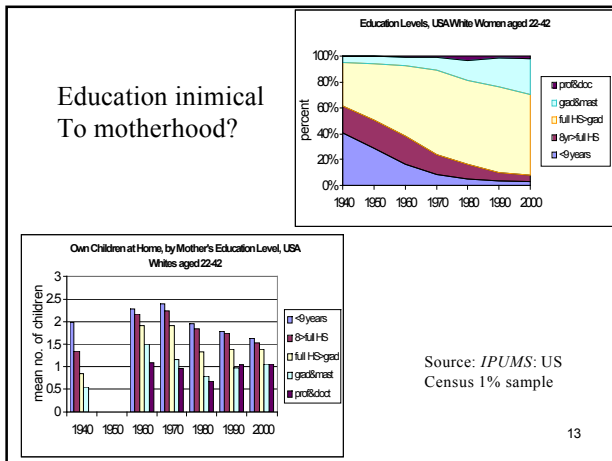
Fig. 7.1. Belief that Luck Determines Income and Welfare Spending
(Source: Calculations from GSS Data.)

Alesina and Glaeser (2004)

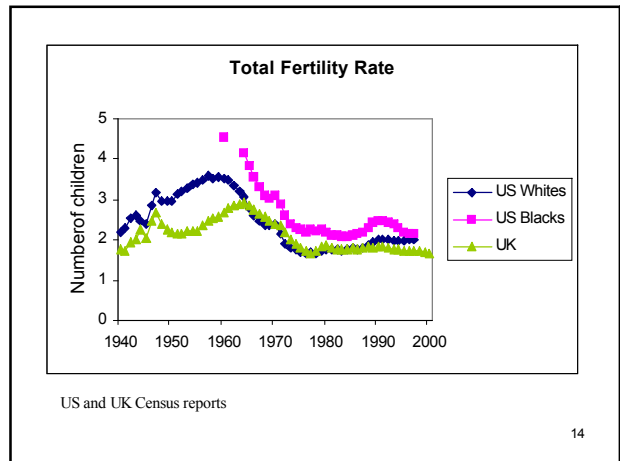
normative backlash

- Today: Normative shocks
- A 'great disruption' – only for the 'bosses'?
What/who is being disrupted?
- Revolt of women
– Revolt of the children? [flower power]
- Revolt of the blacks

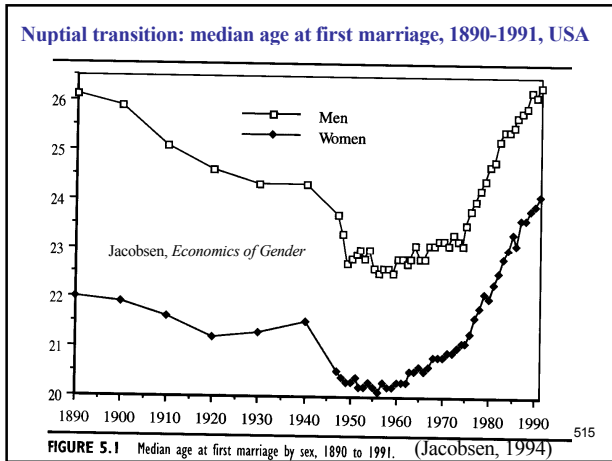
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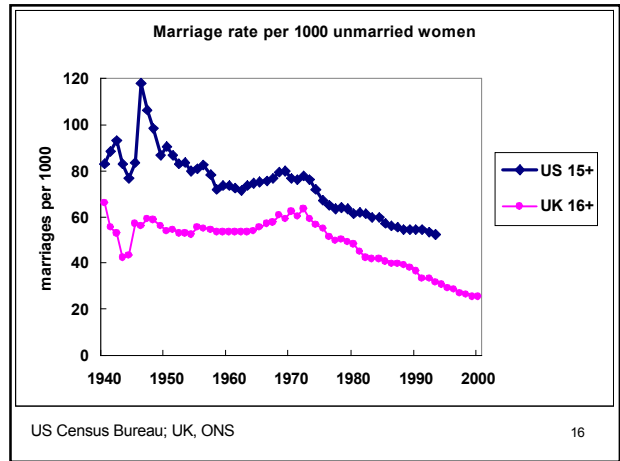
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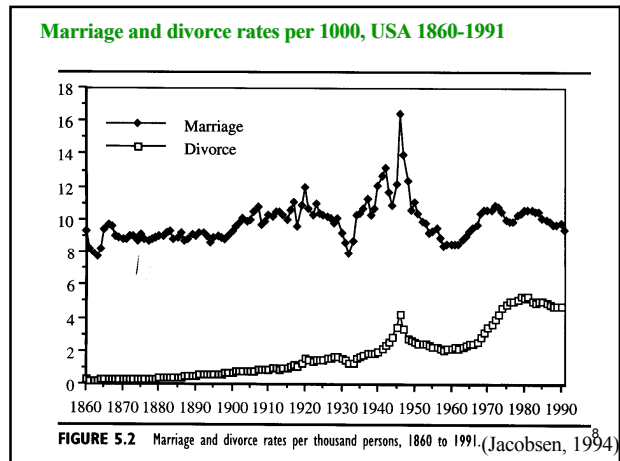
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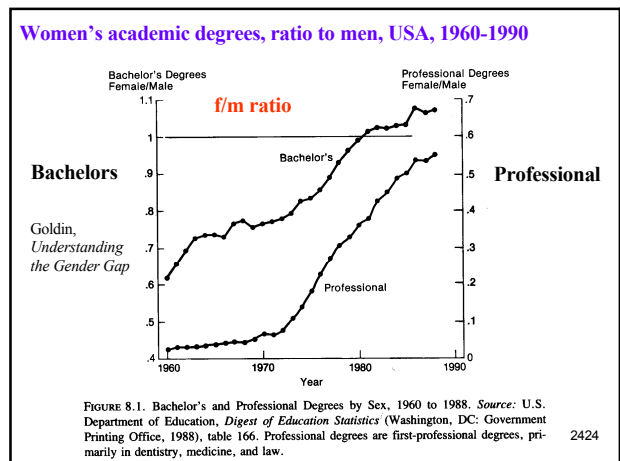
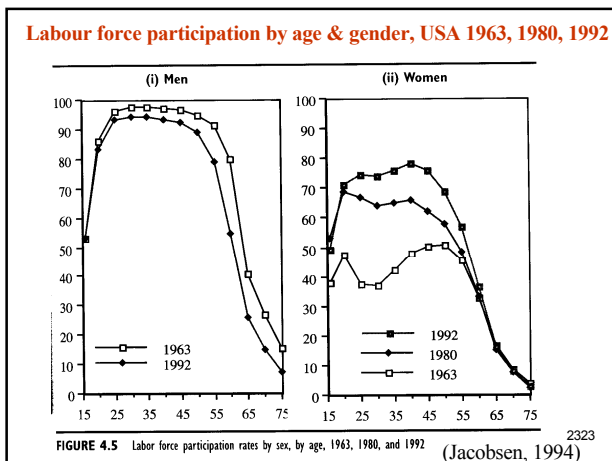
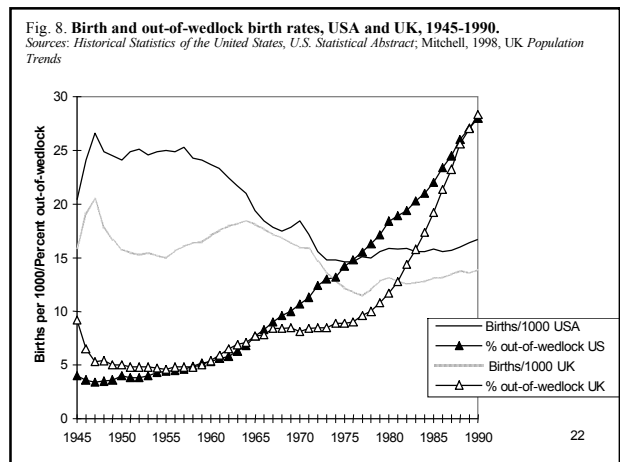
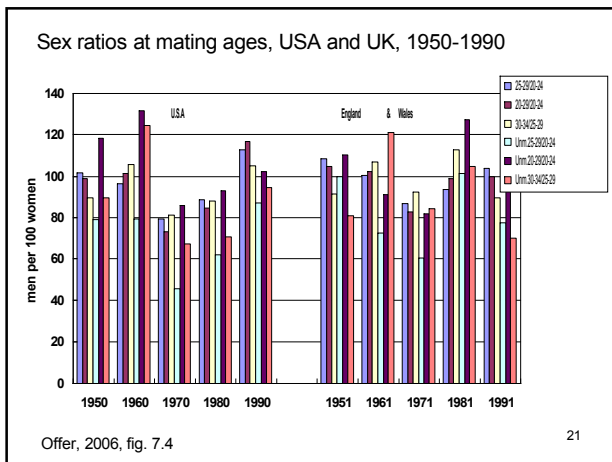
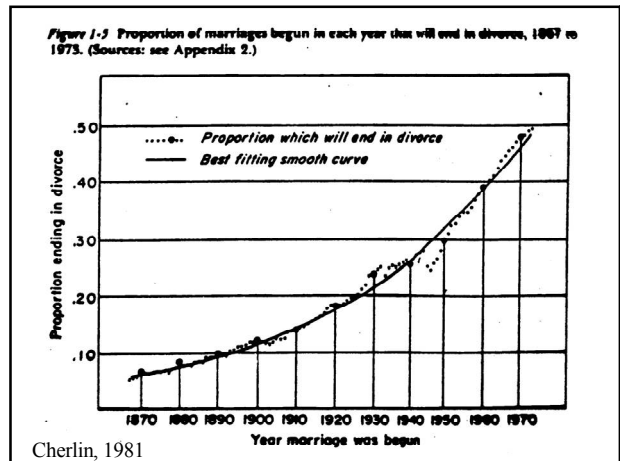
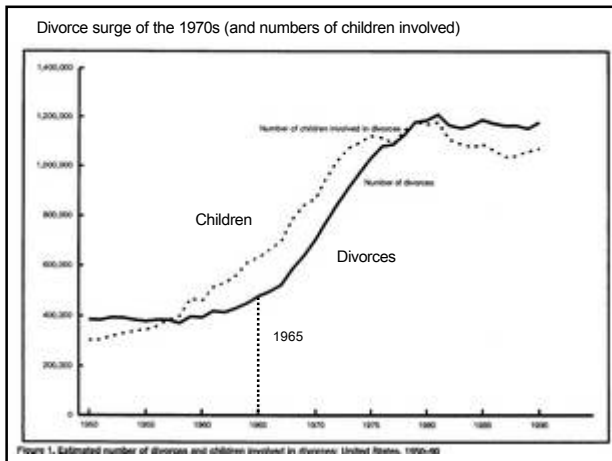
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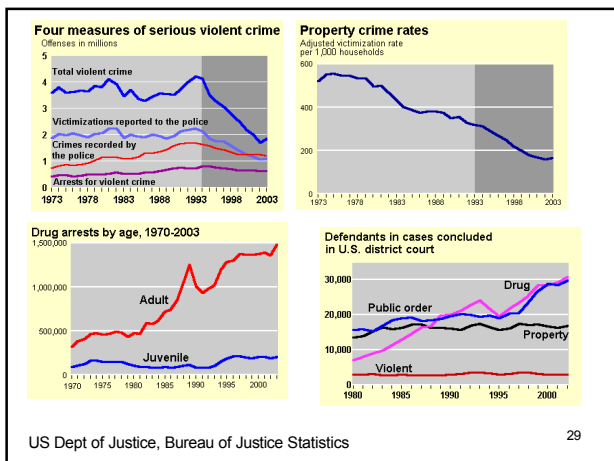
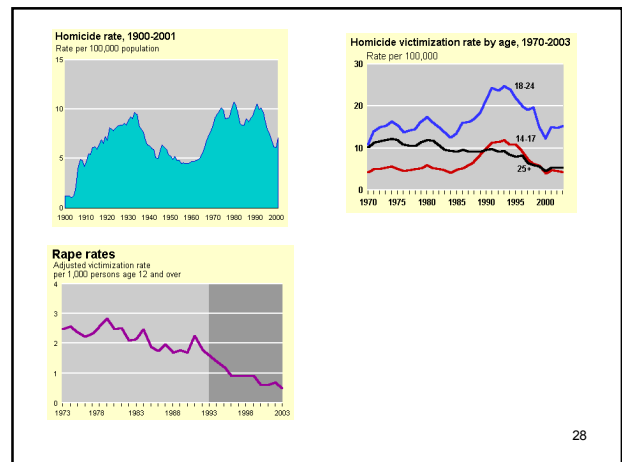
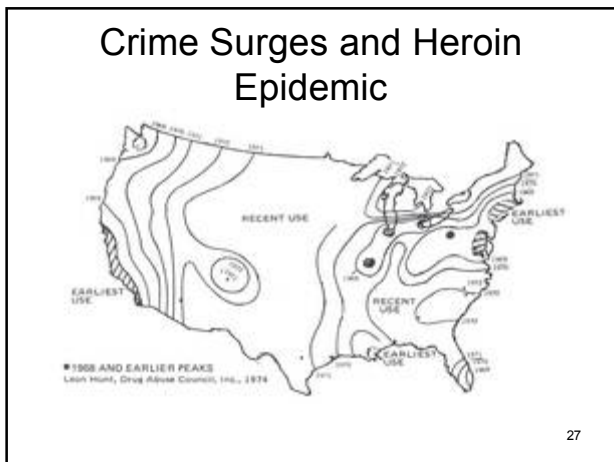
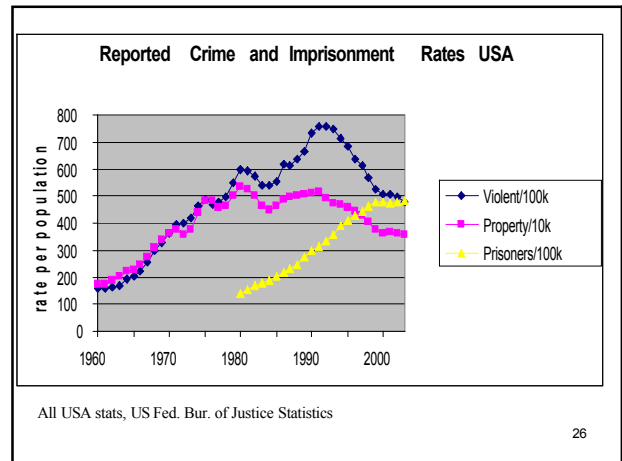
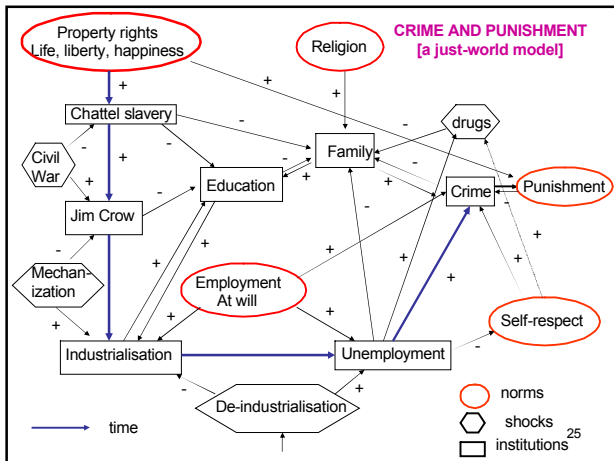


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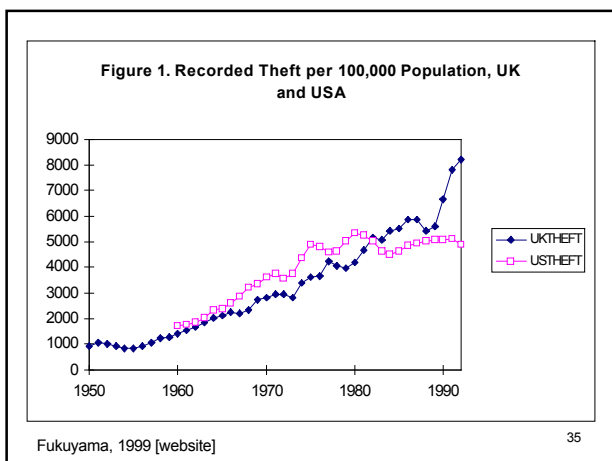
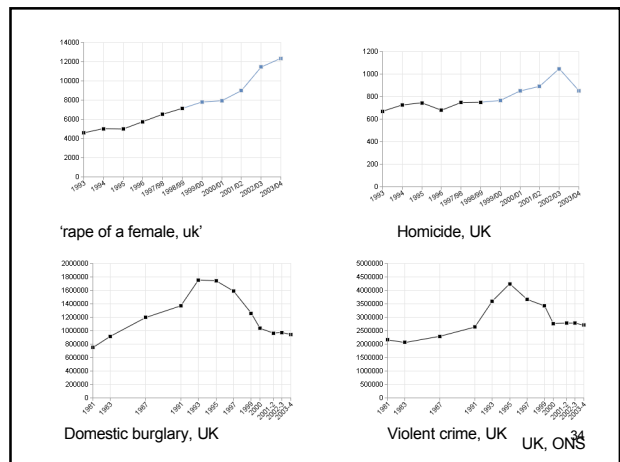
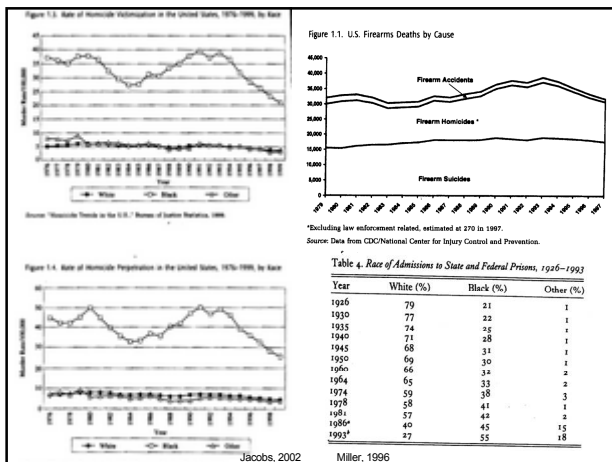
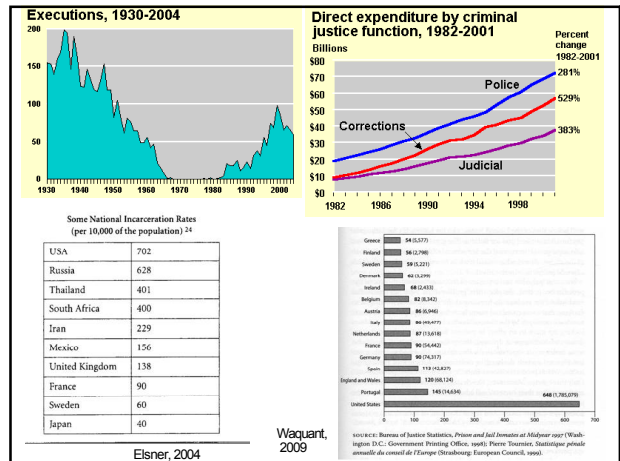
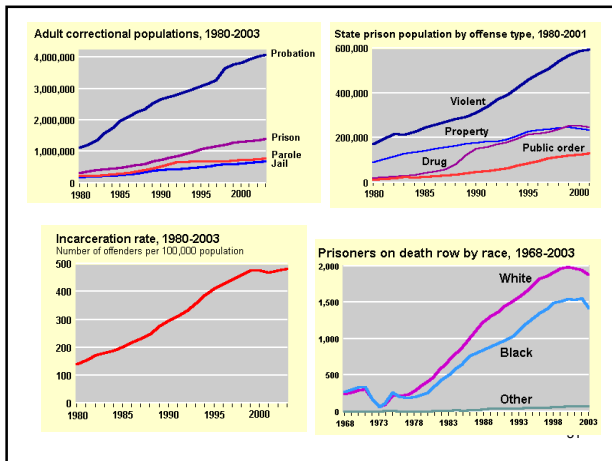




Public Fear and Frustration

- “I am sick of crime everywhere. I'm sick of riots. I'm sick of poor people demonstrations (Black, White, red, yellow, purple, green or any color) . . . I am sick of the lack of law enforcement . . . I am sick of hippies, LSD, drugs and the promotion the news media give them. But most of all, I am sick of constantly being kicked in the teeth for staying home, minding my own business, working steadily, paying my bills and taxes, raising my children to be decent citizens, managing my financial affairs so that I won't become a ward of the city, county, or state and footing the bill for all the minuses mentioned herein”
- Letter to Senator Sam Ervin from a constituent in June 1968 [Hynes dissertation]

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Myopic Crime

In sum, people who lack self-control will tend to be impulsive, insensitive, physical (as opposed to mental), risk-taking, short-sighted, and nonverbal, and they will tend therefore to engage in criminal and analogous acts. Since these traits can be identified prior to the age of responsibility for crime, since there is a considerable tendency for these traits to come together in the same person, and since these traits tend to persist through life, it seems reasonable to consider them as comprising a stable construct useful in the explanation of crime. (Gottfredson and Hirschi, *General Theory of Crime*, pp. 90-91)

Hypothesis

- Micro-foundations for macro-trends
- Emotional equilibrium rests on self-worth
- Regard [social worth] can replenish self-worth
- Technological shocks ('creative destruction') affect economic roles, and undermine self-worth [women, blacks]
- Quest to restore equilibrium through self-sufficiency
- The tragedy of self-sufficiency: a quest to attract a commitment you are unable credibly to reciprocate.
- Disables reciprocity ['social capital']
- Drives distrust