



FINANCIAL
TIMES

World in 2050: economic prospects and public power

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Dulwich Picture Gallery Contextual Lecture Series 2018

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Dulwich Picture Gallery, Dulwich, London

Public Power and Economic Prospects

- Global challenges
- Politics, power and world order
- Brexit Britain
- Conclusion

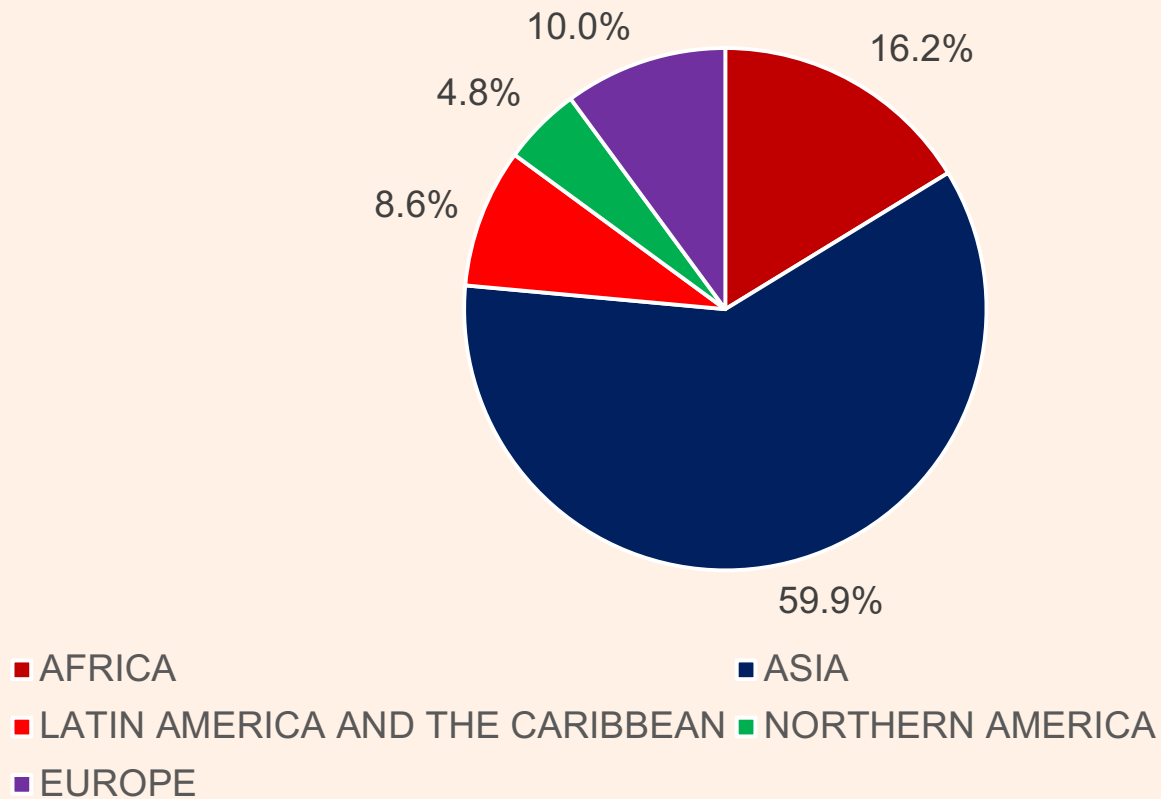
Global challenges

- Population grows
- Asia rises
- Poverty falls
- Inequality declines
- Humanity urbanises
- Climate worsens
- Productivity slows
- Secular stagnation
- Debt remains
- Globalisation stalls

1. Global challenges: population

HUMANITY IS ASIAN

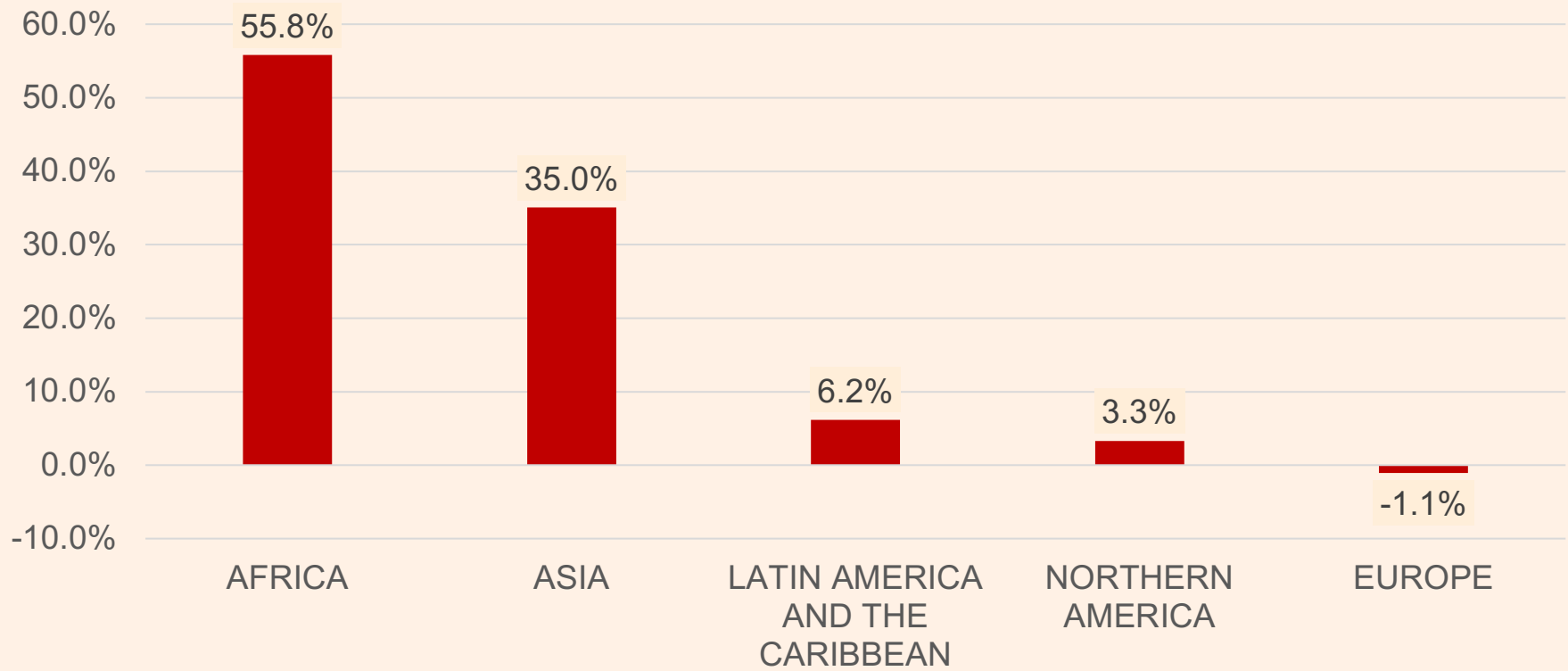
WORLD POPULATION 2015 (United Nations)



1. Global challenges: population

IT IS BECOMING AFRICAN

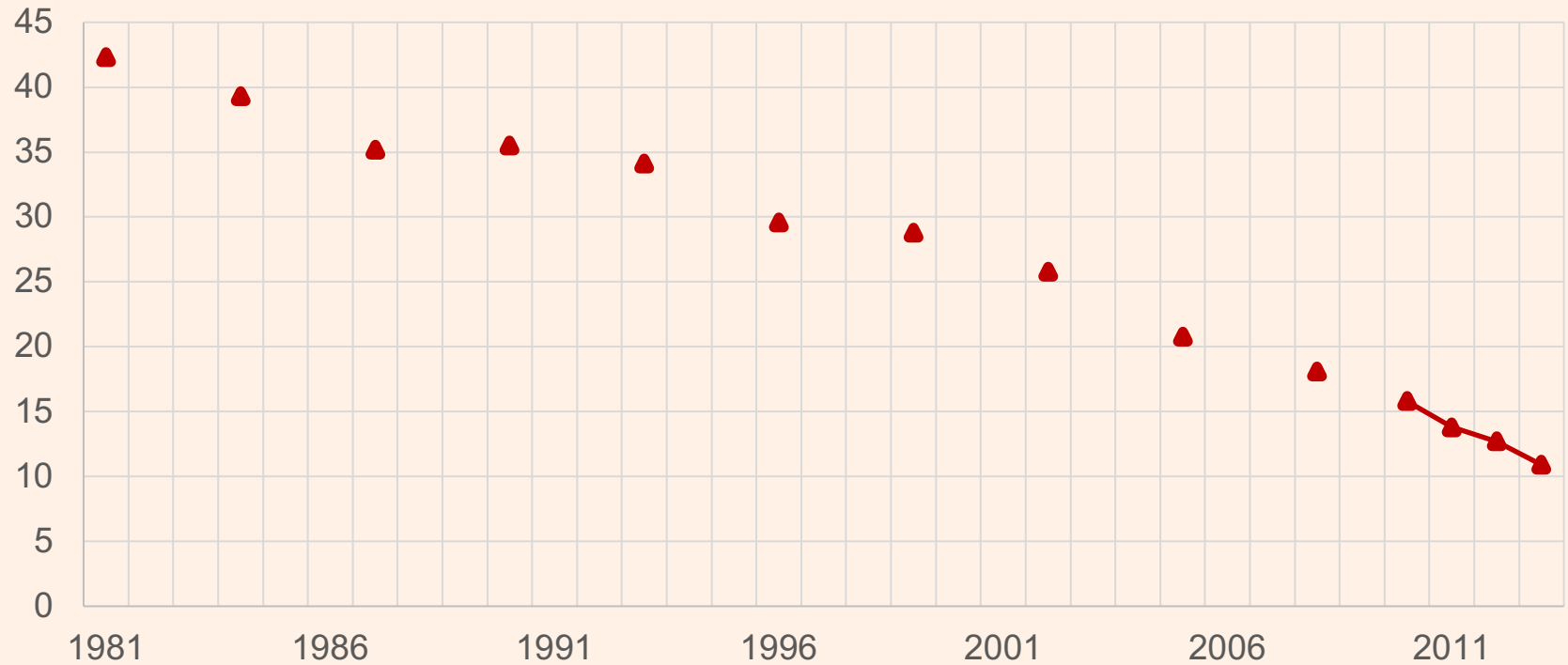
**SHARES IN GROWTH IN POPULATION 2015-2050
(UN MEDIUM VARIANT)**



1. Global challenges: poverty

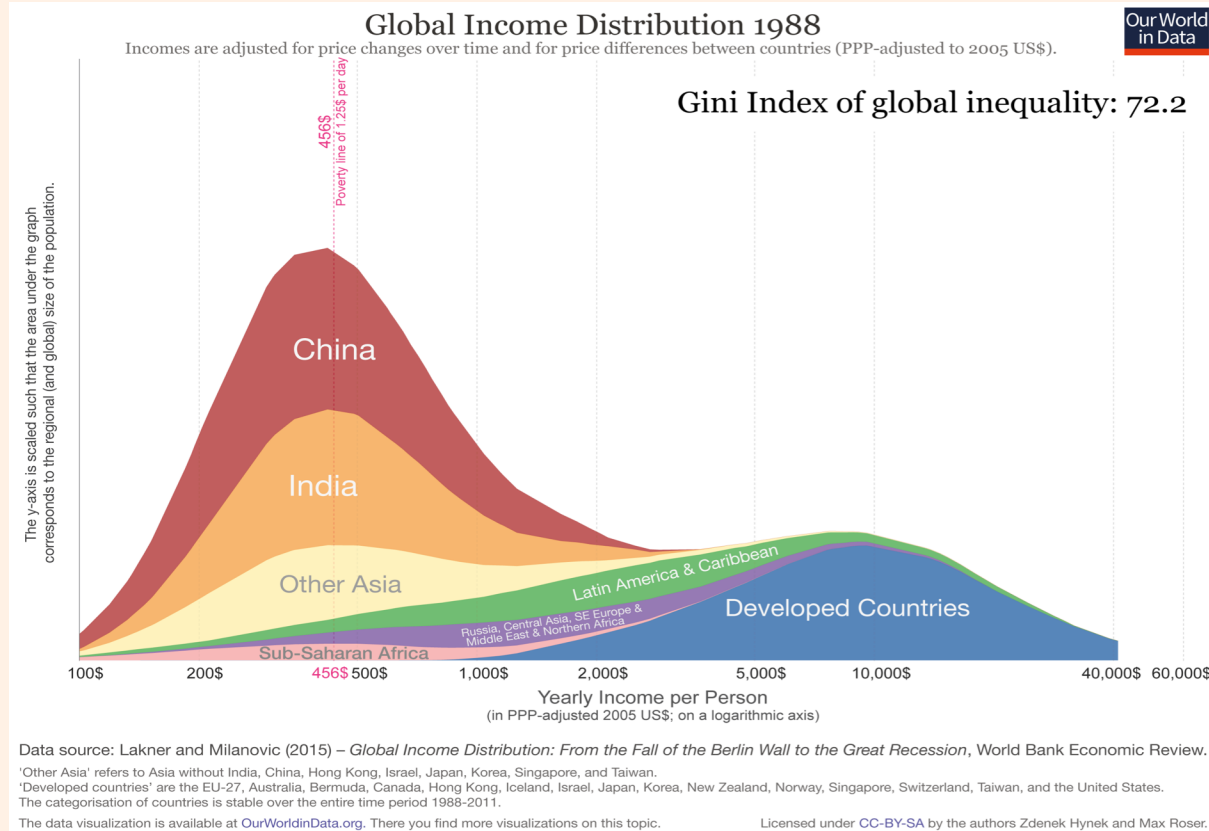
HOW MASS DESTITUTION HAS FALLEN

**POVERTY HEADCOUNT RATIO \$1.90 a day (2011 purchasing power parity) per cent of population
(World Bank)**



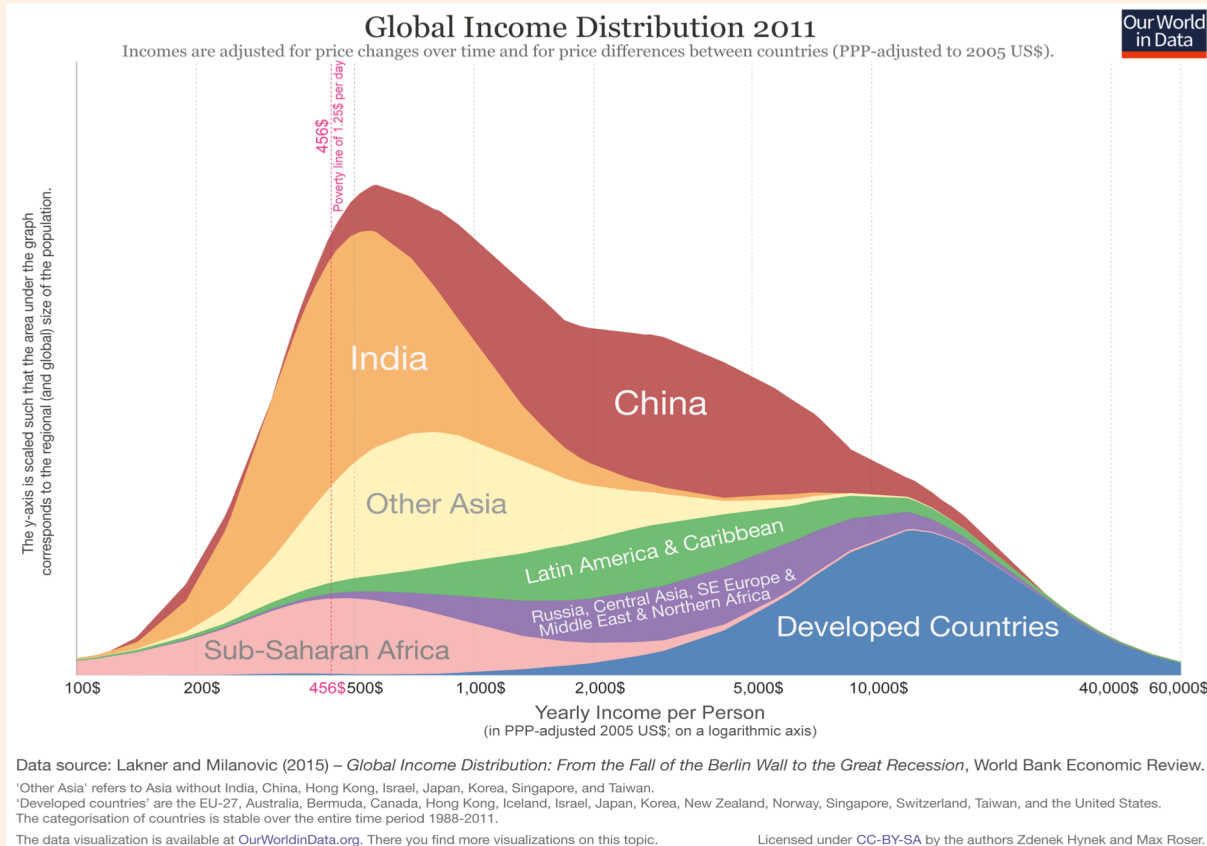
1. Global challenges: inequality

A WORLD OF HUGE INEQUALITIES



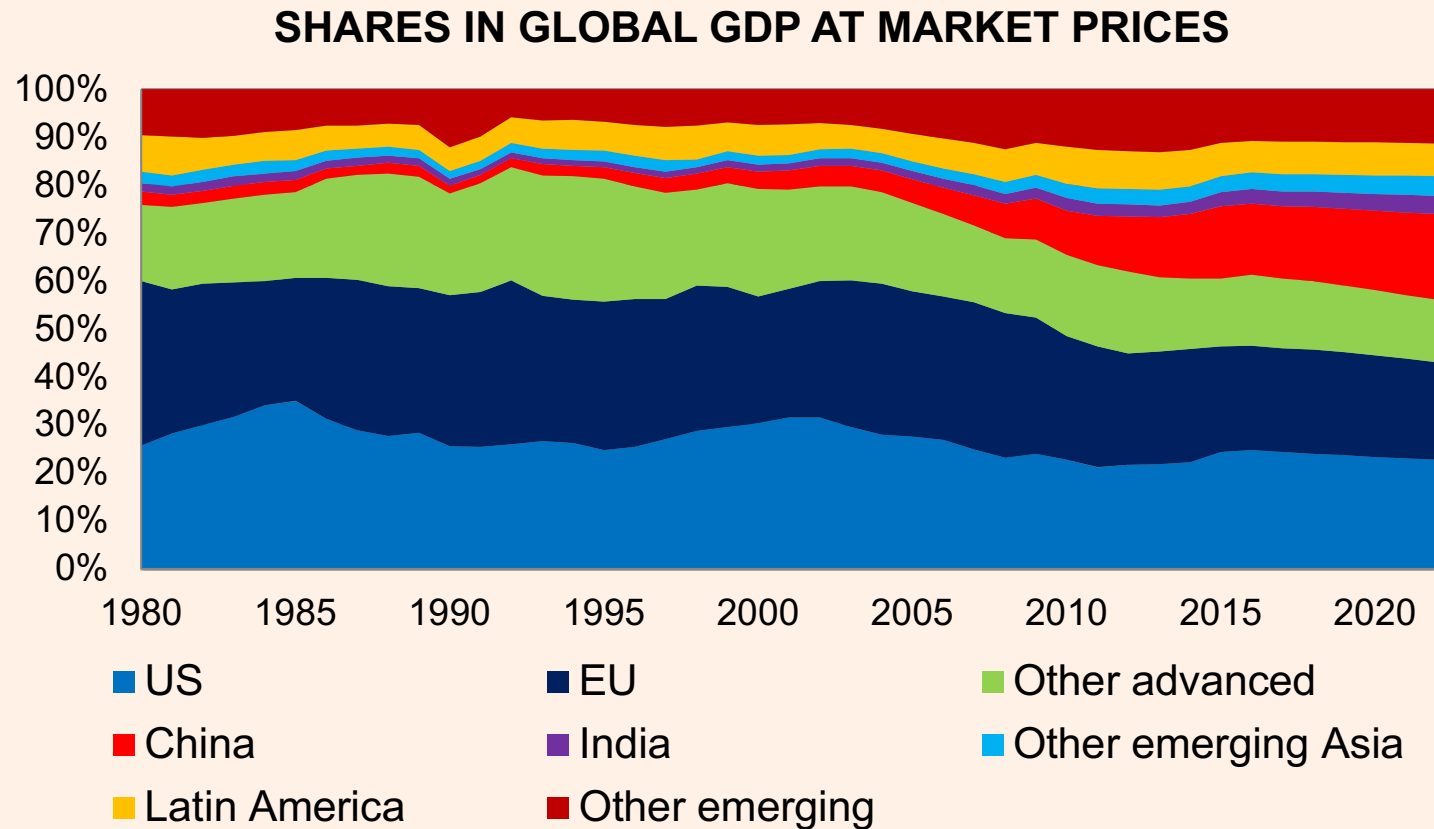
1. Global challenges: inequality

BUT INEQUALITY AND POVERTY ARE DECLINING



1. Global challenges: rise of Asia

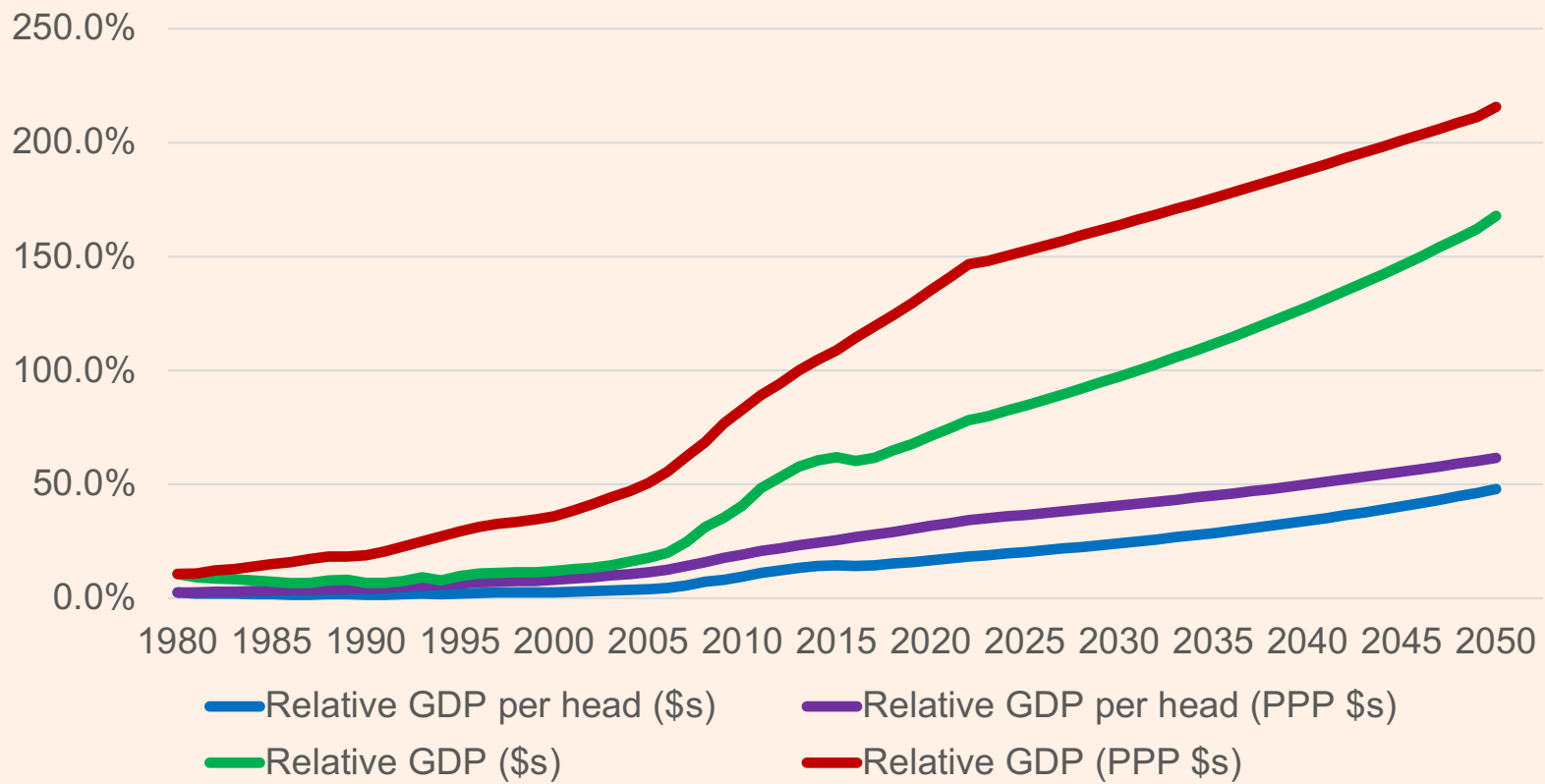
RISE OF THE ASIAN GIANTS



1. Global challenges: rise of Asia

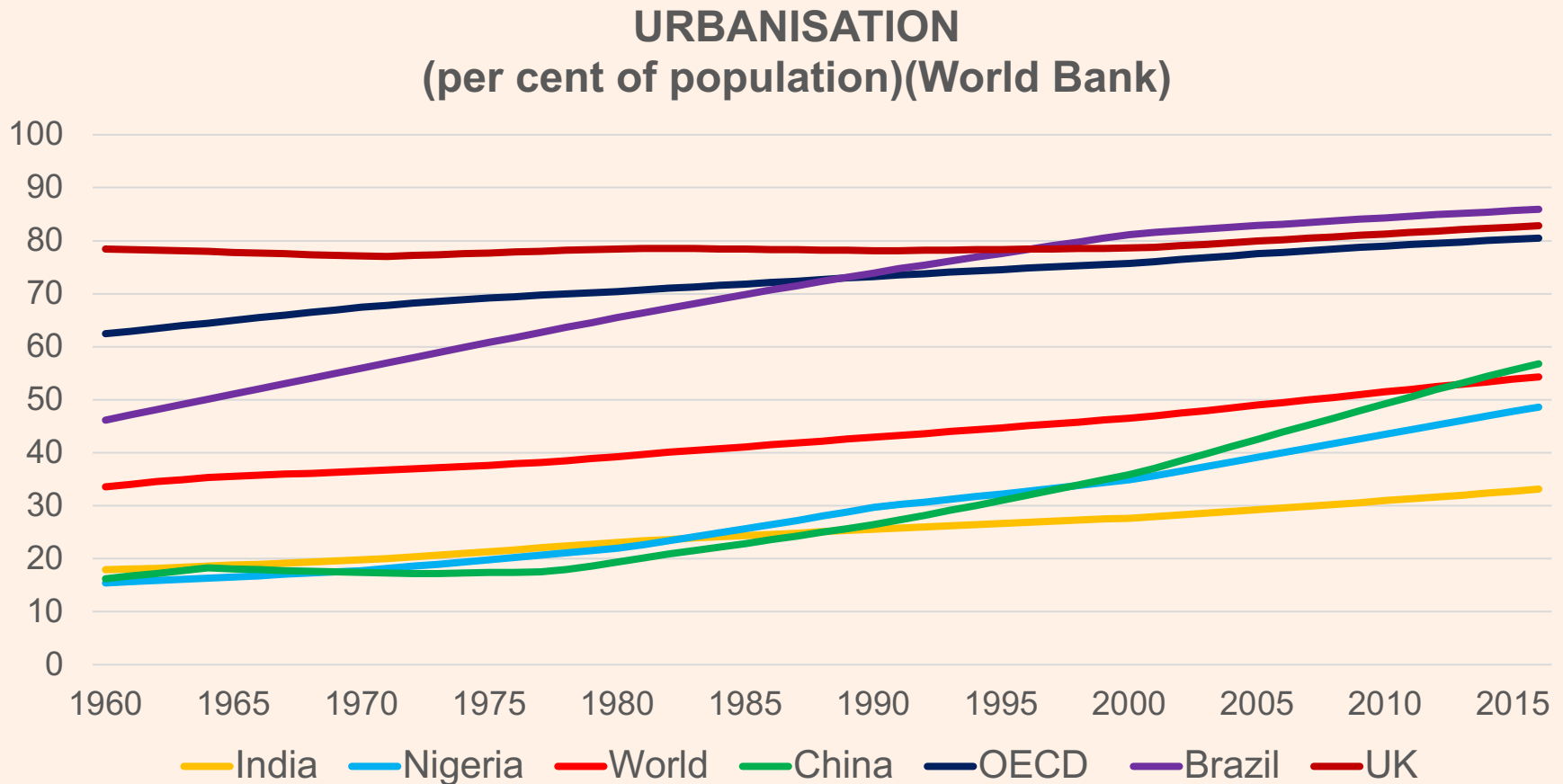
RISE OF THE ASIAN GIANTS

CHINA'S GDP PER HEAD AND GDP RELATIVE TO THE US (at current dollars and PPP dollars) (Source: IMF)



1. Global challenges: urbanisation

PUSH AND PULL URBANISATION

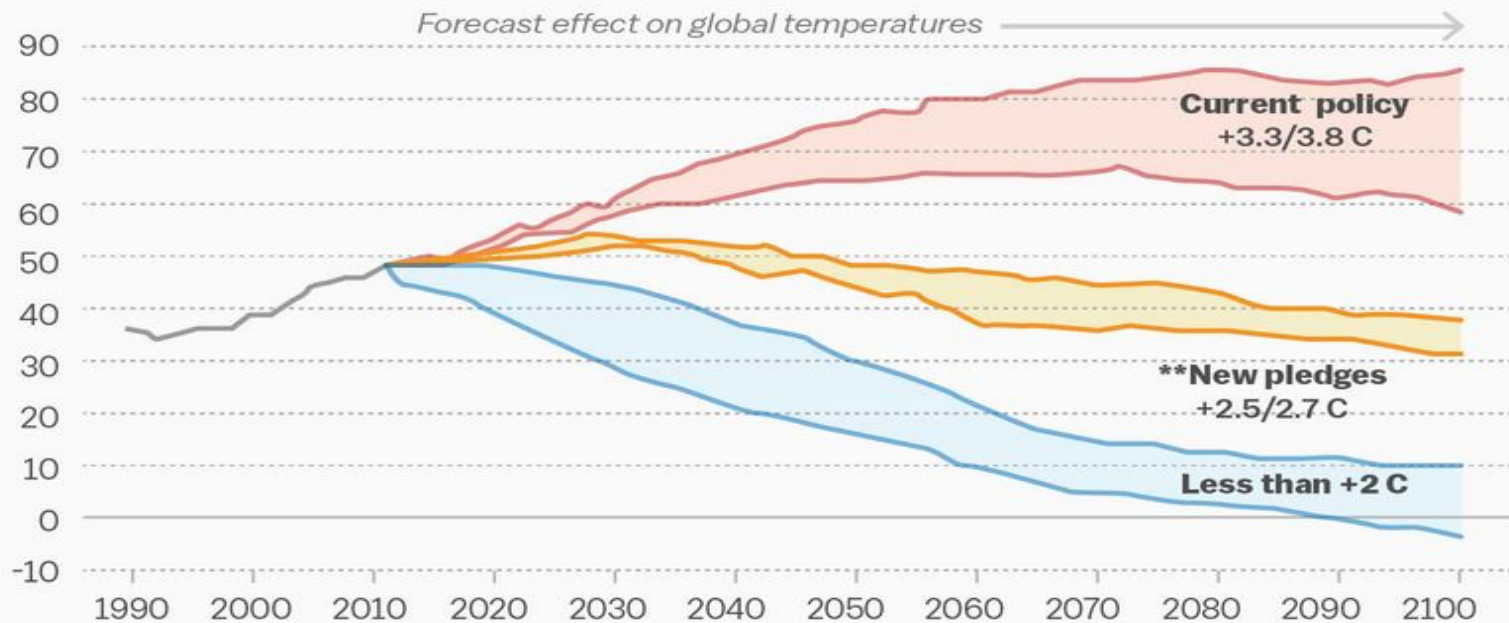


1. Global transformation: climate

THE GAP BETWEEN TRENDS AND INTENTIONS

Estimated global greenhouse gas emissions

In gigatons, CO₂ equivalent



*Expected temperature change by 2100, versus period before Industrial Revolution

** Based on intended nationally determined contributions submitted to UNFCCC by Oct. 1

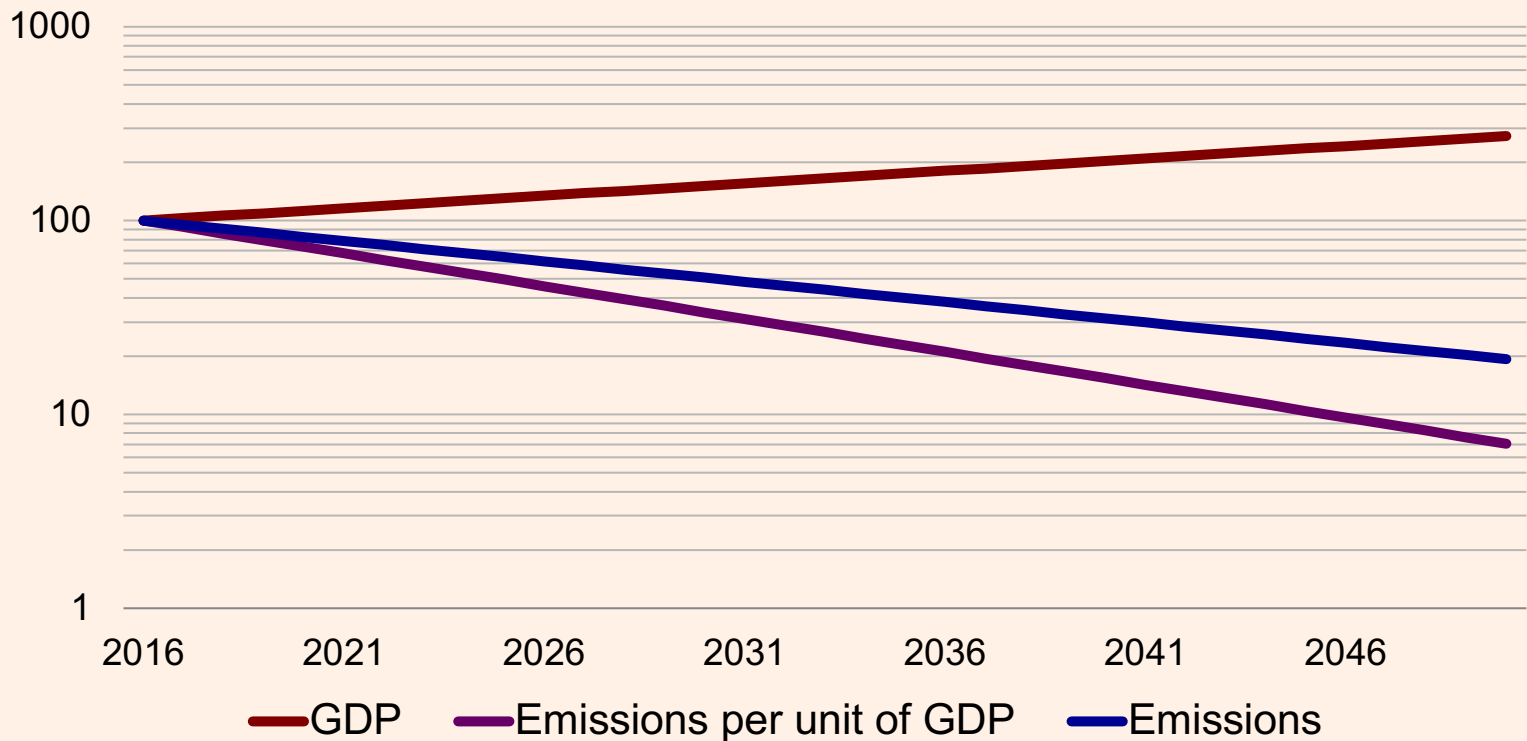
SOURCE: Climate Action Tracker

Vox

1. Global transformation: climate

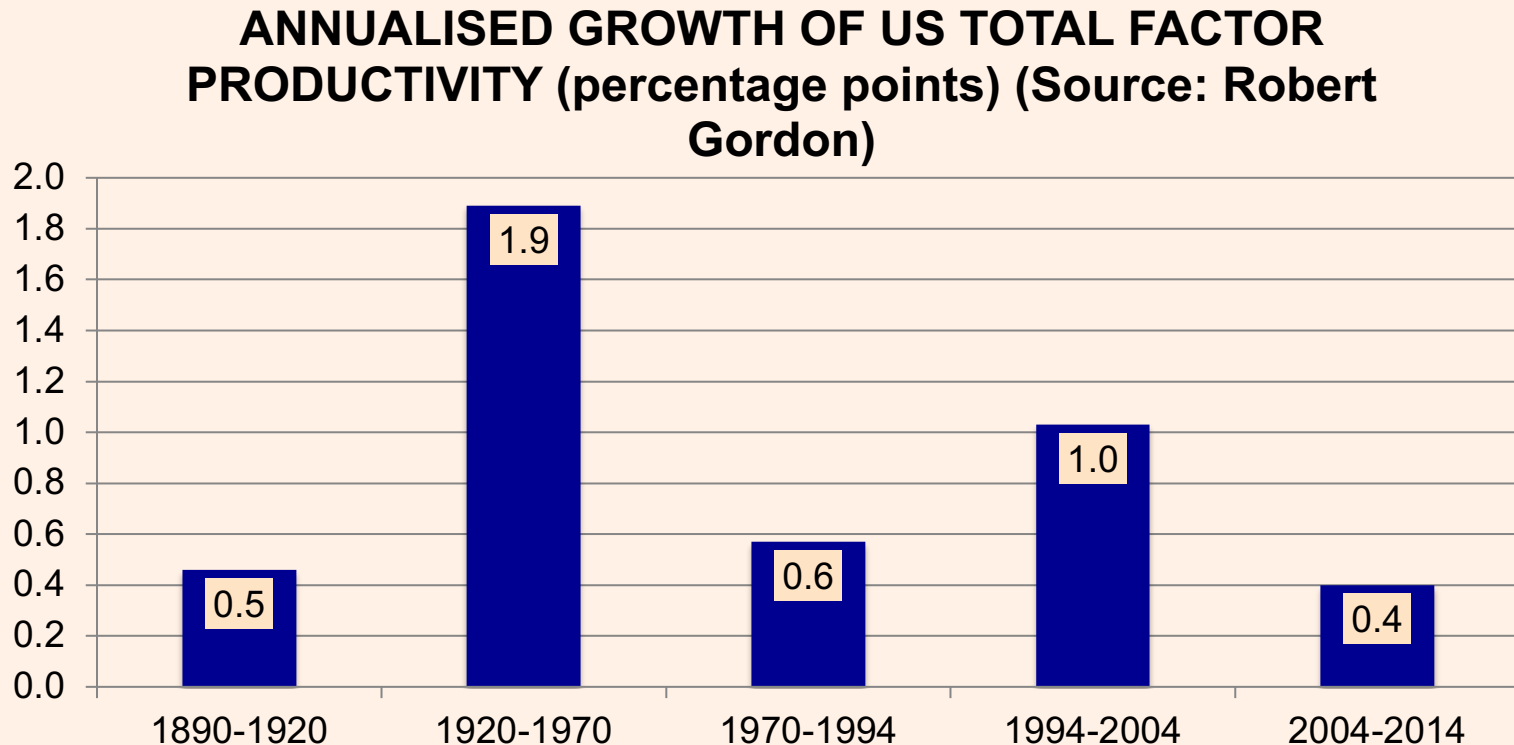
WHAT HITTING THE TARGETS WOULD MEAN

SCENARIO FOR GLOBAL EMISSIONS AND ENERGY EFFICIENCY



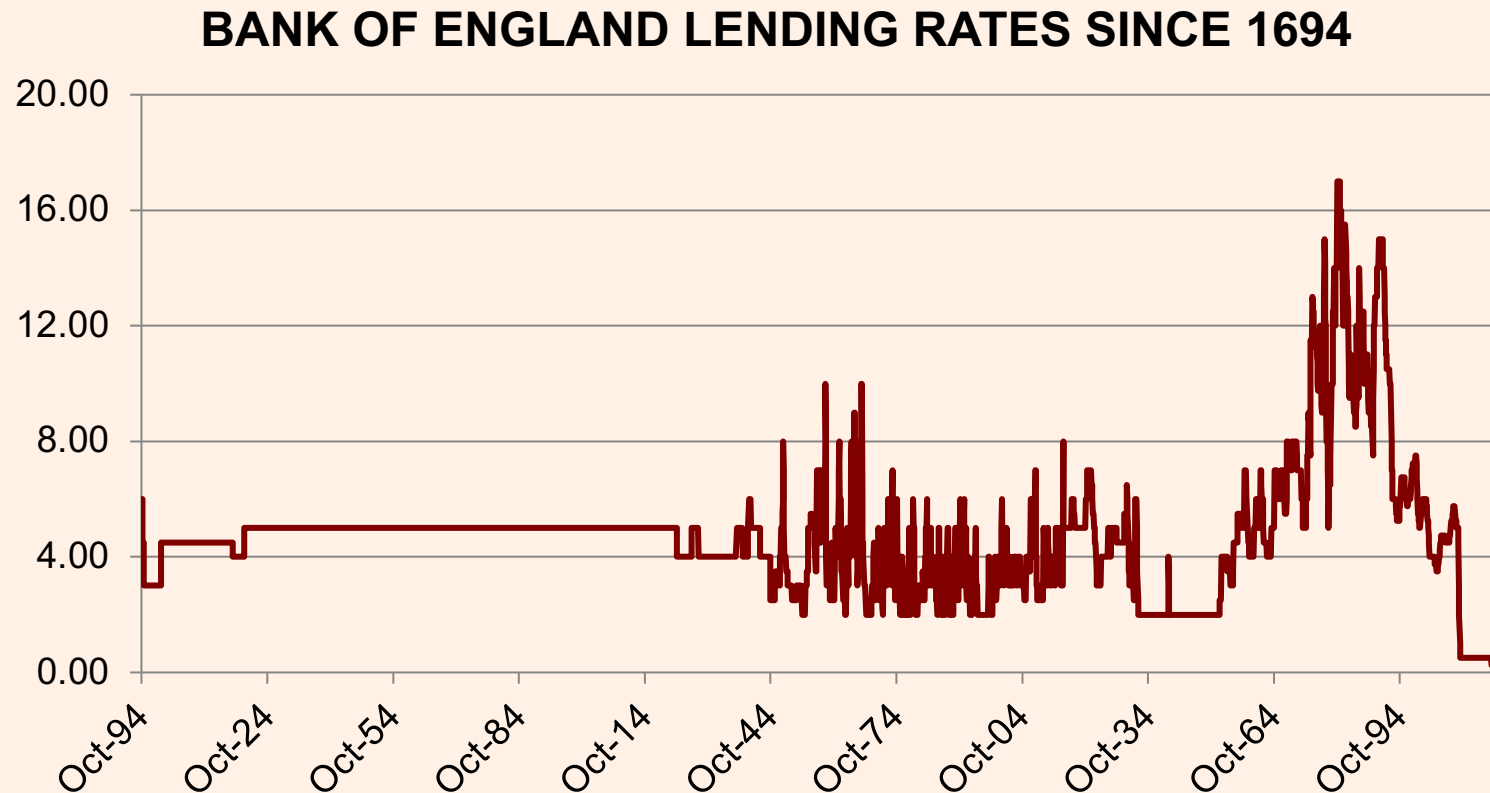
1. Global challenges: productivity slows

A LOST DECADE FOR US PRODUCTIVITY



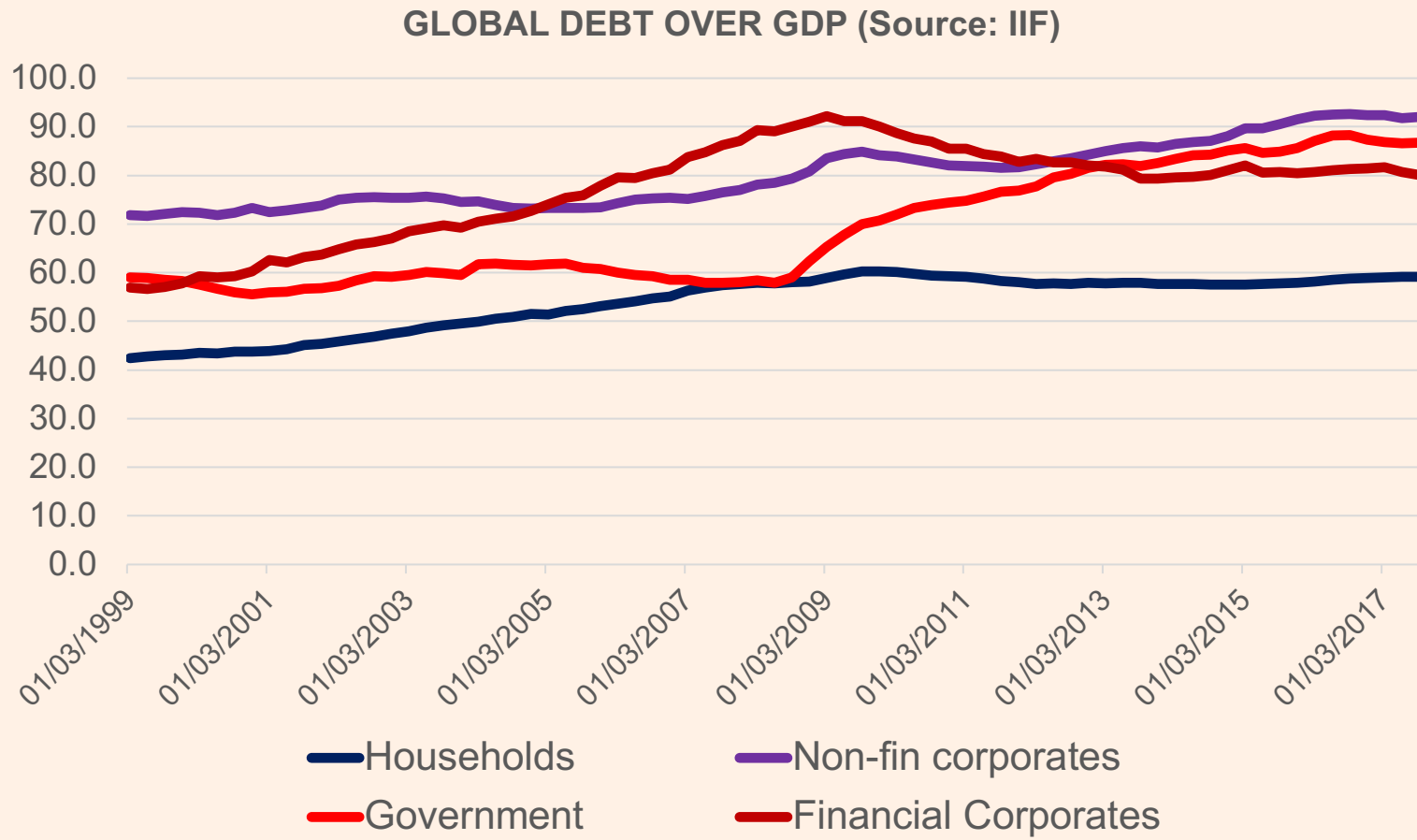
1. Global challenges: secular stagnation

MONETARY POLICY AND SECULAR STAGNATION



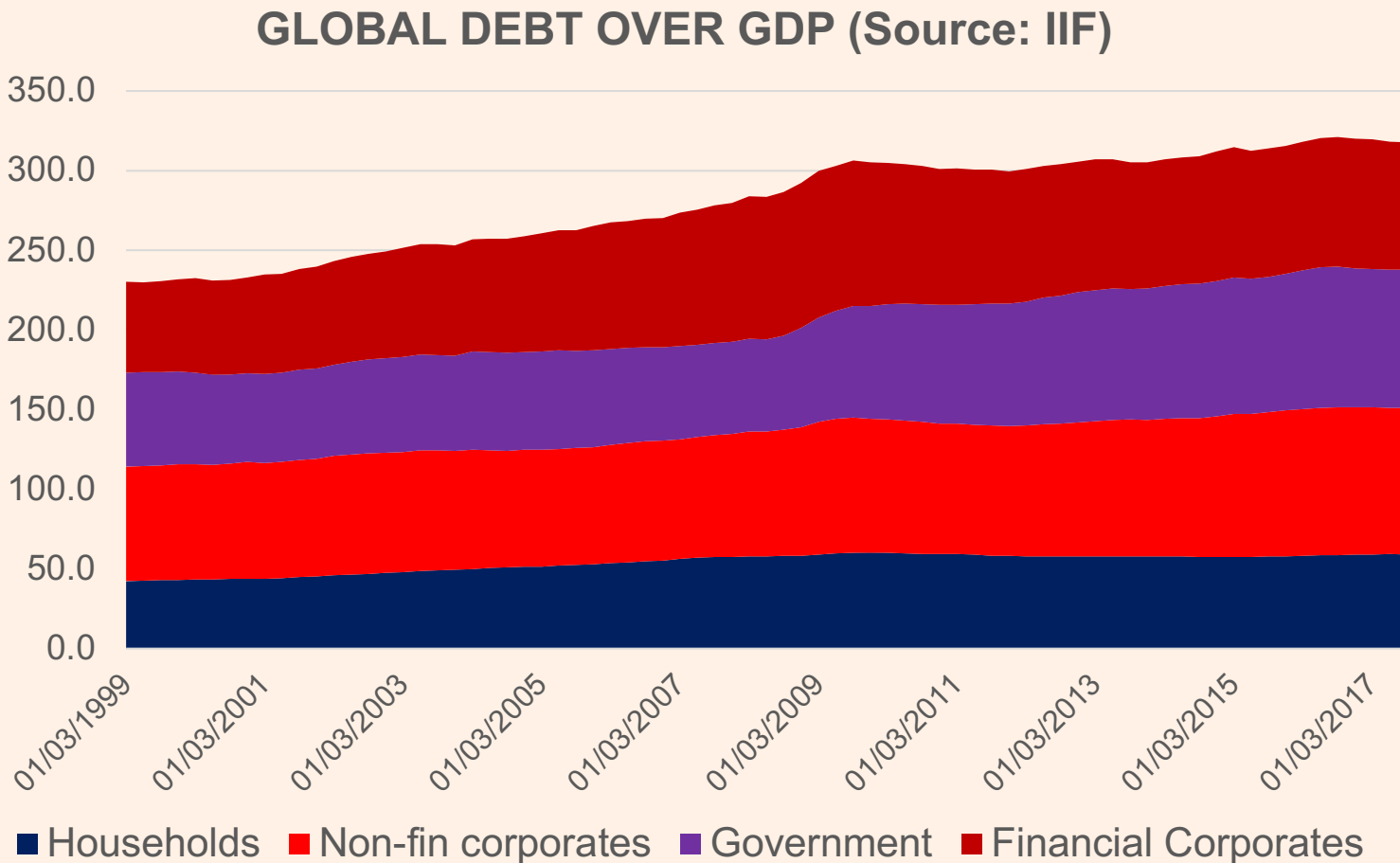
1. Global challenges: debt overhangs

MONETARY POLICY AND SECULAR STAGNATION



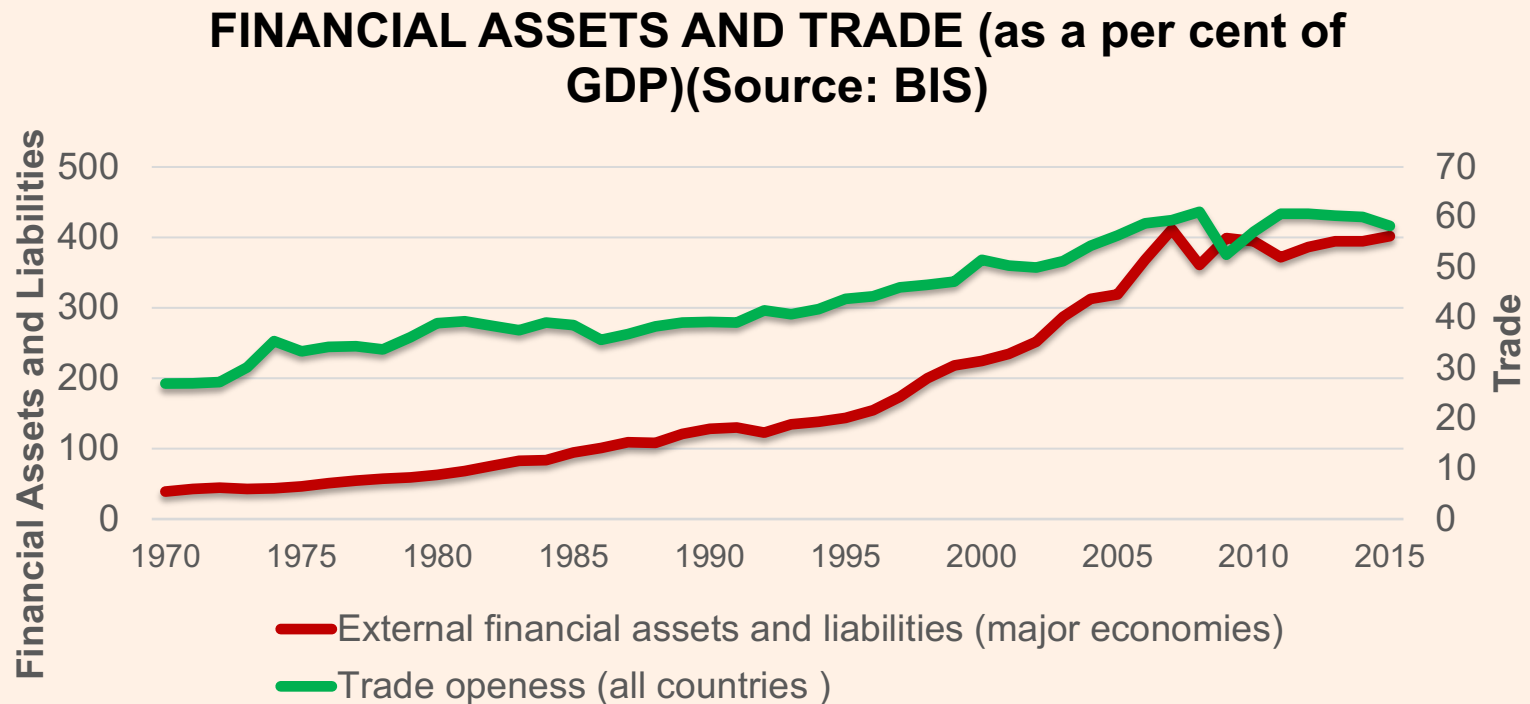
1. Global challenges: debt overhangs

MONETARY POLICY AND SECULAR STAGNATION



1. Global challenges: globalization slows

GLOBALISATION STALLS



2. Politics and power

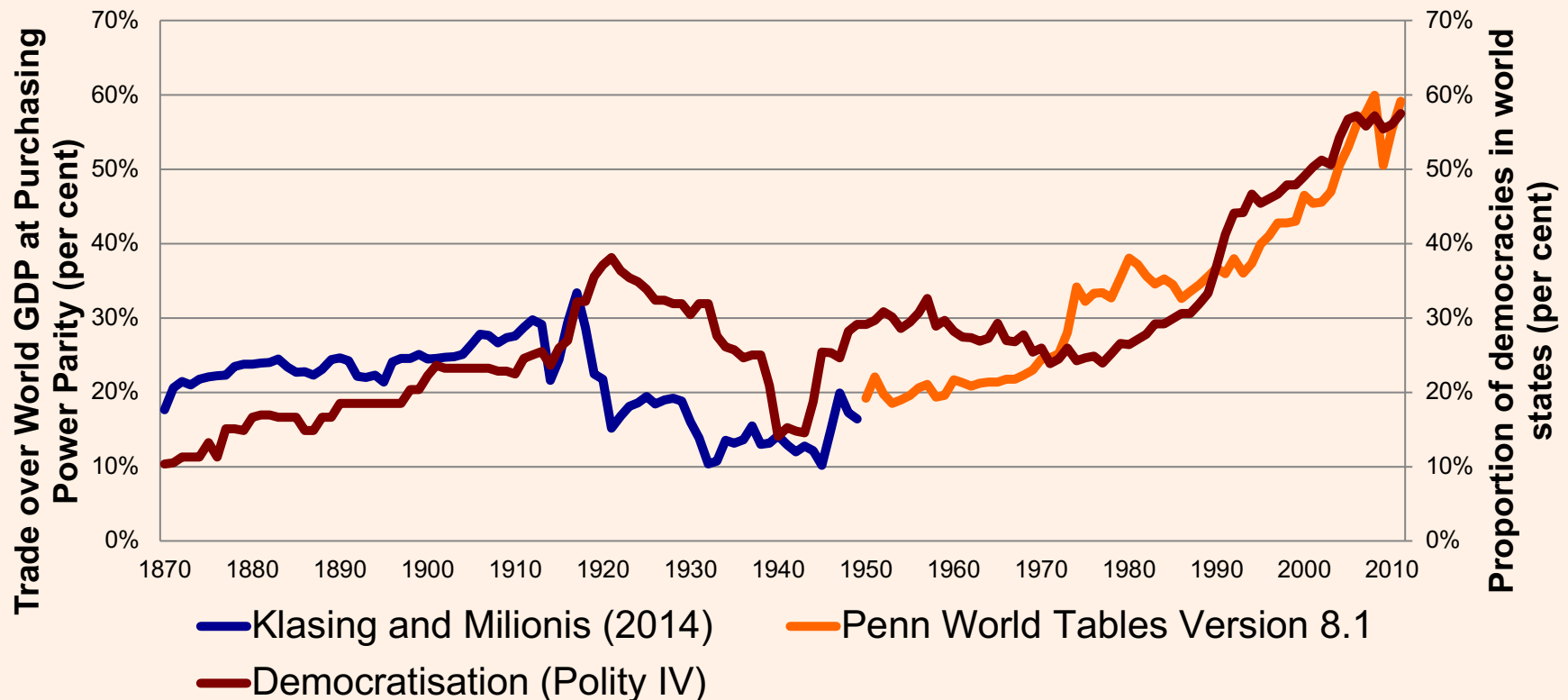
- Democratic recession
- Global order

2. Politics and power: democratic recession

DEMOCRACY AND GLOBALISATION

GLOBALISATION AND DEMOCRACY

(Source: "Our World in Data" and Center for Systemic Peace)



2. Politics and power: democratic recession

- Yet the world is now in a “democratic recession”:

- According to Freedom House 2017 Annual Report, “A total of 67 countries suffered net declines in political rights and civil liberties in 2016, compared with 36 that registered gains. This marked the 11th consecutive year in which declines outnumbered improvements.”

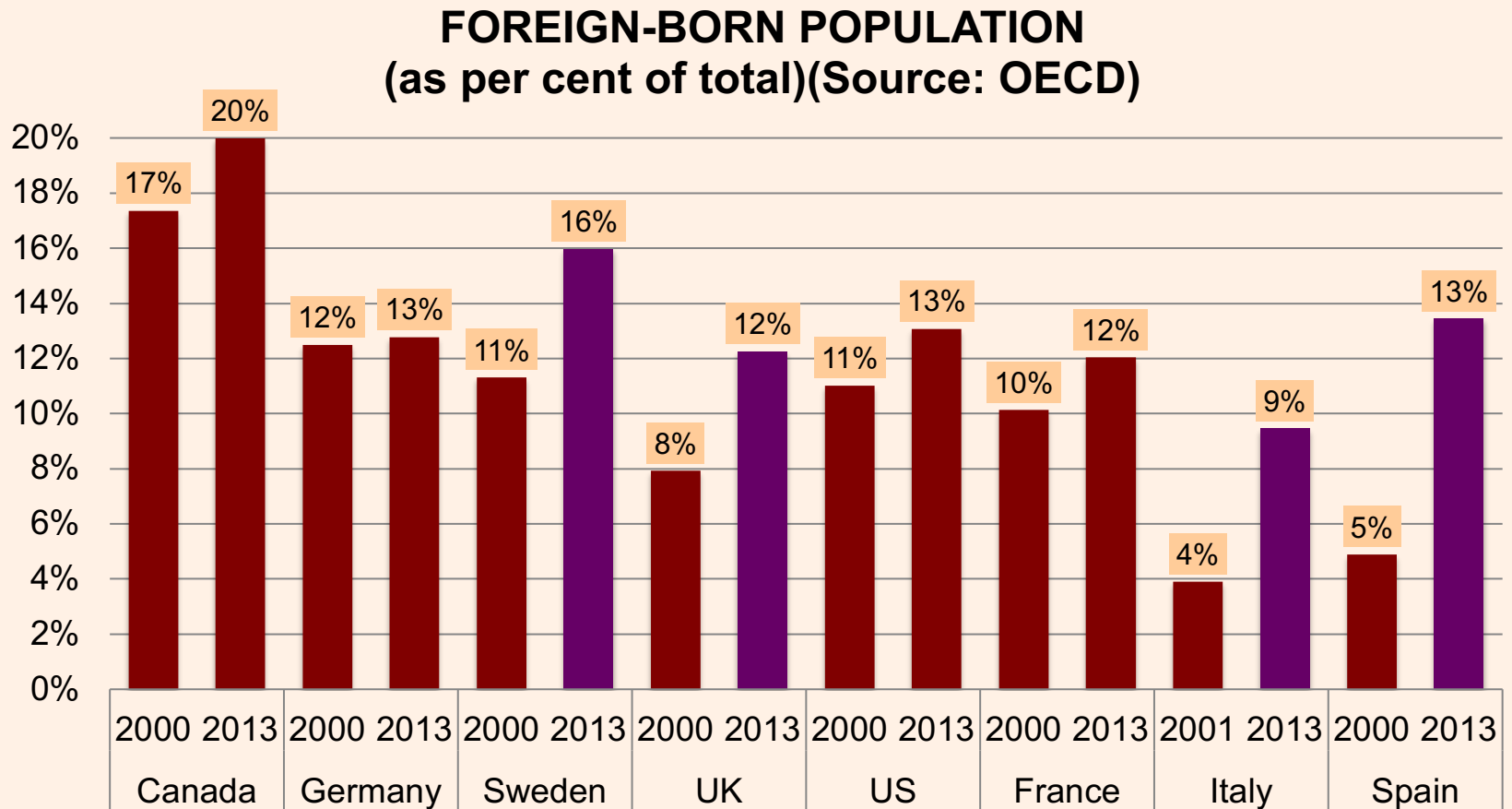
- Moreover, “in 2016 it was established democracies – countries rated “Free” in the report’s ranking system – that dominated the list of countries suffering setbacks.”

- Also, according to Roberto Foa and Yascha Mounck, “Over the last three decades, trust in political institutions such as parliaments or the courts has precipitously declined across the established democracies of North America and Western Europe.”

- Trust has been lost in both the democratic (political) and capitalist (economic) systems and this is true not only in emerging and developing countries, but also in advanced countries

2. Politics and power: democratic recession

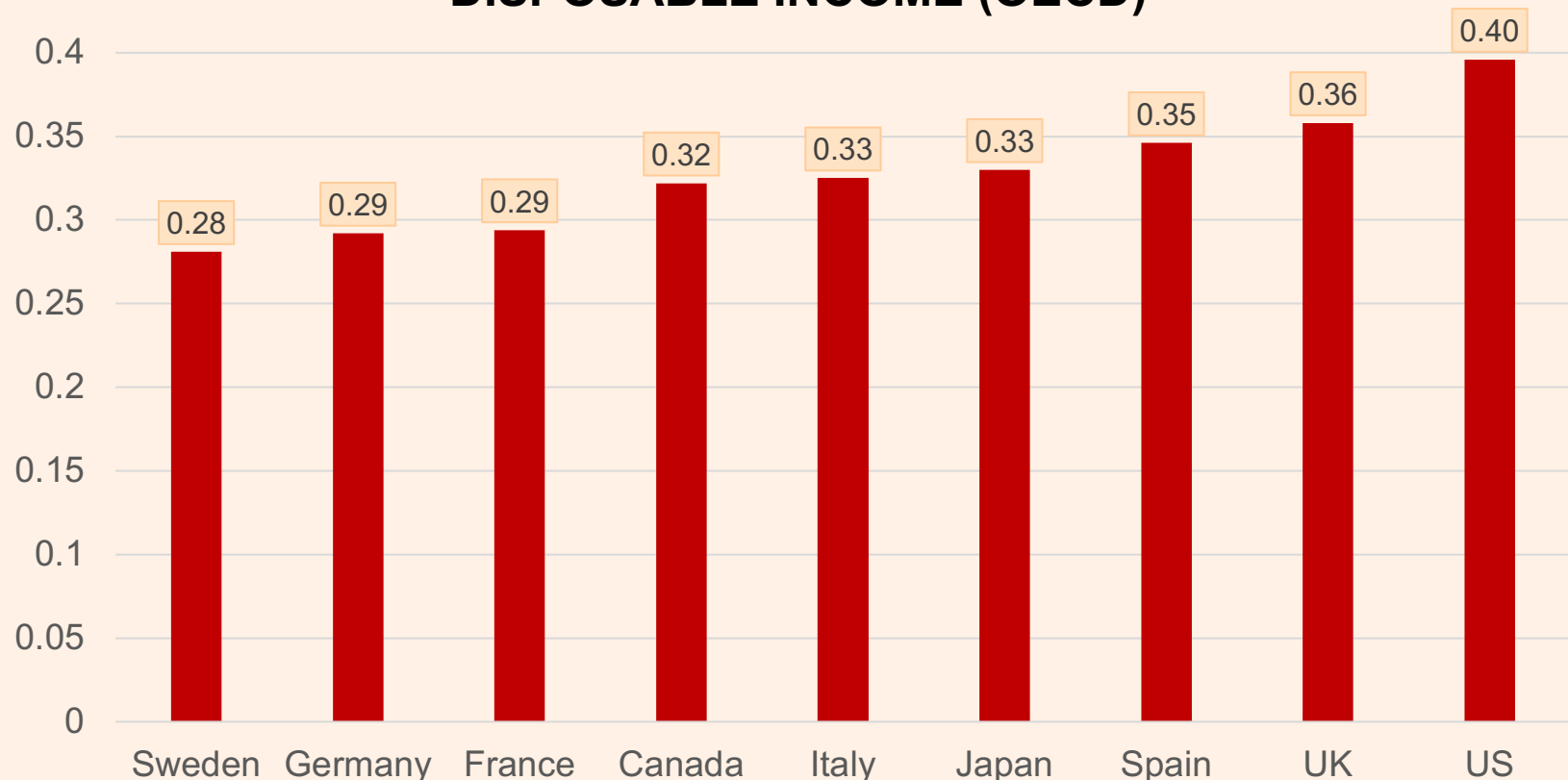
IMMIGRATION



2. Politics and power: democratic recession

INEQUALITY: WHERE IT IS HIGHEST

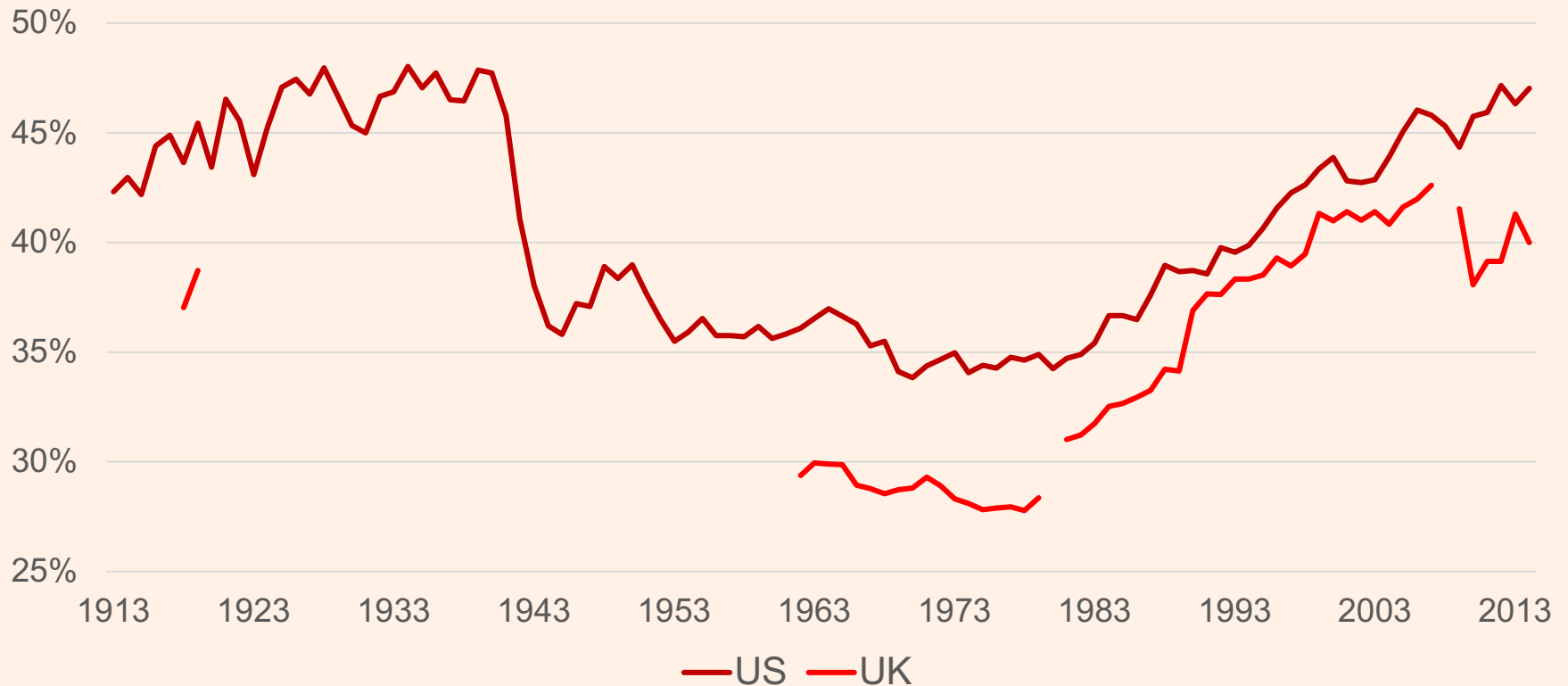
**GINI COEFFICIENT OF 2013 HOUSEHOLD
DISPOSABLE INCOME (OECD)**



2. Politics and power: democratic recession

INEQUALITY: DOWNS AND UPS IN THE US AND UK

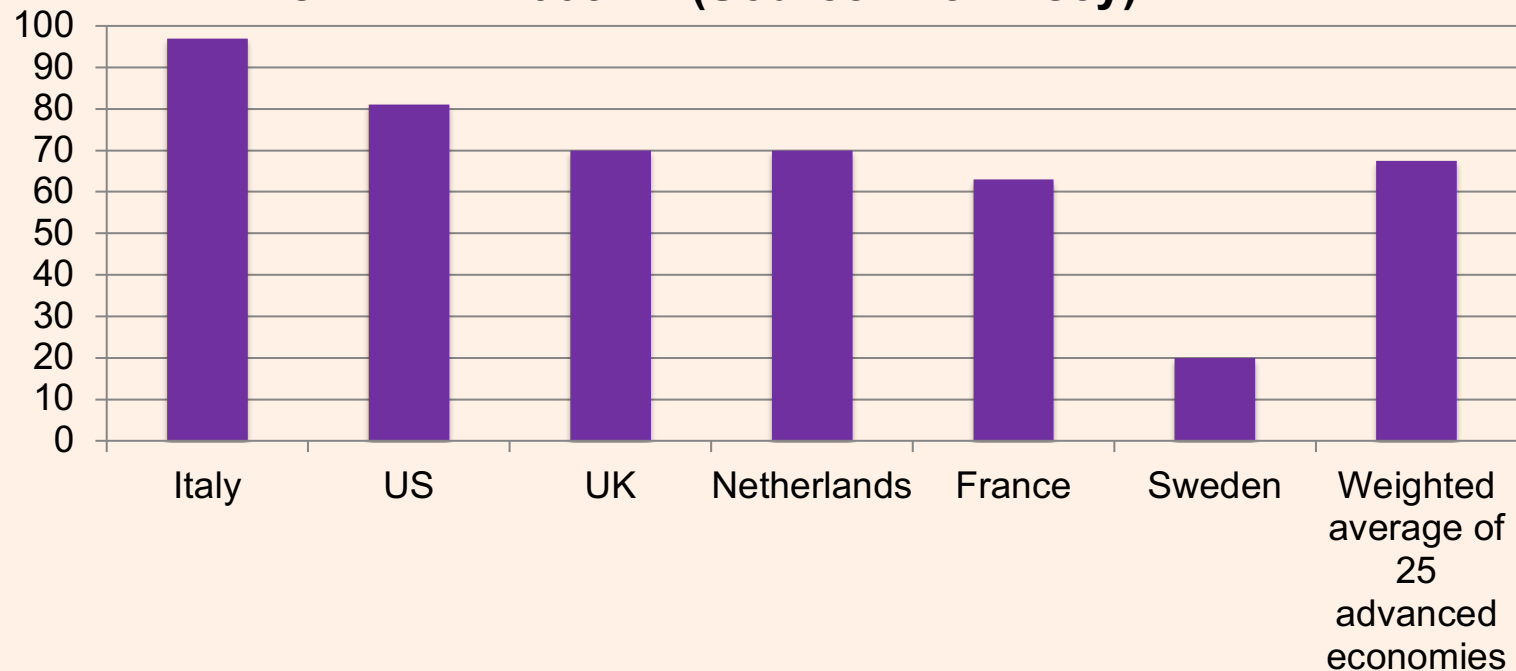
**INCOME SHARES OF TOP 10 PER CENT
(Wealth & Income Database)**



2. Politics and power: democratic recession

POST-CRISIS BLUES

**PROPORTION OF HOUSEHOLDS WITH FLAT OR
FALLING REAL INCOMES FROM WAGES AND
CAPITAL 2005-14 (Source: McKinsey)**



2. Politics and power: democratic recession

- Our politics have become fragile: *anything can happen*
- “Populism” has been a particularly important political result
- Populism is *not* the same thing as the idea that political and economic elites should pay more attention to the interests of the majority of the people.
- That would be good politics and good policy.
- Populism as a political philosophy is something different

2. Politics and power: democratic recession

- Populists, be they of the left or right:

- Distrust established institutions

- Distrust institutions that check the “will of the people”: courts, established media and the bureaucracy

- Reject “experts”.

- Suspect free markets, free trade and capitalism

- Are hostile to those not part of “the people”

- “The elites” are seen as corrupt and treacherous:

- They are, therefore, politically illegitimate and so are the institutions they control

- These attitudes can lead to autocracy

2. Politics and power: global order

- The world has been brought together by technology and the impact of humanity has radically increased
- This necessitates an ability to deliver global public goods: financial stability and open trade; security; and protection of the environment
- No state can deliver these things on its own, not even a superpower
- We have to create supra-national regimes
- These are technocratic or “expert” regimes
- But creating such regimes, while essential, clashes with simplistic versions of democratic sovereignty
- This is a painful dilemma









3. Brexit Britain

- The referendum result has already been costly
- “Canada” is the likely destination
- The costs could be substantial and enduring

3. Brexit Britain

THE CANADA MODEL?

UK's 'red lines' point to the Canadian model

	Model							
	Norway	Iceland	Liecht.	Switz.	Ukraine	Turkey	S Korea	Canada
								
UK 'red lines'								
No ECJ jurisdiction	X	X	X		X			
No free movement	X	X	X	X				
No substantial financial contribution	X	X	X	X				
Regulatory autonomy	X	X	X	X	X			
Independent trade policy						X		

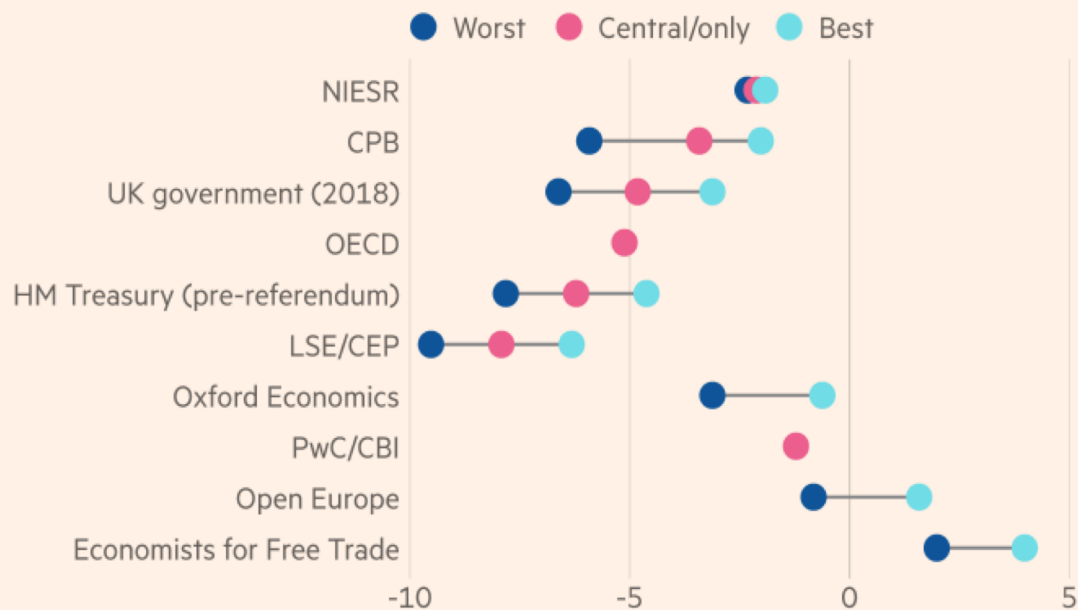
Graphic by Alan Smith Source: Michel Barnier/European Commission
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3. Brexit Britain

IMPACT ON THE ECONOMY OF LEAVING THE EU

Estimates of economic impact of a free trade agreement

% difference in UK GDP in 2030 with an FTA rather than EU membership



Source: FT analysis

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4. Conclusion

- The world is going through huge changes and the West is in steep relative decline
- States provide the framework of law and the political stability on which a successful international order depends
- The most successful basis of international co-operation has been liberal democracy and open economies
- But democracy is now weakening and rivalries among states are rising
- Brexit is a local symptom of rising nationalism
- The election of Mr Trump is the leading global symptom
- We are seeing the end of *Pax Americana* and opening of the “Thucydides trap”
- What follows? That is the biggest question