

THREE CRISES OF CAPITALISM

3. THE GLOBAL FINANCIAL CRISIS AND COVID – WHAT NEXT?

MARTIN DAUNTON



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COLLEGE

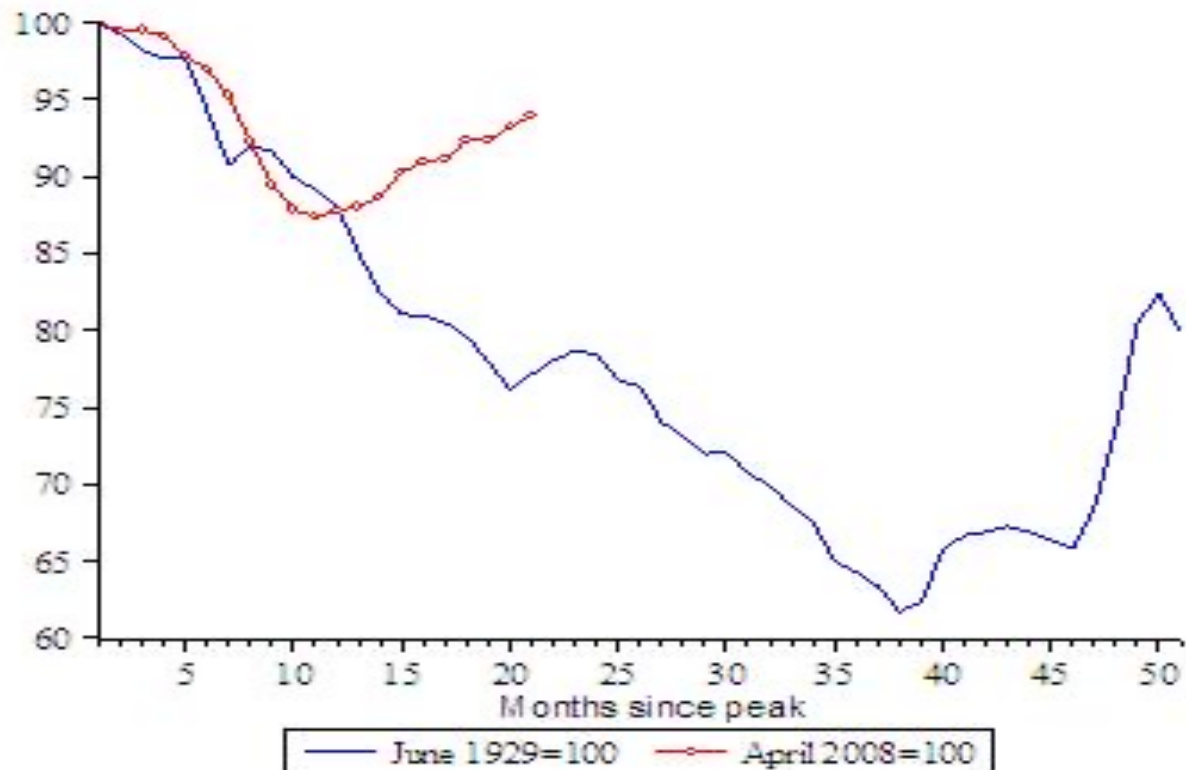




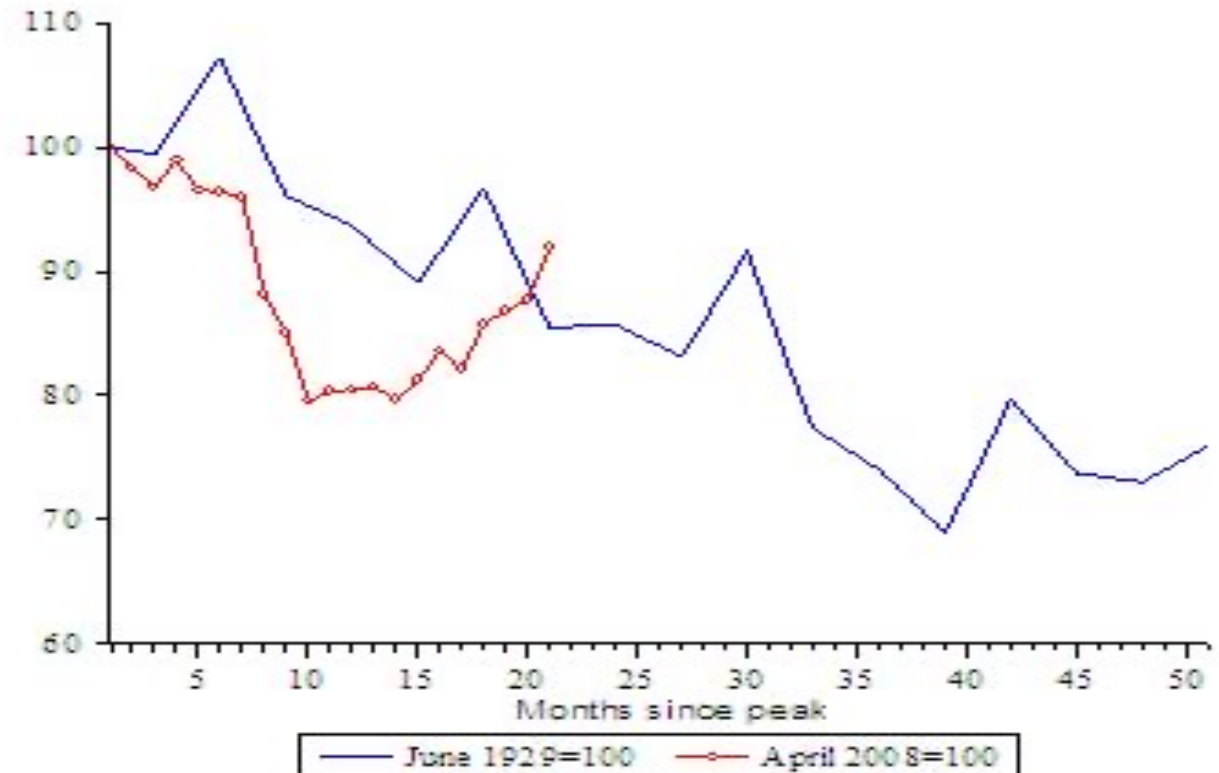
Great depression versus global financial crisis

Eichengreen and O'Rourke, A tale of two depressions, 2010

World industrial production, months after the peak of June 1929 and April 2008



Volume of world trade, months after the peak of June 1929 and April 2008



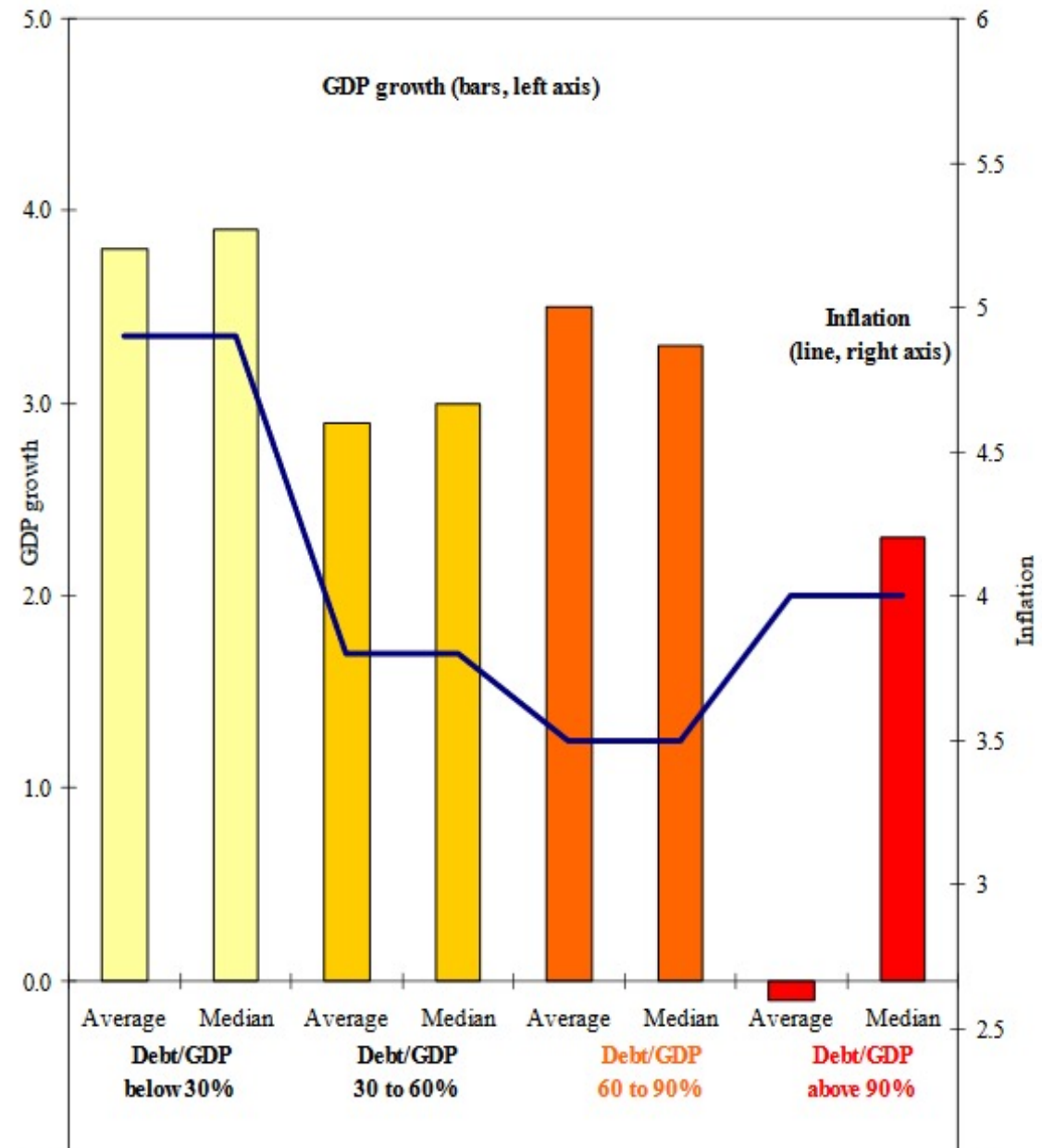
The ninety per cent rule

Growth in a Time of Debt

Carmen M. Reinhart, Kenneth S. Rogoff

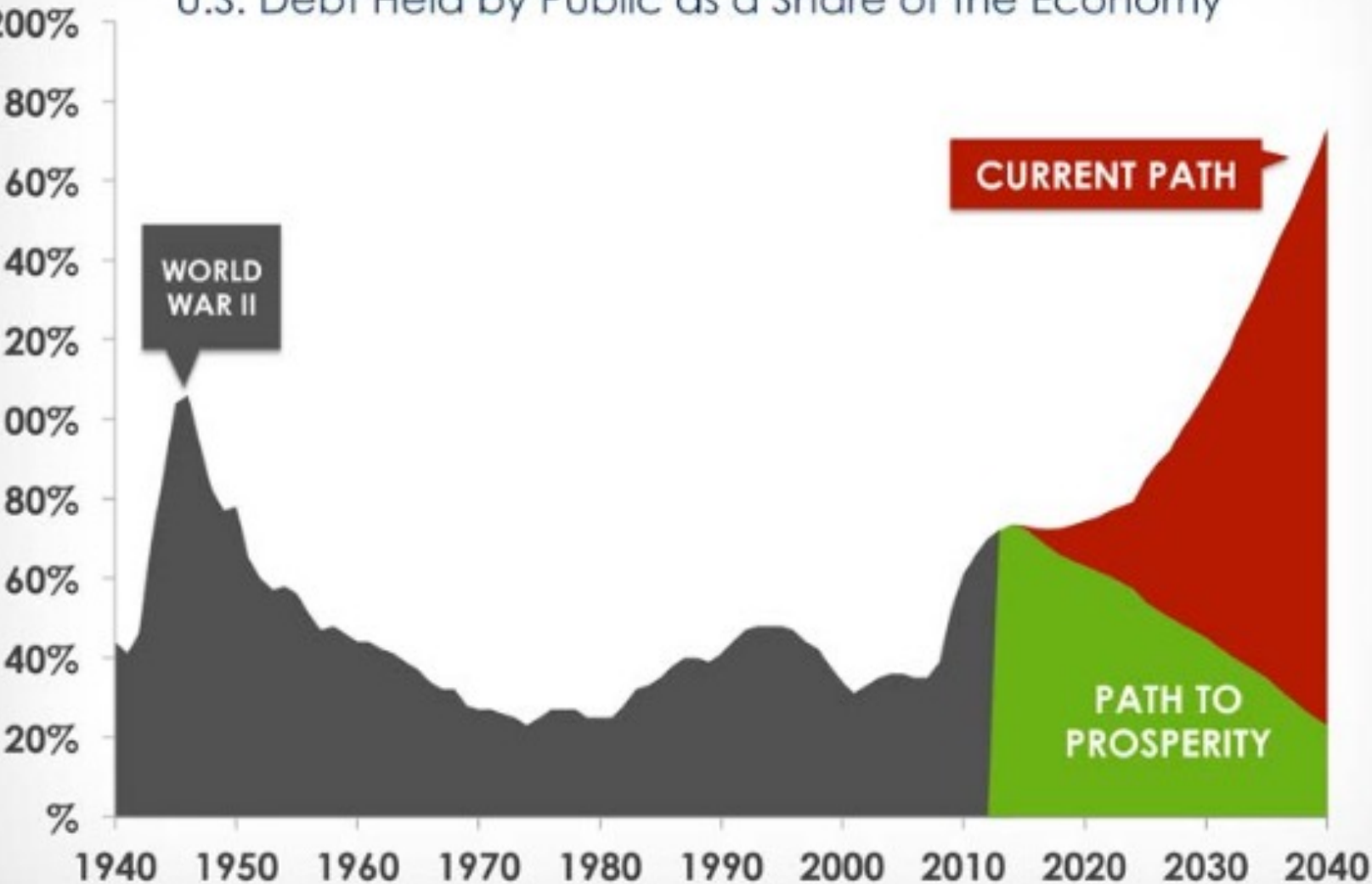
NBER Working Paper No. 15639
Issued in January 2010, Revised in
December 2011

Figure 2. Government Debt, Growth, and Inflation: Selected Advanced Economies, 1946-2009



A CHOICE OF TWO FUTURES

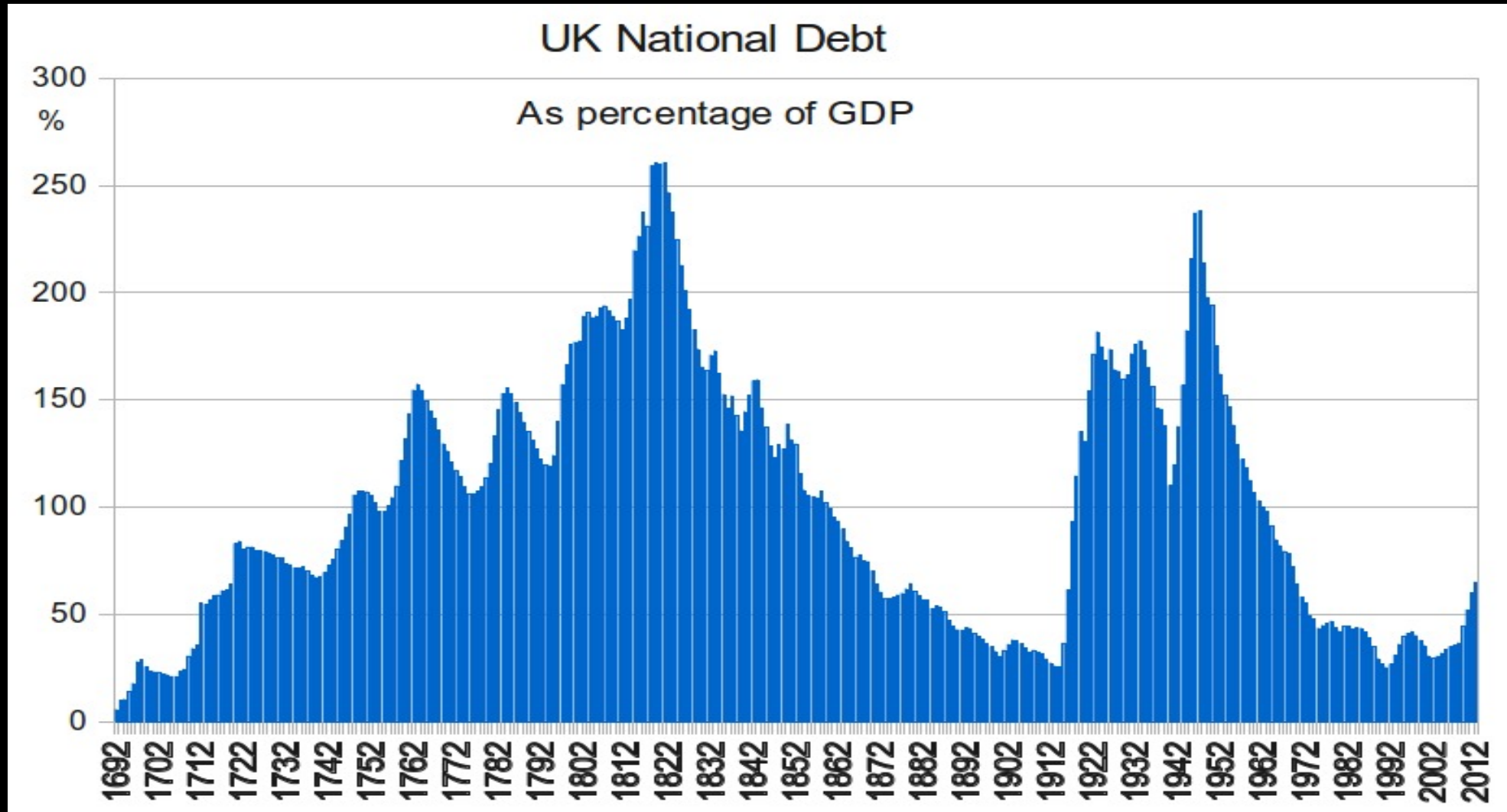
U.S. Debt Held by Public as a Share of the Economy



Source: OMB/CBO

The Path to Prosperity: A Responsible, Balanced Budget. The House Republican Fiscal Year 2015 Budget Resolution

UK national debt as a percentage of GDP, 1692-2012

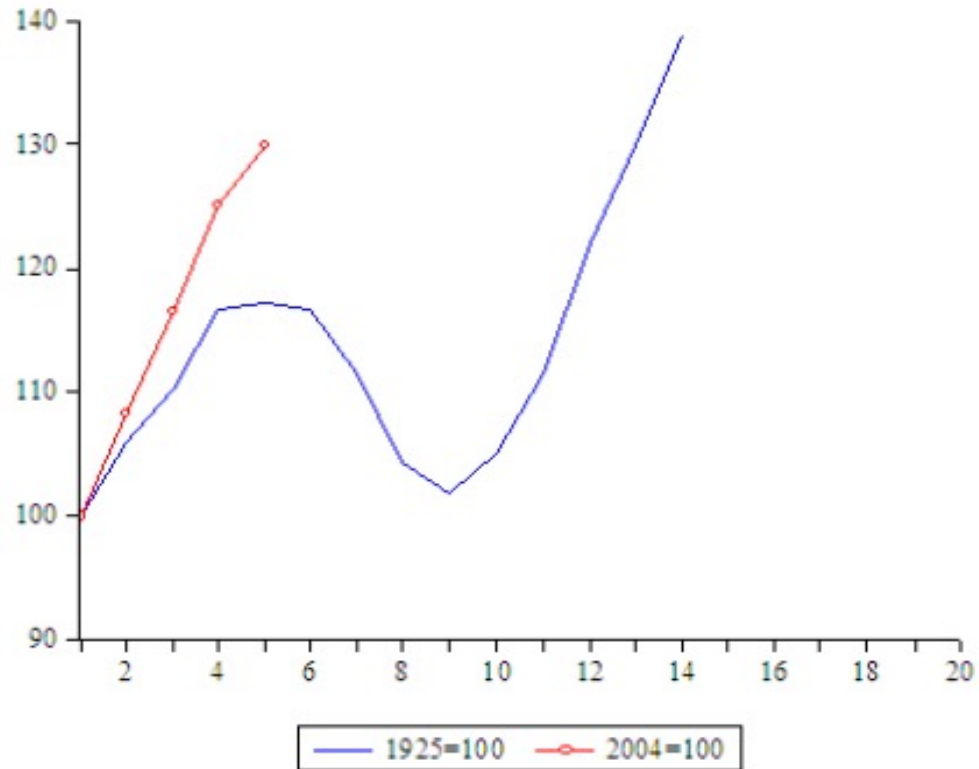




Source: Financial Times/Reuters

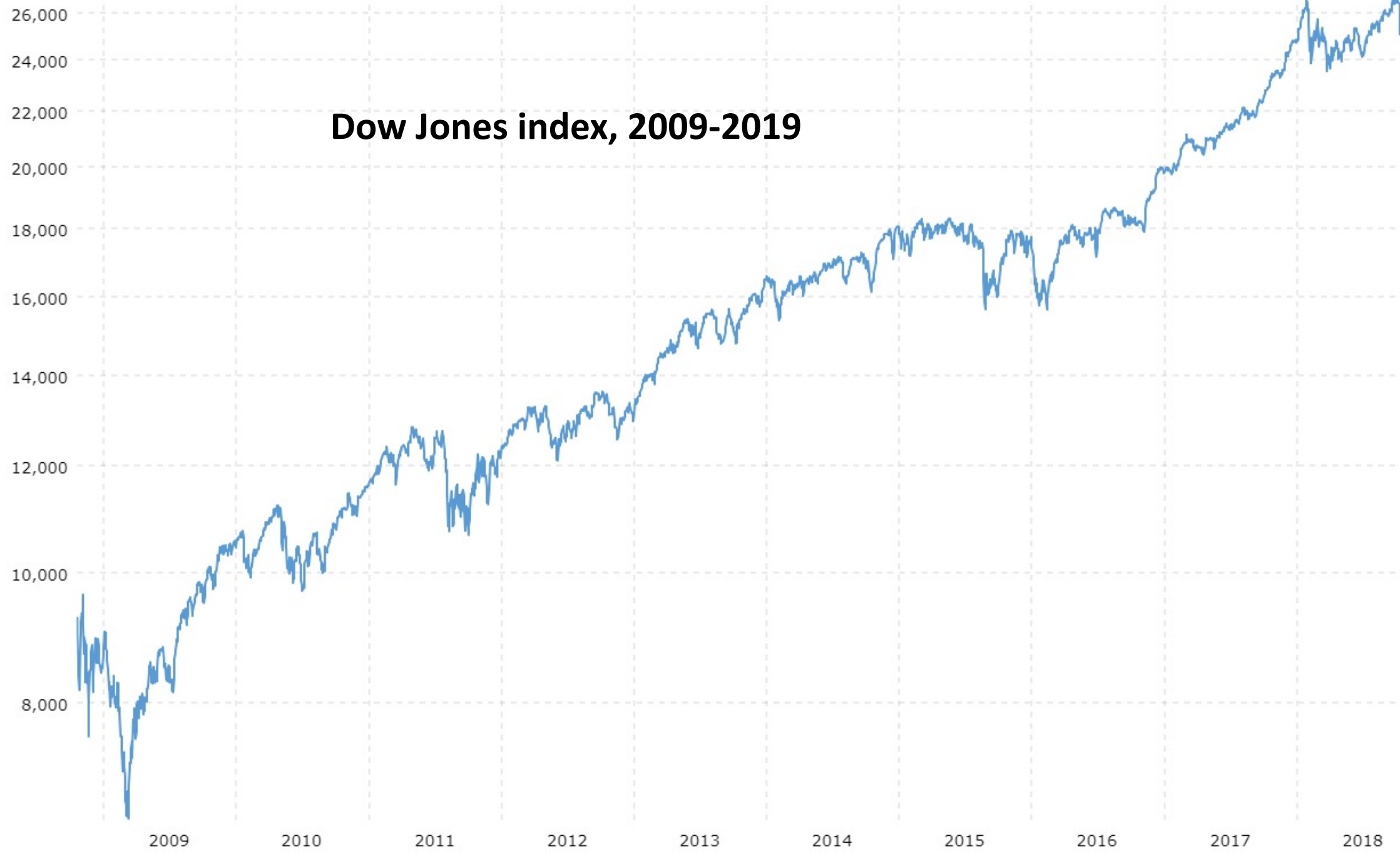
Money supply of 19 countries, GDP weighted average

Eichengreen and O'Rourke, A tale of two depressions, 2009

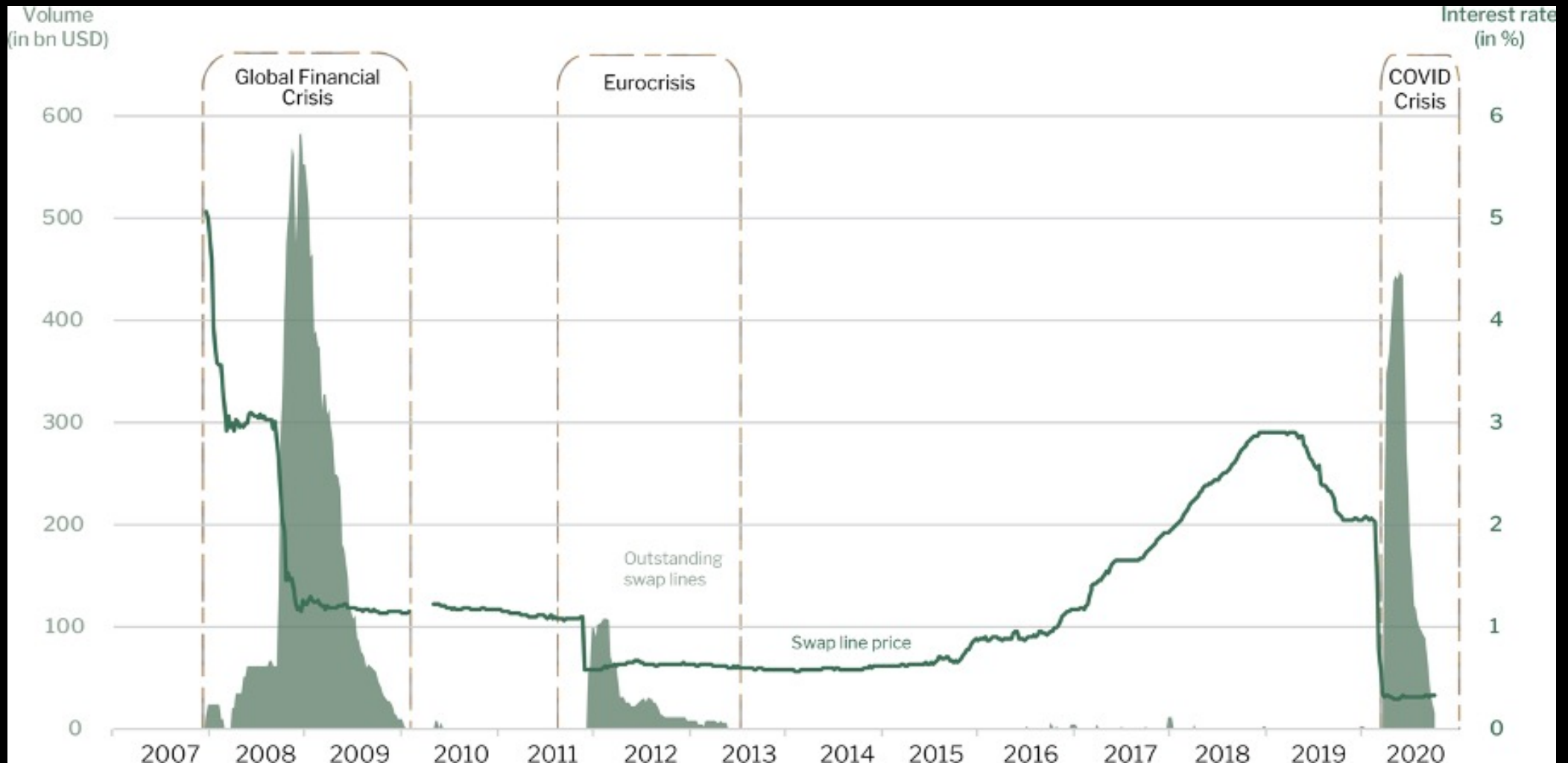


Source: Bordo et al. (2001), IMF International Financial Statistics, OECD Monthly Economic Indicators.

Dow Jones index, 2009-2019



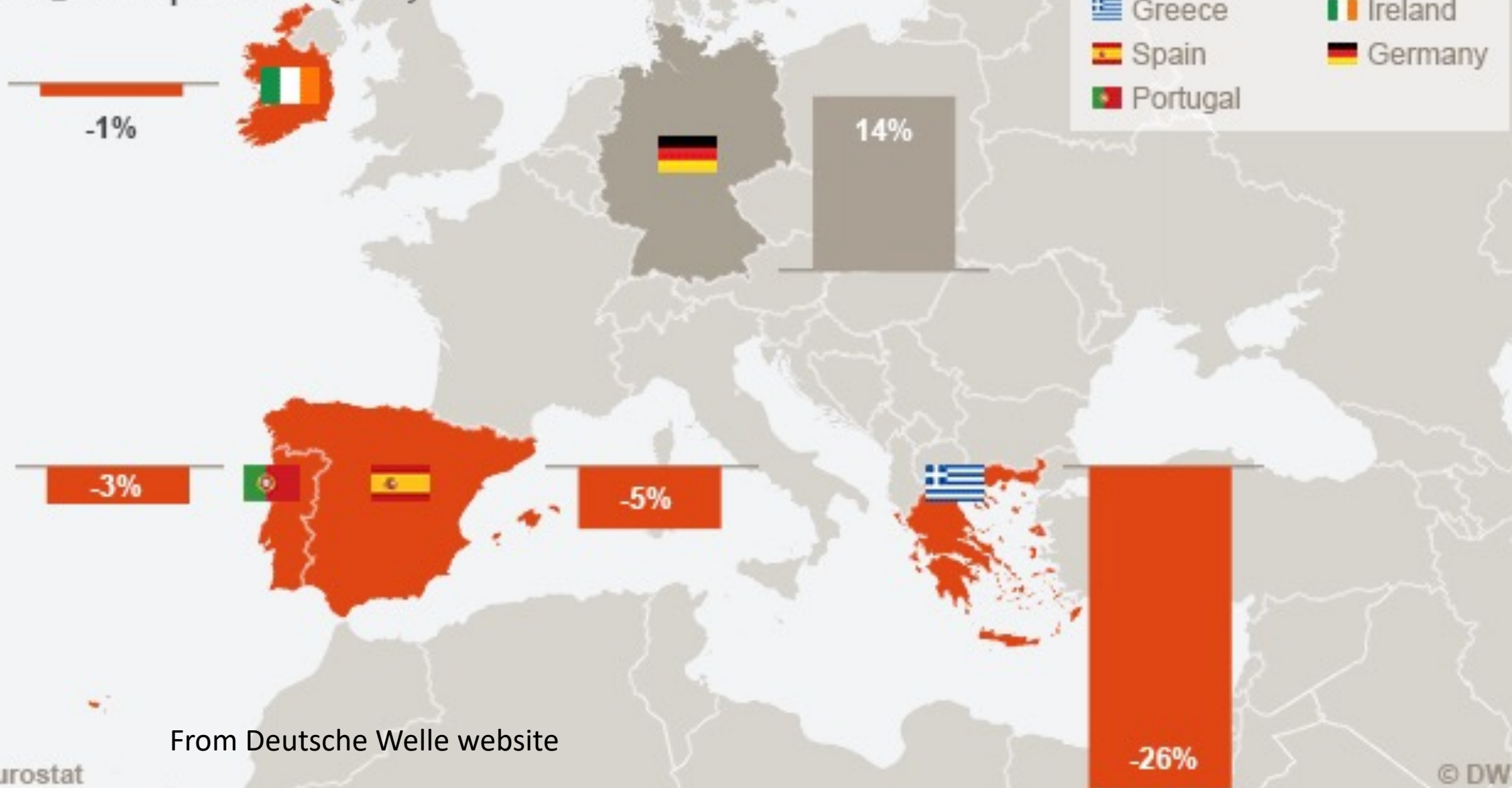
Drawings on Federal Reserve Swap Lines, Volume and Price (2007-20)



Source: Boston University Global Development Policy Center/Federal Reserve Bank of St Louis

Economic Output 2008-2014

Change of GDP 2014 vs. 2008 (in %)



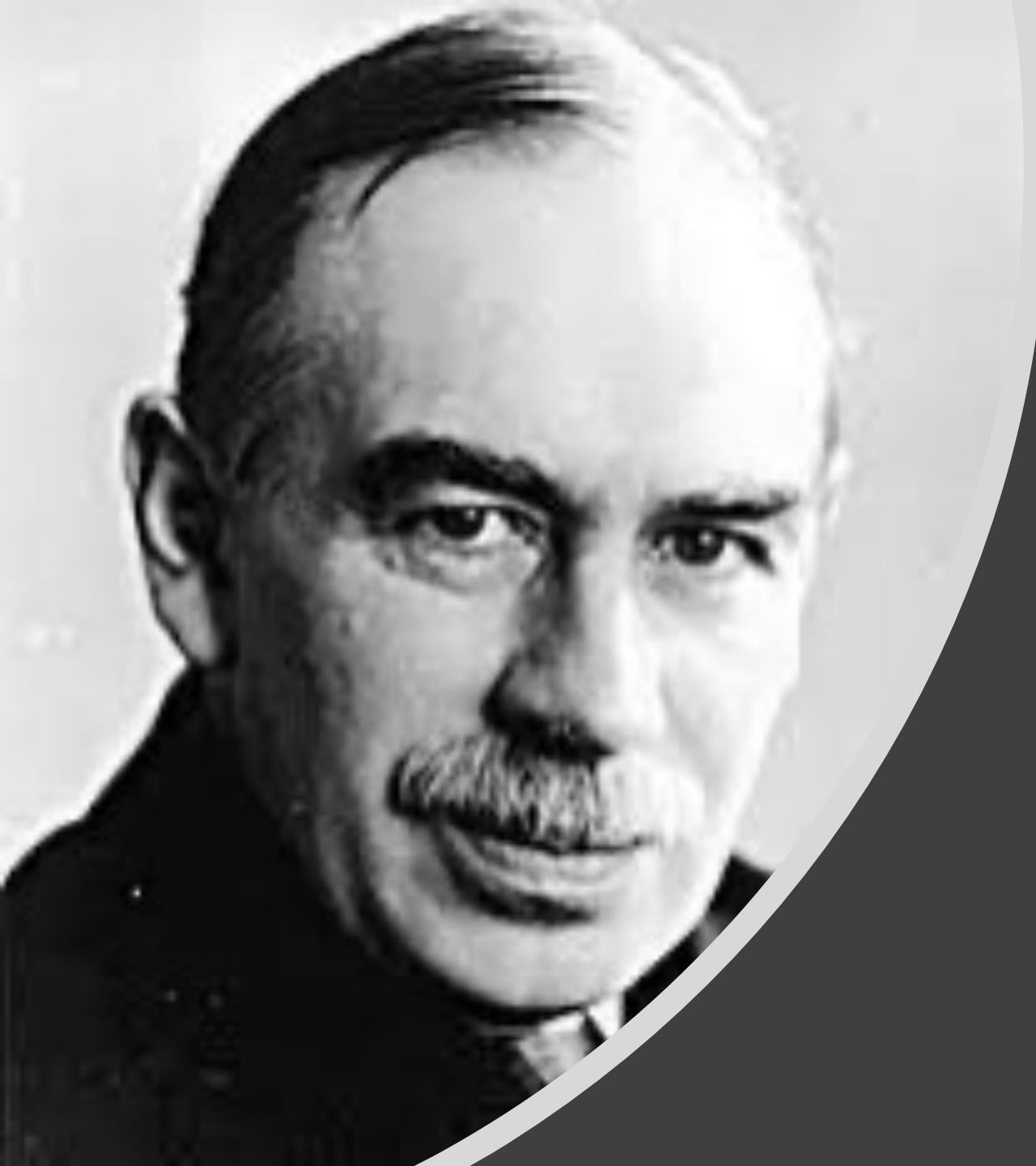
From Deutsche Welle website

Source: Eurostat

© DW



Source: Occupy London
website

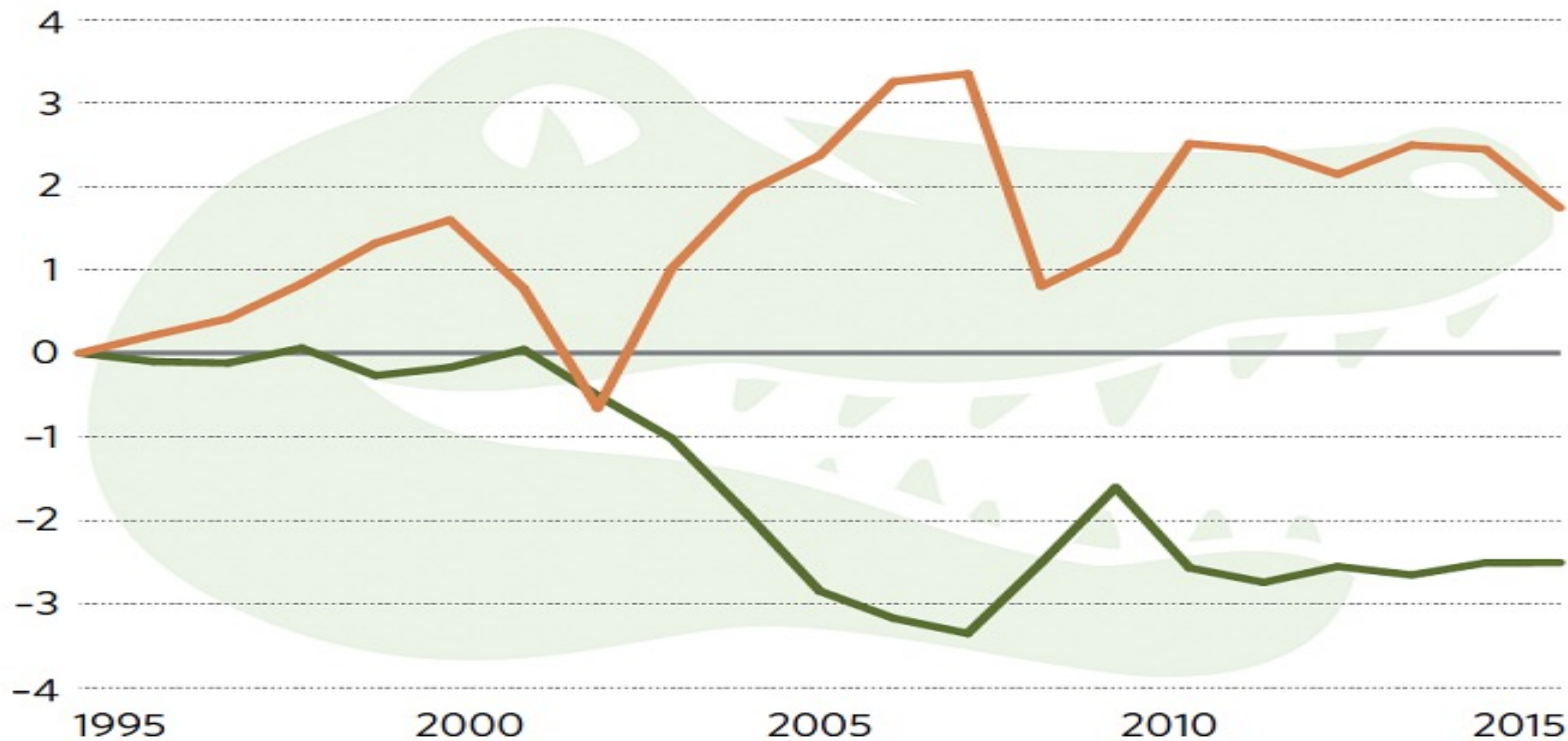


John Maynard Keynes, 1933

“The decadent international but individualistic capitalism in the hands on which we found ourselves after the [First World] war, is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous – and it doesn’t deliver the goods. In short, we dislike it and we are beginning to despise it. But when we wonder what to put in its place, we are extremely perplexed.”

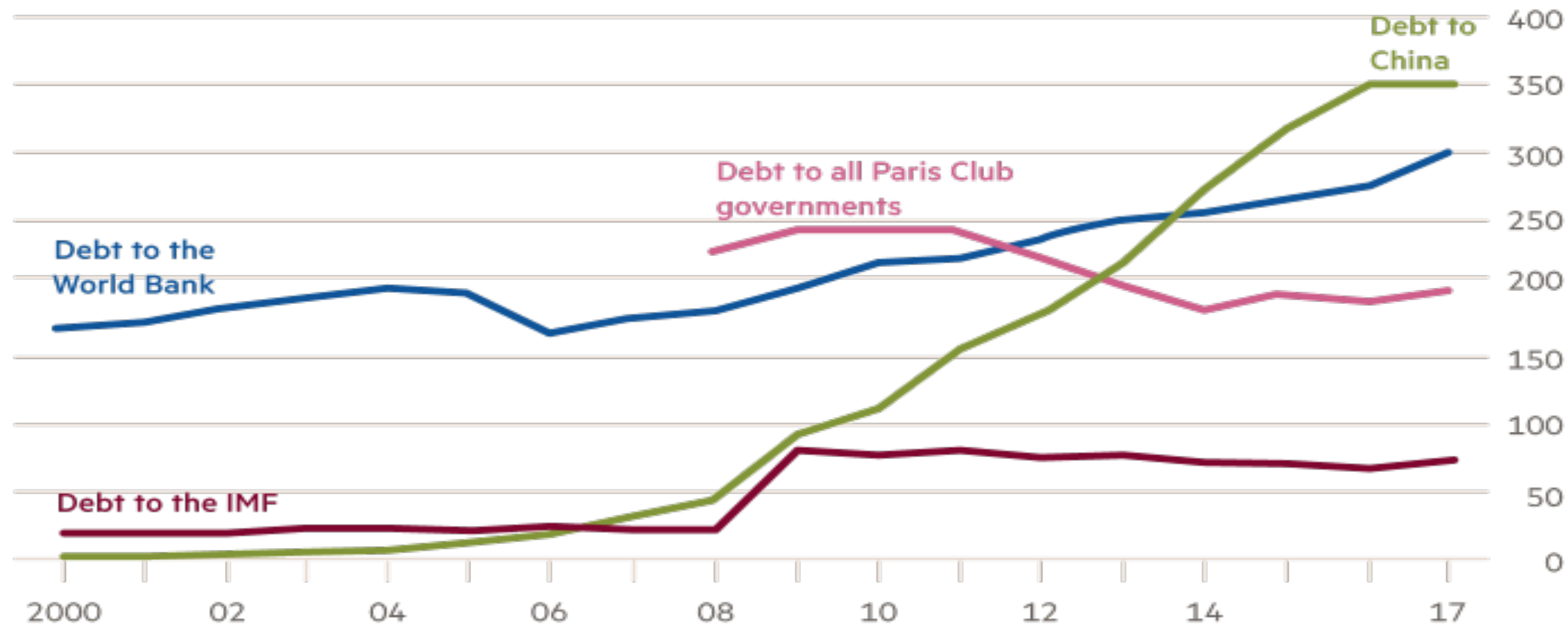
Top 2,000 transnational corporations' profit and the global labor income share, 1995-2015 (percentage point change in GDP)

1995 benchmark Top 2,000 TNCs net income Labor income



China is now the largest official creditor to the developing world

Aggregate external public debt owed to different official creditors (\$bn)



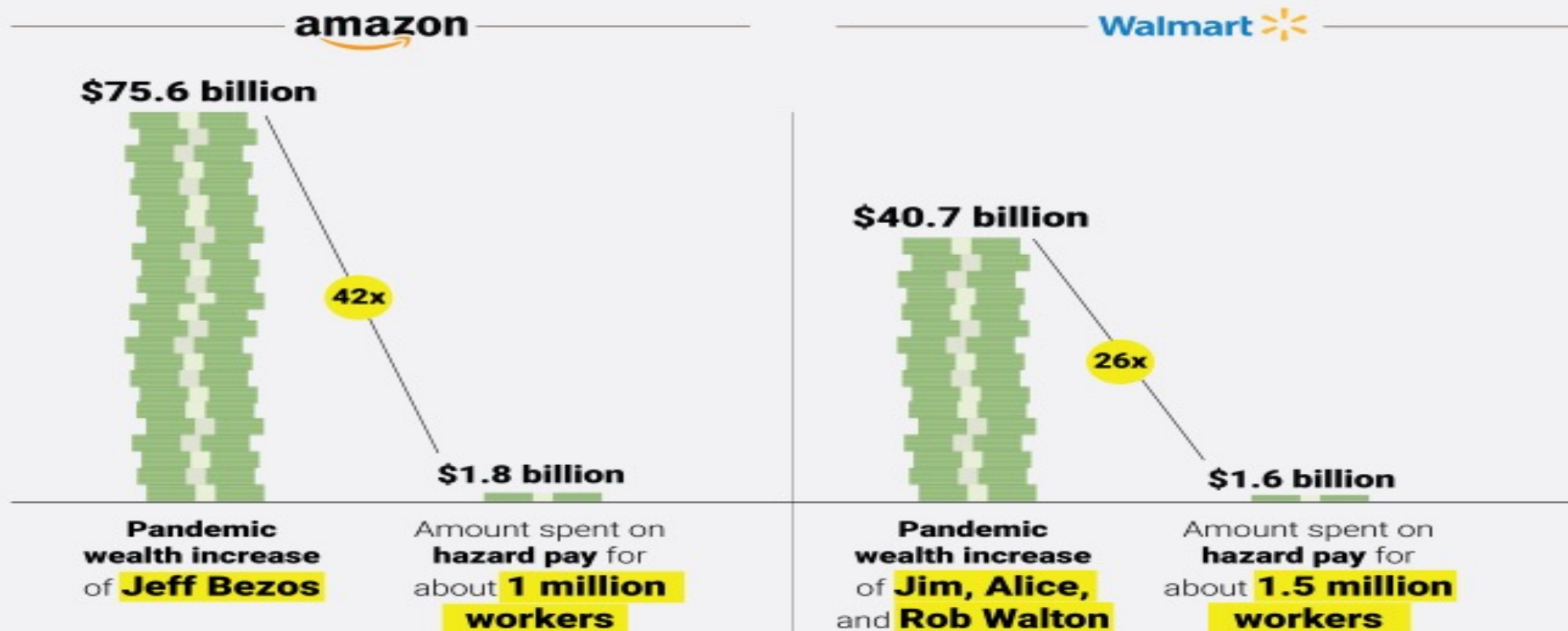
Sources: Horn, Reinhart and Trebesch (2019); World Bank; International Development Association; Paris Club

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Pandemic Wealth Increases vs Pandemic Pay for workers at Amazon and Walmart over the pandemic

Pandemic wealth increase vs total amount spent by Amazon and Walmart on hazard pay for all frontline workers as of December 2020



Source: Brookings analysis of Amazon and Walmart's COVID-19 compensation, Forbes' "The Real-Time Billionaires List", Fortune 500 ranking. **Methodology:** Pandemic wealth increase of Jeff Bezos and Jim, Alice, and Rob Walton is calculated between March 18, 2020 and December 17, 2020. Total amount spent by Amazon and Walmart on COVID-19 hazard pay is from the start of the pandemic to December 31, 2020.



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