No ordinary recovery

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A tweet by Danny Blanchflower drew my attention to a November article by the Washington DC correspondent of The Economist. The article carried the same title as this post and in it he argued that whilst it appeared that the US economy was recovering there was nothing normal about the way in which it was doing so. There were good reasons for that, he argued, of which this one stood out:

Rapid growth in wages is unlikely, for three reasons. First, falling union membership and global competition have left workers in a weaker bargaining position than ever before. Labour's share of national income is hovering around 63%; at the turn of the millennium it exceeded 70%. Even in a tight labour market, workers will find it hard to negotiate big pay rises. Second, labour-market participation remains low, meaning some workers can probably be tempted back into the workforce before wage growth takes off.

The data is slightly different in the UK, and the fall in the Labour share is longer term, but the overall trend is not dissimilar, and the reasoning is entirely the same.

So whatever recovery we have has not benefitted most people, and many remain proportional to the economy as a whole worse off.

No wonder there was no need for an interest rate rise in the US.

And that there is no need for such an increase here.

But equally, there is also no surprise that there are calls for more curbs on unethical behaviour by companies.

And for a wealth tax.