

The polycrisis of capitalism in the 21st century

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Polycrisis

Global warming and pandemics



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graph TD; A[Global warming and pandemics] --> B[Global poverty and rising inequality]; B --> C[Stagflation and rising debt]; C --> D[Rising geopolitical conflict]; D --> E[AI and jobs]
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Global poverty and rising inequality

Stagflation and rising debt

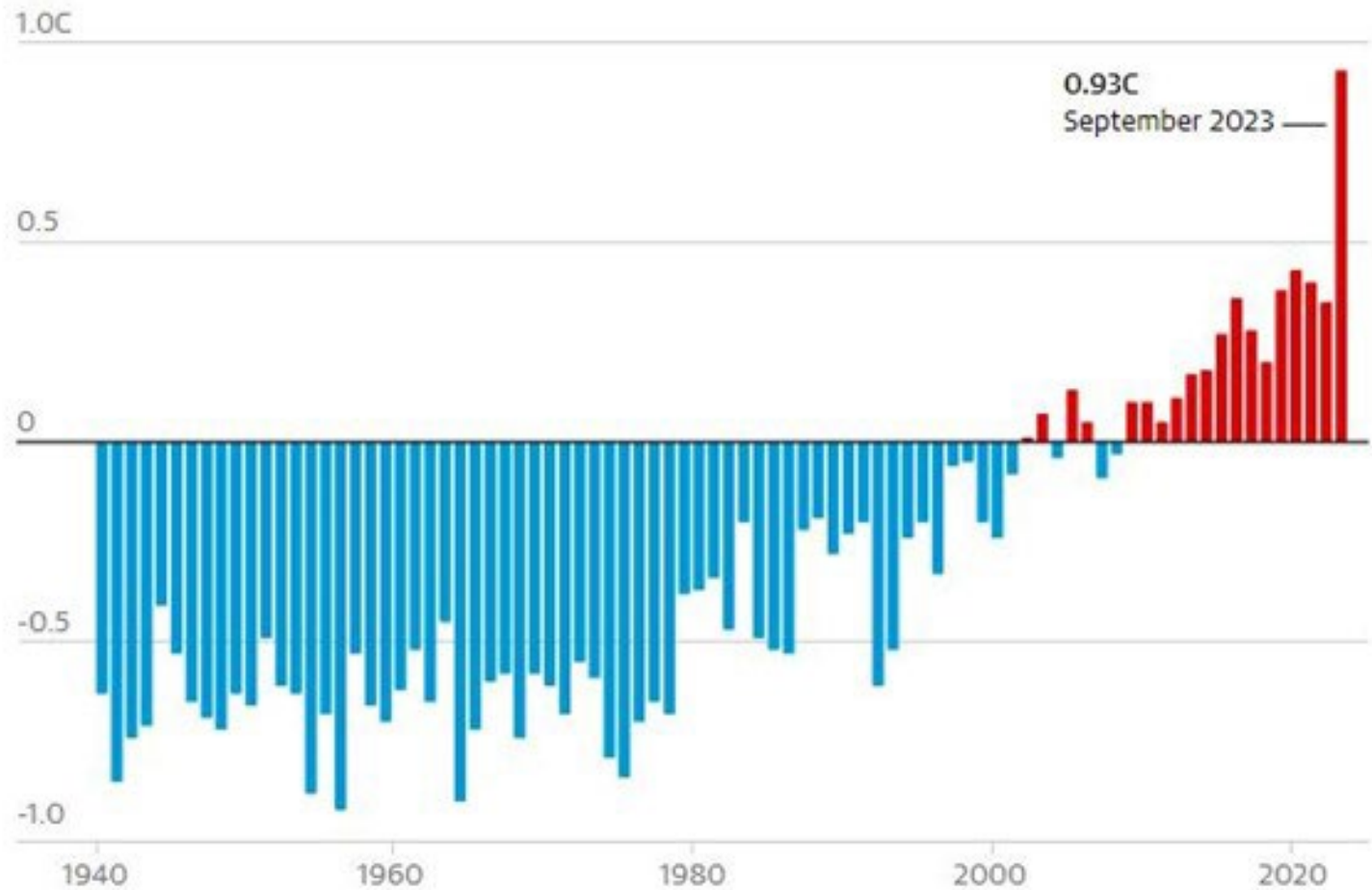
Rising geopolitical conflict

AI and jobs

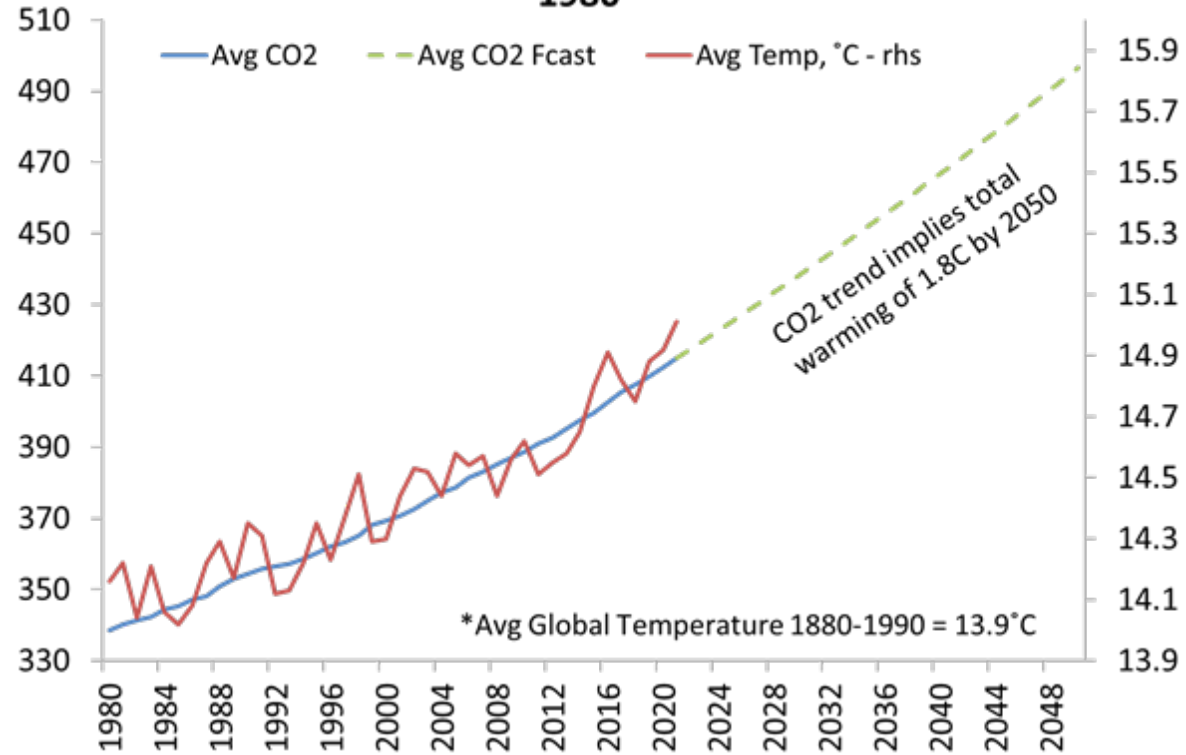
Warming fast

September 2023 was the warmest on record

Global average surface temperature anomalies relative to 1991-2020, each September



Atmospheric CO2 (ppm) & Avg Global Temp (°C) Since 1980*

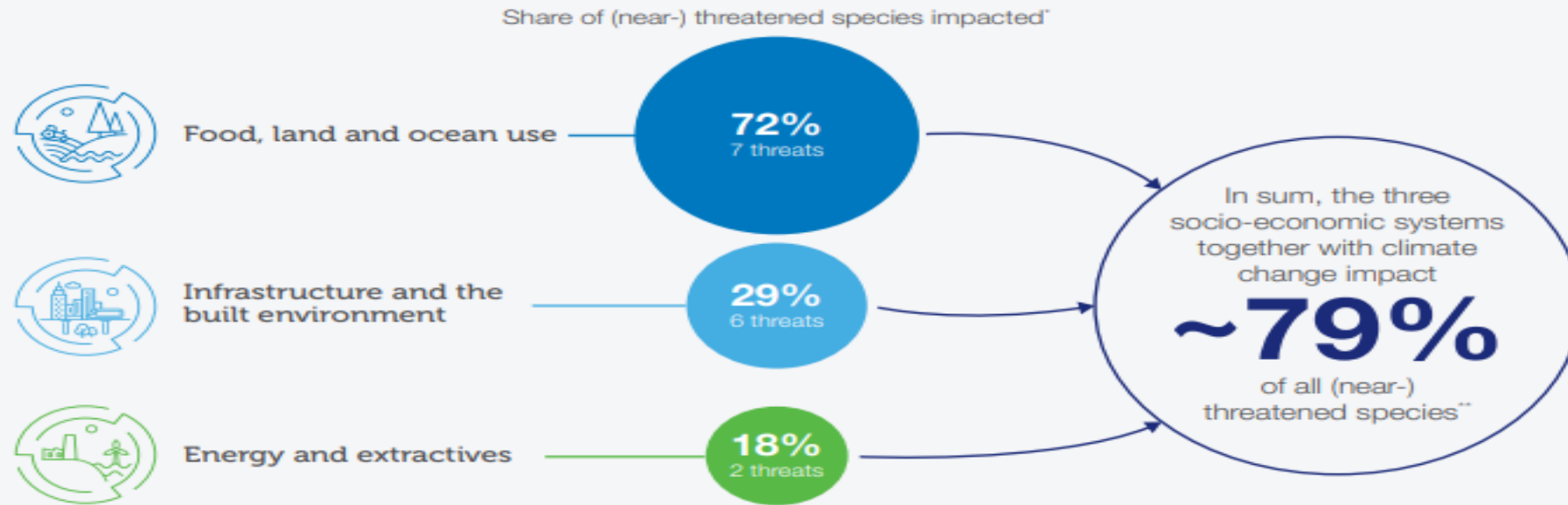


Global warming

Environment collapse

FIGURE E1

Together, the threats emerging from the three systems endanger around 80% of the threatened or near-threatened species



* Consistent with methodology adopted by Maxwell et. al. (2016); "threatened" species include those that are critically endangered, vulnerable, and lower risk – conservation dependent. **Due to partial overlap between the species impacted by the three systems, the percentage of species impacted by all systems is smaller than the sum of the percentages of the species impacted by each system.

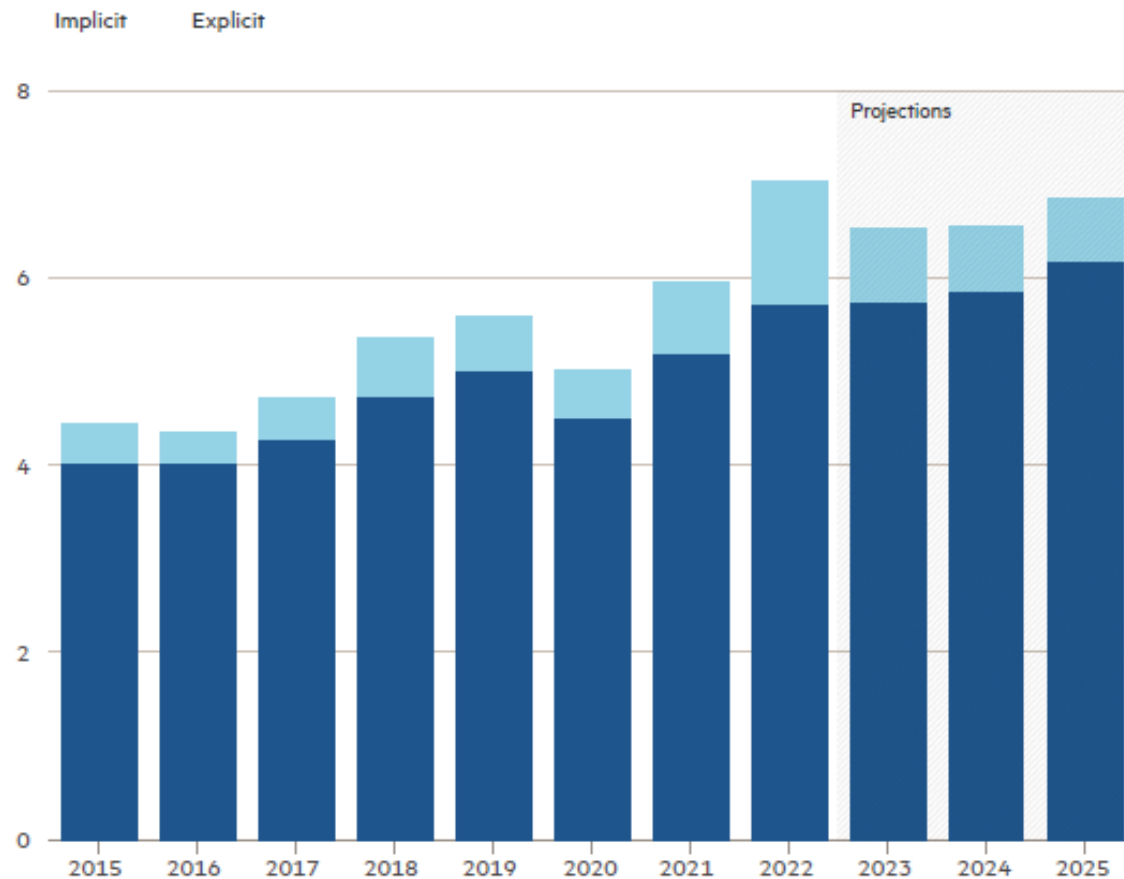
SOURCE: IUCN Red List of Threatened Species; AlphaBeta analysis

Fossil fuel rising, not falling

- More than 90% of their rainforest 'offset credits' – among the most commonly used by companies – are likely to be “phantom credits” and do not represent genuine carbon reductions.

Global fossil fuel subsidies continue to climb

Implicit and explicit fossil fuel subsidies (\$tn)



FINANCIAL TIMES

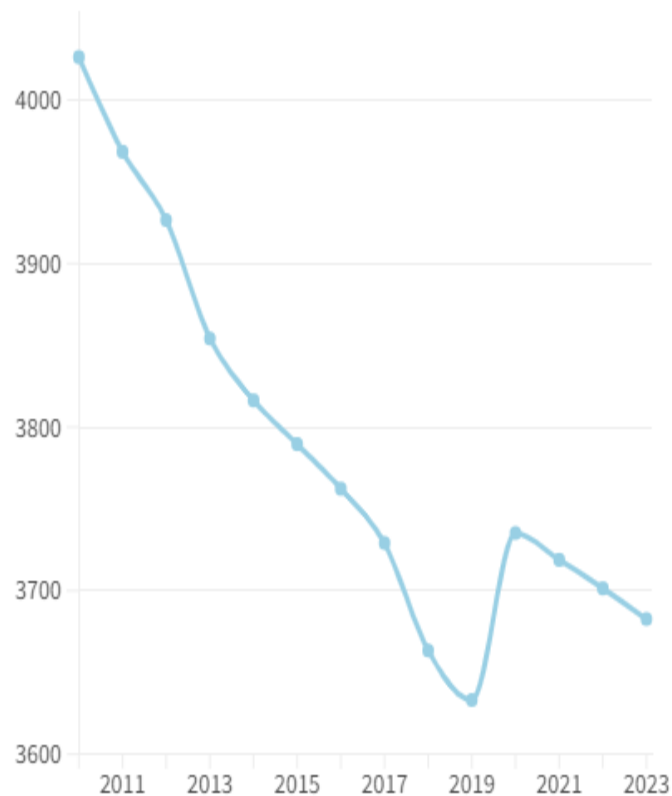
Source: IMF

Global poverty is still with us

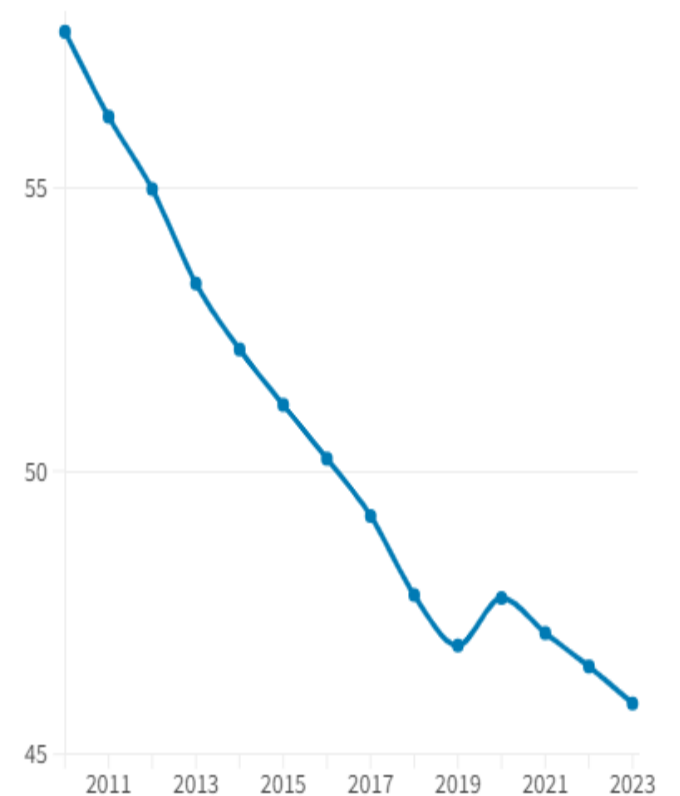
- A staggering 2.7 billion people could only cover their basic needs for a month or less without income, and of that number, 946 million could survive for a week at most.
- Even including China, there are still 3.65bn people on the planet below the \$6.85/day poverty line, according to the World Bank.

Poverty line: 2.15 3.65 6.85

Millions of poor



Poverty rate (%)

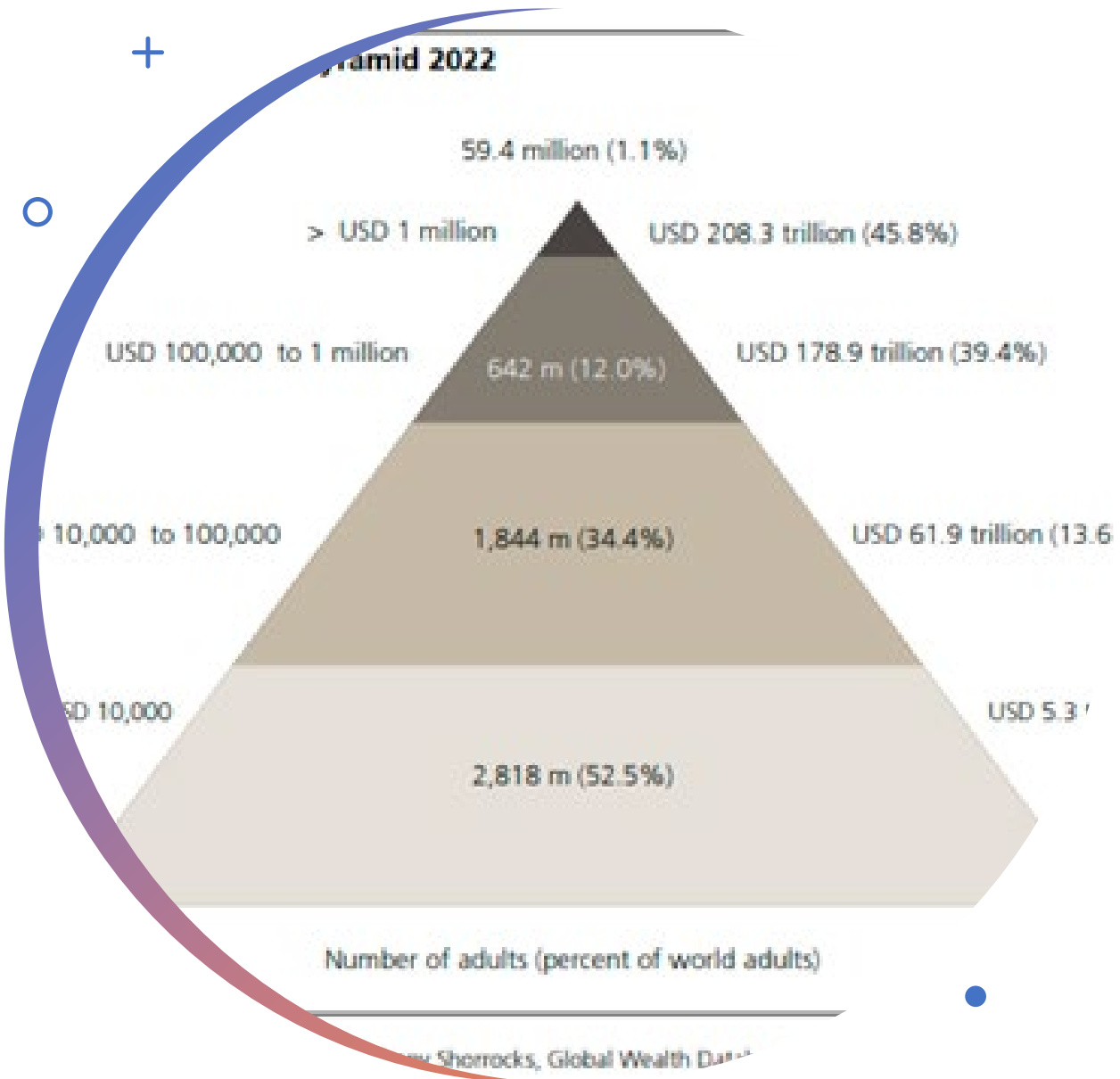


Source: [Poverty and Inequality Platform](#), Mahler (2022, updated), [Click here for an equivalent figure with regional trends](#)



Global hunger

- [Between 690 and 783 million people in the world faced hunger in 2022.](#) This is 122 million more people than before the COVID-19 pandemic.
- Almost 600 million people will be chronically undernourished in 2030. So the UN target of zero hunger by then is way off track.
- More than 3.1 billion people in the world – or 42 percent – were unable to afford a healthy diet. Worldwide in 2022, an estimated 148 million children under five years of age (22.3 percent) were stunted; 45 million (6.8 percent) were wasted; and 37 million (5.6 percent) were overweight.
- 2.4 billion people in the world face ‘food insecurity’ in 2022, nearly half in Asia; 37 percent were in Africa;
- One billion Indians cannot afford to eat a healthy diet. That’s 74% of the population.



Extreme inequality

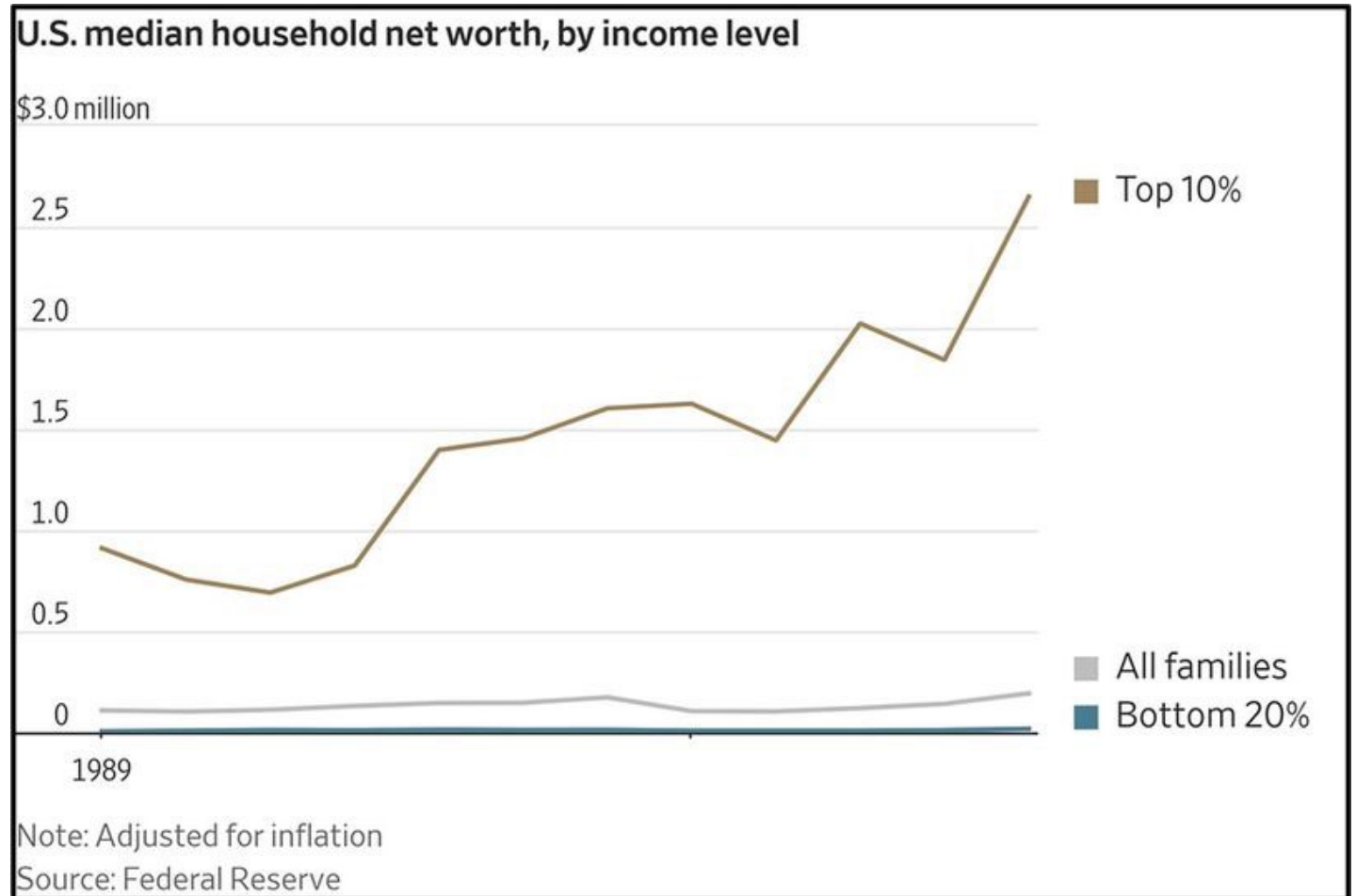
- In 2022, 1% of adults (59m) owned 44.5% of all personal wealth in the world, slightly higher than before the pandemic in 2019.
- At the other end of the wealth pyramid, the bottom 52.5% of the world's population (2.8bn) had net wealth of just 1.2%.

Wealth inequality at home

As for wealth inequality *within* countries, the Gini coefficient (the usual measure of inequality) for wealth was a huge 85.0 in the United States (remember 100 would mean one adult owning all the wealth).

In the United States, all measures of inequality have trended upward since the early 2000s. The wealth share of the top 1% of adults rose from 32.9% in 2000 to 35.1% in 2021 in the United States.

Within
countries too



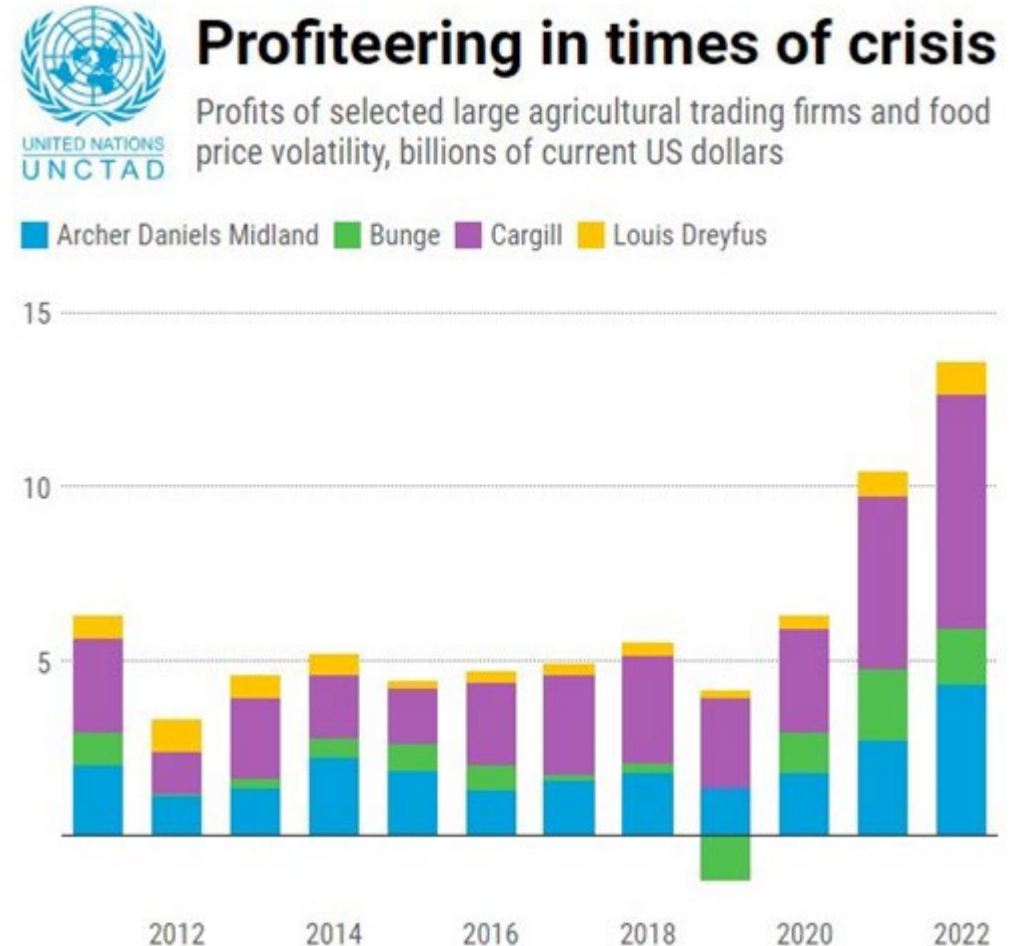
Inflation returns

Over two-thirds (69%) of 29 countries have "high" or "very high" inflation compared with their 50-year trends; approximately three-quarters (79%) experienced inflation rates above 6% end-2022, the most prevalent global inflation has been since 2008.



Profit-driven inflation

- UNCTAD reports that *“During the period of heightened price volatility since 2020, certain major food trading companies have earned record profits in the financial markets, even as food prices have soared globally and millions of people faced a cost-of-living crisis.”*



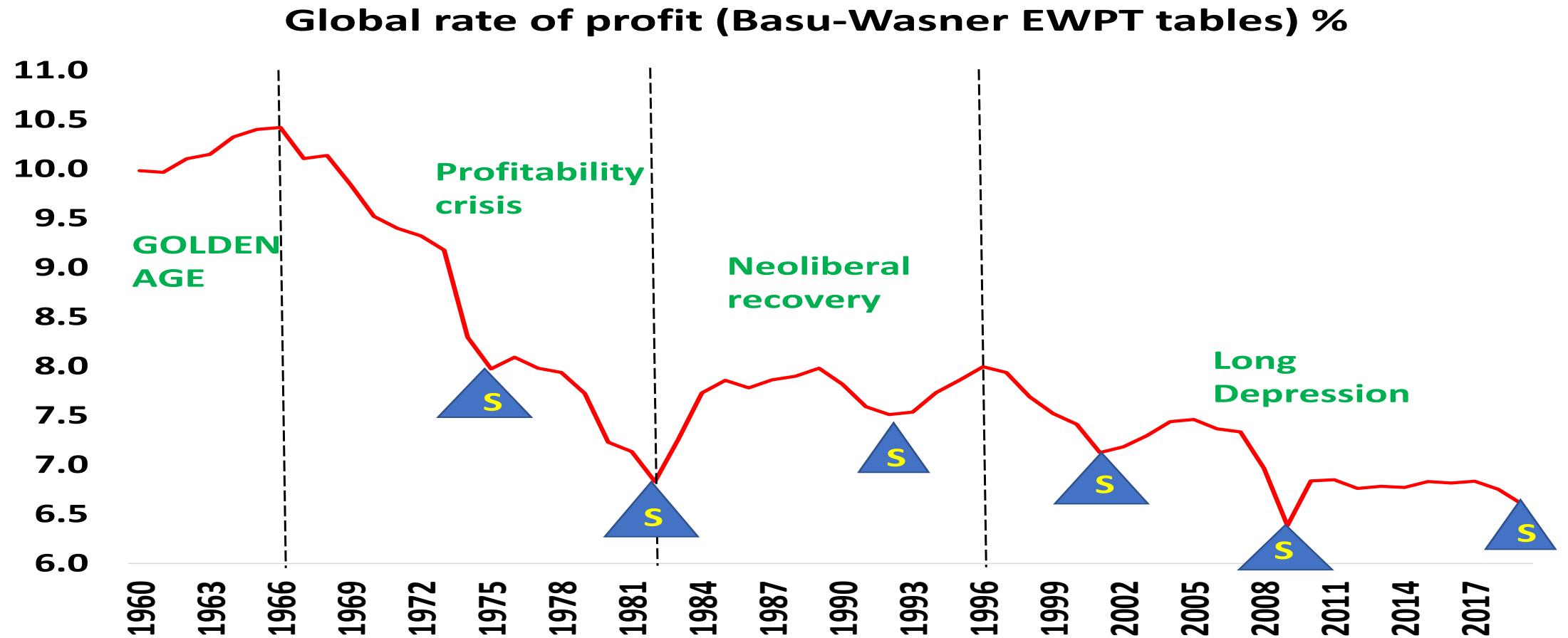
Stagflation

- UNCTAD reckons that the world economy has stalled and the risks of a slump over the coming year are rising.
- World Bank reckons that Asia faces one of worst economic outlooks in half a century. The 'Asian tigers' of Korea, Taiwan, Singapore, Hong Kong etc are set to expand at one of the lowest rates in five decades.
- Global trade is falling at its fastest since the pandemic. China, the world's largest goods exporter, posted a 1.5 per cent fall, the Eurozone 2.5 per cent and the US a 0.6 per cent decrease.
- Global industrial production also fell.

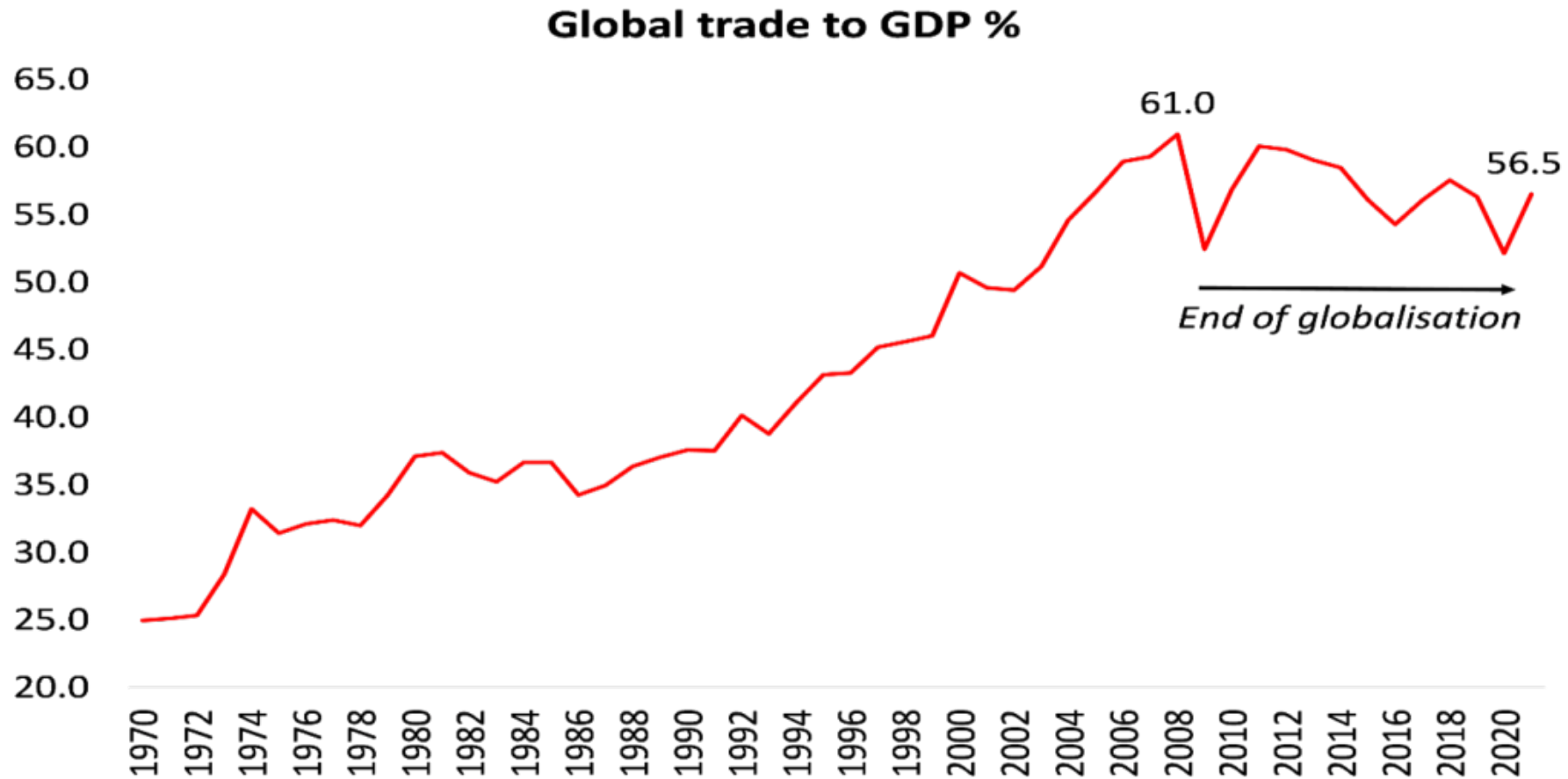
Global debt squeeze

- Global debt has hit a new high. Total debt – spanning sovereigns, corporates and households – rose by \$10tn to about \$307tn in the six months to June, or 336% of world GDP.
- The World Bank estimates that 60 per cent of low-income countries are heavily indebted and at high risk of debt distress, while many middle-income countries also face significant budgetary challenges.
- Debt burdens “are crushing too many developing countries. Debt service on external public debt relative to government revenues has surged from nearly 6% to 16% between 2010 and 2021.”

Why regular and recurring crises?



End of globalisation

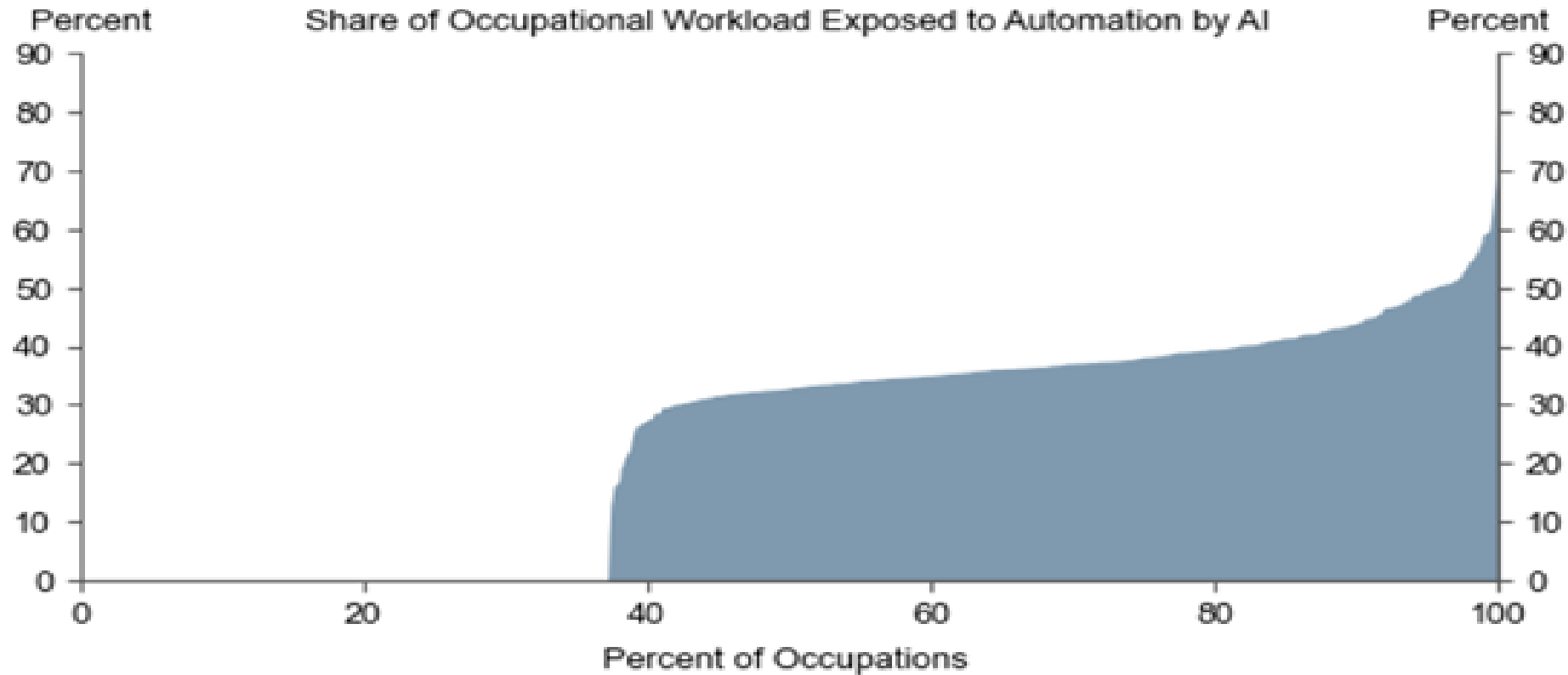


Global fragmentation

- Cost to global output from trade fragmentation could range from 0.2% (in a limited fragmentation/low-cost adjustment scenario) to up to 7% of GDP (in a severe fragmentation/high-cost adjustment scenario).
- With the addition of technological decoupling, the loss in output could reach 8% to 12% in some countries.

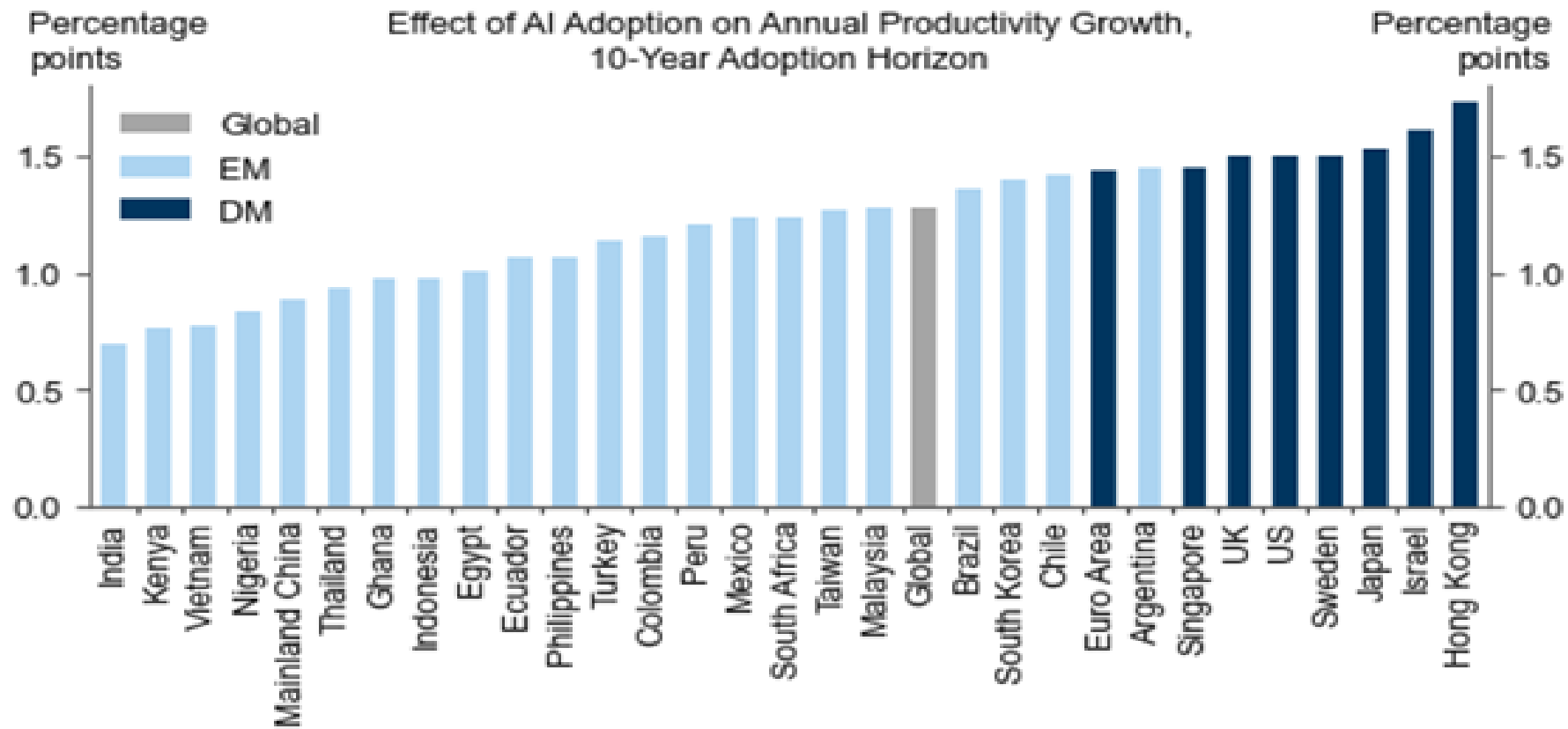
AI: the threat to jobs

Exhibit 4: Two-Thirds of Current Occupations Could be Partially Automated by AI



Or a boost to productivity?

Exhibit 14: Productivity Growth Boosts Could Be Sizable in Other Countries As Well; We Estimate Widespread AI Adoption Could Boost Global Annual Productivity Growth by 1.4pp Over a 10-Year Period



UK economic calamity

- Low productivity growth, low investment growth, low profitability outside energy, pharma and finance: WHY?
- A rentier economy: Britain chose finance over industry
- Austerity over investment, and
- Brexit: an isolated economy over openness to the world.
- Intensified role as a lapdog to American hegemony
- The poorest country in north-west Europe based on wealth per head of population - House of Commons research shows the UK lags behind all 13 of its closest neighbours when it comes to per capita wealth.

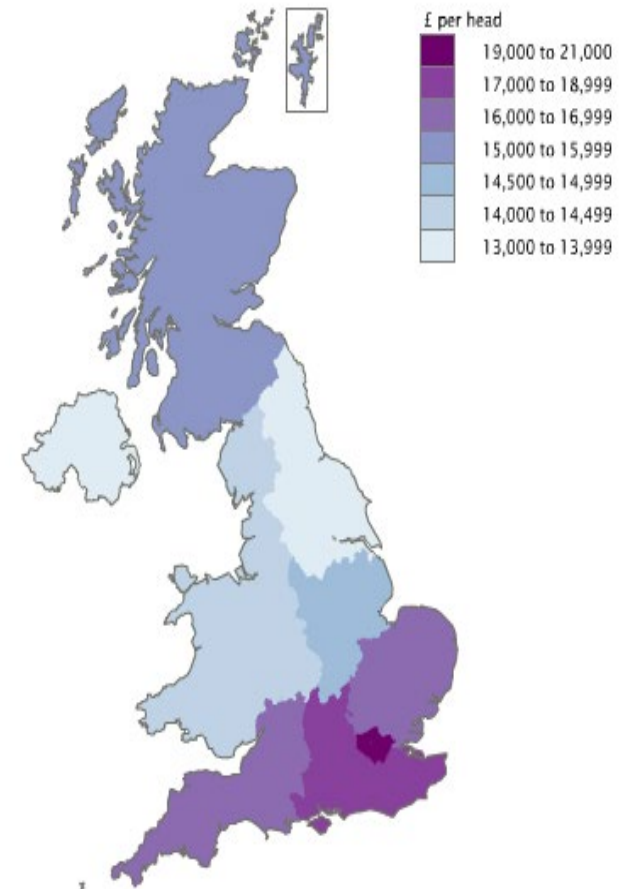
The UK record

- Highest inflation for 41 years. The average real wage is less than in 2007.
- 16m live in poverty;
- Almost four million people experienced the most extreme form of poverty last year “horrifying levels of destitution”: Joseph Rowntree Trust
- Children in poverty has almost trebled since 2017 and topped one million for the first time.
- 334,000 died from 2012-2019 austerity. 7.1m are stuck in the NHS waiting list in England. Life expectancy is down.
- More billionaires; increased inequality of wealth and income.

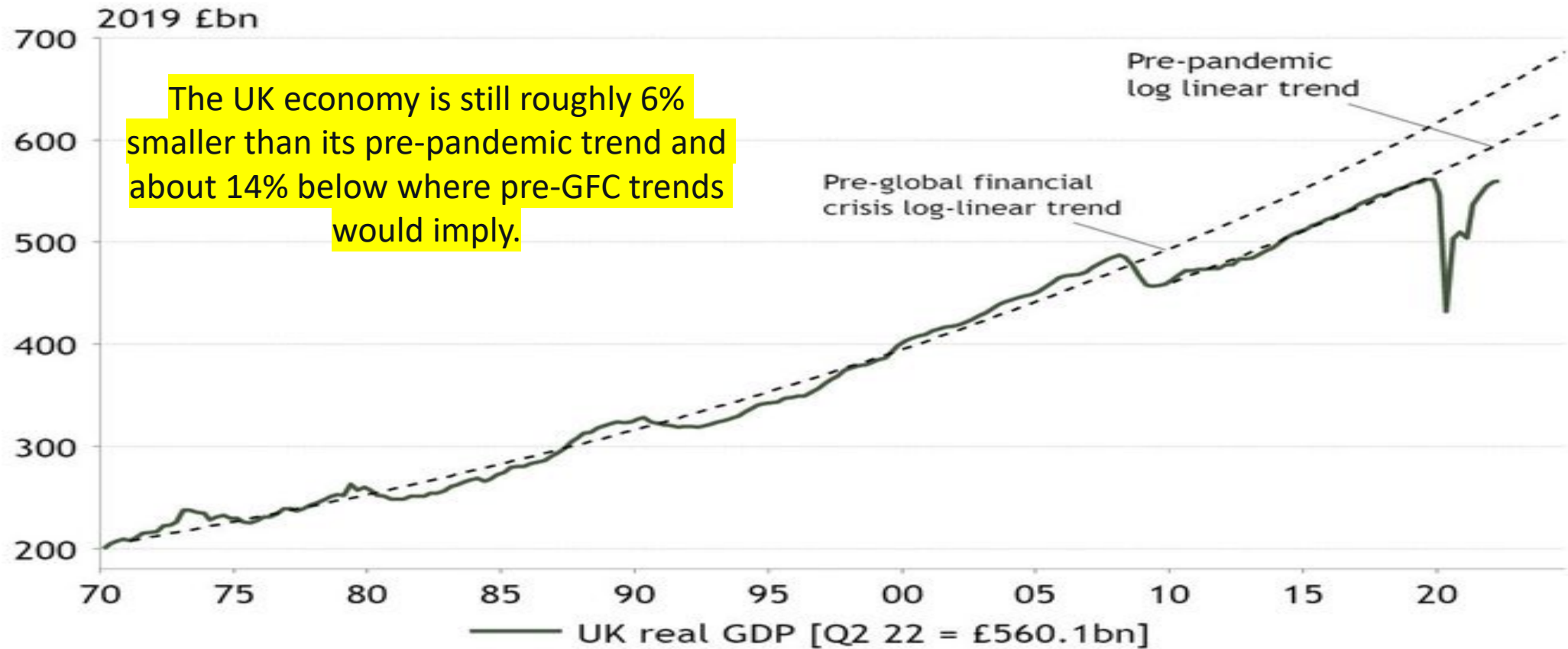
UK has higher level of regional inequality than any other large wealthy country

[Analysis by Professor Philip McCann](#) at the University of Sheffield has shown that the UK is more inter-regionally unequal than the United States, France, Germany, Spain, Sweden and South Korea.

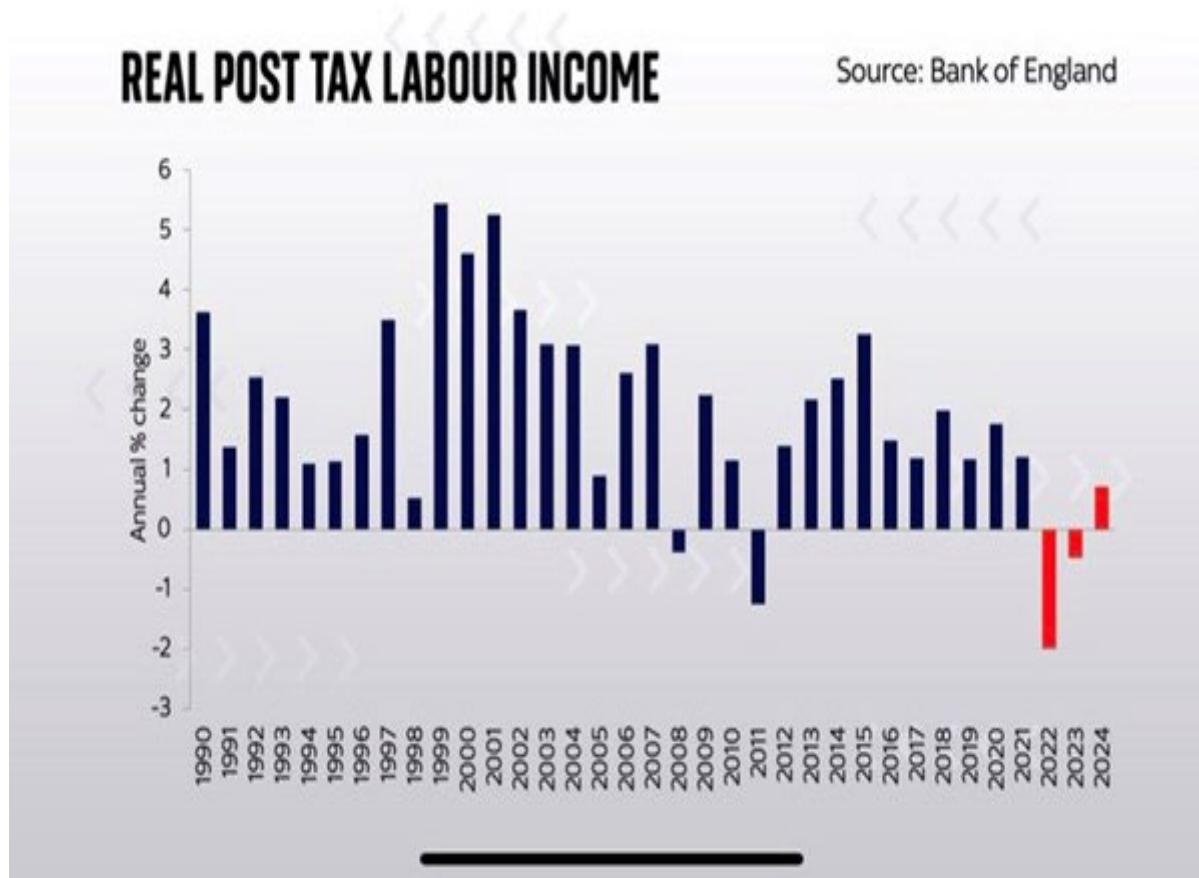
The only wealthy countries with higher levels of regional inequality are Slovakia and Ireland – so across a very broad range of 28 indicators, the UK is inter-regionally more unequal than 28 other advanced Organisation for Economic Co-operation and Development (OECD) country



Weakest recovery after pandemic



The longest wage slump in 200 years!



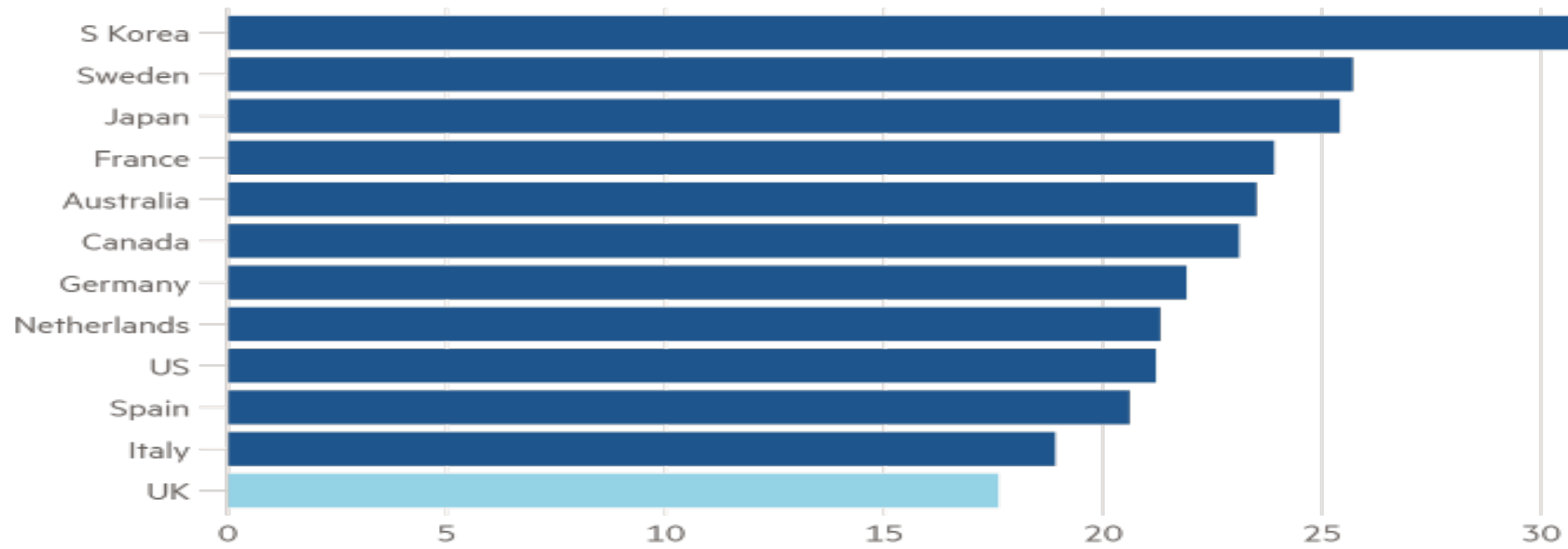
UK wages are not expected to return to their pre-financial crisis peak until at least 2024. This would mean UK workers waiting a total of 16 years from the financial crisis in 2008 until their pay is fully recovered – the longest wage slump in 200 years: <https://obr.uk/overview-october-2018-economic-fiscal-outlook/>

And remember this is after a strangulation of real household incomes for nearly 30 years in the UK – [the longest wage squeeze in 200 years!](#)

Why is the UK economy so relatively poor

The UK's investment share in GDP is exceptionally low

Investment share in GDP (%), average 2016 to 2022

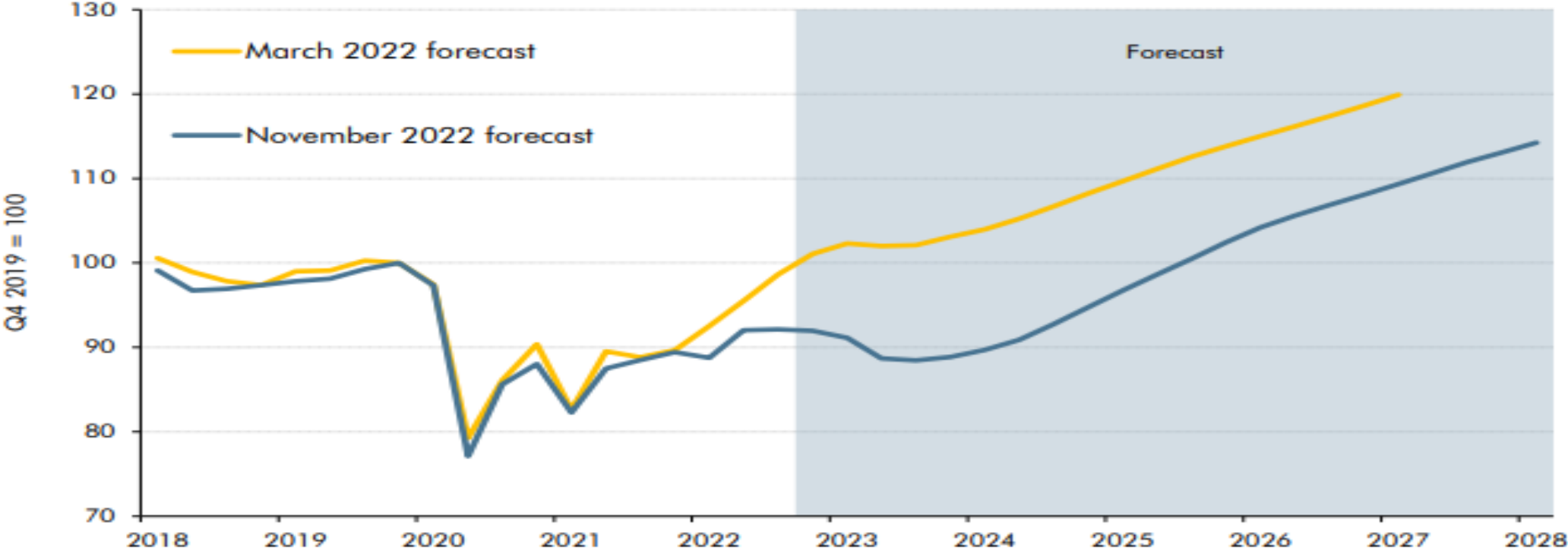


Source: IMF
© FT

No investment for the future

Investment will be below its mid-2010s levels right into the second half of this decade.

Chart 7: Business investment

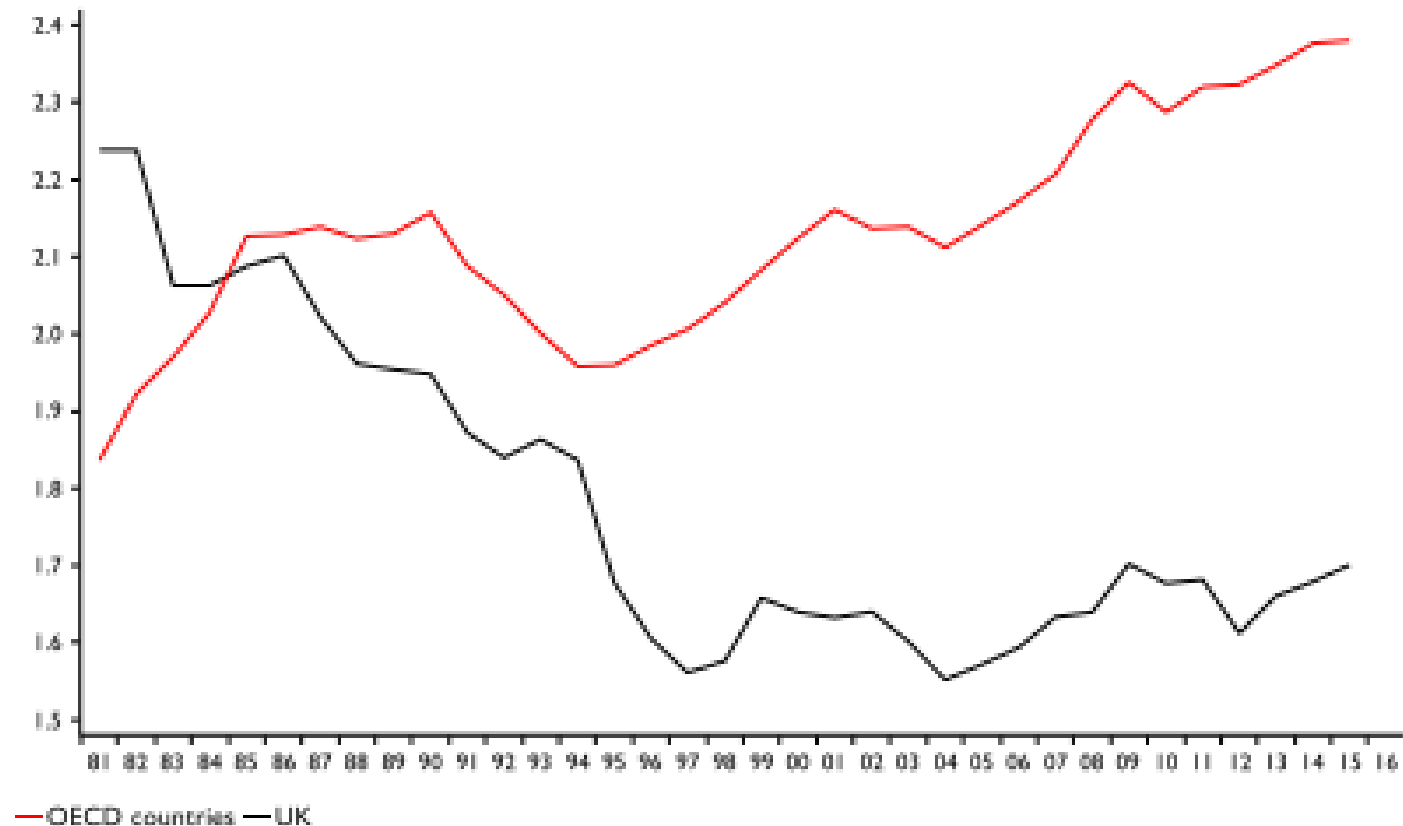


Source: ONS, OBR

UK capital fails to innovate

Chart 13

R&D spending as a % of GDP



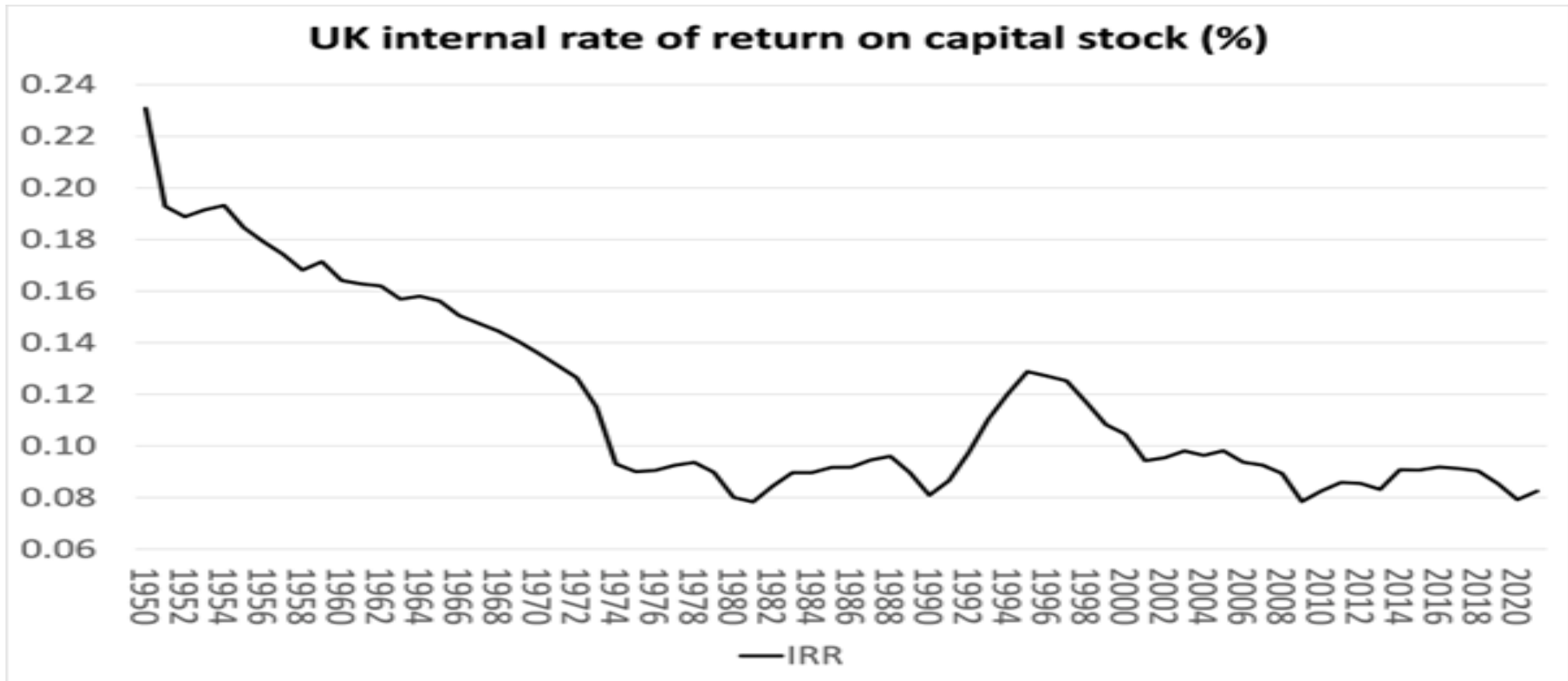
British uses cheap labour instead

- Between 2003 and 2018, the number of automatic-roller car washes (that is, robots washing your car) declined by 50 percent, while the number of hand car washes (that is, men with buckets) increased by 50 percent.”
- According to the International Federation of Robotics, the U.K. manufacturing industry has less technological automation than just about any other similarly rich country. With barely [100 installed robots per 10,000 manufacturing workers in 2020](#), its average robot density was below that of Slovenia and Slovakia.

Relies on finance sector

- Failure of the UK banks to direct lending into productive sectors instead into speculative financial and unproductive property assets. Thus, UK productivity performance is extremely poor, R&D spending is low and innovation is limited.

The profitability of productive investment is low

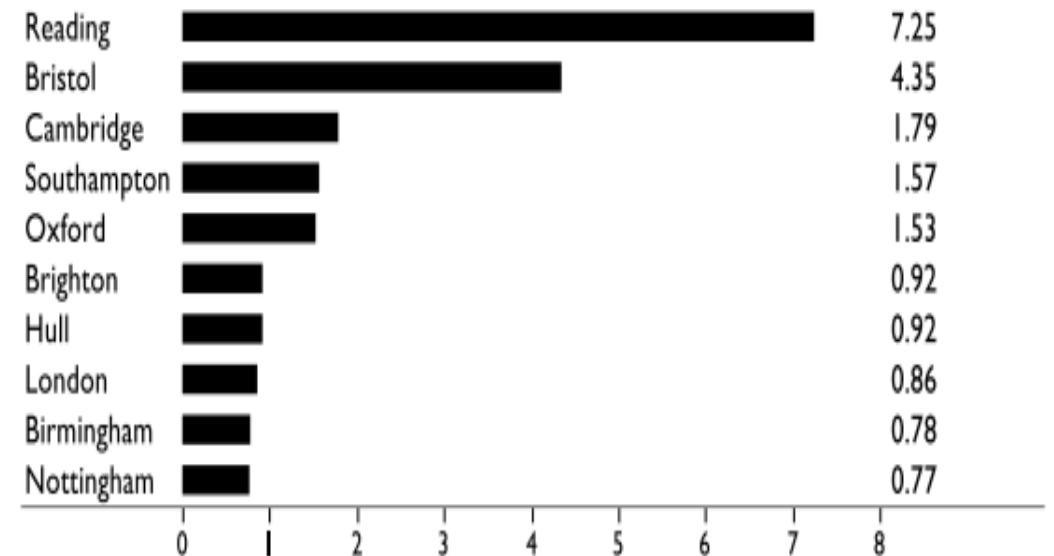


London concentrated: regional gap

- As a result, British workers are increasingly [employed in low wage sectors \(or self-employed\)](#), particularly for those regions outside London and the South East. Britain has a distorted economy, relying on finance over technology and concentrated in the south-east.

Chart 10

Digital tech business concentration by top 10 clusters (LQ - 2015)

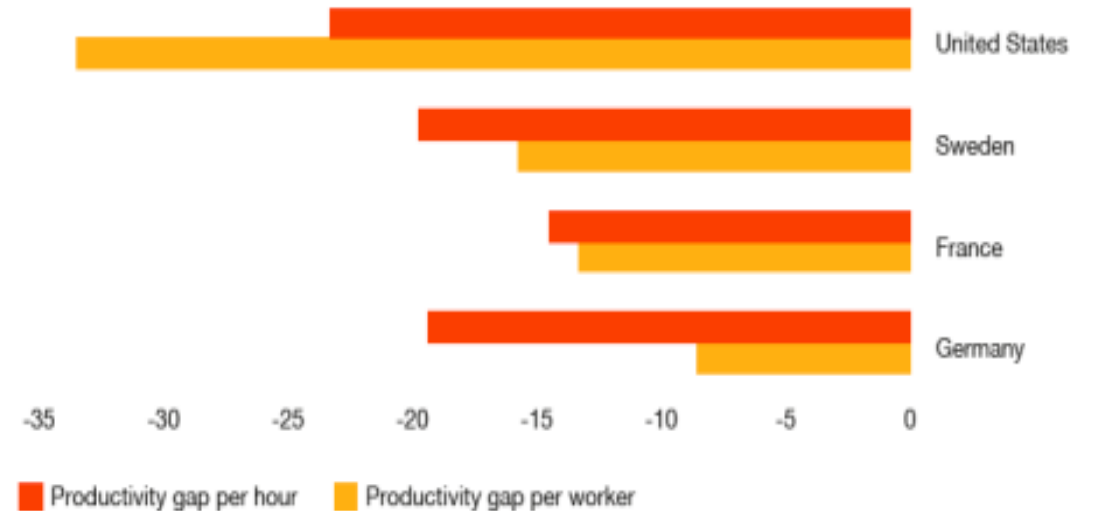


Source: BSD, Tech City, 2015

Productivity failure

- Outside of London and finance, almost every British sector has lower productivity than its Western European peers
- Labour productivity in the UK has consistently lagged behind a number of other advanced economies including France, Germany, Sweden and the US.

Figure 3.2 – The UK productivity shortfall (% difference)



Note: Productivity is measured here by GVA per hour and GVA per worker at PPP exchange rates, 2017 data. PPP exchange rates take account of differences in prices between countries and are generally acknowledged as the most appropriate measure when making international comparisons of output or productivity. Data excludes the real estate sector as differences in measurement of imputed rents can distort the figures.

Source: Eurostat

And it's getting worse

