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Financialization, the Financial and Economic Crisis, and the Requirements and Potentials for Wage-led Recovery

| Chapter

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Wage-led Growth

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Abstract

In 2008/09 the world economy was hit by a decline in real GDP, the scale of which had not been seen for generations. The so-called 'Great Recession' started with the collapse of the sub prime mortgage market in the United States in summer 2007, and it gained momentum following the collapse of Lehman Brothers in September 2008. Under the conditions of deregulated and liberalized international financial markets, the financial and real crisis spread rapidly across the world, reaching another climax with the euro crisis which began in 2010. Although

recovery has already started in late 2009 — albeit with different speeds in different countries — the world economy is far from having overcome the causes of the crisis which are rooted in long-run developments since the early 1980s. We hold that the severity of the present crisis is due to the following medium- to long-run developments, in particular in the advanced capitalist economies but also affecting the emerging market economies: the inefficient regulation of financial markets; an increasing inequality in the distribution of income; and rising imbalances at the global (and at the euro area) level.¹ These developments have been dominated by the policies aimed at the deregulation of labour markets, the reduction of the level of government intervention in the market economy and of government demand management, the redistribution of income from (lower) wages to profits and top management salaries, and the deregulation and liberalization of national and international financial markets.

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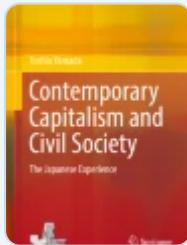
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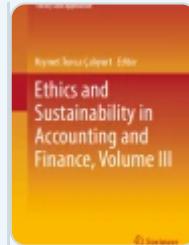
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