

## Flash Economics

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### The disorderly end of neoliberalism in OECD countries

The neoliberal "interlude" is currently coming to an end in OECD countries:

- In goods and services markets, where governments accept corporate concentration and the creation of large groups that have dominant positions;
- As regards global trade, due to the return of protectionism;
- As regards the international monetary system, given the increasing acceptance of the idea that capital controls will be needed to limit international capital flows.

But curiously, the "neoliberal interlude" is not coming to an end in labour markets, which are continuously made more flexible, and where income distribution continues to be skewed at the expense of employees.

It is well known that a return of inflation would be a very important consequence of a return to less flexible labour markets, as it would give employees greater bargaining power.

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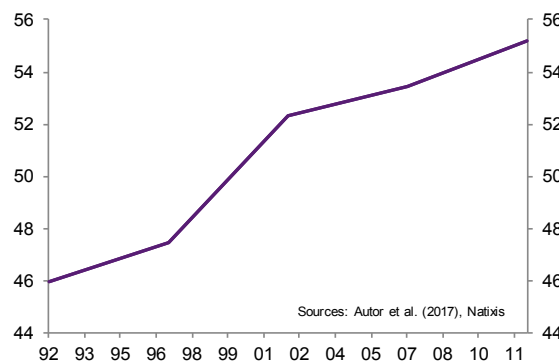
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## The return to the practices of the period preceding the neoliberal period (1980-2010)

1. In goods and services markets, neoliberalism corresponded to a strict practice of competition, with the fight against dominant positions and monopolies.

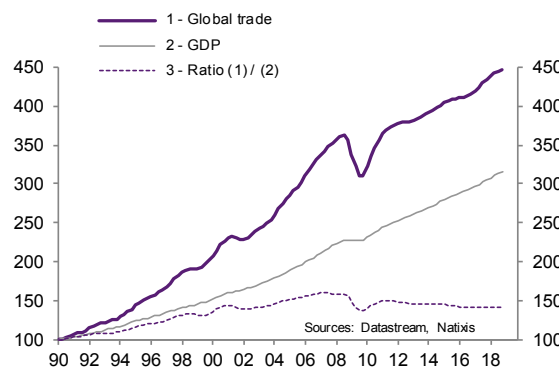
However, currently we are seeing a return of significant corporate concentration (Chart 1 shows the case of the United States), there is acceptance of the idea of large companies having a monopoly situation (in internet services or retailing, for example), there is a desire to build national or European champions.

Chart 1  
United States: Company concentration index



2. As regards global trade, neoliberalism corresponded to free trade and a disappearance of tariffs, which led to the rapid growth in global trade (Chart 2).

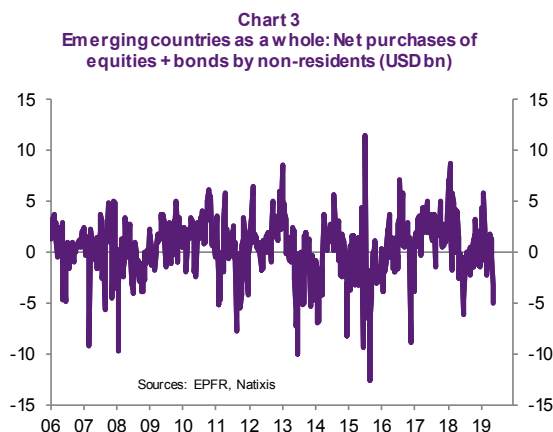
Chart 2  
World: Global trade and real GDP (1990:1 = 100)



We are now seeing a return of protectionism (US tariffs on imports from China in particular), national preference, and demand for sufficient national content in the products sold in each country. This is contributing to a slowdown in global trade.

3. As regards **the international monetary system, neoliberalism corresponded to free movement of capital** and an absence of capital controls.

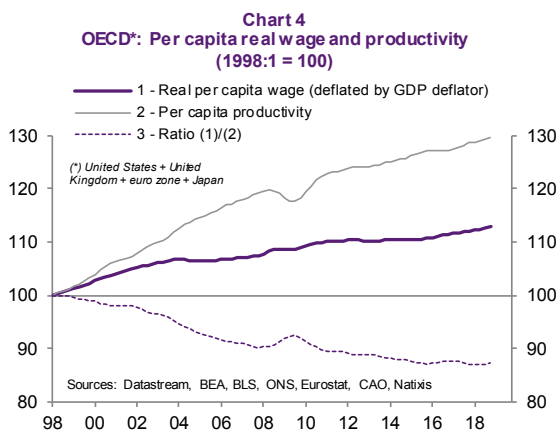
Given the **excessive variability of capital flows**, particularly to or from emerging countries (Chart 3), there is **more widespread acceptance for the idea of introducing capital controls on speculative capital**.



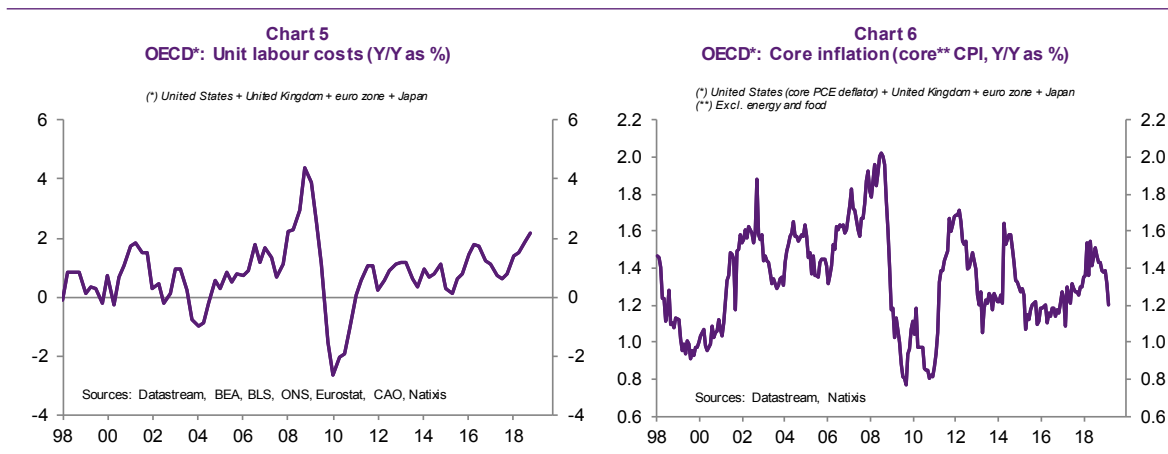
### But neoliberalism subsists in labour markets

In **OECD countries, labour markets are continuously made more flexible** (this was done, for example, in Spain from 2009, in Italy from 2015 and in France from 2017).

This explains why **income distribution continues to be skewed at the expense of employees** (Chart 4).



It is well known that the very important consequence of **an end to neoliberalism in labour markets and a return to greater bargaining power for employees** would be a **return of faster labour cost increases and inflation** (Charts 5 and 6).



## Conclusion: A disorderly exit from neoliberalism?

The global economy is exiting neoliberalism as regards goods and services markets (with a return of dominant positions), global trade (with protectionism) and the international monetary system (with growing acceptance of the need for capital controls), **but not as regards labour markets.**

**If there was an exit from neoliberalism as regards labour markets, it would be the end of the period of low inflation and interest rates.**

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