



FINANCIAL
TIMES

**System Comparisons: how competitive is
the social market economy?**
**Martin Wolf, Chief Economics
Commentator, *Financial Times***

10th Munich Economic Summit

Bayerischer Hof, Munich

19th – 20th May 2011

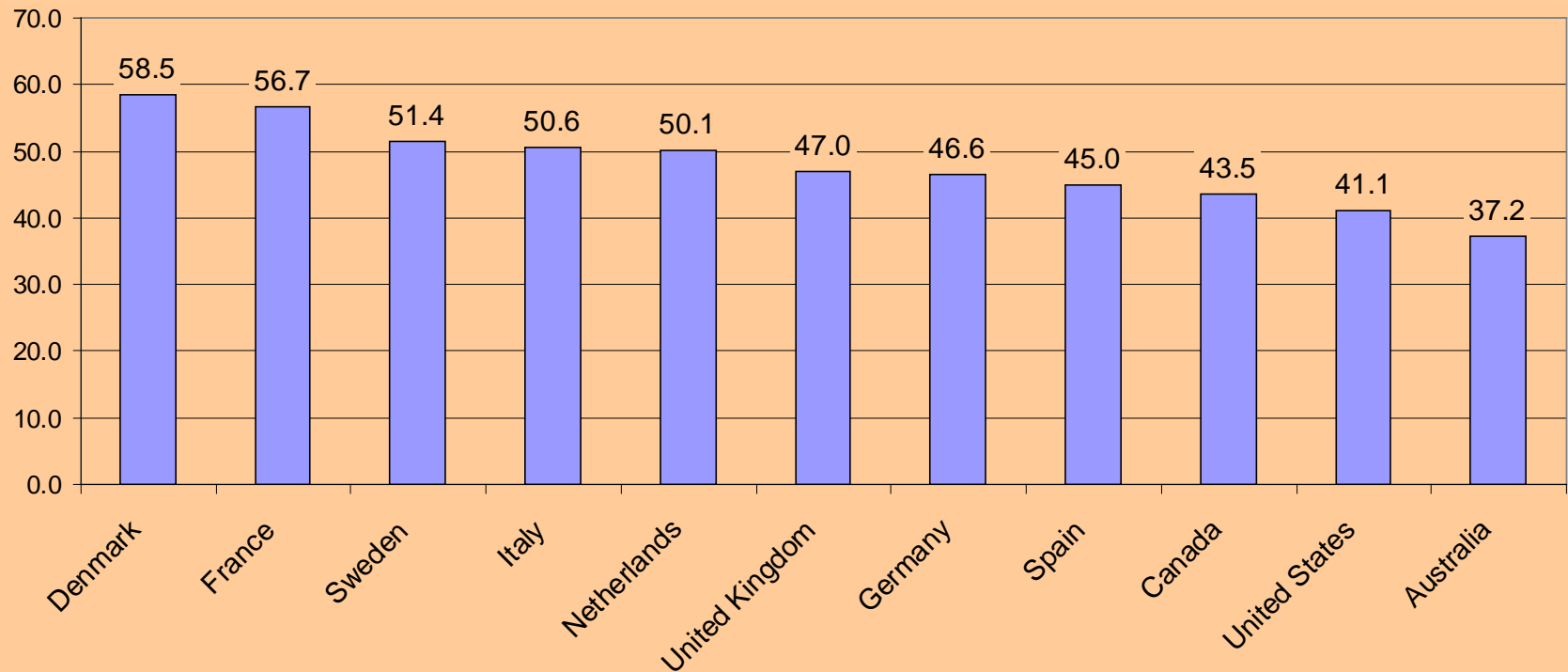
1. Is there an Anglo-Saxon model?

- There is much talk of different “models”:
 - “Anglo-Saxon model” – individualism;
 - “Social market model” – corporatism;
 - “Nordic model” – solidarity;
 - “Southern European model” – dirigisme;
 - “Asian model” – developmental state.
- The differences among these “models” must not be exaggerated
- Moreover, the UK is, in some respects, much more like continental Europe than it is like the US

1. Is there an Anglo-Saxon model? Spending

NORDICS SPEND MORE BUT NOT SO MUCH MORE

SHARES OF PUBLIC SPENDING IN GDP 2010 (per cent)

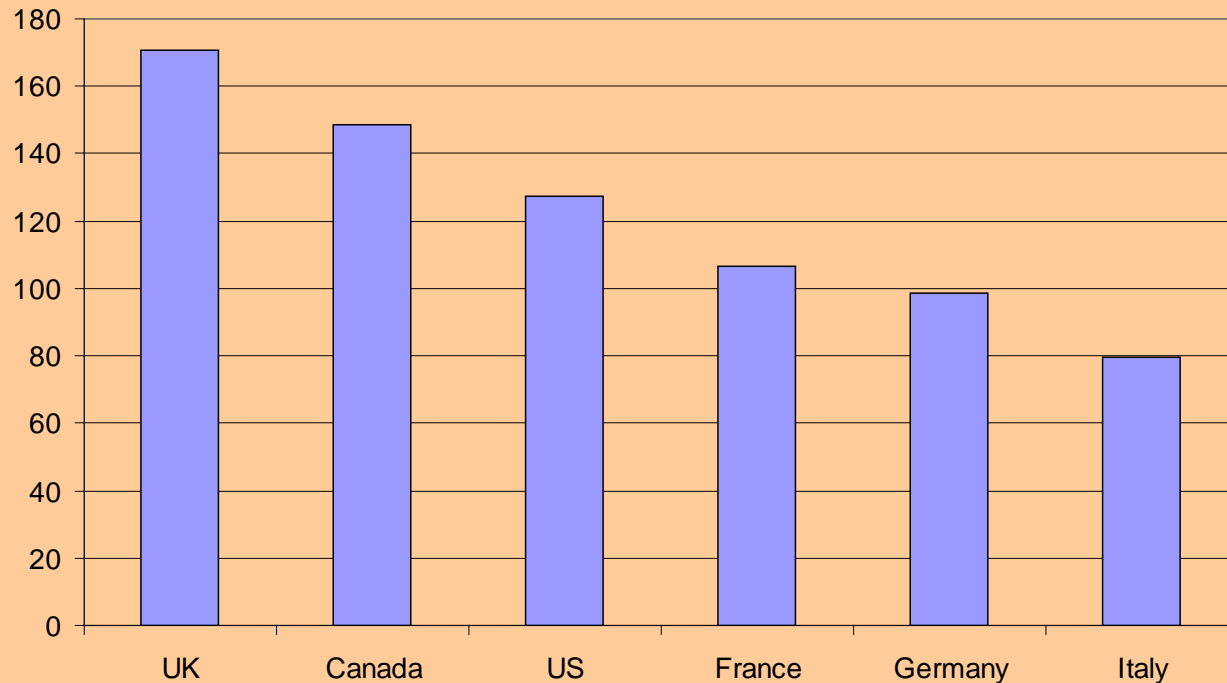


1. Is there an Anglo-Saxon model? Borrowing

ANGLO-SAXONS DO BORROW MORE

HOUSEHOLD DEBT AS A PER CENT OF DISPOSABLE INCOME, 2009

Source: OECD



2. Differences in long-term performance?

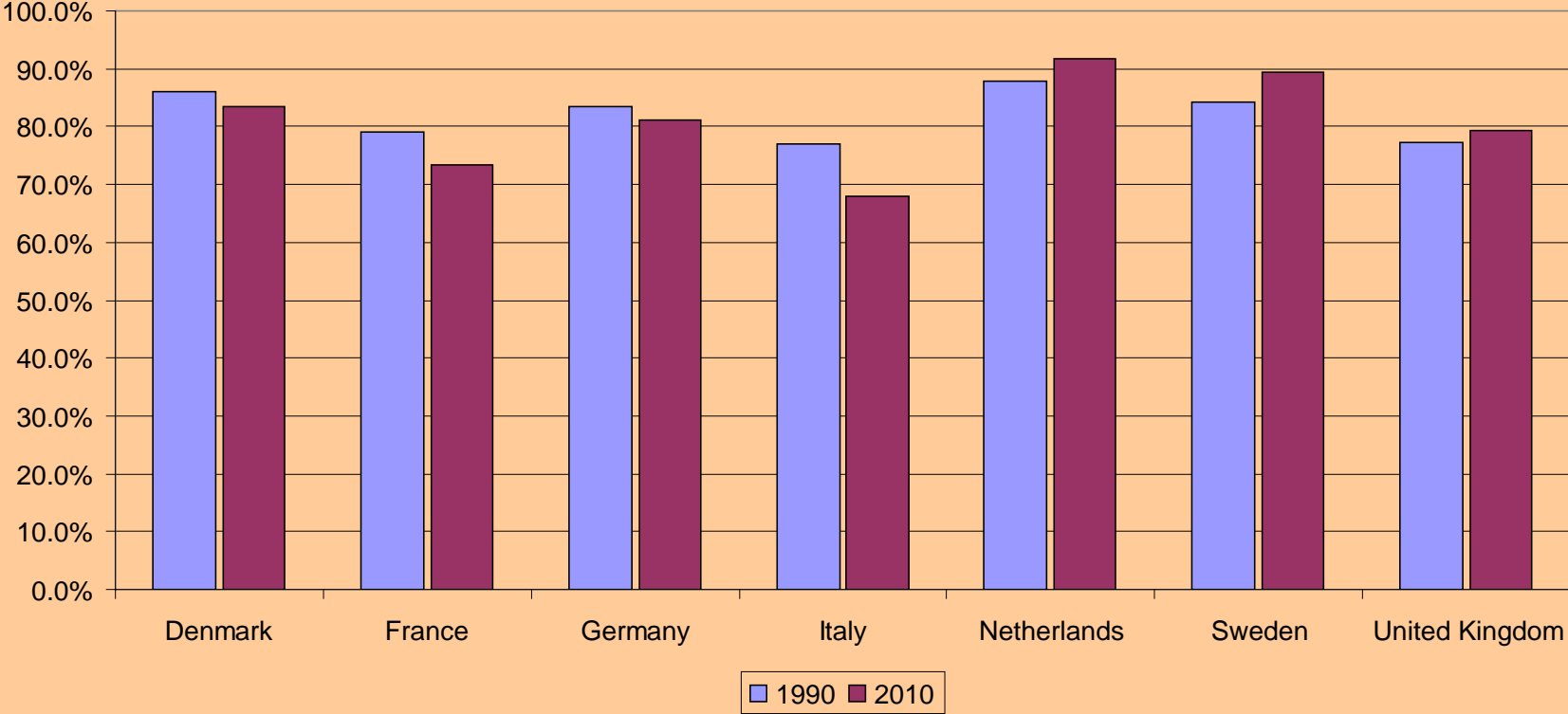
- It is not easy to identify difference in long-term economic performance that relate to these supposed “models”
- But Anglo-Saxon economies have performed quite well over the past two decades
- Will that last? Maybe not.

2. Differences in long-term performance?

THE END OF “CATCH UP”

GDP PER HEAD RELATIVE TO US (at PPP)

Source: Conference Board



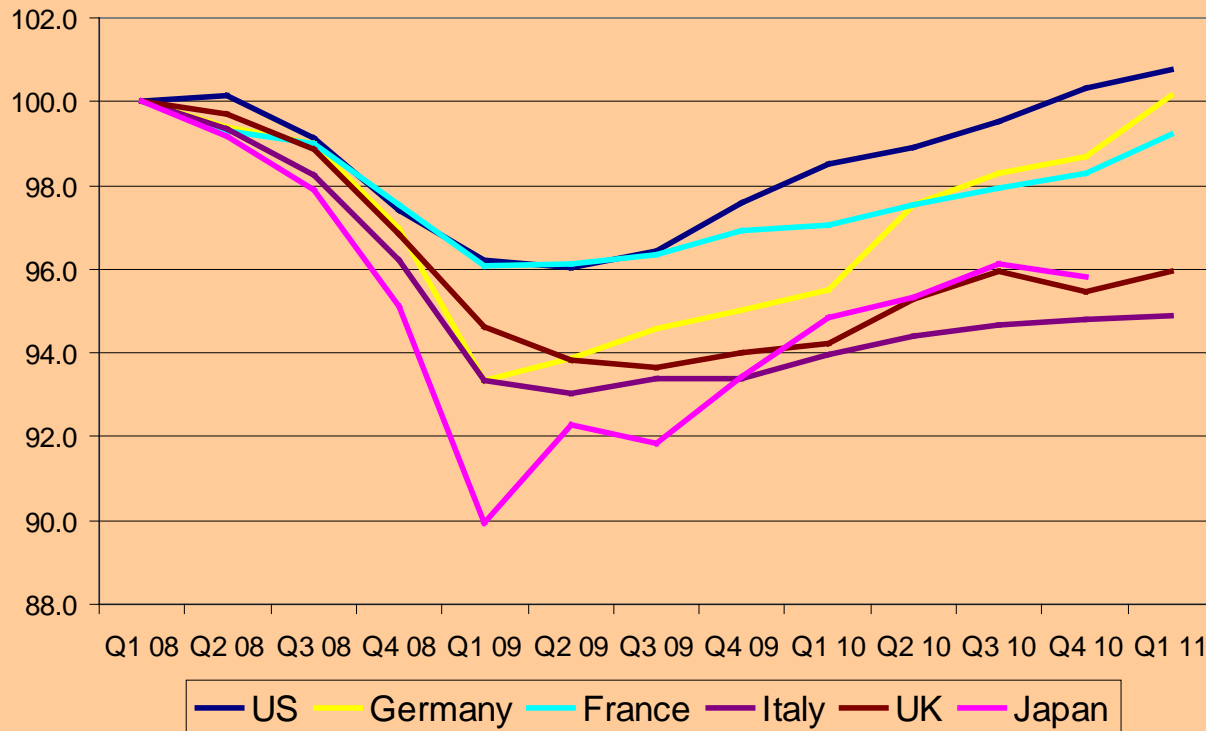
3. What happened in the crisis?

- GDP and unemployment performance in the crisis is also not model-specific: contrast the UK and US
- But fiscal performance seems to be

3. What happened in the crisis? Output

US ECONOMY WAS THE MOST RESILIENT

GDP IN THE CRISIS



3. What happened in the crisis? jobs

US HAD HUGE INCREASES IN UNEMPLOYMENT

UNEMPLOYMENT RATE IN THE CRISIS



3. What happened in the crisis? fiscal

COUNTRIES AT THE EPICENTRE SUFFER MOST

CHANGE IN GENERAL GOVERNMENT DEFICITS, 2006-10

