

Austrian Institute of Economics and Social Philosophy | Zurndorf, 19. September 2020
Austrian Academy: Marktwirtschaft und Unternehmertum

Marktwirtschaft, Kapitalismus, Unternehmertum: Woher kommt eigentlich unser Wohlstand?

Prof. Dr. Stefan Kooths
Prognosezentrum



Institut für Weltwirtschaft (gegründet: 1914)



Prognosezentrum

TEIL I

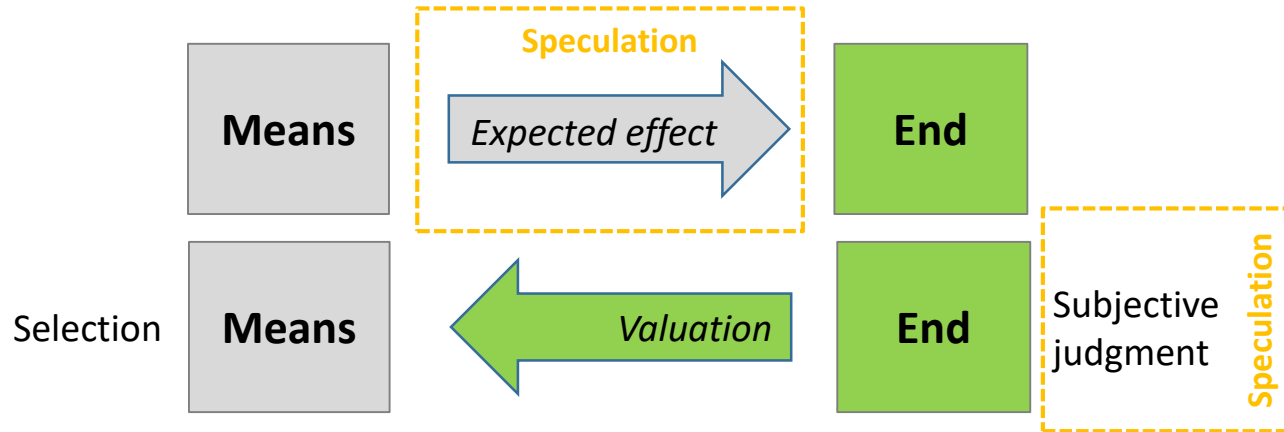
Theoretische Grundlagen

Menschliches Handeln und ökonomisches Denken

Point of departure

Man acts.

Means, ends, and valuation



- Reverse value imputation
 - » An end may not „sanctify “ the means, but it **values** it!
- Limited knowledge
 - » Action under uncertainty (= speculation)
- Rationality
 - » Humans do not purposefully act against their aims

Final purpose of economic activity:
Consumption goods

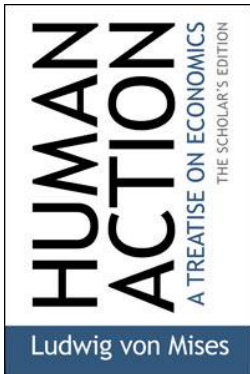
Human Action

- Subjective uneasiness ⇒ **purposeful action**
- Action = Influencing circumstances of one's life
- Humans as universal entrepreneurs
 - » Decision maker
 - » Explorer (search for new means)



Ludwig von Mises (1881 – 1973)

Nationalökonomie – Theorie des Handelns und Wirtschaftens (1940)



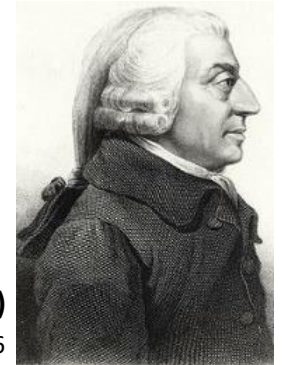
<http://mises.org/document/3250>

Arbeitsteilung und Tauschvorteile (soziale Wirtschaft)

Adam Smith: Theory of absolute advantage

	Working hours per ton of corn	Working hours per barrel of wine
Peter	2	5
Simon	2.5	4

- Peter
 - » 1 barrel of wine = 2.5 tons of corn
- Simon
 - » 1 barrel of wine = 1.6 tons of corn



Adam Smith (1723—1790)

An Inquiry into the Nature and Causes of the Wealth of Nations, 1776

David Ricardo: Theorem of comparative advantage

	Working hours per ton of corn	Working hours per barrel of wine
Peter	2	5
Simon	1	4

- Peter
 - » 1 barrel of wine = 2.5 tons of corn
- Simon
 - » 1 barrel of wine = 4 tons of corn



David Ricardo (1772—1823)

On the Principles of Political Economy and Taxation, 1817

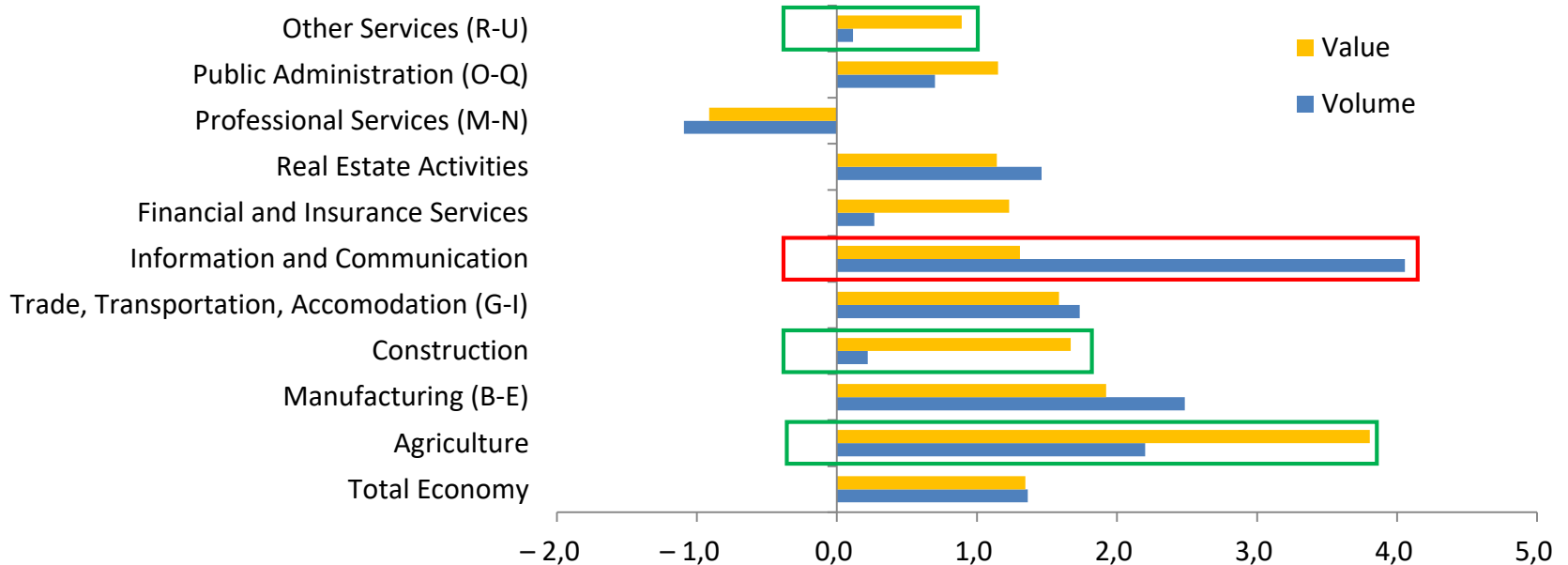
Example: Men's haircuts



- 20 minutes per haircut (no progress over 200 years)
 - Zero productivity gains in volume terms ...
 - ... but substantial growth of barbers' real incomes
- ⇒ **Gains in value productivity due to growing opportunity cost of non-barbers**

Value productivity vs. volume productivity

Labor productivity (value-added per hours worked), Germany



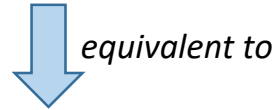
Average annual change (1992 to 2018).

Price adjusted (Volume: generic deflator, Value: private consumption deflator).

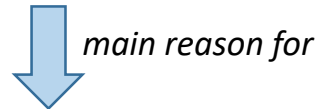
Source: Statistisches Bundesamt, Fachserie 18, Reihe 1.2; IfW calculations.

Ludwig v. Mises: Law of association

Theorem of comparative advantage



Principle of opportunity costs



Division of labor



Social economies
(= law of association)

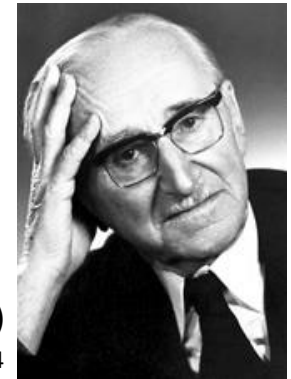
Division of labor
(specialization)



Social coordination mechanism:
market order or central planning

Social coordination as a knowledge problem

- Economics and Knowledge (1937)
- The Use of Knowledge in Society (1945)
- The Meaning of Competition (1948)
- Competition as a Discovery Procedure (1968)



Friedrich A. von Hayek (1899—1992)

Nobel Prize Laureate 1974

The market signal system

■ Profits

- » Revenues (value creation) > Costs (value destruction)
- » Net creation of value
- ⇒ Agent stays in the game, activity can be expanded

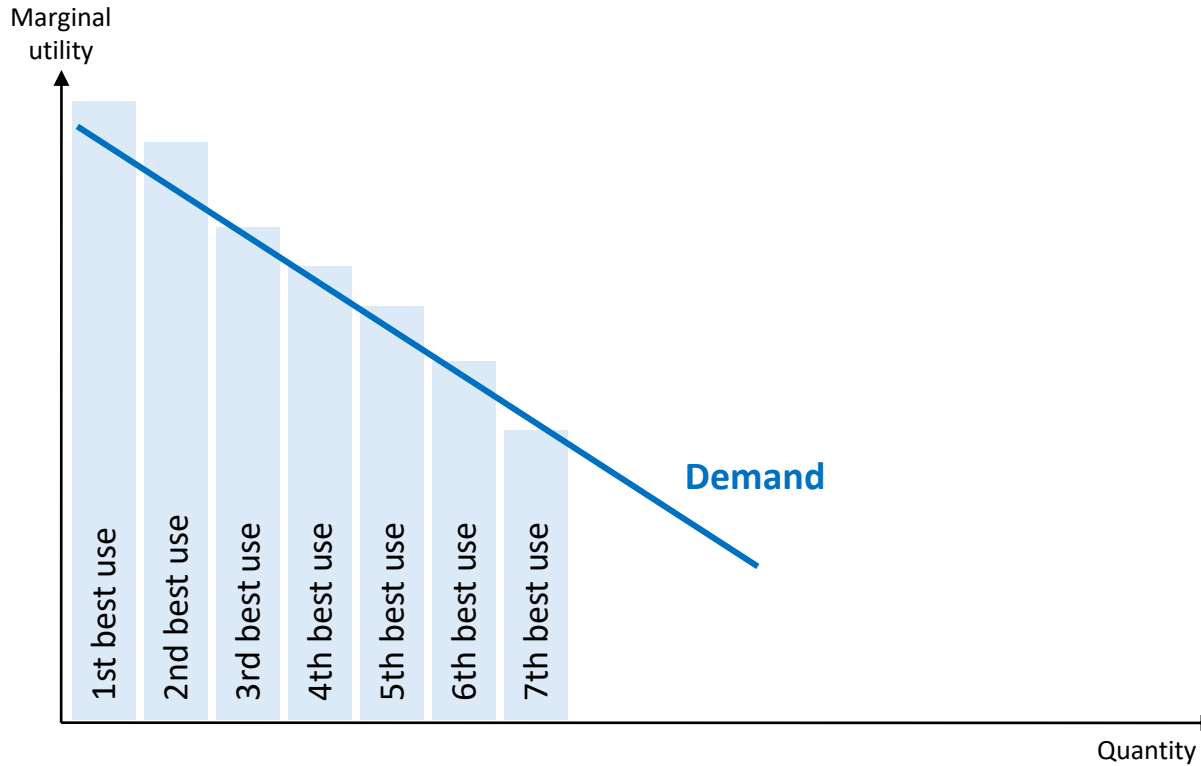
■ Losses

- » Revenues < Costs
- » Net destruction of value
- ⇒ Yellow card (warning): activity should be reduced/modified

■ Bankruptcy

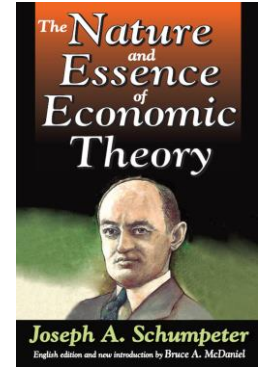
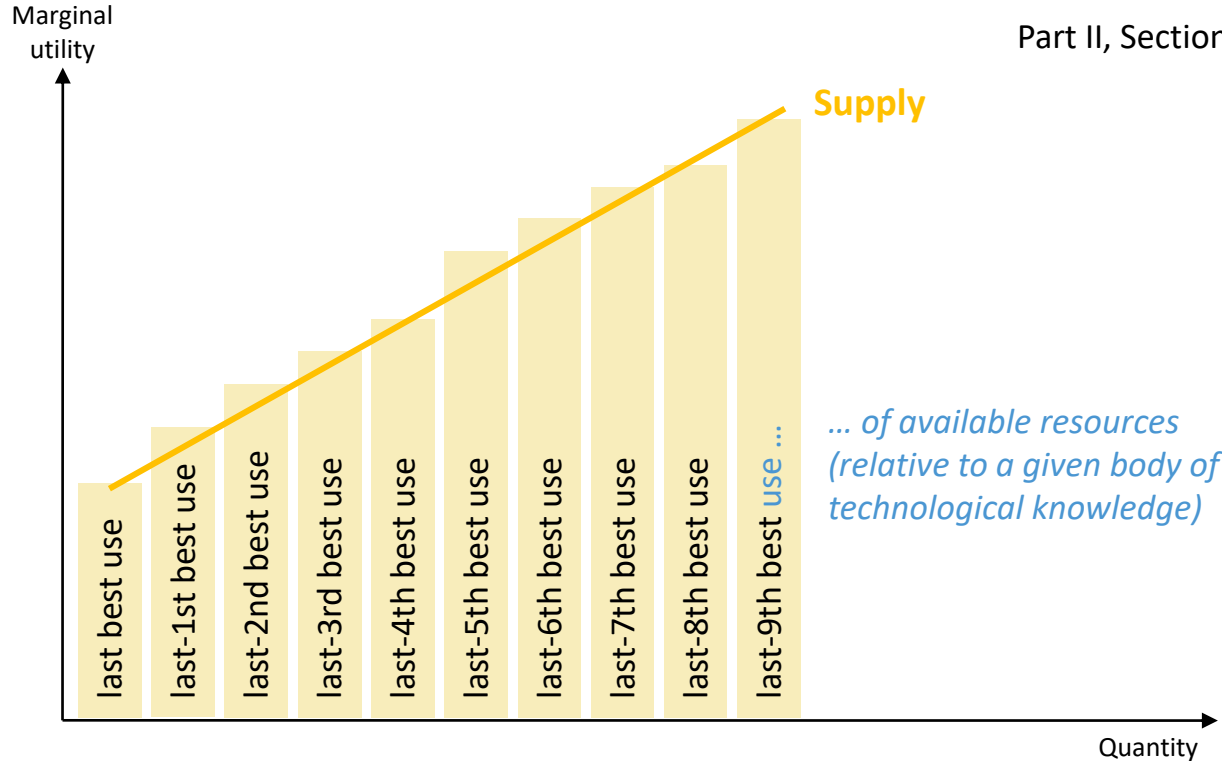
- » Revenues << Costs
- » Net value destruction ongoing/at large scale
- ⇒ Red card (sending-off): activity must stop (reallocation of resources)

Demand side: Law of marginal utility



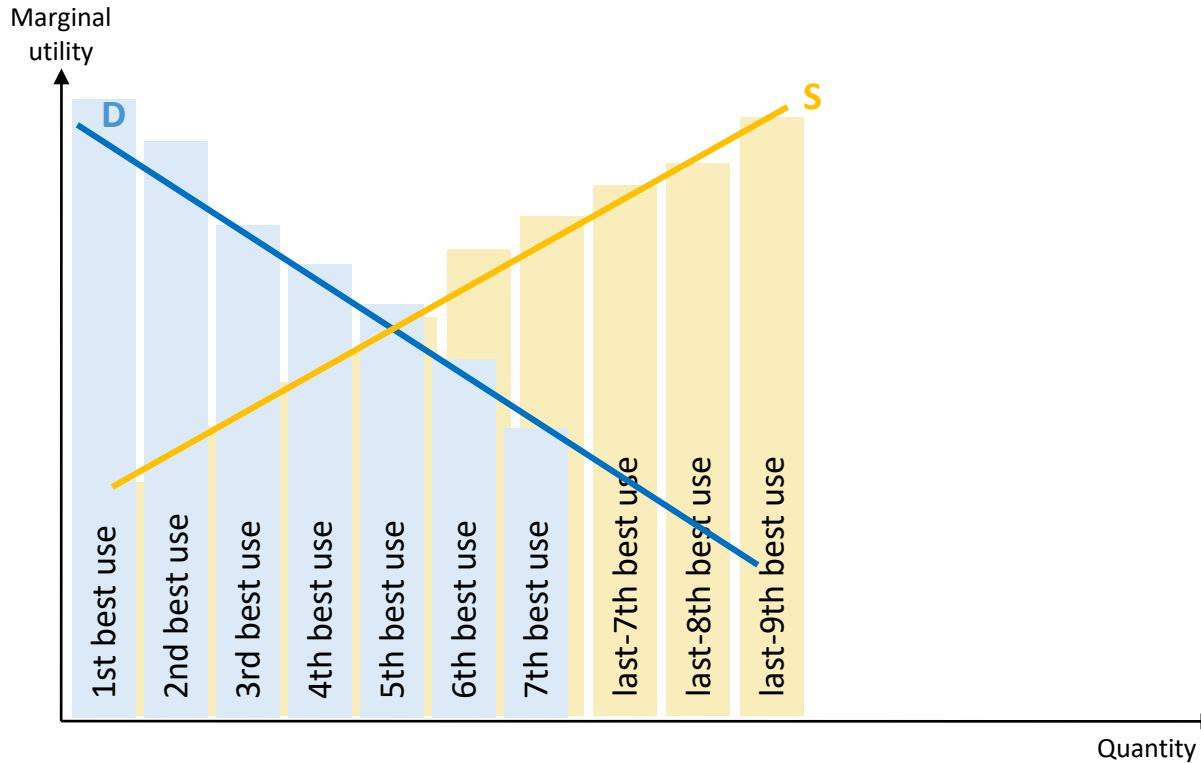
Supply side: Universal social opportunity cost

Part II, Section II, Chapter 2

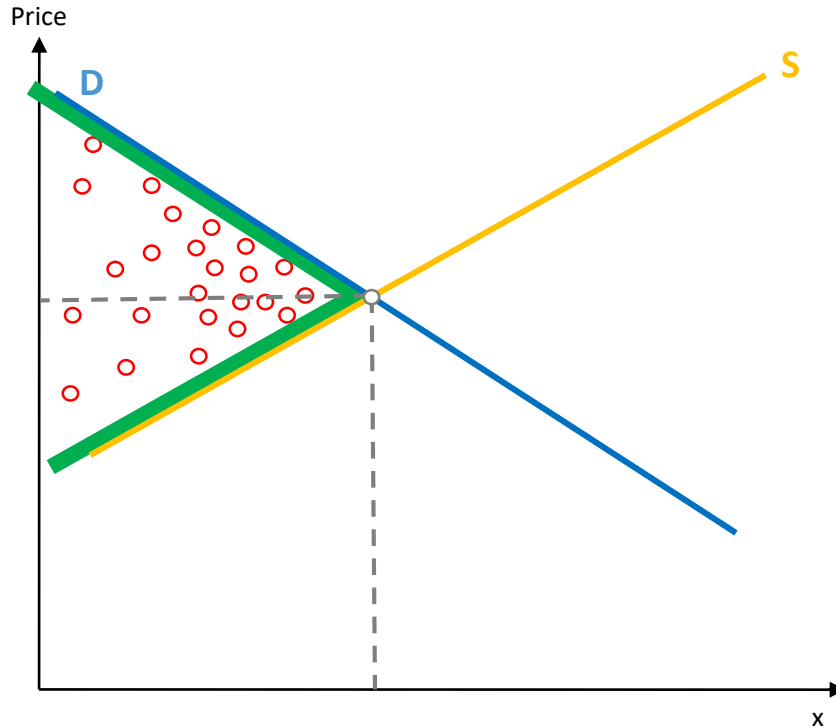


Schumpeter, A.: [Das Wesen und der Hauptinhalt der Theoretischen Nationalökonomie](#). Leipzig 1908: 213ff.

Market coordination for resource allocation

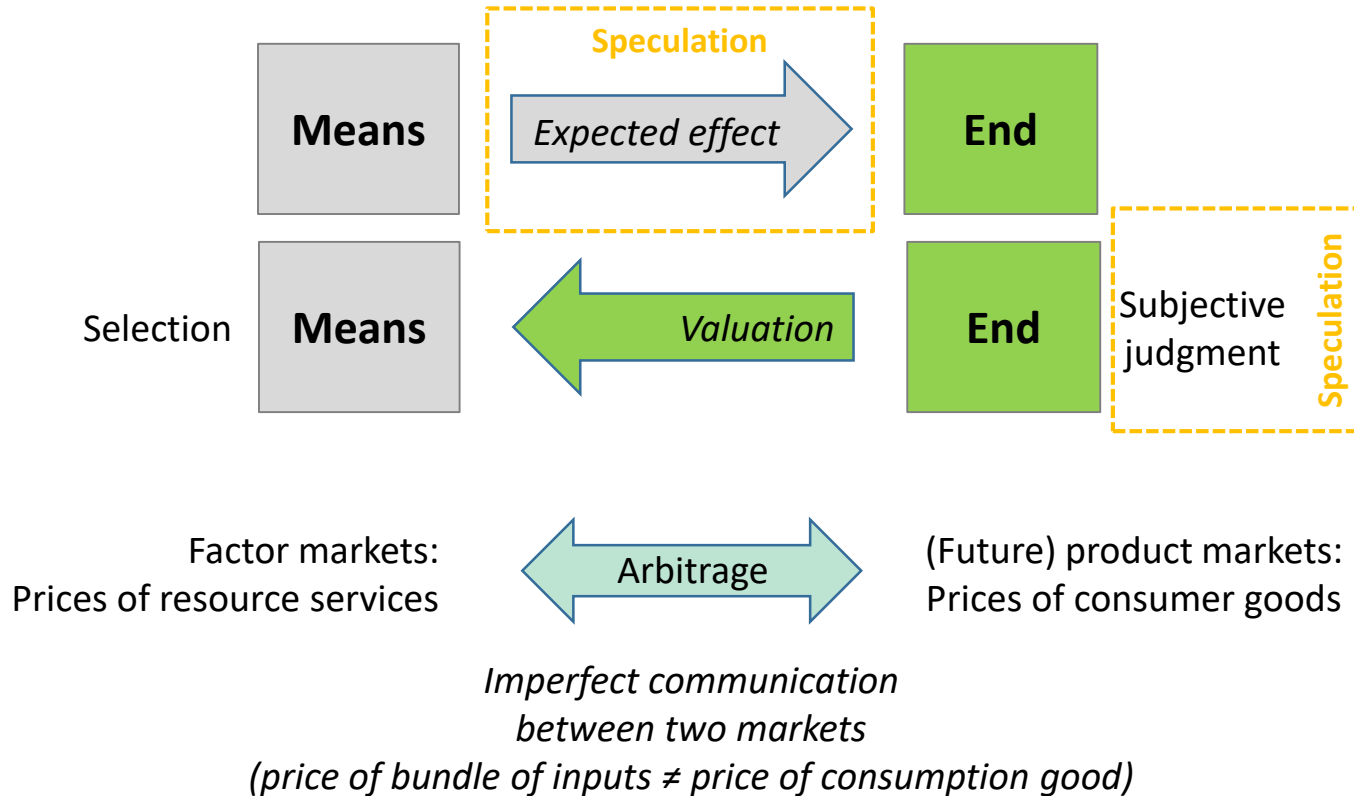


Real world markets



- Short side of the market dominates
- Disequilibrium
(arbitrage trends towards coordination)
- Equilibrium
(full coordination)
 - » Maximum trade volume
 - » Maximum social welfare

Entrepreneurship: Universal arbitrage

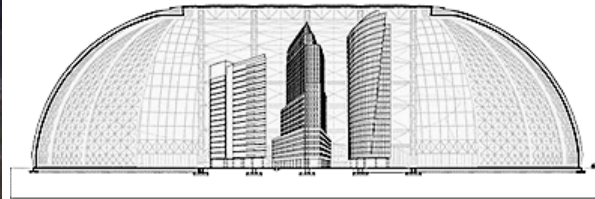
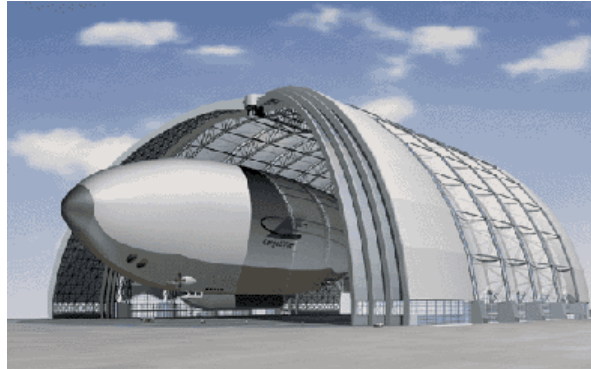


Earnings in professional sports



- Cristiano Ronaldo
 - Annual salary (2018):
30 million EUR
- ⇒ Cost of reproduction?

Cargolifter: The plan ...



... and the outcome: Tropical Islands



Cargolifter hangar ⇒ Tropical Islands hall

Production cost:
78 million euro (1999/2000)



Liquidation value:
17.5 million euro (2003)

Kapitalismus und Wachstum

Produktivität der Arbeit: Wohlstands- und Wachstumsfaktoren

- Natürliche Ressourcen
- **Wissen: Technologie**
 - ↓ *Sparen*
- **Kapitalausstattung: Werkzeuge**
 - » Sachkapital
 - » Humankapital

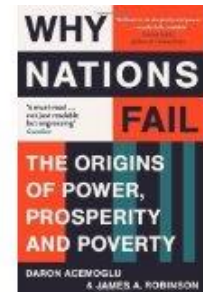
Kapitaleinsatz und Arbeitsproduktivität



- Geringe Kapitalintensität
- Hohe Kapitalintensität
 - » Höhere **Bruttowertschöpfung** pro Kopf (trivial)
 - » Höhere **Nettowertschöpfung** pro Kopf (via „Naturkräfte“)

Produktivität der Arbeit: Wohlstands- und Wachstumsfaktoren

- Natürliche Ressourcen
- **Wissen: Technologie**
 - ↓ *Sparen*
- **Kapitalausstattung: Werkzeuge**
 - » Sachkapital
 - » Humankapital
- **Institutionen: Soziale Koordination**
 - » Verfügungsrechte (property rights)
 - » Wirtschaftspolitischer Rahmen
 - » Politische Stabilität



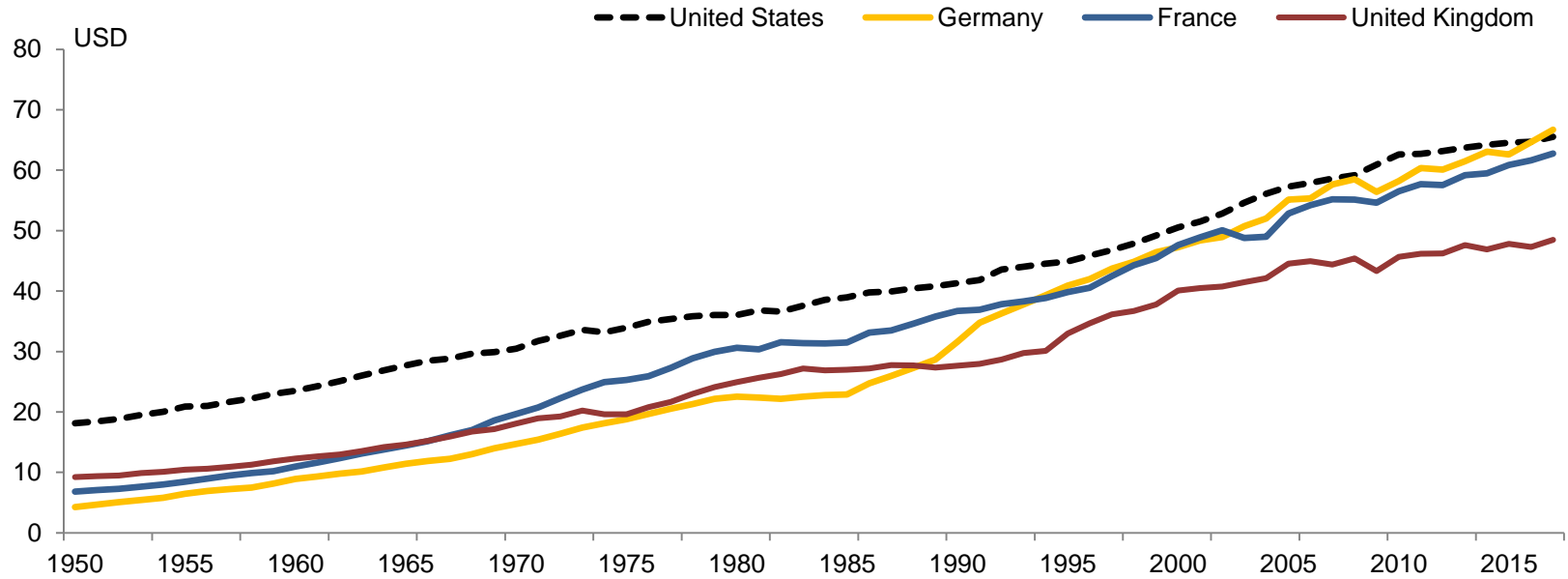
USSR:

First man in space, but empty shelves on earth



Upward trend of labor productivity

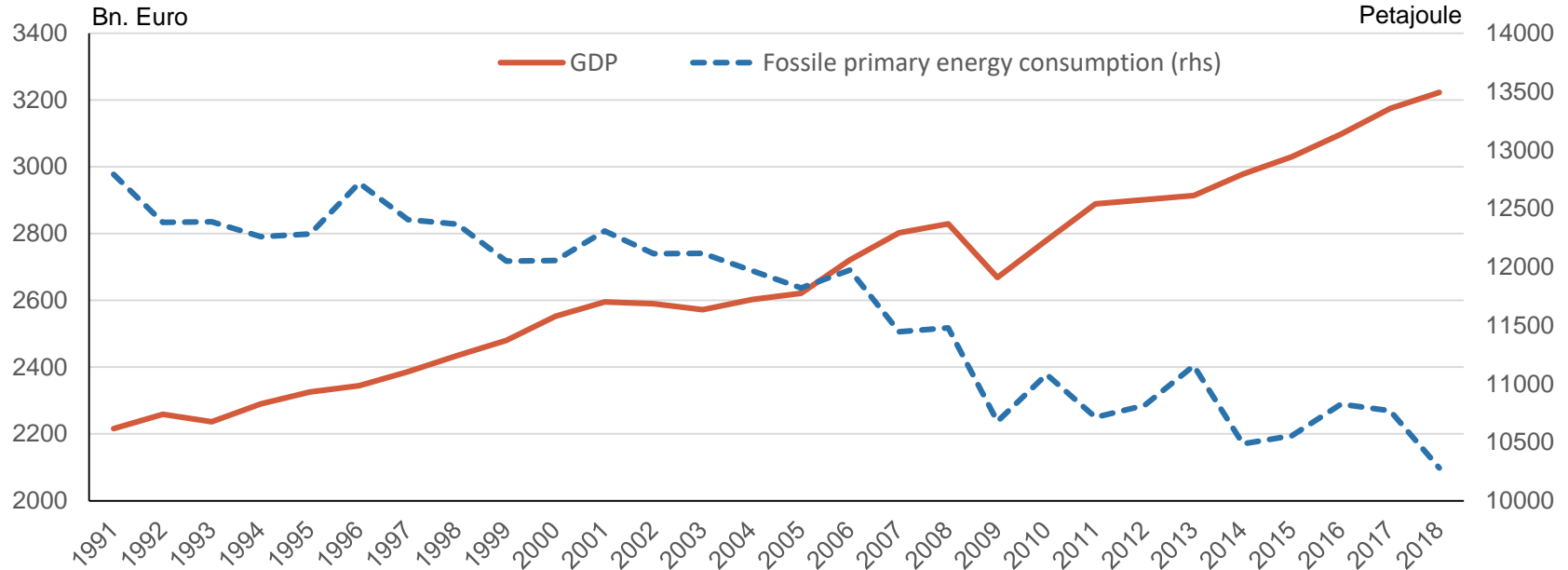
Labor productivity



Annual data. GDP per hour worked, price adjusted (chained PPP, 2011 USD); Germany 1950 to 1990: Western Germany.
Source: Penn World Table, version 9.1; IfW calculations.

Economic activity and resource consumption

Germany: Economic activity and fossile energy resource consumption



GDP: Chained volumes (reference year 2015); Fossile primary energy consumption: Mineral oil, natural gas, hard coal, soft coal

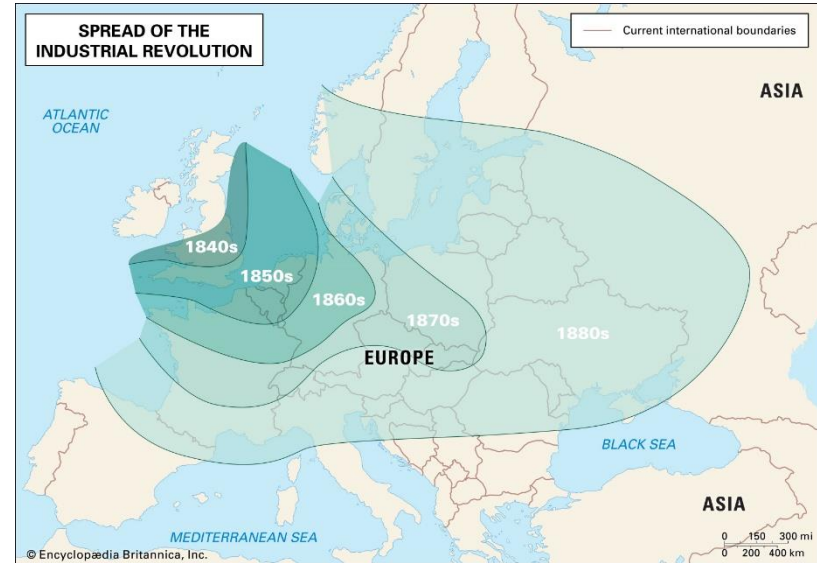
Source: Statistisches Bundesamt, Arbeitsgemeinschaft Energiebilanzen

Revolution = disruptive change

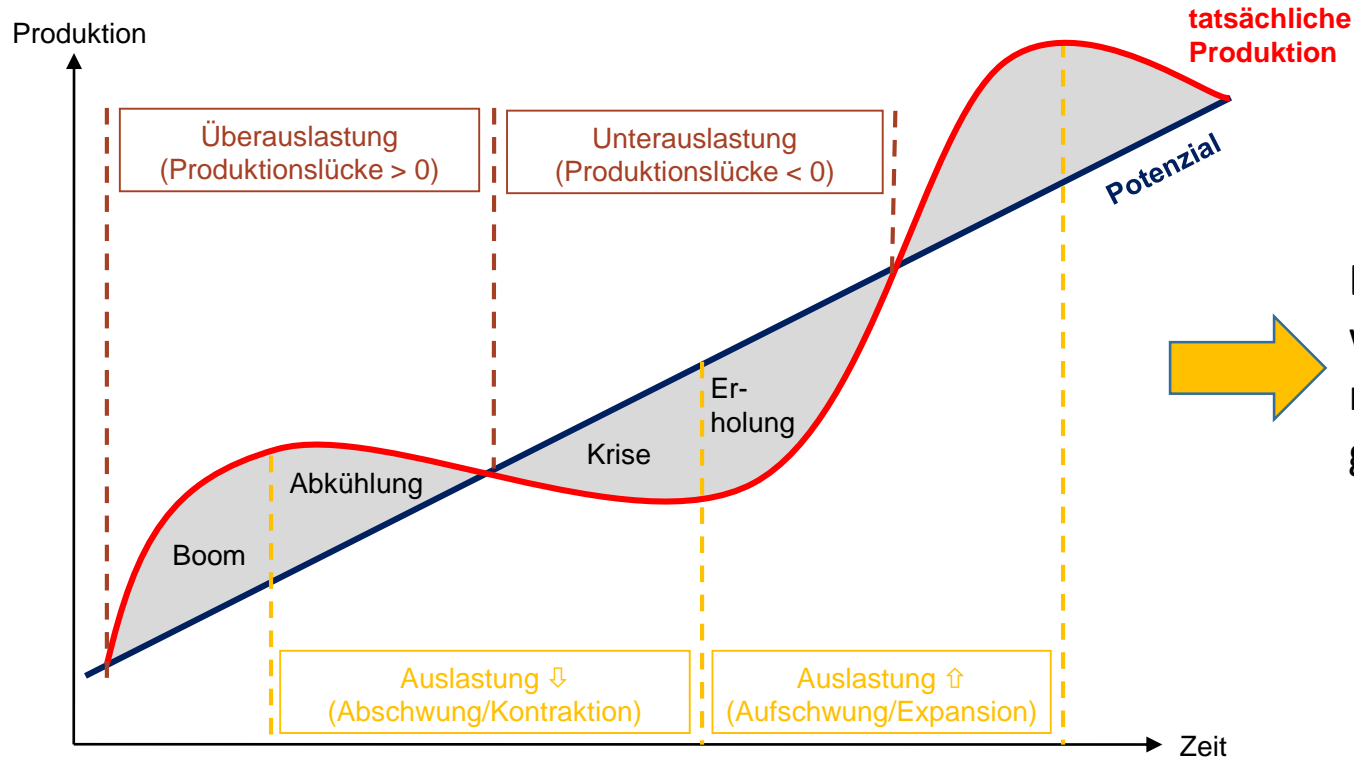
- Political revolution



- Industrial evolution



Wachstum vs. Konjunktur



Daueraufschwung
weder möglich
noch stabilitäts-
gerecht

Marktwirtschaft und offene Gesellschaft

Fairness in complex open societies

■ Atavistic instincts

- » Solidarity, altruism
- » Aggression against outsiders
- ⇒ **Stabilizing small groups (families, tribes, clubs)**

■ Extended order: Markets (Popper, Hayek)

- » Exchange, contracts, money
- » Trust, reputation
- » Competition
- » Non-aggression, openness, voluntary cooperation
- ⇒ **Enabling anonymous societies (use of dispersed knowledge)**

⇒ **Fairness (justice)** = Supremacy of abstract rules

Key abstract rules in the market economy

- Respect for private ownership (property rights)
- Free choice of trading partner (worldwide)
- Accepting pecuniary external effects (= competition)
- Accountability (socially functional wealth positions)

⇒ **Pattern prediction only**

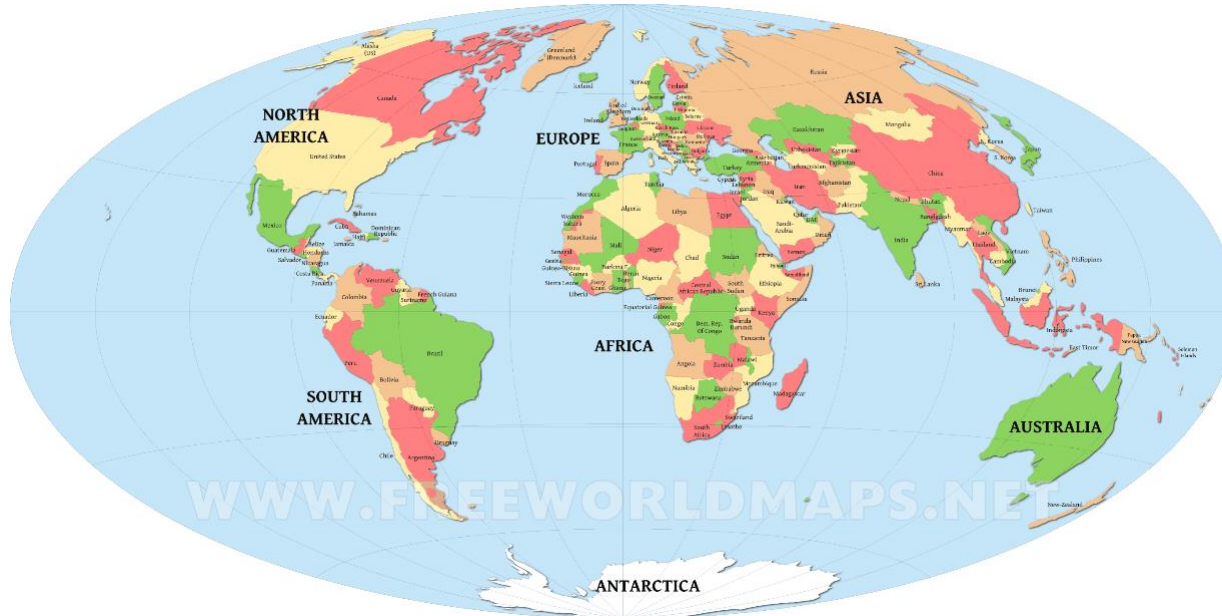
TEIL II

Freihandel und Globalisierung

Economics: Analysis of economic activity (scarcities)



International Economics: Analysis of cross-border economic activity



Why „International Economics“ is (not) different

- Key economic questions (not specific to IE)
 - » (International) division of labor
 - » (International) allocation of production factors
 - » Uniform microeconomic foundations and macroeconomic analysis

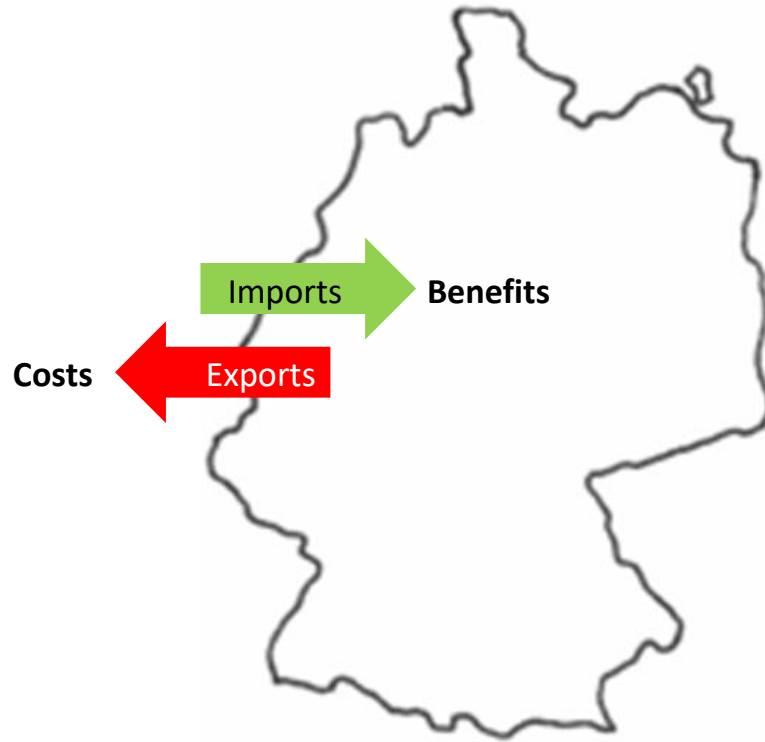
- Country borders and the nation state
 - » Factor mobility (labor, capital)
 - » Legal frameworks, fiscal policy
 - » National money and exchange rate systems

Insights from methodological individualism

- Trade = exchange of goods or services
 - » Two-sided human interaction (social cooperation)
 - » Based on voluntary contracts (implies mutual benefits)
 - ⇒ **Net gains from trade for both parties (no zero-sum game)**

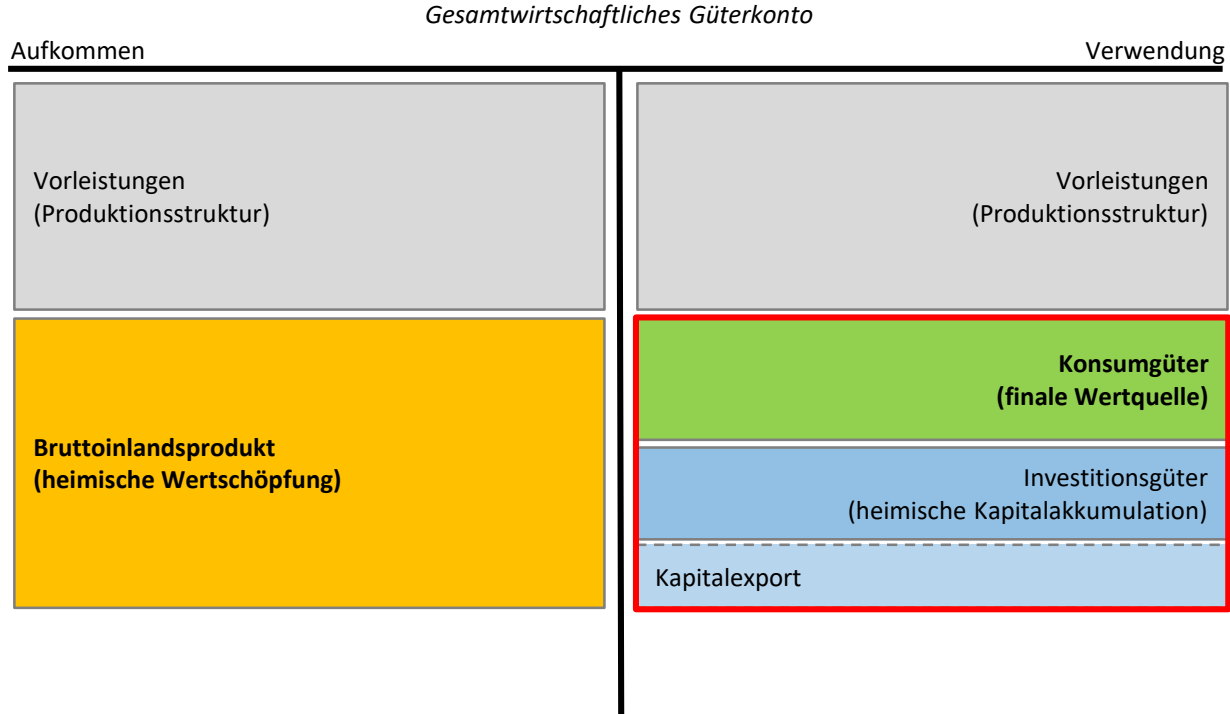
- Pitfalls from aggregation/collectivist perspectives
 - » Countries do not trade with each other, only individuals/firms do
 - » Countries do not compete with each other, only individuals/firms do
 - Competitiveness is a relative concept
 - Countries (economic areas) consist of multiple markets
 - Each market comprises both the supply side and the demand side
 - ⇒ **„Competitiveness“ not applicable to country level**

Foreign trade



Außenbeitrag: Wie ein Saldo die Wirtschaftspolitik verwirrt

Irrtümer hydraulischer Makroökonomik

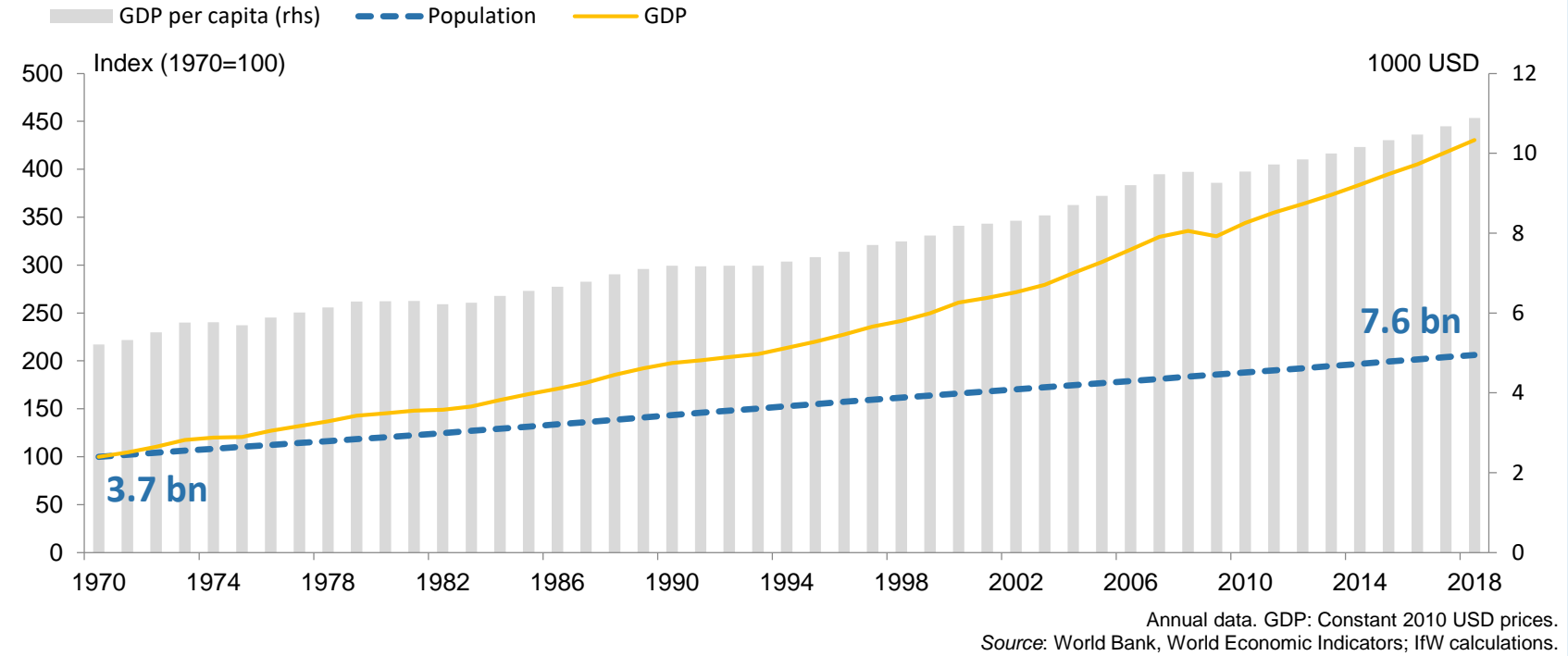


$$\text{BIP} = C + I + \text{Ex} - \text{Im}$$

Globalization at work

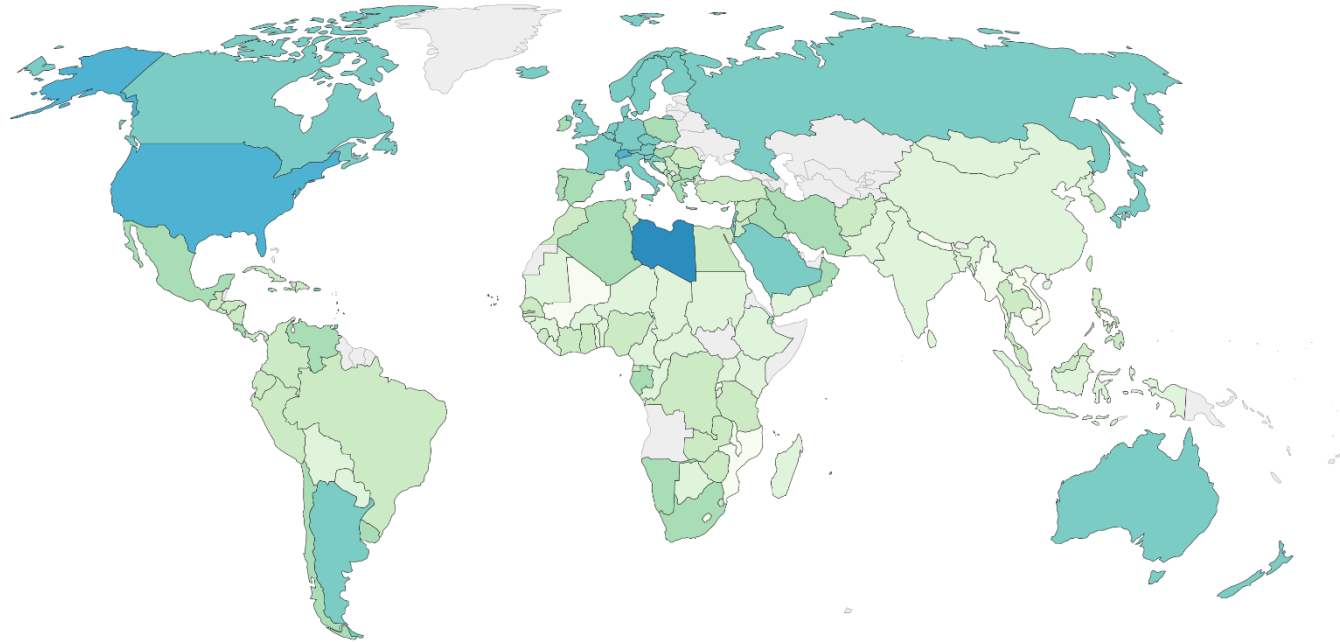
World economy: 5 decades of economic progress

Global population and economic activity



GDP per capita 1970

Source: Our World in Data

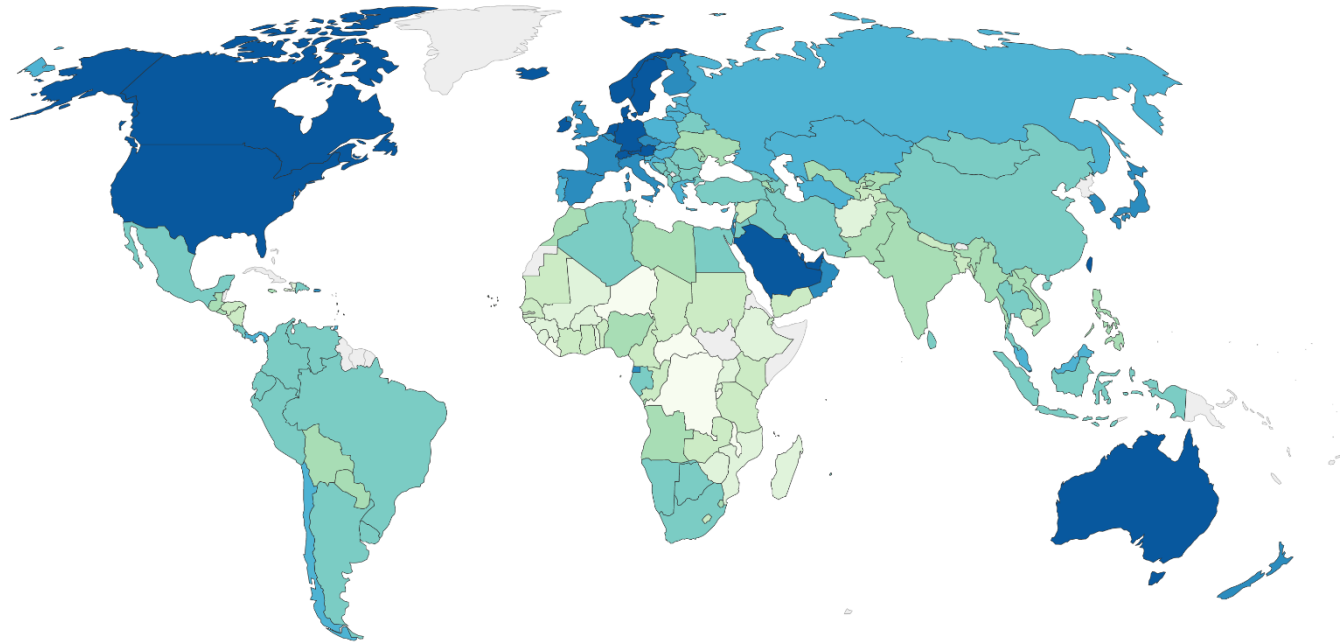


Source: Maddison Project Database (2018)

OurWorldInData.org/economic-growth • CC BY

GDP per capita 2016

Source: Our World in Data

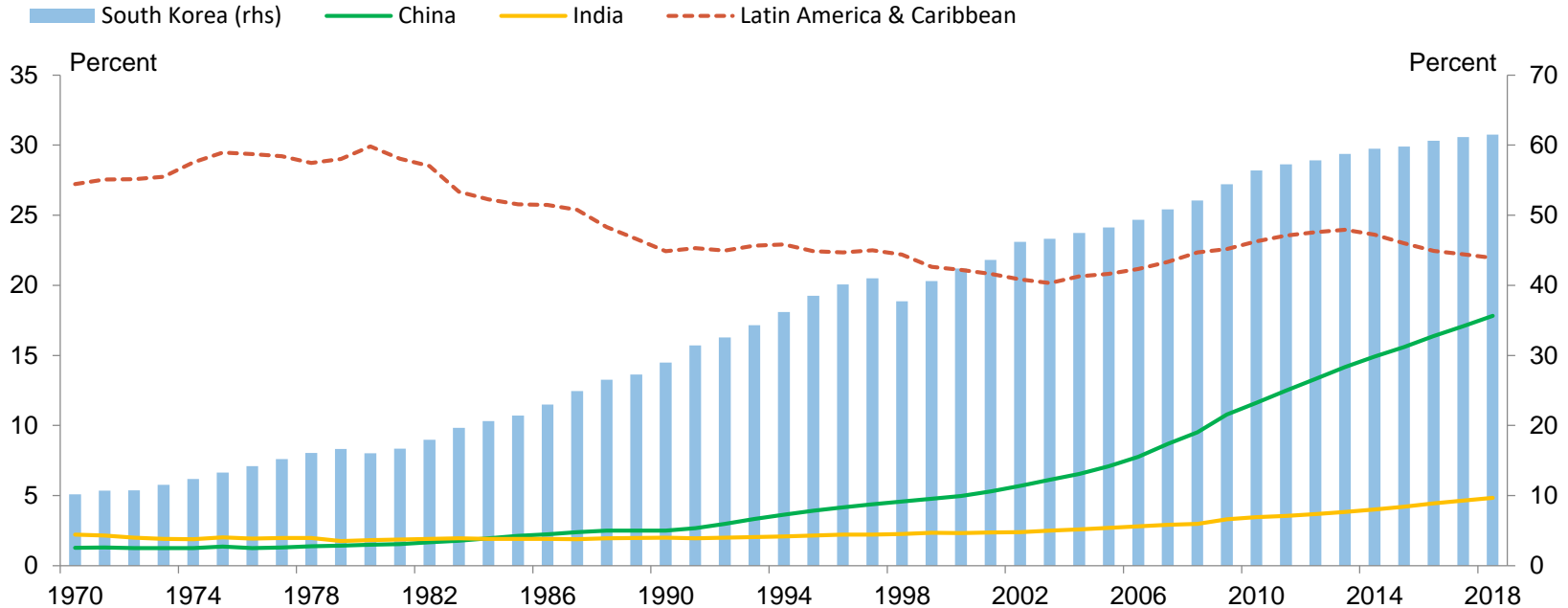


Source: Maddison Project Database (2018)

OurWorldInData.org/economic-growth • CC BY

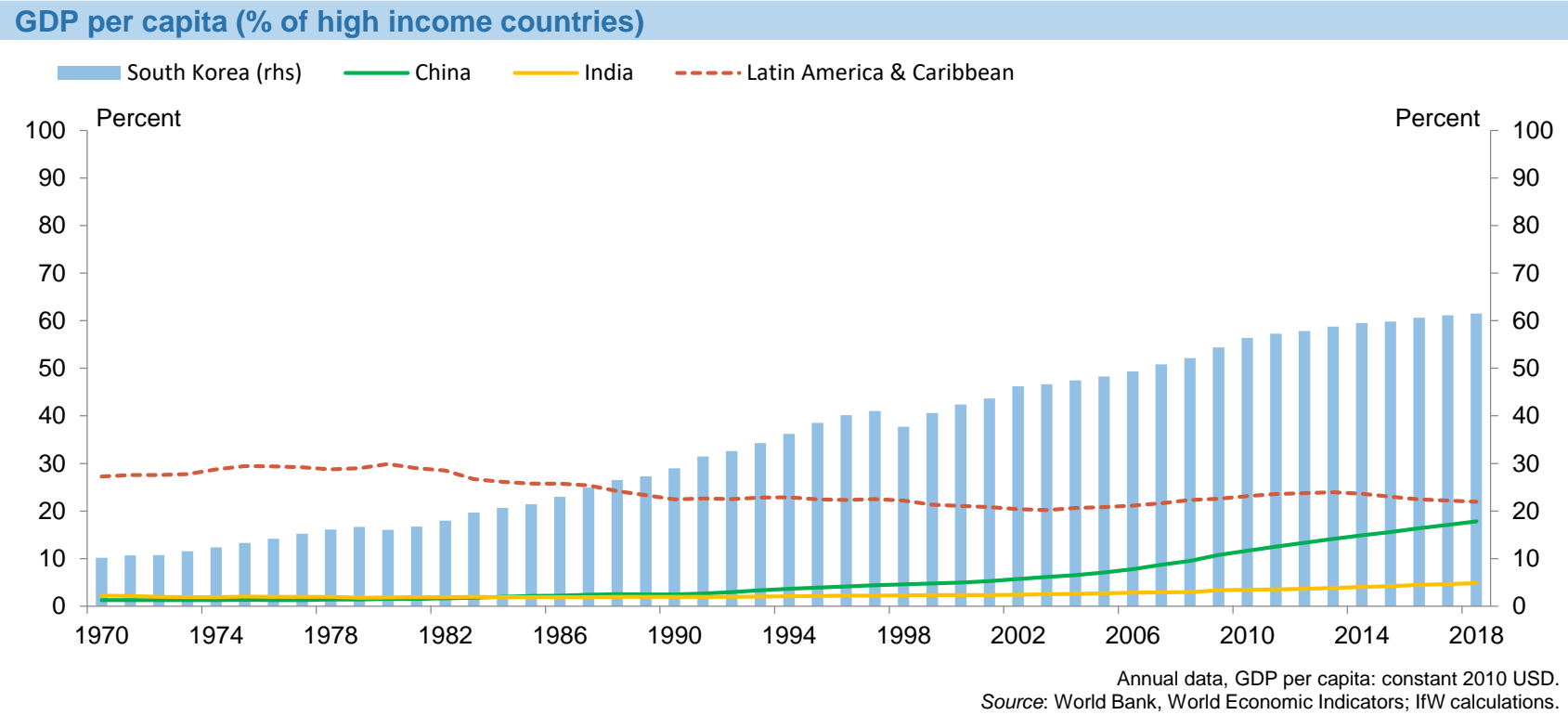
Catching up is on its way (in some countries) ...

GDP per capita (% of high income countries)

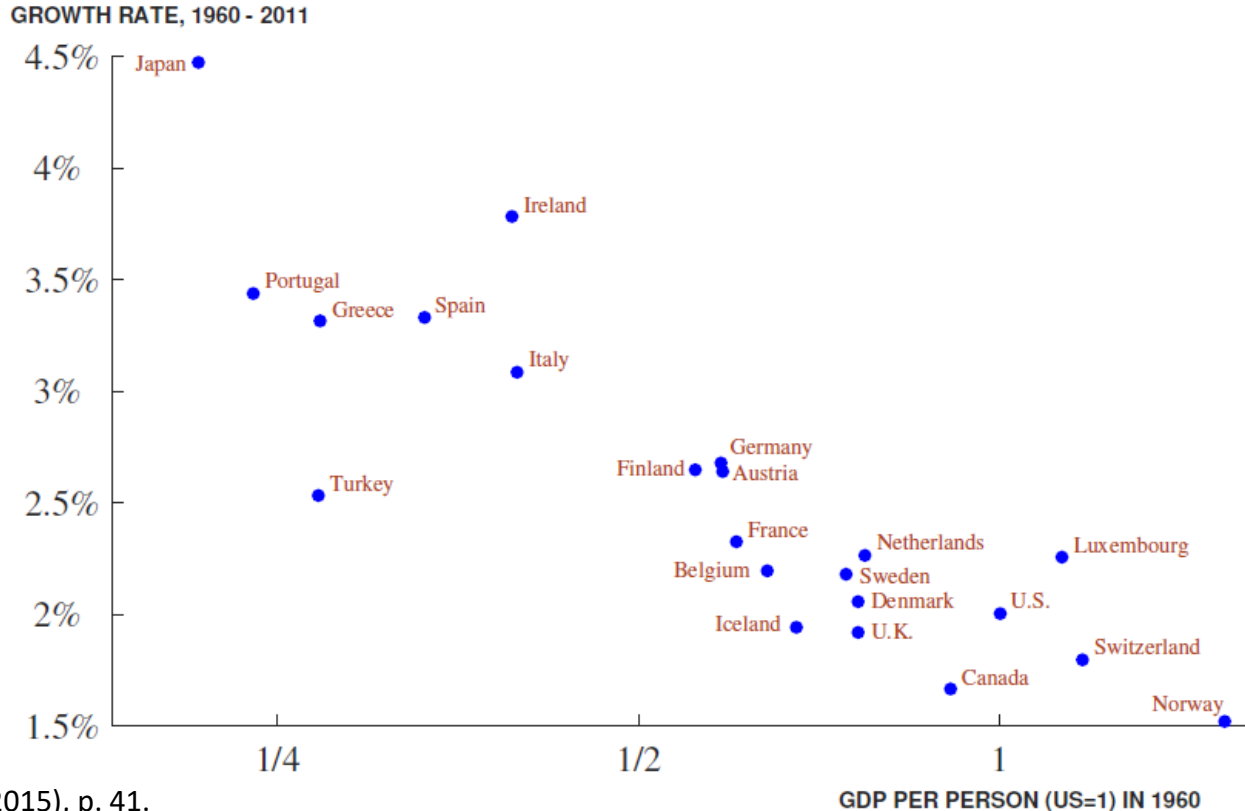


Annual data, GDP per capita: constant 2010 USD.
Source: World Bank, World Economic Indicators; IfW calculations.

... but there is still a long way to go



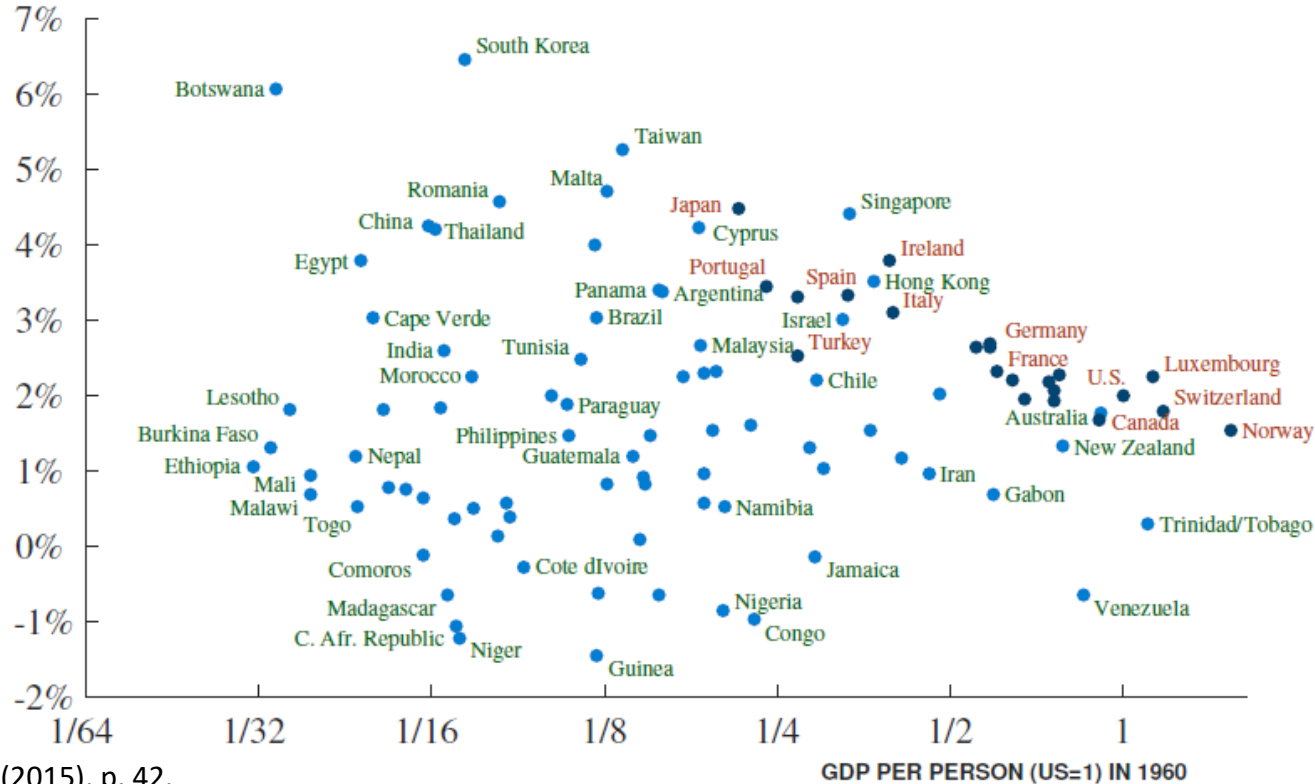
Convergence within the OECD world



Source: Jones (2015), p. 41.

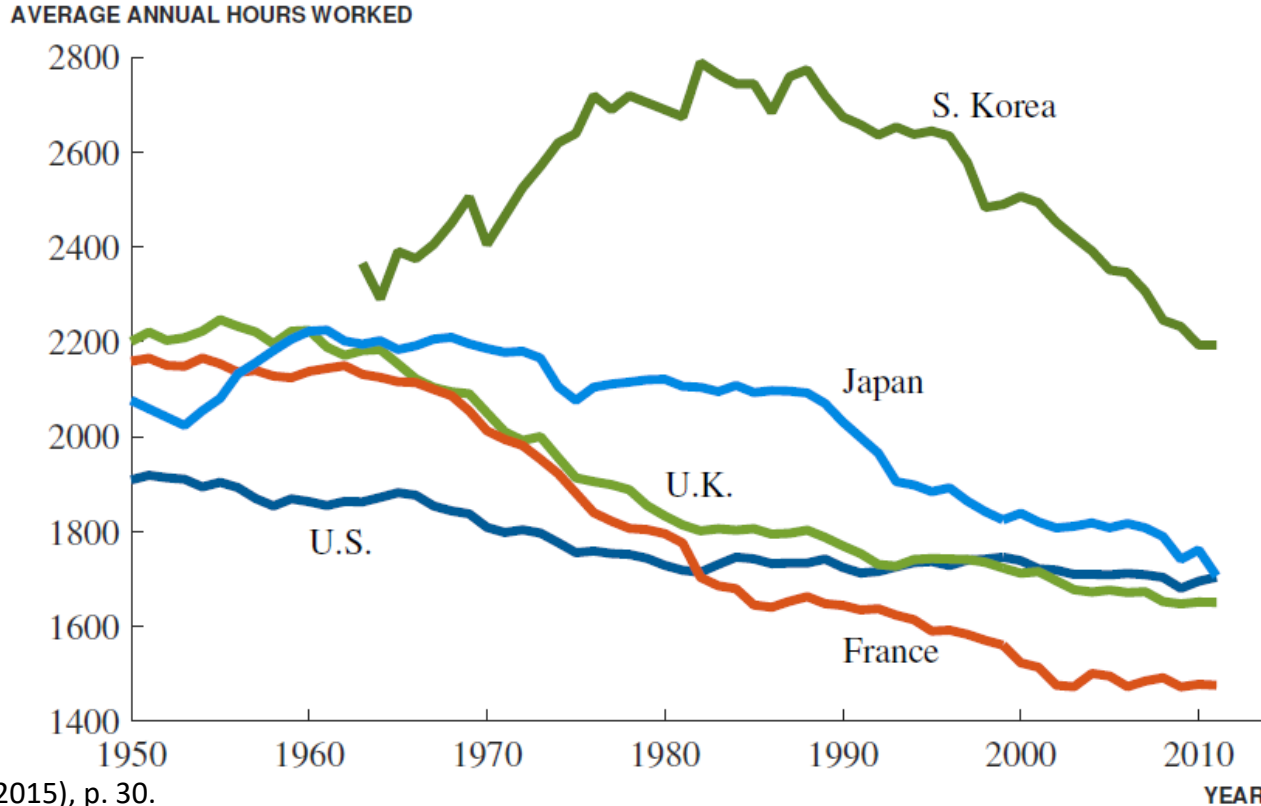
Lack of convergence worldwide

GROWTH RATE, 1960 - 2011



Source: Jones (2015), p. 42.

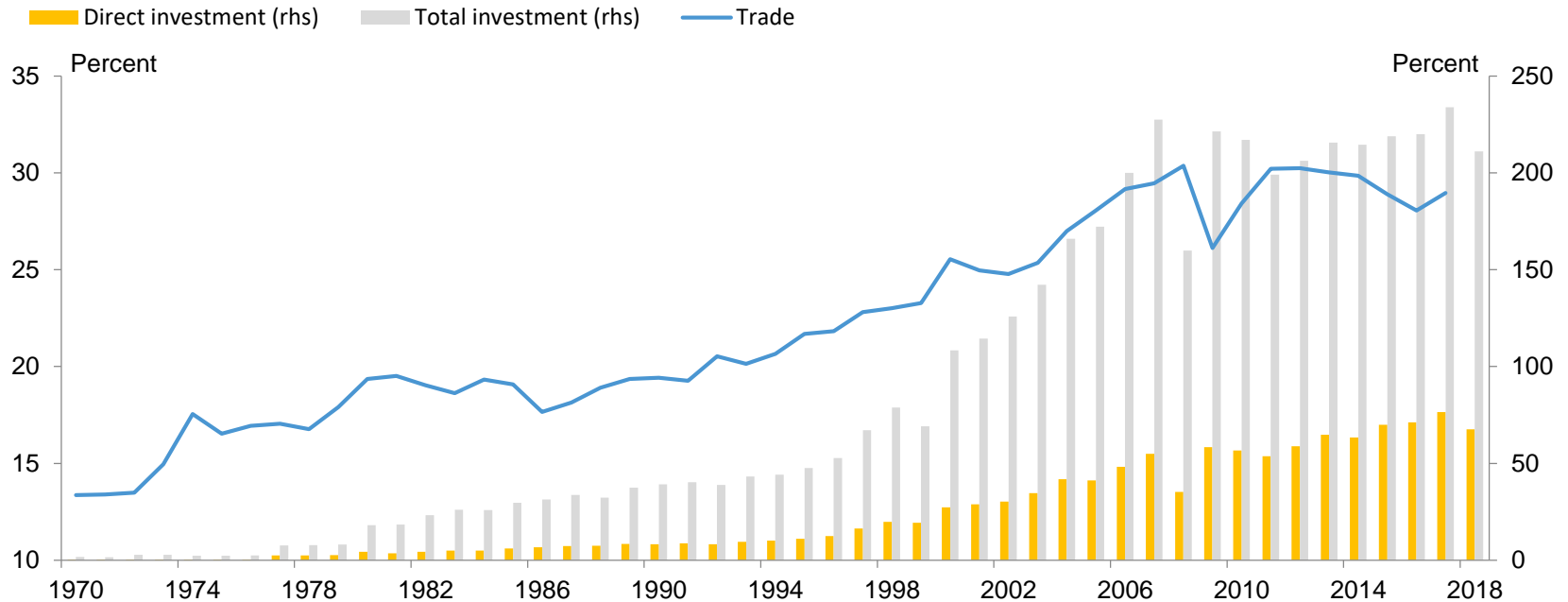
Advanced economies: Preference for leisure



Source: Jones (2015), p. 30.

Global trade and capital flows

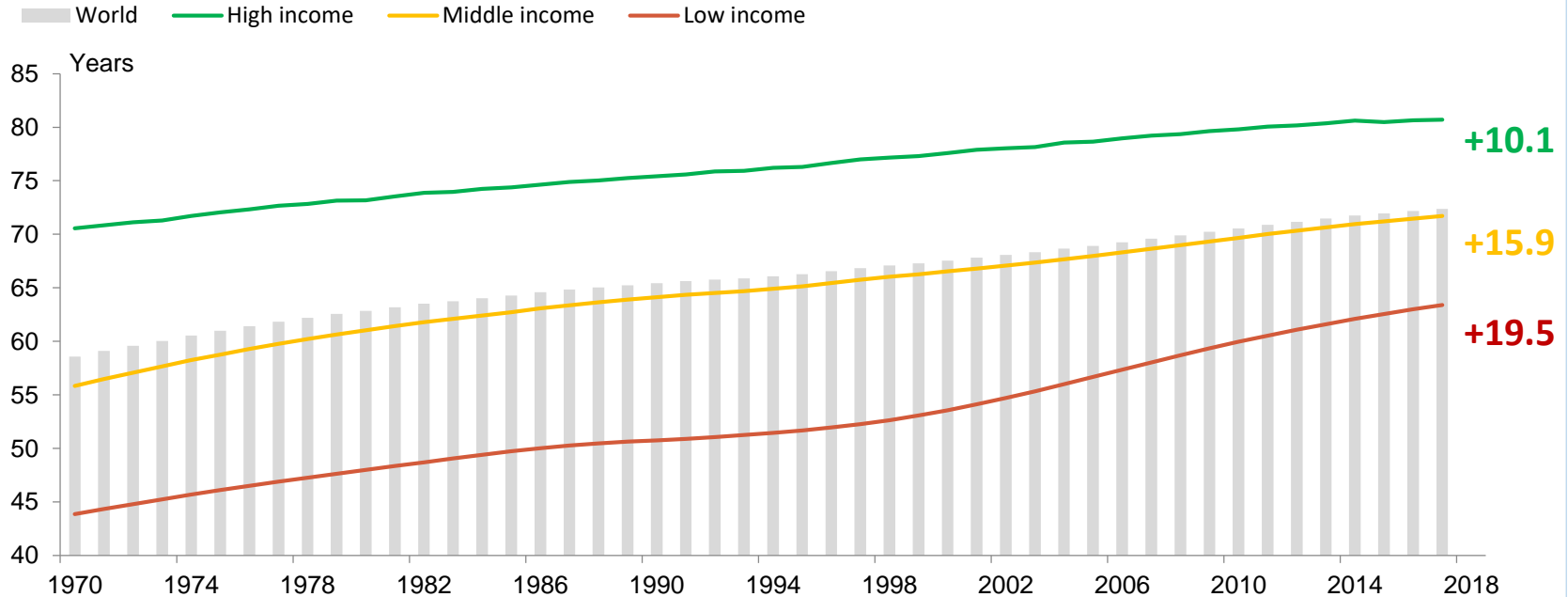
Global cross border trade flows and foreign investment positions



Annual data, percent of GDP; Trade: Average of exports and imports of goods and services; Investment: Average of assets and liabilities.
Source: World Bank, World Economic Indicators; IMF, International Investment Position; IFW calculations.

Living for longer

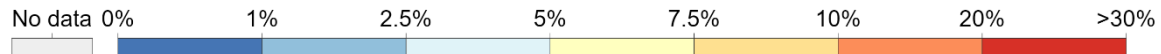
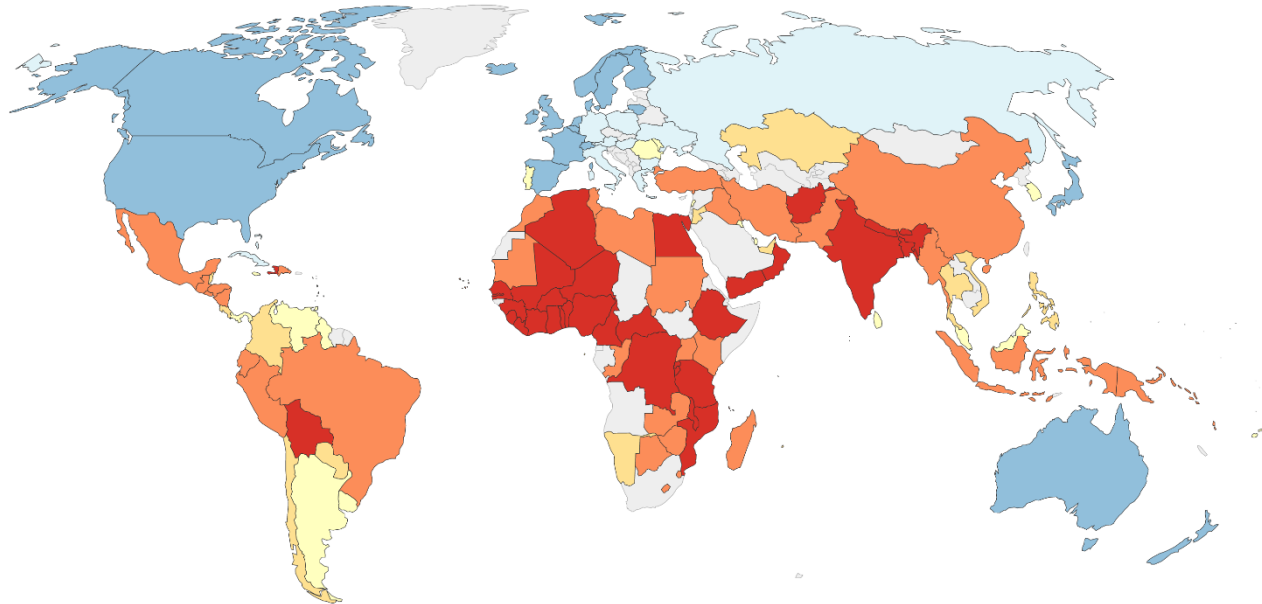
Life expectancy



Annual data. Life expectancy at birth, years, total population.
Source: World Bank, World Economic Indicators; IfW calculations.

Child mortality 1970

Source: Our World in Data

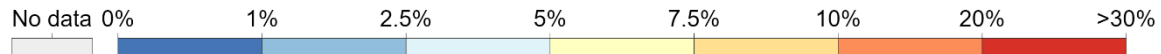
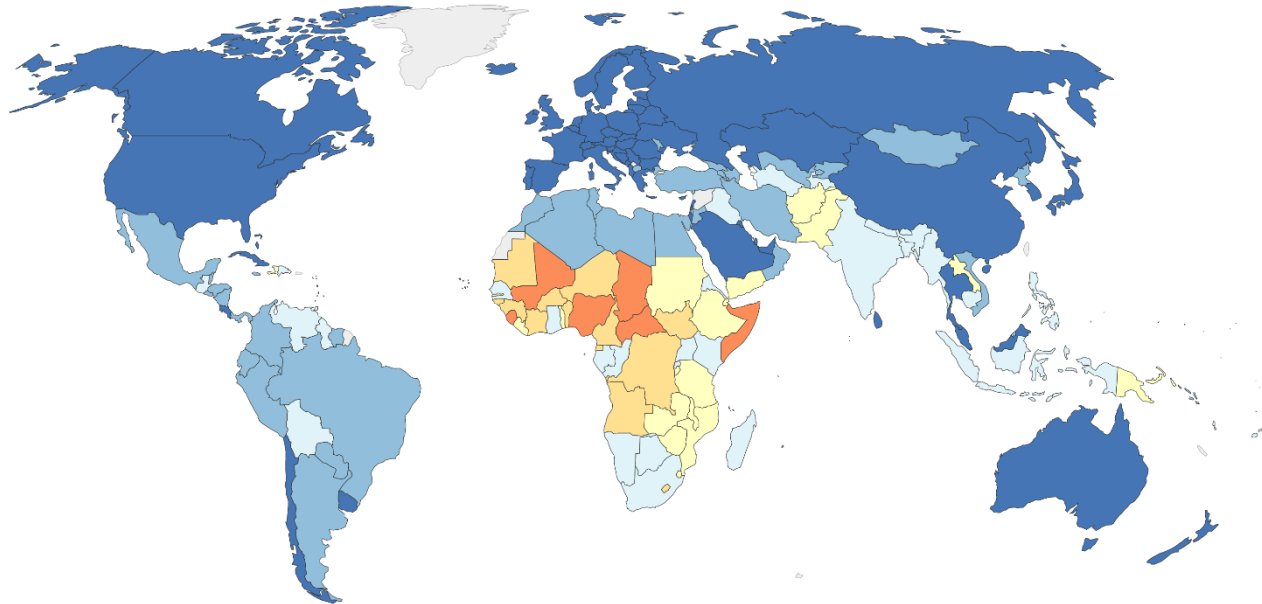


Source: UN Inter-agency Group for Child Mortality Estimation

OurWorldInData.org/child-mortality • CC BY

Child mortality 2017

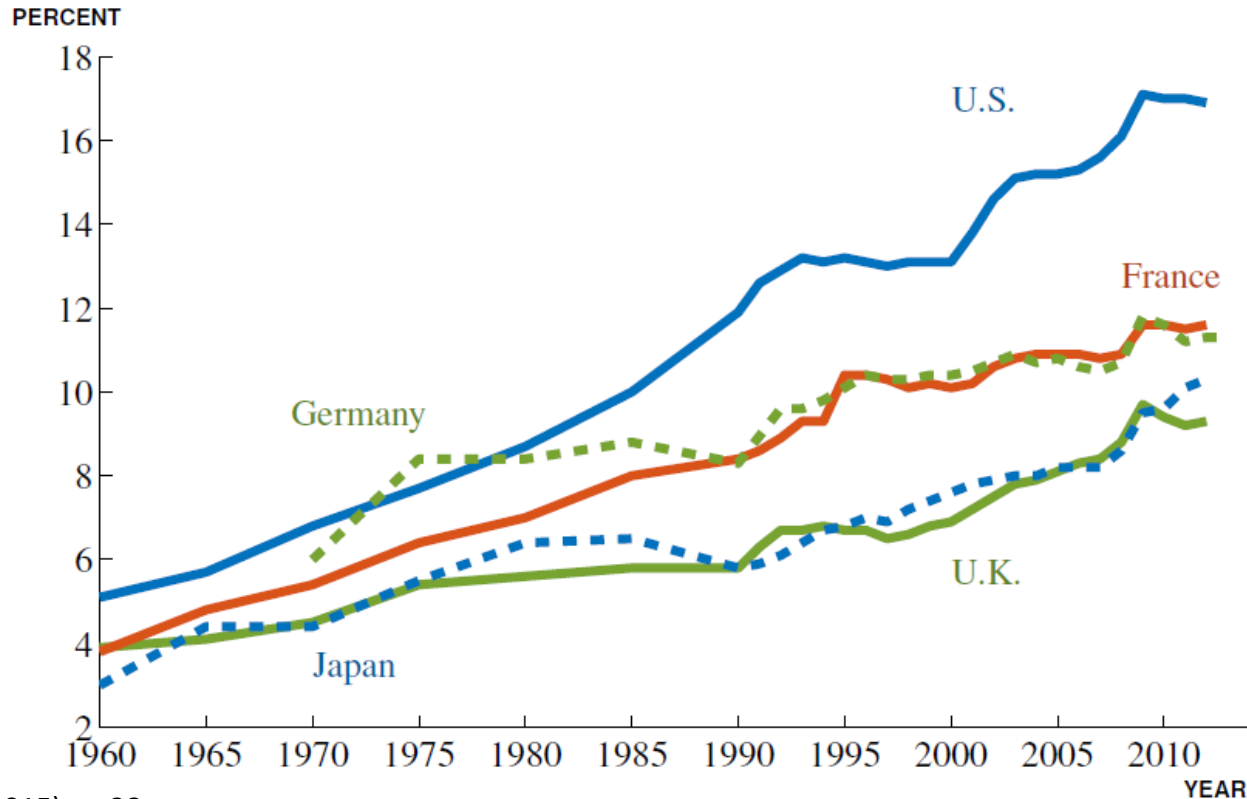
Source: Our World in Data



Source: UN Inter-agency Group for Child Mortality Estimation

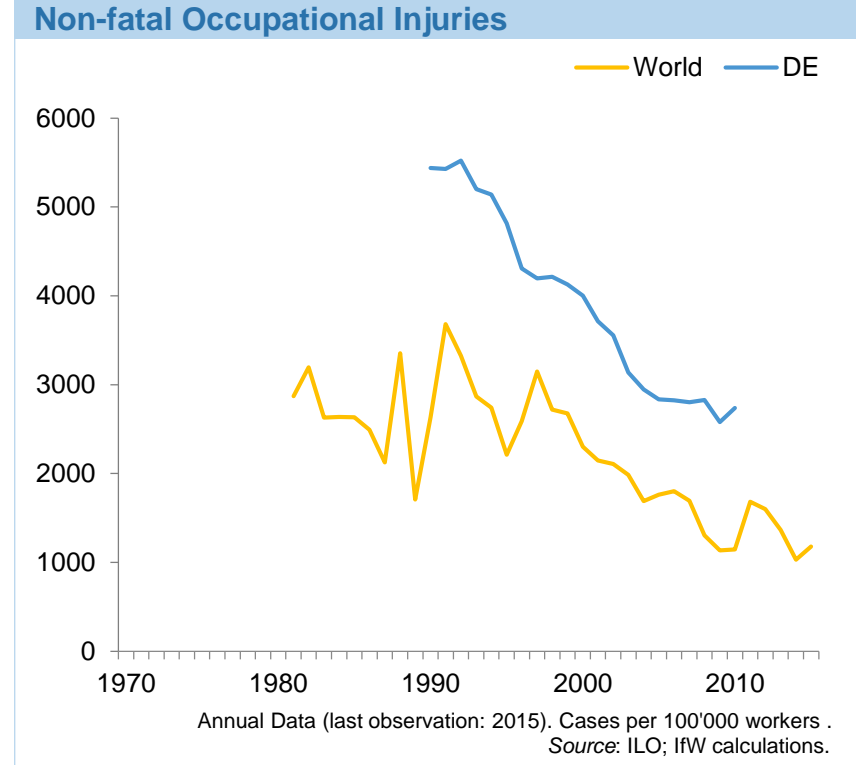
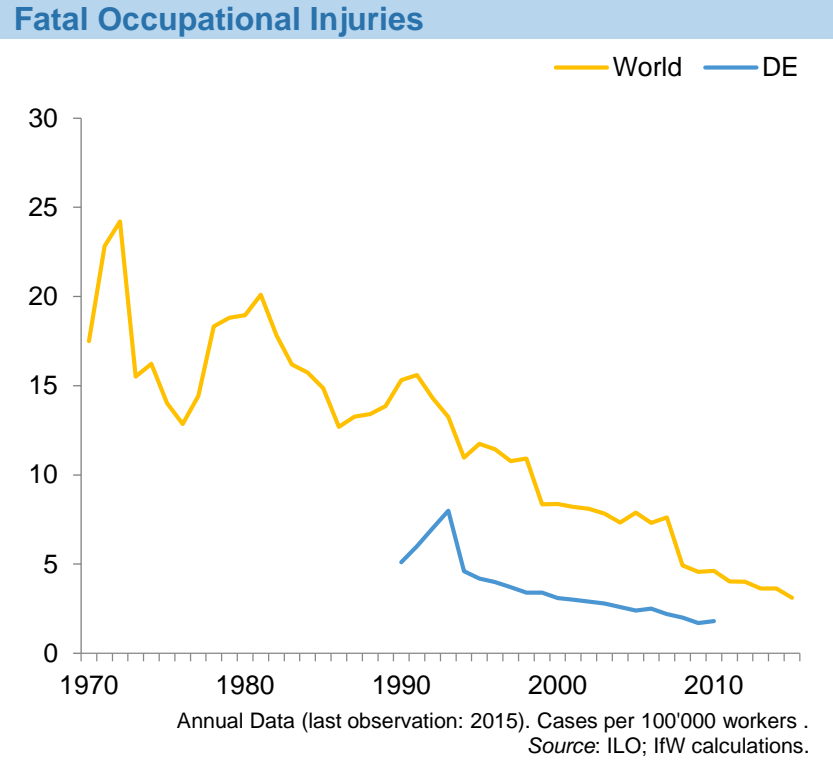
OurWorldInData.org/child-mortality • CC BY

Health spending, advanced countries (as % of GDP)



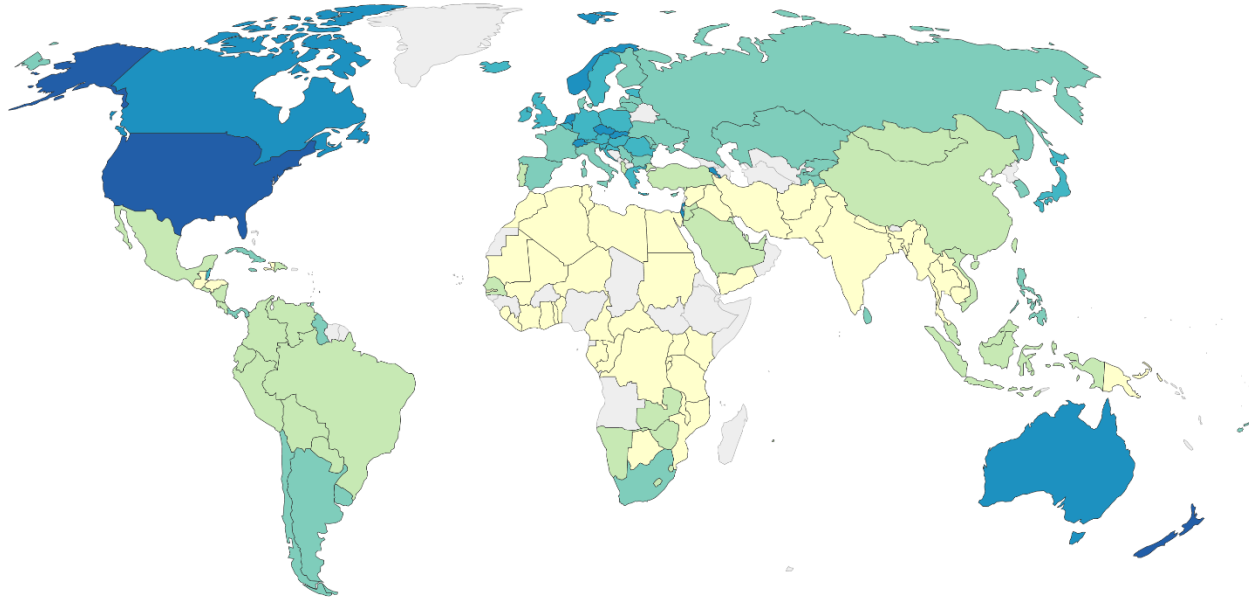
Source: Jones (2015), p. 28.

Working conditions are improving



Mean years of schooling 1970

Source: Our World in Data

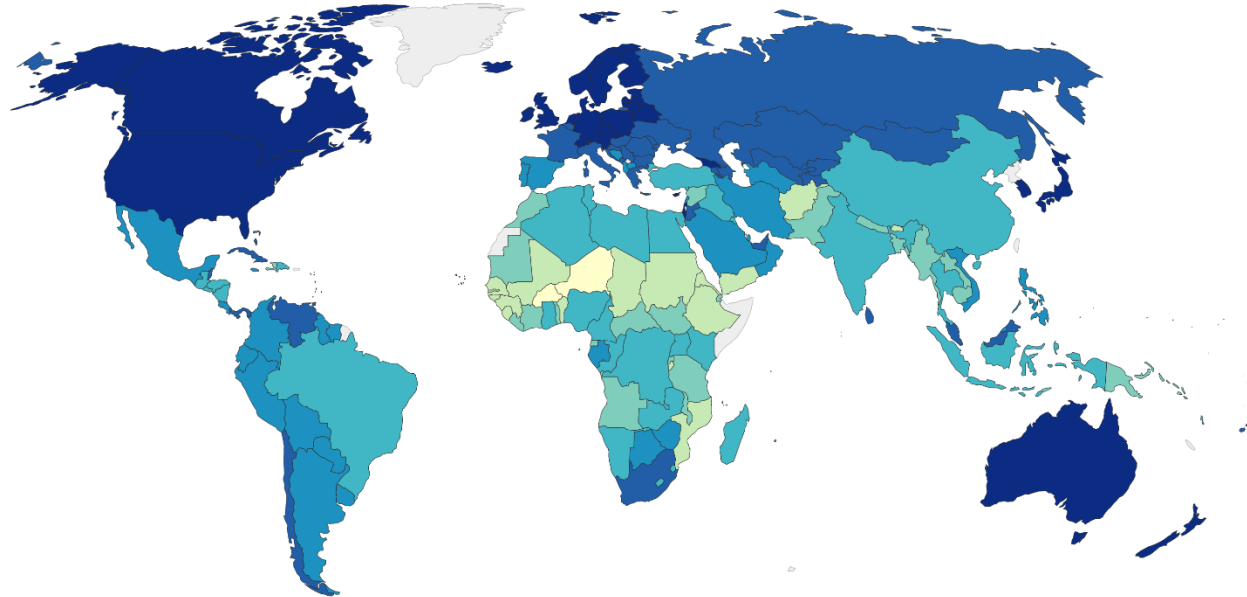


Source: Lee-Lee (2016); Barro-Lee (2018) and UNDP HDR (2018)

OurWorldInData.org/global-rise-of-education • CC BY

Mean years of schooling 2017

Source: Our World in Data



Source: Lee-Lee (2016); Barro-Lee (2018) and UNDP HDR (2018)

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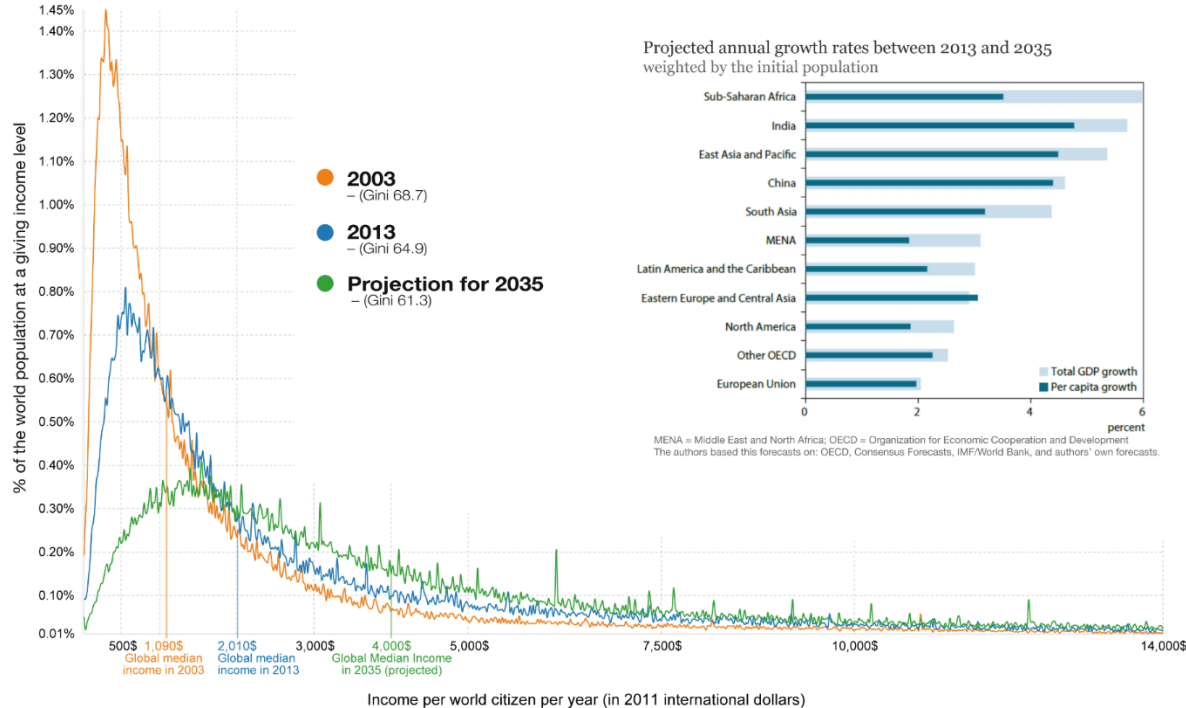
Poverty and inequality

- #1 poverty eraser: Capitalism
 - » Mass production ...
 - » ... for mass consumption
 - Income distribution: Global view
 - » Global convergence ...
 - » ... within-country divergence
 - Globally improved working conditions
 - Consumption possibilities
 - » Longer lifetimes
 - » Gains from globalization/technological progress
 - » Household composition matters
- ⇒ **Identifying losers is not trivial**

Global income inequality is shrinking ...

The global income distribution in 2003, 2013, and the projection for 2035

Incomes are adjusted for price changes over time and for price differences between countries (purchasing power parity (PPP) adjustment).



Source for all data: Tomáš Hellebrandt and Paolo Mauro (2015) – The Future of Worldwide Income Distribution, working paper. The interactive data visualization is available at OurWorldinData.org. There you find the raw data and more visualizations on this topic.

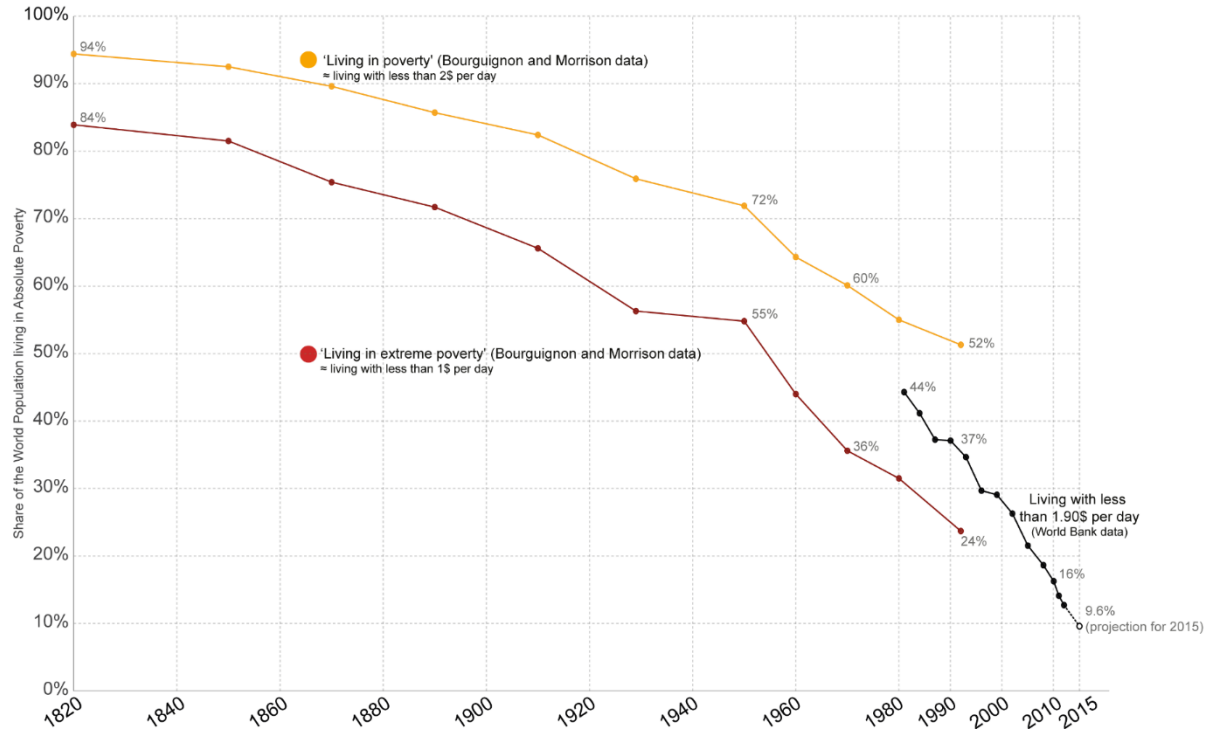
Licensed under CC-BY-SA by the author Max Roser.

... as is global poverty

OurWorld
in Data

Share of the World Population living in Absolute Poverty, 1820-2015

All data are adjusted for inflation over time and for price differences between countries (PPP adjustment).



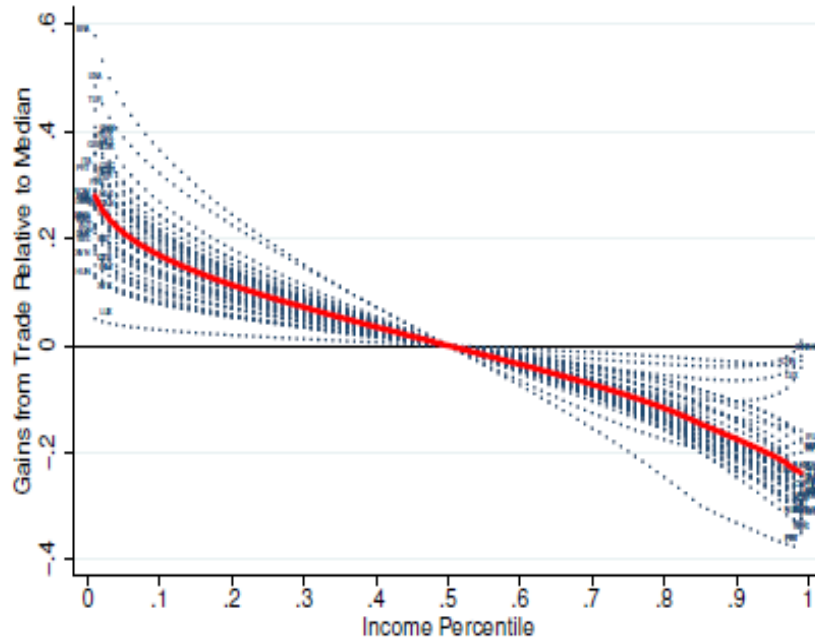
Data sources: 1820-1992 Bourguignon and Morrison (2002) - Inequality among World Citizens, In The American Economic Review; 1981-2015 World Bank (PovcalNet)

The interactive data visualisation is available at OurWorldinData.org. There you find the raw data and more visualisations on this topic.

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Consumer perspective: Gains from global free trade

Figure 5: Distribution of Unequal Gains: Baseline Case



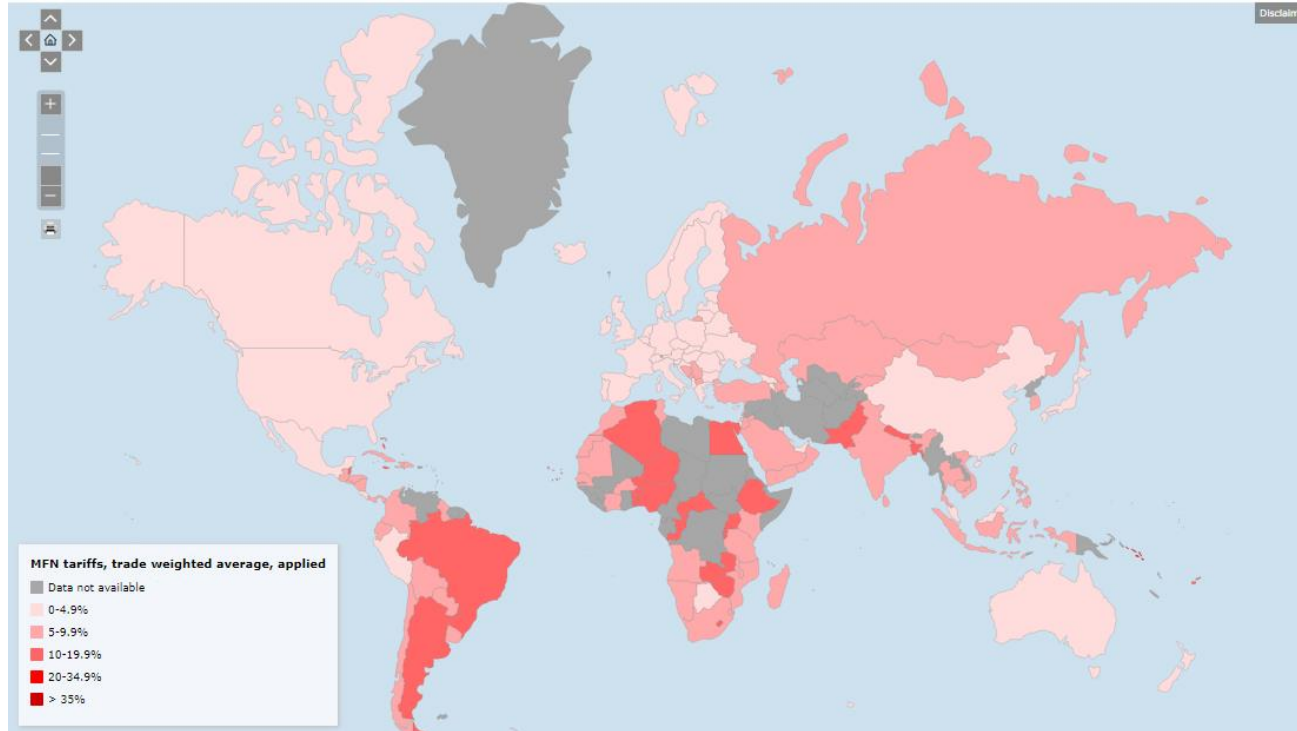
The deviations are relative to the median individual. The red line is the average across countries.

Source: Fajgelbaum, P. D., & Khandelwal, A. K. (2014). Measuring the unequal gains from trade. NBER WP 20331

- Low income households: higher expenditure share for tradable goods
- Global competition and division of labor make tradable goods more affordable
- World trade is mainly trade in mass production

Protektionismus und “Fair Trade”

The global tariff map



Source: https://www.wto.org/english/res_e/statistic_e/statistic_maps_e.htm

(Klein-) Geist des Protektionismus: USA vs. EU

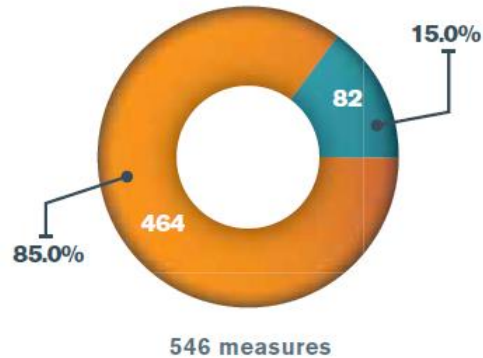
Die EU verhängte am Montag neue Zölle auf Spielkarten, Feuerzeuge und Plastiküberzüge aus den Vereinigten Staaten. Sie reagierte damit auf Schutzzölle auf Stahlnägel, Heftklammern, Draht, Kabel und andere Produkte, die die amerikanische Regierung Anfang Februar verhängt hatte.

Quelle: F.A.Z., 7. April 2020 („Industrie fordert Zollaufschub“)

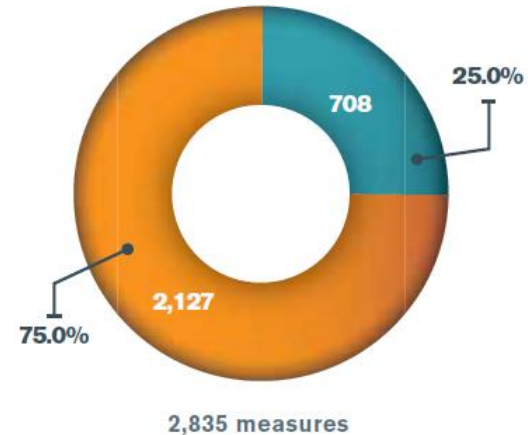
Neo-protectionism via non-tariff barriers to trade

Stockpile of trade-restrictive measures initiated since October 2008

By mid-October 2010



By mid-May 2016



● Effectively eliminated measures ● Stockpile of restrictive measures

Note: The stockpile of trade-restrictive measures also includes trade remedy actions.

Source: WTO, World Trade Statistical Review 2016.

Merkantilistischer Atavismus: „Buy German“



Merkantilistischer Grundfehler

Länder als Unternehmen

Befriedigung von
(gegenwärtigen und zukünftigen)
Konsumbedürfnissen

Güterbeschaffung auf friedlichem Wege

Kaufen (= Tausch)
oder
Selbermachen (= Produktion)

Entgangene Konsummöglichkeiten



Konsumenten- statt Unternehmensperspektive



Wirtschaftsordnung

Wirtschaftsräume (Länder) sind keine Akteure.



Relativpreise können sich anpassen.

Free trade ... fair enough!

If goods don't cross borders, soldiers will.

Otto M. Mallery
Economic Union and durable peace (1943)

Kapitalprotektionismus “made in Germany”



Ausverkauf der „deutschen“ Industrie?

Wirtschaft > Nützlich oder gefährlich? China auf Shoppingtour in Deutschland

01. November 2016

KUKA UND CO: CHINESISCHE ÜBERNAHMEN IN DEUTSCHLAND

Der naive deutsche Michel lässt China machen



Rezzo Schlauch
Parlamentarischer
Staatssekretär a.D.,
Rechtsanwalt und Berater
Mayer & Kambli

+ MEHR

Mit einer Mischung aus Naivität und Lethargie schauen deutsche Politiker und Unternehmen zu, wie China deutsche Technologieunternehmen aufkauft, meint Rezzo Schlauch. Die Folgen könnten verheerend sein.

Fallstudie: 11 Irrtümer über Freihandel



Neomerkantilismus in der Corona-Krise

Handelskonflikte
(insbes. USA)

Strategische Industriepolitik
(insbes. China)

Alter Wein in neuen Schläuchen

Protektionismus



„Ökonomische Souveränität“

Ausfuhrverbote

„Mit den länderspezifischen Empfehlungen, die die EU-Kommission [...] gibt, können wir Impulse setzen, Industriezweig für Industriezweig.“

Quelle: F.A.Z., 22. Mai 2020 (Interview: „Alte Zwistigkeiten hintanstellen“)



Thierry Breton
EU-Binnenmarkt-Kommissar

Corona-Krise als Rettung

Italienische Regierung gibt drei weitere Milliarden Euro für Alitalia als Teil eines neuen Hilfspakets zur Abfederung der Schäden durch die Corona-Krise in Italien.



Quelle: <https://www.airliners.de/italienische-regierung-milliarden-euro-alitalia/55339>

Was bedeutet die Corona-Krise für die Globalisierung, die Abhängigkeit von Importen, internationalen Lieferketten?

Wir müssen die nötigen Schlüsse aus der Krise ziehen. Wir dürfen nicht naiv sein und müssen künftig die zentralen Produkte, die wir für die Gesundheit, aber auch unsere Industrieproduktion brauchen, wieder in Europa produzieren. Es ist doch absurd, wenn wir die Maschinen her-

stellen, mit denen dann China die hier so dringend benötigten Masken produziert. Wenn wir nach der Corona-Krise wieder zum „business as usual“ zurückkehren, wäre das ein großer Fehler. Wir müssen unsere Industrie neu aufstellen, unabhängiger werden, kein Protektionismus, aber mehr Produktion in Europa. Die EU muss autonom sein, nicht aber autark.

Charles Michel
EU-Ratspräsident

Quelle: F.A.Z., 18. April 2020 (Interview: „Herausforderung dieser Generation“)

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