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Wealth inequality has been widening for millennia

The one-percenters are now gobbling up more of the pie in America—that much is well known. This trend, though disconcerting, is not unique to the modern era. A new study, by Timothy Kohler of Washington State University and 17 others, finds that inequality may well have been rising for several thousand years, at least in some parts of the world. The scholars examined 63 archaeological sites and estimated the levels of wealth inequality in the societies whose remains were dug up, by studying the distributions of house sizes.

As a measure they used the Gini coefficient (a perfectly equal society would have a Gini coefficient of zero). It rose from about 0.2 around 8000BC in Jerf el-Ahmar, on the Euphrates in modern-day Syria, to 0.5 in around 79AD in Pompeii. Data on burial goods, though sparse, point to similar trends.

The researchers suggest agriculture is to blame. The nomadic lifestyle is not conducive to wealth accumulation. Only when humans switched to farming did people truly begin to acquire material riches. Inequality rose steadily after the shift to settled agriculture, but tailed off in the Americas after around 2,500 years. In the old world, however, wealth inequality continued climbing for several millennia. That may be because Eurasia was richer in large mammals that could be domesticated. Horses and oxen greatly improved farm productivity—but livestock were mainly owned by the rich (who could also rent them out). The agricultural revolution was good for humanity but awful for egalitarians.

America's global influence has dwindled under Donald Trump

A YEAR ago this week Donald Trump was elected president. Many people predicted that American foreign policy would take a disastrous turn. Mr Trump had suggested that he would scrap trade deals, ditch allies, put a figurative bomb under the rules-based global order and drop literal ones willy-nilly. NATO was "obsolete", he said; NAFTA was "the worst trade deal maybe ever"; and America was far too nice to foreigners. "In the old days when you won a war, you won a war. You kept the country," he opined, adding later that he would "bomb the shit out of" Islamic State (IS) and "take the oil".

So far, Mr Trump's foreign policy has been less awful than he promised. Granted, he has pulled America out of the Paris accord, making it harder to curb climate change, and abandoned the Trans-Pacific Partnership, a big trade deal. However, he has not retreated pell-mell into isolationism. He has not quit NATO; indeed, some of America's eastern European allies prefer his tough-talk to the cool detachment of Barack Obama. He has not started any wars. He has stepped up America's defence of Afghanistan's beleaguered government, and helped Iraq recapture cities from IS. In the parts of the world to which he pays little attention, such as Africa, an understaffed version of the previous administration's policy continues on autopilot. As Mr Trump makes a 12-day visit to Asia, it is hard to dismiss him as a man wholly disengaged from the world.

Many people find reassurance in the sober, capable military men who surround him (see article). His chief of staff, his defence secretary and his national security adviser all understand the horrors of war and will stop him from doing anything rash, the argument goes. Optimists even speculate that he might emulate Ronald Reagan, by shaking up the diplomatic establishment, restoring America's military muscle and projecting such strength abroad that a frightened, overstretched North Korea will crumble like the Soviet Union. Others confidently predict that even if he causes short-term damage to America's standing in the world, Mr Trump will be voted out in 2020 and things will return to normal.

On trade, he remains wedded to a zero-sum view of the world, in which exporters "win" and importers "lose". (Are the buyers of Ivanka Trump-branded clothes and handbags, which are made in Asia, losers?) Mr Trump has made clear that he favours bilateral deals over multilateral ones, because that way a big country like America can bully small ones into making concessions. The trouble with this approach is twofold. First, it is deeply unappealing to small countries, which by the way also have protectionist lobbies to overcome. Second, it would reproduce the insanely complicated mishmash of rules that the multilateral trade system was created to simplify and trim. The Trump team probably will not make a big push to disrupt global trade until tax reform has passed through Congress. But when and if that happens, all bets are off—NAFTA is still in grave peril.

Perhaps the greatest damage that Mr Trump has done is to American soft power. He openly scorns the notion that America should stand up for universal values such as democracy and human rights.

The idea that things will return to normal after a single Trump term is too sanguine. The world is moving on. Asians are building new trade ties, often centred on China. Europeans are working out how to defend themselves if they cannot rely on Uncle Sam. And American politics are turning inward: both Republicans and Democrats are more protectionist now than they were before Mr Trump's electoral triumph.

For all its flaws, America has long been the greatest force for good in the world, upholding the liberal order and offering an example of how democracy works. All that is imperilled by a president who believes that strong nations look out only for themselves. By putting "America First", he makes it weaker, and the world worse off.

China's November trade crushed expectations

Chinese dollar-denominated exports rose 12.3 percent year-over-year for the month of November, easily topping the 5 percent expected by a Reuters poll.

Similarly, November's dollar-denominated imports rose 17.7 percent against the year-ago period, compared to an 11.3 percent gain expected by a Reuters poll. Overall, China's November trade surplus was $40.21 billion — above an expected surplus of $35 billion, Reuters said. The country's exports denominated in yuan, meanwhile, rose 10.3 percent in November from a year earlier, the General Administration of Customs said. Yuan-denominated imports rose 15.6 percent year-on-year in November, which produced a trade surplus of 263.6 billion yuan

Euro zone business growth is roaring as the year draws to a close

A survey, supporting the European Central Bank's move last month to announce a throttling back of its monetary stimulus. Surveys covering both the services and manufacturing industries outshone even the most optimistic forecasters in Reuters polls - indicating growth is broad-based - with factories having the second best month in the index's history.

The bloc has emerged as the surprise economic star of 2017, with growth rates outpacing its peers, and future-looking indicators in the latest Purchasing Managers' Index (PMI) suggest the upturn still has momentum.

IHS Markit's composite flash PMI for the euro zone jumped to 57.5 this month, its highest since April 2011 and smashing the median forecast in a Reuters poll for no change from a final October reading of 56.0. Anything above 50 indicates growth."We thought we had reached a peak a few months ago, so this is a surprise. This is a very broad-based looking upturn," said Chris Williamson, chief business economist at IHS Markit.

December looks like it will be busy, too. A new business index rose to 56.9 from 56.6, a near seven-year high and so Williamson said the PMI, if maintained, points to fourth quarter growth of 0.8 percent, outstripping the 0.5 percent predicted in a Reuters poll earlier this month.

Little evidence global markets will start slowing, despite China slowing: Accelerating growth, alongside increasing price pressures, will be welcomed by policymakers at the ECB who last month took a step towards weaning the euro zone off loose money."We've been of the view that the PMIs have been in quite hawkish territory for some time now. If you continue to get numbers this strong there will be increasing talk that the ECB has been behind the curve," Williamson said.

A PMI covering the bloc's dominant service industry also beat all expectations in a Reuters poll, rising from October's 55.0 to a six-month high of 56.2 and comfortably above the median forecast for a very modest increase to 55.1.Implying a busy end to the year, service firms built up backlogs of work at the fastest rate since May 2011, with the sub-index up from 52.9 to 53.3, pushing them to increase headcount at the fastest rate in almost 10 years.

Manufacturers also had a much better month than anyone polled expected. Their PMI climbed to 60.0 from 58.5, the second-highest reading since the index was first collected in June 1997 and only surpassed in April 2000

Trying to fight pollution, China is now the world's largest issuer of 'green' bonds

China is set to become the world's largest issuer of green bonds in 2017

That will be the country's second time topping the list, after bursting onto the scene in 2016 to overtake traditional green financing giants such as the U.S. and France China is the world's largest carbon-emitter and needs around 2 trillion yuan a year to reduce pollution, its central bank estimated China has dominated global issuance of "green" bonds for two straight years — a trend that will likely continue as the world's top carbon-emitter tries to play a larger role to contain climate change.

The Asian economic giant burst onto the scene in 2016 to take the crown as the world's largest issuer of green bonds — a debt instrument with proceeds that are used to finance activities that benefit the environment. China is set to retain its top spot in 2017.

By the end of November 2017, China led global green bond issuance with 66 deals that raised $24.89 billion, according to data firm Dealogic. The country's dominance in that particular debt market followed its 2016 record of 43 deals totaling $33.17 billion, which allowed it to leapfrog traditional green financing giants such as the United States and France.

"China is one of the country which is most exposed to pollution, particularly air pollution. Following the Paris 2015 United National Climate Change Conference, they have shown keenness to fight climate change," said Alban de Fäy, a portfolio manager at Amundi Asset Management who handles socially-responsible, fixed-income investments. To many observers, China's status as a leading issuer of green bonds signals its commitment to address the environmental problems that have come with the country's rapid industrialization over three decades.

The agreement reached in Paris came into effect in November 2016, and is designed to prompt nearly 200 countries including China to cut greenhouse gas emissions. The huge pact has stirred greater interest in green bonds among investors. Global green bond issuance leaped by 120 percent in 2016, to a record $93.4 billion, according to ratings agency Moody's. Green bonds hit $94.5 billion in the first nine months of this year and are on course to exceed $120 billion for the full year, the agency added.

For Credit Suisse's Chief Investment Officer Asia Pacific, John Woods, there cannot be a better Asian leader in the green bond space given the depth and breadth of China's financial system.

"China has the depth and diversity in its bonds and equity markets," he said. "It's so much harder elsewhere in Asia to get a bond issuer to do a green bond. There are not that many bonds coming out of say, the Philippines or Thailand or even Indonesia, but China is such a massive economy.

Japan's central bank leaves its monetary policy unchanged

The Bank of Japan (BOJ) kept its policy rate, 10-year government bond yield target unchanged

The BOJ voted 8-1 to stand pat on rates with Goushi Kataoka as the sole dissenting voice

The central bank said the economy is growing moderately and inflation, while below its target, will likely continue to rise. The Bank of Japan said Thursday it is holding its monetary policy steady, as inflation is still far from the targeted 2 percent despite a growing economy.

At the end of its two-day policy meeting, the central bank said it is maintaining its short-term interest rate at minus 0.1 percent and the target for the 10-year government bond yield at zero percent.

"Japan's economy is expanding moderately," the BOJ said in a statement.

The decision to keep monetary policy unchanged was reached by 8 to 1 vote, with board member Goushi Kataoka as the sole dissenting voice.

Kataoka argued that the likelihood of inflation reaching its 2 percent target is low and the central bank should commit to additional easing if progress to achieve the inflation target is delayed.

But the BOJ said in its statement that inflation is "likely to continue on an uptrend" on the back of an improvement in the output gap and a rise in medium- to long-term inflation expectations.

Japan's core consumer price index rose 0.8 percent in October from a year ago, following a 0.7 percent increase in September. Its economy, the third-largest in the world, beat estimates to grow at an annualized 2.5 percent in the three months to September.

Analysts were not surprised by the central bank's decision on Thursday, but had differing views on how long Japan will keep its loose monetary stance. A poll by Reuters found that most economists expect the central bank to withdraw stimulus from 2018.Marcel Thieliant, senior Japan economist from Capital Economics, said there were concerns about the sustainability of maintaining a loose monetary policy for a prolonged period. He said low rates may depress bank profits, weaken banks' capital ratios and reduce lending. Despite that, Thieliant said he expects Japan to leave policy unchanged at least until the end of 2019."We don't think that these concerns are valid and we think that weak price pressures will continue to dominate the outlook for monetary policy," he wrote in a note after the release of BOJ's latest monetary policy statement.

OECD Launch of the November 2017

The good news is that the global economy is gaining momentum. Global growth is accelerating from 3.1% in 2016 to a projected 3.6% this year and 3.7% next year. Over the past couple of quarters global GDP has actually been growing even faster than this, at an annualised rate of over 4%.Moreover, for the first time in a decade, the world is growing in sync, with none of the large economies experiencing a recession.

But as we said already at the time of our Interim Outlook last September, the situation may be better, but it is not good enough. For one thing, there are threats to the sustainability of the improved growth rates that we are now seeing. For another, the growth still needs to become more inclusive as well as more environmentally sustainable.

As regards the threat of the current improved growth being derailed, this Economic Outlook has a chapter on private debt dynamics which flags a major risk to the projections. Indebtedness of households and corporations has reached record levels in many countries. Particularly worrying are the high levels and continued growth of corporate debt levels in China, given the importance of China to the world economy. Also of concern are the high levels of household debt in a number of advanced economies, mainly associated with mortgage lending. As the Outlook shows, real estate boom-and-bust cycles have been good predictors of recession in OECD economies, and danger signs are flashing in a number of them.

Designing policies to contain risks without unduly hindering growth is no easy task. Some countries are using prudential tools to prevent excessive leverage, and there is more that could be done in that area. But the Outlook also talks about the need to address the deeper roots of financial fragilities, such as the debt bias in corporate taxation.

With regard to the quality of growth currently, there are several issues of concern. A key one is the failure of output gains to feed through into real wage growth. This has been the main reason why median real household incomes across the OECD have been stagnant for much of the post-crisis period, while real incomes at the lower end of the distribution have actually fallen. Growth has to be made more inclusive. Inadequate real wage growth is in part – though only in part – linked to slow average productivity growth, which remains another central concern. The weakness of productivity growth is particularly puzzling given the ongoing digital revolution, which should be unlocking efficiencies and allowing each worker to produce more. The OECD's two-year Going Digital project, which is nearing its half-way point, is looking closely at this question, among others, and our annual Global Strategy Group meeting will be talking about this later today. Part of the answer, discussed in the Outlook, is undoubtedly that sluggish business investment in OECD economies in recent years has meant a slowdown in the rate at which technological progress is embodied in the capital stock. The improvement in demand growth should help to revive business investment, but we see the need to remove structural impediments to productive investment as well.

Another concern about the quality of growth is that, with the cyclical upswing in the world economy this year, global carbon emissions have begun to grow again after remaining flat over the previous three years. It is imperative that the world achieves a decisive decoupling of emissions growth and GDP. Our report Investing in Climate, Investing in Growth, which we released in May, showed that with the right policies there need be no conflict between addressing climate change and achieving more rapid growth.

More generally, this Economic Outlook points the way to integrated policy packages that could deliver the strong, sustained, inclusive growth that is urgently needed. I now turn it over to Catherine to say more about those recommendations, along with other details of the Outlook.