

National and global inequality in the age of globalization, 1988-2008...

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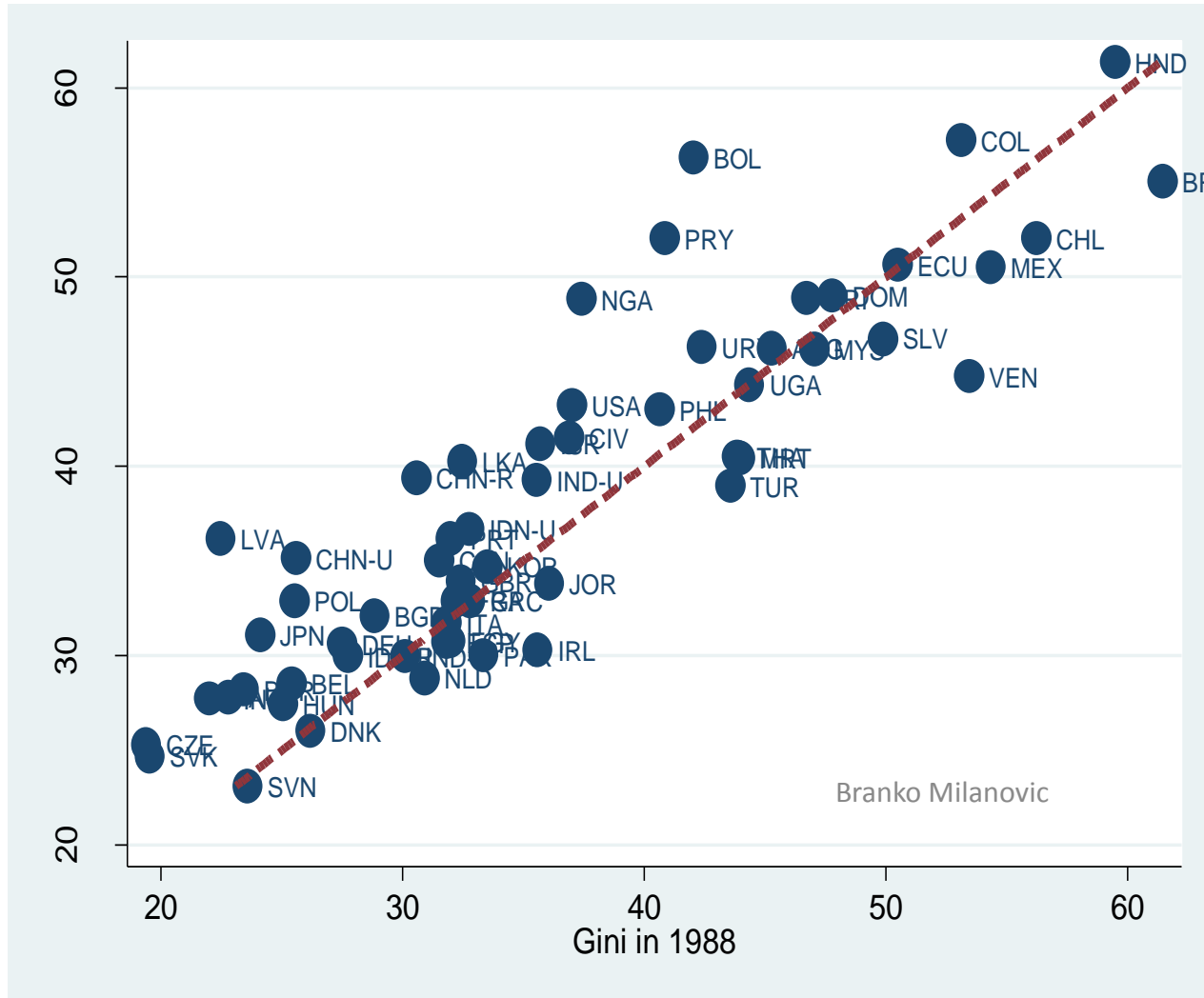
....or how the world changed
between the fall of the Berlin Wall and
the fall of Wall Street

A. National inequalities mostly increased

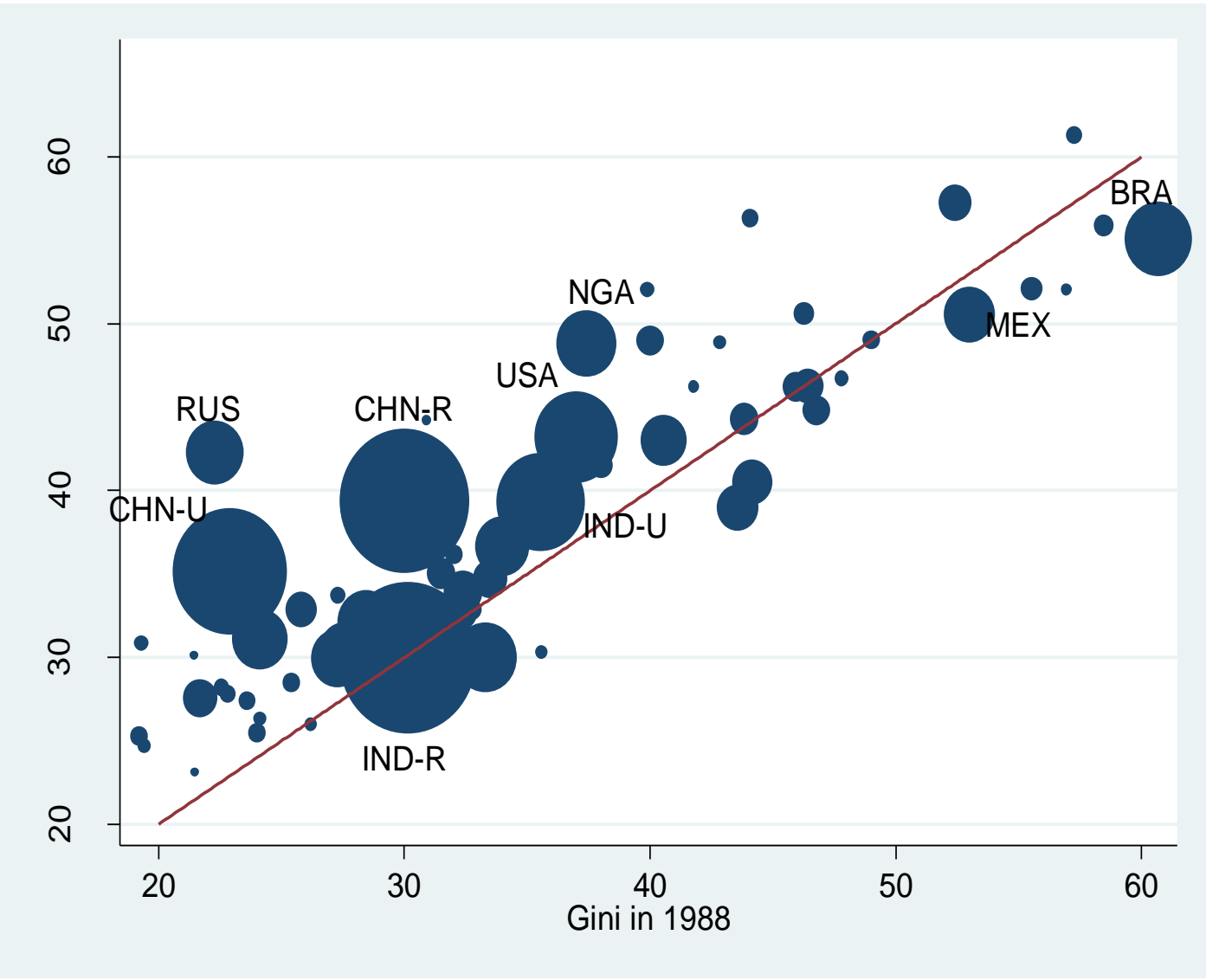
Ginis in 1988 and twenty years later

	1988	2008	Change
Average Gini	36.0	38.5	+2.5
Pop-weighted Gini	33.9	37.3	+3.4
GDP-weighted Gini	32.2	36.4	+4.2
Countries with higher Ginis (38)	33.7	38.5	+4.8
Countries with lower Ginis (20)	40.5	37.7	-2.7

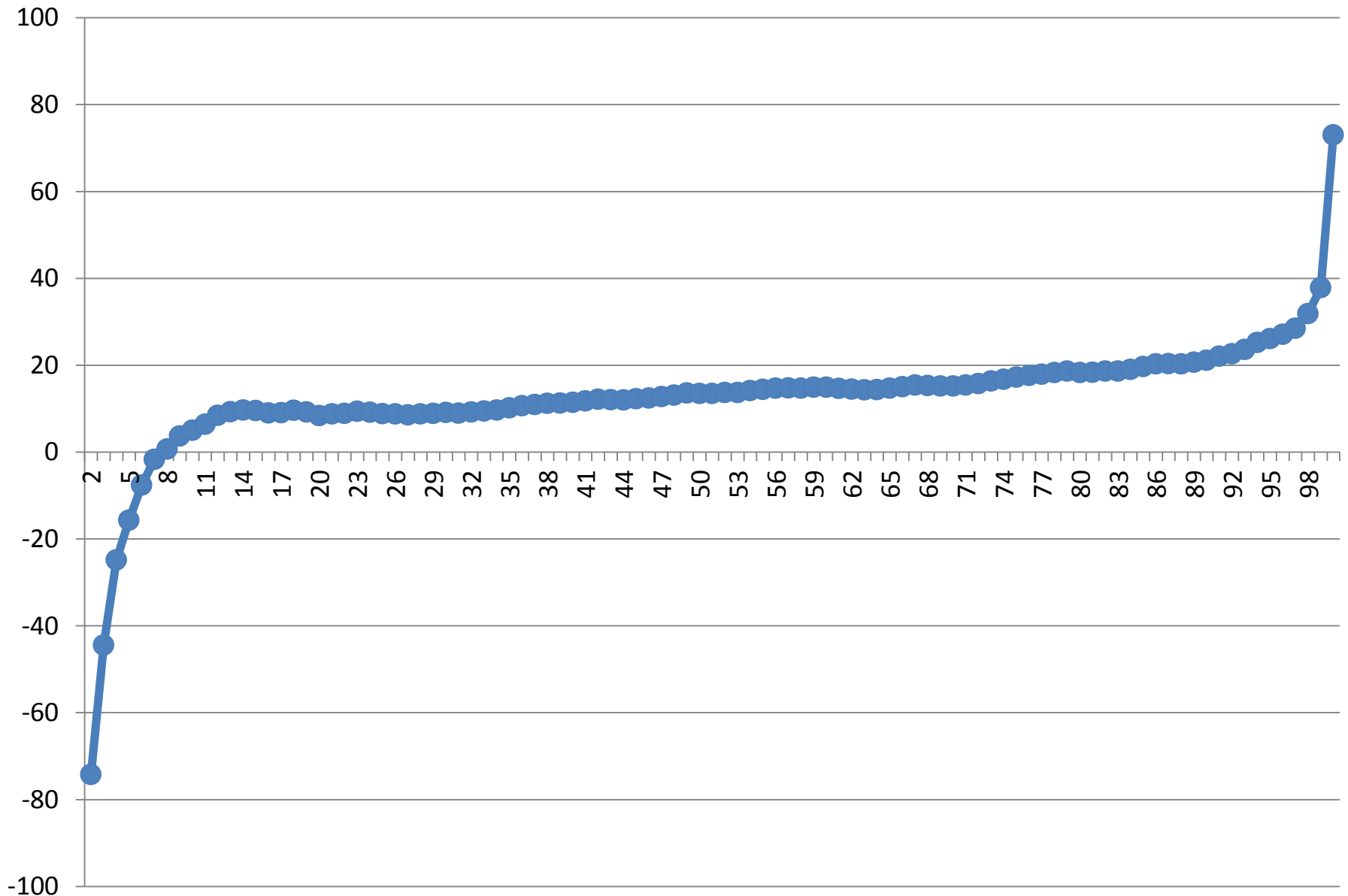
Ginis in 1988 and 2008



Ginis in 1988 and 2008 (population-weighted countries)

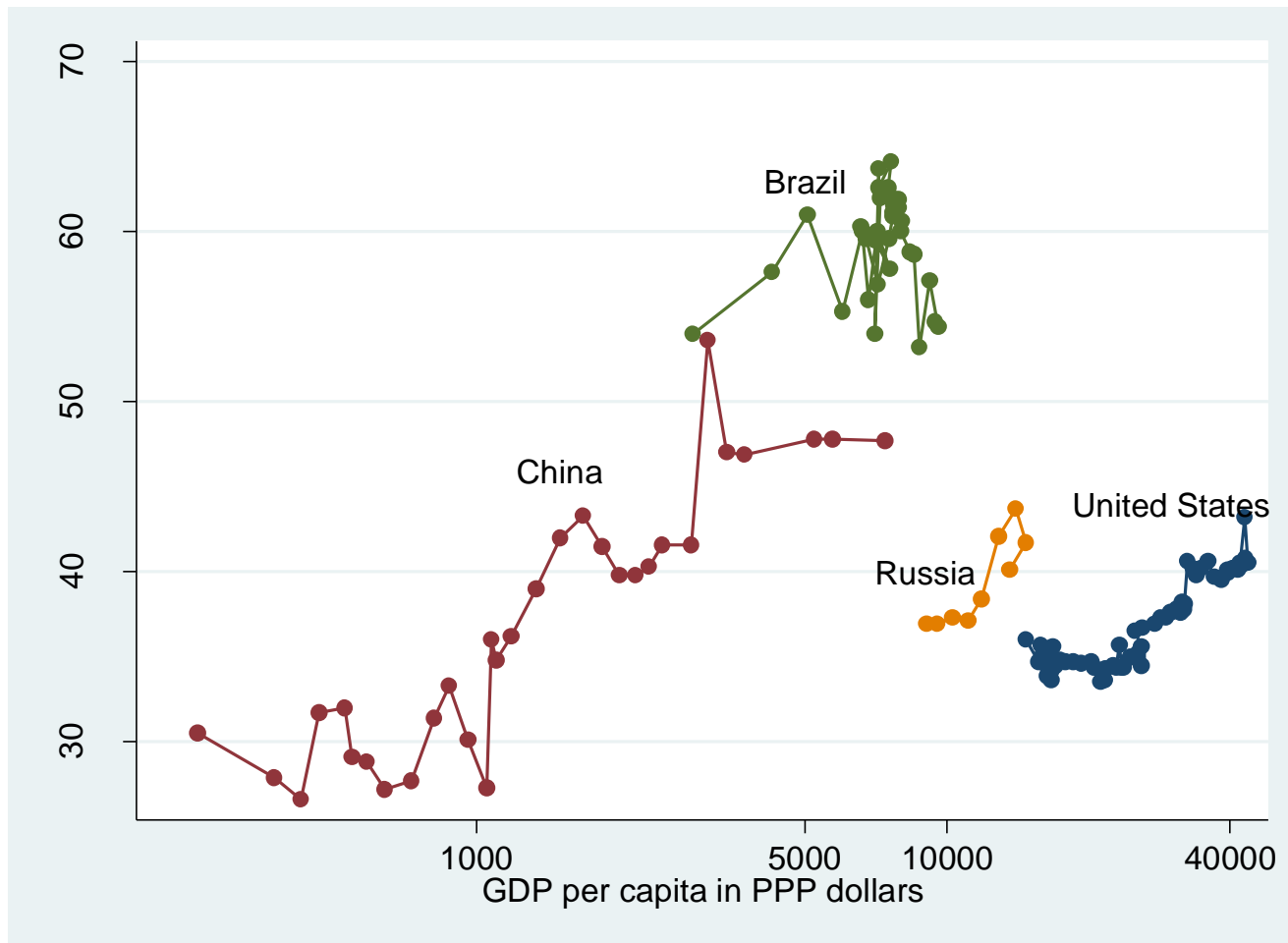


Increase in real household per capita income, 1986-2010



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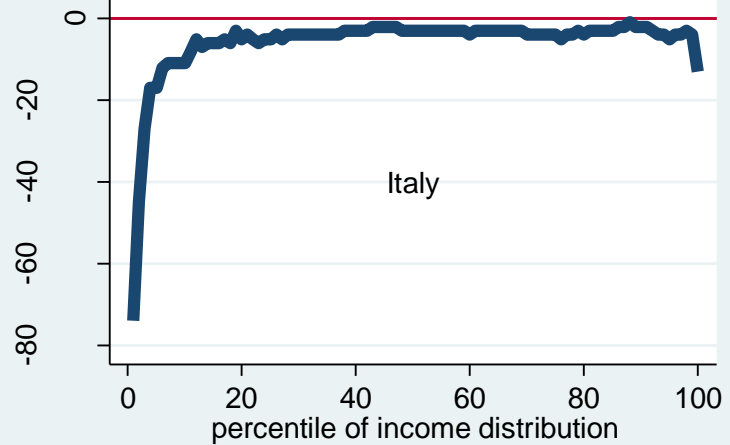
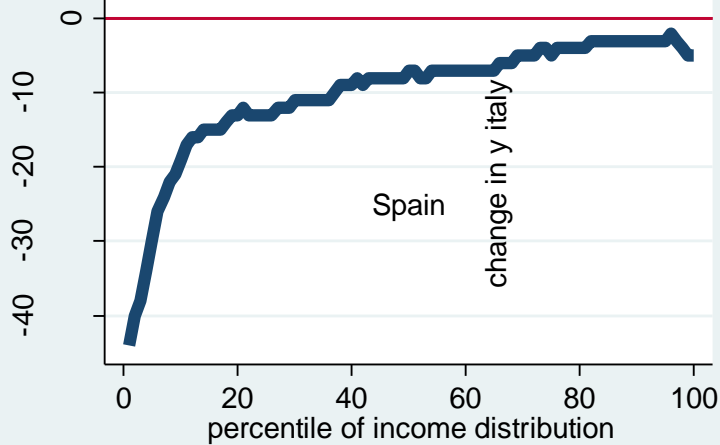
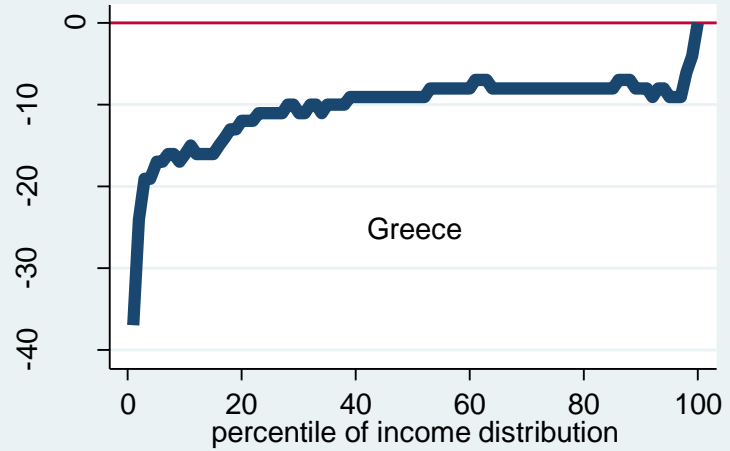
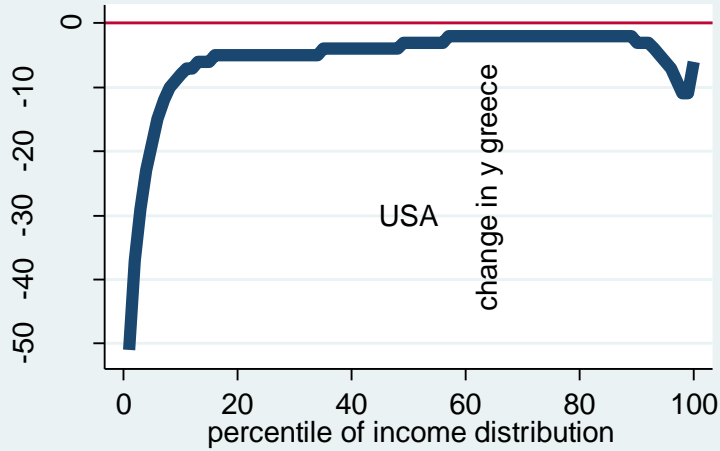
Inequality and income, 1960-2010



Issues raised by growing national inequalities

- Inequality as one of the causes of the financial crisis in the US
- Real inequality greater than measured inequality because rich people refuse to participate in surveys and hide their income and assets (growing issue)
- **Perception** of inequality outstrips real increase because of globalization, role of social media and political (crony) capitalism (example of Egypt)

Decrease in real per capita disposable income 2007-10



B. The pattern of global inequality change differed from the pattern of national inequality changes

Three concepts of inequality defined



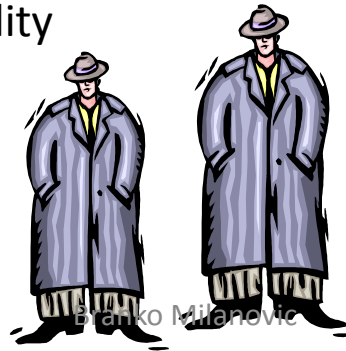
Concept 1 inequality



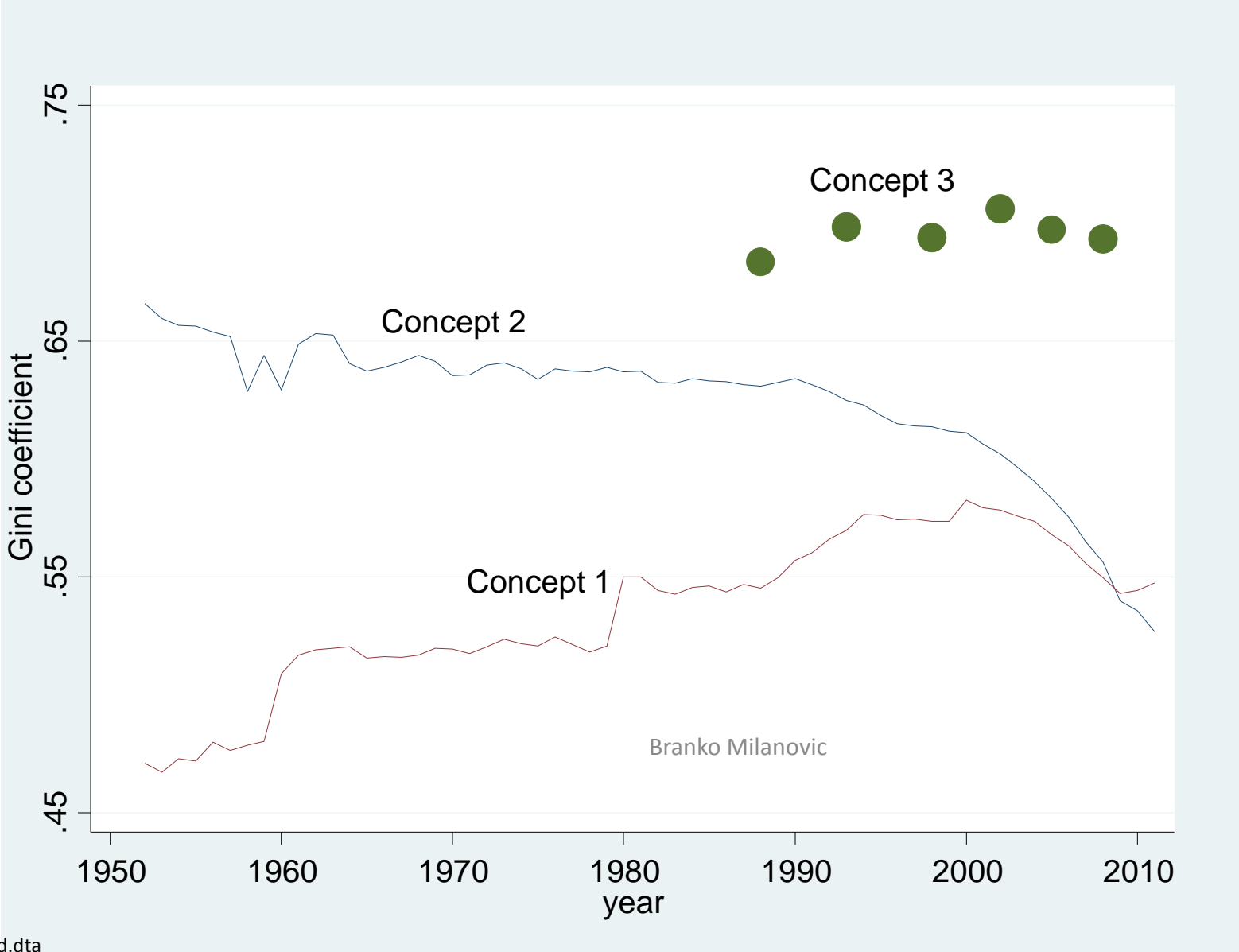
Concept 2 inequality



Concept 3 (global) inequality



International and global inequality 1950-2010

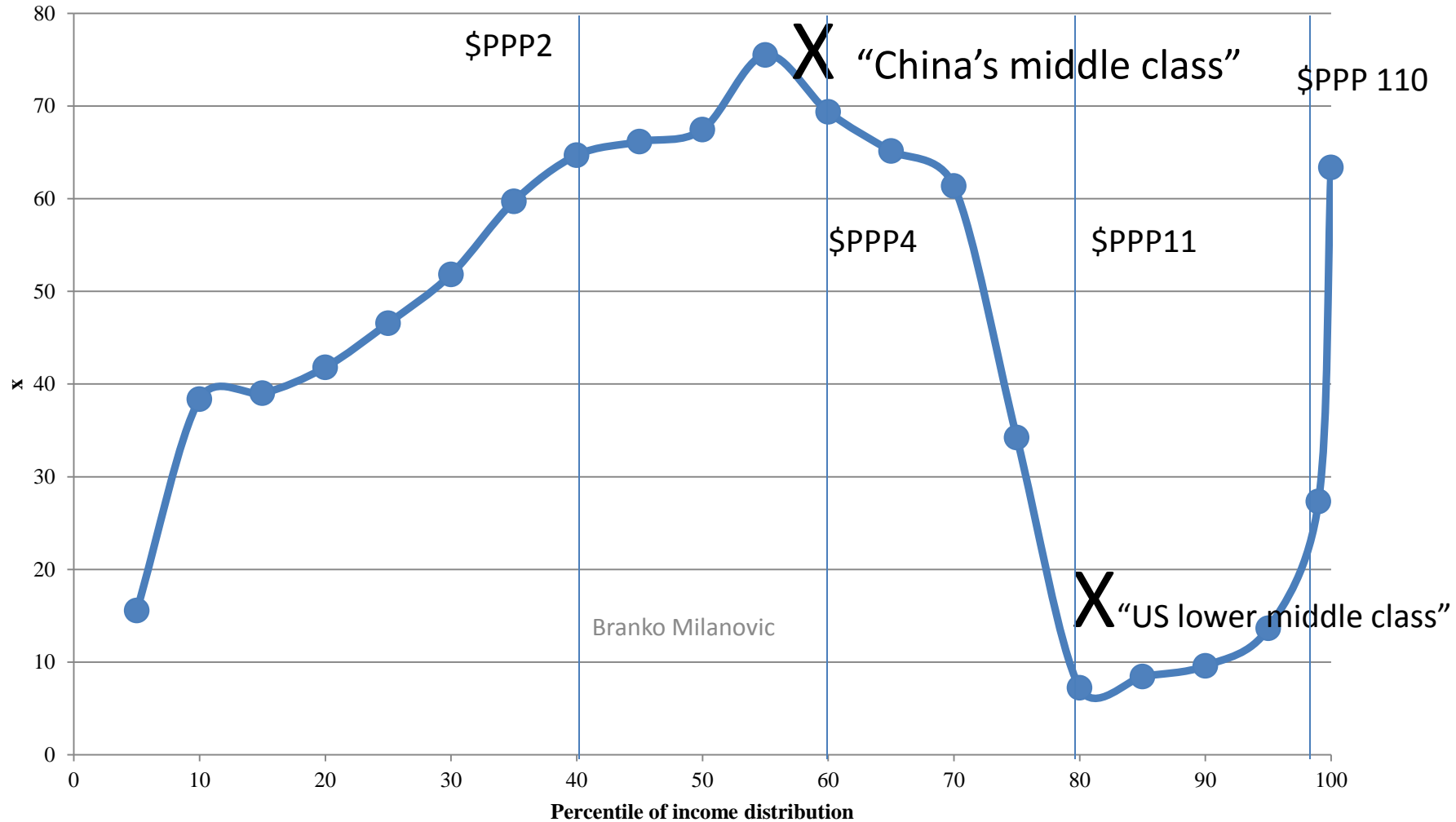


From interyd.dta

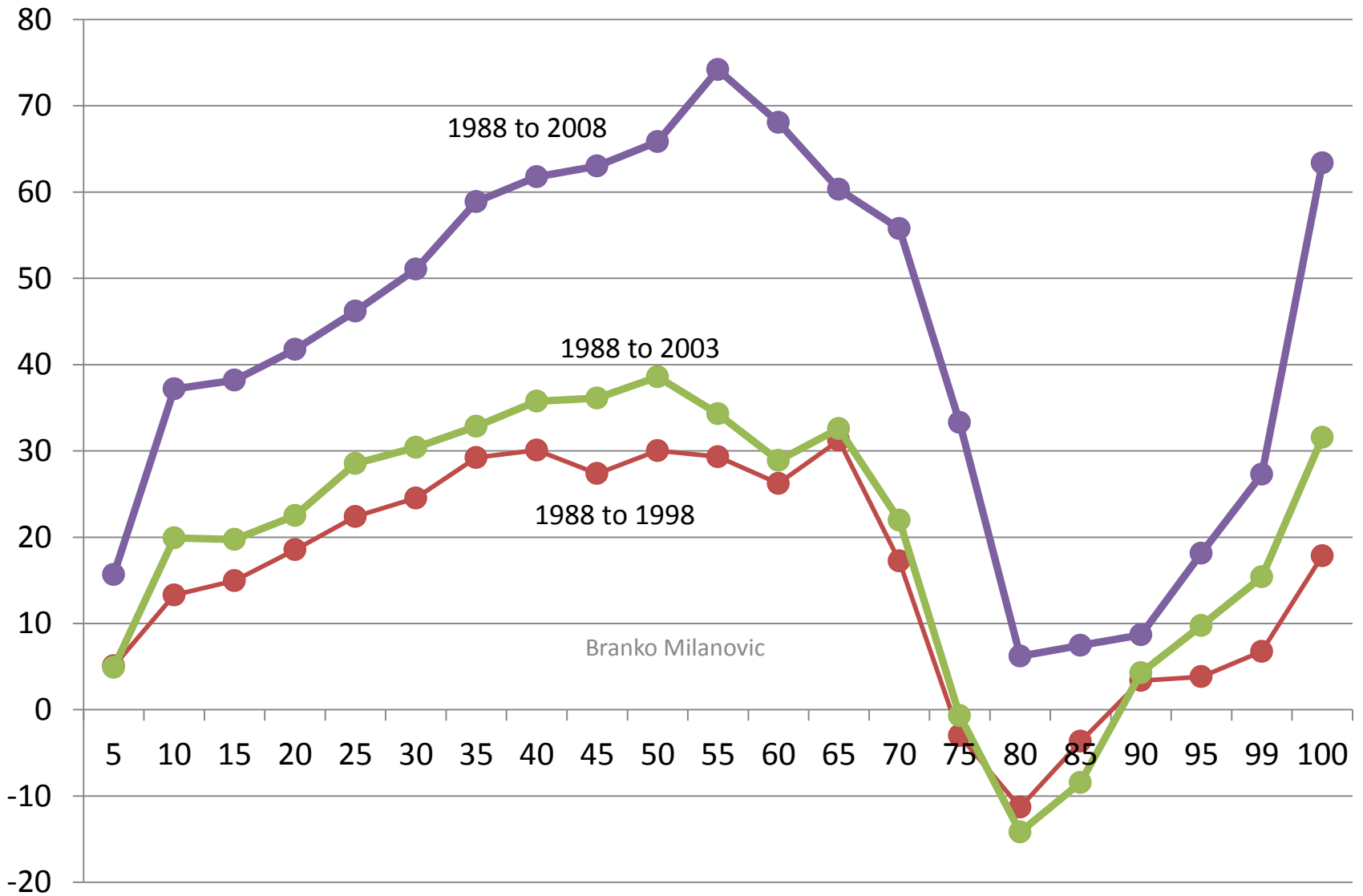
Fact No. 1 (and most important)

- In percentage terms the main gains were made by a large swath of people around the global median and by the top 1% (gain ~ 70% in real terms)
- The gains were the least among the poorest and among the “global upper middle class” (around 70-80th percentile)

Real income growth at various percentiles of global income distribution, 1988-2008 (in 2005 PPPs)



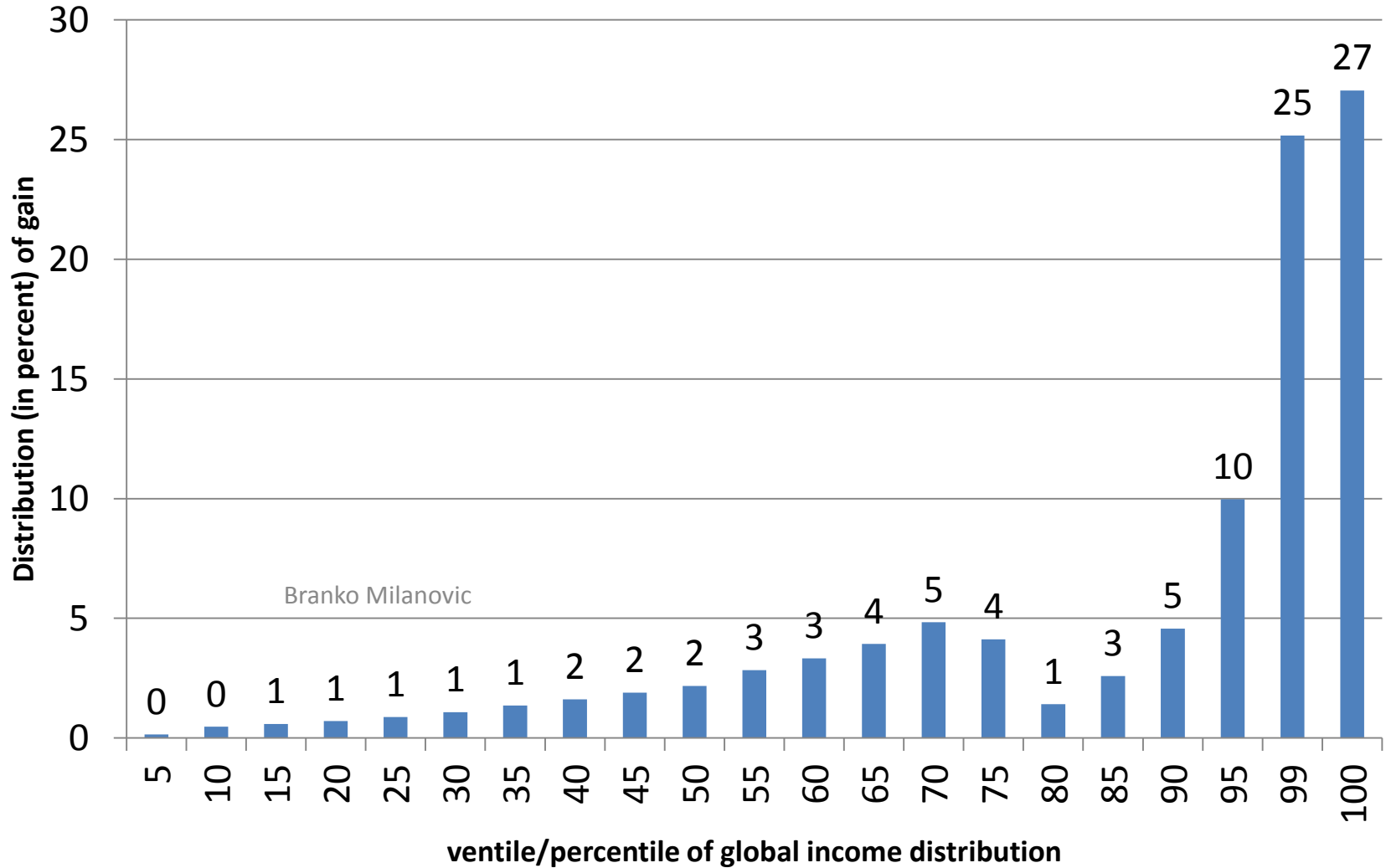
Global growth at 5-year intervals, 1988-2008



Fact No. 2

- In absolute terms, the gains were heavily concentrated among the top 5%. More than $\frac{1}{2}$ of greater global income went towards raising incomes of the top 5%.
- Note that these may not be the same people/groups who were top 5% in 1988.

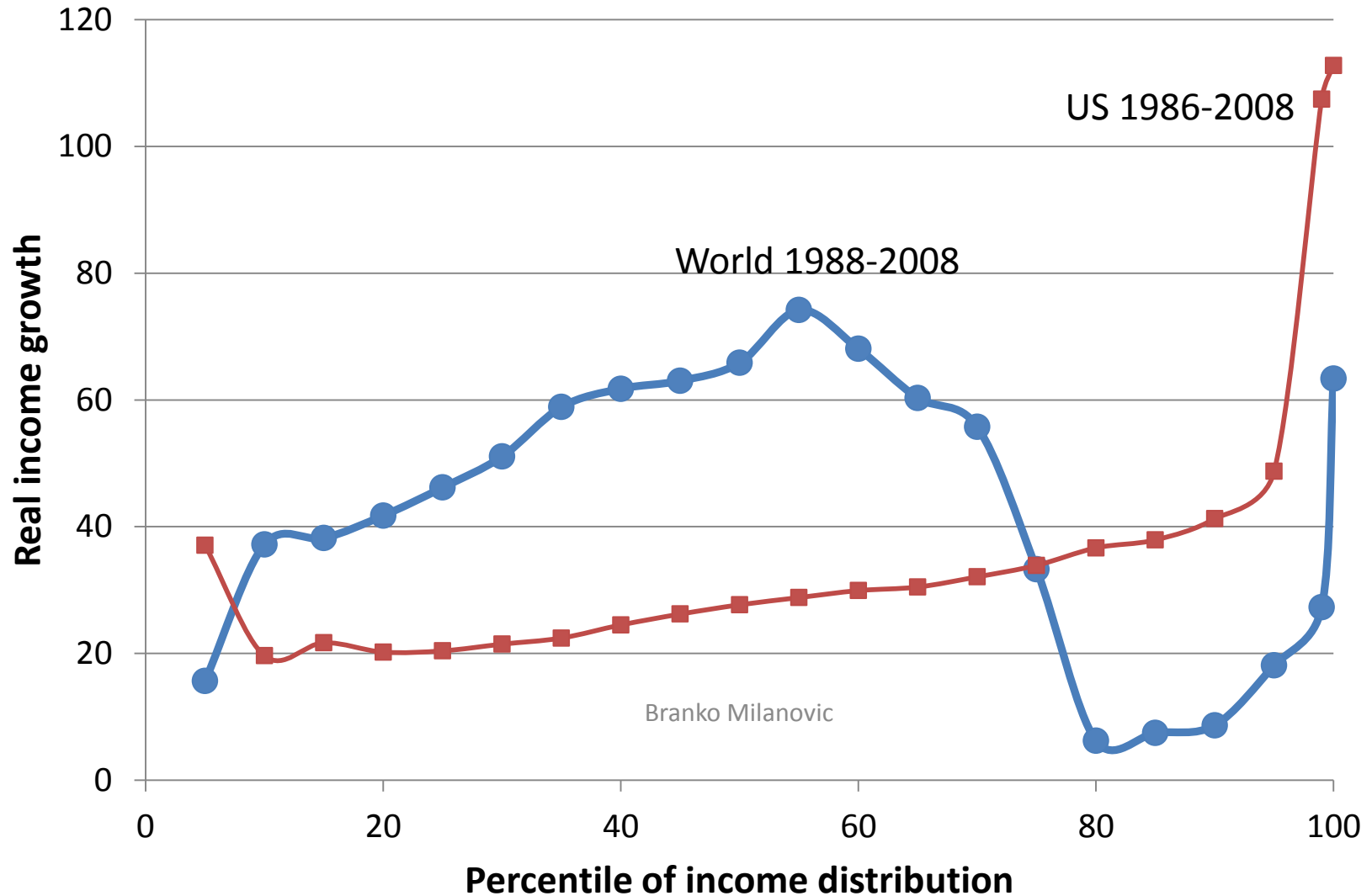
Distribution of the global absolute gains in income, 1988-2008: more than ½ of the gains went to the top 5%



Fact No. 3

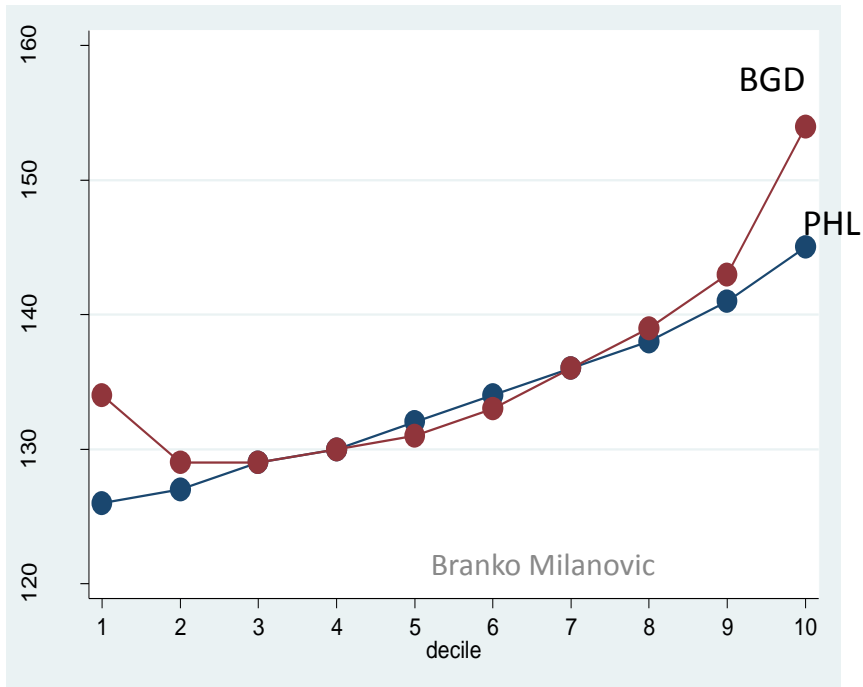
- The pattern of global inequality change differed from the pattern of national inequality changes

Shape of global growth vs. US growth

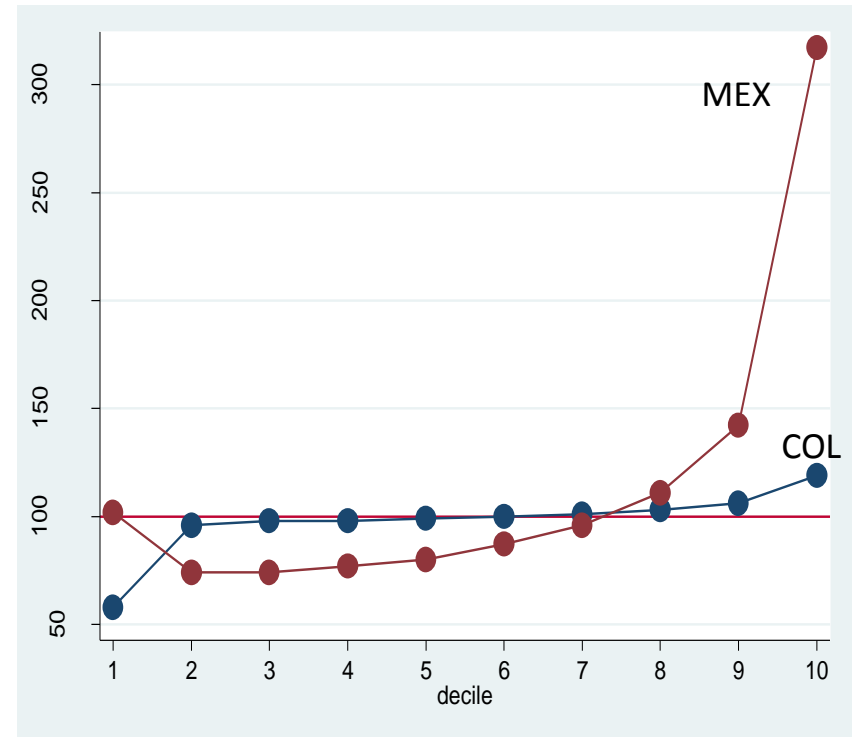


US pattern is not unusual: in most countries increasing gains for the rich

Philippines and Bangladesh

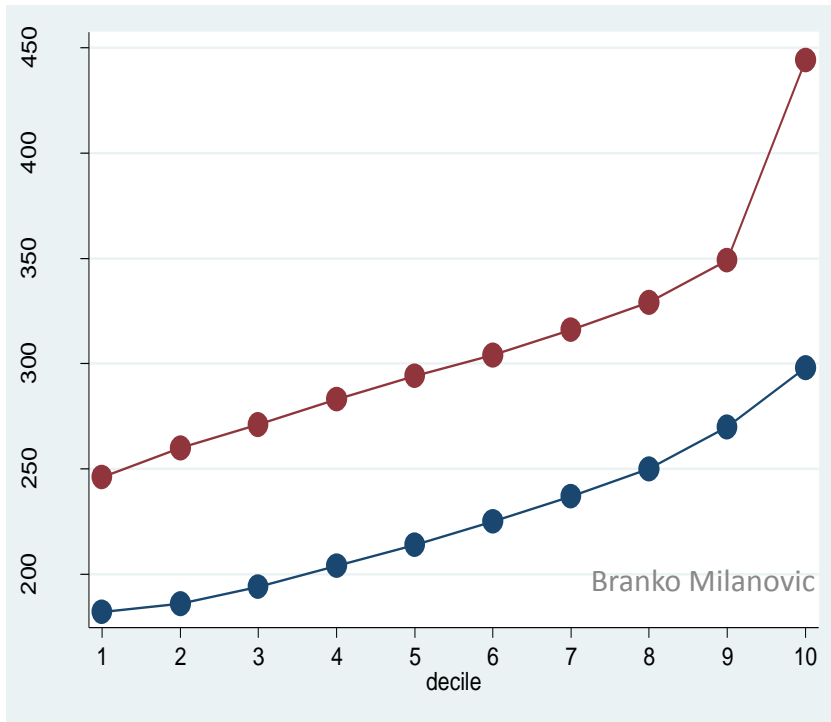


Mexico and Colombia

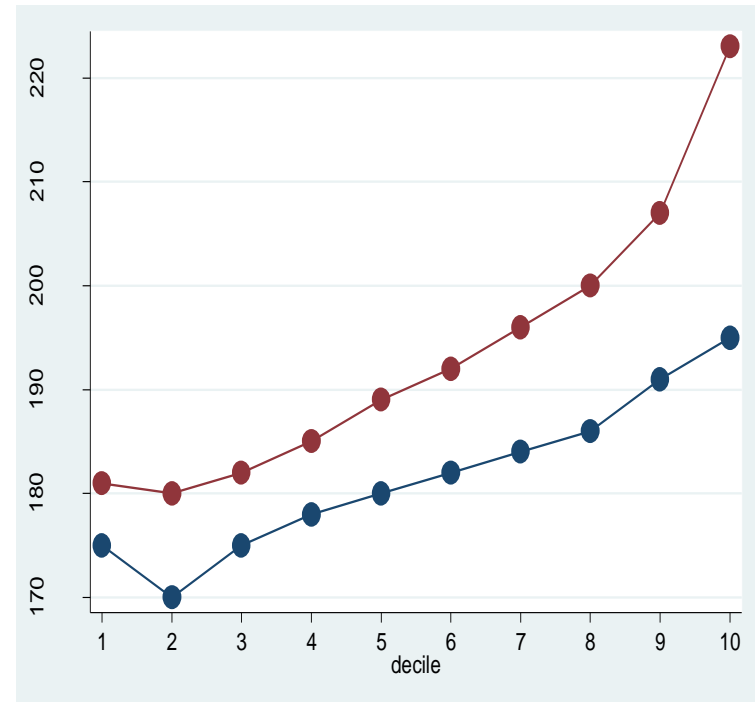


Increasing gains for the rich with a widening urban-rural gap

Urban and rural China



Urban and rural Indonesia



The contradiction of inequality changes during Globalization II

- Most countries displayed an upward sloping GIC (US, China, India urban, Indonesia...)
- Perception that the rich are doing better than anybody else (true)
- But growth rates of countries are uneven; those that grew the fastest were in the lower middle of global income distribution, and they were also most populous
- This led to the humped (more exactly, reclining S) shape of the global GIC and decreasing global inequality

The issues

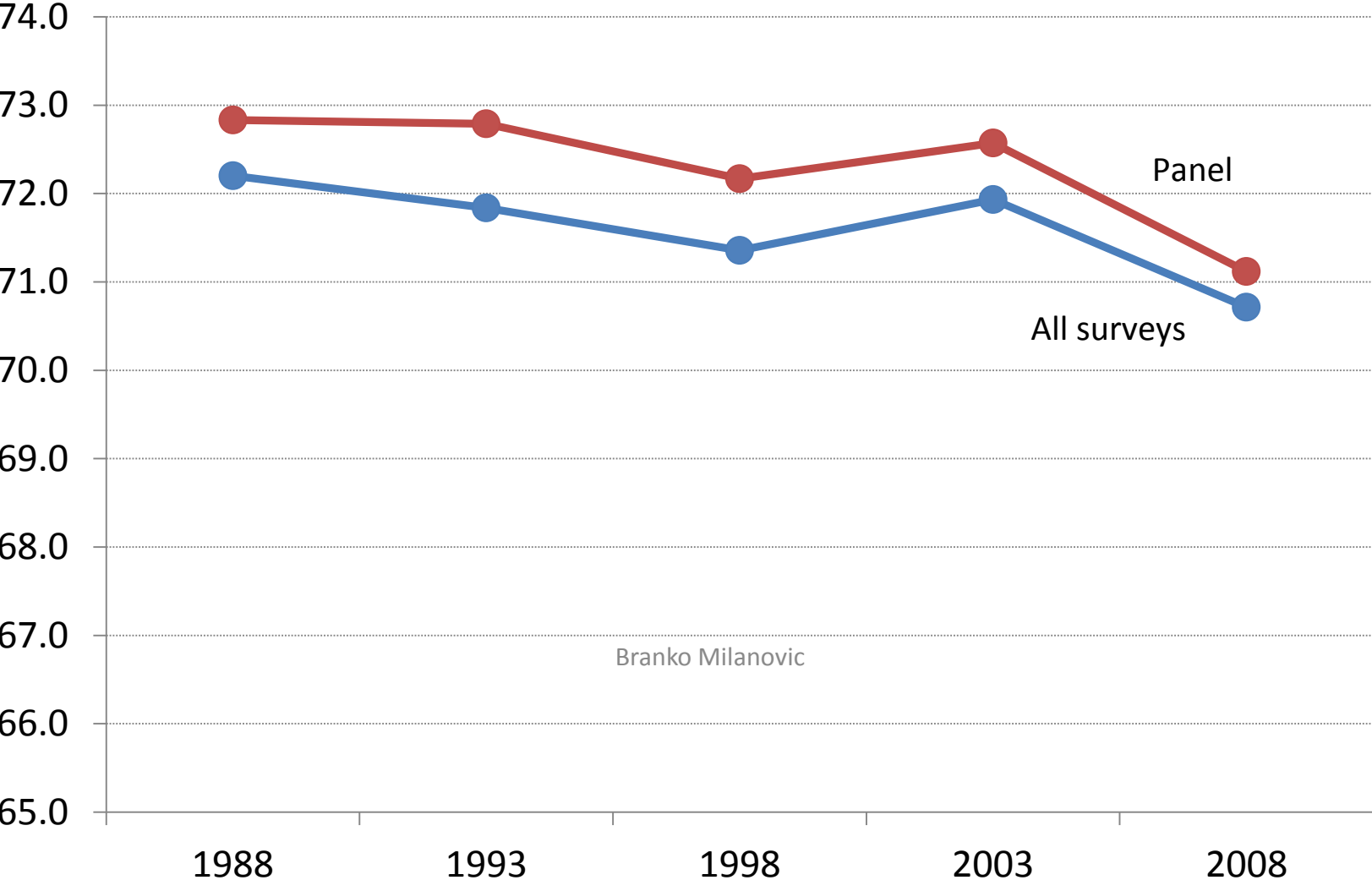
- Are growth (1) along the entire Chinese income distribution and (2) stagnation around the median in the rich world as well as stagnation across most of income distribution in E. Europe and LAC, related?
- In other words, is the hump in middle related to the dip around the 70-80th percentile?
- Marching of China and India through the ranks reduces global inequality and the importance of the between-country component in global inequality
- But it might “cause” increases in within-national inequalities (thus offsetting global inequality decline)

C. Political implications and speculations

Back to Mandeville...

- Can something that is bad nationally (increased inequality) be good globally (decreased inequality) ?
- Can national vices produce global virtue?

Because the decline of global inequality is not dramatic but seems clear



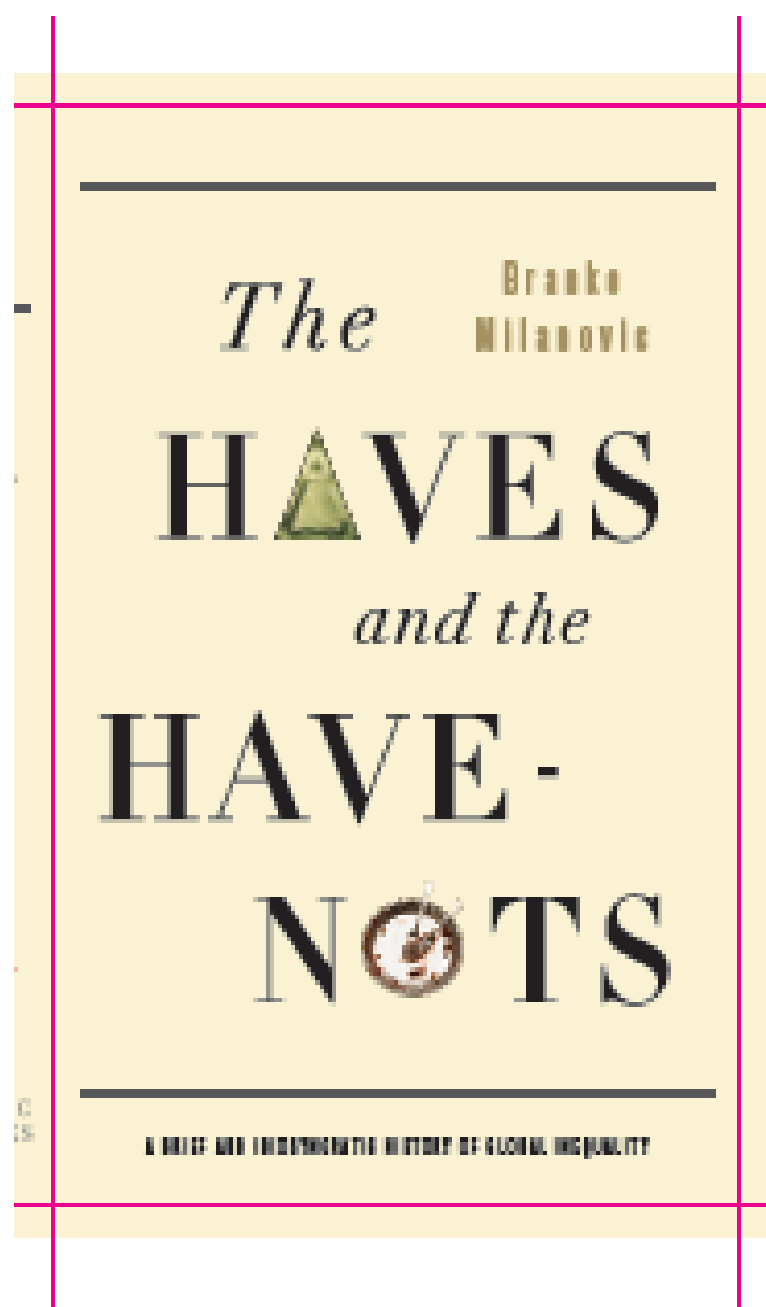
From summary_data

Political implications

- Possible crowding out of national middle classes, and the creation of a global one
- But the middle class is presumably a force for stability when there is a political community. There is no political community at the global level. What does *global* middle class mean?
- Would global middle class create a global polity?
- Or, global plutocracy: in the longer-term, reversal to the pre World War I situation

Or are we at the end of capitalism's long "periodo especial"?

- Three challengers to global capitalism were beaten off in the 20th century: depression (by reinventing gov't), war (by marshalling resources), Communism (through Welfare State)
- Neither of these threats is any longer present; so why can't capitalism go back to what it once was?
- Was the 1930-1980 period capitalism's long detour?
- Do we have to get used to permanently higher levels of inequality?



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