

Twenty years of globalization:

National and global inequalities, 1988 and 2008

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HSBC Emerging Markets Conference

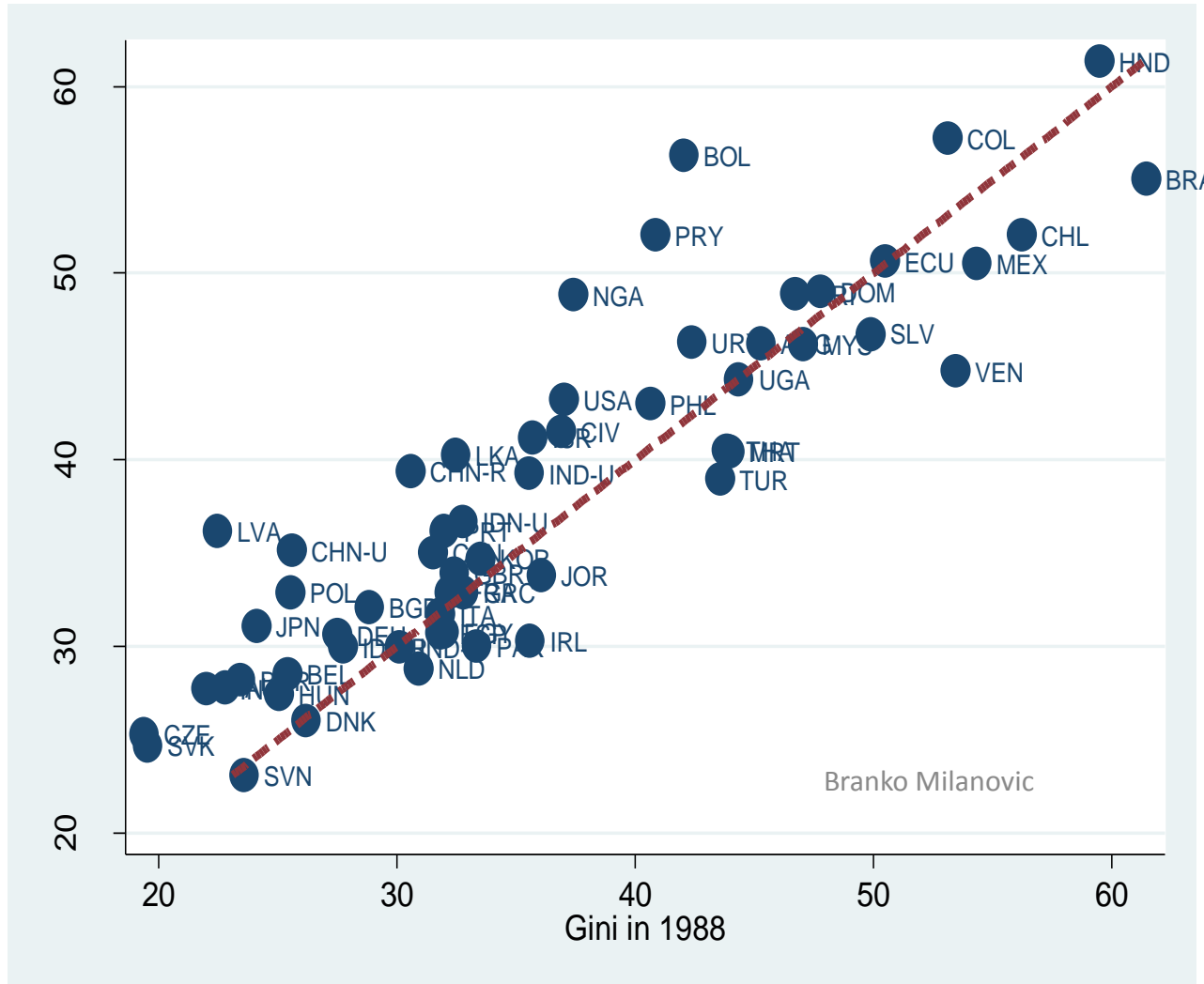
New York 29 November 2012

1. National inequalities mostly increased

Ginis in 1988 and twenty years later

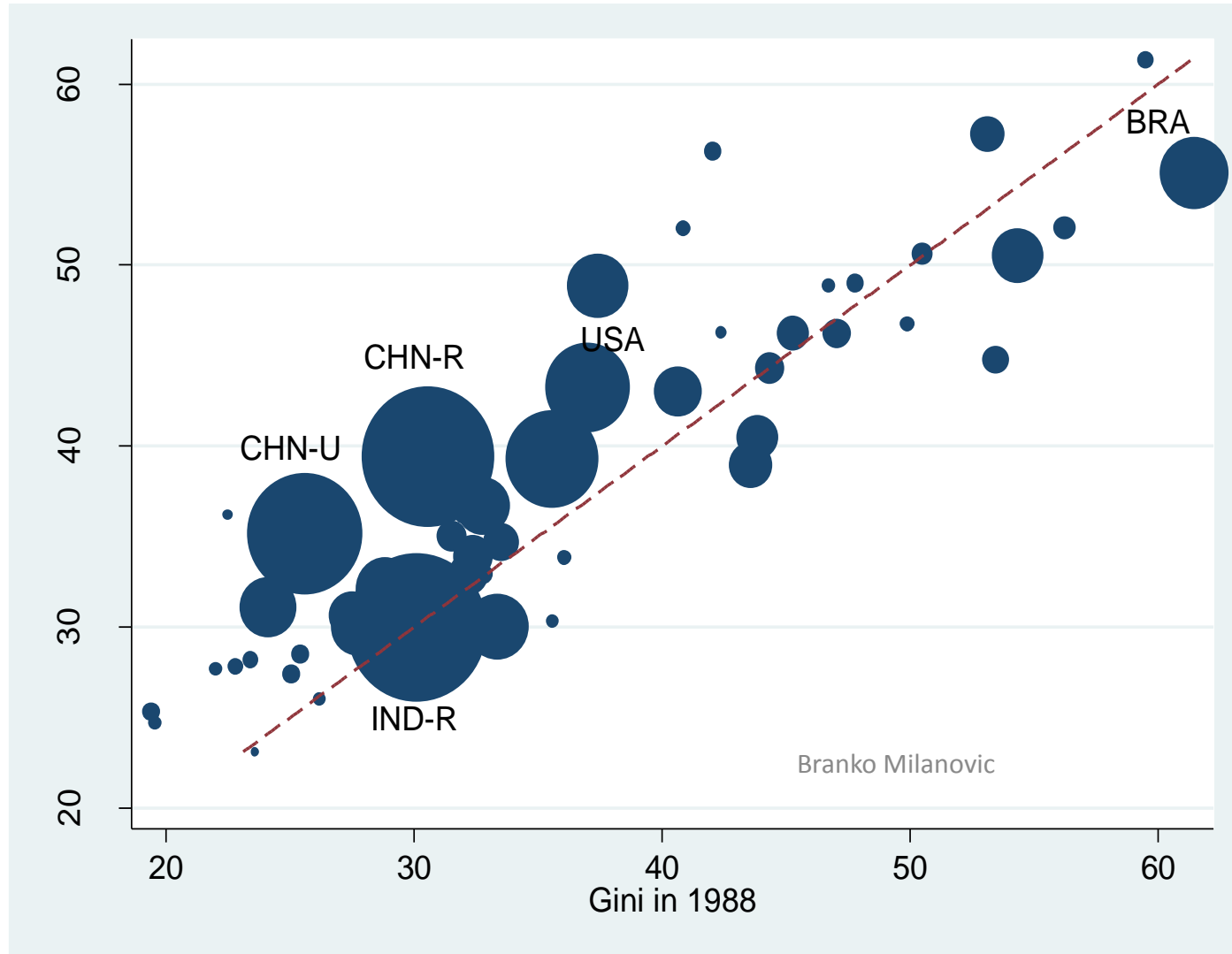
	1988	2008	Change
Average Gini	36.0	38.5	+2.5
Pop-weighted Gini	33.9	37.3	+3.4
GDP-weighted Gini	32.2	36.4	+4.2
Countries with higher Ginis (38)	33.7	38.5	+4.8
Countries with lower Ginis (20)	40.5	37.7	-2.7

Ginis in 1988 and 2008



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Ginis in 1988 and 2008 (population-weighted countries)



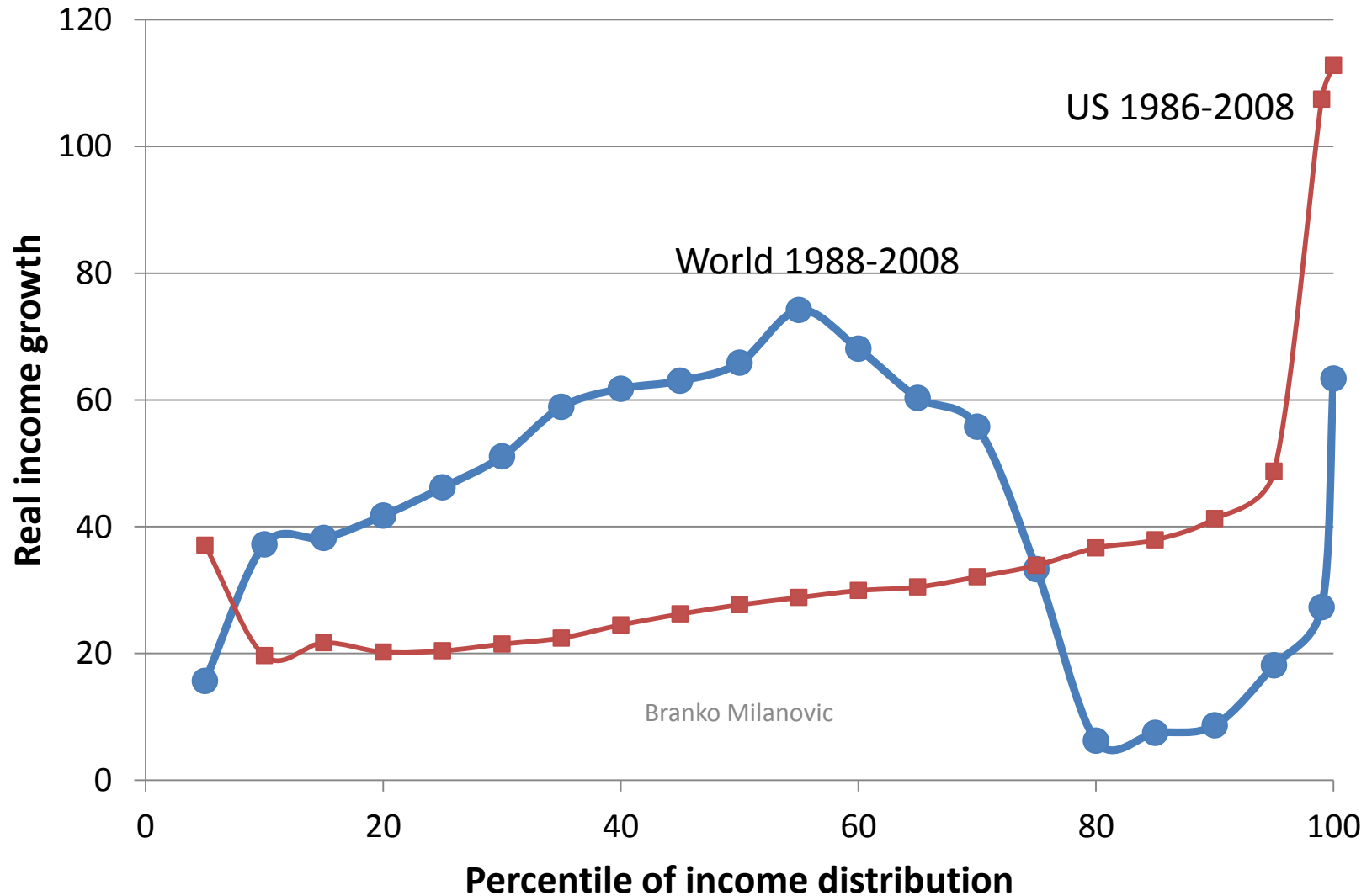
Issues raised by growing national inequalities

- 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 crony capitalism (example of Egypt)

2. The pattern of global inequality change differed from the pattern of national inequality changes
(KEY POINT)

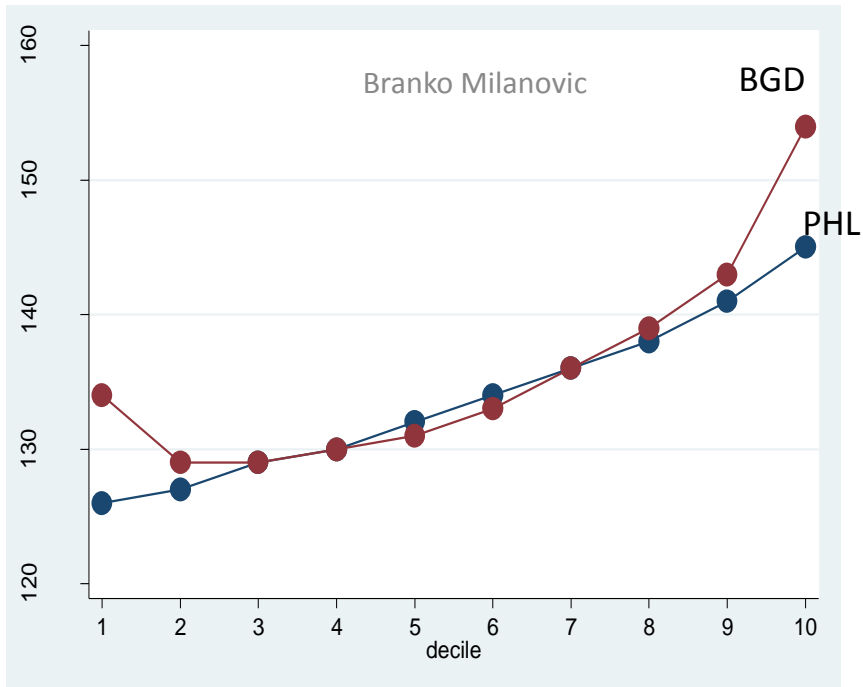
(The following slides are based on preliminary data; please check with the author before quoting)

Shape of global growth vs. US growth

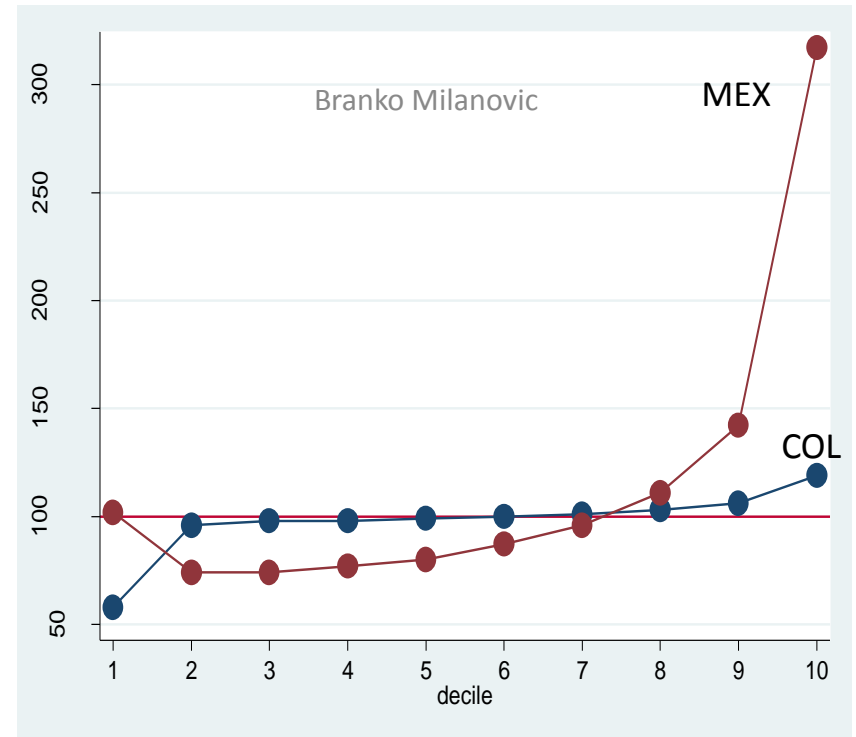


US pattern is not unusual: in most countries increasing gains for the rich

Philippines and Bangladesh

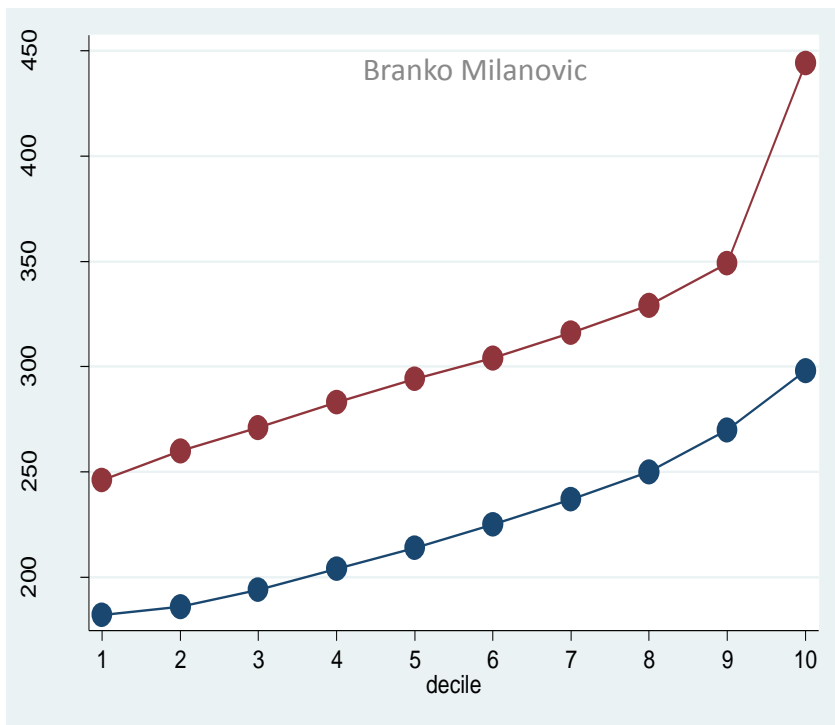


Mexico and Colombia

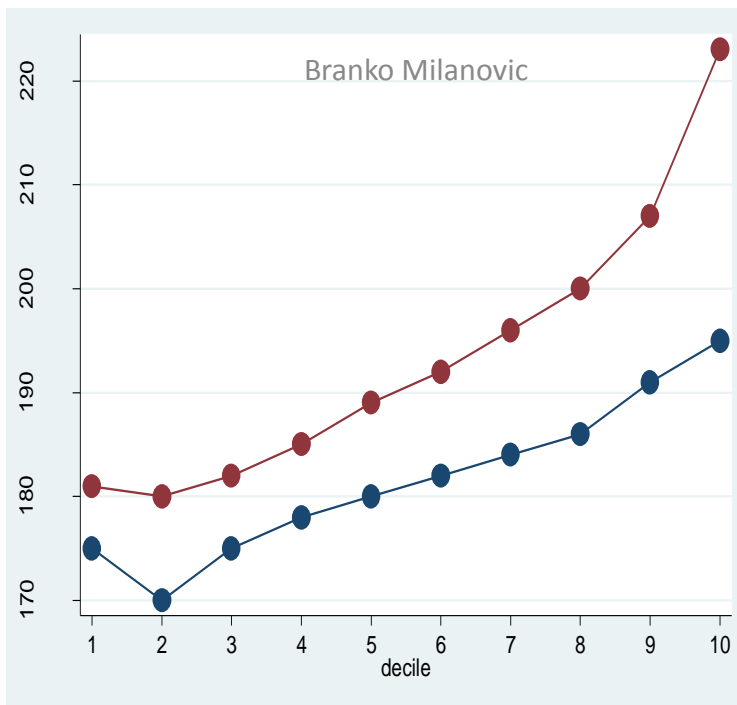


Increasing gains for the rich with a widening urban-rural gap

Urban and rural China

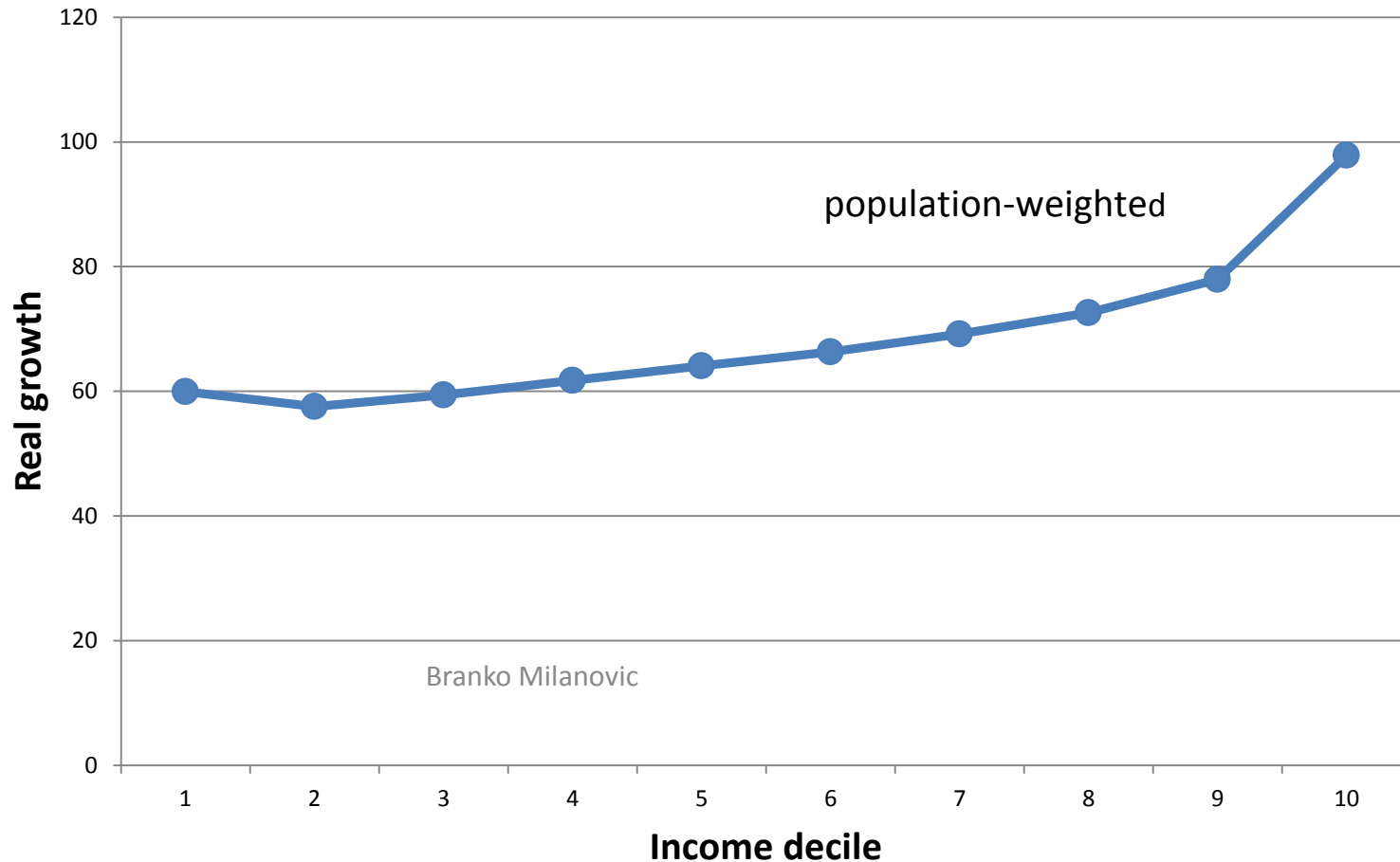


Urban and rural Indonesia



Average real growth (in \$PPP) across country deciles (population-weighted)

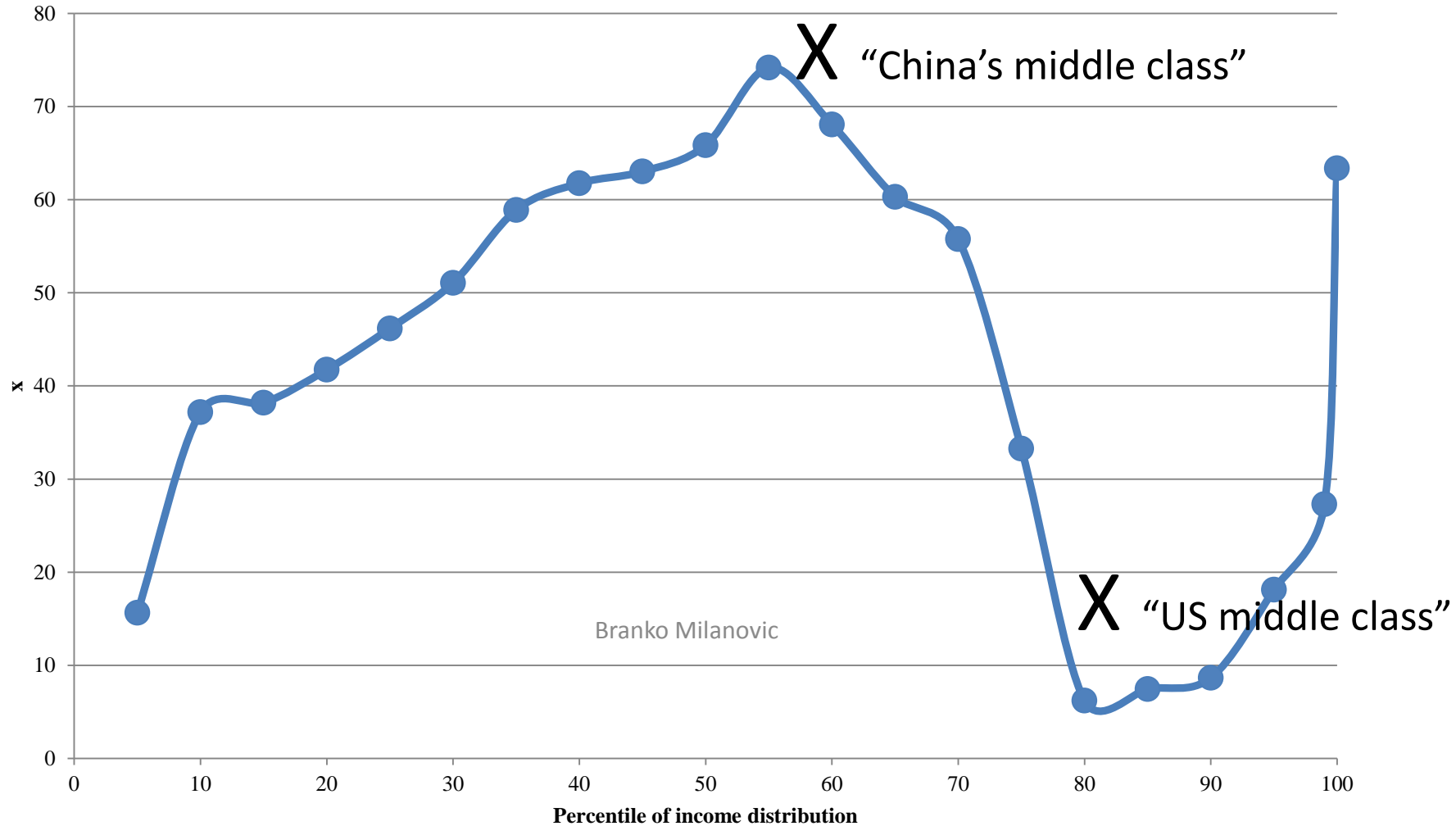
Real \$PPP growth 1988-2008, in percent, by decile



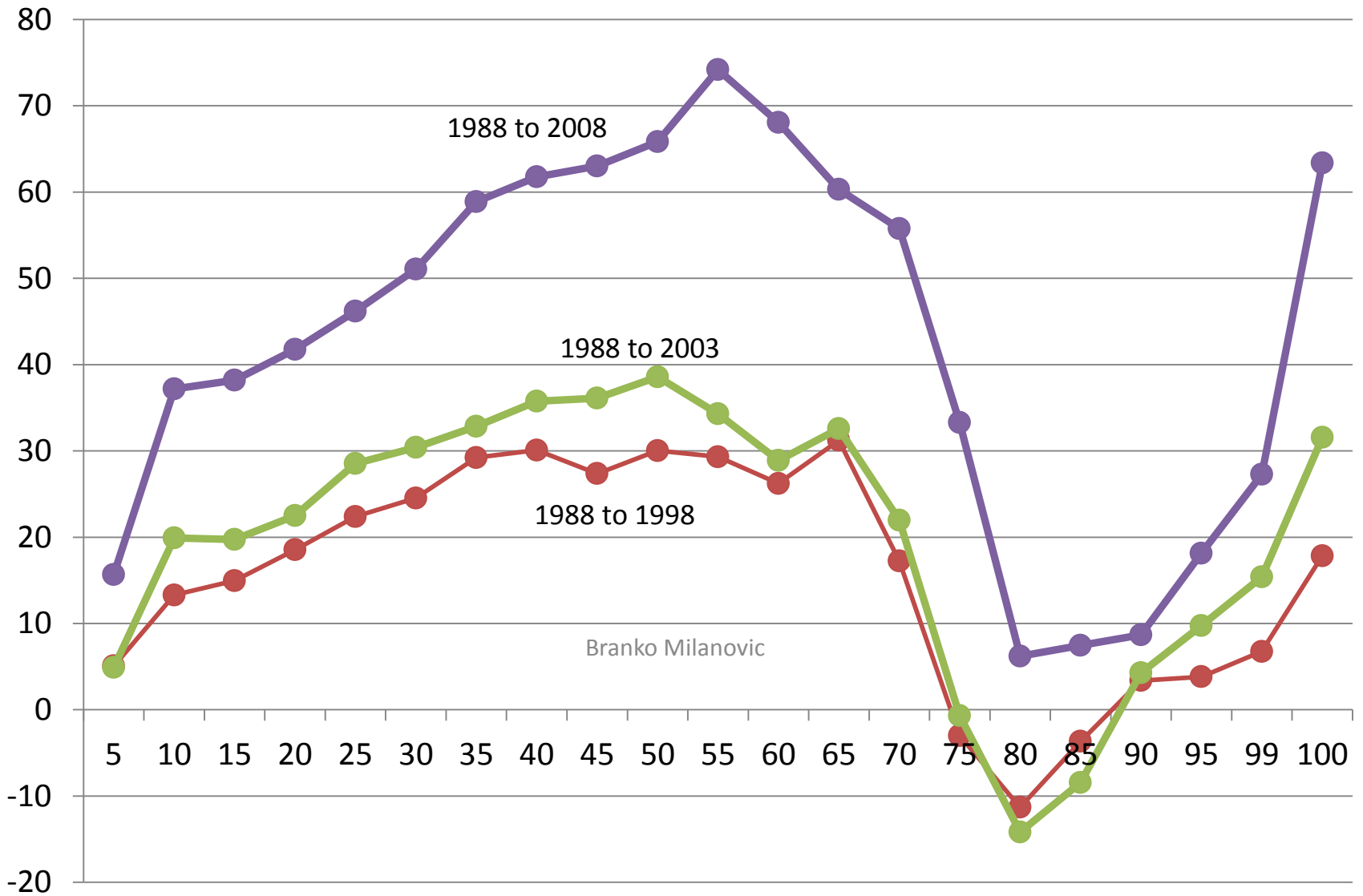
The contradiction of inequality changes during Globalization II

- 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

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



Global growth at 5-year intervals, 1988-2008



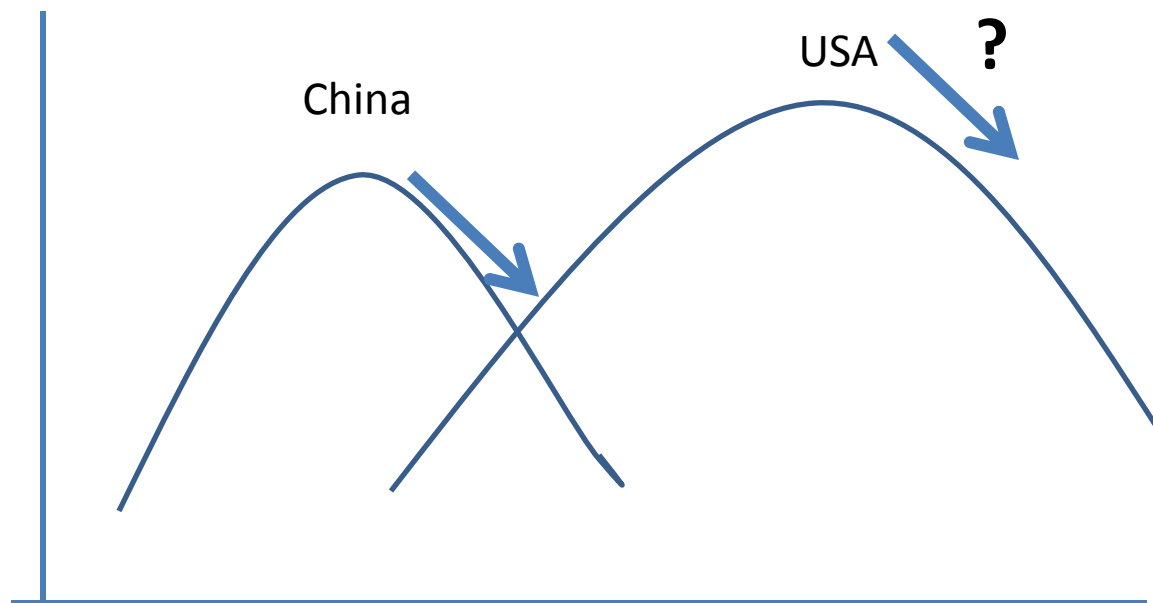
The issues

- 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)

Political implications

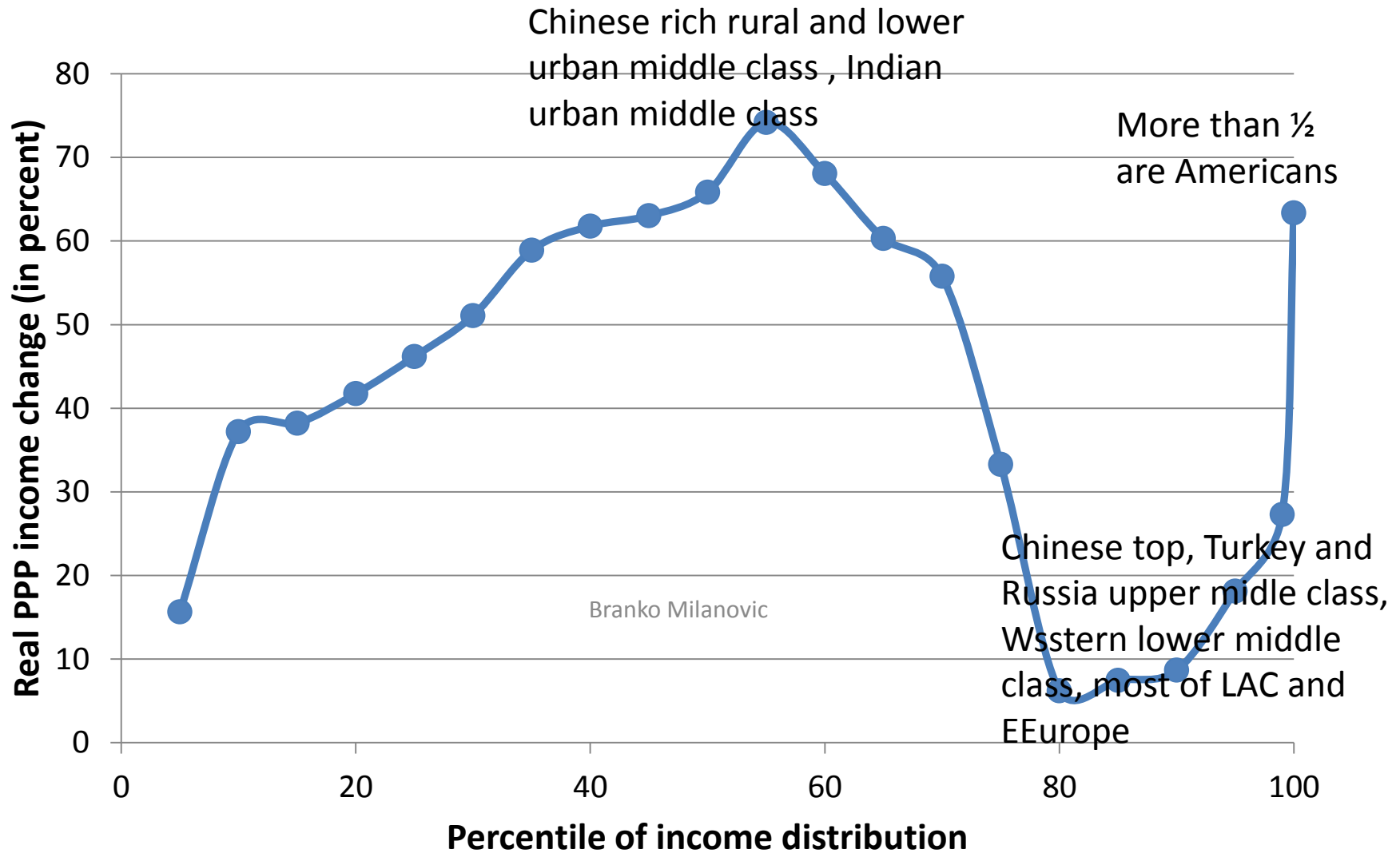
- Possible crowding out of national middle classes, and the creation of a global one
- But the middle class is presumably a force for stability when there is a political community. There is no political community at the global level. What does global middle class mean?
- Would global middle class create a global polity?
- Or, global plutocracy: in the longer-term, reversal to the pre World War I situation
- Was the 1930-1980 period capitalism's detour? Do we have to get used to permanently higher levels of inequality?

Or are we going through a second Kuznets' curve?



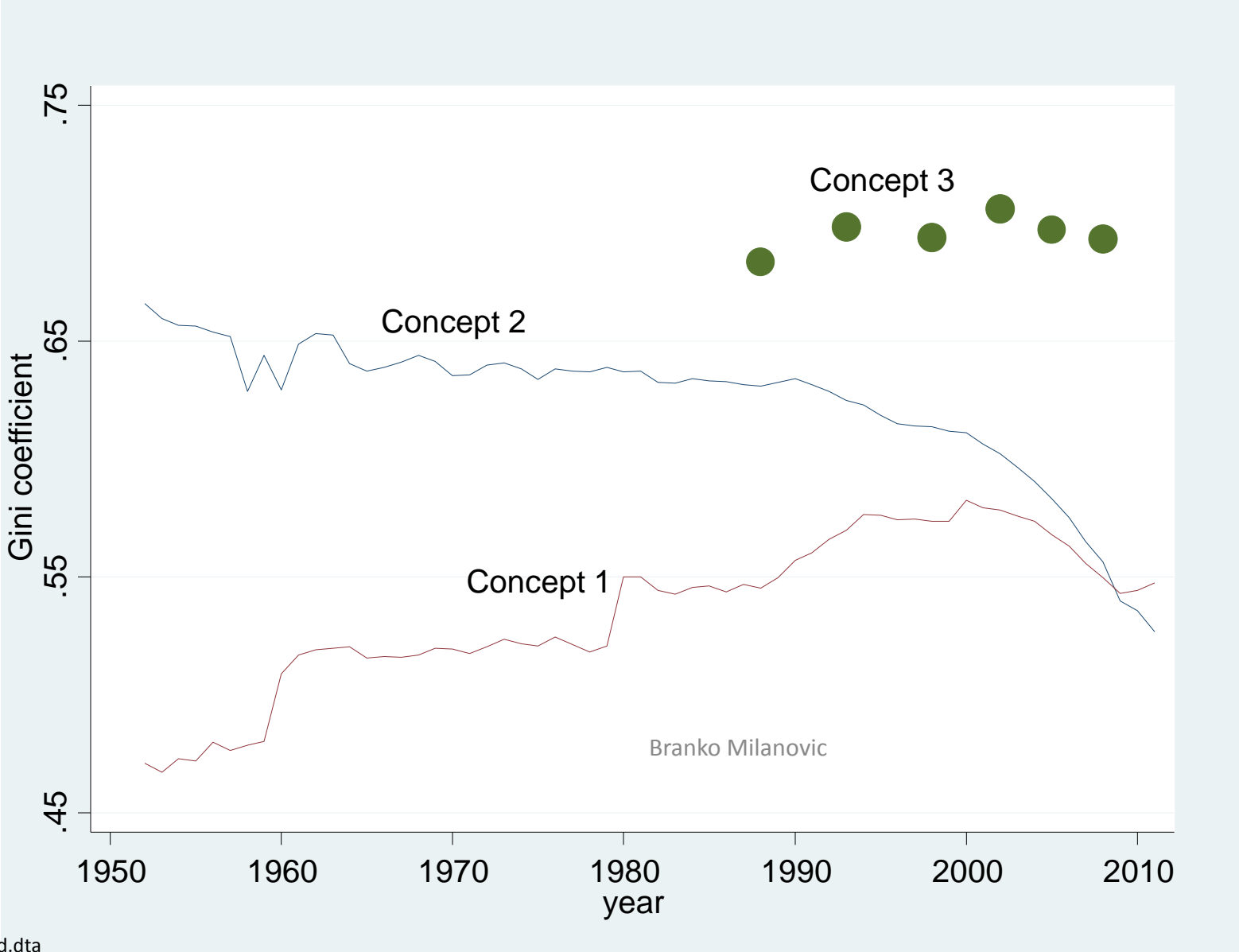
But what will drive inequality down in the rich world?

Who is where in 2008?



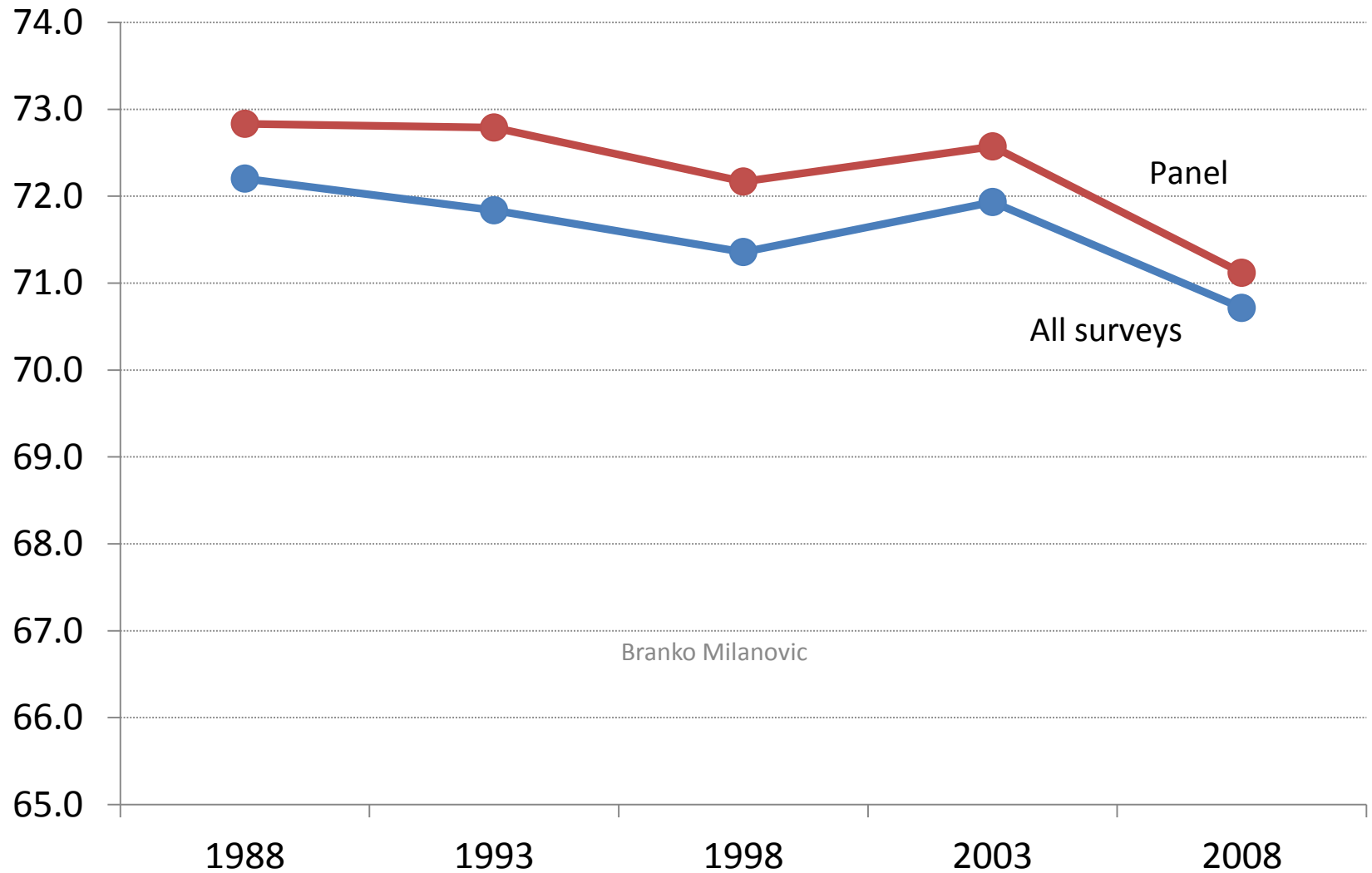
A quick update on global inequality

International and global inequality 1950-2010



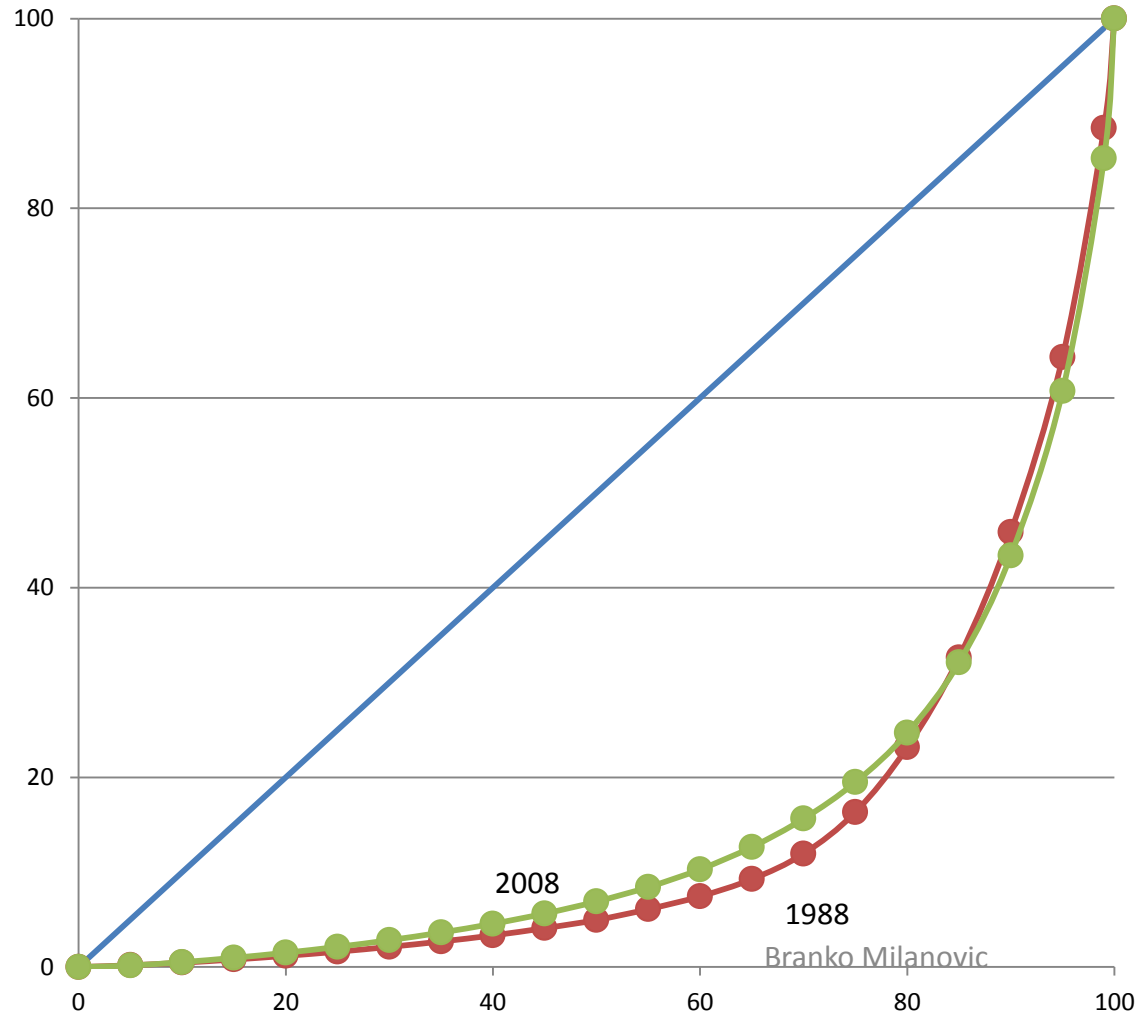
From interyd.dta

The decline of global inequality is not dramatic but is not in doubt either



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Global Lorenz curves in 1988 and 2008



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