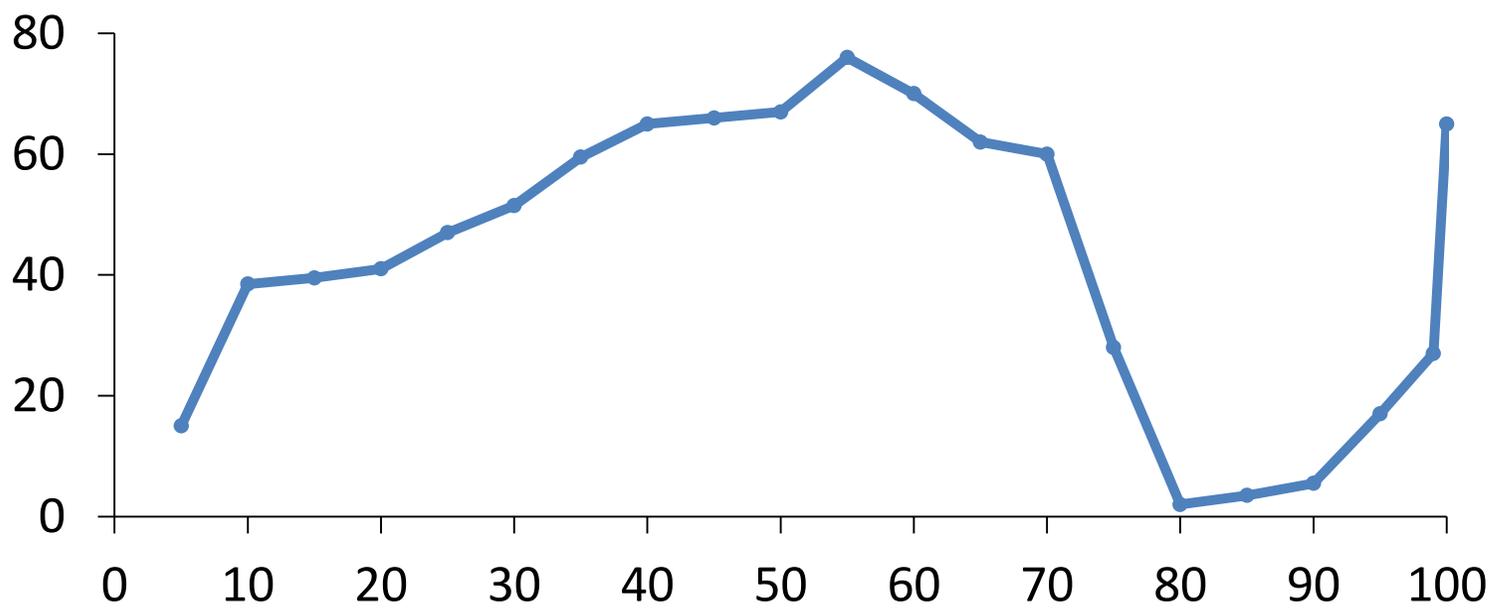


# Global Inequality

by Branko Milanovic

Discussion by Caroline Freund

Cumulative income growth rate (percent)

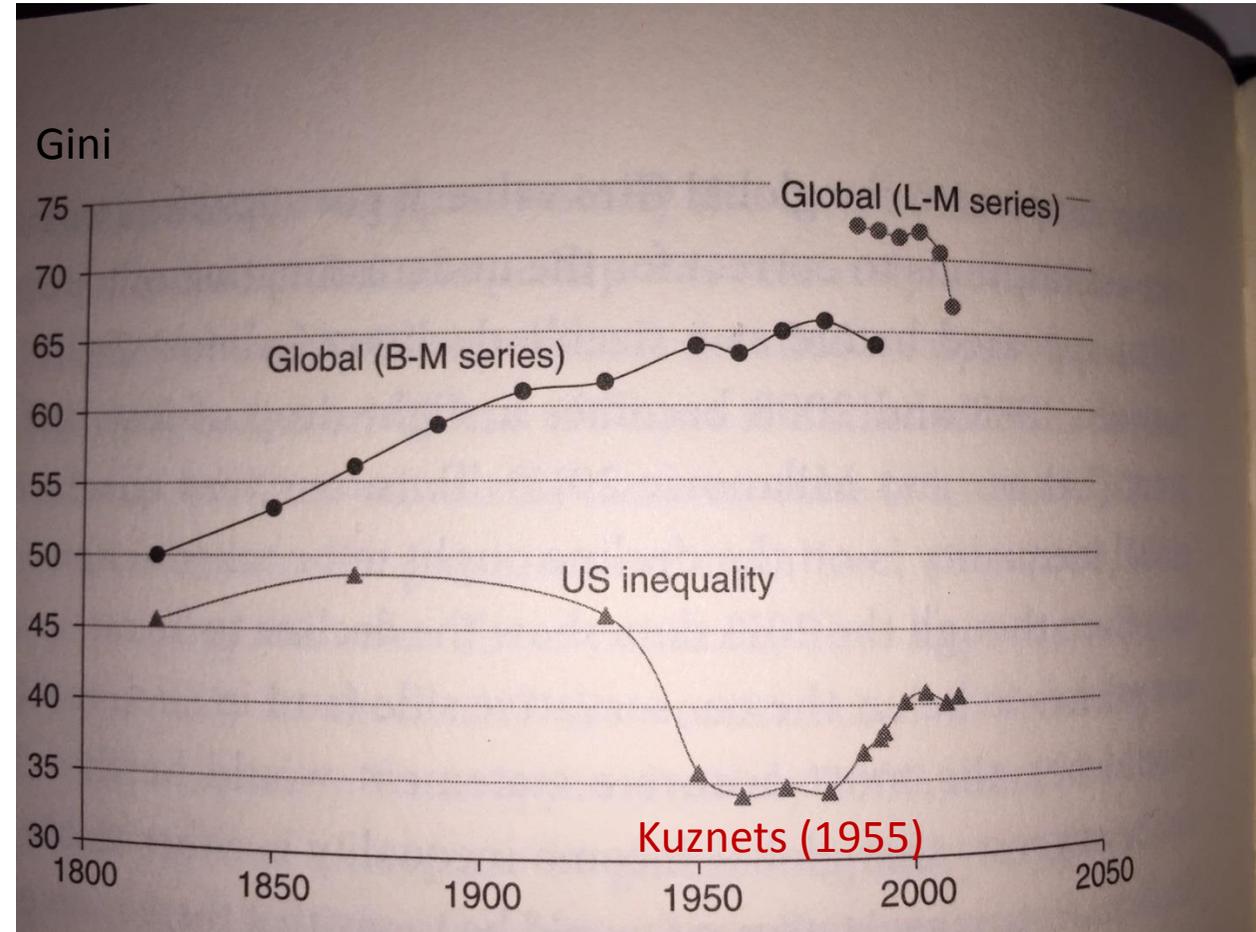


Percentiles of the global income distribuion

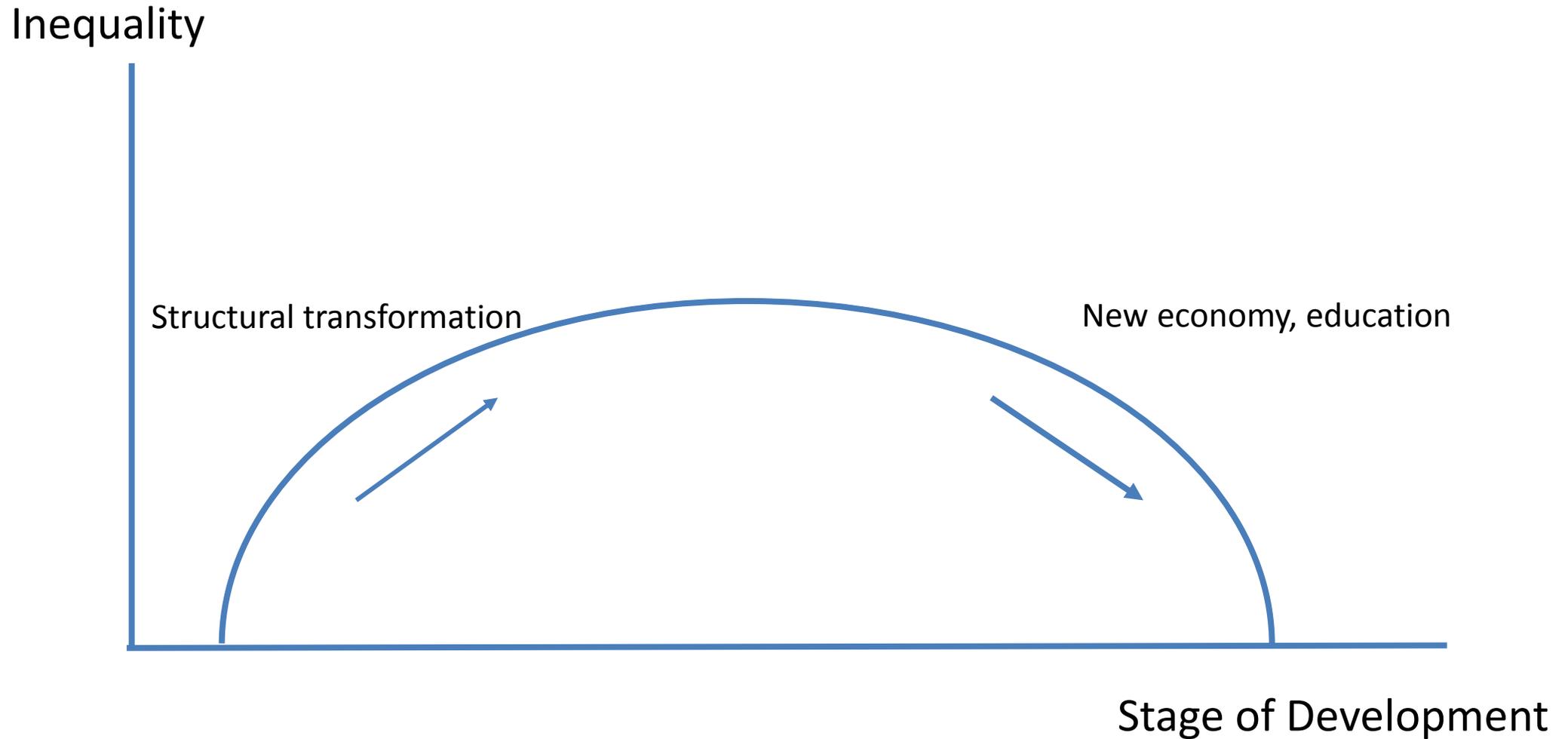
# Global Inequality Facts

## Global Kuznets Curve (Figure 3.2)

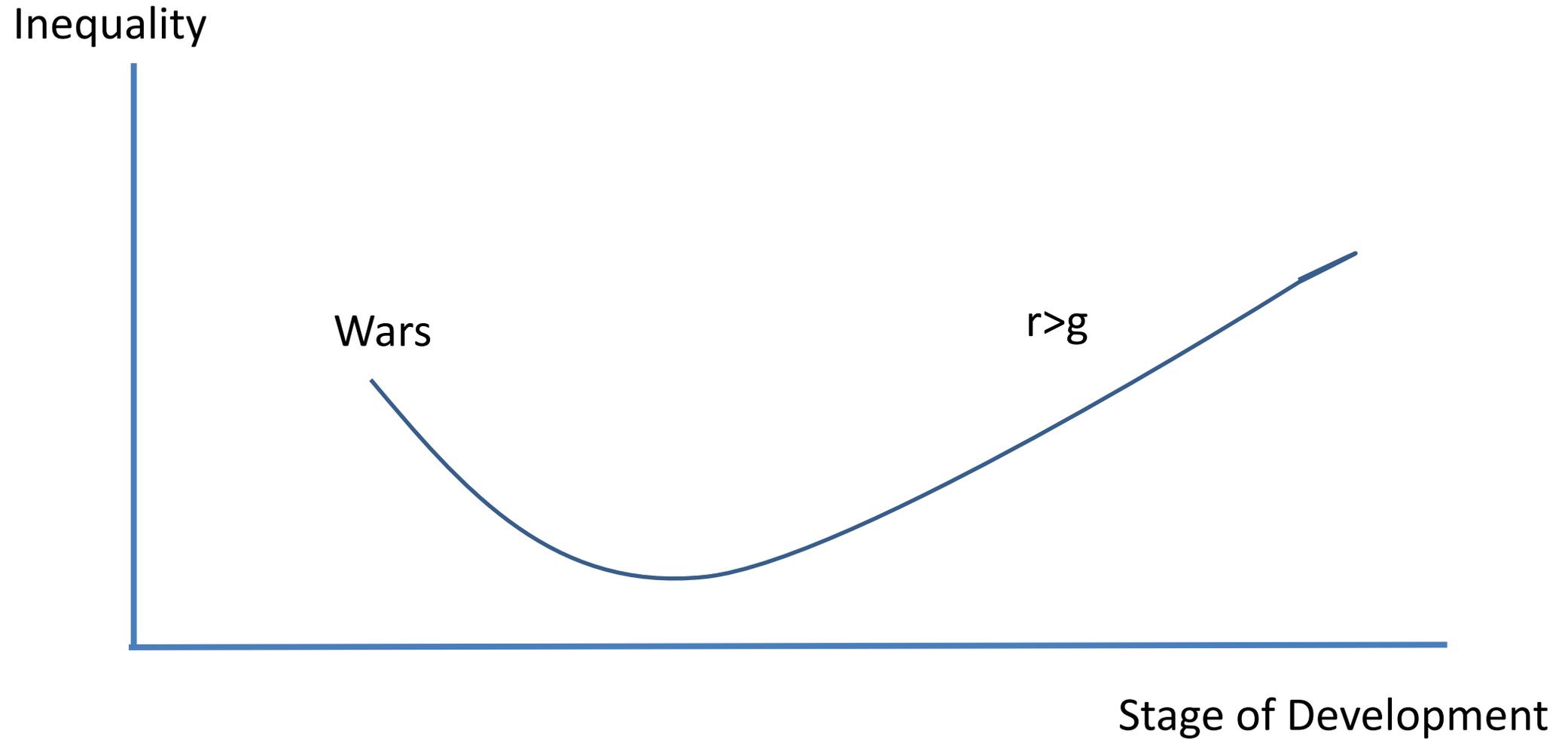
- Globalization as global equalizer but local polarizer.
  - Global inequality has decreased
  - Within-country inequality variation
- Concern: Standard errors, my hunch is if you put standard errors on these estimates, we know a lot less than we think we do.



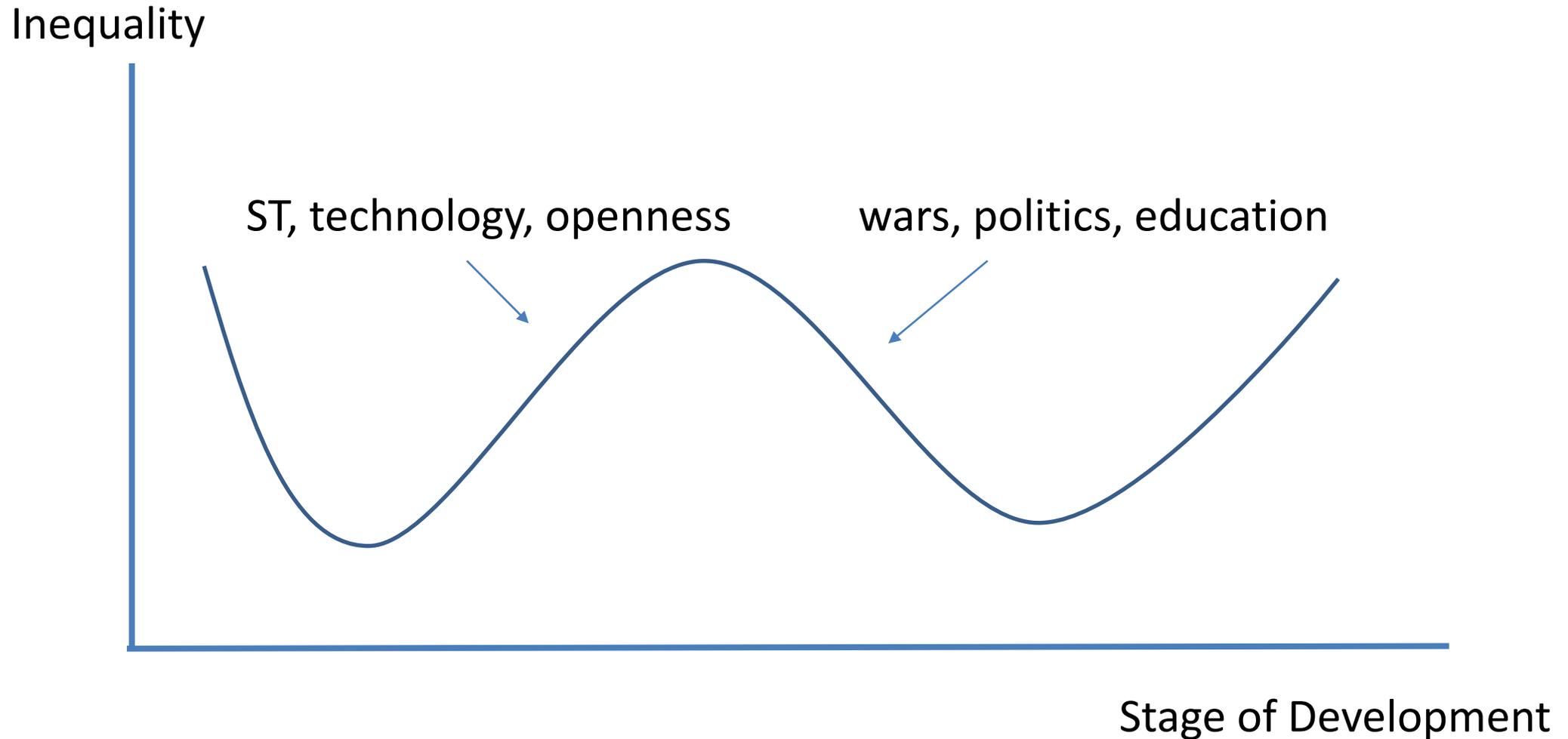
# Kuznets Curve



# Piketty



# Milanovic: Kuznets Waves



# Why Waves?

## Formalization

- Intriguing, but begs for formalization.
- Maximum and minimum, when you reach inequality extreme, benign and malign forces kick in.
- Arrow, Harris, and Marschak (1951) Ss model. Investment under uncertainty (technology & malign shocks) and fixed costs (changing policy).

## Tinbergen + -- Education v. technology +

- Constant struggle between the two//evidence that Kuznet's waves more consistent?

# Decomposing so many Forces

How important is globalization (or other factors) for inequality, really?

- Title puts globalization ahead of technology for inequality gains and losses
- Evidence points in the other direction, while globalization may have helped reduce global inequality, via rise of China and others— Globalization as primary source of US inequality is wrong (ADH China shock is 17%).
  - Different paths in US, Europe and Japan
  - Inequality is an Anglo phenomenon.
  - Lots of factors: technology, mate sorting, government policies...

# Some Interesting/Controversial Ideas

Citizenship rents (US national premium 93X Congo)

- Openness and civil rights tradeoff
- Given political constraints, better to codify discrimination

The superrich are not all bad

- Which side of the distribution should we worry about?
- Elephant trunk--Rise of superrich “ominous”
  - Depends who they are – innovators are good for growth!