



SUMMER SCHOOL IN GLOBAL POLITICS, DEVELOPMENT AND SECURITY 2018

Global Inequality

Instructor: Branko Milanovic (The City University of New York)

Date: June 20; 22; and 25

Time: 11.30 am - 1.30 pm

Room: 24.013 - Mercè Rodoreda Building 24 (Ground Floor)

The objective of this short course is to give an overview of global inequality (inequality between citizens of the world, and between countries of the world), to explain the methodology that lies behind such calculations, and to draw ethical and political implications from these findings.

The course is divided into three parts. The first part looks at the definition of inequality, its measurement, and the sources of data where we get information on inequality. The second part is the core part of the course. It defines the three concepts of (international and global) inequality and reviews how they have evolved over the last fifty years, and focuses especially on “the greatest reshuffle of individual incomes since the Industrial Revolution that was driven by remarkable growth of China and India. It addresses the reasons for the divergence in mean incomes between countries and reviews the evidence on global (inter-personal) inequality. The third part assesses political and ethical implications of the empirical findings. Can we say that inequalities are too high? Is there causality between globalization and global inequality? Are rich countries (and people) obligated to help poor countries (and people)? Should migration be free, limited or non-existent?

Session 1. Methodology of inequality research

Required reading:

Frank Cowell, *Measuring inequality*, Oxford University Press, 2011 (Chapter 2, “Charting inequality”, pp. 24-37).

Angus Deaton, *Analysis of Household Surveys*, World Bank and Oxford University Press, 1998, pages 134-140.

Nanak Kakwani, *Income inequality and poverty: Methods of estimation and policy applications*, World Bank, 1980, pp. 11-120.

Session 2. Measurement of global inequality: data and results

An important recent review of all key databases for the study of income inequality (LIS, SEDLAC for Latin America, OECD, PovcalNet, World Income Distribution, All the Ginis, WIID and SWIID) was published in a special issue of *Journal of Economic Inequality*, vol. 13, Number 4, December 2015 (editors: Francisco Ferreira and Nora Lustig)

LIS: <http://www.lisdatacenter.org/> (Rich and middle-income economies; micro data available).

See Martin Ravallion, “The Luxembourg Income Study”, *JEI*, vol. 13, pp. 527-548
Response

Janet Gornick, Markus Jantti, Teresa Manzi and Thierry Kruten, *ibid*, p. 549.

Africa: <http://www4.worldbank.org/afr/poverty/databank/default.cfm>.

Latin America: SEDLAC <http://sedlac.econo.unlp.edu.ar/eng/> (Latin American household surveys; micro data possible)

See François Bourguignon, “Appraising income inequality databases in Latin America”, *JEI*, vol. 13, pp. 557-578.

World Bank POVCAL: <http://iresearch.worldbank.org/PovcalNet/index.htm> (all developing countries; more than 600 surveys; no access to micro data)

World Bank LSMS:
<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTLSMS/0,,contntMDK:21610833~pagePK:64168427~piPK:64168435~theSitePK:3358997,00.html>
(household surveys mostly from very poor countries; micro data available)

World Income Distribution (WYD) database:

<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:22261771~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html>

(ventiles and percentiles of countries' income distributions, 1988-2005; last update July 2012)

All the Ginis (ATG) database:

<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:22301380~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html>

(Compilation of all per capita Ginis since 1950s; last update October 2013)

See Tom Smeeding and J. P. Latner, "PovcalNet, WDI and 'All the Ginis': a critical review", *JEI*, vol. 13, pp. 603-628.

UN WIDER WIIS database: http://www.wider.unu.edu/research/WIID3-OB/en_GB/database/

(compilation of Ginis, deciles etc., for a variety of inequality statistics, income, earnings etc. last update September 2014)

See Steven Jenkins, "World income inequality databases: an assessment of WIID and SWIID", *JEI*, vol. 13, pp. 629-672.

World Top Incomes Database (WTID):
<http://www.parisschoolofeconomics.eu/en/expertise-dissemination/wtid-world-top-incomes-database/>

(fiscal data from some 40 countries; base of the top 1% statistics)

LIS Upshot database:

<http://www.lisdatacenter.org/news-and-events/new-york-times-launches-new-site-the-upshot-with-study-based-on-lis-data/>

(detailed distributional data from the rich countries)

Nora Lustig, Appraising world income inequality databases,

<http://www1.wider.unu.edu/inequalityconf/sites/default/files/IGA/Lustig.pdf>

Session 3. Political implications of global inequality

Required reading:

Organization for Economic Cooperation and Development (OECD), *In it together*, Paris: OECD, 2015. Only the summary.

Available at: <http://www.oecd.org/social/in-it-together-why-less-inequality-benefits-all-9789264235120-en.htm>

[R] Organization for Economic Cooperation and Development (OECD), *Divided we stand*, Paris: OECD, 2011. Only the summary: <http://www.oecd.org/els/socialpoliciesanddata/49499779.pdf>.

Organization for Economic Cooperation and Development (OECD), *Growing Unequal? Income Distribution and Poverty in OECD countries*, Paris: OECD, October 2008. Available at <http://www.oecd.org/els/socialpoliciesanddata/growingunequalincomedistributionandpovertyinoecdcountries.htm>.

Peter Gottschalk, Björn Gustafsson and Edward Palmer (eds.) (1997), *Changing patterns in the distribution of economic welfare: an international perspective*, Cambridge University Press.

Maura Francese and Carlos Mulas-Granados (2015), "Functional Income Distribution and Its Role in Explaining Inequality". IMF Working Paper, November 2015.

Andrea Brandolini and Timothy M. Smeeding (2006), "Patterns of Economic Inequality in Western Democracies: Some Facts on Levels and Trends", *Political Science and Politics*, 39 (1), January, 21-26.

Andrea Brandolini and Timothy M. Smeeding (2007), "Inequality Patterns in Western-Type Democracies: Cross-Country Differences and Time Changes" in P. Beramendi and C. J. Anderson (eds.), *Democracy, Inequality and Representation*, New York, Russell Sage Foundation. Available at <http://www.wiwiss.fu-berlin.de/forschung/veranstaltungen/rse/PapersSS08/Democracy.pdf?1353071391>.