

# Global income inequality: the past two centuries and implications for 21<sup>st</sup> century

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Based on the books *Worlds Apart*, 2005 and *The Haves and the Have-Nots*, 2010 and other updates

# Main points

- Global inequality (between world citizens) is some 70 Gini point today
- This is the result obtained using new (2005) PPPs
- About 9 percent of world population receives one-half of global income (or consumes  $\frac{1}{2}$  of goods and services); bottom  $\frac{1}{2}$  gets 7%.
- Global inequality shows no clear trend in the last 20 years although China's and India's growth are globally equalizing
- This is almost certainly the highest level of relative, and certainly absolute, global inequality at any point in human history

# Main points II

- The composition of global inequality has changed from being driven by income differences within countries (“class” differences) to income differences between countries (“locational”)
- More than  $\frac{3}{4}$  of global inequality due to between country differences
- About 60% of income dispersion “explained” by country of citizenship
- Is citizenship a rent?
- Migration is the product of globalization **and** large between country differences

# Global policy in this century

- Reduction in global inequality or citizenship premium (penalty) can be achieved in three ways:
- Faster growth of poor countries
- Global redistribution (aid)
- Freer migration
- Large global inequality driven primarily by “circumstances” (citizenship) is ethically questionable and makes globalization less sustainable
- Managing migration emerges as a key challenge

# 1. Global inequalities today: definitions and overview

# Three concepts of inequality defined



Concept 1 inequality



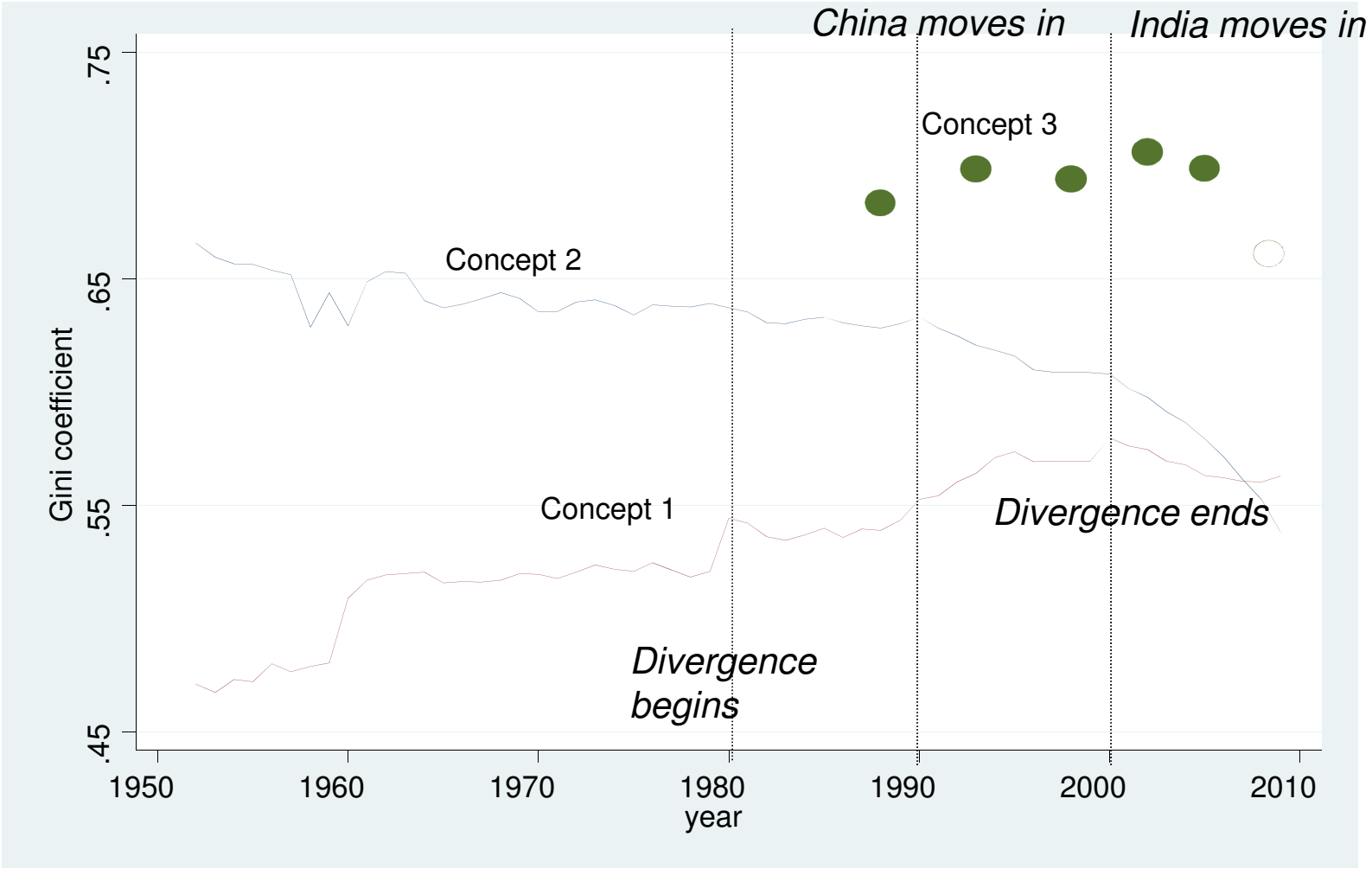
Concept 2 inequality



Concept 3 (global) inequality

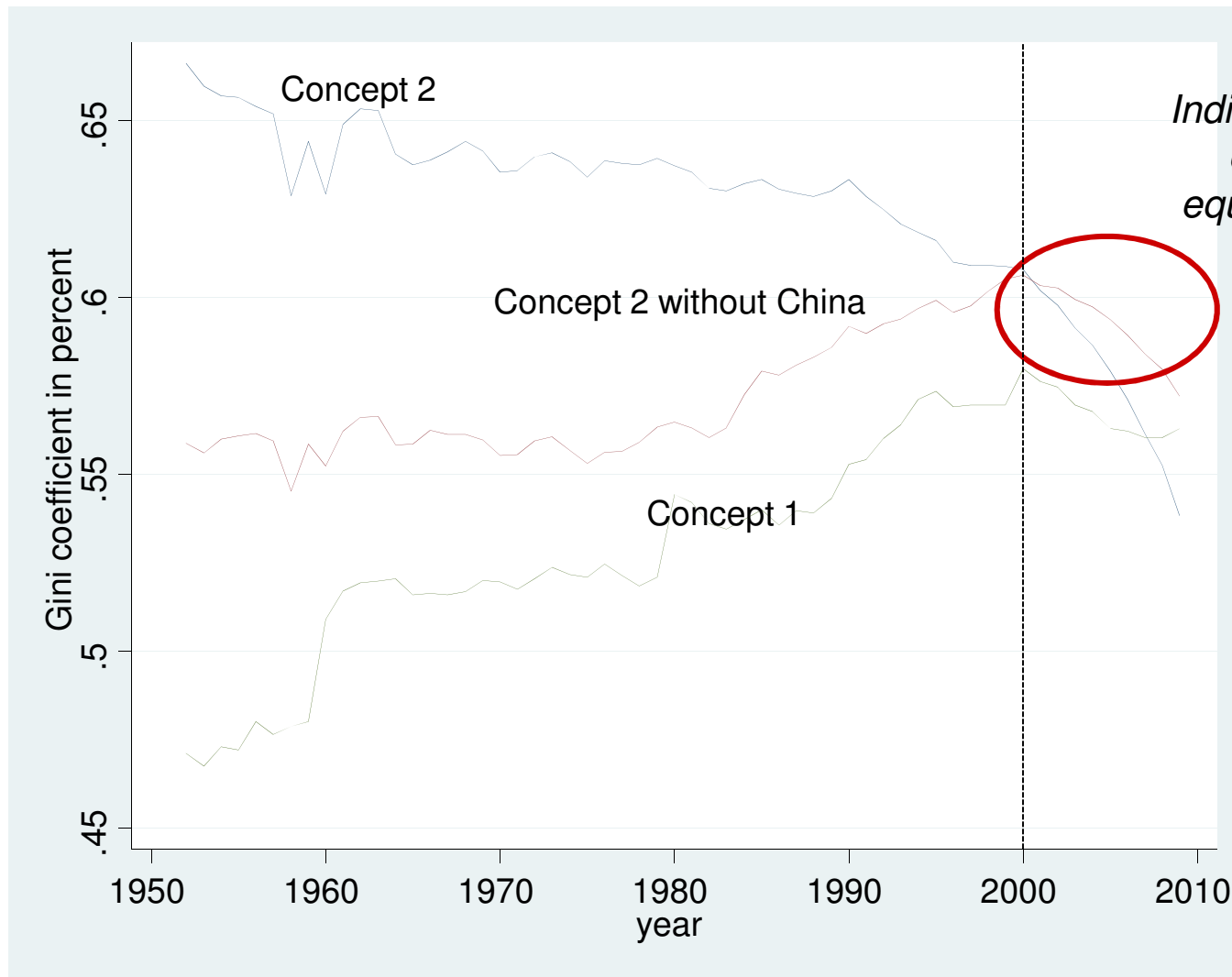
# Inequality 1950-2009

## The mother of all inequality disputes

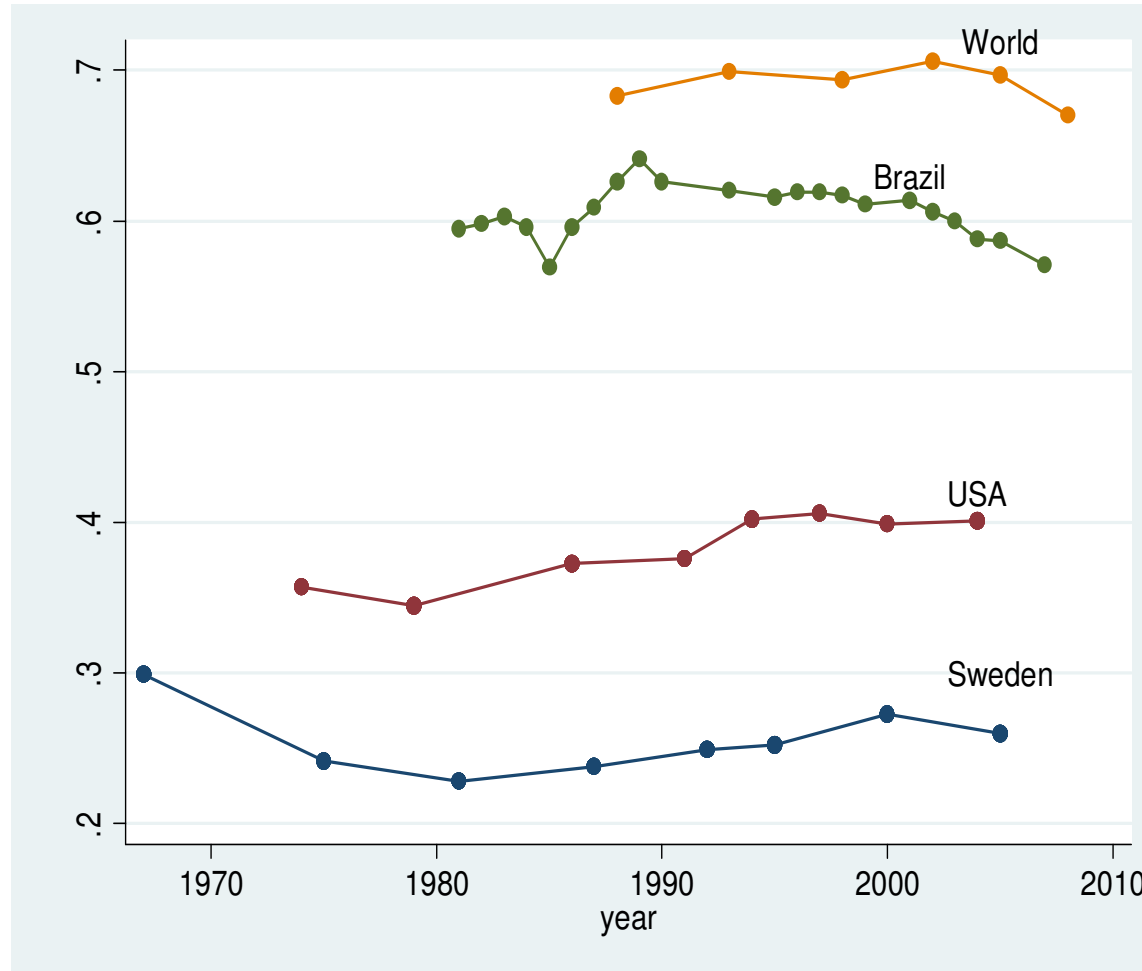


With new PPPs

# International unweighted and population-weighted inequality, 1952-2009



# What does Gini of 70 mean?



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twoway (scatter gini_disposable year if contcod=="SWE", c(l)) (scatter gini_disposable year if contcod=="USA", c(l)) (scatter gini_gross year if contcod=="BRA" & source=="SEDLAC", c(l) legend(off) text(0.30 2005 "Sweden") text(0.42 2004 "USA") text(0.63 2001 "Brazil")) (scatter gini_disposable year if contcod=="WRL", c(l) text(0.72 2005 "World"))
```

Using data\_voter\_checked.dta to which I added the world from my global data

# What does Gini of 70 imply?

To get to ½ of total income you need...

Almost 92 percent of the poorest

Or about 8 percent of the richest

The bottom 50% of the population receives...

6.6 percent of total income

The top 1% of population receives...

About 13 percent of total income

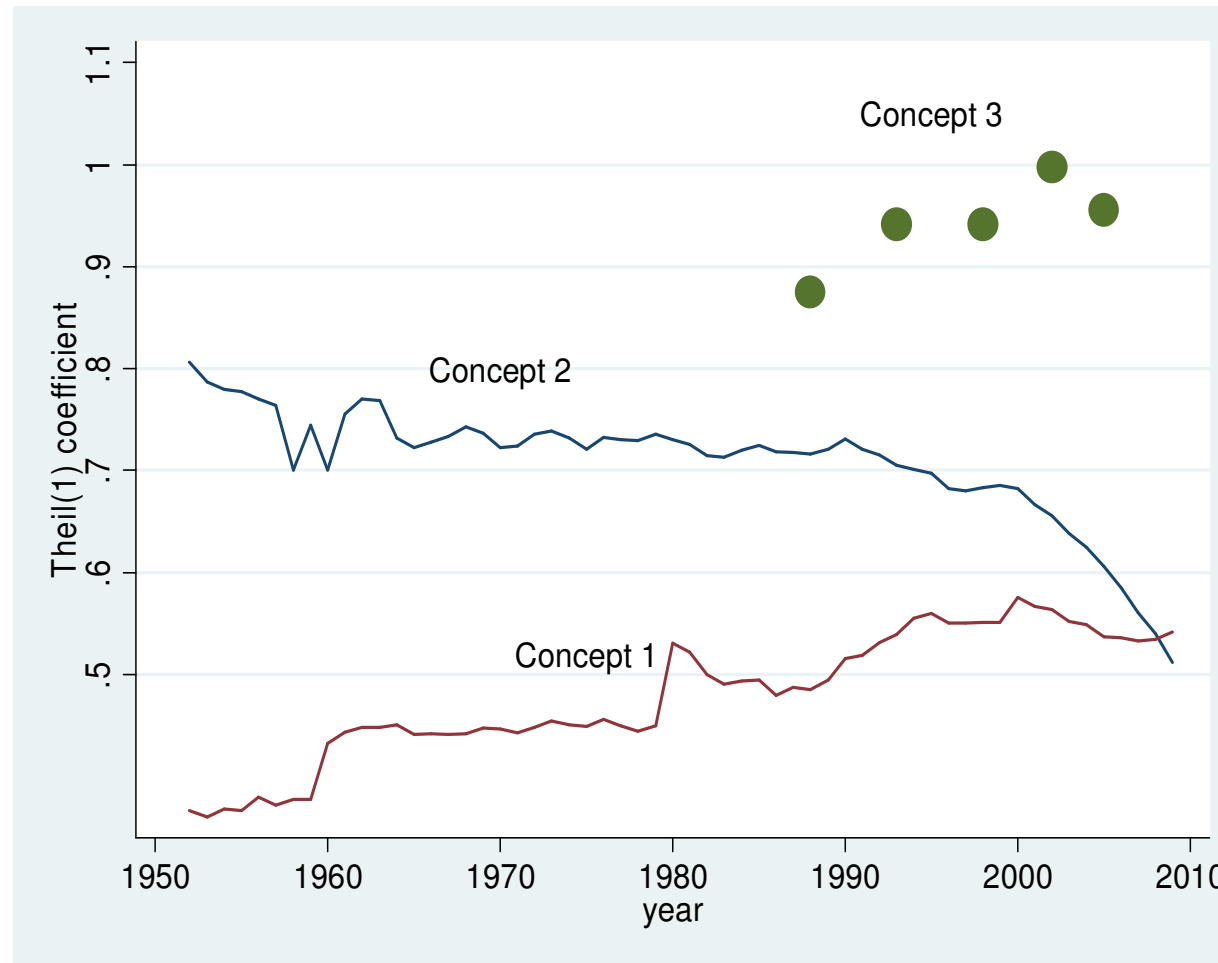
Thus 6 million top people receive as much as 3+ billion poorest (ratio 500-1)

% of people who are 25 percent above or below the median income is...

14 percent

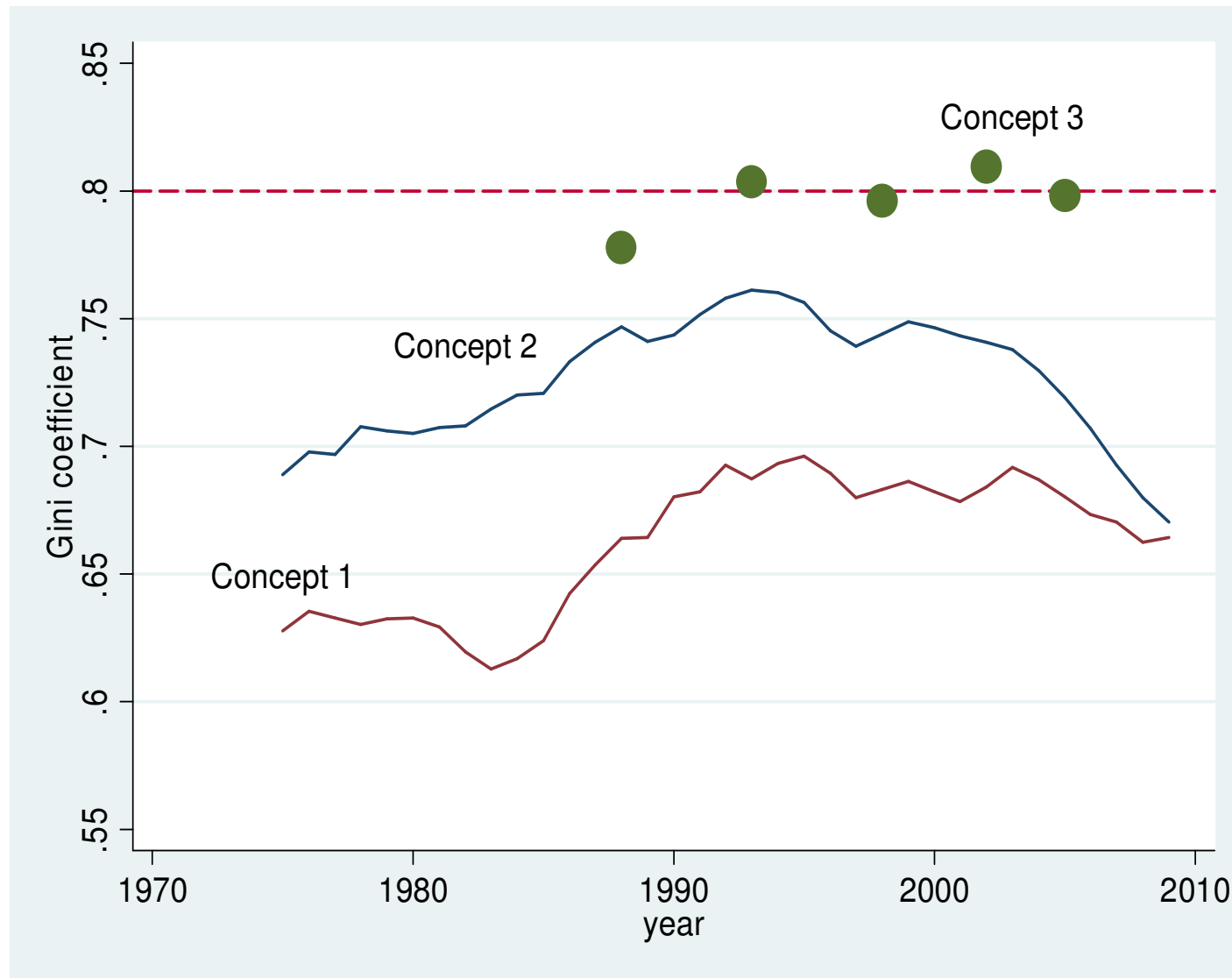
The world is as middle class or less than Panama.

# All three concepts using Theil (1) coefficient



Graph in interyd\dofiles\defines.do; using gdppppreg.dta


# All three concepts using market exchange rates, 1975-2009



Using two\_concepts\_exrate.do and global\_new2.dta

## 2. Methodological issues: PPPs, National accounts vs. Household surveys

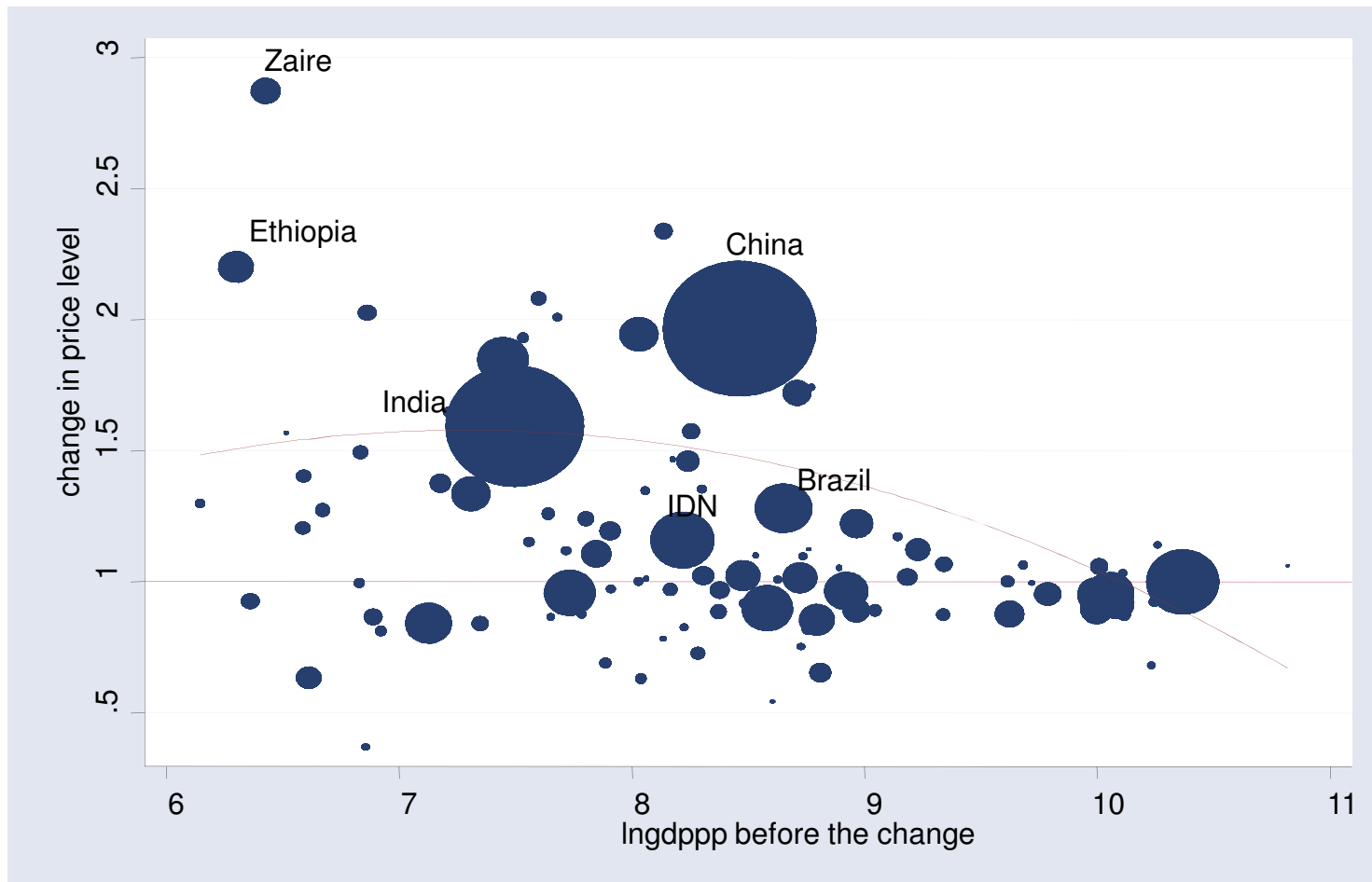
# The impact of new PPPs

- Concept 2 inequality increased by almost 10 Gini points (a level shift)
- Somewhat steeper decline of Concept 2 inequality in the last decade (because India and China now appear poorer)
- About 5 Gini points increase in Concept 1 inequality (shift effect; no trend effect)
- About 5 Gini points increase in global inequality (Concept 2 increases more than Concept 3  smaller **overlap** as mean incomes “move” further apart)

## (cont.)

- World poorer than we thought, Asia in particular
- Inequality (in all formulations) greater
- Growth rates not affected in WDI but will be affected in PWT; so “the past will now change” (like in Orwell)
- Two engines of “global equalization”: China and India

Pattern of change in estimated price levels: increases in poorer and more populous countries (both highly sign. in a regression)

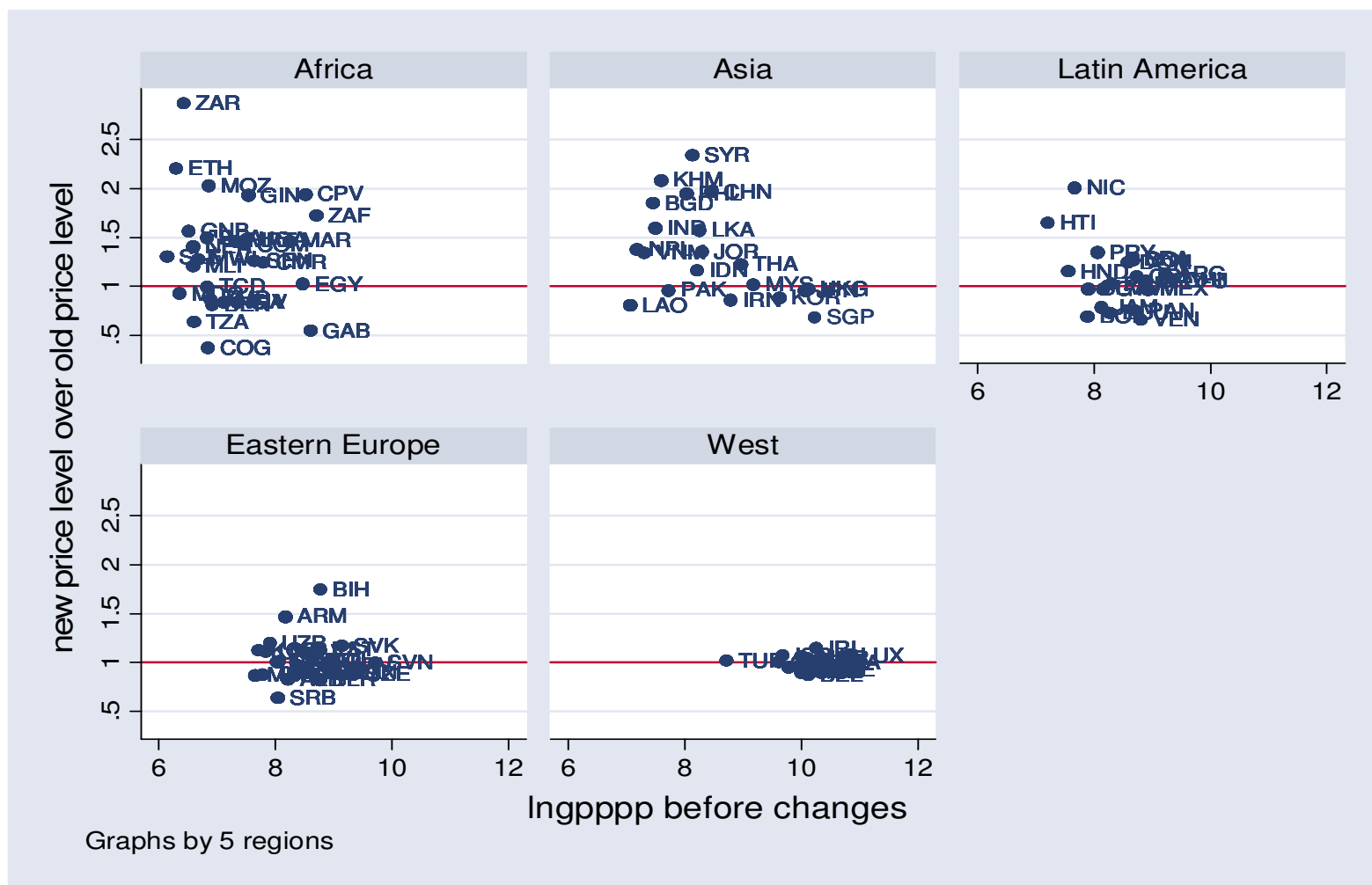


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twoway (scatter price_level_change lngdpppp_old [w=totpop], yline(1)) (qfit price_level_change lngdpppp_old [w=totpop]), text(2.3 8.5
"China") text(1.7 7 "India") text(1.4 8.8 "Brazil") text(1.3 8.2 "IDN") text(3 6.5 "Zaire") text(2.35 6.5 "Ethiopia") ytitle(change in price level)
xtitle(lngdppp before the change) legend(off)
From graph2.do and world2002.dta

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# Ratio of the new country price levels to the old



twoway scatter price\_level\_change lngdpppp\_old, ylabel(0.5(0.5)2.5) yline(1) mlabel(contcod) /\*  
 \*/ by(region) ytitle(new price level over old price level) xtitle(Ingpppp before changes)  
 From graph2.do and world2002.dta

## Methodological issues *internal* to the surveys

- Household surveys: *income* or *expenditures* (consumption)?
- The problem: countries and regions “specialize” in either Y or X surveys; impossible to do global poverty or inequality work if one wanted to stick to only Y or X welfare aggregate
- Even if one HS welfare indicator is chosen, definitions of X,Y vary in time & between countries
- Issues: self-employed Y; home consumption; imputation of housing; treatment of publicly provided H&E; under-estimation of property incomes
- What PPP to use (Geary-Khamis, EKS, Afriat)?
- Equivalence scales & intra-HH inequality

## *External* methodological issue: can NA means be used instead of HS means?

### Use GDP?

- GDP is not a counterpart of HS net income (even less of HS consumption)
- There is no NA counterpart to HS income
- *Definitional difference*: undistributed  $\pi$ , VA from financial intermediation (FISIM), build-up of stocks, state-funded health & education, gov't services

### Use personal consumption?

- Similar aggregates
- *Definitional difference*: imputed housing (but not always), NGO consumption

*Measurement difference btw NA and HS*: non-compliance of the rich; underestimation of property incomes; top coding

The gap between GDP and measured HS mean is thus composed of ..

- The definitional gap between GDP per capita and “true” HS mean: (\*) undistributed  $\pi$ ; (\*) FISIM; health and education
- Measurement gap: (\*) under-surveying of the rich; (\*) under-reporting of property income; (\*) top coding
- The gap is **not distribution-neutral**
- All (\*) are pro-rich (i.e., reduce measured ineq.)
- So simple allocation of the gap to everybody according to their HS income share cannot be right

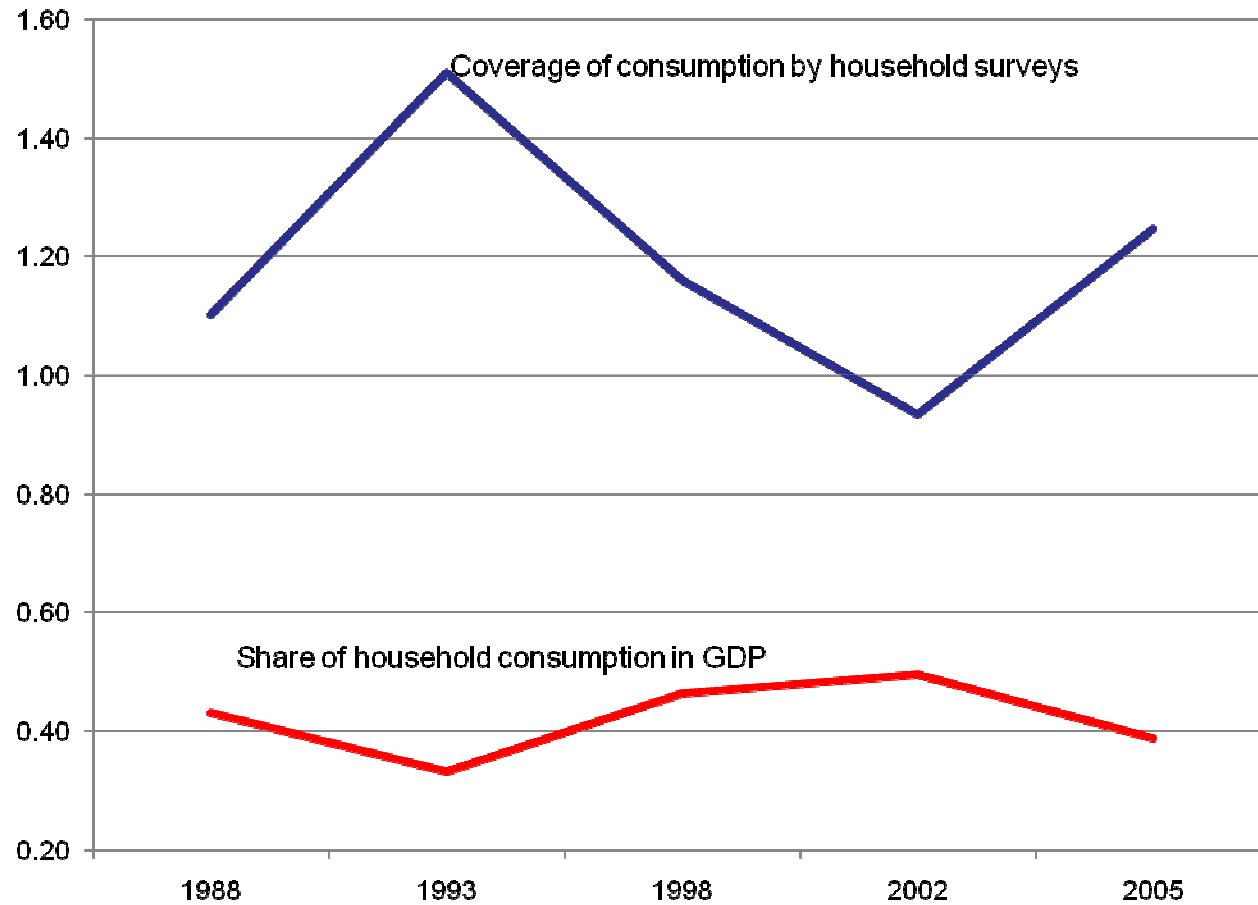
- Deaton: "Using survey shares to allocate NAS [National account consumption or GDP] to the poor and non-poor assumes that these items are distributed between the poor and non-poor in the same way as are the goods measured in the survey, an assumption that cannot possibly be true" ("Measuring poverty in a growing world...")
- US inequality may be underestimated by as much as 4 Gini points or 10% on account of lower participation of the rich (Korinek, Mistiaen, Ravallion, 2006)
- Property incomes (compared to NA) generally underestimated by  $\frac{1}{2}$  and these incomes are received by the rich
- Top coding reduces the share of the top ventile between 2 and 6%, or up to 1 Gini point (EU data)

## Thus...

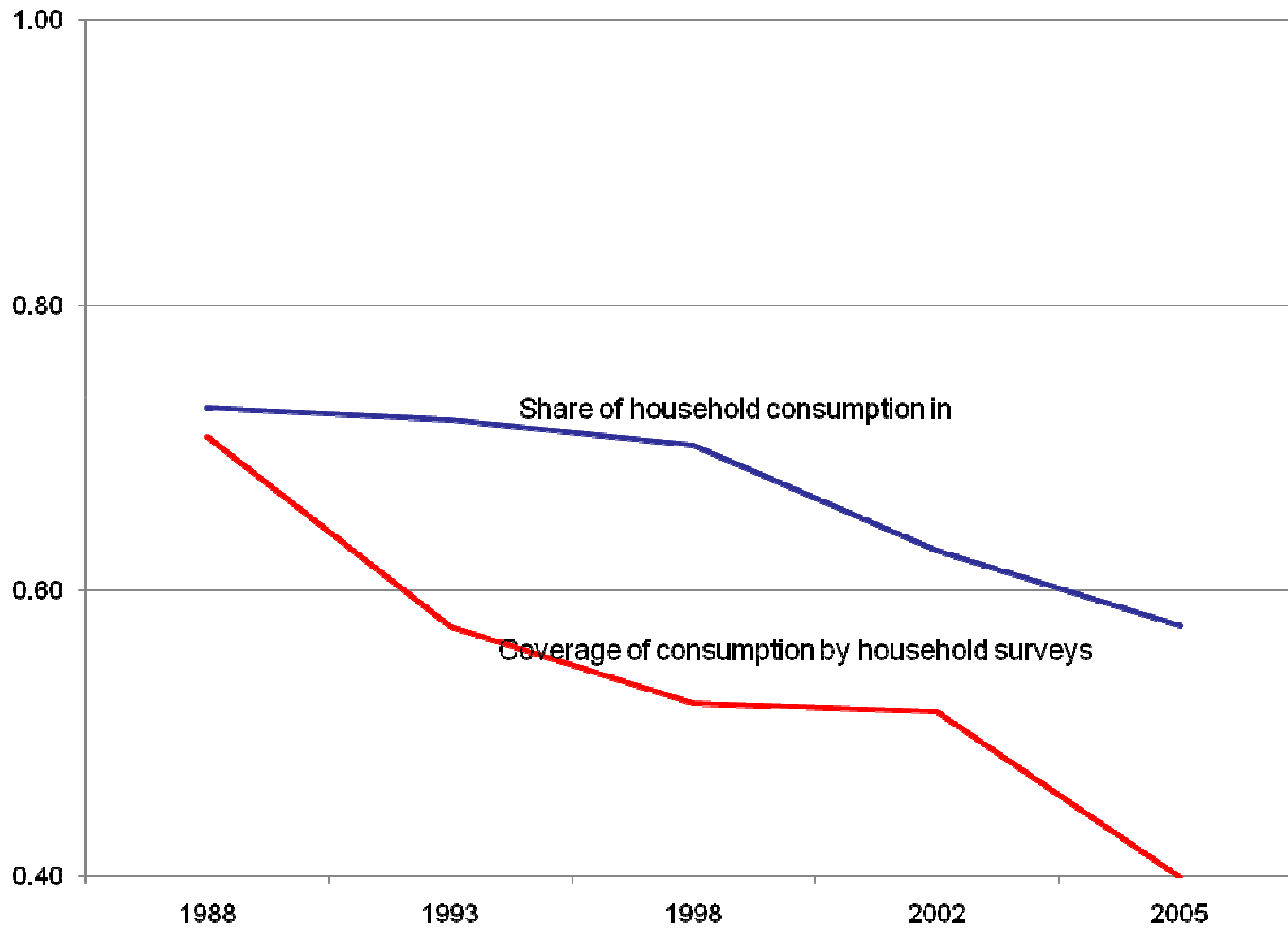
- Scaling up with GDP per capita **biases both poverty and inequality down**
- It is a paper redistribution—“there will not be any poor if we assume all the poor to be rich”
- Meanwhile, the gap between GDP and HS means has been rising
- India: *cause célèbre*; growth rate from NSS several percentage points lower than GDP per capita growth rate (Banerji and Piketty find that 40% of the gap is due to unrecorded income of the top percentile)
- The cause of the increasing gap not well understood; both definitional and measurement issues are probably driving it



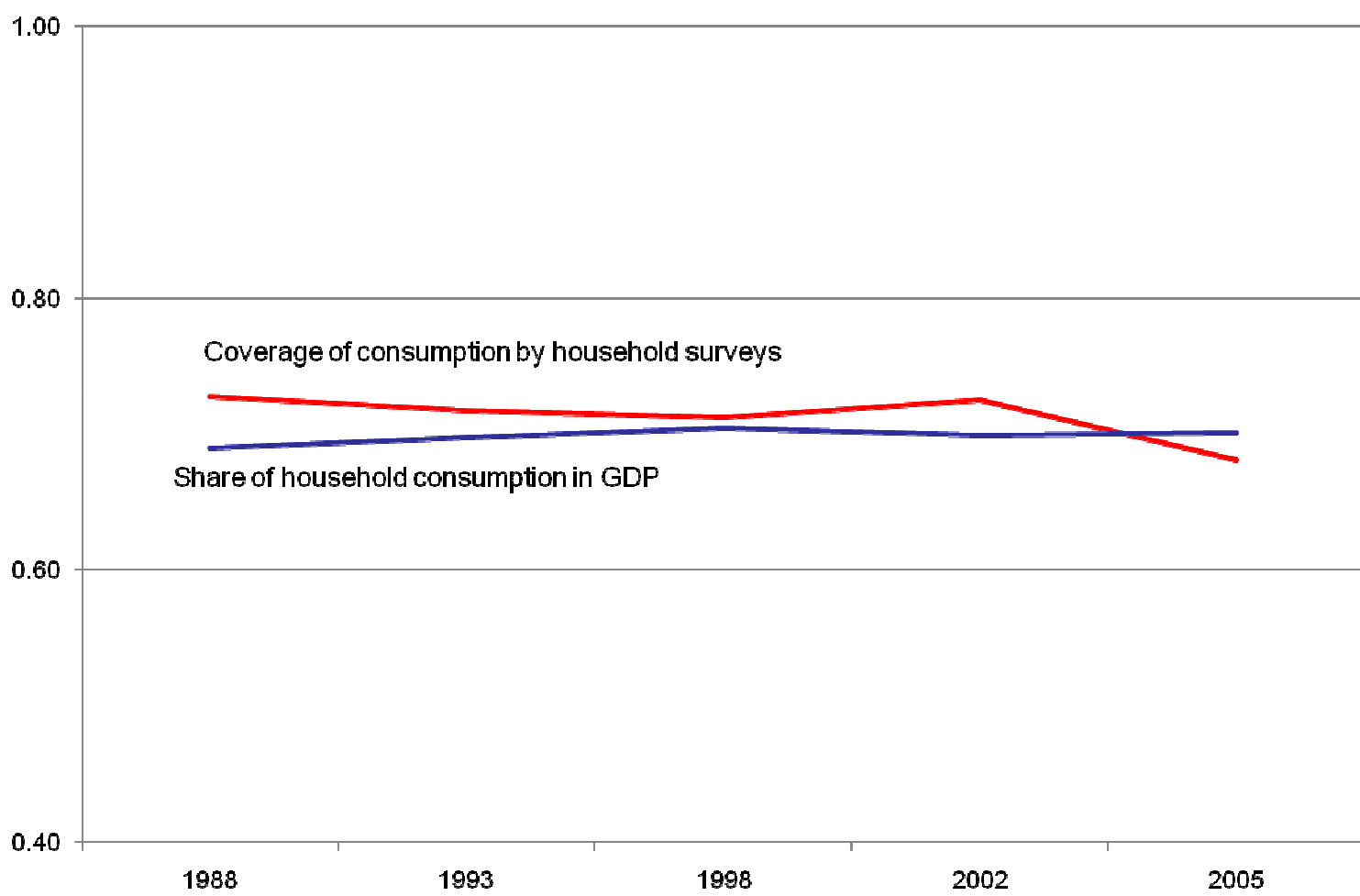
# Example I: China: HS coverage is okay but HH consumption is a decreasing share of GDP



## Example II: India: both coverage of consumption and its share in GDP are decreasing



# Example III: USA: both coverage of consumption and share of consumption in GDP are stable at 70%



### 3. International and global inequality today

## Why is increased Concept 1 inequality important?

- During globalization, convergence was supposed to happen particularly since there was also convergence in policies and institutions
- Income divergence ( $\sigma$  divergence) led to the reassessment of neoclassical growth theory and formulation of endogenous growth
- Putting “endogenously-created”, non-rival but excludable technology and increasing returns to scale at the center-stage, “explains” divergence but sends a bleak picture about the ultimate likelihood of poor countries’ catch-up

## Two origins of endogenous growth theory according to Romer (1994)

- (a) No unconditional convergence in income across countries
- (b) Inability of the neoclassical model to generate growth within itself

(a) led to the introduction of increasing returns to scale

(b) led to endogenous technology

## The difficulty of intuition re. evolution of Concept 3 inequality stems from contradictory movements

- (1) Greater inequality within nations
- (2) Greater differences between countries' mean incomes (unconditional divergence between 1980 and 2000)
- (3) But catching up of large and poor countries (China and India)

All of these forces determine what happens to GLOBAL INEQUALITY (but they affect it differently)

# Population coverage

	1988	1993	1998	2002	2005
Africa	48	76	67	77	78
Asia	93	95	94	96	94
E.Europe	99	95	100	97	93
LAC	87	92	93	96	96
WENAO	92	95	97	99	99
World	87	92	92	94	93

Non-triviality of the omitted countries (Maddison vs. WDI)

# GDI (US dollar) coverage

	1988	1993	1998	2002	2005
Africa	49	85	71	71	70
Asia	94	93	96	95	90
E. Europe	99	96	100	99	99
LAC	90	93	95	95	98
WENAO	99	96	96	100	100
World	96	95	96	98	97

# Number of surveys (C-based)

	1988	1993	1998	2002	2005
Africa	14(11)	30(27)	24(24)	29(29)	32(30)
Asia	19(10)	26(18)	28(20)	26(18)	23(16)
EEurope	27(0)	22(0)	27(14)	25(16)	27(25)
LAC	19(1)	20(4)	22(2)	21(1)	18(0)
WENAO	23(0)	23(0)	21(3)	21(2)	22(0)
World	102(22)	121(52)	122(63)	122(66)	122(71)

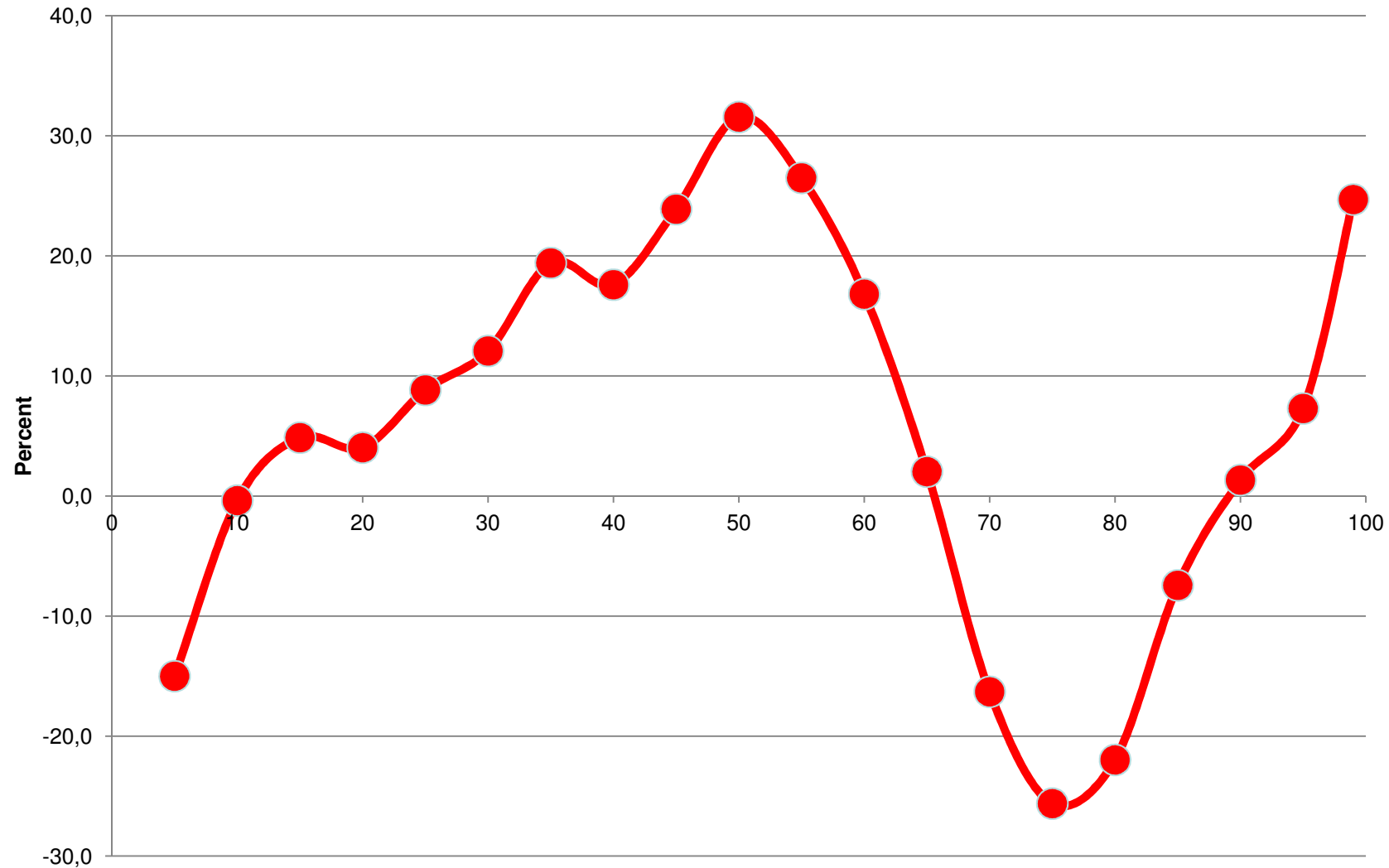
# Global inequality (with 2005 PPPs)

(distribution of persons by \$PPP or US\$ income per capita)

	1988	1993	1998	2002	2005
International dollars					
Gini index	<b>68.3</b> (2.0)	<b>69.9</b> (1.4)	<b>69.4</b> (1.8)	<b>70.6</b> (1.3)	<b>69.7</b> (1.4)
Between component	61.6	62.3	61.7	63.0	61.5
US dollars					
Gini index	<b>77.8</b> (1.5)	<b>80.4</b> (1.4)	<b>79.6</b> (1.3)	<b>81.0</b> (1.1)	<b>79.8</b> (1.1)

# Losers and winners of globalization:

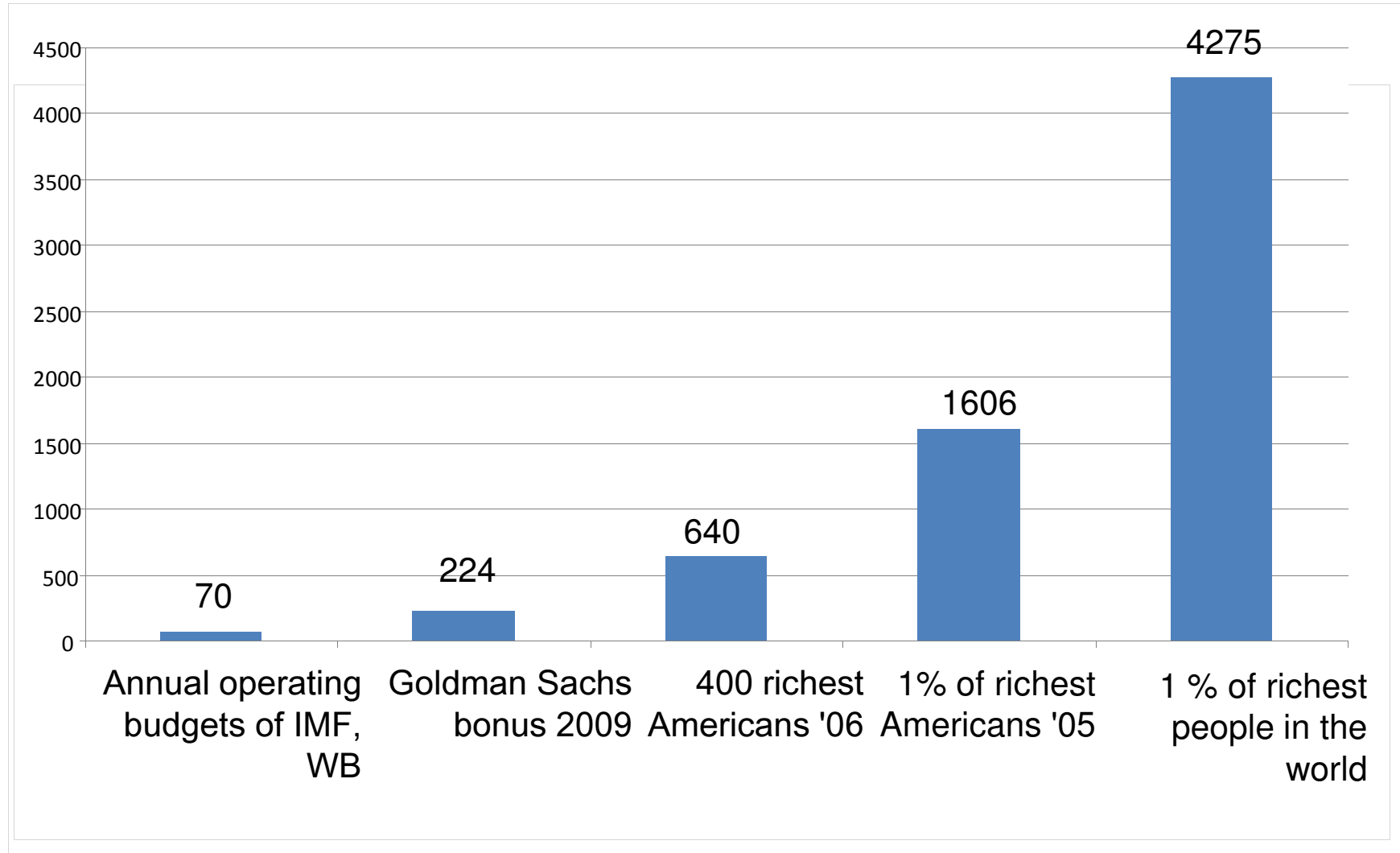
Change in real income between 1988 and 2005 at various percentiles of global income distribution (in 2005 international dollars)



## More than fifty-fifty world (2005; new PPPs)

Cumulative % of world population	Cumulative % of PPP world income/consumption	In a single country (Germany 05)
5	0.14	1.3
10	0.44	3.3
25	1.9	11.1
50	6.6	28.9
80	25.0	60.1
<b>90</b>	<b>45</b>	<b>75</b>
<b>Top 10</b>	<b>55</b>	<b>25</b>
Top 5	36.5	18.4
Top 1	13.4	5.8

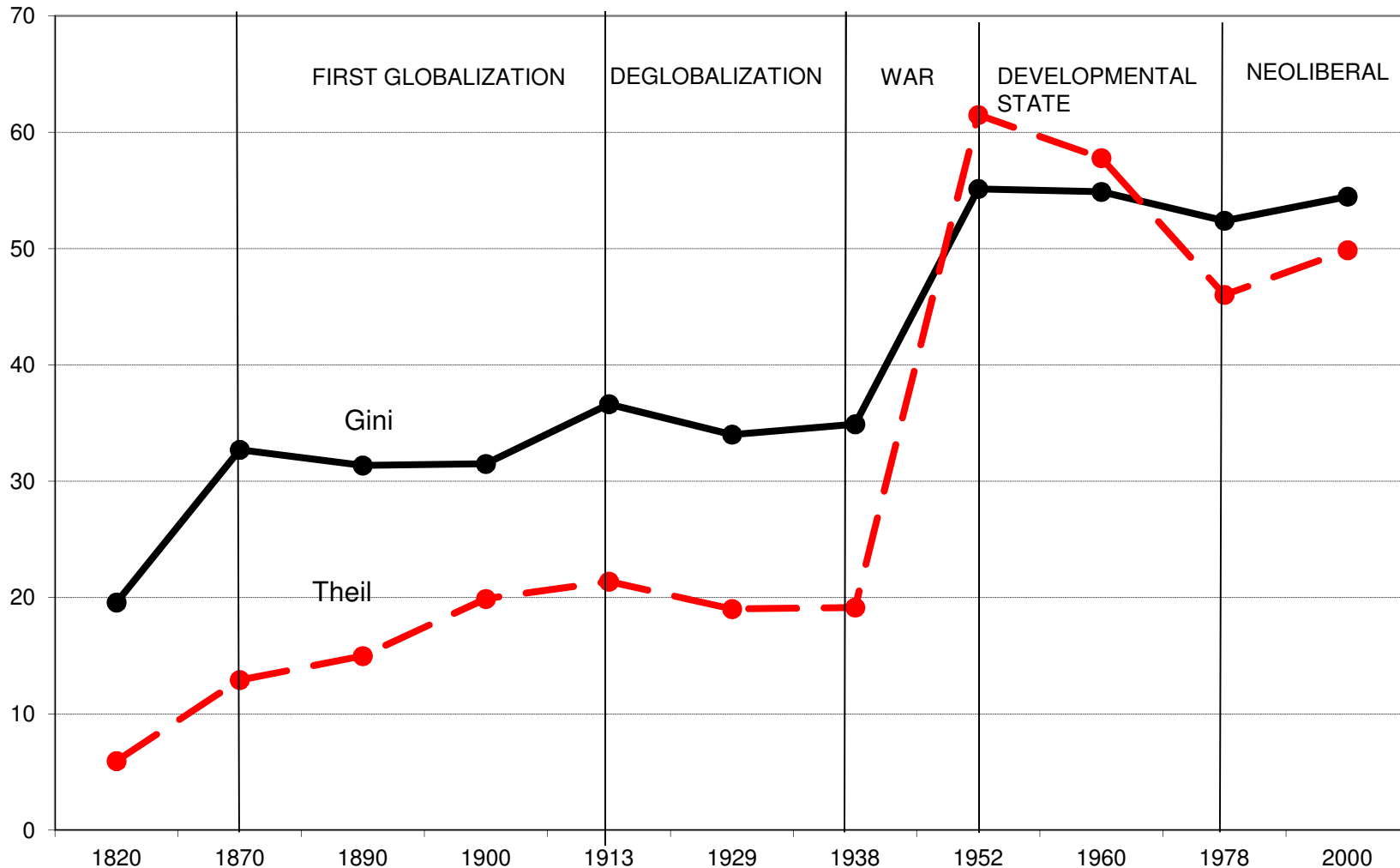
# Some incendiary statistics: income of the richest expressed in income of the millions of poorest



From 2005\_percentiles.xls

## 4. International and global inequality in the long-run: 1850-2010

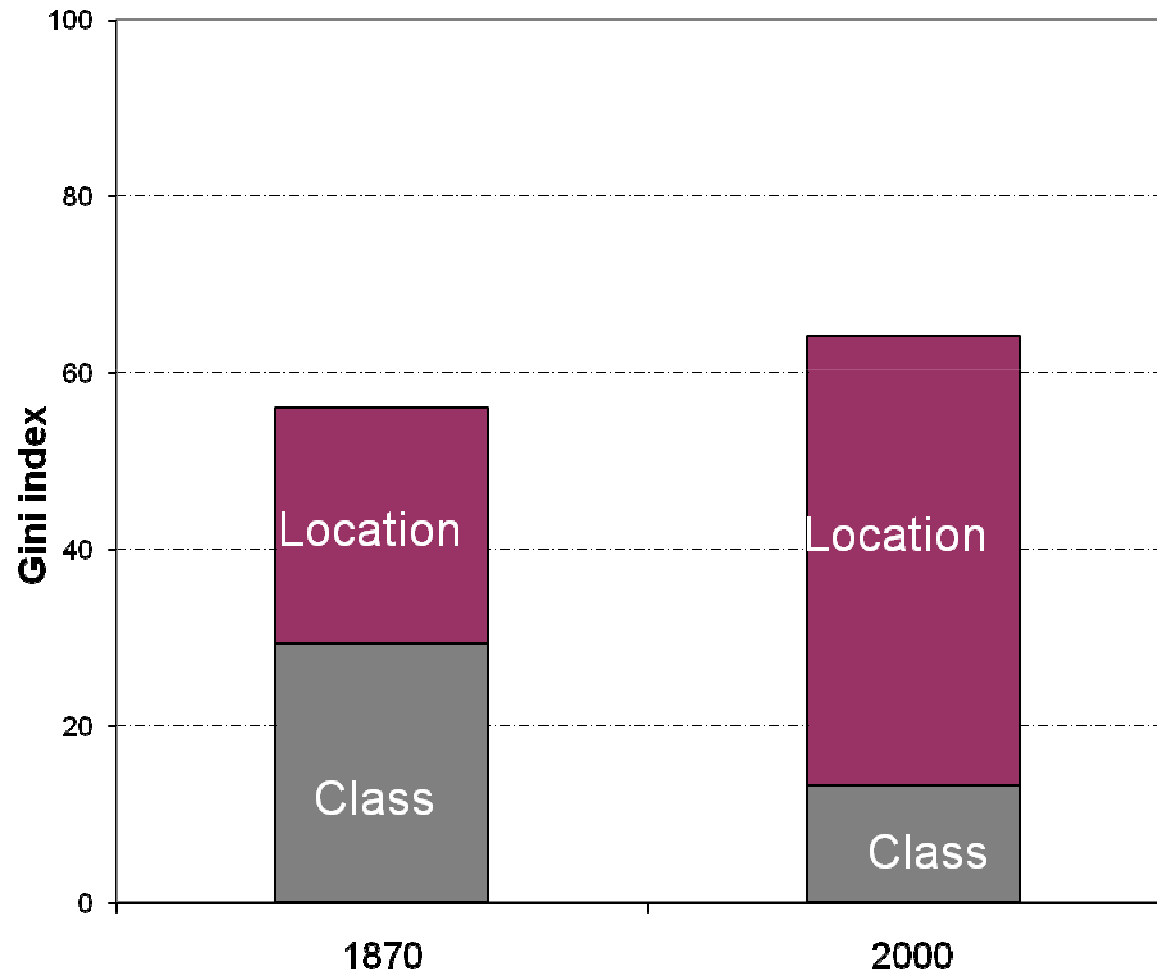
# Concept 1 inequality in historical perspective: Convergence/divergence during different economic regimes (based on Maddison)



## A non-Marxist world

- Over the long run, decreasing importance of within-country inequalities despite some reversal in the last quarter century
- Increasing importance of between-country inequalities (but with some hopeful signs in the last five years, before the current crisis),
- Global division between countries more than between classes

Composition of global inequality changed: from being mostly due to “class” (within-national), today it is mostly due to “location” (where people live; between-national)



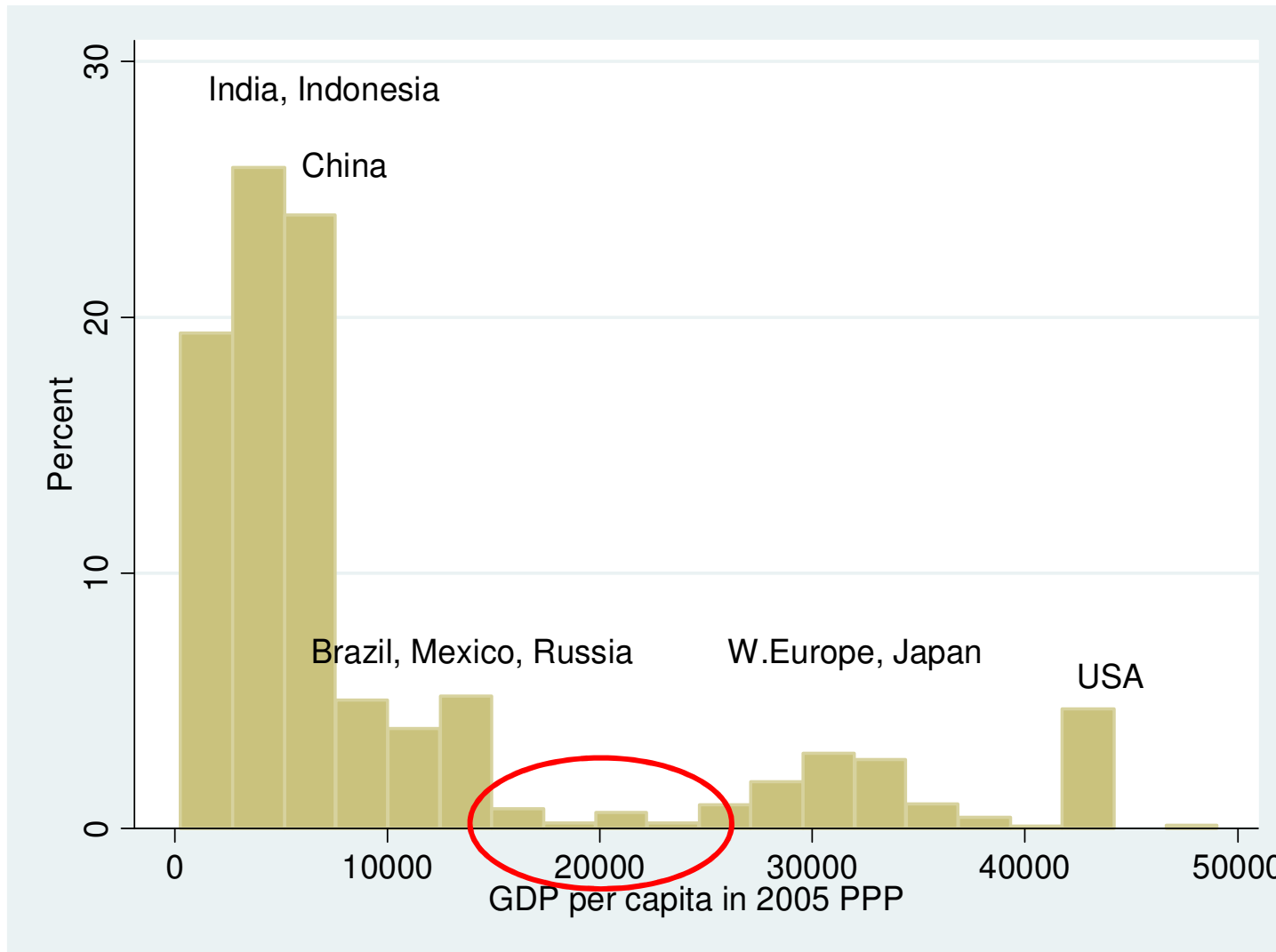
# ***Global* proletariat and *global* bourgeoisie (then)**

- “We are for Free Trade, because by Free Trade all economical laws, with their most astounding contradictions will act upon a larger scale, upon a greater extent of territory, upon the territory of the whole earth; and because from the uniting of all these contradictions into a single group where they stand face to face, will result the struggle which will itself eventuate in the emancipation of the proletariat. “ (Engels in 1847)

But the situation has  
changed today!

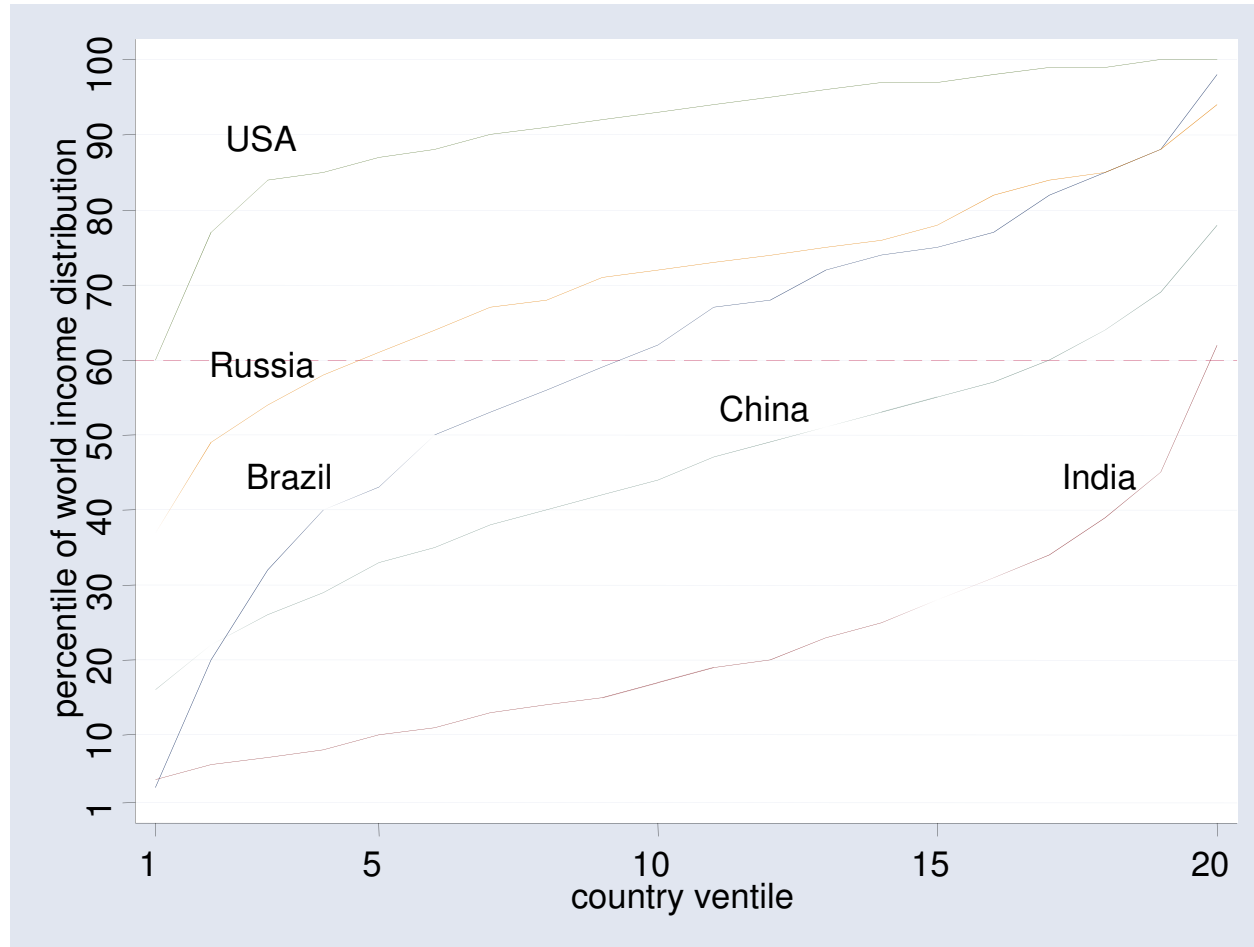
It is location much more than  
class that matters

# Population according to income of country where they live (2009): Where is the middle class?



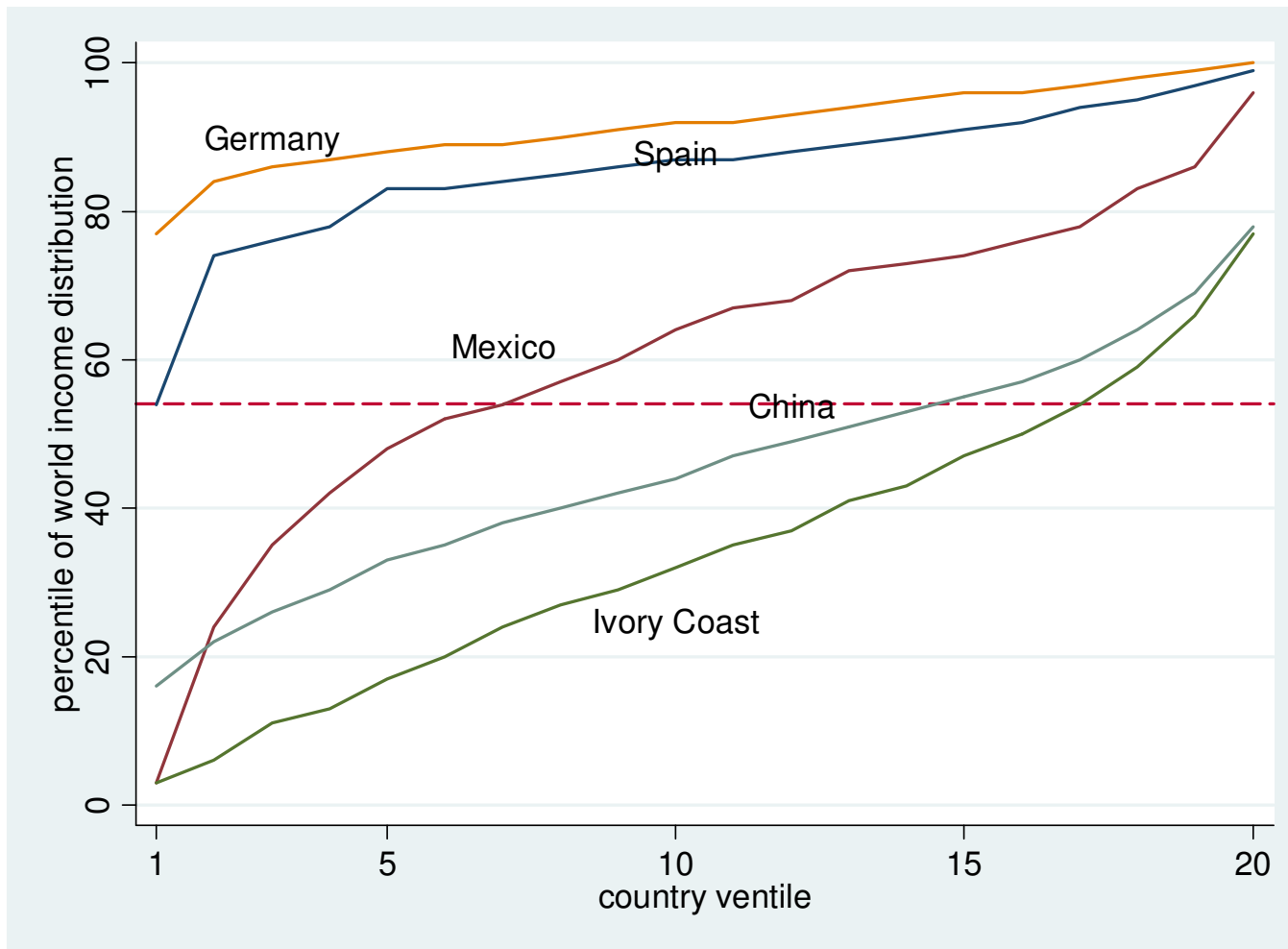
See defines.do ifor use with gdp PPP reg.dta

# Different countries and income classes in global income distribution in 2005 (new PPP)



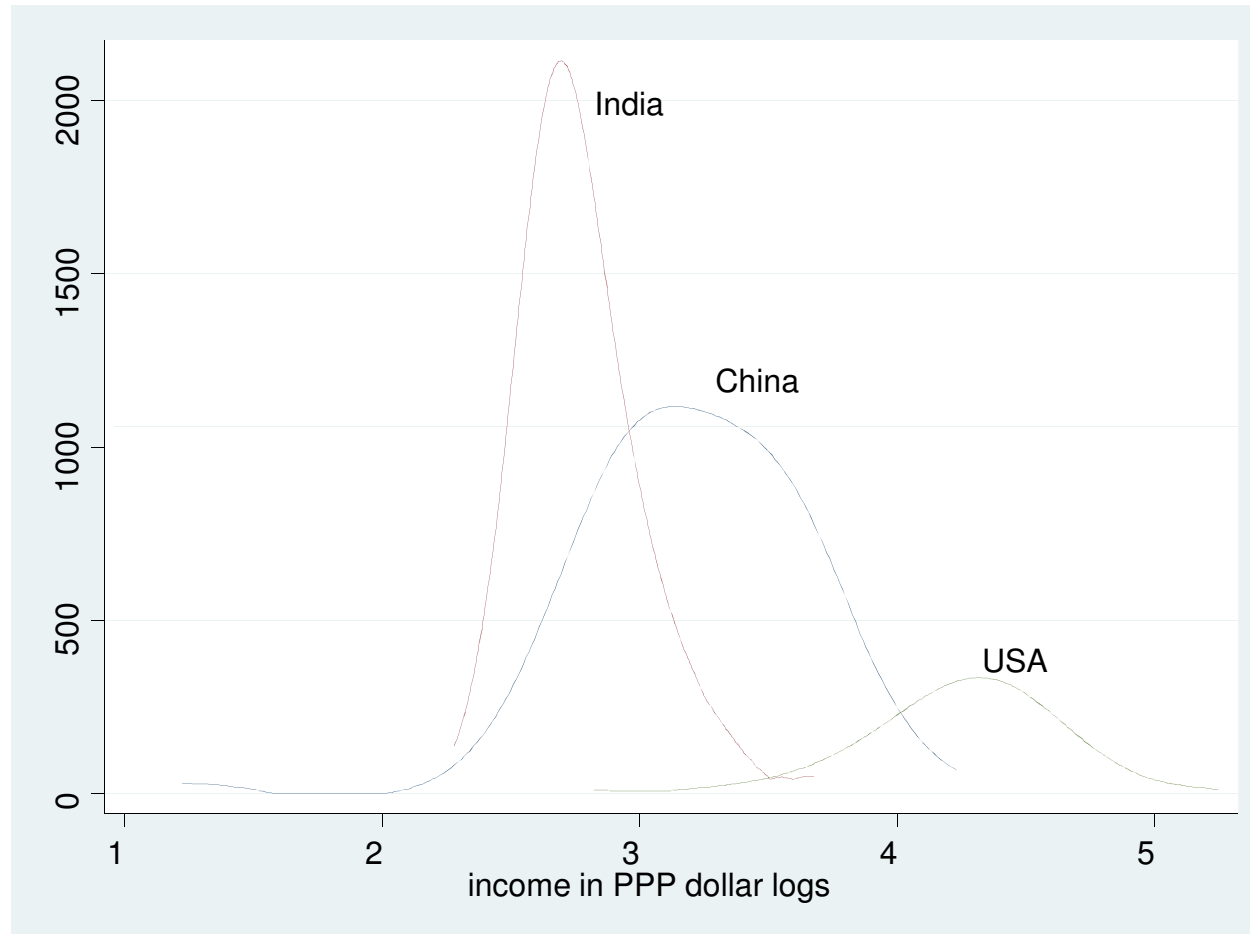
From michele\_graph.txt

# And for Spain...



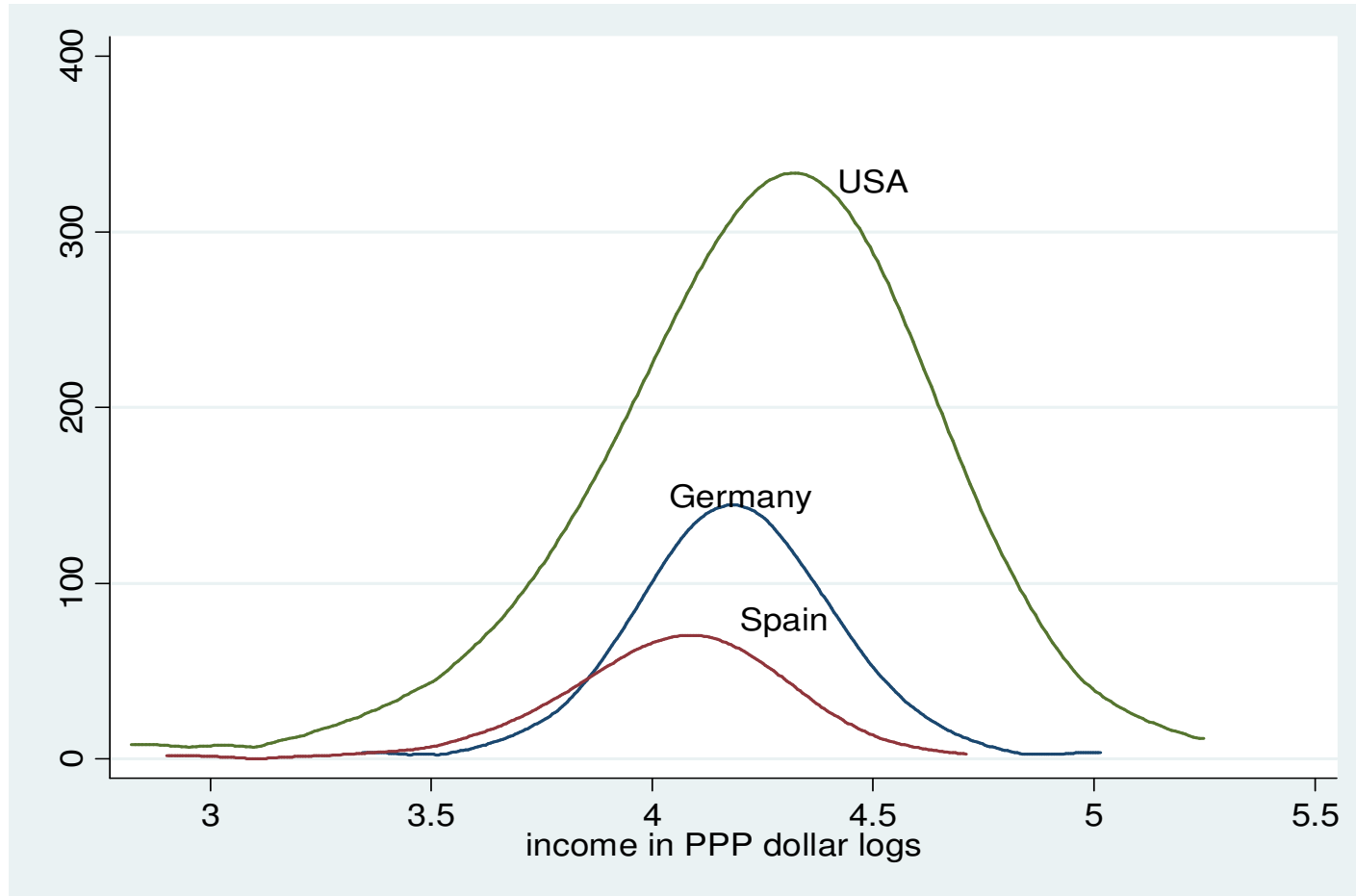
- Almost non-overlapping distributions of India and the US: less than 5% of people in India richer than the poorest ventile in the US
- But this is not true for Brazil, China and Russia: about half of the population of Brazil better off than the very poorest ventile in the US; for Russia, it is  $\frac{3}{4}$ , for China  $\frac{1}{5}$ .
- Brazil within itself spans the entire global distribution
- China dominates India at any point of income distribution
- Russians better-off than Brazilians except at the top (note convexity at the top in Brazil)

# Indian, Chinese and American distributions, 2008 \$PPP



twoway (kdensity loginc [w=popu] if contcod=="CHN", area(1325)) (kdensity loginc [w=popu] if contcod=="IND", area(1139)) (kdensity loginc [w=popu] if loginc>1 & contcod=="USA", area(304)), legend(off) xtitle(income in PPP dollar logs) text(1200 3.5 "China") text(390 4.5 "USA") text(2000 3 "India")

# How do overlapping distributions (with similar mean incomes) look? 2008



`twoway (kdensity loginc [w=popu] if contcod=="DEU", area(82)) (kdensity loginc [w=popu] if contcod=="ESP", area(44)) (kdensity loginc [w=popu] if loginc>1 & contcod=="USA", area(304)), legend(off) xtitle(income in PPP dollar logs) text(150 4.2 "Germany") text(330 4.5 "USA") text(80 4.3 "Spain")`

Nominal wage divided by food cost of living  
(March 2009, by effective hour of work)

	<b>Building laborer</b>	<b>Skilled worker</b>	<b>Engineer</b>
NYC	16.6	29.0	26.5
London	15.4	30.4	35.2
Beijing	1.3	3.8	9.5
Delhi	1.7	6.9	9.1
Nairobi	1.5	4.7	9.2
Rich/poor	11-1	5-1	3-1

## 5. Three implications of high international and global inequality

- a. no-catch up of poor countries
- b. no global equality of opportunity
- c. need for impediments to migration

# Global inequality of opportunity

- How much of variability of income globally can we explain with two circumstances (Roemer) only: person's country of citizenship and income class of his/her parents?
- Both circumstances basically given at birth
- With citizenship person receives several public goods: income of country, its inequality level, and its intergenerational income mobility
- Use HS data to investigate that

# Income as function of circumstance and effort (most general)

$$y_{ij} = f(\alpha_j^1 \dots \alpha_j^m; \gamma_{ij}^1 \dots \gamma_{ij}^n; E_{ij}; u_{ij})$$

$\alpha$  = country circumstances 1 to  $m$  (mean income, Gini, mobility)

$\gamma$  = individual circumstances 1 to  $n$  (parental income class, gender, race)

$E_i$  = individual effort

$u_i$  = luck (random term)

# Estimation

$$y_{ij} = b_0 + b_1 m_j + b_2 G_j + b_3 C_{ij} + \varepsilon_{ij}$$

$m_j$  = mean country income

$G_j$  = Gini coefficient

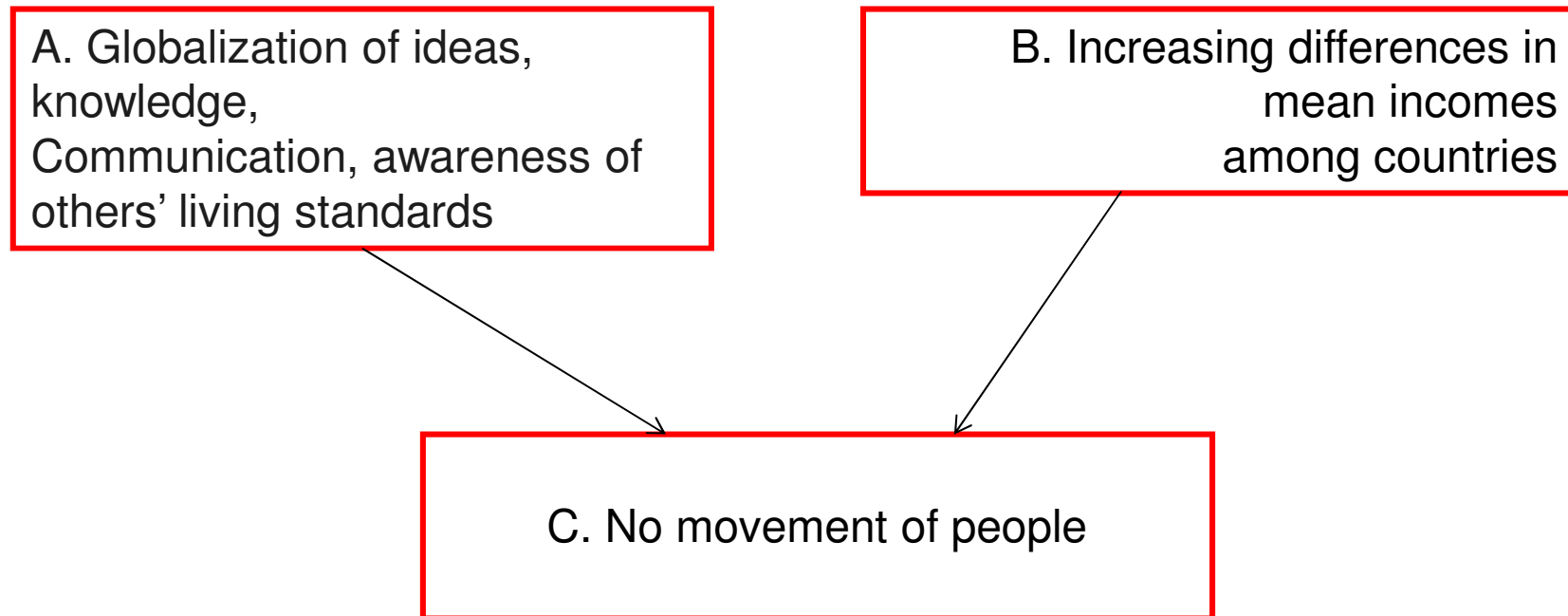
$C_{ij}$  = income class of  $i$ -th individual in  $j$ -th country

The issue: How to substitute parental income class ( $C_{ij}^*$ ) for own income class ( $C_{ij}$ ), and thus have the entire regression account for the effect of circumstances only?

Run over income ventiles for 116 countries and 2320 (20 x 116) income levels ( $y_{ij}$ )

- ***Citizenship premium.*** If mean income of country where you live increases by 10%, your income goes up by about 10% too.
- ***Parental premium.*** If your parents are one income class higher, your income increases by about 10.5% on average.
- ***Global equality of opportunity?*** Country of citizenship explains 60% of variability in global income. Citizenship and parental income class combined explain more than 80%.
- ***For comparison:*** 4 circumstances (place of birth, parents, ethnicity, age) explain 40% of wage inequality in the US (N. Pistoiesi, JofEI, 2009)

# The XXI century trilema



If A and B, then no C. Migration is the outcome of current unequal globalization.

If B and C, then no A. Unequal globe can exist if people do not know much about each other's living conditions or costs of transport are too high.

If A and C, then no B. Under globalization, people will not move if income differentials are small.

# Growing inter-country income differences and migration: Key seven borders today



# The key borders today

- **First to fourth world:** Greece vs. Macedonia and Albania; Spain vs. Morocco (25km), Malaysia vs. Indonesia (3km)
- **First to third world:** US vs. Mexico
- The remaining three key borders walled-in or mined: N. Korea—S. Korea; Yemen—Saudi Arabia; Israel---Palestine

In 1960, the only key borders were Argentina and Uruguay (first) vs. Brazil, Paraguay and Bolivia (third world), and Australia (first) vs. Indonesia (fourth)

	Approximate % of foreign workers in labor force	Year 2007	Year 1980
		Ratio of real GDI per capita	
Greece (Macedonian/ Albanians)	7.5	4 to 1	2.1 to 1
Spain (Moroccans)	14.4	7.4 to 1	6.5 to 1
United States (Mexicans)	15.6*	3.6 to 1	2.6 to 1
Malaysia (Indonesians)	18.0	3.7 to 1	3.6 to 1

\* BLS, News Release March 2009; data for 2008 inclusive of undocumented aliens.

6. *Les jeux sont faits*  
when you are born?

# Is citizenship a rent?

- If most of our income is determined by citizenship, then there is little equality of opportunity *globally* and citizenship is a rent (unrelated to individual desert, effort)
- How much is citizenship worth? Black-market UK passports sold for about £5,000; legally purchase citizenship for about \$1m in investment.
- See also A. Shachar, *The Birthright Lottery*

# The logic of the argument

- Global inequality between individuals in the world is very high (Gini=70)
- Most of that inequality is “explained” by differences in countries’ per capita incomes
- Citizenship “explains” some 60% of variability in personal incomes globally (assessed across national ventiles)
- This was not the case in the past (around 1850-70) when within-national inequalities “explained” most of global inequality
- Citizenship as a significant factor explaining one’s income

## The logic of the argument (cont.)

- Citizenship is a morally-arbitrary circumstance, independent of individual effort
- It can be regarded as a rent (shared by all members of a community)
- Are citizenship rents globally acceptable or not?
- Political philosophy arguments pro (social contract; statist theory) and contra

# 7. Global inequality and the Rawlsian world

# Rawls from *A Theory of Justice*

- “Injustice is...simply inequalities that are not to the benefit of all...and in particular to the poor” (p. 54)
- But this is the rule enounced for a single nation-state? Will it be valid for the world as a whole?
- As we shall see: No, it won't be!

# Rawls on (a) inequality between countries and (b) global inequality

- Neither of them matters
- Concept 1 (divergence) is irrelevant if countries have liberal institutions; it *may* be relevant for liberal vs. burdened societies
- Irrelevance rooted in two key assumptions: (i) political institutions of liberalism are what matters; (ii) acquisition of wealth immaterial for both individuals and countries
- Global inequality between individuals similarly irrelevant once the background conditions of justice exist in all societies
- But within-national inequalities matter because the difference principle applies within each people (note however that the DP may allow for high inequality)

# Rawls on irrelevance of material wealth for a “good society” and global optimum

- It is a mistake to believe that a just and good society must wait upon a high material standard of life. What men want is meaningful work in free associations with others, these associations regulating their relations to one another within a framework of just basic institutions. To achieve this state of things **great wealth is not necessary. In fact, beyond some point it is more likely to be a positive hindrance**, a meaningless distraction at best if not a temptation to indulgence and emptiness. ( *A Theory of Justice*, Chapter V, §44, pp. 257-8).
- For Rawls, **global optimum distribution of income is simply a sum of national optimal income distributions** (my interpretation)

## Go back to our definition of global inequality

- In Gini terms:

$$\underbrace{\sum_{i=1}^n G_i p_i \pi_i}_{\text{Term 1}} + \underbrace{\frac{1}{\mu} \sum_{i=1}^n \sum_{j>i}^n (y_j - y_i) p_i p_j}_{\text{Term 2}} + L$$

Rawls would insist of the minimization of each individual Gini ( $G_i$ ) so that Term 1 (within-inequality) would be minimized. But differences in mean incomes between the countries can take any value. Term 2 (between inequality) could be very high.

And this is exactly what we observe in real life. Term 2 accounts for 85% of global Gini.

# Global Ginis in Real World, Rawlsian World, Convergence World...and Shangri-La World

Mean country incomes	All equal	Different (as now)
Individual incomes within country	0	61.5 (all country Ginis=0)
All equal	45.6 (all mean incomes same; all country Ginis as now)	69.7
Different (as now)		

## Why *pace* Rawls global inequality matters?

- *Because* the world is becoming globalized and global inequality will come to matter more and more despite the absence of global government (analogy with national vs. village inequality)
- *Because* it is associated with migration which is fast becoming a prime political issue
- *Because* it raises the issue of global equality of opportunities

# Conclusion and 21<sup>st</sup> century policy issues

- To reduce significantly global inequality (and poverty) and citizenship rent there are two ways:
- A slow and sustainable way: higher growth rate of poorer countries
- A fast and possibly politically tumultuous way: increase migration
- **Either poor countries will have to become richer or poor people will move to rich countries.**
- Should migrants be taxed additionally to pay native population's losers and those remaining in their countries of origin?

8. Does Global Inequality Matter:  
Statists, Consequentialists and  
Cosmopolitans  
EXTRA

# Rawls' *The Law of Peoples*

- Types of peoples (nations)
  - Liberal }
  - Decent (consultative hierarchy) } Well-ordered
  - “Burdened”
  - Outlaw states
  - Benevolent absolutism

Transfers only from well-ordered to “burdened” peoples

- Transfers (1) limited to type of society ('burdened') and (2) limited in time (until 'burdened' becomes a 'decent society')
- "Peoples have a duty to assist other peoples living under unfavorable conditions that prevent their having a just or decent political and social regime" (*LoP*, p. 37)
- Explicit rejection of a global difference principle (among other reasons because it is unlimited in time)
- No discussion of responsibility toward outlaw or hierarchical societies
- Limits to immigration (duty of hospitality only)

# Why no *global* difference principle

- It would lead to open-ended transfers
- Real income per capita (wealth) is not important once societies become 'decent' (general proposition re. unimportance of pursuit of wealth)
- Once a people is 'decent' there is no point in comparing wealth/income of the two peoples: the differences are the outcome of voluntary societal decisions on savings vs. consumption and leisure vs. work

# Cosmopolitan position (Pogge, Singer)

- No major difference between Rawlsian original position within a single nation-state (people) and the world
- The same principles should apply globally: an increase in inequality is acceptable only if it leads to a higher absolute income of the poorest
- “Monism”: all ethically meaningful relationships are between individuals not mediated by the state (people)
- Pogge: we are required not to harm others (and some decisions by IO may have harmful consequences)

# Rejection of cosmopolitanism: political theory of justice (Nagel)

- ***Strong statism***: Redistribution (and responsibility for poverty) possible only if there is shared government
- For concerns of justice to kick in, you need “associative relation” (shared sovereignty, common endeavor)
- We redistribute because we have a contractarian relationship with people with whom we share the same institutions
- Could be also based on our expectation to be in need of similar transfers in the future; or affinity that we feel for co-citizens; shared culture or historical memories (J.S. Mill)

## Statism (cont.)

- Only under world government can we have a global difference principle
- Accepts humanitarian duties only (matter of morality, **not of justice**)
- Existence of IO does not introduce new obligations because these are govt-to-govt relations
- Pluralism (rather than monism) in our relations with others: different normative principles depending on the position in which we stand with respect to them; but pluralism may introduce a sliding scale & an intermediate position =>

# Intermediate position

- We are required to give more than implied by humanitarian considerations alone but less than implied by the global difference principle
- Sliding scale of responsibility
- Critique of statism: why are newer forms of international governance not norm-generative and only state is?
- There are forms of connection that do not involve the state & trigger norms beyond mere humanitarianism
- Direct rule-making relationship (WTO, IMF) between the global bodies and citizens of different states

## Intermediate position (cont.)

- Aristotle: within each community there is *philia* (affection; goodwill) but the *philia* spreads (diminishes) as in concentric circles as we move further from a very narrow community
- To each *philia* corresponds adequate reciprocity (that is, redistribution)
- Thus the sliding scale of *philia* and reciprocity

# What is a “consequential relationship”?

- Obviously, a **political** relationship is consequential (Nagel)
- But also economic relationships reflected in trade, investment of capital etc (Julian: “**economistic**” definition of consequential relationship)
- Beitz: (1) interrelationship must reach a certain threshold, (2) there are global non-voluntary institutions in which different peoples belong —▶ **institutional** conditions under which considerations of global justice kick in

- Decisions made by international organizations (even if only states are signatories) and by global networks => imply inclusion of all and duty of wider assistance (Cohen & Sobel)
- Institutional explanation applies not only to global institutions but to “institutional clubs” like the Commonwealth, European Union, Communauté Française etc. Sliding scale of responsibility (within institutional explanation)

Among whom does the duty of assistance exist?

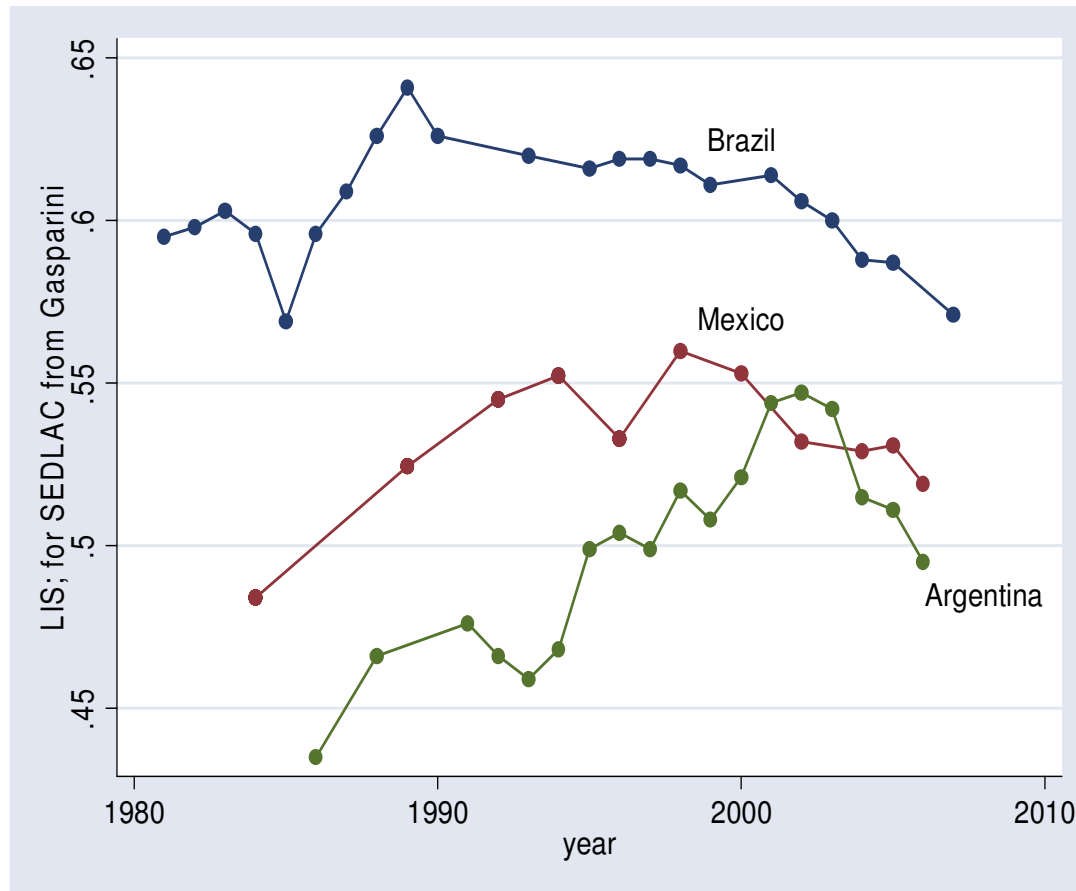
*A menu for you to choose from!*

Political conception of justice		Consequentialist		Cosmopolitan
Political	Rawls	Economistic	Institutional	
Among people who share a government	Political + burdended societies	Among people who have dense economic relations	Among people who share global governance institutions	Among all people in the world

- “Worlds Apart: Measuring International and Global Inequality”, Princeton UP, 2005.
- “The haves and the have-nots: A short and idiosyncratic history of inequality”, Basic books, 2010
- Email: [bmilanovic@worldbank.org](mailto:bmilanovic@worldbank.org)
- Website:  
<http://econ.worldbank.org/projects/inequality>

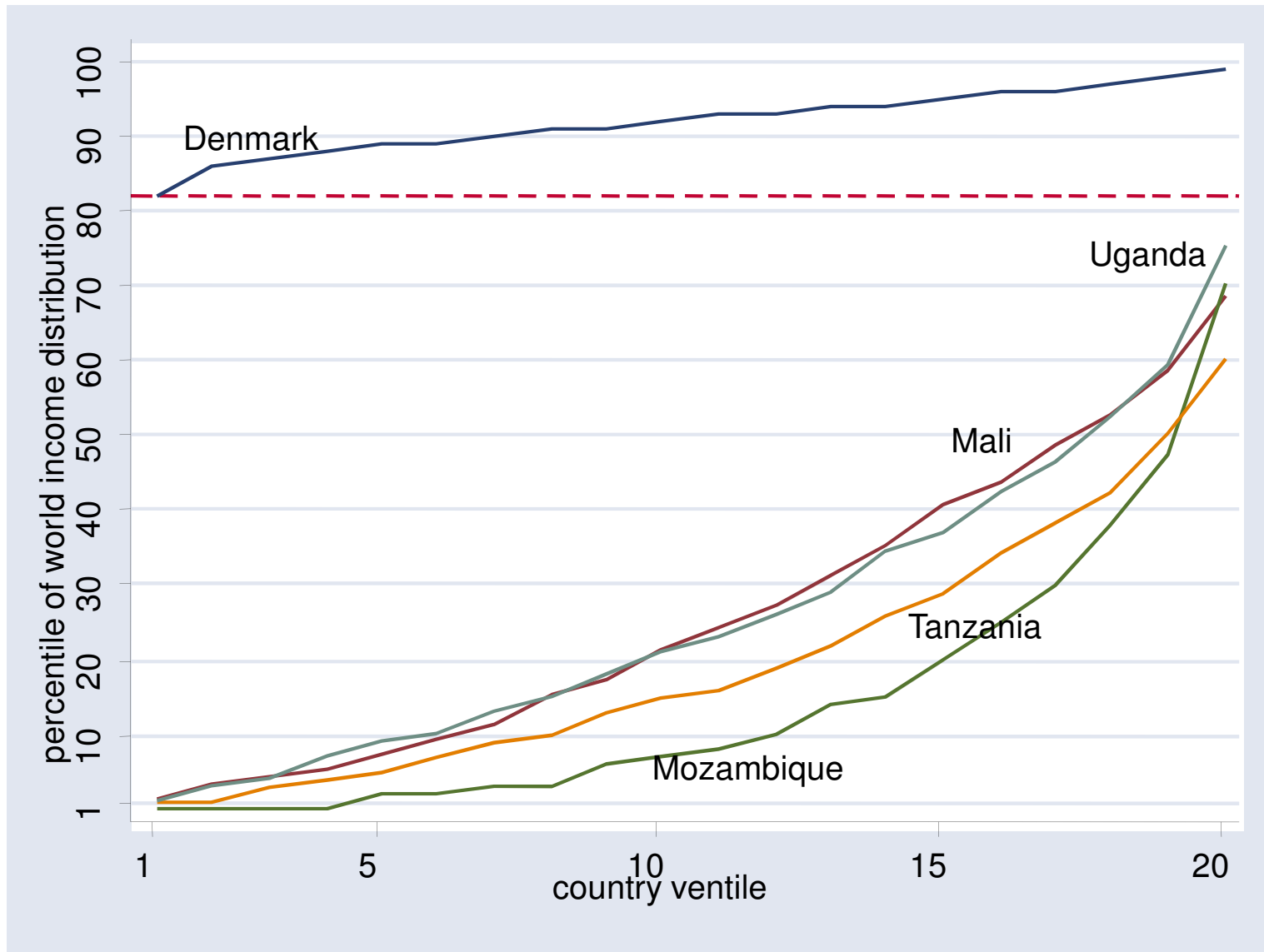
Extras

# Brazil, Mexico and Argentina quasi-disposable income inequality, 1980-2005 (SEDLAC and some LIS data)



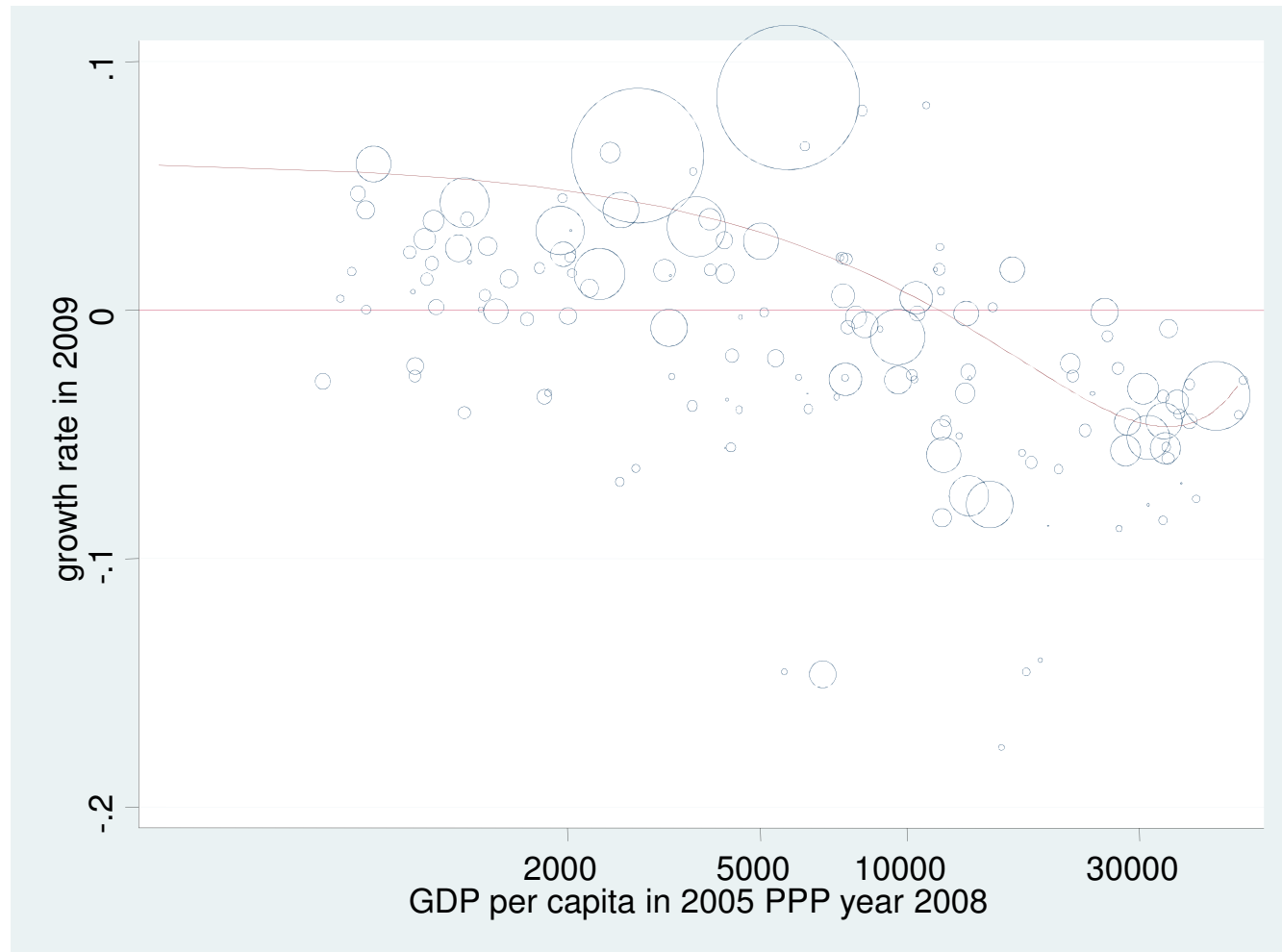
This is gross income but with payroll taxes deducted at source. All calculated from micro data.

# Global percentile positions (income levels in \$PPP) in Denmark and selected African countries



Based on B. Milanovic, *Worlds Apart: Measuring International and Global Inequality*

# Rich man's crisis? 2009 GDP per capita growth against 2008 GDP per capita levels (with population weights)



```
twoway (scatter gdpgrth lgdpppp [w=pop] if year==2009 & gdpppp<50000 & gdpppp>500, yline(0) xscale(log) xlabel( 2000 5000 10000 30000) msymbol(circle_hollow))  
(qfit gdpgrth gdpppp [w=pop] if year==2009 & gdpppp<50000, legend(off) xtitle(GDP per capita in 2005 PPP year 2008) ytitle(growth rate in 2009))  
Using gdpppp.dta
```

# The crisis that was not?

People's and plutocratic growth rates, 1952-2009

