The Globalization of Inequality

Francois Bourguignon

Reviewed by
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This book examines the trends that cause inequality within and among nations and describes the policies that should be implemented to help this inequality from heavily occurring. This book is broken down into five chapters; these including Global Inequality, Countries becoming More Unequal? Forces behind Inequality, Prospects and Principles, and Policies for a Fairer Globalization. Defining global inequality as “the level of inequality between all inhabitants of the world” (9), he separates global inequality into two areas: inequality between and within nations, considering the latter being the worst of the two. This analytical review will first describe the major topics discussed and then my review on his book.

Bourguignon believes that globalization has positive aspects for both emerging and developed countries. Emerging countries get to open up their markets, which could potentially mean rapid growth. Developed countries have positive and negative outcomes; the negative being that certain sectors of the economy suffers due to increased competition but the goods and services that are capital, skill, or technology intensive have benefited. When discussing these issues, he does state that international income inequality is declining due to the economic rise of certain developing countries, such as Eastern Europe, Asia, South America, and Saharan Africa; but overall there is still a large gap that exists between the poor and the rich. Although there has been a drop in global inequality, there has been a rise in national inequality. Excessive inequality has negative effects on economic efficiency and individual welfare, which will be further discussed in detail in this review.

The inequality of opportunities within countries was one of his most prominent ideas, explaining that there are certain opportunities that are letting individuals in developing countries fall behind. The monetary opportunities that developed countries have an advantage over than developing countries include differences in wage, income, standard of living, and wealth. There is a high wealth inequality, the examples he uses including France and the United States. In France, the richest 10% account for 60% of all of the total wealth. In the United States, the richest 10% receive 40% of the total primary household income but possess 71% of the total wealth (58). Then there are access to non-monetary opportunities that differ between countries; these which include access to education, credit, housing, and employment. Many women in developing countries do not get the chance at a

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fair education, thus causing negative outcomes including increased child bearing. Education is a huge component to this unequal opportunity, due to the fact that a talented student may not have the same higher education as its wealthier counterpart. There are also market imperfections where he gives an example of a non-wealthy entrepreneur who has a brilliant idea but is unable to get a loan due to his lack of wealth thus resulting in innovation lacking.

Bourguignon highlights certain trends and reforms that have been occurring during the efforts of globalization. There has been a recent trend of advances in information and communication in technology that has led to a growing number of office tasks that only require a certain level of skill. This then has made many companies outsource these jobs to emerging economies. There has also been another recent trend that involves executive remuneration. In 2005, when comparing average earnings, the CEO made more than 100 times what the average employee made (89). There have also been major attempts at reforms in developed countries including taxation and privatization/deregulation. He states that income tax cuts are the most important of these. Bourguignon points out that this types of reform in developed countries can be critical, but also changes the distribution of wealth in society. Programs need to offer long term support unemployment due to the growing age population and unemployment.

Another issue pointed out in the book is the large difference between inequality within countries and inequality between nations; Inequality within nations being the real issue at hand, although hard to predict. Inequality policies and institutional reforms could easily cancel each other out and the countries are so unique which could result in different outcomes. Within nations there are poverty traps, where there are individuals who fall below a certain point and are unable to get out of poverty. This being said, he highlights two forces that could affect inequality in the future. One of these forces has to deal with the potential in growth of emerging countries as well as advocating for globalization.

Bourguignon then discusses the many corrections that can be made to fix inequality. To first tackle poverty, he suggests the use of policies toward a global convergence for the reduction of poverty and standards of living. As of right now, many of the rich countries allocate .35% of their Gross National Incomes to developmental aid; however, the Pearson Commission tried to up this number to .7% but mainly only the Scandinavian countries followed through (148). This aid helps get many countries out of the poverty gap; however, he does warn that this approach has to have a successful government behind it. If the government is corrupt and the money goes to the leaders, it will not help with the inequality issue. The money would instead just be redirected back to the leaders, which would just be funding more of the corruption. There also needs to be a redistribution of wealth by the means of educational policies and taxation. Bourguignon states that there needs to be a standardized level of quality of education that has to benefit a large number of individuals. There must also be a sustainable amount of growth so that individuals are able to get jobs after. He stressed the idea that developed countries need to have a gradual reduction on taxation of inheritance, either by the means of taxing at the moment of inheritance or once a year.

In conclusion, he recommends some general main issues that we need to start with to help decrease this inequality. He emphasizes that this issue needs to come to light and that the negative consequences of excessive inequality needs to be stressed to the world. Bourguignon highlights that policies need to be implemented to keep inequality from rising even higher; these including the redistribution of taxation and educational reforms. Discrimination is a topic of concern for him, stating that the need for women to have the same opportunities as their male counterparts in developing countries is crucial. This will let women be able to work outside of the home, get an education, and have a say in their life more than they have now. He concludes with stating that as of right now, we need to focus on poor countries because they need the most attention at this point in time, with aid having to be maintained and reformed. For all of these reforms to work, Bourguignon stresses the need for countries to make capital movements transparent.

After analyzing The Globalization of Inequality, Bourguignon does statistically backup all of his information and recommendations with facts concerning what
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has been happening in countries, thus making him a reliable source. Not only is he able to effectively back up his information, he is a credible and important individual in the world of economics and policy making. He is currently a professor at the College de France in Paris and is also a former director at the prestigious Paris School of Economics. Bourguignon served as the Chief Economist and Senior Vice President of the World Bank from 2003 to 2007 and was made a Chevalier of the National Order of the Legion of Honor in 2010. He has also written other publications and contributed with other professionals on books; these including Handbook of Income Distribution, The Microeconomics of Income Distribution Dynamics: In East Asia and Latin America, and The Impact of Macroeconomic Policies on Poverty and Income Distribution (NYU). Due to his high prestige in the economical industry, this book is considered to be from a very reliable and credible source.

Although I found the book highly informative, I thought that he may have talked about too many different parts on how globalization impacts inequality. In just the first chapter alone he describes what methods he used to come up with his numbers, globalization in the 2000s, the history of globalization, the difference between inequalities within countries vs. inequalities between nations, and how the financial crisis may have affected this globalization. For every chapter, he has roughly seven different sub categories, which made it difficult at times to keep up with what he was talking about and how they all connected. He did use many great statistics to back up his arguments and used many examples of countries that fit each statement he was making about globalization. It was laid out in a fashion that was not super technical, which was nice for an individual like me who does not know much about inequality and politics. His writing style was easy to follow but just overall contained so much information in each section that it was difficult to stay connected at times.

Overall, I would suggest this book to anyone who wanted to know an overview of inequality in the world and how globalization can help fix some of these problems. The Globalization of Inequality was published in April of 2015, which makes this an extremely recent book. Bourguignon was able to stick by his main points that this is something that needs to be on the top of our priority list, and his arguments were compelling and realistic. He did not have ideas that seemed over the top or ridiculous, which in turn made him more credible.