

Social Equality: Making Large Things Visible to the Human Eye

The International Social Security Conference

“A Better Tomorrow”

KL – August 2018

Danny Quah

The Lack of Equality: The Great Economic Challenge of Our Time

1. Profound social disquiet. Deep sense of injustice
 - Destroys trust in the foundations of our system
2. “Worse than it should be”
 - Globalisation and trade
 - Technology and displacement
3. Calls for
 - Fundamental re-wiring
 - Proper governance

What I want to tell you today

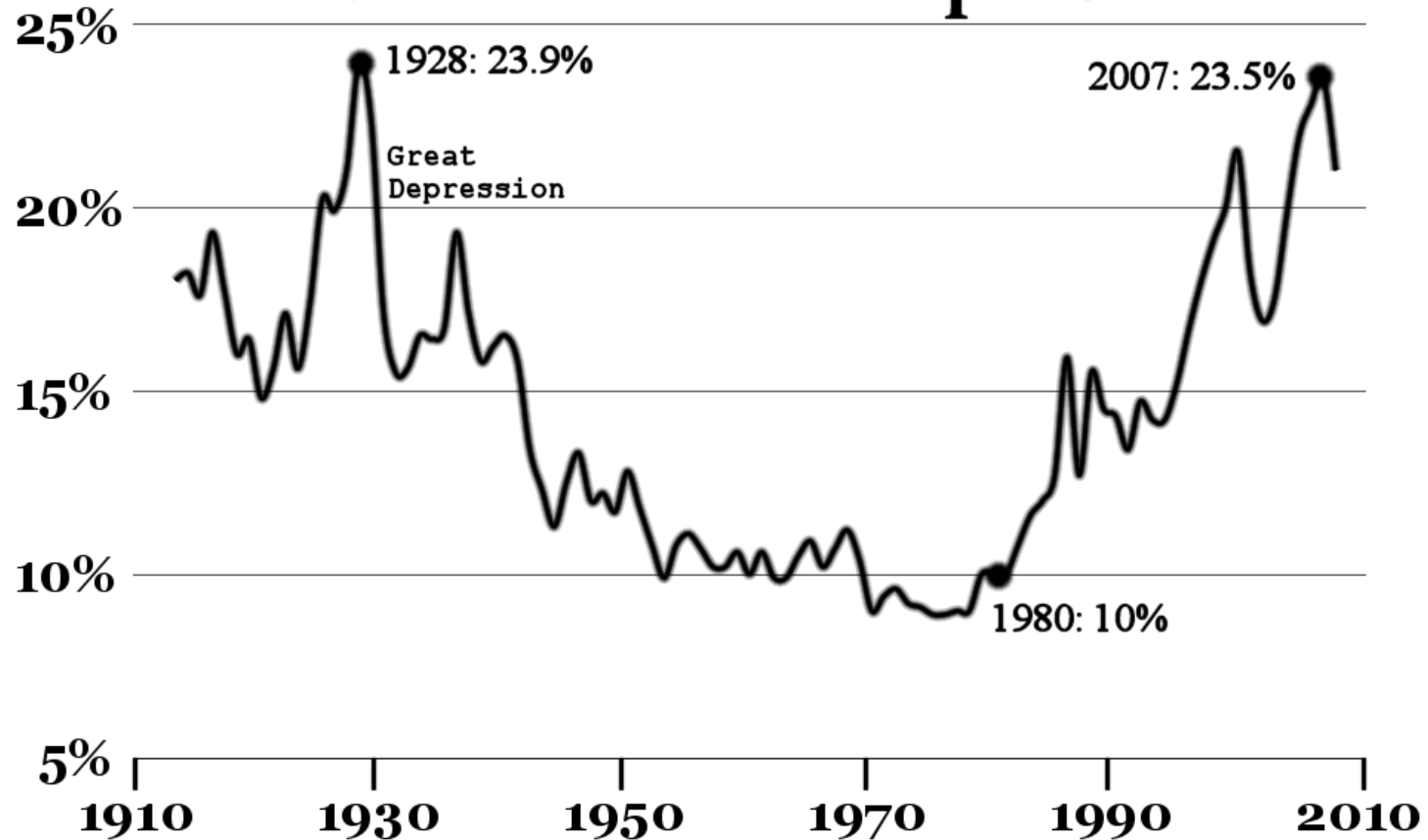
1. Inequality is not always what people see it to be. False targets
2. Where are the trade-offs?
3. Unfairness begins in some grey shady area. Governance matters.

**“The entire world is becoming
ever more unequal... and scary”**



US Inequality

Annual U.S. income share of the Top 1%



Source: Saez and Piketty

GLOBAL INCOME GROWTH, 1988-2008



POLL: 31% of Trump supporters actually support building an Atlantic Ocean wall to keep Muslims out

OLIVER DARCY | POLITICS | AUG. 31, 2016, 1:58 AM



'No amnesty': Trump vows to deport millions during 'first hour in office'

Republican candidate tells Phoenix audience there will be no amnesty and lays out vision of a Mexico border wall and mass expulsion of criminal 'illegal aliens'



Rory Carroll in Phoenix

@rorycarroll72

Thursday 1 September 2016 07:11 BST

TUESDAY, NOV 24, 2015 04:49 AM MPST

Donald Trump's white fascist brigade: His rallies are now a safe space for racism

An activist is beaten and taunted with racial slurs at a Trump rally in Alabama. This is just the beginning

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TOPICS: ALABAMA, BLACK LIVES MATTER, DONALD TRUMP, EDITOR'S PICKS, ELECTIONS 2016, RACE, NEWS, POLITICS NEWS

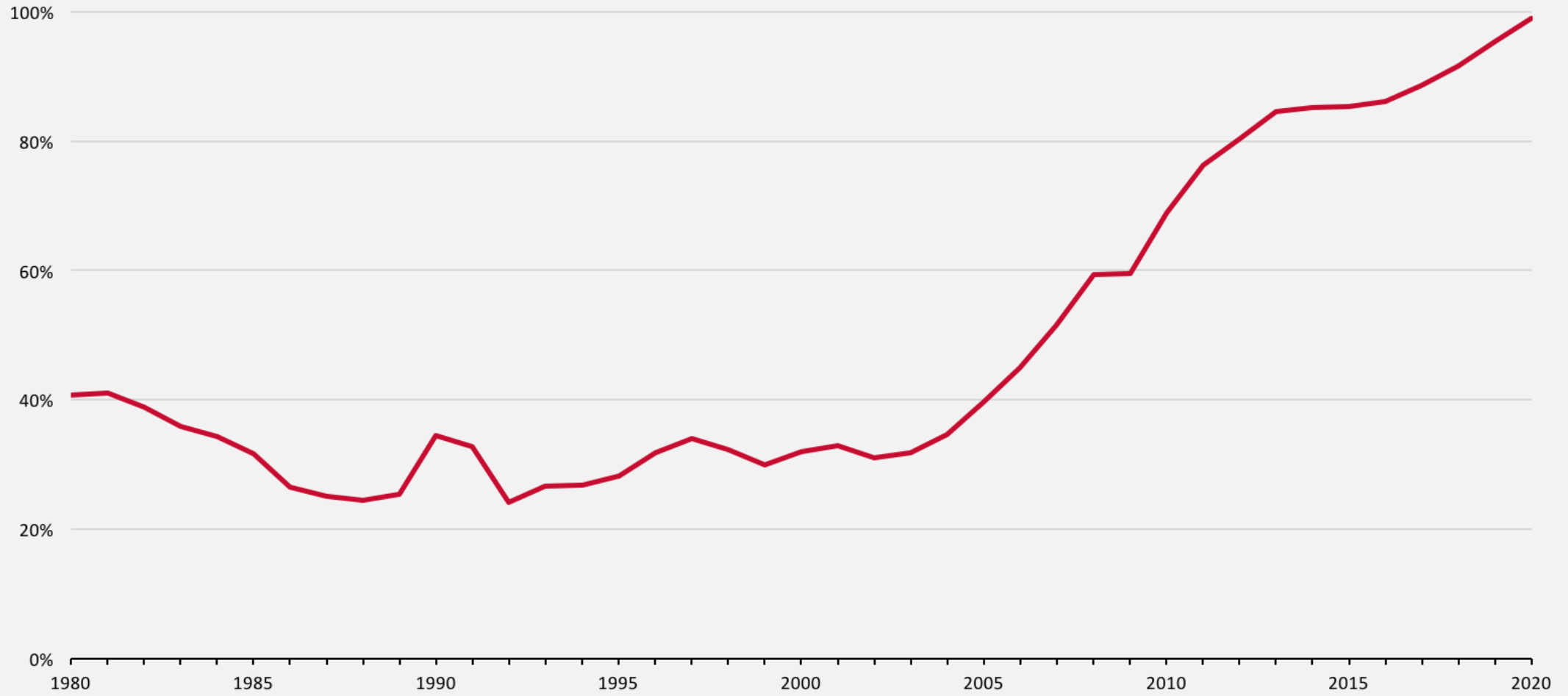


(Credit: AP)

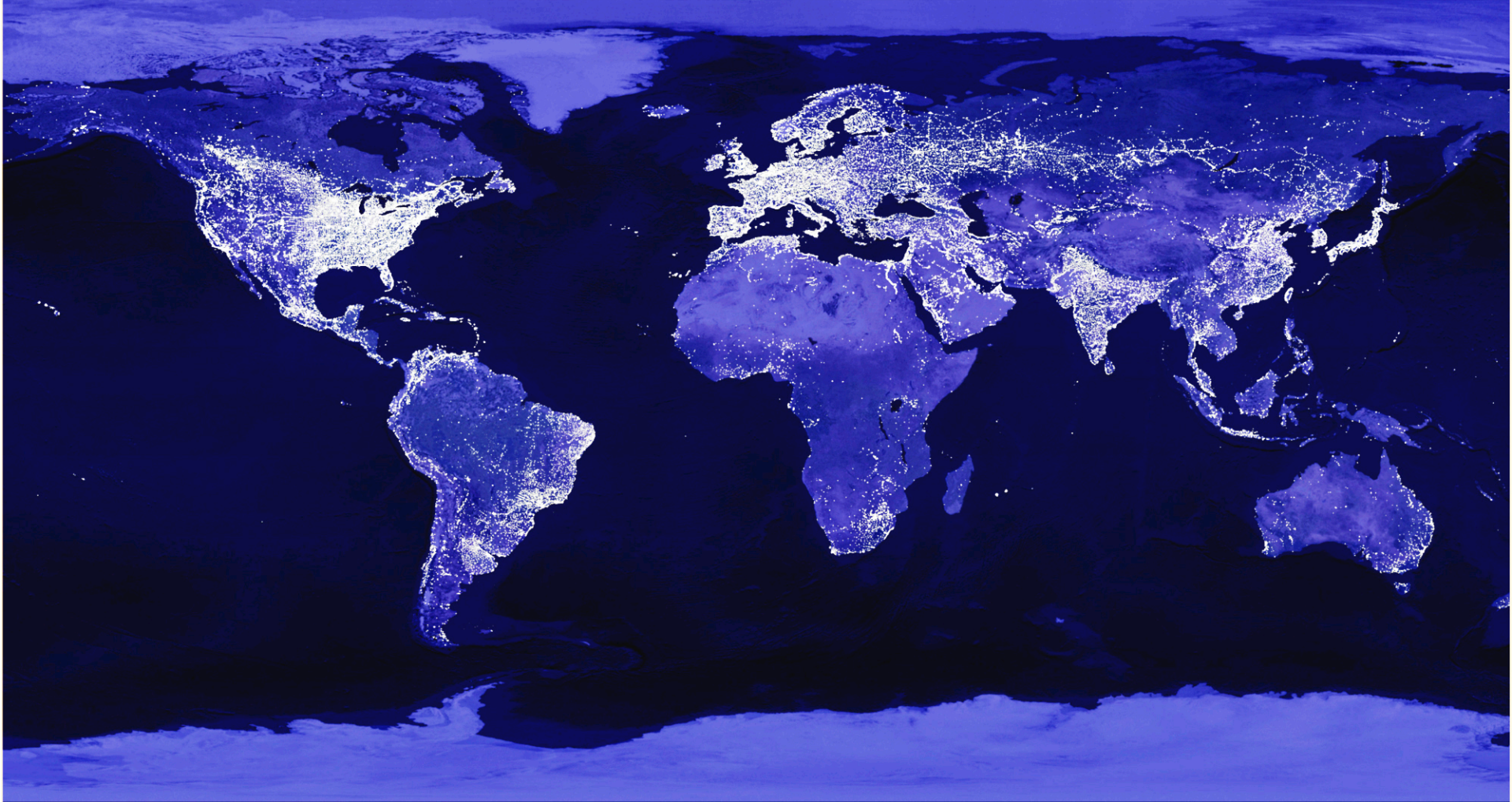
But then...

The Globalization Lift

Emerging countries' combined GDP as a share of G7 GDP

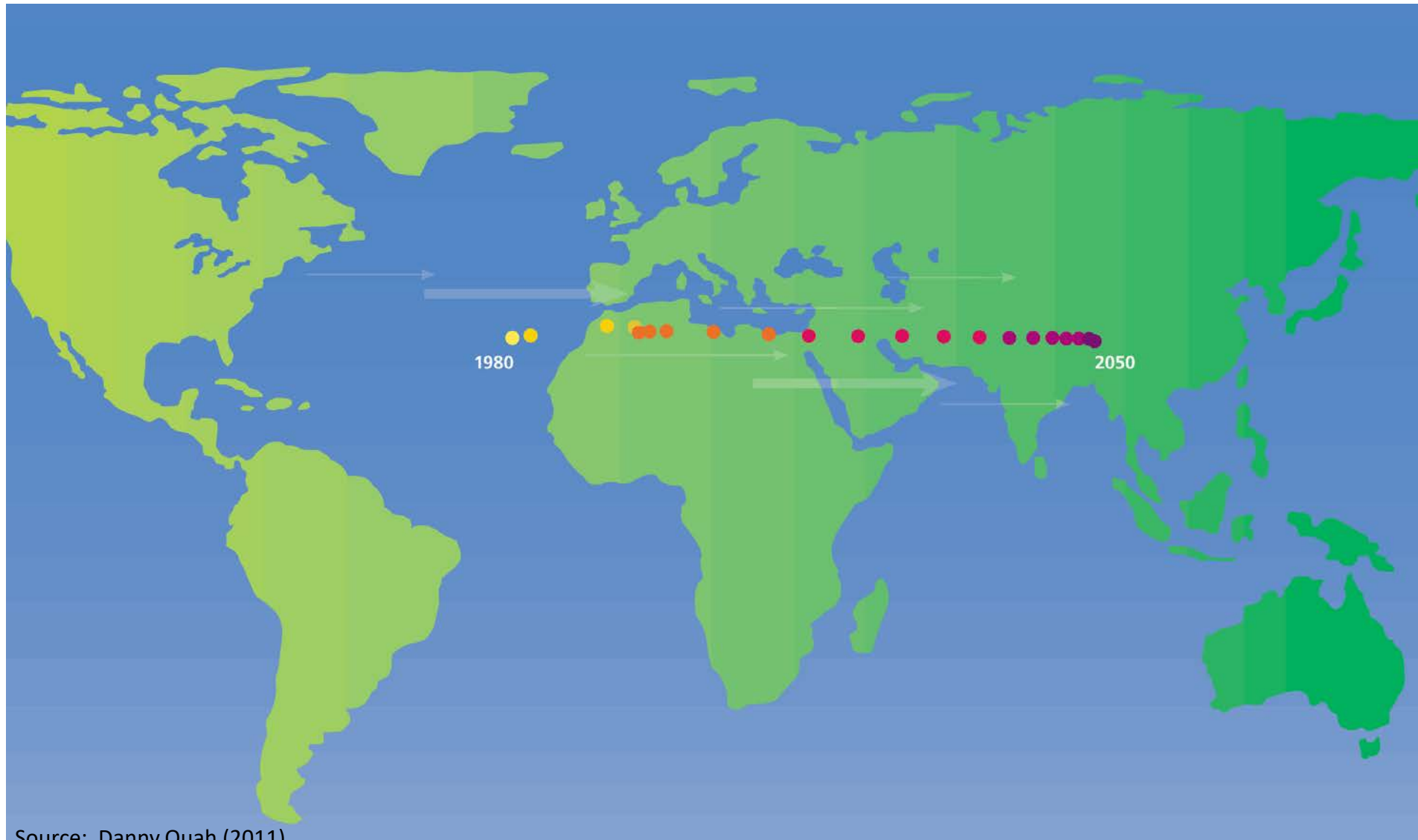


Note: GDP data are measured in constant USD
Sources: the authors' own calculations, IMF *World Economic Outlook* (Oct 2015, updated)



DMSP data courtesy Marc Imhoff of NASA GSFC and Christopher Elvidge of NOAA NGDC. Image by Craig Mayhew and Robert Simmon, NASA Earth Observatory.

The world's economic centre of gravity: 1980-2050




Source: Danny Quah (2011)

Economic growth and convergence...

...have brought the world to a good place

Hundreds of millions have:

- been brought out of unimaginable poverty;
- gained better control of their own environment, free from the most debilitating consequences of disease and deprivation;
- become “dignified agents of their own destiny”.



If the world were
a democracy, this
is where it would
make decisions of
global significance

The Smallest Circle on Earth With
More People Inside Than Out

Source: Quah (forthcoming). Ordering the World



“The Igor-Boris Problem”

Previous win-win consensus

1. Growth. Prosperity. Trade and Globalization
2. A unipolar liberal world order:
 - Led by America
 - Open, multilateral, rights-based, universalist, transparent, inclusive

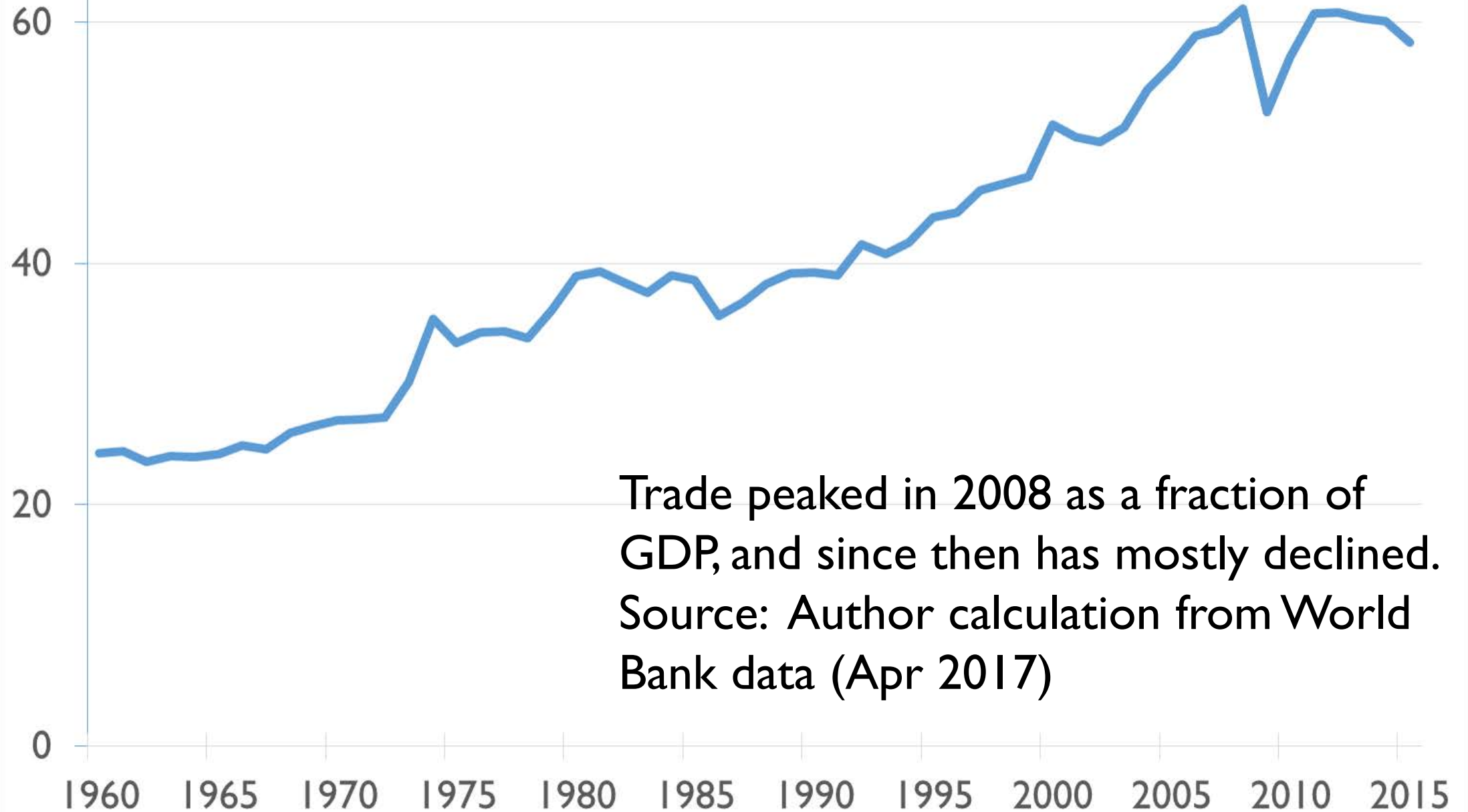
Trade-offs

Globalization. Technology

Trade-offs – International Trade

1. We once thought this win-win
2. Costs and benefits (Heckscher-Ohlin)

Trade/GDP ratio (%)



Trade peaked in 2008 as a fraction of GDP, and since then has mostly declined.
Source: Author calculation from World Bank data (Apr 2017)

“The Myth of Asia’s Miracle” – 1994

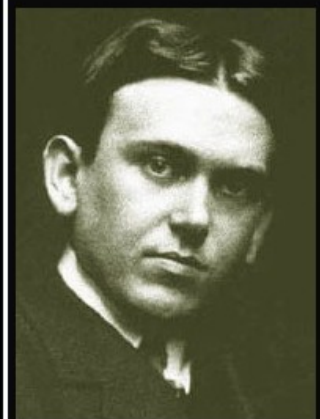
“From the perspective of year 2010, current projections of Asian supremacy extrapolated from recent trends may well look almost as silly as 1960s-vintage forecasts of Soviet industrial supremacy did from the perspective of the Brezhnev years.”

Trade-offs – Technology

1. We asked for higher productivity. We got higher productivity. Its name is robotics. And AI. And 4IR.
2. Creative destruction

Reboot?

Or govern better?



Democracy is a pathetic belief in the collective wisdom of individual ignorance.

(H. L. Mencken)

izquotes.com



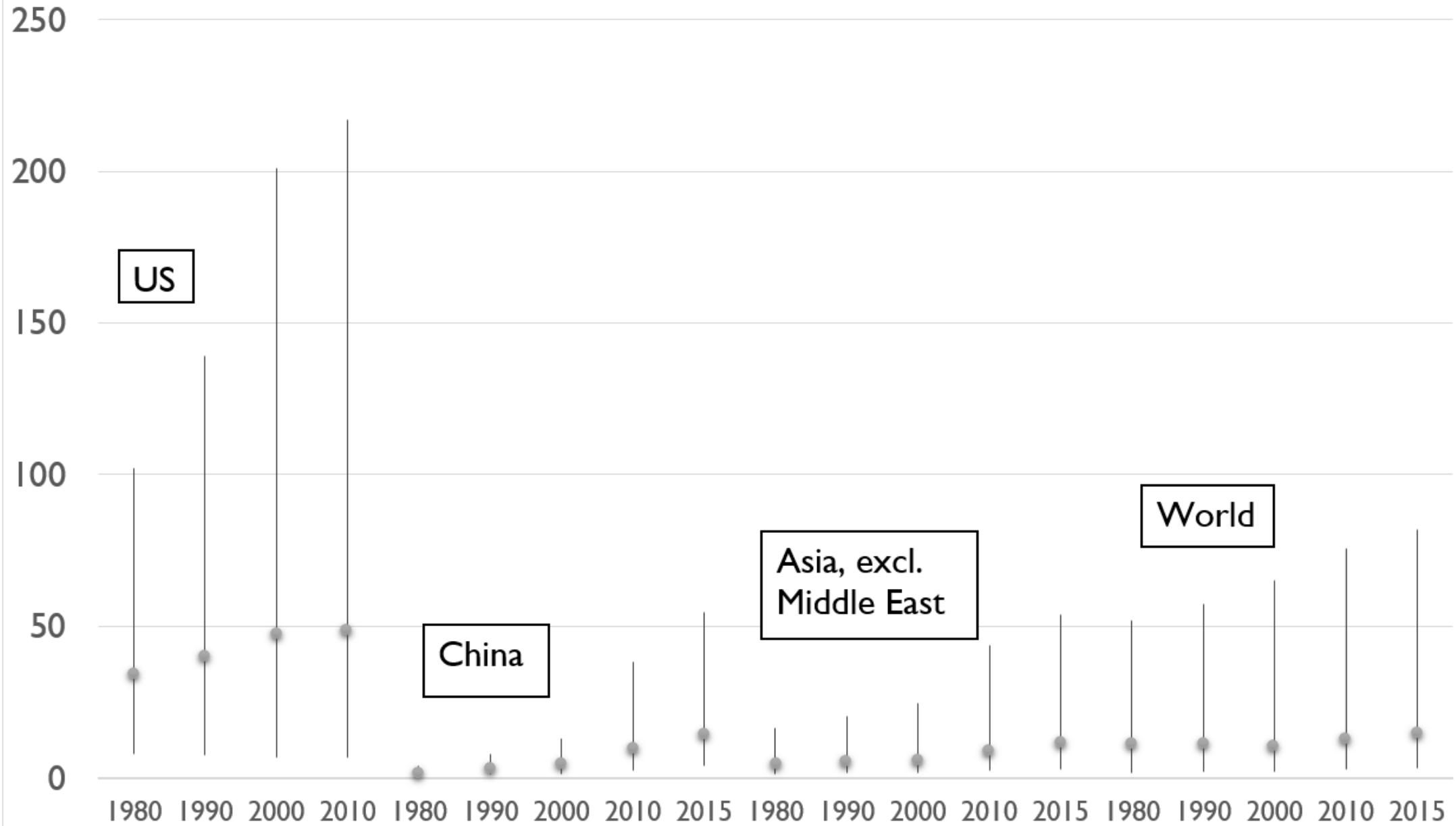
**THE BEST ARGUMENT AGAINST
DEMOCRACY IS A FIVE-MINUTE
CONVERSATION WITH THE
AVERAGE VOTER.**

—SIR WINSTON CHURCHILL

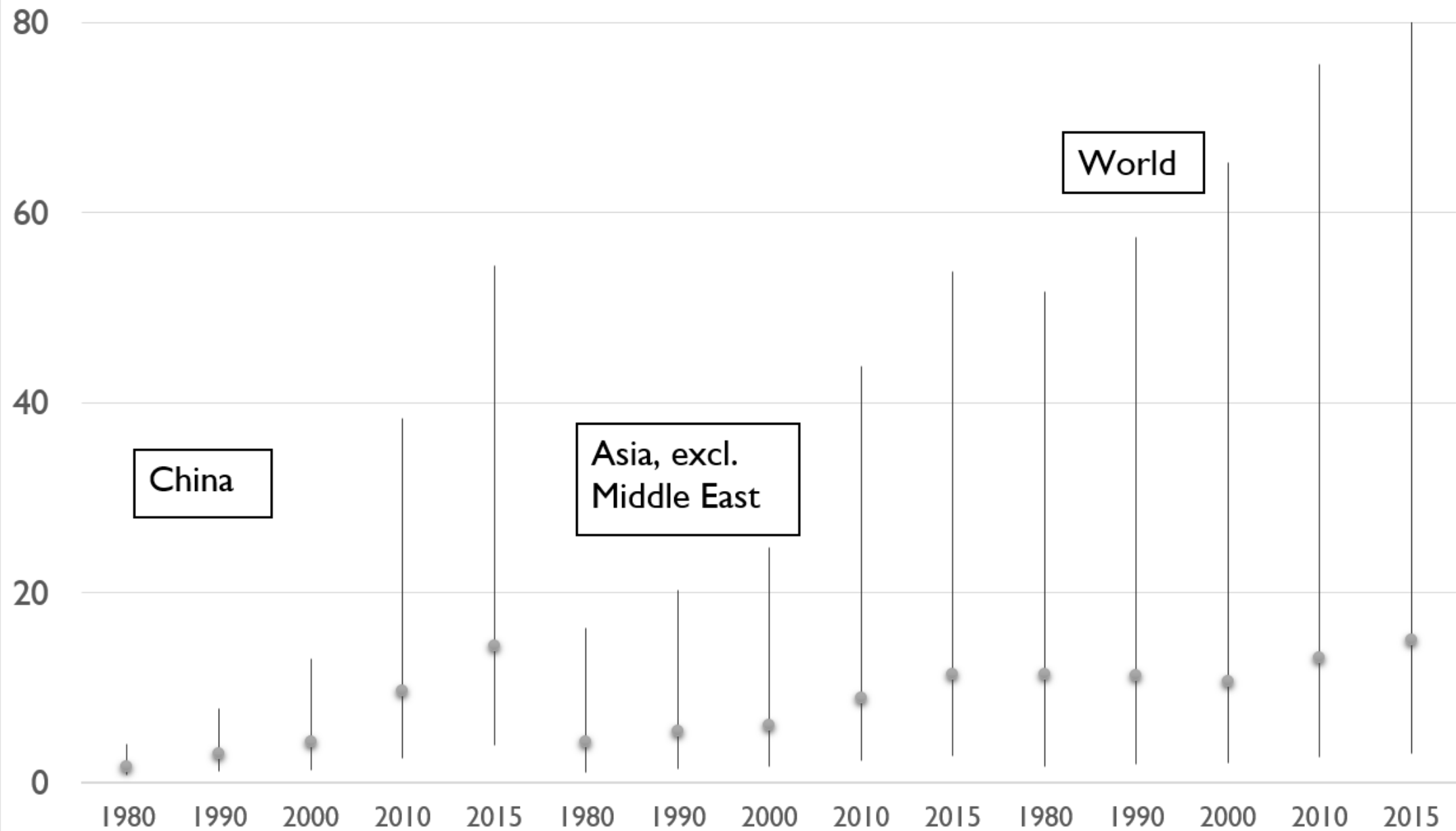
Governance

1. “Open liberal democracy – the great leveller, creatively surfacing new ideas for the future”
2. But watch the *FI*³
3. Responsive government

Per capita incomes in top 10%, middle 40%, and bottom 50% (thousand Euros) across geographies



Per capita incomes in top 10%, middle 40%, and bottom 50% (thousand Euros) across geographies



Conclusions

1. Inequality is not always what people see it to be. **False targets**
2. Where are the **trade-offs**?
3. Unfairness begins in some grey shady area. **Governance** matters.

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