

BROOKINGS TRADE FORUM: 2004

Assessing the Impact of Globalization on Poverty and Inequality: A New Lens on an Old Puzzle

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A persistent puzzle in the debate over globalization is the gap between economists' assessments of the aggregate benefits of the process and the more pessimistic assessments that are typical of the general public. Analyses of trends based on aggregate, income-based measures provide important benchmarks for assessing the impact of globalization on poverty and inequality. This paper provides a complement by using alternative measures to highlight different trends. These include short-term movements in and out of poverty; changes in the distribution over the life or earnings cycle; distributional shifts at the sector, cohort, and neighborhood level; and changes in reported well being. We analyze surveys of income mobility and reported well being in two countries in the process of integrating into the global economy - Peru and Russia. Our analysis reveals significant discrepancies between reported measures of well being and income measures. We rely on the more general framework provided by the economics of happiness to explain these findings and their possible linkages to the globalization process. At minimum, the findings provide new lenses for looking at an old puzzle; suggest some tentative links to policy; and highlight new questions that need to be answered before we are able to fully understand the effects of globalization on poverty and inequality.