

BROOKINGS TRADE FORUM: 2004

Why Global Inequality Matters

Nancy Birdsall

Inequality matters among individuals; economists find, for example, that people's subjective well-being is affected by changes in their relative income. Inequality matters at the country level, especially in the developing world, where it interacts with and exacerbates the market and policy failures that inhibit growth. Inequality between the richest and the poorest countries reinforces asymmetries in how the global economy operates, which handicap the less productive. The fundamental problem, however, is not globalization nor inequality per se, but the combination of initial inequality with market and policy failures that are unredressed at the global level.