

Global imbalance, global inequality

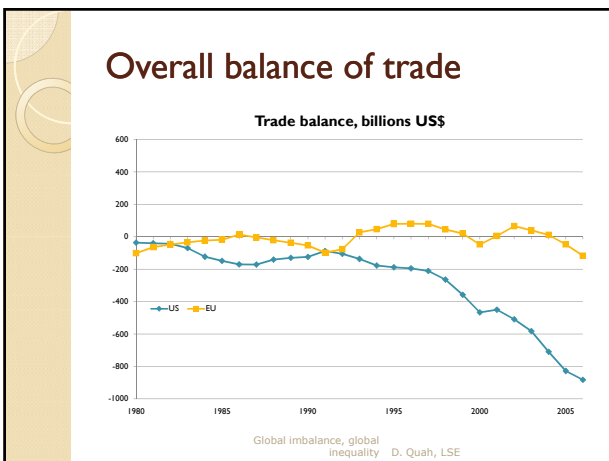
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28 November 2007
Globalisation Lecture: Queen Mary University London



Conclusions

- The large concerns:
 - Imbalance
 - Living standards and inequality
- Imbalance and identification
 - Savings glut and excess consumption
- Global growth
 - Disconnect or decoupling
- Global poverty and inequality

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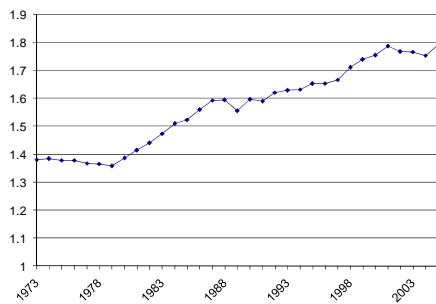


Annual earnings of US men, aged 35-44, in \$2005

	1973	2005
Median	45785	40964
Mean	49705	54525

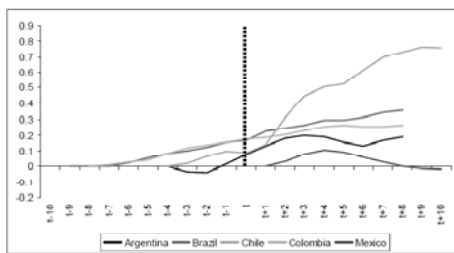
Source: Paul Krugman, 2007 Meade Lecture, LSE
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US College-High School wage ratio

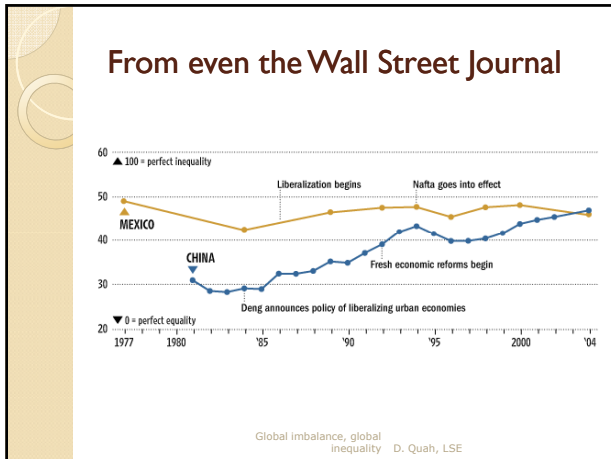


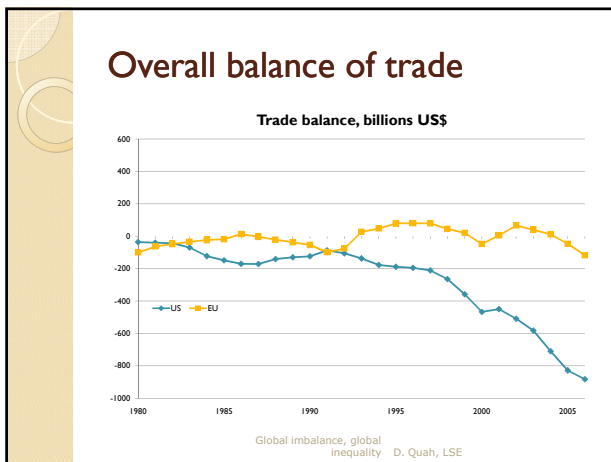
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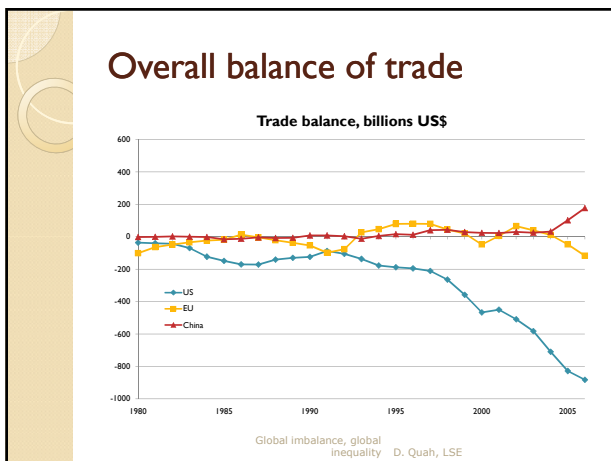
Skill premium: Before and after liberalization

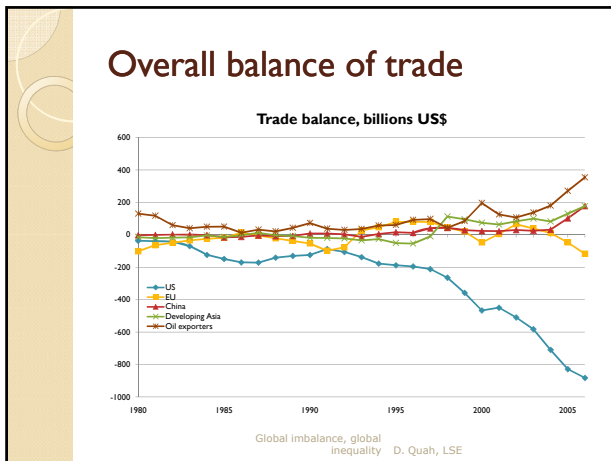


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Overall balance of trade

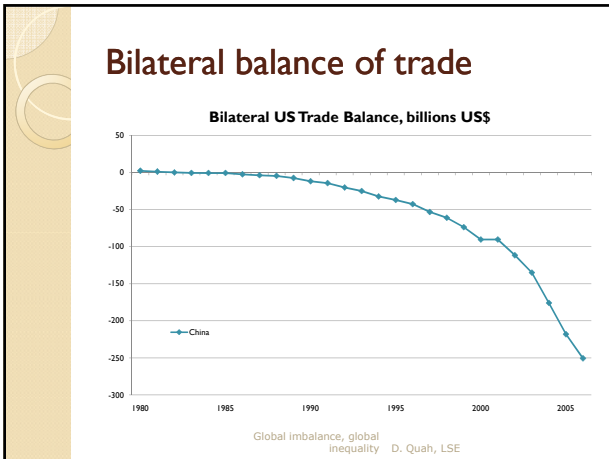
	2003	2004	2005	2006
US	-581.61	-709.00	-828.25	-882.19
EU	39.75	11.27	-46.57	-116.57
China	25.53	31.94	102.12	177.49
Developing Asia	100.50	82.87	130.75	177.48
Oil exporters	138.71	180.90	271.97	355.42

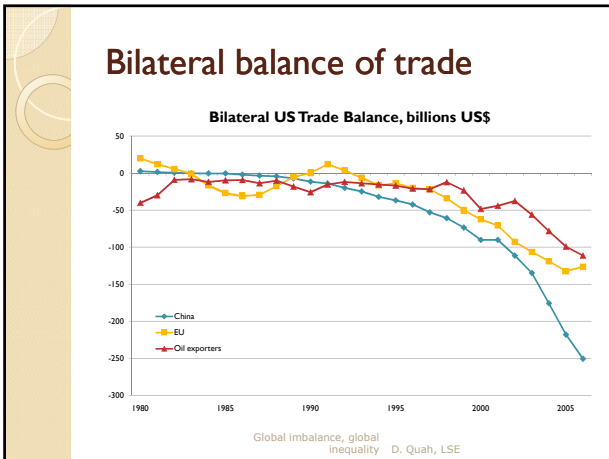
* Billions US\$

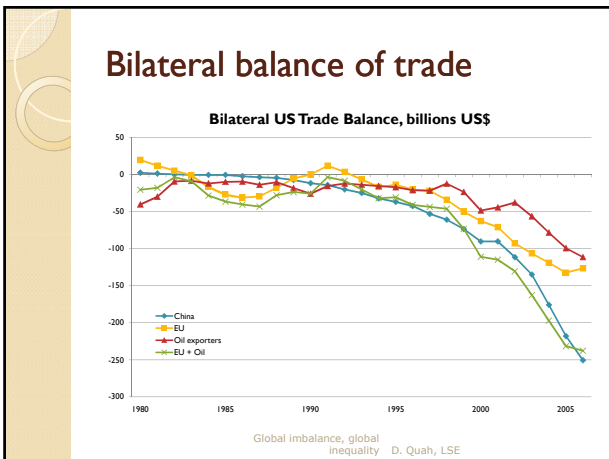
Source: International Monetary Fund (IMF), Direction of Trade Statistics (DOTS) November 2007, ESDS International, (MIMAS) University of Manchester, and author's calculations

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- ### Overall trade balance: Summary
- Not just (or even mostly) China
 - Significance of the oil exporters
 - ... plus an early contribution from the rest of emerging Asia
 - But perhaps directed, not just a savings glut
- Source: International Monetary Fund (IMF), Direction of Trade Statistics (DOTS) November 2007, ESDS International, (MIMAS) University of Manchester, and author's calculations
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Trade balance: Summary

- Bilateral: US trade balance with China matches that with oil exporters and EU taken together
- Overall: Oil exporters by far the dominant surplus
- Source of global imbalance
 - Whose savings glut?
 - US-specific explanations?

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Contributions to global economy

- From a small base, the contributions are substantial even at market exchange rates

	2005 Fraction of World GNI	2006 growth, billions US\$
US	28.6%	533.1
China	5.0%	371.8
India	1.8%	102.5
China + India	6.8%	474.3
High-income OECD	75.6%	1763.4
Low + Middle Income	21.1%	1462.8

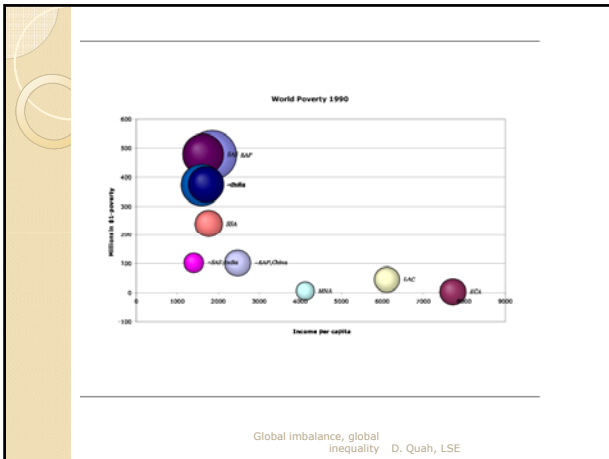
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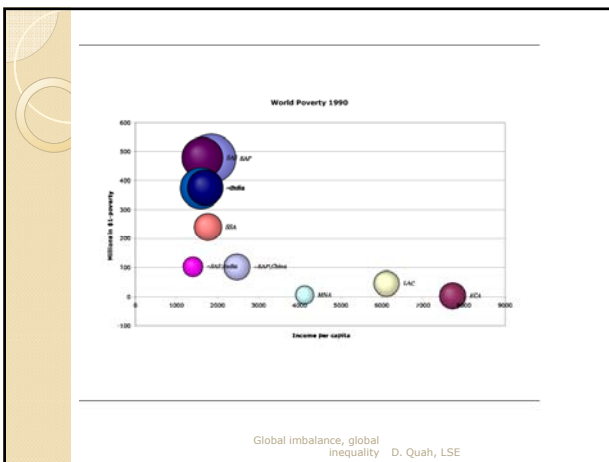
World Poverty

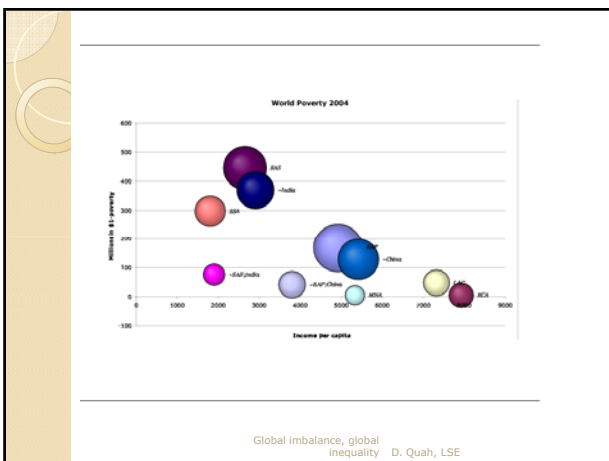
	1981	1990	1999	2004
World GDP 10 ¹² PPP\$	24	33	43	52
GDP per capita PPP\$	5408	6292	7231	8198
World's poor 10 ⁶	1470	1247	1109	969
China's poor 10 ⁴	634	374	223	128
Remainder 10 ⁶	836	873	886	841

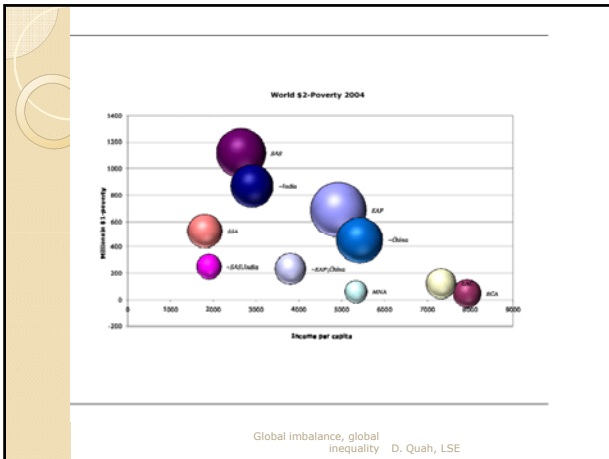
- PPP\$ means constant International Dollars corrected for inflation and Purchasing Power Parity
- Poor means living on less than PPP\$1/day

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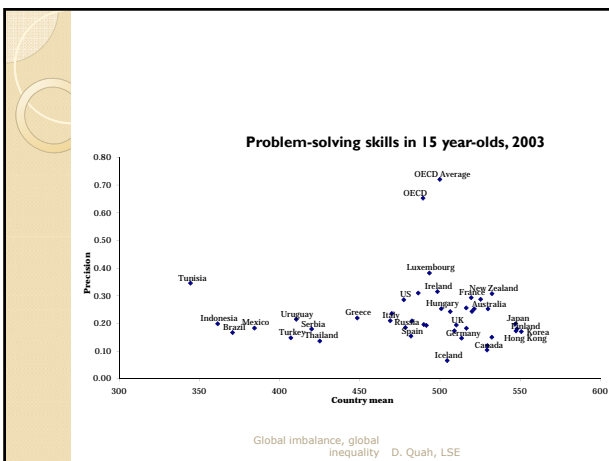




Global growth over the last 25 years

- Income more than doubled
- \$1-poverty fell by one-third, more than 500 million people
- ... but poverty *outside China* remained unchanged, or even increased

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