

## Haves and Have Less

WE used to think that overall economic growth would pull everyone up. While the rich might be getting richer, everyone would benefit and would see higher living standards. That was the unspoken bargain of the market system.

But now research is showing that, in many countries, inequality is on the rise and the gap between the rich and the poor is widening, particularly over the past quarter-century.

With taxpayers footing the bill for troubles in the financial industry in advanced economies during the global economic crisis, this discrepancy seems particularly galling to wage-earners who have seen their pay stagnate or worse. Inequality has started to attract more research by economists.

This issue of *Finance & Development* looks at income inequality around the world and how it matters.

The world has seen an unprecedented era of economic growth over the past decades, which has made people better off, on average. But overall the rich have done much better than the poor. According to the Organization for Economic Cooperation and Development (OECD), growing inequality breeds social resentment and generates political instability. It also fuels populist, protectionist, and anti-globalization sentiments. “People will no longer support open trade and free markets if they feel that they are losing out while a small group of winners is getting richer and richer,” says Angel Gurría, the OECD Secretary-General.

According to Branko Milanovic, a lead economist at the World Bank who wrote our cover article, the global economic crisis may have narrowed global inequality somewhat between people around the world because most emerging and developing economies continued to maintain strong growth.

IMF economists Andrew Berg and Jonathan Ostry say that inequality is counterproductive. In fact, a more equal society has a greater likelihood of sustaining longer-term growth. A good snapshot of the inequality issue is in our Picture This section, which draws on interesting results from the World Top Incomes database.

Also in this issue, we speak to Elinor Ostrom, the first woman to receive the Nobel Prize for economics; explain the difference between microeconomics and macroeconomics in Back to Basics; and examine the state of the U.S. municipal bonds market.

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Finally, we are sorry to say goodbye to Lai Oy Louie, who has worked on *F&D* for 10 years—as *F&D*’s art director since 2004—and is now taking a well-deserved retirement.

Lai Oy’s dedication and calm creativity have helped us produce some memorable issues. We have been fortunate to have her talent grace our pages.

We will miss her greatly and we wish her all the very best.

**Jeremy Clift**  
*Editor-in-Chief*