

Chief Economists Roundtable: Income Inequality Matters: How to Ensure Economic Growth Benefits the Many and Not the Few

April 13, 2019

1:30 p.m. to 2:00 p.m.

Meeting Halls A&B, HQ1

Opening remarks: Christine Lagarde, Managing Director, IMF

Moderator: Gita Gopinath, Economic Counsellor and Director of the Research Department, IMF

Speakers:

Laurence Boone, Chief Economist, OECD

Pinelopi Koujianou Goldberg, Chief Economist, World Bank

Global income inequality has improved, but within countries, especially advanced countries, there is a trend of increasing inequality. Excessive inequality hinders growth, erodes trust, and fuels political tensions. The chief economists of the IMF, World Bank, and OECD discussed aspects of inequality, the importance of inclusion, and how to address these issues.

Key Points:

- **Aspects of inequality.** *Goldberg* noted that inequality in advanced countries has been a major issue over recent years, contributing to a loss of trust in institutions and democracy, and a sense that the elite have captured all the gains at the expense of the rest. She added that technology and globalization have created disruptions which we have not dealt with very well. *Boone* highlighted that the critical issue is not just inequality of income, but also inequality of opportunity and the fact that inequality is reproducing itself. She noted that as the middle class hollows out, social tensions increase.
- **Policies to address inequality.** *Gopinath* and the speakers agreed that addressing rising (domestic) inequality was a matter of urgency. *Goldberg* underscored that we need to think more proactively about redistribution policies. One important aspect of inequality, especially in the US, is that real wages have stagnated. Policy options include redistributive taxation, minimum wages (although often controversial), and direct labor market policies. There is also a geographical aspect to inequality, and *Goldberg* argued there is a need for policies that foster regional mobility. *Boone* suggested that digitalization could help solve this problem as people can remain local and work remotely. She also

argued that there is scope to improve international taxation to ensure a level playing field and prevent corporations from “fishing for arbitrage” and encourage them to pay their fair share of taxes where they create value and employ people.

Quotes

“Inclusive growth is one of the critical challenges of our time.” **Christine Lagarde**

“Whenever inequality becomes too large it becomes threatening. We have seen major revolutions, including the French revolution and the October revolution.” **Pinelopi Koujianou Goldberg**

“The more we undermine multilateralism, the more difficult it is going to be to reach agreement on international taxation, and understand how we can help people locally to grasp the opportunity rather than being passive and suffering from them”. **Laurence Boone**

Contributor: Emelie Mannefred