GLOBALIZATION, POVERTY, AND INCOME INEQUALITY

INSIGHTS FROM INDONESIA

Edited by Richard Barichello,
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1

Indonesia

Economic History, Growth, Poverty, Income Inequality, and Trade

RICHARD BARICHELLO

Whatever one's views about globalization, whether it is good or bad, diminishing or being sustained, the topic generates ongoing debate about its effects on various human rights. This volume contributes to that important discussion with a set of eleven largely empirical chapters focused on the country of Indonesia.

The two main human rights areas examined here, poverty and income inequality, are highly important and, if anything, growing in significance as public policy issues around the world. Poverty has always been a high-priority topic, especially in developing countries and to major international aid agencies such as the World Bank. But income inequality vaulted back into prominence after the publication of Thomas Piketty's *Capital in the Twenty-First Century* (2013) with new data showing rapid increases in inequality around the globe. With respect to both poverty and inequality, much debate persists about the extent of the problems, their causes, and the best public policy responses to address them. Moreover, there is increasing interest from both academic and public policy perspectives regarding the causal links between growing inequality in rich countries and other social problems such as suicide and substance abuse (most recently, see "Mourning in America" 2020).

For globalization, the other main topic in this volume, we primarily focus on international trade, but we also include globalized standards, such as

those associated with an expansion of trade and markets. The impact of international trade on these two human rights concerns has become one of the most debated topics in international and domestic politics. This increased attention is particularly encouraged through the trade policies of the Trump administration but is also evident in the Brexit referendum and the new Brexit-related policies of the United Kingdom. Aside from the costly uncertainty these trade policies have created for all countries, they have reignited a long-standing dispute about the merits of freer trade in a wide range of countries, not just the United States and Britain. This book addresses both these highly topical subject areas directly.

A developing country, Indonesia has attained some success in moving into the lower reaches of the "middle income" category. However, its poverty-reduction achievements of the 1980s and 1990s have not been matched since then, a lack of success that is broadly attributed to Acemoglu and Robinson's (2012) "middle income trap." This has prompted much debate within Indonesia as to whether the populist policies of the current president, Joko Widodo ("Jokowi"), to restrict trade have actually reduced or increased poverty since he came to power in 2014. Similarly, given that inequality is worsening in Indonesia, there is disagreement over whether his recent policies have helped or hindered its amelioration.

These questions are addressed empirically in the current volume. The analyses use local data and related evidence, making this book a useful country case study for international researchers who are interested in these popular topics and eager for additional country data and experiences, especially from such a large country. And, importantly, it is highly topical *within* Indonesia in the context of the lively policy debates noted above, and can contribute to those discussions.

Another feature of this volume is that some chapters do not simply use aggregate data to probe the issues. Half of them delve into micro circumstances (case studies), where the standard conclusions appear not to hold. Therefore, the reader can recognize nuances that must be kept in mind in addressing the effects of freer trade on poverty or inequality in specific regional or sectoral/commodity areas in Indonesia. This serves to remind researchers that results are often dependent on local situations, something that can be lost when only aggregate data are used. By contrast, many chapters in this book, and indeed many volumes in the Asia Pacific Legal Culture and Globalization series, place a premium on local circumstances. This means attention to local institutions, local technologies, and micro-data that condition or impose constraints on decisions by firms and individuals.

To provide context for this book, we turn first to a description of Indonesia, with specific attention to its economic history and data on four important variables of this volume: economic growth, poverty, income inequality, and trade. Finally, we give a detailed overview of the component studies and their findings.

Background to Indonesia

Straddling the equator and spread across an archipelago of thousands of islands, Indonesia is a large, diverse middle-income country. It possesses many distinctions: it has the fourth-largest population in the world (258 million in 2015), the world's largest Muslim population, the tenth-largest economy in purchasing power parity terms (and the largest in Southeast Asia), membership in the G-20, and more than three hundred ethnic groups. Given its large population, it is also characterized by high density, especially on the island of Java, a feature that has posed challenges for food production and poverty reduction, especially prior to the mid-1980s (World Bank 2017).

In 1998, it became a lively democracy and has had direct elections for the president since 2004. It also shifted from highly centralized political decision-making during the era of President Soeharto (1967–98), becoming one of the most decentralized states in the world. Unexpected as this was, it generated praise in light of Indonesia's geographical context and history. As Walden (2017) puts it: "While its neighbours in Southeast Asia have become increasingly autocratic, Indonesia continues to quietly consolidate its democratic institutions and run successful elections for numerous levels of government." However, more recently than 2017 a different perspective has gained traction, that democracy in Indonesia has been declining in quality: "The Jokowi government has taken an 'authoritarian turn' ahead of the 2019 elections, highlighting its manipulation of powerful law enforcement and security institutions for narrow, partisan purposes, as well as the administration's concerted efforts to undermine and repress democratic opposition" (Power 2018, 307).

The country has experienced relatively rapid economic growth and a moderate degree of trade openness at 43 percent of GDP (2018 data), up from 24 percent in 1960. But for comparison, this is only two-thirds the level of trade openness found in Canada today. As part of the post-1998 democratization, local populism has taken the form of demands for more protectionist policies in a variety of economic sectors. One result is that this measure of trade openness has fallen significantly from 96 percent in 1998 back to the levels from the late 1970s to the early 1990s (World Bank 2019b).

These substantial changes in economic policy, performance, trade, and democracy make Indonesia very attractive for doing quantitative research on related economic topics. It has generated high levels of variability in those factors, which make it a valuable case study for measuring statistically how changes in trade openness affect other variables of importance, such as poverty and income inequality. To give some background on the nature of the Indonesian economy and how it has performed in a selection of economic spheres, we review detailed data on economic growth, poverty, and income inequality.

Economic Growth Performance

During the 1960s, some influential development economists (such as Gunnar Myrdal) believed that Indonesia would never achieve rising incomes, but since the late 1960s they have grown quickly by any standard. The most rapid increase occurred from 1970 to the Asian Financial Crisis that began in 1997, during which Indonesia averaged 6.6 percent real growth in GDP per year. This performance would rank the country among the top ten performing economies in the world over this period (Germany, Korea, and China, for example, grew at 9.0, 8.9, and 8.7 percent each year, respectively). It would also put Indonesia ahead of Chile, Brazil, Japan, and Turkey, vaulting the country upward in terms of almost all indicators of economic and social development (World Bank 2019a).

From 2001 to 2015, its growth slowed notably, but it still remained in the narrow range of 4.9 to 6.2 percent per year. Whereas 5.5 percent annual compound growth in real GDP during this period did not match China's Olympian record, it nonetheless meant that Indonesia has grown sufficiently to double average incomes every thirteen years. This has moved it well up into the World Bank's "middle income" tier, with a per capita income above US$3,500 since 2010. This places Indonesia almost at the top of the "lower middle income" category. To put this trend in terms of actual levels, GDP per capita rose from US$857 in 2000 to US$3,603 by 2016. It has also had strong positive effects in reducing poverty, in both urban and rural areas.

Indonesia's economy pursued the following trajectory: it grew at 7.4 percent per year during the 1970s, 5.5 percent in the 1980s, 6.9 percent from 1990 to 1997, but only 4.1 percent from 1990 to 2000 (adding in the significant recession, −13 percent in 1998, of the Asian Financial Crisis), 5.2 percent in the 2000s, and 5.5 percent from 2010 to 2018. The performance of those last nine years is equal to the average growth rate of the entire forty-eight years from 1971 to 2018 (5.6 percent per year). It is normal for a

country's growth rate to decline as incomes increase, but Indonesia's performance was probably strongly influenced by its changing stance on trade policy. To put this differently, the slowdown in growth rates since the Asian Financial Crisis shows signs that Indonesia is falling into the "middle income trap," described so convincingly by Acemoglu and Robinson (2012). This economic growth experience is given attention here because of its strong influence on other economic and social well-being variables of interest to our topic.

Poverty

Diminishing poverty has been a major objective of the Indonesian government. Although this goal does not particularly distinguish Indonesia from other developing countries, its success in this regard does. Few countries can show as much poverty reduction as Indonesia has achieved since about 1970, especially during certain subperiods. In other words, across several administrations, Indonesia appears to be serious about attaining this objective.

This commitment has its origins in the so-called *orde baru* (new order) period of President Soeharto, from 1967 to 1998. Not only did the government adopt poverty reduction as a relatively explicit policy, it also achieved commendable success. This claim is not meant to whitewash other policy and performance characteristics of the period. Indeed, Soeharto's policies increasingly favoured his family and cronies, corruption and rent seeking were commonplace, and human rights were given a low priority. But an objective review of the period must note the many-pronged policy attention to poverty, especially in rural areas where it is most severe, and the commitment to realize success here from the very top. Even Soeharto's attention to poverty can be seen as rooted in a traditional and fundamental Indonesian value, captured in the Indonesian term *gotong royong,* "mutual assistance" or "mutual self-help." As Prawiro (1998, 85) describes it,

> *Gotong royong* grew over centuries of Indonesia history and cannot be attributed to any particular government or individual. If, for example, a villager finds himself in distress, be it financial, physical, or even emotional, according to *gotong royong* it is the duty of the other villagers to help solve the problem.

In holding this value, Indonesia can be contrasted with countries that value the individualism of unfettered laissez-faire capitalism.

Over the period from 2000 to 2016, Indonesia has experienced considerable success in lowering its poverty rate. Using Indonesia's official poverty ("headcount") line as the metric, poverty has fallen from affecting 19 percent of the population in the year 2000 to 10 percent in 2018. This decline has been remarkably sustained, except for a brief 2 percentage point increase in 2006. From 2006 to 2013, the poverty rate fell relatively rapidly, by 0.9 percentage points per year. Although it has continued to fall each subsequent year to 2018, the downward trajectory in the poverty rate has flattened.

However, as for the economic growth rate, these gains are dwarfed by those from the 1970s to the 1990s. The data from that period use a lower threshold for the poverty line, so they are not entirely comparable to the more recent data cited above, but in 1976, the share of the population below that poverty line was 41 percent. This figure had fallen to 29 percent by 1980, to 18 percent by 1987, and to 11 percent by 1996. These improvements were quite spectacular, showing remarkable success relative to most countries, even if many people by the mid-1990s remained not far above that poverty line. Current World Bank data using a different poverty line threshold indicate somewhat higher poverty rates, showing them at 17.5 percent in 1996, rising to 23 percent in 1999 (following the Asian Financial Crisis), then declining quite steadily, as noted above, to the 2018 value of 10 percent (World Bank 2018).

This success was accomplished by a great variety of policy instruments, in addition to the kind of economic growth mentioned above. That growth, especially when it exceeded roughly 6 percent a year, appeared to have a particularly strong effect in reducing poverty. In addition, government macro-economic policy was always sound and kept inflation at moderate levels (below 10 percent a year). Food prices were also kept relatively low in the 1970s, although this policy was replaced from the 1990s onward by measures that raised prices, especially that of rice, arguably to assist farmers.

A number of policies were more effective in helping rural residents by supporting rural areas differentially, especially in the 1970s and 1980s, including supplying cash grants to otherwise poor local governments and investing in infrastructure, health care centres, and schools. Broad support for agriculture was undertaken to increase food crop production through protectionist border policies (tariffs and import quotas) as well as large fertilizer subsidies. During the 1980s and 1990s, Indonesia favoured programs of low-priced rice, and since about 2000 has favoured cash grants, both targeting families designated as "poor."

Finally, unlike that of some other Asian countries, the government refrained from imposing restrictions on rural-to-urban migration. This perhaps unplanned "policy" may have been one of the most effective rural anti-poverty strategies. Relocating from the countryside to the city is a well-established trend in Indonesia. It is propelled by many factors but is aided by both high population density, especially on Java, and moderate levels of education that enable rural residents to be competitive in finding city jobs, in addition to the aforementioned lack of migration restrictions.

Income Inequality

Indonesia has long had the social objective of trying to ensure that its economic progress would be widely shared among citizens. Even during the Soeharto era, a wide distribution of the fruits of economic growth was clearly promoted by certain economics-related cabinet ministers, known collectively as the "Berkeley mafia," a name derived from the University of California campus where a number of these "technocrat" ministers received their PhDs. One could argue that this unstated "policy" had its origins in gotong royong, mutual assistance, as was the case for poverty reduction. This objective was seen as desirable even though a number of government policies had regressive effects, as is common in virtually all countries. Furthermore, in any policy analysis it was considered a requirement for the analyst to undertake a detailed evaluation of a policy's distributional effects.

The most widely used measure of inequality is the Gini coefficient, which ranges from 0 to 100 percent, with lower values indicating more equality and higher values showing greater inequality.[1] Back in the 1980s, Indonesia's Gini was in the upper twenties to lower thirties percent, considered internationally to be a relatively equal distribution of income. However, as in most countries, the Indonesian Gini coefficient rose after 2000. It was at 30 percent in 2000, rising to about 35 in 2005, to 40–41 in 2012–13, and falling slightly since then. In March 2016, it dropped 1.1 points to 39.7 percent, which was the first time since 2011 that it had dipped below 40. This decline is due to income gains by the middle 40 percent of households, largely at the expense of the top 20 percent of households. On the whole, Indonesia's Gini coefficient has resembled that of Canada, and the two measures have moved similarly during this period. Indonesia has also been quite successful in avoiding Gini coefficient increases to the 45–55 range. Coefficients in this range indicate high levels of income inequality and are associated with Singapore, Brazil, China, and the United States.

Government policies have played a role in this accomplishment. Although Indonesia has a relatively low average rate for income tax, with modest progressivity in rates, it has various government programs whose purpose is to increase incomes or lower the prices of basic consumption items for the poor. For example, a conditional cash transfer program was expanded in 2015 to include 3.5 million households. The World Bank estimates that this change contributed possibly 0.1 percentage points of reduction in poverty, almost one-third of the observed decline in the poverty rate in 2016. Although one could argue that most redistributive programs in Indonesia focus on reducing poverty rather than on introducing progressive taxation of higher-income households, these measures still have some effect on lowering Gini coefficients because they raise the incomes of the poorest groups.

Elsewhere in this volume, empirical studies measure the effects of other policy variables in lowering the Gini coefficient, such as increasing trade openness. Another set of policies, used both to reduce poverty and income inequality, have aimed to increase the domestic supply of rice and make it more available to poor people. But in fact, rice prices on balance have increased substantially since the mid-1980s, showing that policy objectives other than poverty reduction are at work, such as supporting farmer incomes. And the latter objective appears to dominate the desire to lower rice prices to consumers. The chosen government rhetoric is that raising rice prices will diminish poverty among rice *farmers,* and this too is examined in Chapters 6 and 7.

Trade

As noted earlier, Indonesia had a moderate level of trade openness at 43 percent of GDP in 2018 (World Bank 2019b). For comparison, both the world average and the average across East Asia and the Pacific (the World Bank region that contains Indonesia and its Southeast Asian [i.e., Asian] neighbours) sit at 58 percent. But this measure has fluctuated greatly over the past sixty years. It bounced between 10 and 35 percent during the unstable 1960s, climbed steadily from 29 percent to 54 percent in the 1970s, and largely flattened for the next eighteen years, from 53 percent in 1980 to 56 percent in 1997. This masked a decline in trade openness during a protectionist period in the first half of the 1980s (to 40 percent), followed by a rising share of trade in a unique interlude of unilateral trade deregulation that occurred in the late 1980s and early 1990s. The result was an export boom that increased openness from 40 percent to 56 percent over the decade until the country was hit with the 1997 Asian Financial Crisis.

But after a 1998 spike, trade openness declined quite steadily from about 70 percent to its current low level of around 40 percent. Data on trade in services show that it has dropped even more significantly than trade in goods. In 2000, services trade accounted for 12.5 percent of GDP, but by 2010 its share had fallen to 6.0 percent. These declines are a reflection, in part, of the increasing tendency toward protectionism in Parliament and among political leaders since the 1998 instigation of free elections. The advent of democracy has seen an explosion in industry lobbying, which has commonly pushed for higher trade barriers. Politicians have largely complied. It is as if politicians and policy makers have become increasingly doubtful of the benefits of trade openness for economic growth and poverty reduction. Some of the chapters in this volume address this question empirically.

The end result of these political pressures, policy decisions, and other factors is that trade has grown more slowly in Indonesia than in most of its neighbours, such as China, India, Malaysia, and Vietnam. In 2015, their measures of trade openness were 40 percent, 42 percent, 134 percent, and 179 percent, respectively, compared with Indonesia's 42 percent. But since 1980, China's trade openness has increased by 226 percent, India's by 179 percent, Malaysia's by 19 percent, and Vietnam's by a whopping 670 percent (since 1986 only). In Indonesia, by contrast, trade openness actually *declined* by 20 percent after 1980.

Recently, in the four years from 2012 to 2015, Indonesian adoption of trade-restricting measures surpassed its adoption of trade-liberalizing measures. During that period, Indonesia was among the world's top users of trade barriers (World Bank 2016), mostly in the form of non-tariff measures. However, a reversal of these actions occurred in 2016, with trade-liberalizing measures dominating for three consecutive quarters, even though non-tariff measures continue to proliferate. Given the volatility of trade policy measures over the years, it is unclear if 2016 signals a change in policy direction. In any case, it will not affect the work in this volume, virtually all of which involves data from earlier years. What is clear is that whenever trade restrictions increase, as they have often done since 2000, they almost always result in higher consumer prices and, to some degree, more poverty.

The Chapters in This Volume

This volume consists of eleven chapters. Although Chapter 2 reviews the literature on income inequality that is not specific to Indonesia, the others focus on Indonesian data and institutions, and most are authored or

co-authored by Indonesians. They show the impacts of economic globalization, largely focused on trade but also examining foreign direct investment (FDI, now often included in trade agreements), standards, land rights, and markets, on the two dimensions of human rights, poverty and income inequality. The chapters do not primarily discuss how national institutions or policies function. They do, however, pay substantial attention to the policy implications or options arising from their findings, even if those policies did not enter directly into their work.

Poverty is defined as an absolute level of income, with several widely used numeraires. For the distribution of incomes, the focus is on how widely incomes are spread at the bottom and top of the distribution as measured by Gini coefficients.

The chapters are a mix of a) overall measured relationships between poverty or income inequality and increased globalization, especially trade, and b) micro case studies that explore disaggregated results by region, commodity, population subgroups, or unique regulatory circumstances such as property rights. Combining aggregate data results and micro perspectives in the same study is somewhat unusual.

Aggregate data at the level of the country, province, or county give broad relationships, which are important for choosing policy directions. But micro studies are also essential in showing that populations are not homogeneous, that numerous exceptions to standard results do arise, and that the distribution effects across subgroups are significant. Subgroup experiences can generate opposition to policies that favour the general good, and *that* opposition can derail policies that are in the overall public interest. Identification of such subgroups can suggest where special policy support could be devised to compensate those who lose due to the policy. Policies that reduce trade barriers or circumstances that arise from increased globalization are good examples. The research in this book illustrates a variety of cases in which overall benefits occur, though with some localized losses or disadvantaged groups.

Across the chapters, we show support using Indonesian data for the relationship between increased trade and reduced poverty, but that findings are mixed for the effect of increased trade on inequality levels. This is broadly consistent with studies conducted elsewhere. A majority of the chapters also reveal that when one disaggregates in some fashion, exceptions occur. For example, some globalization measures have no quantifiable effect on the incomes of farmers. Although globalization reduces poverty overall, the

well-being of children can be diminished in certain circumstances. Similarly, there are mixed health outcomes from globalization.

In Chapter 2, James Dean and Colin McLean examine the global evidence on whether economic growth increases or decreases inequality. They also outline the existing policy options that address inequality. The authors find broad empirical evidence that income inequality has *increased* across countries over the last thirty years but contradictory evidence to support the widespread view that a trade-off inevitably occurs between growth and inequality. In looking at national policy options to deal with growing inequality, they argue that public investment is preferable to cash transfers. But they also draw out the point that international trade agreements could exacerbate income inequality unless appropriate mechanisms counter it.

Chapter 3, by Teguh Dartanto, Yusuf Sofiyandi, and Nia Kurnia Sholihah, employs trade openness (total trade/GDP) as a variable to explain poverty levels and income inequality. The authors use a panel of eleven years of data drawn from thirty-three Indonesian provinces. The results show that trade openness significantly increases economic growth, and although it reduces poverty, the effect is small. It also worsens income inequality, but here too with a very small effect. These findings for Indonesia mirror the general literature review presented in Chapter 2.

In Chapter 4, Yessi Vadila and Budy Resosudarmo seek to explain regional expenditure inequality. In this chapter, the effect of globalization, measured by trade openness and foreign direct investment, on inequality is examined through a panel of eight years and twenty-two provinces. During the period under study, all three variables rose in most provinces. But when the model was estimated with a larger set of explanatory variables, the effects were mixed: FDI in a province lowered its inequality, trade openness increased it, and inequality in higher education resulted in greater income disparity. The authors also found support for a Kuznets effect on growth versus inequality, in that as incomes grew, inequality rose but then fell.

Chapter 5, written by Santi Kusumaningrum and her colleagues, deals with a particular dimension of poverty – children in low-income families. The chapter discusses many elements of child well-being (health, nutrition, education, and birth registration) and how children suffer disproportionately from both inequality of incomes and poverty. The authors build on the results from Chapter 2 by showing that even with expanded trade and the resulting aggregate poverty reduction, child poverty can rise due to poverty-inequality interactions. Policy and programs are discussed at length

to show how children can best achieve their potential and to ensure that the benefits of increased trade and incomes can trickle down to poor kids.

In Chapter 6, Richard Barichello and Faisal Harahap focus on rural poverty by examining the effects of rice prices (in effect, trade policy through import tariffs) on farm wage rates. Standard political rhetoric argues that higher rice prices are needed to raise the incomes of poor rice farmers, meaning that robust trade barriers will help the poor. However, the results of this chapter contradict this common claim. They show that, in fact, higher rice prices have very small positive effects on farm wage rates, a trend that is strongly offset by their negative impact on rice consumers. The latter category includes the many farms that produce rice but are still *net* rice buyers. These results indicate that *reducing* trade barriers in rice actually helps to lessen overall poverty, both rural and urban. They also demonstrate that ongoing increases in the non-farm wage rates have had almost ten times the positive effect on farm wage rates than higher rice prices, which were introduced in 2000. The policy implication here is that, where reducing rural poverty is concerned, non-farm economic growth is a more effective tool than raising rice prices, which is consistent with the findings of the next chapter.

Chapter 7, by Arianto Patunru, is a case study of rice, taking access to food as a human right. The author reveals that a disaggregated approach at the commodity level is valuable to understand the distributional effects of trade policy. Offering a comprehensive review of the data, he shows that trade restrictions on rice have raised the domestic price far above comparable international examples. Restricting access to globalized rice markets has hurt all rice consumers, but because this staple food is so important in Indonesia, it has particularly harmed the poorest segment of society while benefiting only a small group of wealthier people. These results support those of Chapter 6 by concluding that reducing rice trade barriers will help decrease poverty in Indonesia.

In Chapter 8, Bustanul Arifin examines the impact of new global export standards on the well-being of coffee farmers. This applies specifically to eco-certification, in which certain environmental standards must be followed in growing this crop. It is effectively a product-branding measure that is consumer-driven but is expected to help coffee growers. The data for Indonesia appear to indicate that eco-certification has had little influence on farm-gate prices for coffee producers. But it does provide other benefits of a social nature, including improvements in community-cooperative governance, coordinating the work of farmer organizations, and encouraging other methods to enhance coffee quality.

Chapter 9, by Evi Nurvidya Arifin and Aris Ananta, describes how globalized adoption of digital technologies has placed people with visual disabilities at an even greater disadvantage, due to the heightened demand for good eyesight. In fact, this demand has exposed the substantial neglect of vision problems in Indonesia. What is even more frustrating is that thanks to global improvements in eye care, many of the conditions mentioned in the chapter are relatively inexpensive to treat. Unlike the examples in earlier chapters, this case largely revolves around technologically driven aspects of globalization, rather than government policy such as trade protection. But here the new technologies present both problems and cures. Nevertheless, serious attention to this increasingly critical problem calls for a set of government policy responses.

In Chapter 10, Michael Leaf discusses urban property rights. In effectively managing globalization, one element of public policy is getting the institutions right, such as the institutions that support international trade. This typically includes establishing some form of freehold ownership in land to provide tenure security for local economic investment, as the prevailing global standard in property rights. But this is too simple in the case of Jakarta, where there has been a rearticulation of the colonial-era land law that underpins the so-called informal market in land and emphasizes the traditional role of territorial land claims as a collective right. The result is a dualism, with traditional collective rights sitting alongside a modern (globalized) set of individual property rights, officially registered by the corporate development sector. This chapter shows how these two often conflict. The private trade and investment sector can claim formal rights to the city, but the collective political right of those who are excluded from this growth of the formal economy is also voiced, creating tension and conflict. New institutions to resolve this situation are needed but not yet in evidence.

In the final chapter, Richard Schwindt reflects on the ties between what is written in the economics and human rights literatures on the interface between globalization and compliance with international human rights. He notes the close correspondence between the two in terms of poverty. But economic inequality can be separated into horizontal and vertical inequality. Here, the economics and human rights communities are quite aligned on horizontal inequality but much less so on vertical inequality. Economists have increased their attention to economic inequality in recent years, but unlike freedom from extreme poverty, economic equality is not yet clearly recognized as a human right. The author reviews the chapters in the volume, drawing out the lessons they provide.

Note

1 A Gini coefficient of 0 (or 0 percent) indicates perfect equality where all incomes are equal, and a value of 1 (or 100 percent) shows maximum inequality, such as where one person has all the income and everyone else has no income. In practice, a value of 20–30 percent shows a very high level of income equality (as in the Scandinavian countries), whereas values above 50 percent characterize countries with the most unequal income distribution.

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