Summary of the forthcoming keynote lecture of Jacques Silber on

Inequality, Globalization and Labor Markets

(SOEP 2014 11th International German Socio-Economic Panel User Conference)

The presentation starts by emphasizing that great caution is necessary when examining such a
topic because, as stressed by a great economic historian, the late Paul Bairoch, there exist no
"laws" or rules in economics which are valid for all periods of history or for each of the economic
systems. Here are some of the reasons why such prudence is indispensable.

The importance of definitions:

- Are we focusing on income or on wage inequality?
- Do we talk about within or between countries inequality? And, if about between
countries inequality, do we want to give the same weight to each country or do we want
to take their population share into account? Or maybe we want to analyze global
between individuals inequality. Perhaps what interests us are simply what we call
functional shares, that is, we want to know what happens over time to the share of
labor in the GDP?
- Caution is also necessary when talking about globalization. Do we refer to international
economic integration only and if so, only to the share of trade (imports plus exports) in
the GDP or do we want to include also foreign direct and portfolio investment? Maybe
what matters is a wider definition of globalization, one that would also include
indicators such as international tourism, internet connections, etc... , what some people
call social globalization?
- Even technological change is not a simple concept since whereas capital is likely to be a
substitute to routine tasks such as those of assembly line workers, it is probably a
complement to more abstract tasks such as those implemented by scientists, physicians
or managers.
- "Labor market institutions" is also a concept which may refer to different aspects of the
labor market: trade union density, labor market regulations, etc...

The gap between economic theory models and the reality:

- Not all the facts fit the famous Heckscher-Ohlin model.
- Even more sophisticated models do not predict everything.

Solid empirical evidence is still scarce:

- As far as OECD countries are concerned, the most recent evidence shows clearly that in
the past thirty years wage inequality increased, trade integration spread, technology
advanced rapidly and product and labor market institutions and regulations weakened.
- What seems however to have had the greatest impact on wage inequality in OECD countries is not globalization, but technological change and the weakening of product and labor market institutions.

- As far as income inequality is concerned, there seems to have been a spectacular increase in very high incomes and, according to Piketty, this is not so much related to a rise in their skills and productivity than to the fact that these top managers have the power to fix their own remuneration.