IMF Study on Inequality

Longitudinal economic data used by the IMF to detail how increased inequality is the wrong path for growth. It is disturbing how difficult it is to get this rather simple idea across to policy makers.

Couple this document with the fascinating discussion of the *capability* approach at Crooked Timber here.

And read Thomas Piketty for the best analysis of inequality thus far here.

Here are the main conclusions from the IMF study:

First, more unequal societies tend to redistribute more. It is thus important in understanding the growth-inequality relationship to distinguish between market and net inequality.

Second, lower net inequality is robustly correlated with faster and more durable growth, for a given level of redistribution. These results are highly supportive of our earlier work.

And third, redistribution appears generally benign in terms of its impact on growth; only in extreme cases is there some evidence that it may have direct negative effects on growth. Thus the combined direct and indirect effects of redistribution—including the growth effects of the resulting lower inequality—are on average pro-growth.

Source: https://www.idonthaveacoolname.com/imf-study-on-inequality/