

By Naoyuki Haraoka

Growing Income Inequality in the World — Trends, Outlooks & Solutions

From a moral standpoint, all human beings are born equal, and there should be no sense of either superiority or inferiority among them. But in our capitalistic society, economic inequality is evident, often depending on an individual's efforts and skill or knowledge in professional life. A tiny percentage of rich people own a significant percentage of total wealth, while the overwhelming majority suffer from poverty. Income inequality today has become a big policy issue among the major economies, not only from the socioeconomic perspective of pursuing an egalitarian society but also from the perspective of devising a strategy to enable income distribution to be an engine of consumption growth. International economic organizations like the OECD and IMF are examining this issue in depth and searching for solutions, since income inequality would be detrimental to sustainable global growth.

This issue's cover story begins with my article on the political consequences of growing income inequality today, in which I view income inequality as not only economically unsustainable but also politically unsustainable and suggest the issue should therefore be treated in a broader political-economic context. A former consultant to the OECD, Brian Keeley, then introduces the latest OECD analysis of the relationship between economic growth and income inequality. Whereas traditional economics views economic efficiency as a source of growth and any social policy attempting to equalize income distribution as contrary to efficiency, the OECD analysis shows that a more equal income distribution encourages growth through an increase in consumption.

With these two articles offering an overview of the issue, we then introduce a variety of analyses and policy recommendations on income inequality. As we can learn from the famous beginning of Tolstoy's *Anna Karenina* — "All happy families are alike; each unhappy family is unhappy in its own way" — we have different

stories of income inequality, a salient source of unhappiness in our contemporary civilization, with differing views depending up the author's background.

We have five authors in our list discussing the recent growth in income inequality in Japan, which contradicts the perception widely believed until a decade or two decades ago that Japan was the most egalitarian country. Their articles show that the story of Japan's income inequality represents a structural transformation of the Japanese economy. Sébastien Lechevalier, an economist of the school of French Regulationists and expert on the Japanese economy, pointed out this transformation with a historical perspective in our interview with him. IMF economists Giovanni Ganelli and Chie Aoyagi give their assessment of Abenomics in terms of inclusive growth, and we then have two Japanese academics, economist Toshiaki Tachibanaki and sociologist Yuki Honda, talking about the current status of Japanese income inequality and how to address it. One interesting difference in their views is that while Tachibanaki considers aging to be a principal cause of growing income inequality in Japan, Honda believes young people in Japan are the principal victims of poverty.

Income inequality is expanding all over the world, and Asia, a region enjoying dynamic economic growth, is no exception. We invited three distinguished authors who attended the seminar on global income inequality organized by the Asian Development Bank Institute in Tokyo in August 2016 to contribute to our cover story on the question of income inequality in Asia or the BRICS nations. Guanghua Wan, Bihong Huang and Lex Zhao remind us that the issue could be fatal for Asia and the BRICS, as elsewhere.

Naoyuki Haraoka is executive managing director and editor-in-chief of Japan SPOTLIGHT.

COVER STORY 1**Increasing Income Inequality — Today Is Different from Past Debates** 4*By Naoyuki Haraoka*

The author gives a brief introduction to the political aspects of income inequality, which distinguishes discussions on the issue from previous debates.

COVER STORY 2**Why Is Inequality Rising?** 6*By Brian Keeley*

An article discussing the OECD's analyses of the roots of income inequality and how it matters for economic growth, as well as policy responses to the issue.

COVER STORY 3

Interview with Sébastien Lechevalier, Professor at the School for Advanced Studies in the Social Sciences (EHESS) in Paris

Expanding Income Inequality During the Transformation of Japanese Capitalism 10*By Japan SPOTLIGHT*

A transformation in Japanese capitalism is being noted by economists, policy practitioners and business people. The interviewee talks about the key distinctions of this transformation with a focus on growing income inequality.

COVER STORY 4**Abenomics & Inclusive Growth** 14*By Chie Aoyagi & Giovanni Ganelli*

Has Abenomics been successful in achieving inclusive growth? The IMF has been working on an assessment of the achievements of Abenomics, which has implications for policy evaluation today in terms of income inequality.

COVER STORY 5

Interview with Toshiaki Tachibanaki, a distinguished economist and expert on the economics of income distribution in Japan

Income Inequality over the Past Two Decades 18*By Japan SPOTLIGHT*

The interviewee provides a broad overview of the issue based on his long research experience since the beginning of this century.

COVER STORY 6

Interview with Yuki Honda, Professor of Graduate School of Education, the University of Tokyo

Combatting Poverty Among Young People 22*By Japan SPOTLIGHT*

The interviewee expresses her concerns about Japanese education as a significant cause of income inequality.

COVER STORY 7**Income Inequality in Asia** 26*By Guanghua Wan & Bihong Huang*

The authors offer detailed profiles of income inequality in Asia in a textbook article on the issue.

COVER STORY 8**Inequalities in the BRICS** 30*By Lex Zhao*

The author focuses in particular on the specific causes of inequality in the BRICS nations, major players in the continuing process of globalization.