

Referee report for

„A globalization challenge: preventing a clash between the middle classes of the developed and emerging economies“

by Ortega, Otero-Iglesias and Steinberg

The paper describes as a major global challenge the simultaneous decrease in inequality between countries and increase in inequality within countries. The authors link these developments to globalisation, the global economic downturn after the financial crisis, and technological progress. They call for prioritising the „building a more inclusive and legitimate globalisation“. The authors list a large number of points, which should be addressed in order to address the above-mentioned challenge and conclude that „there is an urgent need to design policies to reverse the growing discontent associated with liberal market policies.“

Major points:

1. Recommendations are too broad

The paper contains a useful analysis of the global challenge of rising within-country inequality and an interesting angle on it by linking it to the potential clash with decreasing between-country inequality (even though I would wish that the possible consequences of the clash would be further elaborated). Yet, I do not think the paper succeeds in making concrete proposals to address the risks. The reason for this, I think, is that the recommendations made remain at too broad a level to be impactful.

For example, consider the first proposal: Avoid protectionism and balance globalisation by reinforcing the World Trade Organization rules in trade disputes. Even though I would certainly agree that this is correct, the authors themselves explain in the following sentences why this recommendation is not useful in the current policy environment: because the US is opposing it, because the system is already weakened by US blocking vacancies. So proposing that this is needed does not help us; the proposal should rather say how this can be done (against the background of the current policy environment).

Consider also the second proposal: „avoid breaking the global value chains“. While this might be correct, the authors should propose more concretely what needs to be done. What do they suggest the G20 should agree upon? Which measures can it take?

2. Some recommendations are highly disputed

Moreover, some of the suggested policy responses are heavily debated and questioned for their effectiveness, e.g. minimum wages, income guarantees or universal basic income.

For example, consider the proposal for a coordinated increase in minimum wages across countries. I consider this to be maximally unrealistic because it would first require a country to believe in the idea that minimum wages are the right policy instrument. Second, the issue of raising minimum wages is similarly debated because of the risk of raising it too much and thereby risk jobs and job creation.

3. Are quick fixes to save the „liberal world order“ the right way forward?

On a general note, the paper suggests that the liberal world order needs to be stabilized, even though this liberal world order is exactly the grand policy idea that is currently under attack and may need to be rethought thoroughly. Adding fixes to deal with some of its unwanted consequences will, in my opinion, not solve the challenge which the authors rightly outline. Clearly, many electorates believe that the liberal world order is not doing any good at all. How to respond to these?

Minor points:

- The abstract reads: „impede such a clash by not threatening de-globalisation“. What is meant by this?
- P. 4, top of page: OECD rather than OCDE.
- P. 4 first para: „New digital middle class“. What is a digital middle class? Specify what is meant.
- P. 4, second para: „but to go digital does not imply the same kind of consequences as automation etc.“
Please explain.
- P.4 third para: I would not call the G20 the main governance body of globalisation.
- Overall first section: it would be useful to address also existing G20 commitments, not only EU policies.