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How Globalization Begets Inequality

China’s recent economic history looks, at first glance, like a developing-world success story. In 1980, according to World Bank estimates, average income there was less than $200, measured in current U.S. dollars. By 2013, income averaged nearly $7,000.

But averages say little about who really benefited from development during this period of increasing globalization. In fact, this economic expansion and explosion in trade has been accompanied by growing income inequality. China’s Gini index (a measure of income distribution where 0 is perfect equality and 1 is perfect inequality) has grown from roughly 0.3 in the early 1980s to above 0.45 in recent years.

According to classical economics, this is puzzling. Nineteenth-century economist David Ricardo’s theory of comparative advantage predicts that China’s poorest workers should benefit most from the growth in trade. Before globalization, that country had a huge supply of unskilled workers and relatively few high-skill workers, who were thus in high demand; the situation was just the opposite in the United States. When two such countries begin to trade, the theory states, the less-developed nation has the advantage in producing relatively low-tech products—so demand and income for under-educated workers should shoot up, while their high-skill countrymen suffer. Thus, the theory predicts, globalization should lower inequality in the developing world.

Instead, as Gates professor of developing societies Michael Kremer explains, in much of the developing world, “The empirical evidence is not really consistent with the idea that trade is reducing inequality.” He and Adams University Professor Eric Maskin, a 2007 Nobel laureate in economics, have therefore proposed a new model to help explain the discrepancy between traditional theory and current reality. The key, they say, lies in a more nuanced understanding of how global production cycles sort workers into different jobs.

Maskin and Kremer began working out their theory of “skills matching” while studying developed countries like Britain and France in the early 1990s, but they soon realized that their model helped ex-
Self-Regulating Coffee Drinkers?

Could genetic code determine someone’s Starbucks habit? Apparently so, according to a new study by researchers at the Harvard T.H. Chan School of Public Health (HSPH). Their data suggest that people instinctively regulate their coffee intake in order to experience the optimal effects of caffeine.

Produced with the support of the Coffee and Caffeine Genetics Consortium and published in the journal Molecular Psychiatry this past fall, the study—one of several recent HSPH investigations of the popular beverage—involved a meta-analysis of genomic data from more than 120,000 regular coffee drinkers of European and African ancestry. The researchers analyzed their subjects’ genetic makeup through DNA sequencing, and compared those results to self-reported coffee-drinking figures, in an effort to understand why some people need more of the stimulant than others to feel the same effect.

Lead author Marilyn Cornelis, a former research associate in the HSPH nutrition department who is now assistant professor in preventive medicine at Northwestern, says their findings provide insight not only on why caffeine affects people differently, but also on how these effects influence coffee-drinking behavior. One individual, for example, may need three cups of coffee to feel invigorated, while another may need only one. If that one-cup-a-day person consumes four cups instead, Cornelis explains, any jitters or other ill effects that result may discourage that level of consumption in the future.

Given coffee’s widespread consumption, its effects on health have been the subject of continuing interest and debate. The newest edition of The Diagnostic and Statistical Manual of Mental Disorders, for example, lists both caffeine intoxication and withdrawal as disorders. On the other hand, a study released in January by other investigators at HSPH found that drinking up to six cups of coffee a day showed no association with any increased risk of death (including from cancer or cardiovascular disease). “Going back several years...coffee often had a bad rap,” Cornelis says. “I hope to finally account for those genetic variants and possibly other risk factors that might modify our response to coffee or caffeine.”