

Has Globalization Deepened Income Inequality in Mexico?

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Abstract

In this paper we use household survey data to study the evolution of income distribution in Mexico over the last decade, a period of rapid integration to the global and North American economies ? “globalization” for short. We measure differences in income inequality, over time and across Mexican states, and relate them to regional differences in the degree of globalization. We use the percent of state employment in exporting firms or in firms with foreign capital participation, as well as data on state exports, as proxies for integration to the world economy. Our preliminary findings suggest globalization has not raised income inequality in Mexico. On the contrary, there is compelling evidence showing that income distribution is more equitable in states that are more closely linked to the world economy and that those states exhibit larger declines in inequality. We also find some statistical evidence suggesting that deepening globalization results in reduced inequality, although our results are sketchier on this point, perhaps because such effect is only observable in the long run.

Keywords: Income inequality; trade; foreign direct investment; NAFTA; globalization
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* Corresponding author (Inter-American Development Bank, INT\ITD, Stop W608, 1300 New York Ave, NW, Washington, DC 20577, USA. Email: joselc@iadb.org.) We thank the IDB's MECOVI Program for providing us with, and helping us analyze, Mexican household survey data. We also thank Mexico's *Secretaría de Economía* for granting us access to data on state-level exports and employment. The opinions expressed herein are those of the authors and do not necessarily reflect the official position of the IDB or its member countries.