| TEACHING & LEARNING

Nobel Laureate Eric S. Maskin Explores Solutions to Inequality in a Globalized World

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Eric S. Maskin is a leading American economist who currently serves as Adams University Professor at Harvard University. He was awarded the Nobel Prize in Economic Sciences in 2007 for *laying the foundations of mechanism design theory*. His influential research spans game theory, incentive economics, and contract theory, and continues to shape both academic inquiry and real-world policy debates.

On December 15, the Taiwan Bridges Program welcomed Eric S. Maskin, recipient of the 2007 Nobel Prize in Economic Sciences, to National Taiwan University for a public lecture titled "*Why Globalization Has Failed to Reduce Inequality.*"

Prof. Maskin began by noting that while globalization over the past two decades has dramatically expanded the global exchange of goods, a more recent and defining feature has been the internationalization of production. Although emerging economies have achieved remarkable economic growth through global division of labor, this process has often intensified domestic income inequality. This outcome, he observed, runs counter to the predictions of a cornerstone of economic theory—the theory of comparative advantage—which suggests that globalization should raise demand and wages for low-skilled workers in developing countries, reduce wage gaps with high-skilled workers, and ultimately

NTU President Chen presenting Prof. Maskin with the Raymond Soong Chair Professorship trophy.

narrow income disparities. Yet empirical evidence from recent decades shows the opposite trend: in many emerging economies, including China and India, inequality has widened even as overall prosperity has grown.

To resolve this paradox, Prof. Maskin introduced an alternative framework grounded in matching theory. He explained that today's global trade differs fundamentally from earlier models based on local production followed by international exchange. In modern global value chains, workers' skills can be differentiated into multiple tiers. In emerging economies, medium- and lower-middle-skilled workers—who constitute a large share of the labor force—benefit from globalization because multinational firms create new opportunities that significantly raise wages for mid-skilled labor. By contrast, low-skilled workers often lack the capabilities required to enter global production networks, leaving them trapped in stagnant wages and thereby exacerbating income inequality.

Addressing the policy implications, Prof. Maskin emphasized that trade protectionism and anti-globalization measures are not viable solutions, as they would undermine the substantial economic gains that globalization generates. Instead, he argued that the fundamental remedy lies in upgrading the skills of low-skilled workers. Governments in emerging economies, he stressed, must play a central role—either by offering subsidies or tax incentives to encourage firms to invest in worker training, or by directly expanding public investment in vocational and skills-based education. Such measures would enable low-skilled workers to participate in international production networks and share more equitably in the benefits of globalization. As a concrete example, he cited Brazil's Conditional Cash Transfer programs, which demonstrate how targeted investments in education can effectively mitigate income inequality.

Prof. Maskin's incisive analysis prompted the audience to reconsider the complex relationship between globalization and inequality, while also offering valuable policy insights for Taiwan as it navigates an era of globalized production. His lecture underscored that sustainable growth and social fairness depend not on retreating from globalization, but on equipping people with the skills needed to thrive within it.

A group photo of the speaker with NTU faculty and students, marking the memorable end of a fruitful exchange.
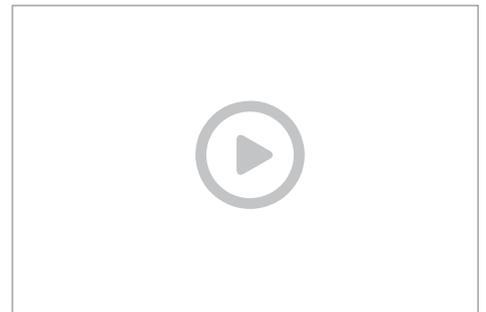
Highlights of Prof. Eric S. Maskin's public lecture "*Why Globalization Has Failed to Reduce Inequality.*"

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