Empirical evidence on long-term global trends in income inequality

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Our World in Data

The Chartbook of Economic Inequality

- Sources of long-run distributional data

Household survey data (income, consumption)
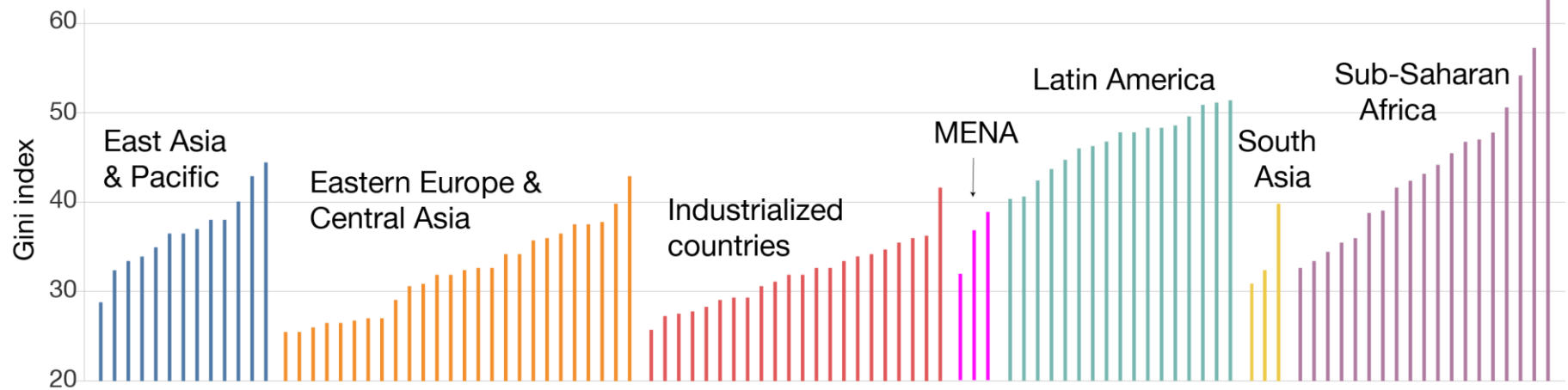
– National data

– Harmonized collections:
  - Povcal
  - LIS
  - SEDLAC
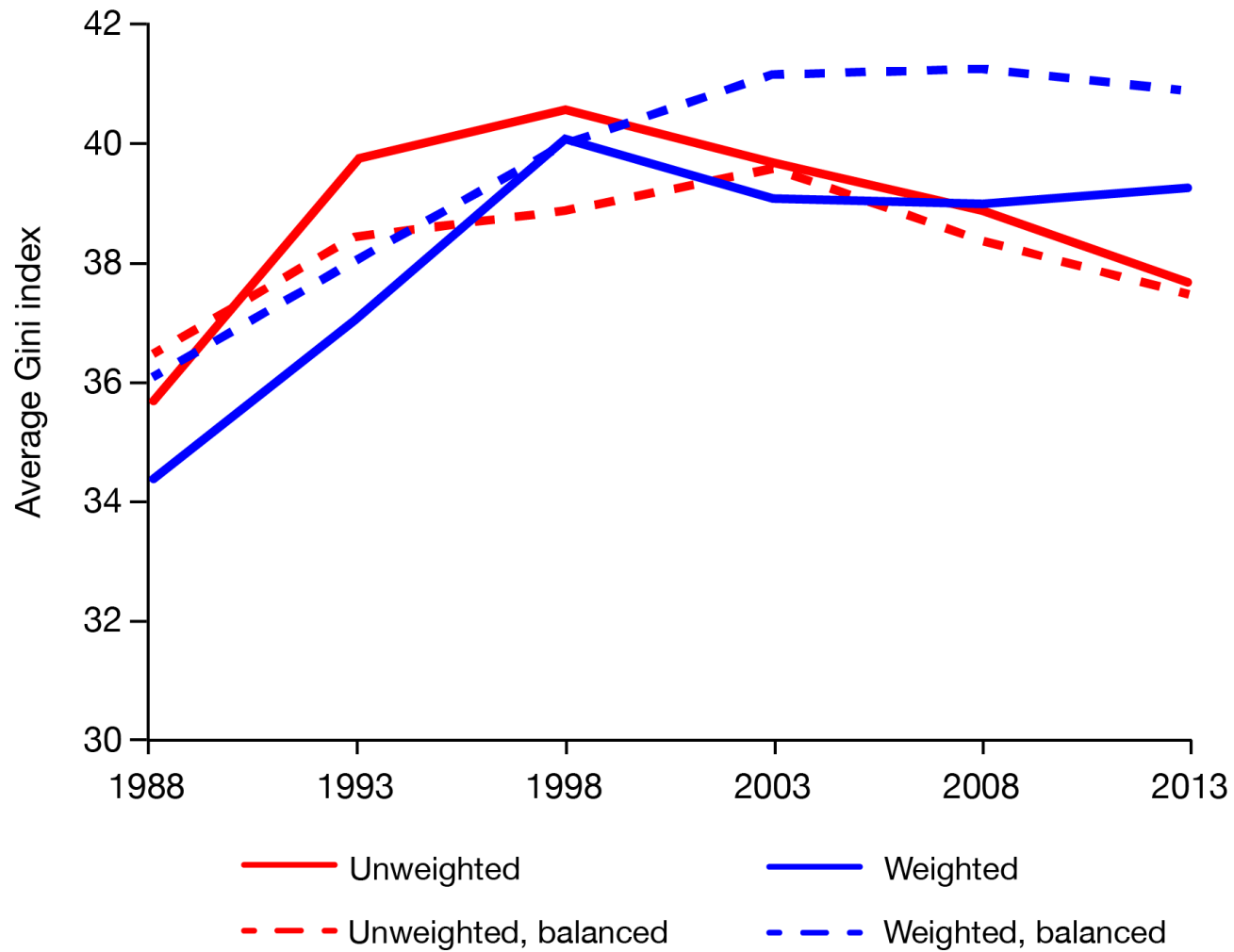 - EU-SILC
  - 'All the Ginis'
  - WIID/SWIID

Some more 'harmonized' than others!

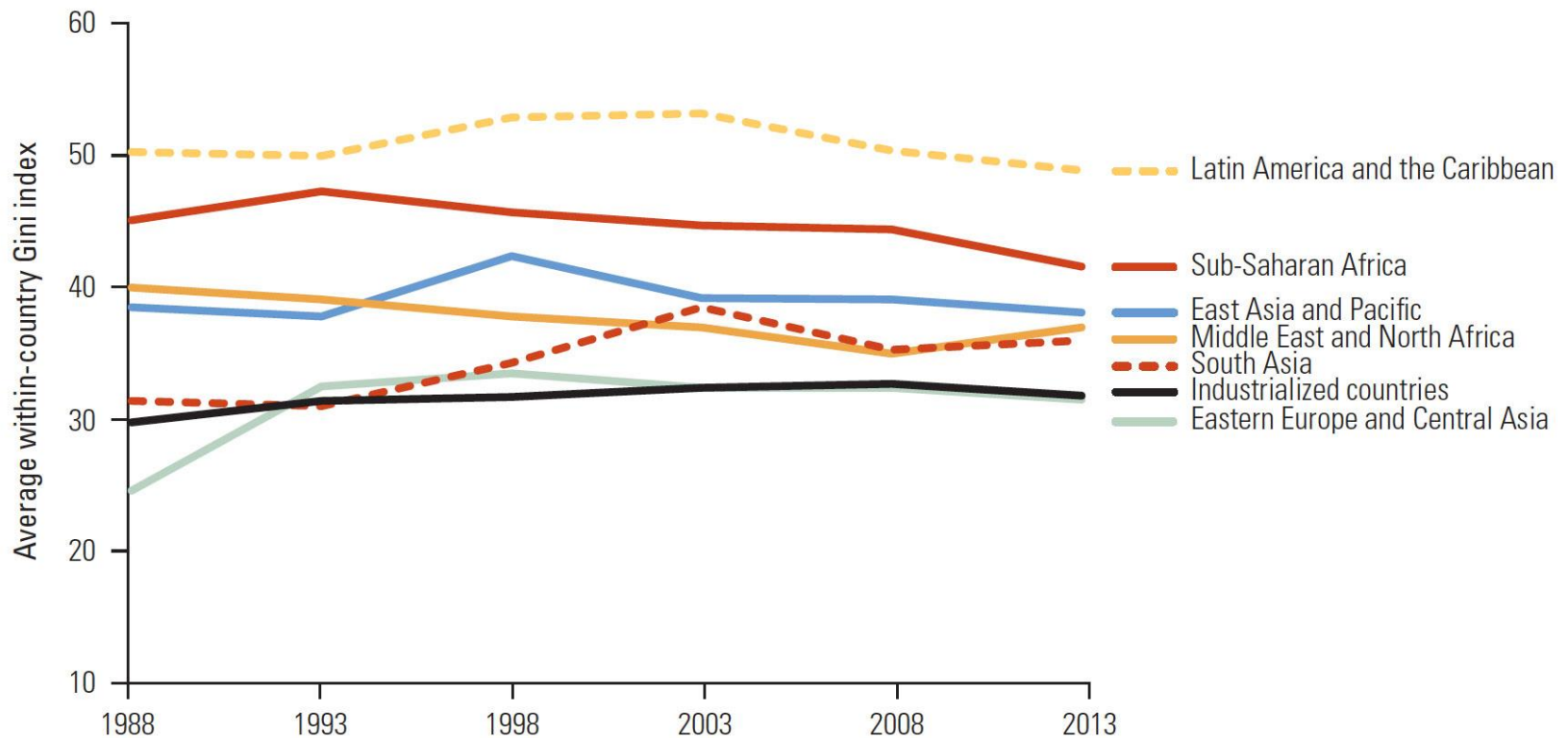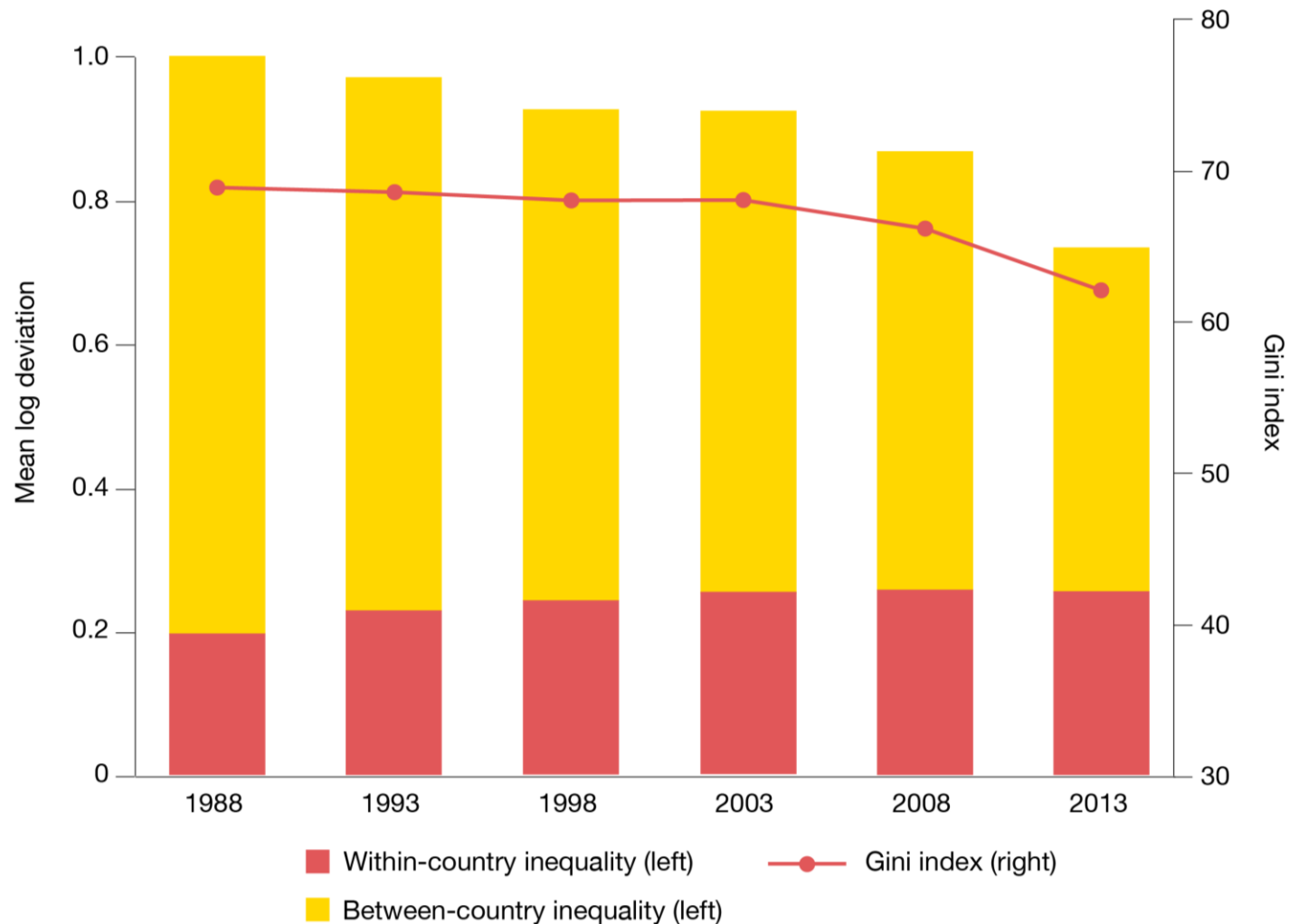- Povcal

Gini index, around 2015

- Global trend

Source: Reformatted from World Bank 2016

• Regional trends

Trends in the average economic inequality within countries, by world region – 1988-2013

- # Global inequality

Decomposition of global inequality between and within countries, 1988–2013

Source: Reformatted from World Bank 2016

- Top incomes

Global Bottom 50% and Top 1% income shares, 1980–2016
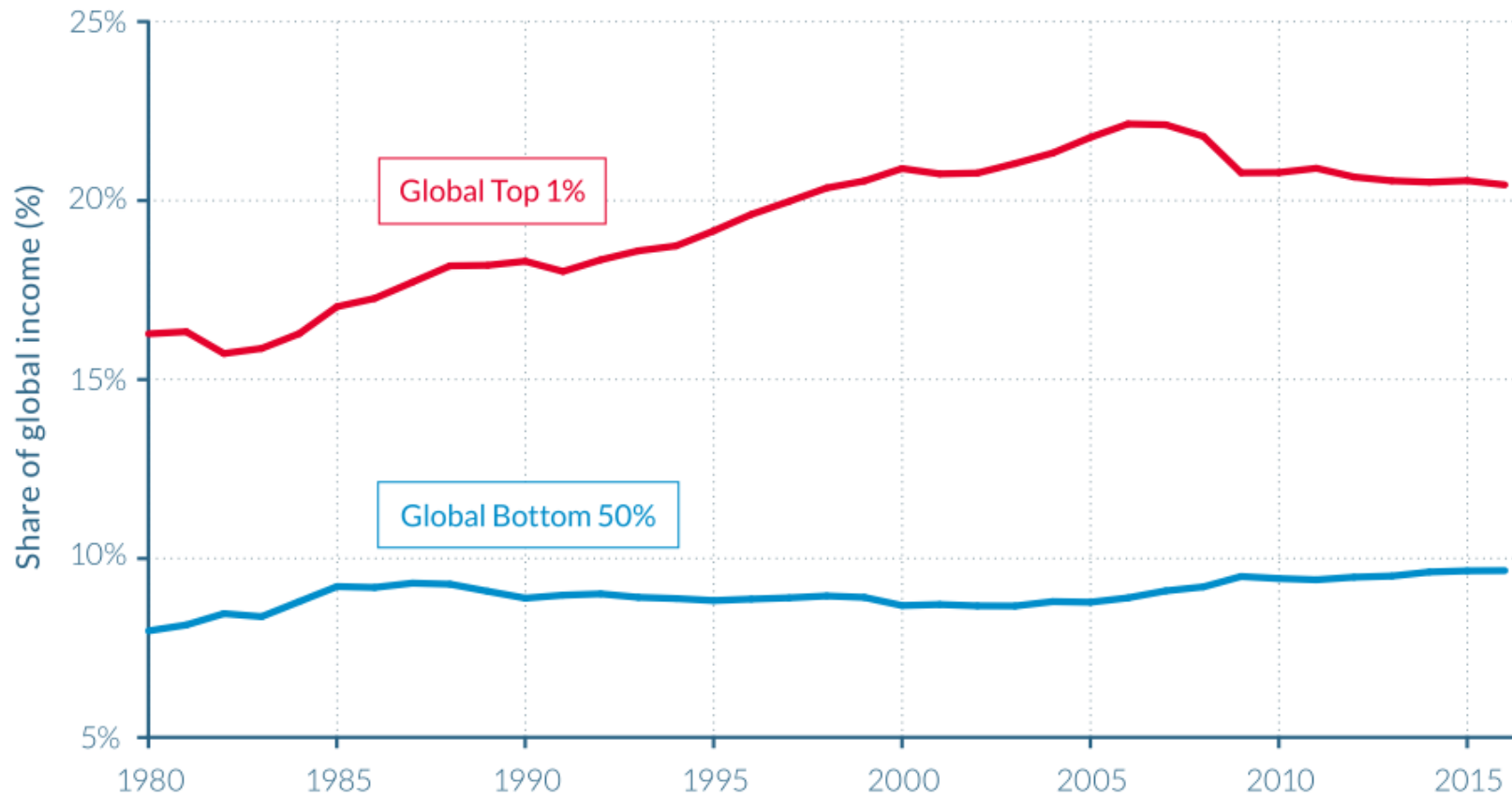
- ## Top incomes

Income share of top 1 % vs Gini index
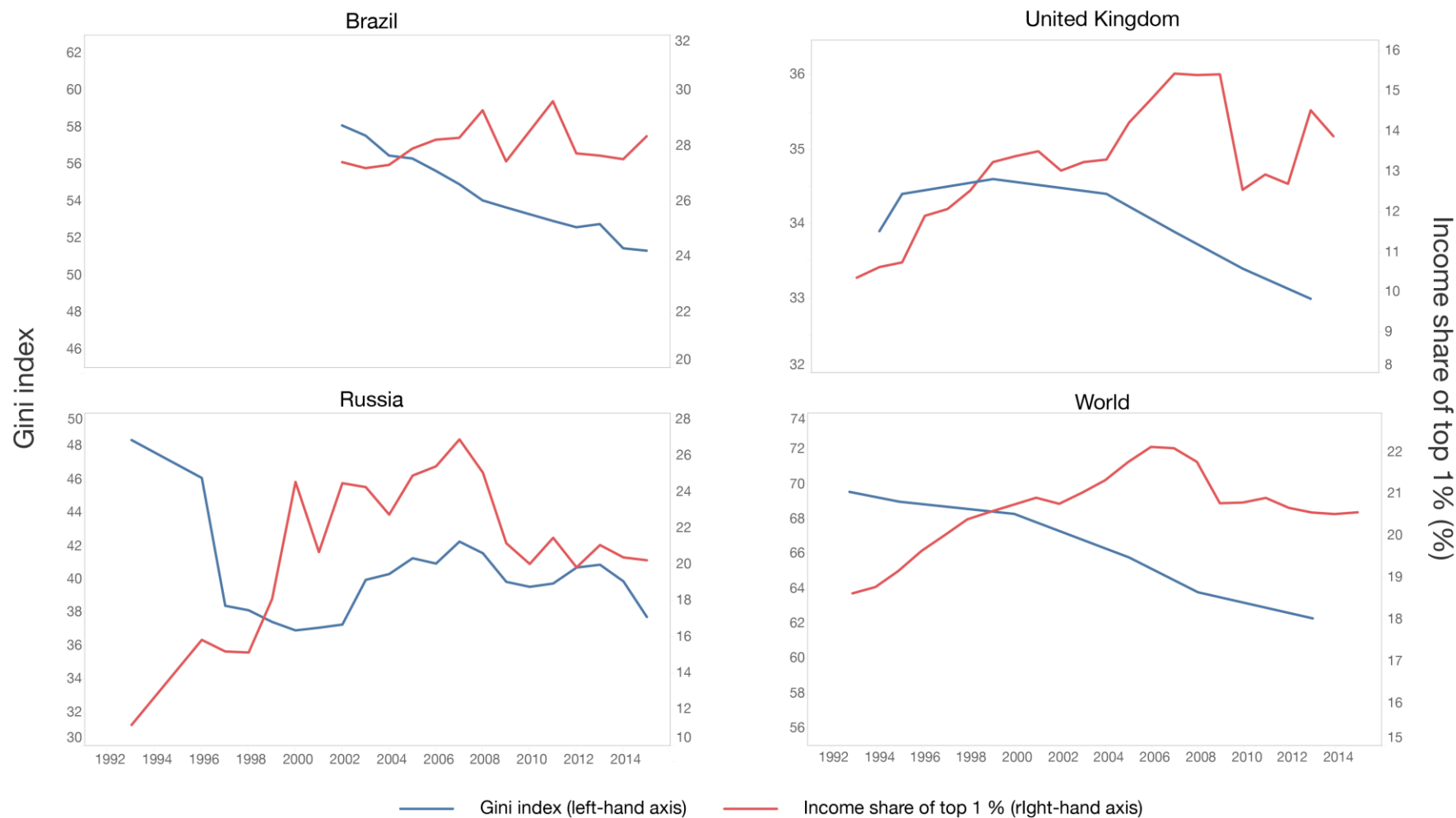
- Absolute differences

Relative and absolute income increases across the global distribution, 1988–2008

(a) Relative increase
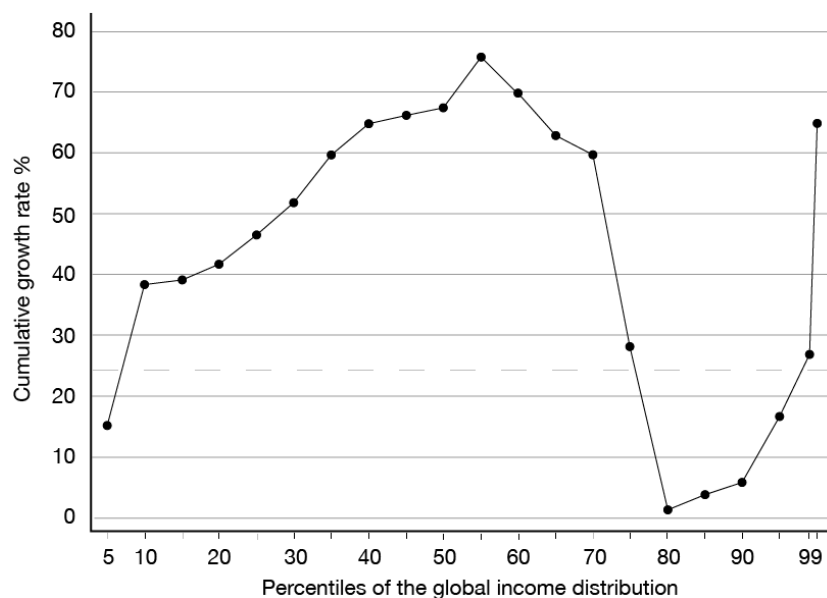
(b) Absolute increase

- Absolute differences

Global Income Distribution 1988

Incomes are adjusted for price changes over time and for price differences between countries (PPP-adjusted to 2005 US$).

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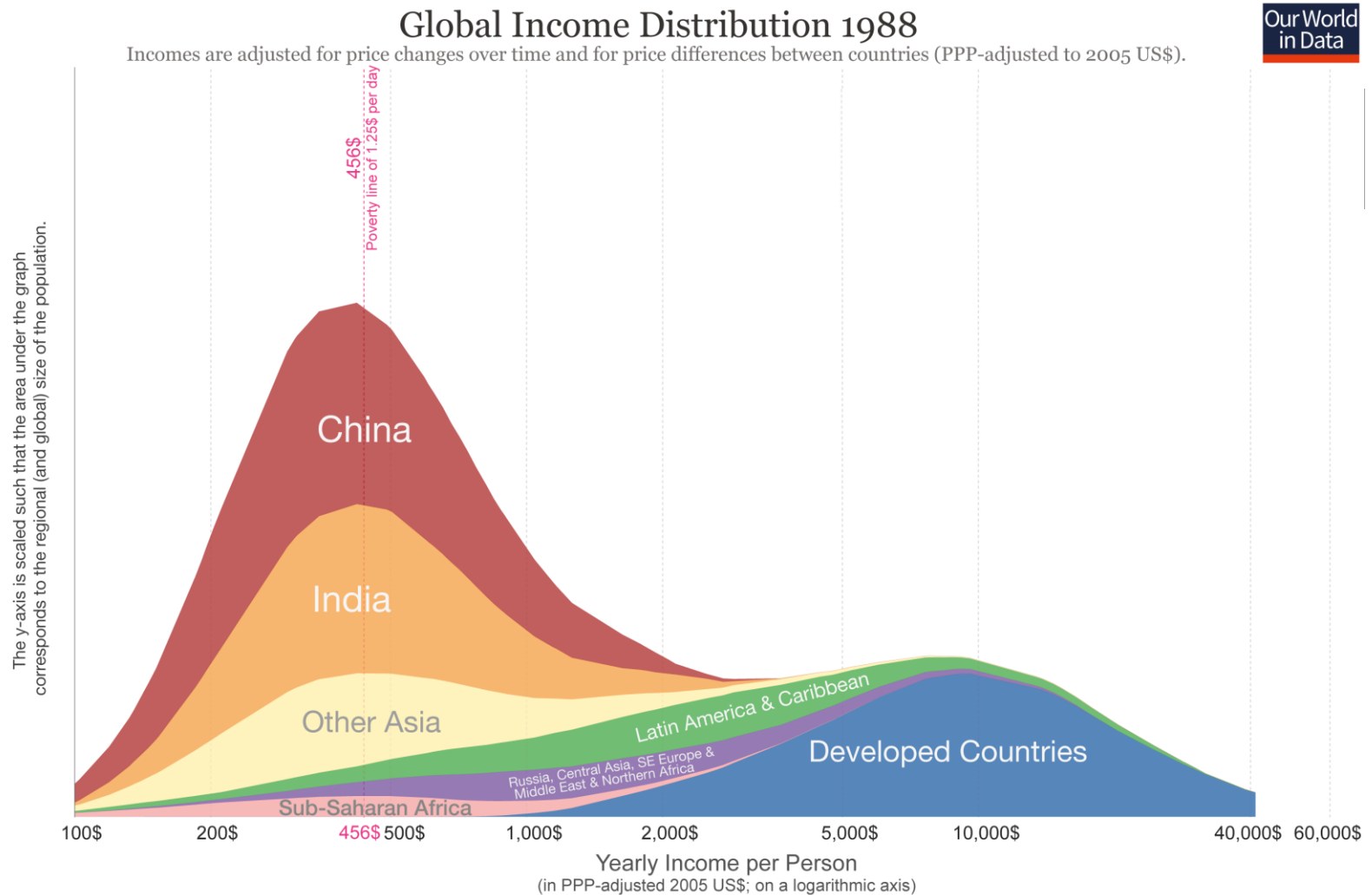
Data source: Lakner and Milanovic (2015) – *Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession*, World Bank Economic Review.

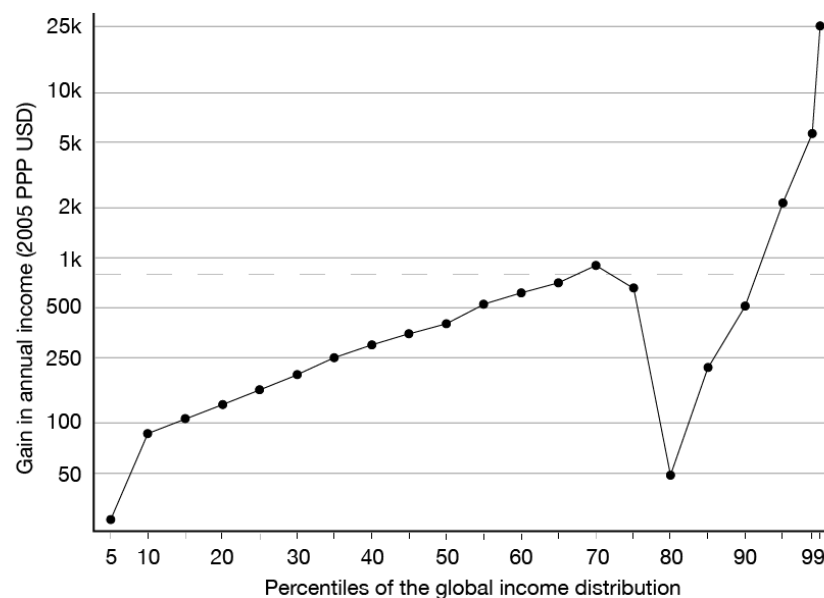'Other Asia' refers to Asia without India, China, Hong Kong, Israel, Japan, Korea, Singapore, and Taiwan.
'Developed countries' are the EU-27, Australia, Bermuda, Canada, Hong Kong, Iceland, Israel, Japan, Korea, New Zealand, Norway, Singapore, Switzerland, Taiwan, and the United States.
The categorisation of countries is stable over the entire time period 1988-2011.

The data visualization is available at OurWorldinData.org. There you find more visualizations on this topic.   Licensed under CC-BY-SA by the authors Zdenek Hynek and Max Roser.

- Absolute differences

Global Income Distribution 2011

Incomes are adjusted for price changes over time and for price differences between countries (PPP-adjusted to 2005 US$).

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- Extreme absolute poverty

Distribution of people between different poverty thresholds, World

Poverty thresholds are all in 'international dollars' at constant 2011 PPP prices. This means all figures account for cross-country differences in price levels, as well as for inflation. Estimates rely on a combination of income and consumption data (see sources for details).

above 10$ a day

3.10 - 10$ a day

1.9 - 3.10$ a day

1.25 - 1.9$ a day

below 1.25$ a day

Source: World Bank
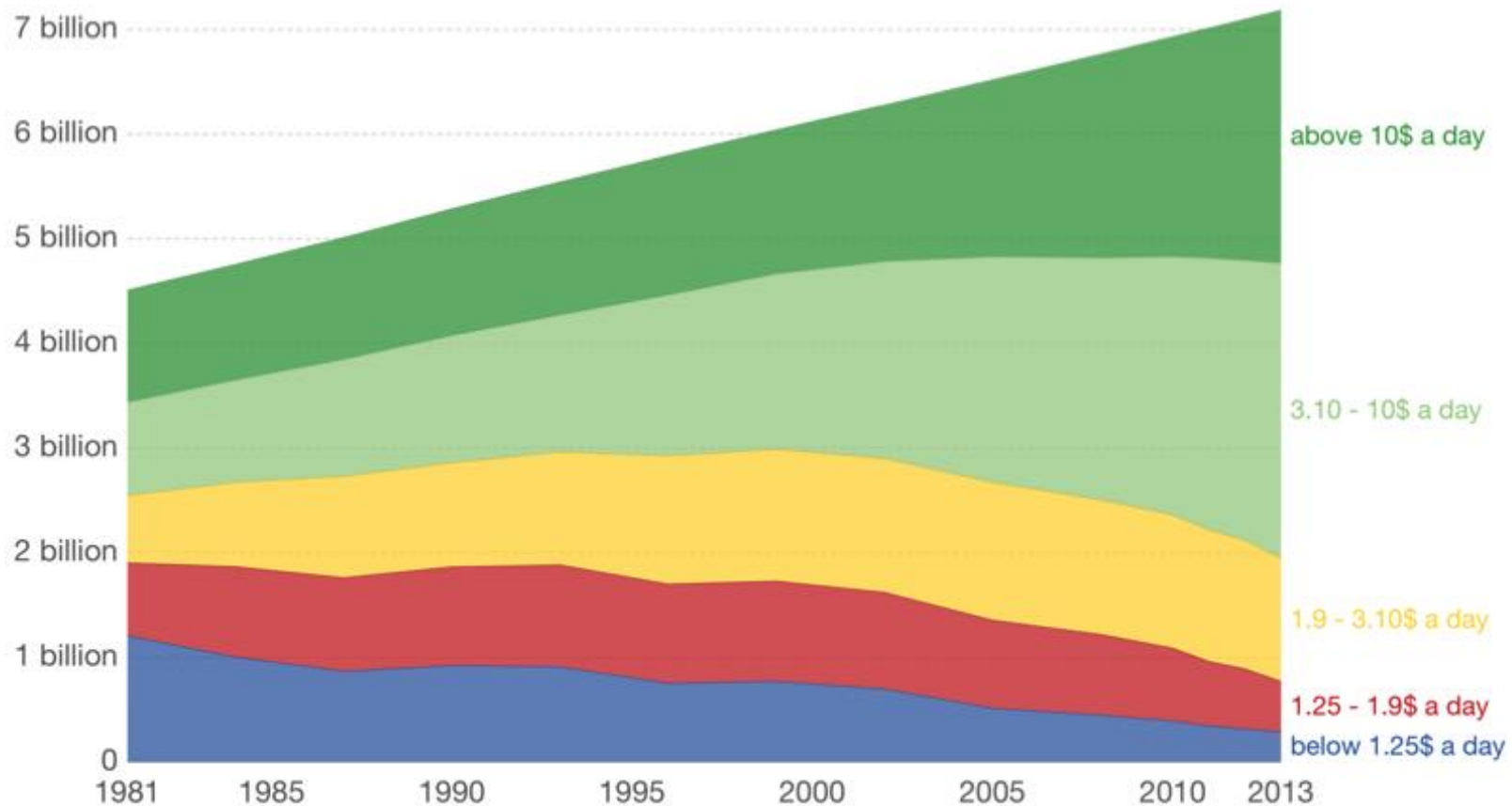
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Note: Estimates for high-income countries are included, but are not always comparable with those from other countries because of differences between income and consumption data.

- No single 'story'

Change in Gini index, 2005-2015 (Povcal)

Legend:
- East Asia and Pacific
- Eastern Europe and Central Asia
- Latin America and the Caribbean
- Within 1 pp change
- Middle East and North Africa
- South Asia
- Sub-Saharan Africa
- Industrialized countries

Source: PovcalNet, April 2018
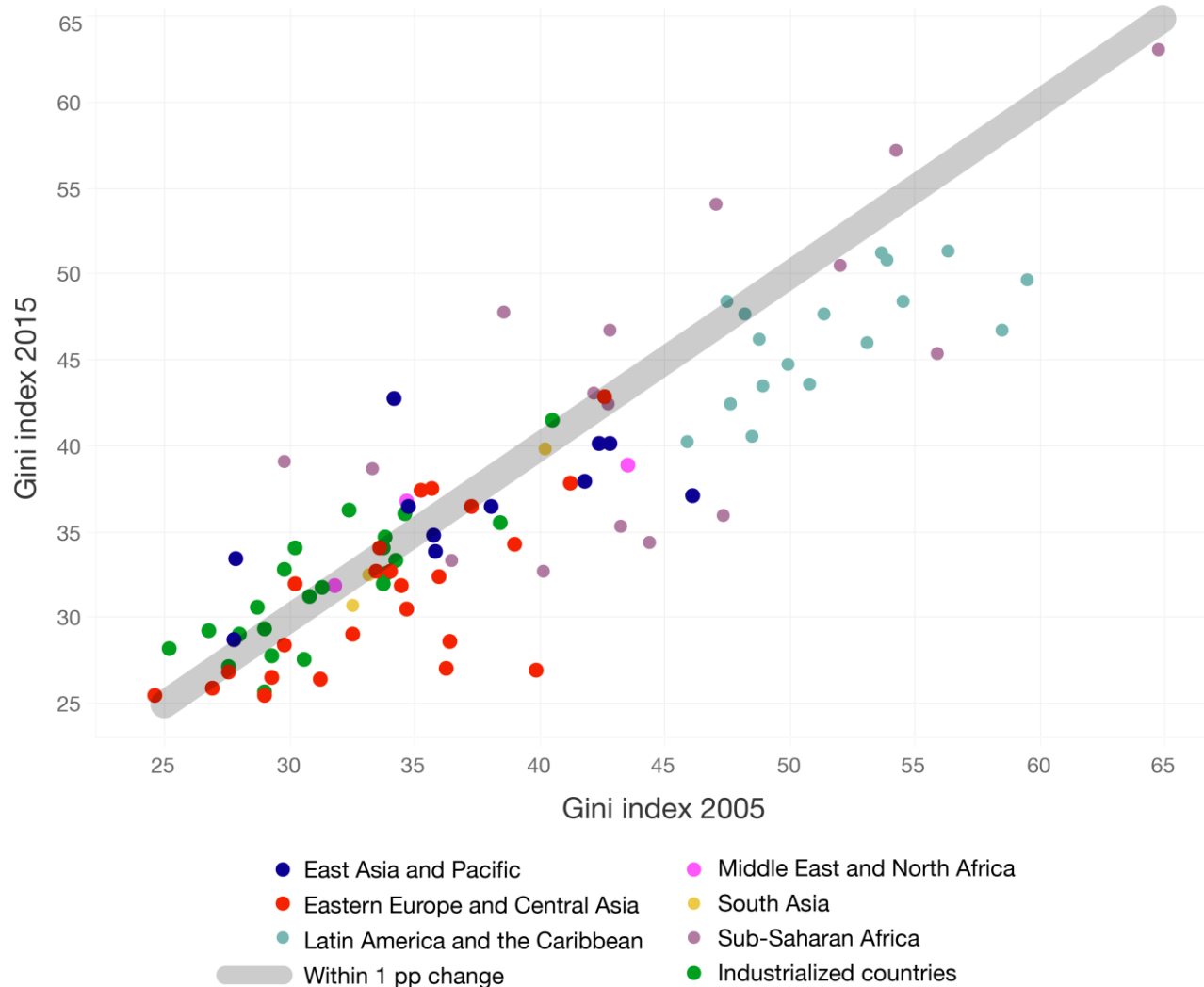
- ## No single 'story'

Gini index of disposable household income in Latin American countries (SEDLAC)
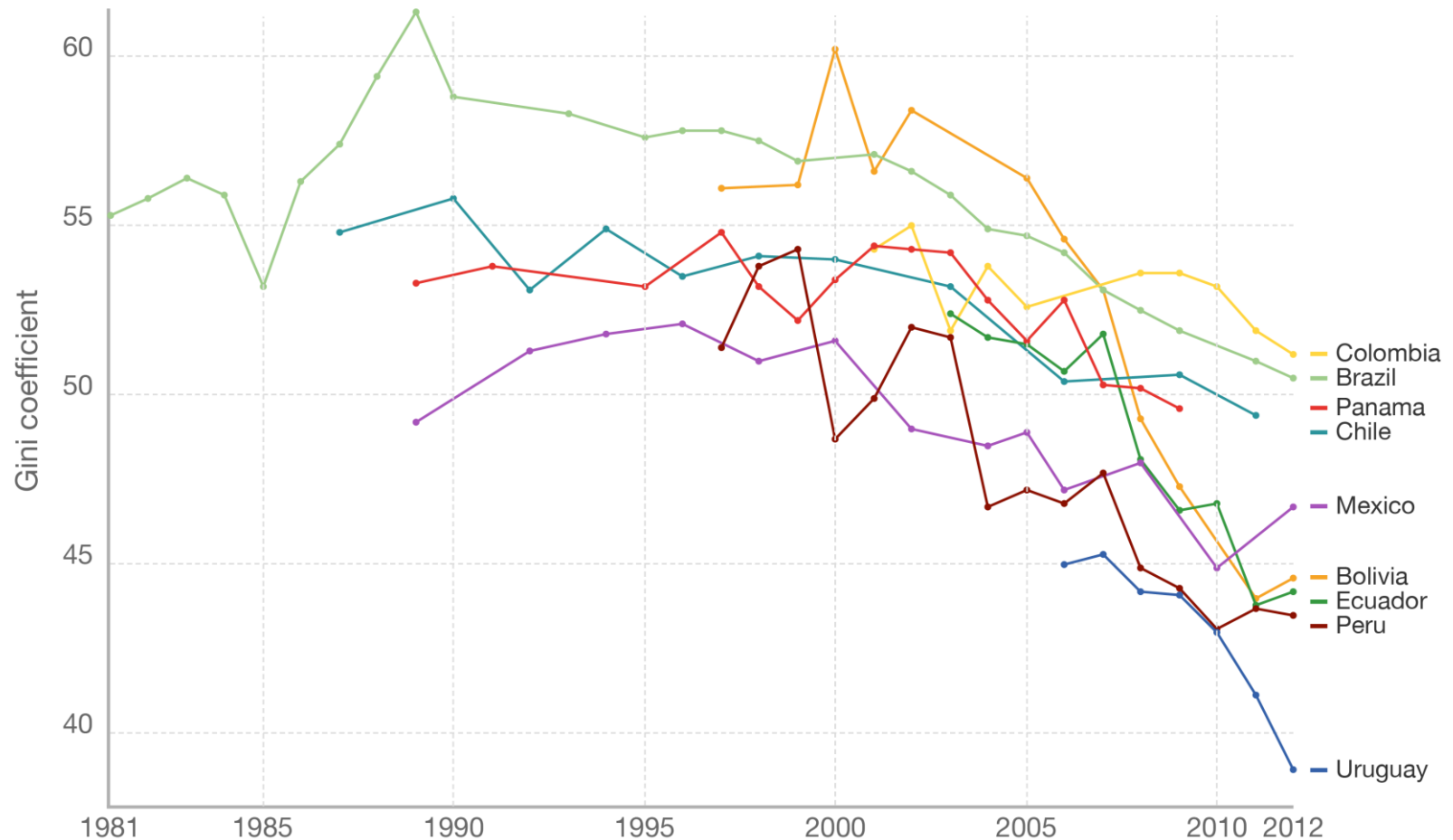
Income growth of the poorest 10% vs income growth of the richest 10%

Incomes are real disposable household incomes. Shown is the income cutoff between the richest and poorest 10% and the rest of the population.
Incomes are adjusted for price changes over time and for price differences between countries (expressed in international dollars).

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Real income of the richest 10% (log scale)
(2011 International Dollars)

United States
United Kingdom
France
Norway

6:1 Income Ratio
5:1 Income Ratio
4:1 Income Ratio
3:1 Income Ratio

$70,000
$65,000
$60,000
$55,000
$50,000
$45,000
$40,000
$36,000
$33,000
$30,000
$27,500
$25,000
$22,500

$6,500 $7,000 $8,000 $9,000 $10,000 $11,000 $12,000 $13,500 $15,000 $16,500 $18,000

Real income of the poorest 10% (log scale)
(2011 International Dollars)

- **Conclusions**

– To say something *global* => comparability issues

– Missing top incomes from survey data

– Within-country inequality 'small' in context of global inequality
   .... but increasingly less so!

– Different metrics => different perspectives
   - Top incomes shares
   - Absolute differences
   - Extreme poverty

– Large degree of heterogeneity between countries:
      'Globalization' doesn't cut it
            => National policy counts

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