WORLD
INEQUALITY
LAB

WID.WORLD

THE SOURCE FOR
GLOBAL INEQUALITY DATA

Tracking the rise of global economic inequality: new evidence from the World Inequality Report 2018

This presentation:

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- **Continuation of pioneering work of Kuznets in the 1950s and Atkinson in the 1970s combining fiscal and national accounts data**

  Kuznets, 1953 and Atkinson and Harrison, 1978

- **WID.world started with the publication of historical inequality series based on top income shares series using tax data**

  Piketty 2001, 2003, Piketty-Saez 2003, Atkinson-Piketty 2007; 2010, Alvaredo et al., 2013.

- **In 2011, we released the World Top Incomes Database, gradually extended to over thirty countries and to wealth**

  Alvaredo et al., 2013, Saez-Zucman , 2016, Alvaredo-Atkinson-Morelli, 2016, etc.

WID.world today

- **New website WID.world launched January 2017: collaborative effort**

- **Key novelty: we combine National accounts, tax data and surveys in a systematic manner → Distributional National Accounts** (DINA, cf. Alvaredo et al. 2016)

- **Three major extensions underway**
    1. Emerging countries
    2. Entire distribution, from bottom to top
    3. Wealth distribution and not only income distribution

Figure 1.1

Top 10% income share in Brazil, 2001–2015: survey vs. national accounts (WID.world) series

WID.world: Fiscal, survey and national accounts data

Survey data

- **Constantly extending [database](#) on the historical evolution of income and wealth**
  - Income shares, averages, thresholds: 70 countries
  - Wealth income ratios, wealth distribution: 25 countries
  - Net National Income, CFC, GDP: 180 countries

- **All computer codes, technical papers available online: 100% reproducible data**

- **Open access, multi-lingual website and visualization tools**
  - Chinese, English, French, Spanish : reach more than **3 billion people**

- **State of the art tools for inequality research**
  - GPINTER package: manipulate distributions online
  - Stata and R packages: access our data from Stata directly
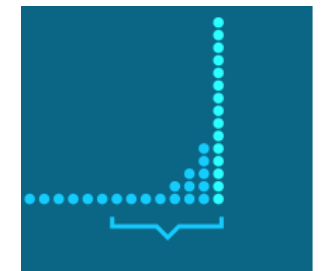
WORLD VIEW

Compare inequality between countries on an interactive world map

COUNTRY GRAPHS
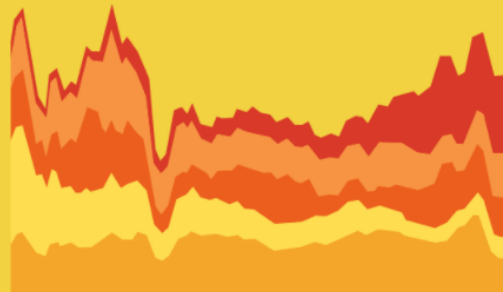
Follow the evolution of inequality within countries with user-friendly graphs

DATA TABLES

Download our open-access datasets

PART II
GLOBAL INCOME INEQUALITY DYNAMICS

- The top 1% captured twice as much global income growth as the bottom 50% since 1980

- We observe rising inequality between world individuals, despite growth in the emerging world

- Different national trajectories show rising global inequality is not inevitable

- **Official statistics do not provide an adequate picture of global inequality**
  - Official data mostly based on self-reported survey & underestimates inequality
  - No global distribution based on systematic combination of top and bottom income or wealth data (National accounts, tax, surveys and wealth rankings)

- **WID.world follows a step-by-step approach towards a consistent global distribution of income and wealth**
  - We only aggregate countries for which we have consistent series, in line with Distributional National Accounts
  - We confirm and amplify the « Elephant curve » pattern (Lakner-Milanovic) with more systematic use of tax and national accounts data.

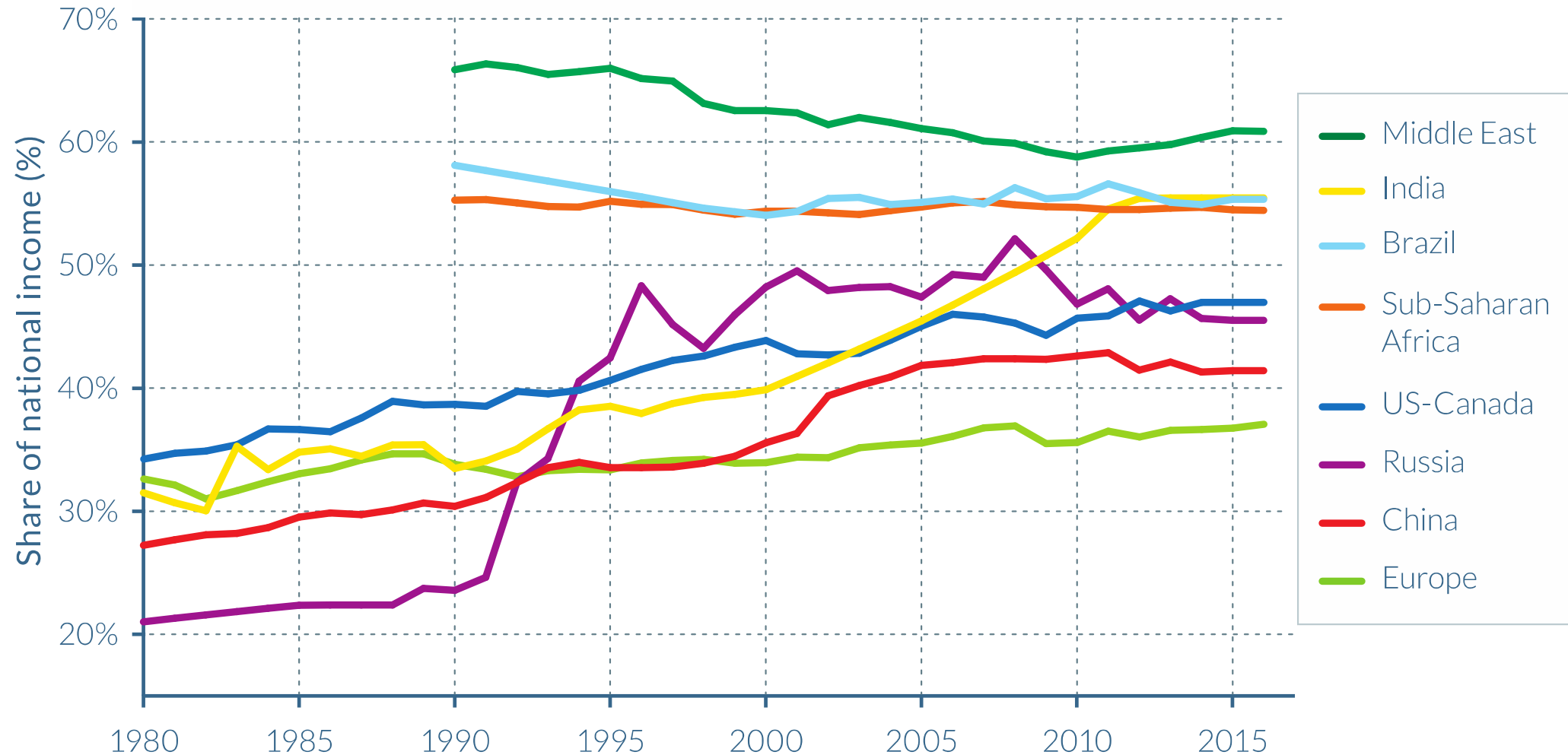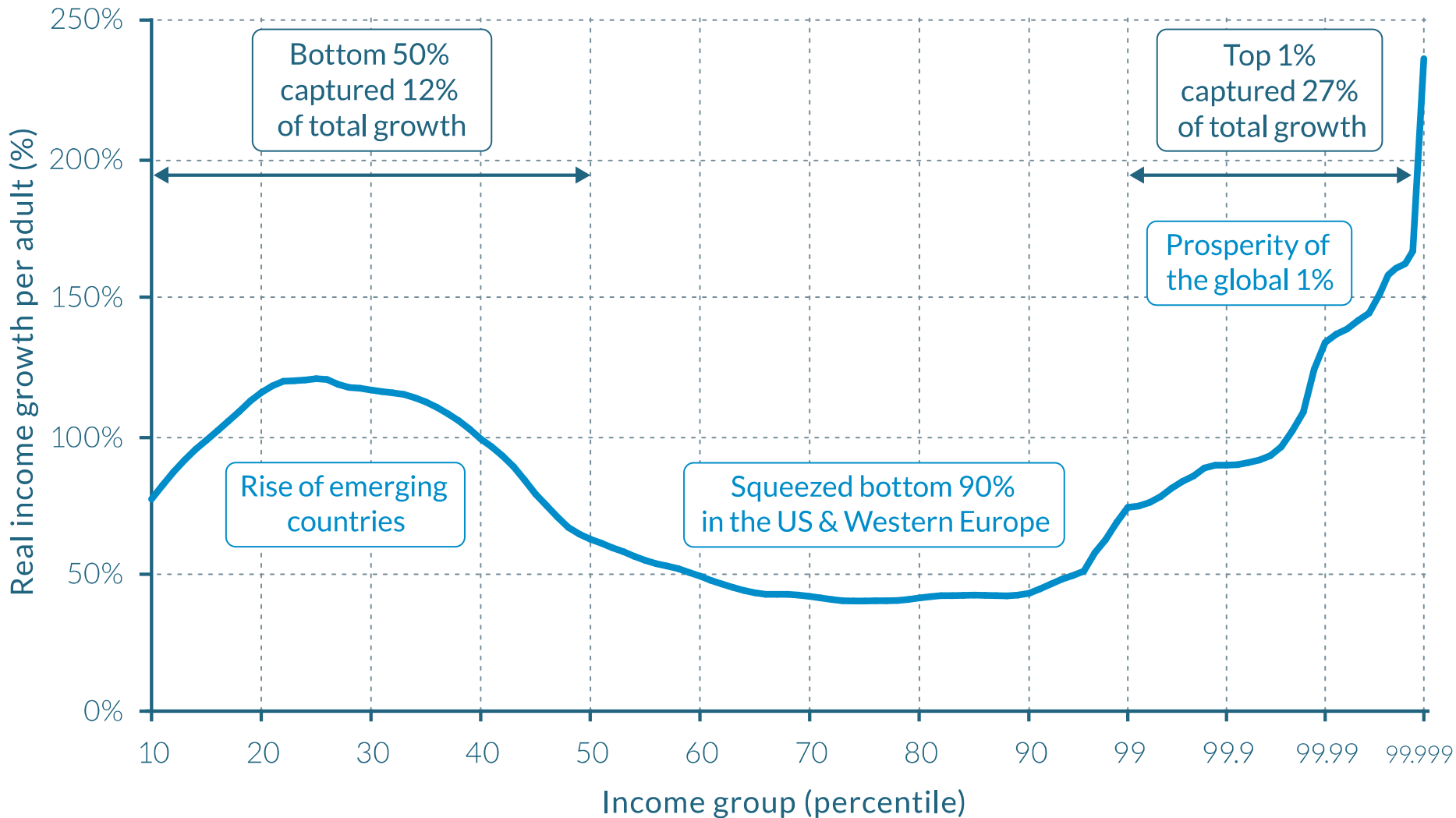Income inequality rises in many parts of the world, but at different speeds

Top 10% income shares across the world, 1980-2016
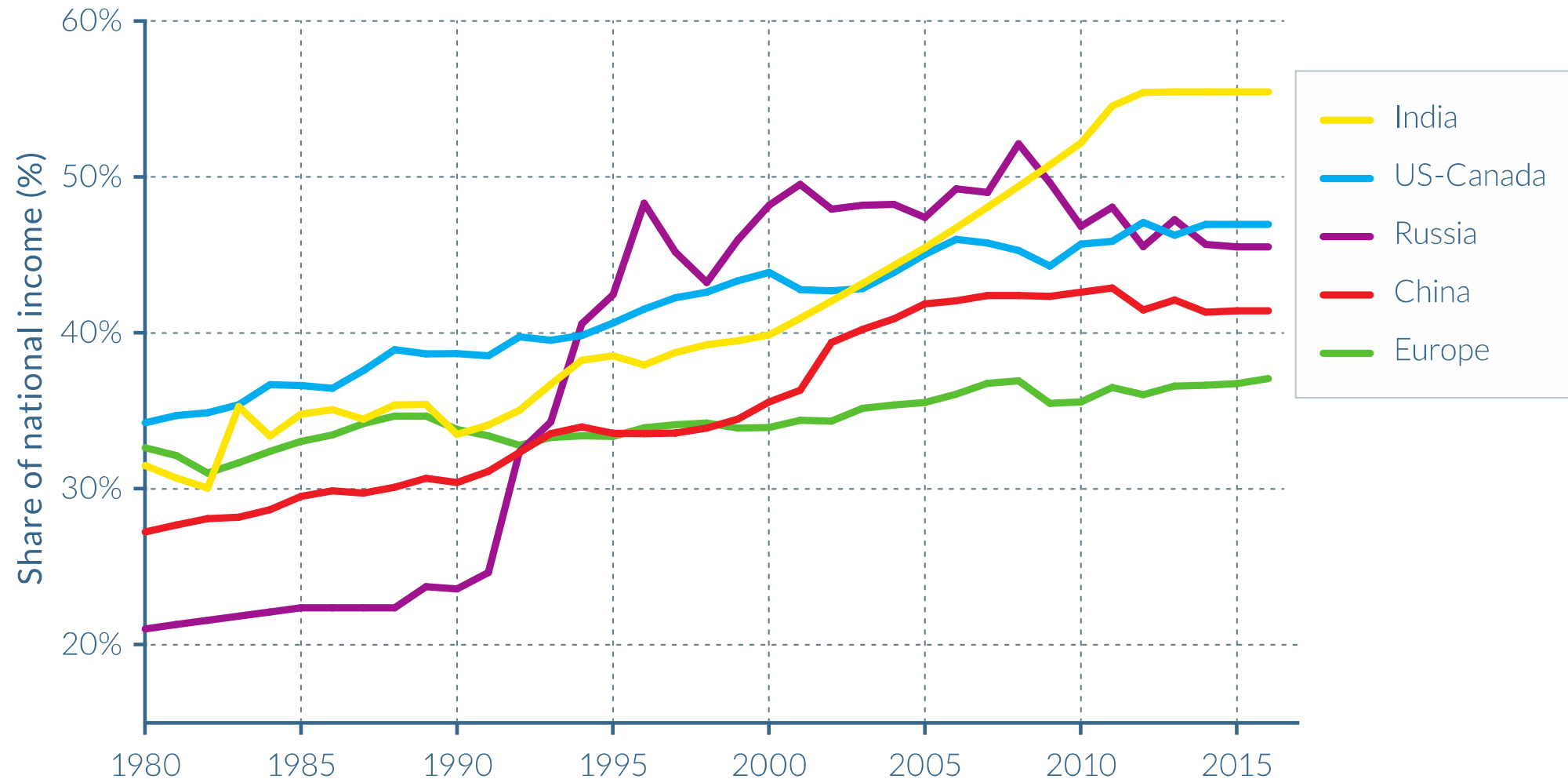
Source: World Inequality Report 2018, Figure 2.1.1. See wir2018.wid.world for data sources and notes.

Is the world moving towards the high inequality frontier?

Top 10% income shares across the world, 1980-2016

Legend:
- Middle East
- India
- Brazil
- Sub-Saharan Africa
- US-Canada
- Russia
- China
- Europe

Y-axis: Share of national income (%)
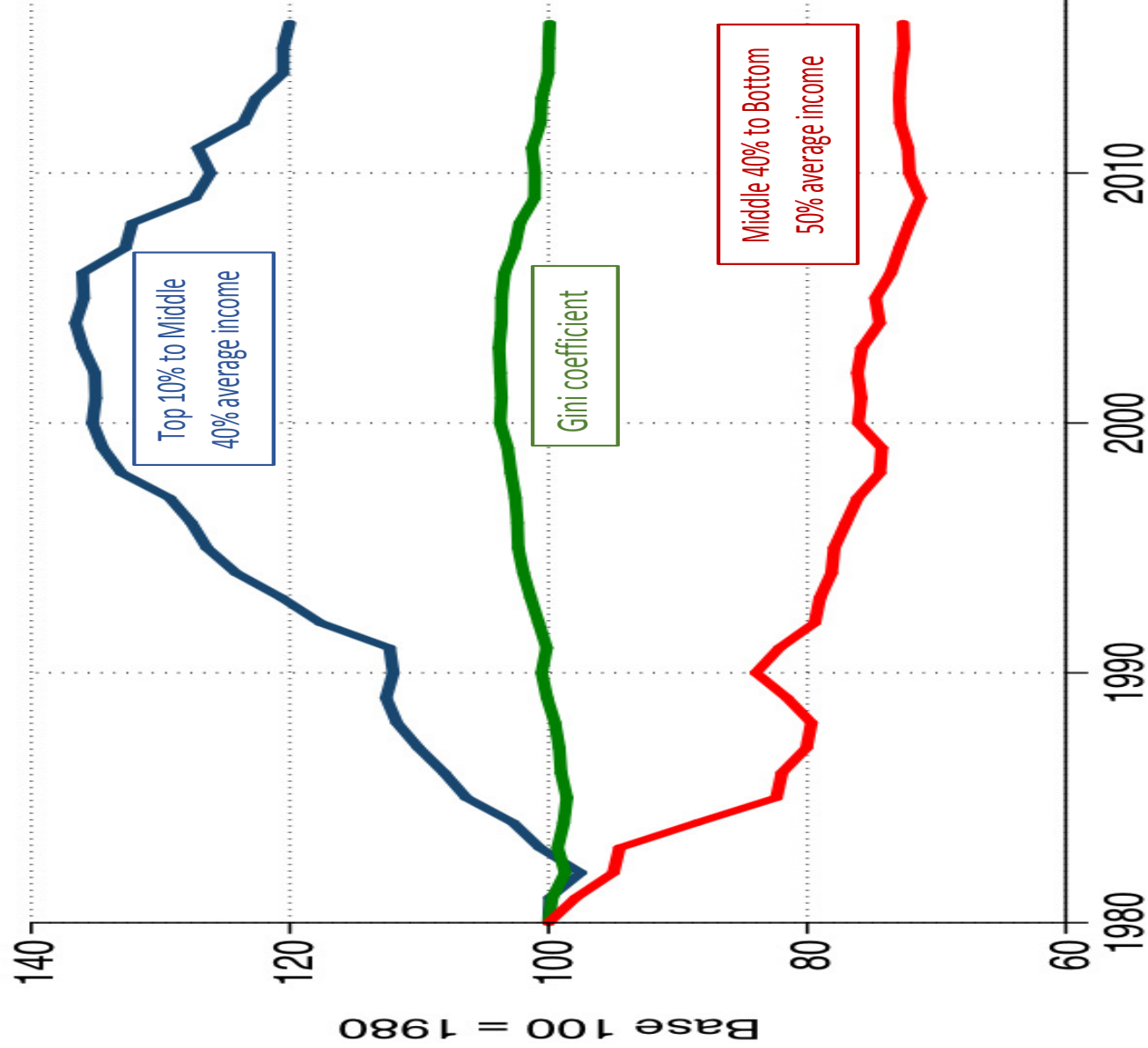X-axis: 1980, 1985, 1990, 1995, 2000, 2005, 2010, 2015

Total income growth by percentile across all world regions, 1980–2016

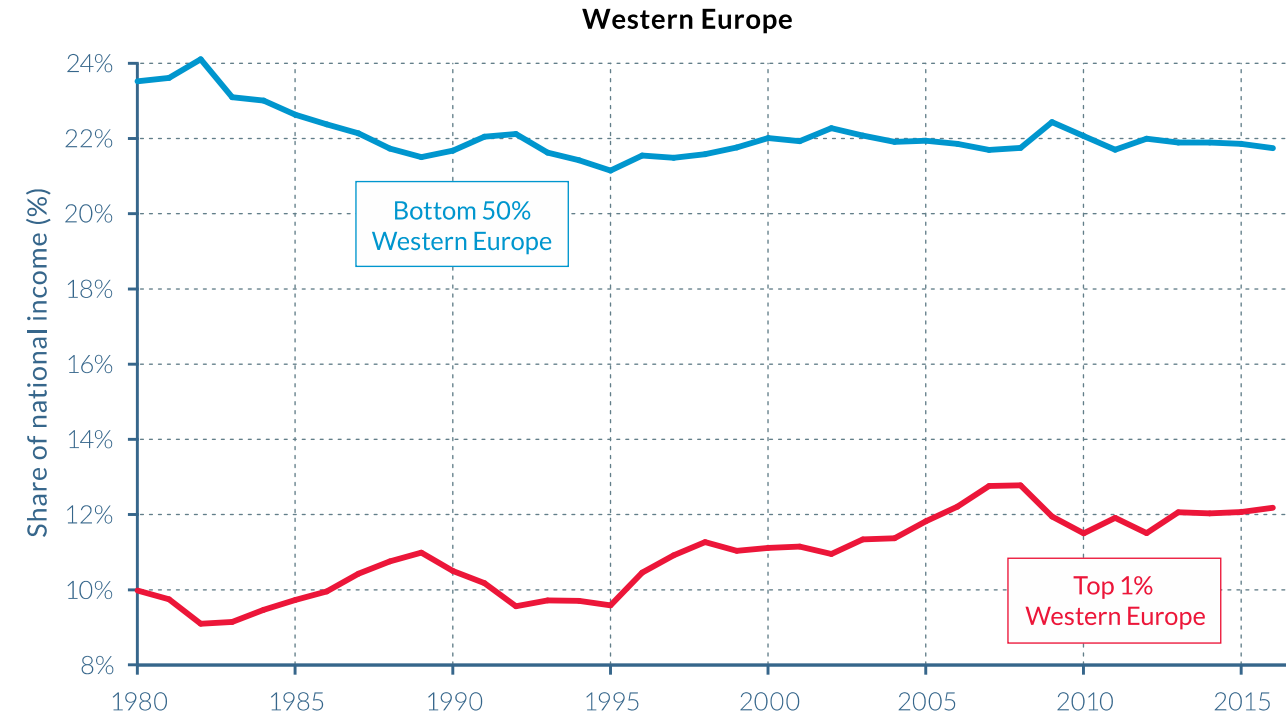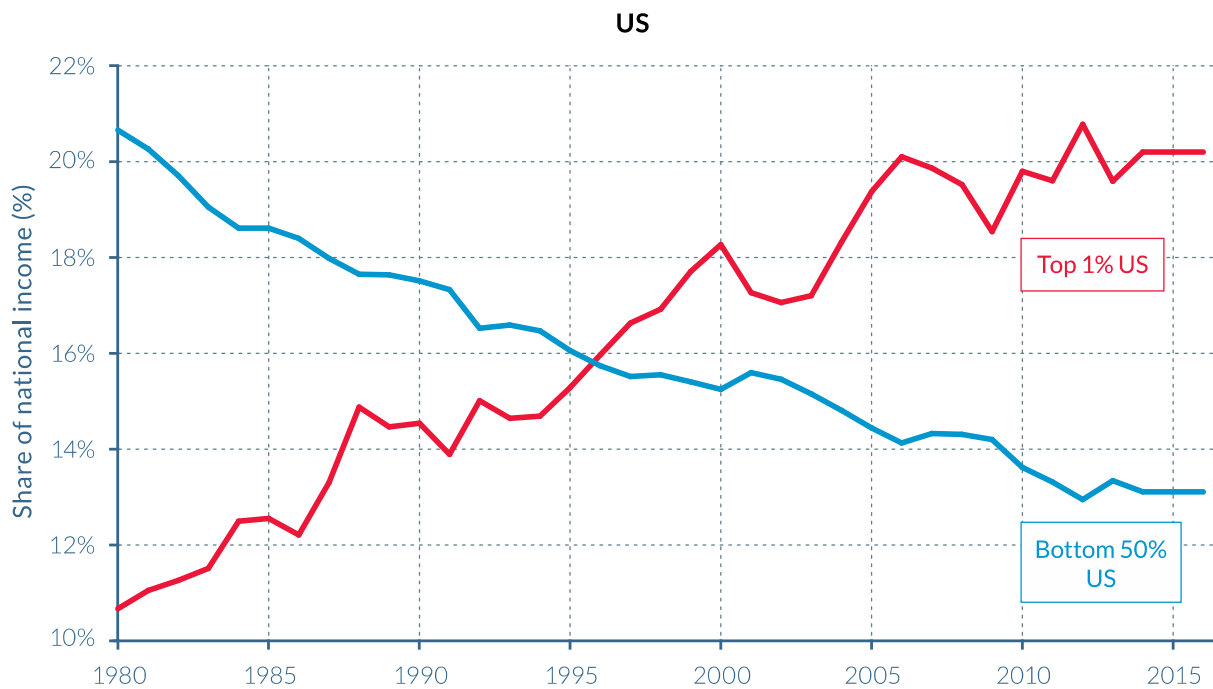Source: World Inequality Report 2018, Figure 2.1.4. See wir2018.wid.world for data sources and notes.

Global income inequality dynamics, 1980-2016
Behind apparent Gini stability: rising Top, falling Middle

Top 10% to Middle 40% average income

Gini coefficient

Middle 40% to Bottom 50% average income

Base 100 = 1980

The ratio of the average income of the Top 10% to that of the Middle 40% increased by 20 percentage points (p.p.) between 1980 and 2016 (it increased from x4.5 to x5.6). The ratio of the average income of the Middle 40% to that of the Bottom 50% decreased by 27 p.p. between 1980 and 2016 (it decreased from x6.9 to x4.8). The global Gini in 2016 was at its 1980 level (65).

US vs Europe: huge rise of inequality in the US but stagnation of bottom 50% average income

Top 1% vs. bottom 50% in the US and Western Europe, 1980-2016

Source: World Inequality Report 2018, Figure 2.1.3. See wir2018.wid.world for data sources and notes.
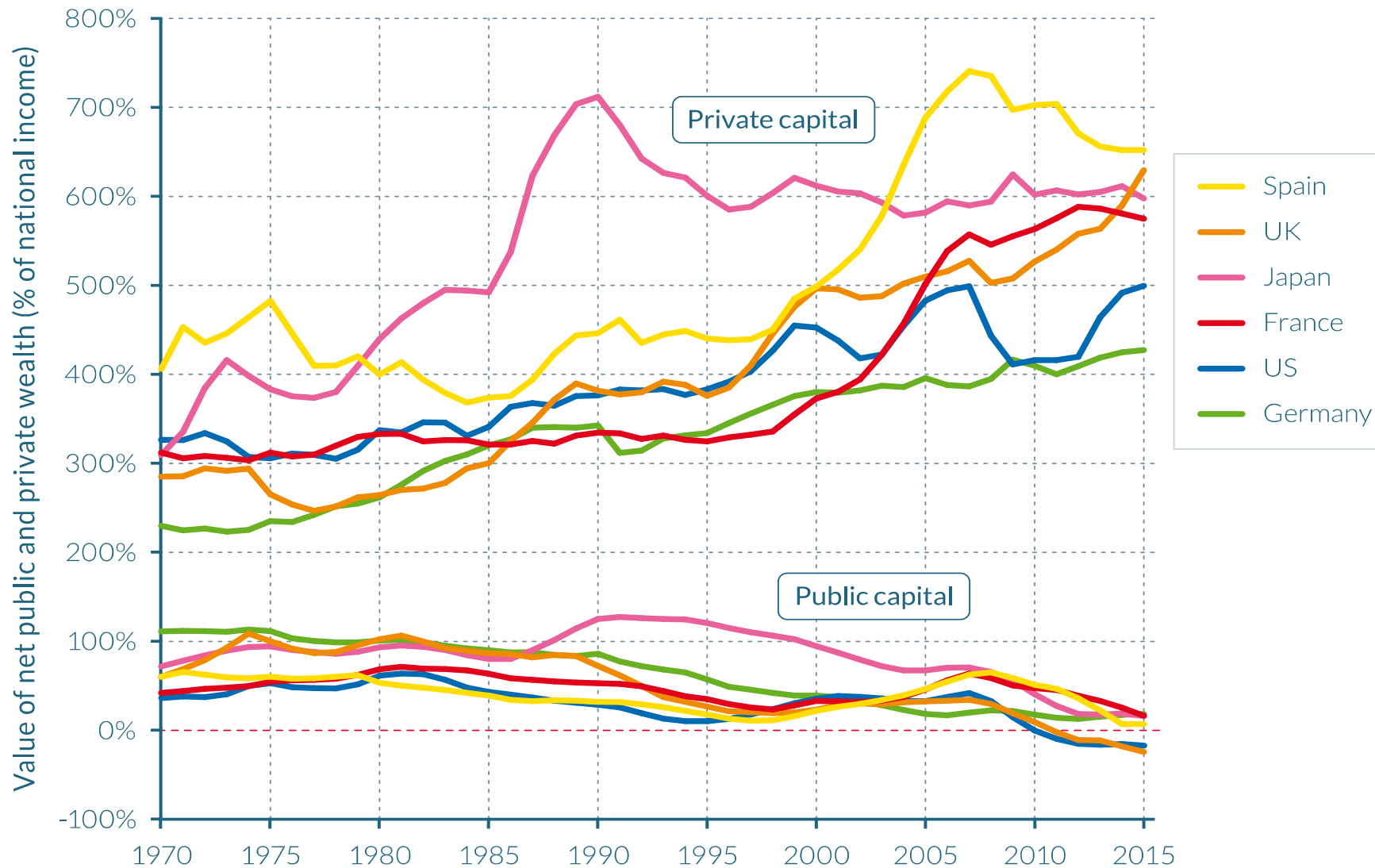
Part III
PUBLIC VERSUS PRIVATE CAPITAL DYNAMICS

- Economic inequality is largely driven by the unequal ownership of capital, which can be either privately or public owned.

- We show that since 1980, very large transfers of public to private wealth occurred in nearly all countries, whether rich or emerging.

- While national wealth has substantially increased, public wealth is now negative or close to zero in rich countries. Arguably this limits the ability of governments to tackle inequality; certainly, it has important implications for wealth inequality among individuals.

The rise of private capital and the fall of public capital in rich countries, 1970–2016
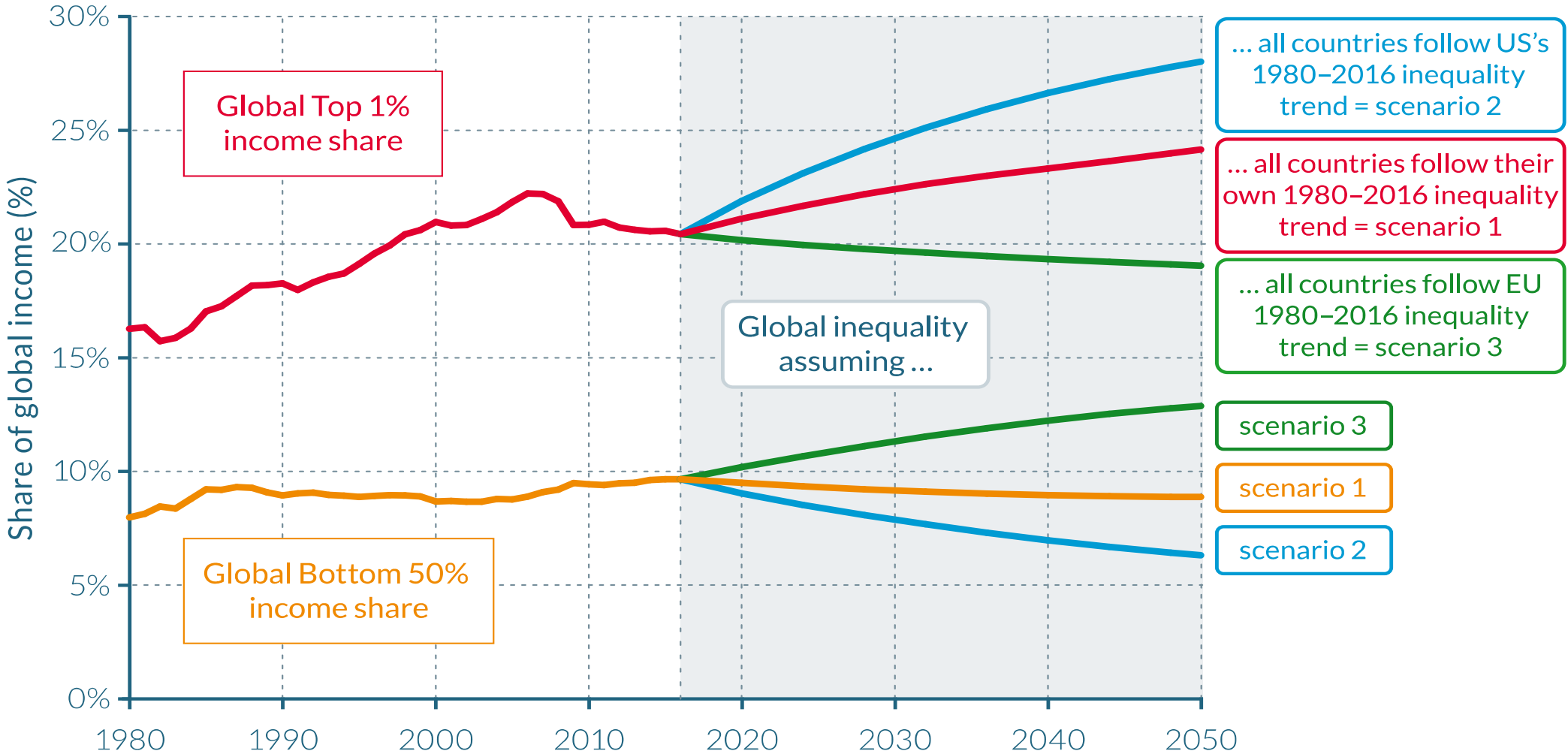
Source: World Inequality Report 2018, Figure E6. See wir2018.wid.world for data sources and notes.

Part III
TACKLING GLOBAL INEQUALITY

- The future of global inequality depends on convergence forces (rapid growth in emerging countries) and divergence forces (rising inequality within countries). No one knows which of these forces will dominate and whether current trends are sustainable.

- Under « Business as usual » scenario, even with high growth in the emerging world, within-country divergence will prevail. Other pathways are possible however: if all countries adopt a European inequality pathway, global inequality would decrease by 2050. This would have enormous impacts on global poverty eradication.
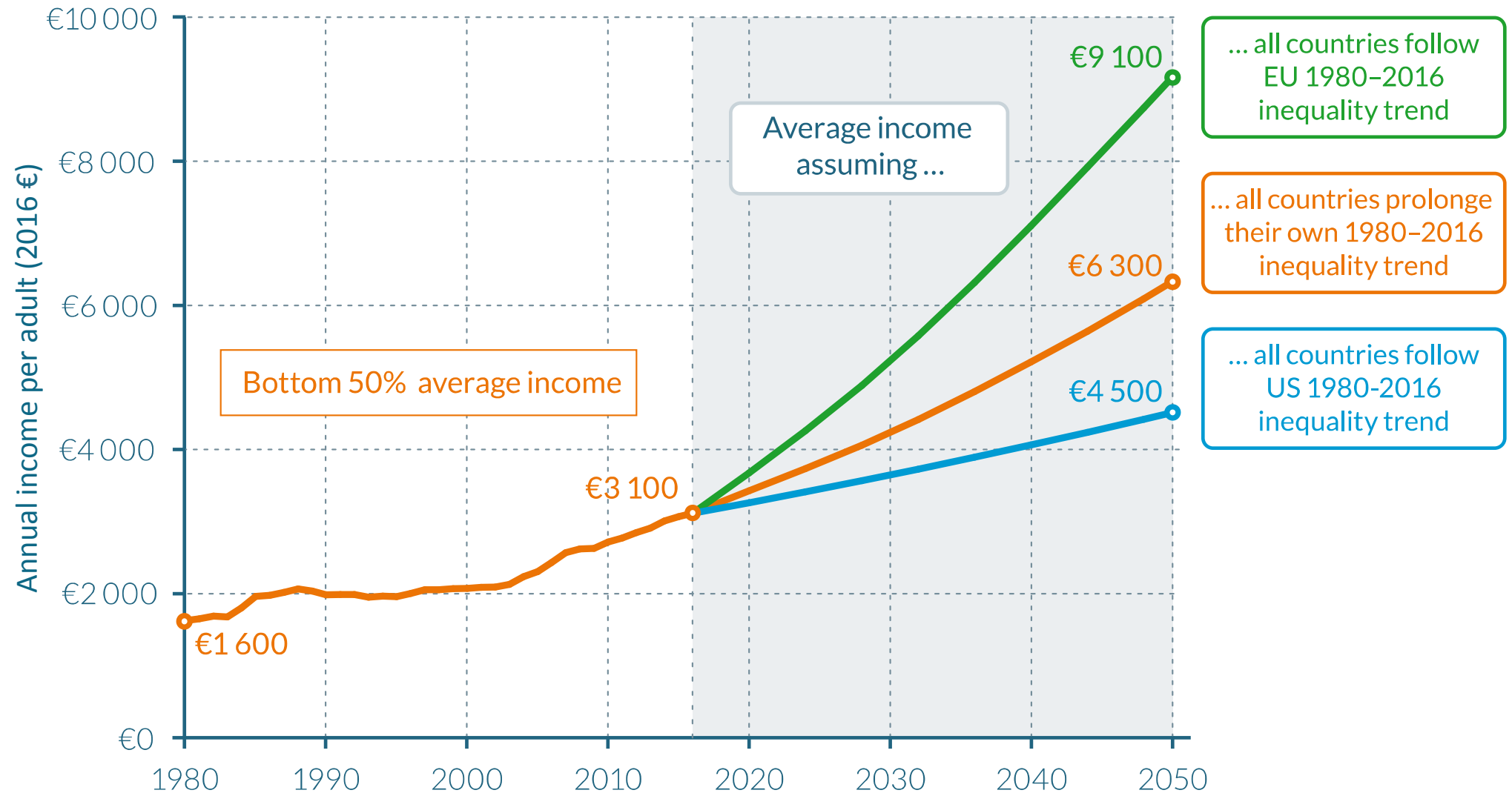
Global income share projections of the Bottom 50% and Top 1% , 1980–2050

Source: World Inequality Report 2018, Figures 5.1.1. See wir2018.wid.world for data sources and notes.

Global average income projections of the Bottom 50%, 1980–2050

Average income assuming …

... all countries follow EU 1980–2016 inequality trend

... all countries prolonge their own 1980–2016 inequality trend

... all countries follow US 1980-2016 inequality trend

Bottom 50% average income

€9 100

€6 300

€4 500

€3 100

€1 600

Annual income per adult (2016 €)

Source: World Inequality Report 2018, Figures 5.1.3. See wir2018.wid.world for data sources and notes.

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Progressive taxation

Global financial registry

Equal access to education and well-paying jobs
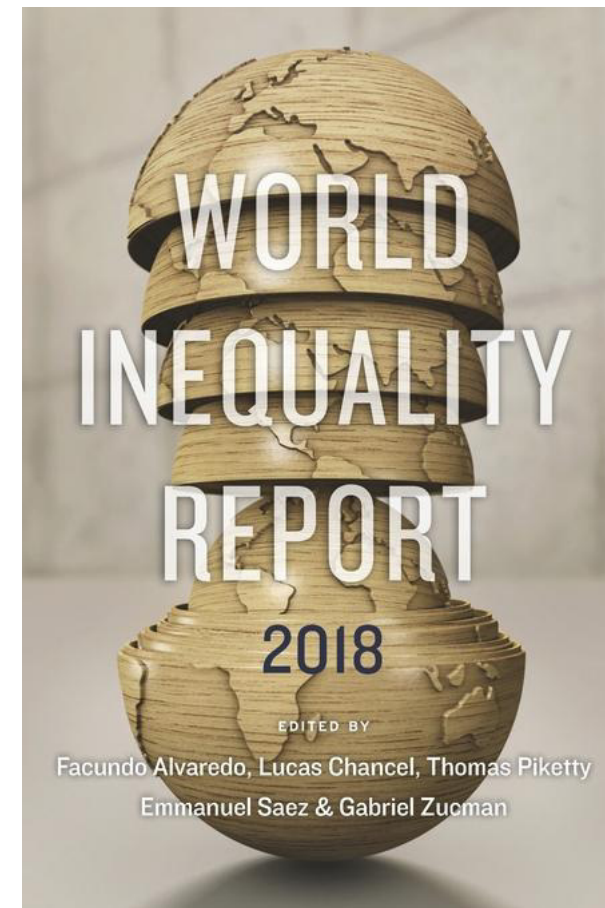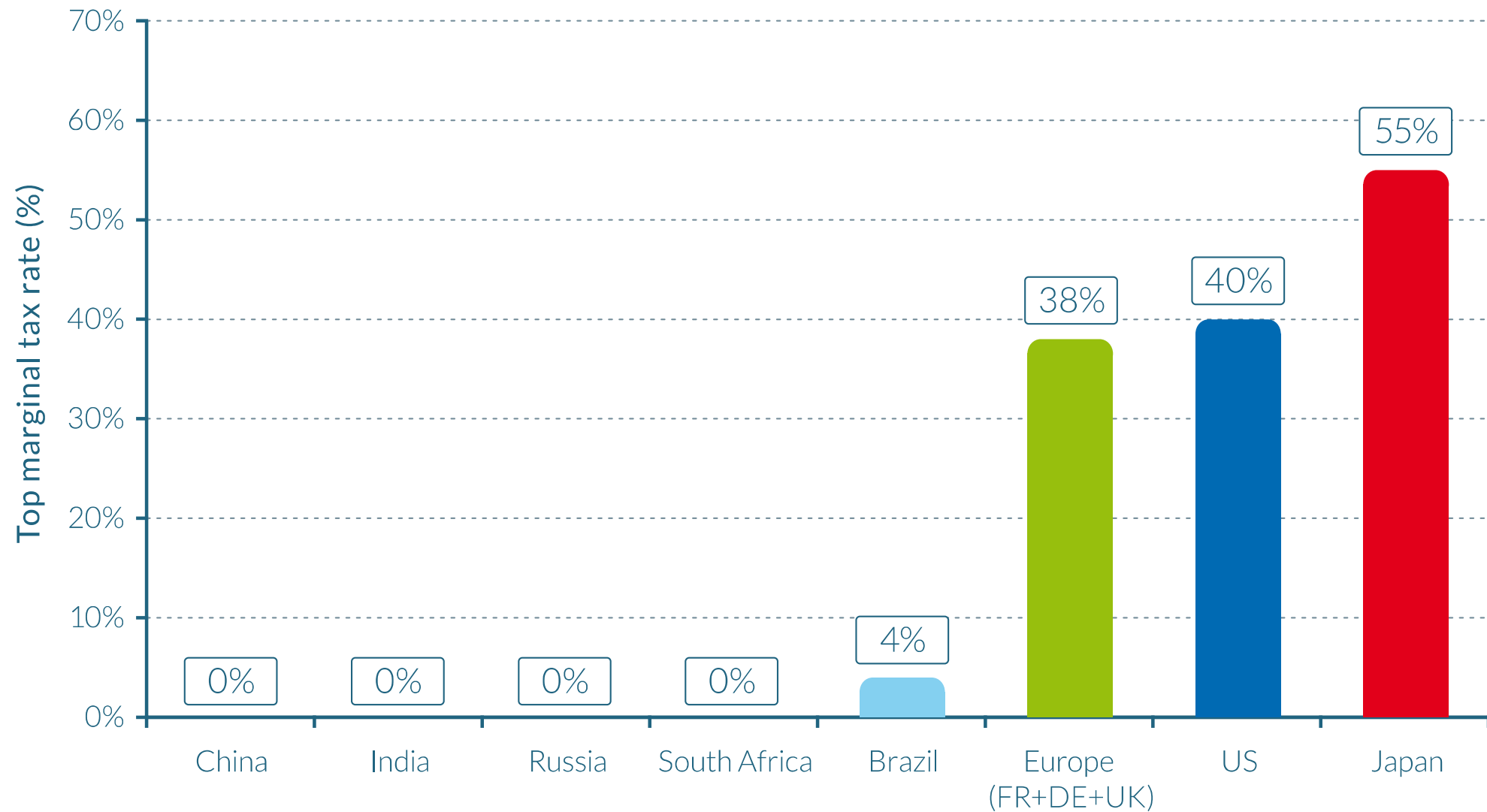
Investing in the future

Figure 5.2.4

Top inheritance tax rates in emerging and rich countries, 2017

Top marginal tax rate (%)

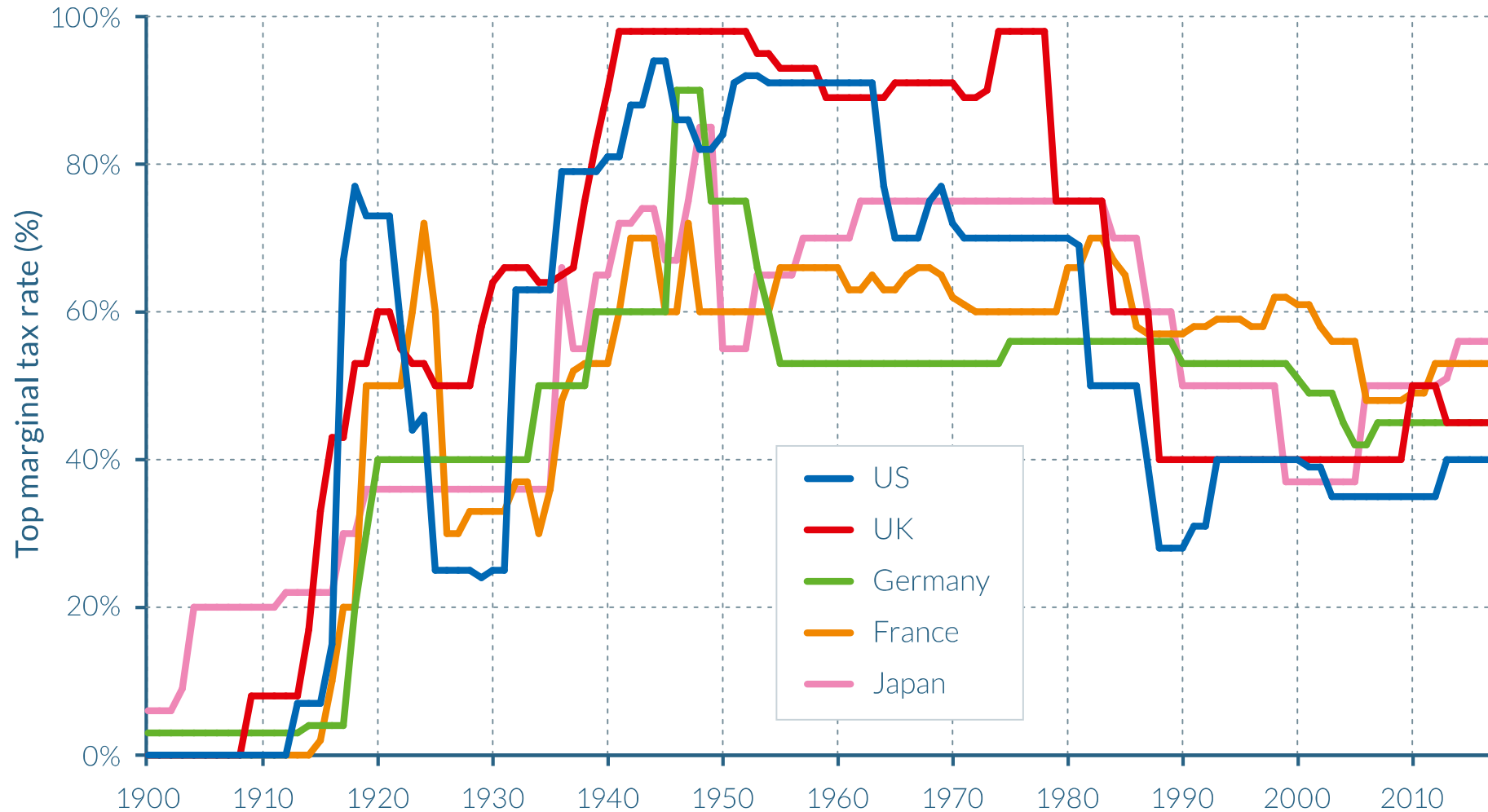| Country	Rate
China	0%
India	0%
Russia	0%
South Africa	0%
Brazil	4%
Europe (FR+DE+UK)	38%
US	40%
Japan	55%

Source: WID.world (2017). See wir2018.wid.world for data series and notes.

In 2017, the top marginal tax rate of inheritance tax (applying to the highest inheritances) was 55% in Japan, compared to 4% in Brazil. Europe is represented by France, Germany and the UK.

Figure 5.2.2

Top income tax rates in rich countries, 1900–2017

Between 1963 and 2017, the top marginal tax rate of income tax (applying to the highest incomes) in the US fell from 91% to 40%.