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

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History of the WID.world project

- 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
  

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

- **Key novelty:** we combine National accounts, tax data and surveys in a systematic manner \( \rightarrow \) 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
Survey data largely miss dynamics of top incomes: example of Brazil

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

Source: World Inequality Report 2018, Figure 2.1.1. See wir2018.wid.world for data sources and notes.
The bottom 50% grew… but the top 1% captured twice more total growth.

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.
Reconciling different narratives on global income inequality dynamics: limits of the Gini

Global income inequality dynamics, 1980-2016

Behind apparent Gini stability: rising Top, falling Middle

Top 10% to Middle 40% average income
Middle 40% to Bottom 50% average income

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 4.5 to 6.8). 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 6.5 to 3.8). 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.
Countries have become richer, but governments have become poorer.

The rise of private capital and the fall of public capital in rich countries, 1970–2016

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.
Business as usual: global income inequality will continue to rise, despite high growth in emerging world. Between country convergence not enough to counter within-country trend.

Global income share projections of the Bottom 50% and Top 1%, 1980–2050

- Global Top 1% income share
- Global Bottom 50% income share

Different inequality trajectories at the national level matter enormously for global poverty eradication.

Tackling global inequality: more in the report. Aim is to open the discussion, not to close it!

- 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


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

Strong decline in tax progressivity since the 1970s in most countries.

Sources: Piketty (2014) and updates. See wir.2018.wid.world for data series and notes.

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%.