WORLD INEQUALITY LAB

WID.WORLD

THE SOURCE FOR GLOBAL INEQUALITY DATA

Unsustainable inequalities? From measurement to policy

Lucas Chancel
Co-director, World Inequality Lab
Lead coordinator, World Inequality Report 2018

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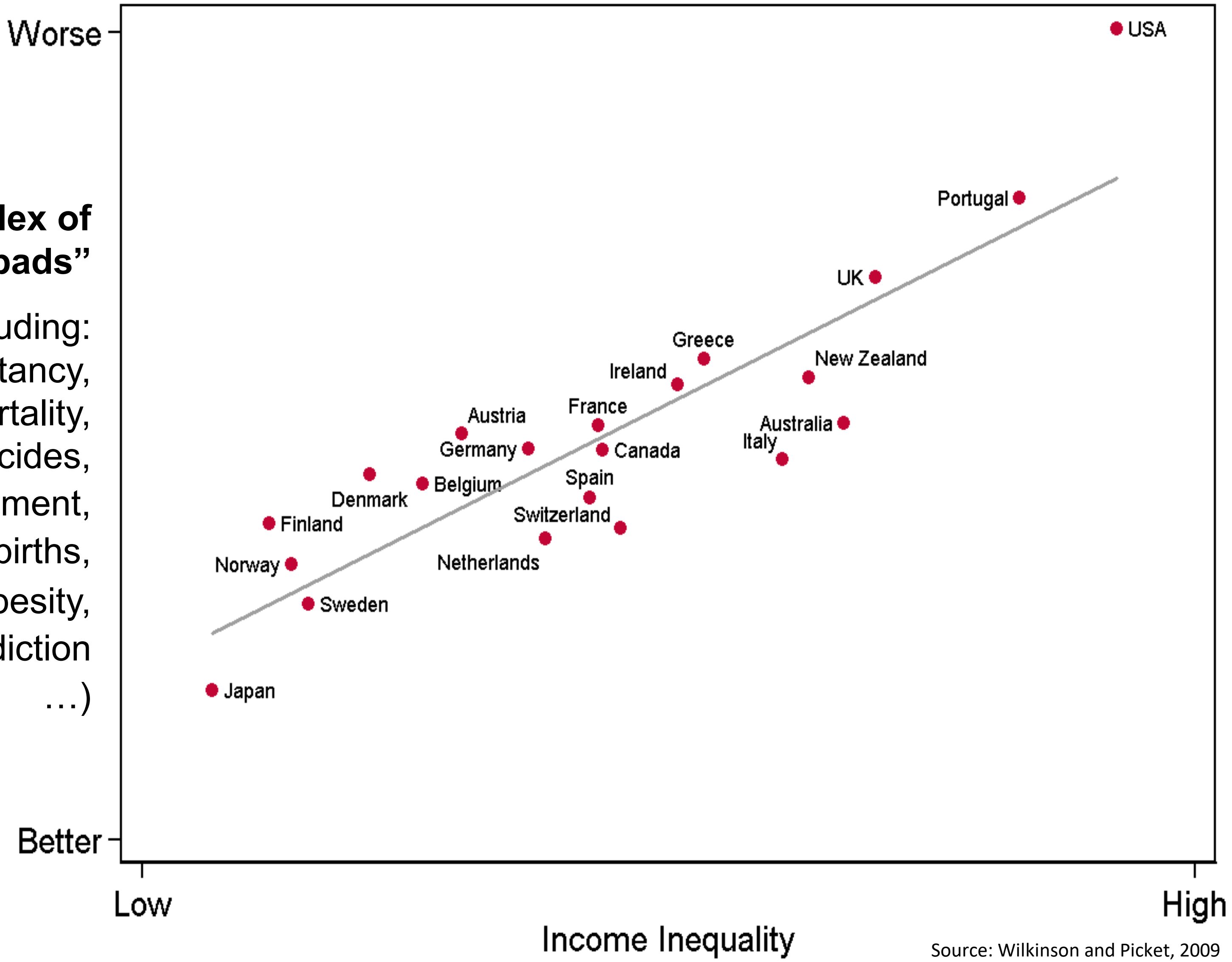
Higher economic inequality is associated with higher levels of « social bads »

Index of "social bads"

(including:
Life expectancy,
Infant mortality,
Homicides,
Imprisonment,
Teenage births,
Obesity,
Drug addiction
…)



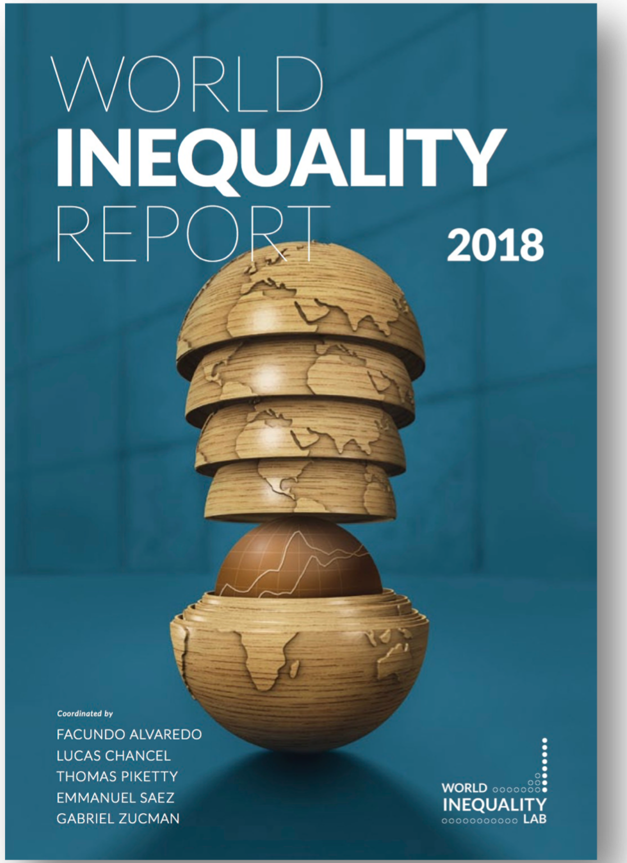
Source: Wilkinson and Picket, 2009

Lack of transparency on income and wealth poses severe challenges to democracy

- **World Inequality Database (WID.world) seeks to address this gap:** WID.world is the most extensive database on the historical evolution of income and wealth distribution. Regroups 100+ researchers over 5 continents. 100% transparent, open source, reproducible.

- **Our findings:** despite high growth in emerging countries, global inequality increased since 1980. The top 1% captured twice as much global income growth as bottom 50%. Diverging country inequality trajectories highlight the importance of institutional changes & political choices rather than deterministic forces.

- Way forward: Much can be done in the coming decades to promote more equitable growth. <u>UN can play a critical role, via the establishment of standardized measures of growth inequality.</u>



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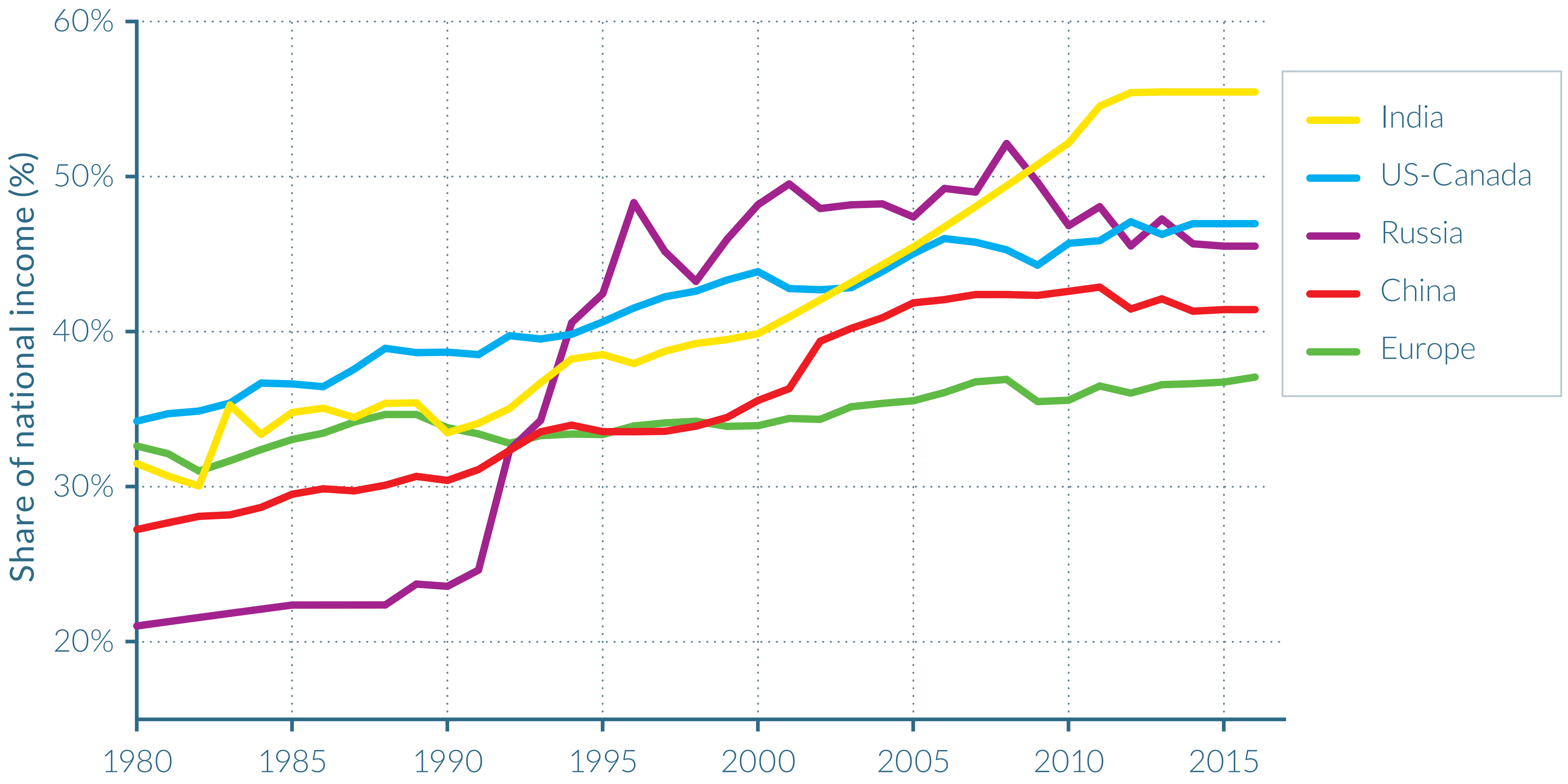
Income inequality increased almost everywhere, but at different speeds

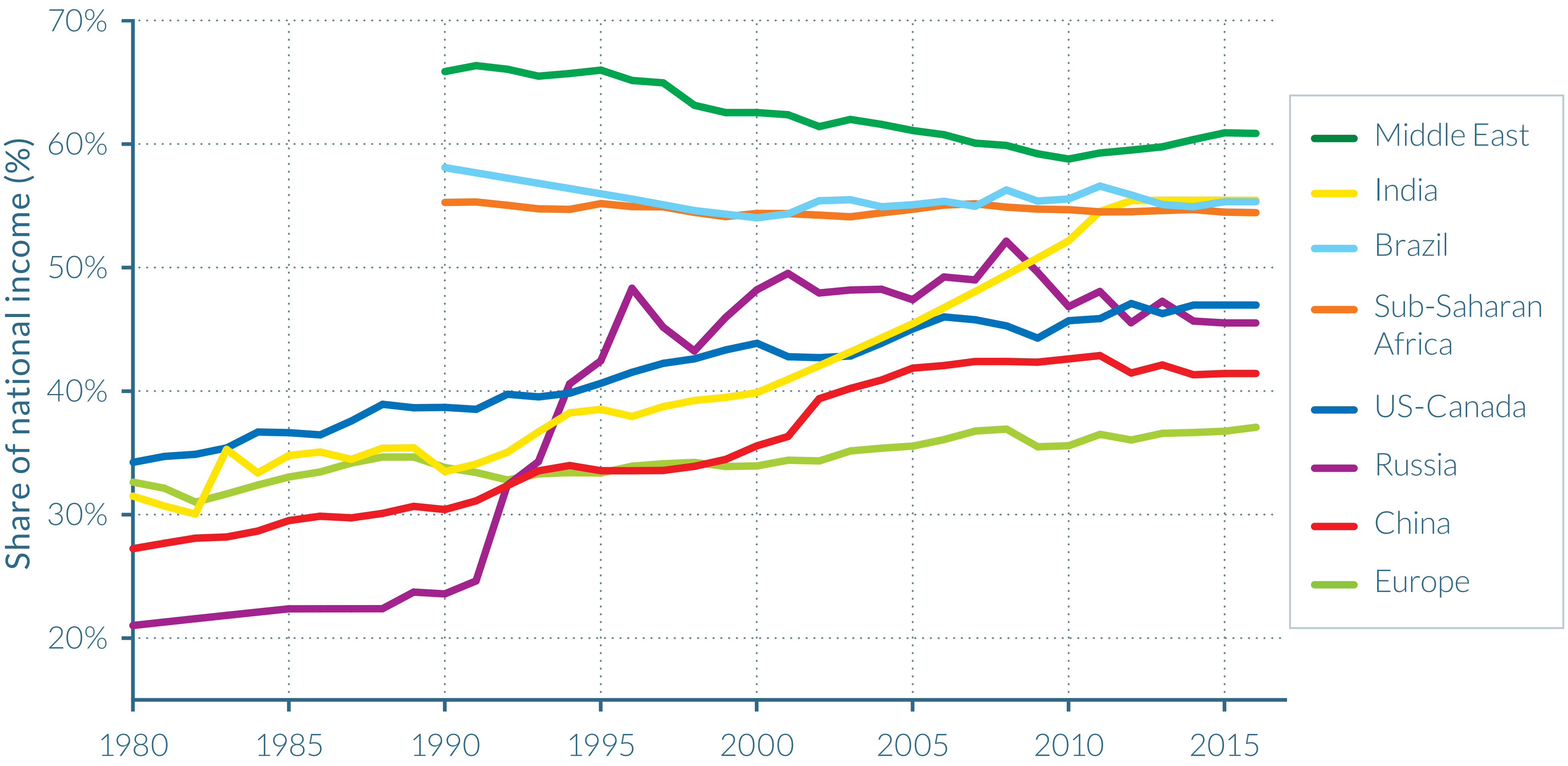
Top 10% income shares across the world, 1980-2016



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?

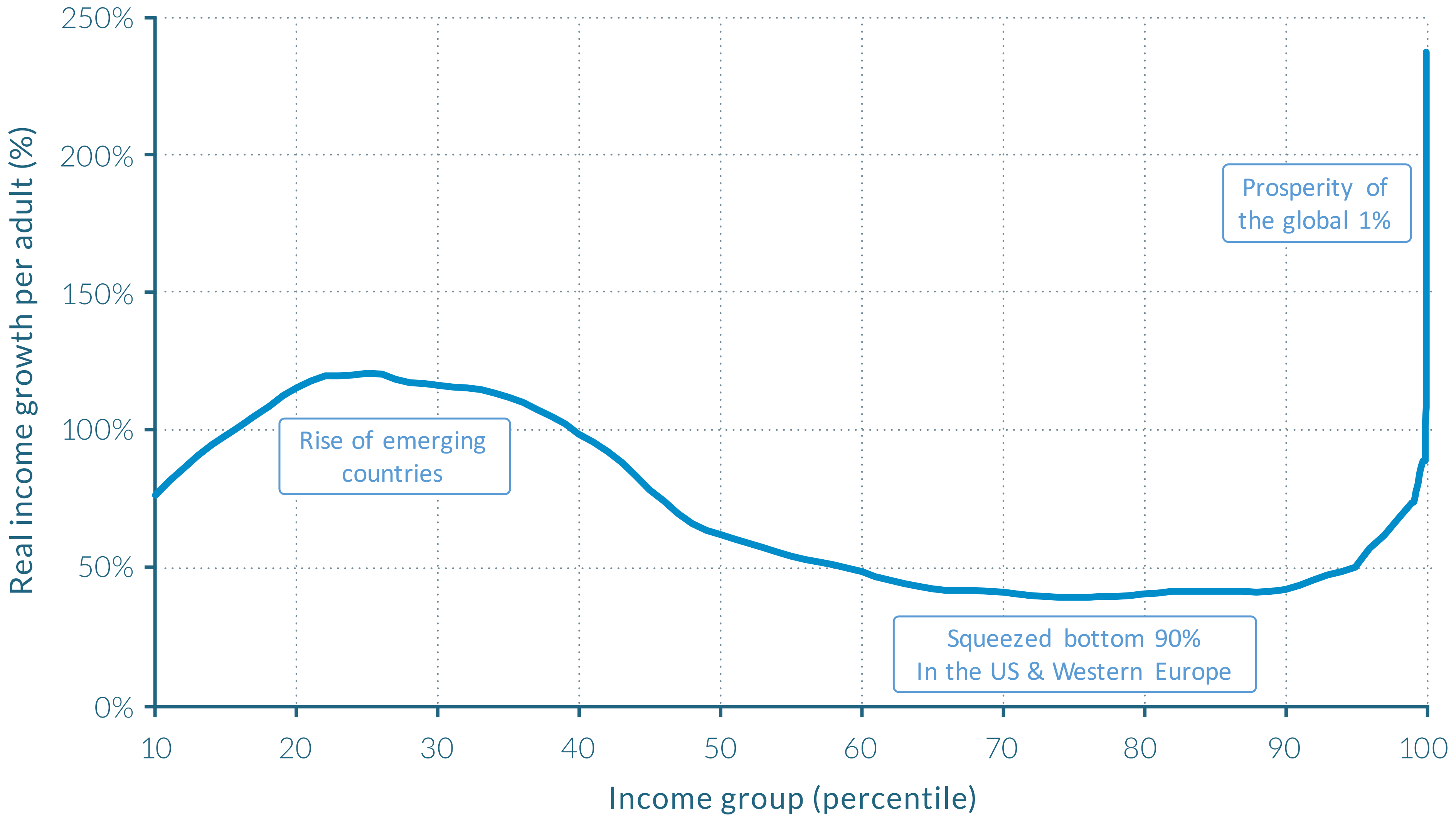
Top 10% income shares across the world, 1980-2016



Source: World Inequality Report 2018, Figure 2.1.1. See wir2018.wid.world for data sources and notes.

The global elephant curve of inequality and growth

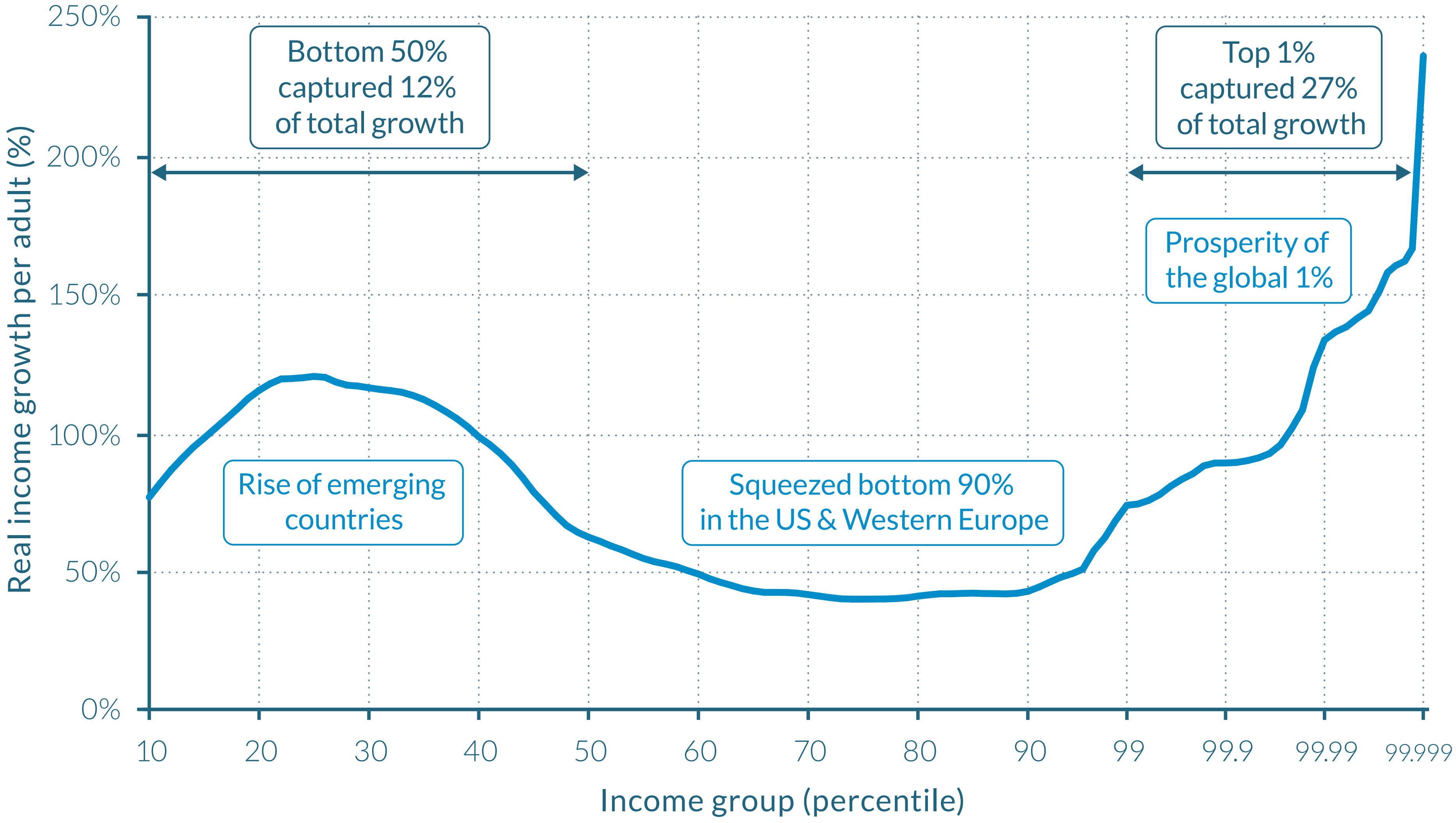
Total income growth by percentile across all world regions, 1980–2016: Scaled by population



Source: World Inequality Report 2018, Appendix Figure A1. See wir2018.wid.world for data sources and notes.

The bottom 50% grew… but the top 1% captured twice more total growth.

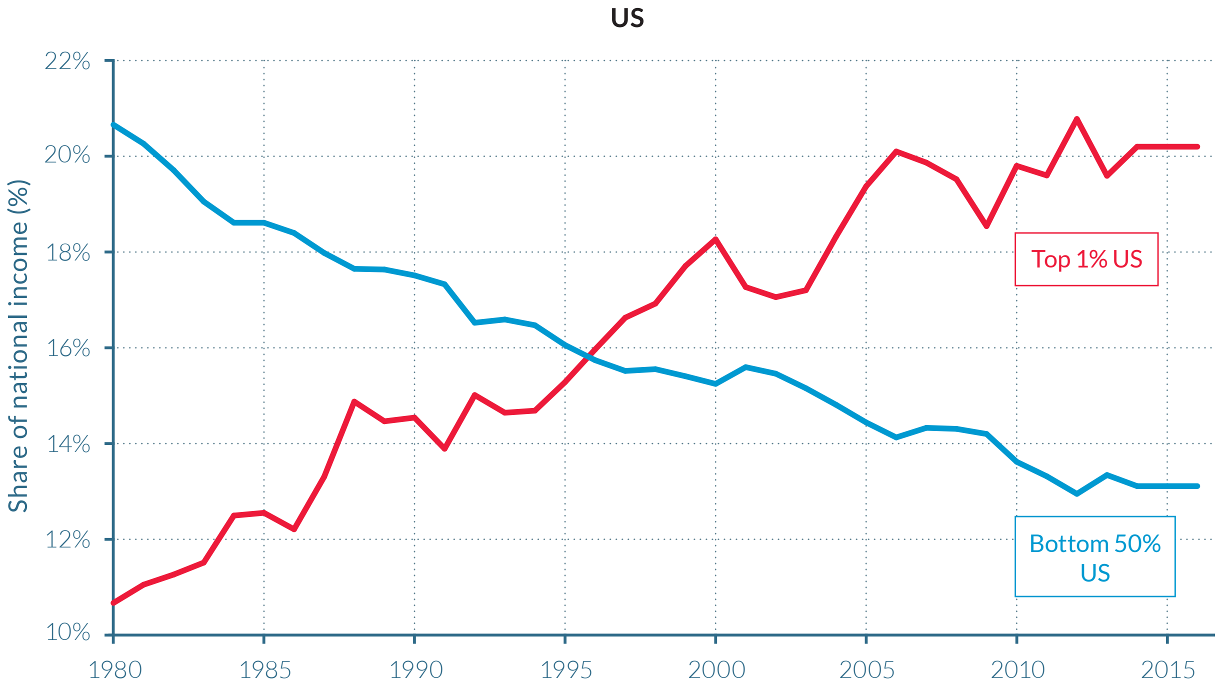
Total income growth by percentile across all world regions, 1980–2016

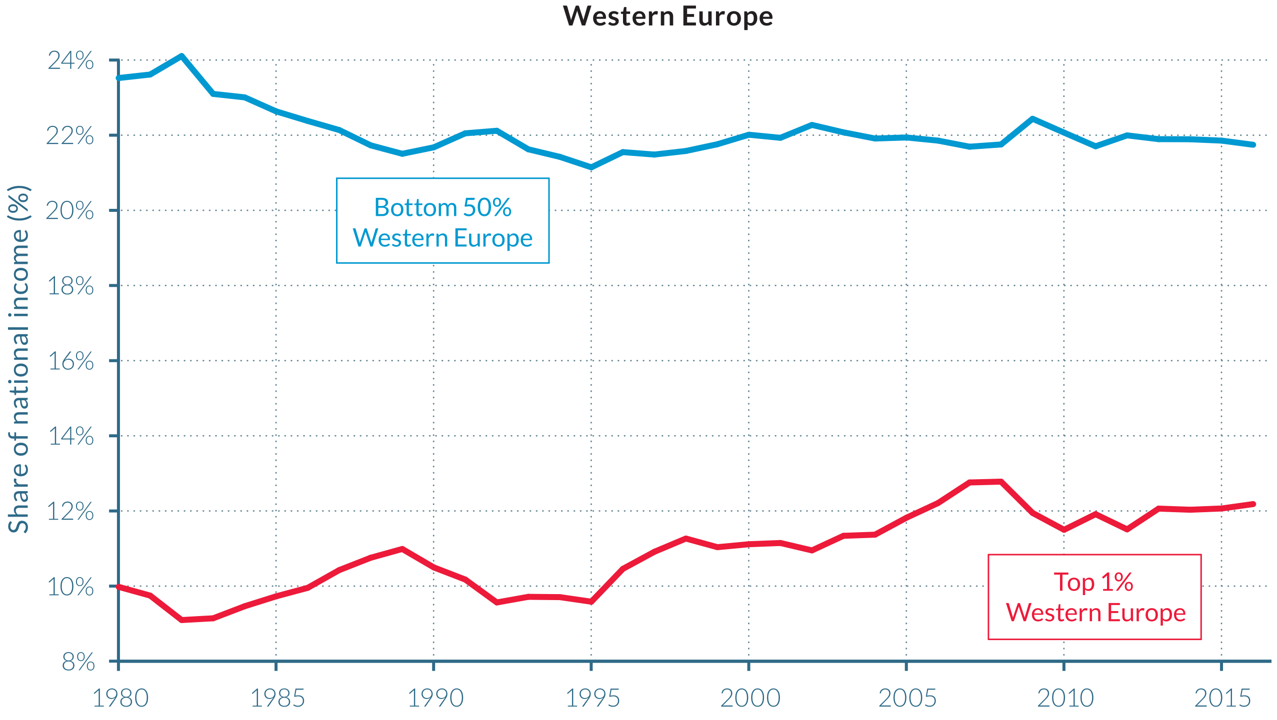


Source: World Inequality Report 2018, Figure 2.1.4. See wir2018.wid.world for data sources and notes.

US vs. EU: Huge rise of inequality in the US but stagnation of bottom 50% income. Broadly similar regions (size, avg. income, openness, technology), diverging trends → Policy matters

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

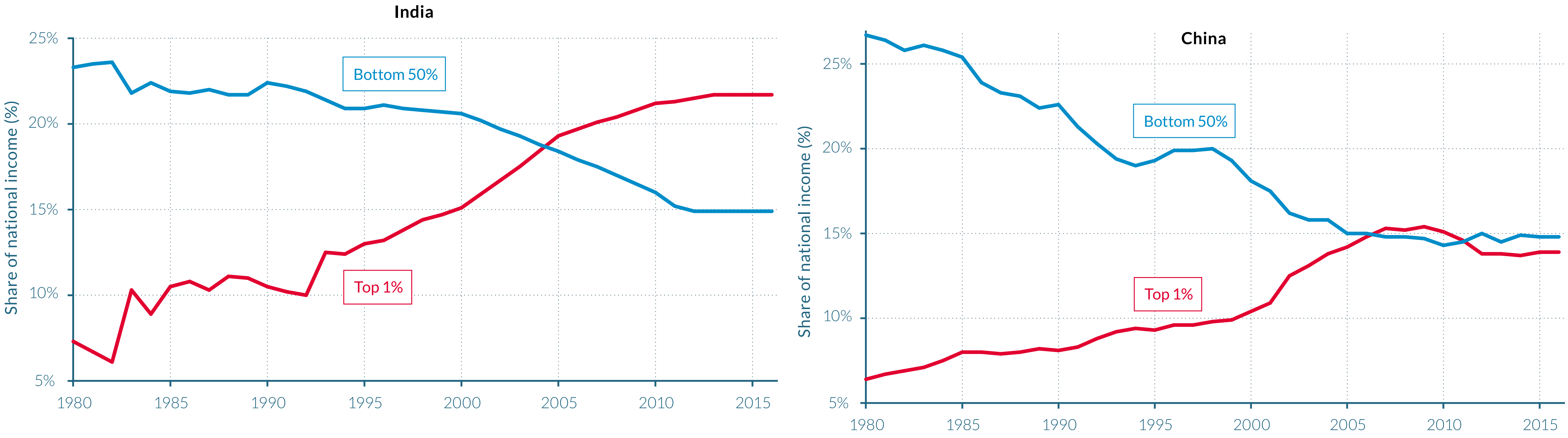




Source: World Inequality Report 2018, Figure 2.1.3. See wir2018.wid.world for data sources and notes.

India vs. China: higher rise in inequality in India, much less growth at the bottom

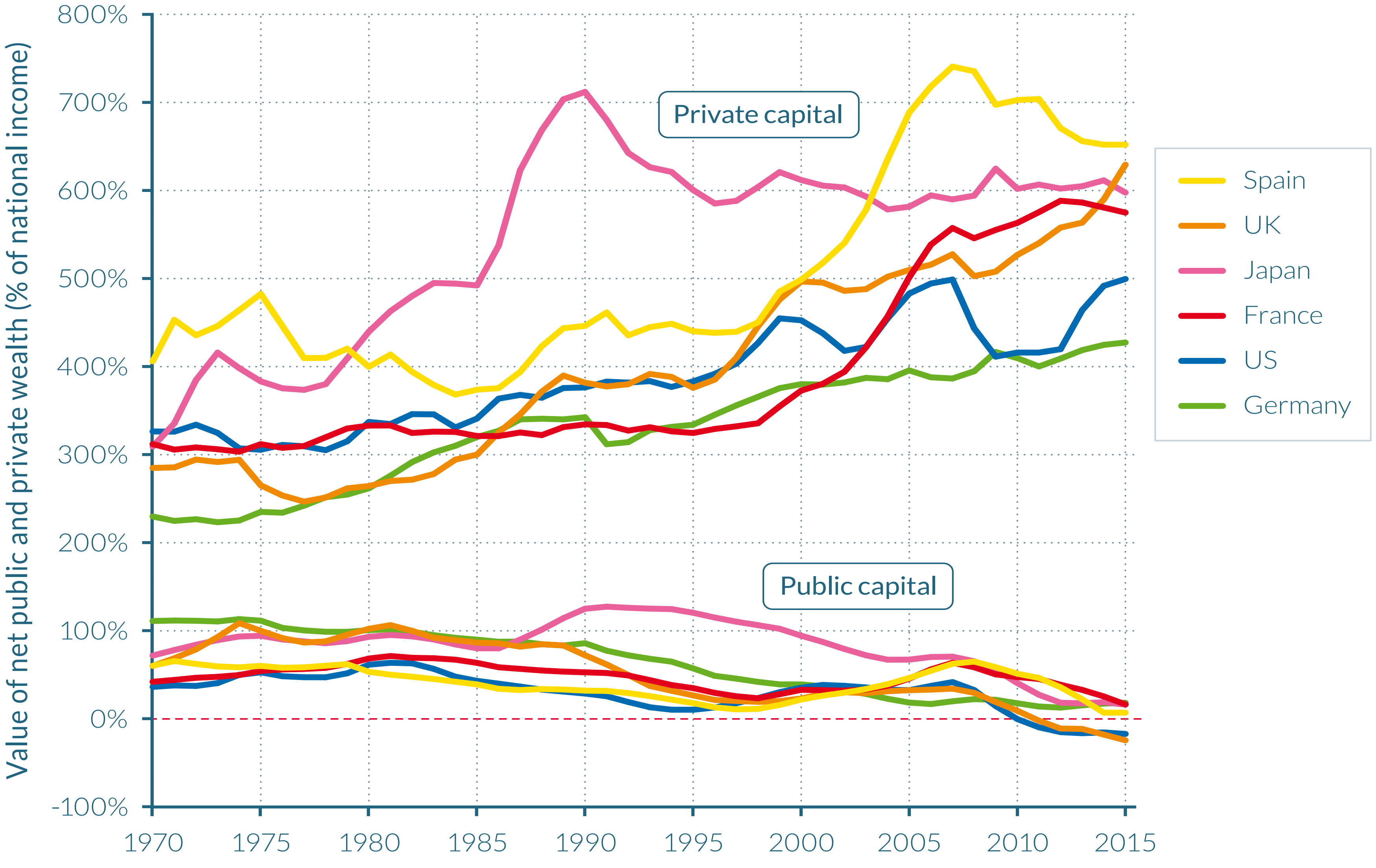
Top 1% vs. bottom 50% in China vs. India, 1980-2016



Source: World Inequality Report 2018, Appendix Figure A4. See wir2018.wid.world for data sources and notes.

Countries have become richer, but governments have become poor.

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.

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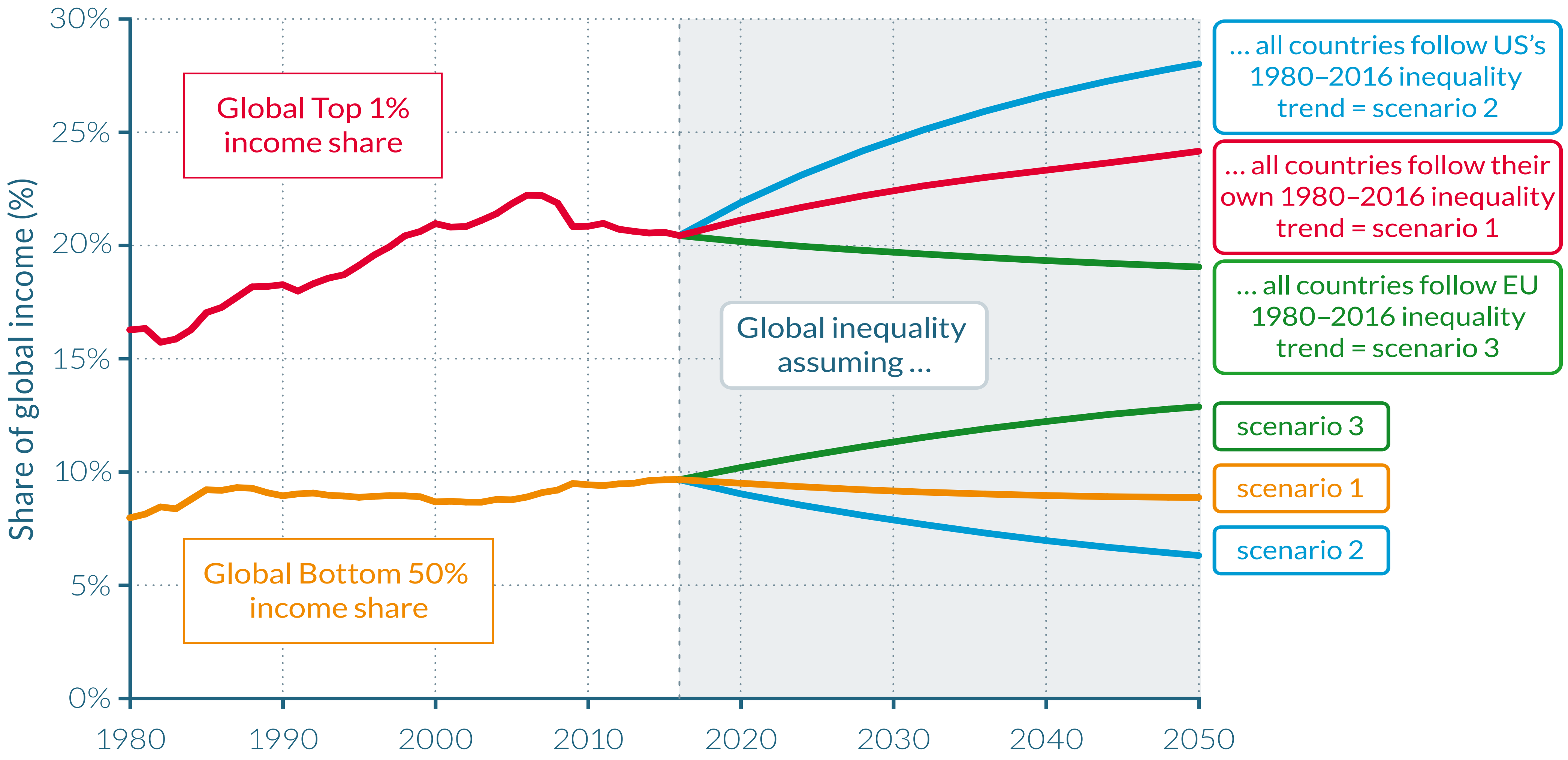
Business as usual: global income inequality will continue to rise, despite high growth in emerging world. Between country convergence not enough to counter within-country trend.

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



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

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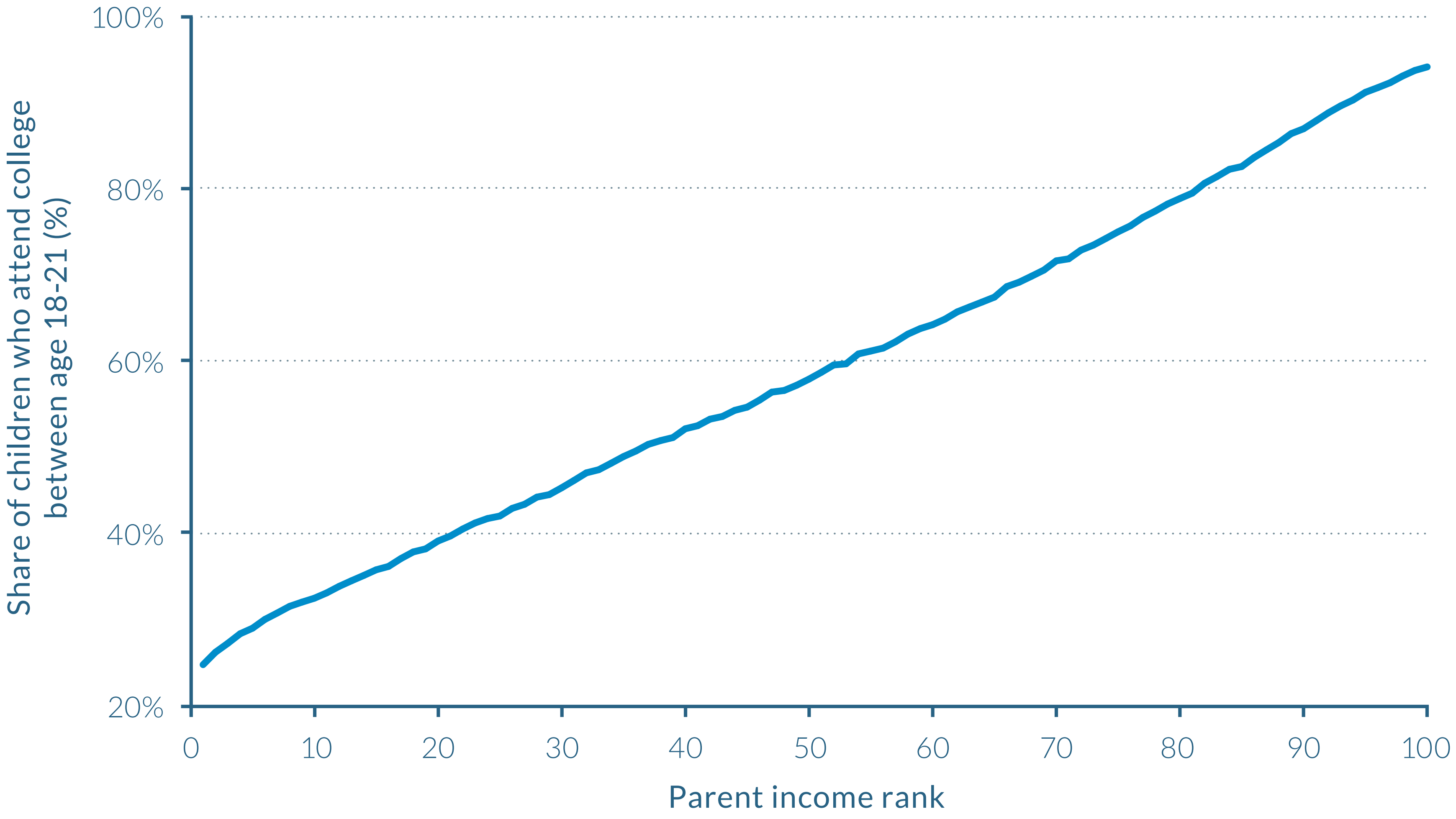
Addressing inequality of opportunity tomorrow means caring about income inequality today: US example

Figure 5.4.1

College attendance rates and parent income rank in the US for children born in 1980–1982



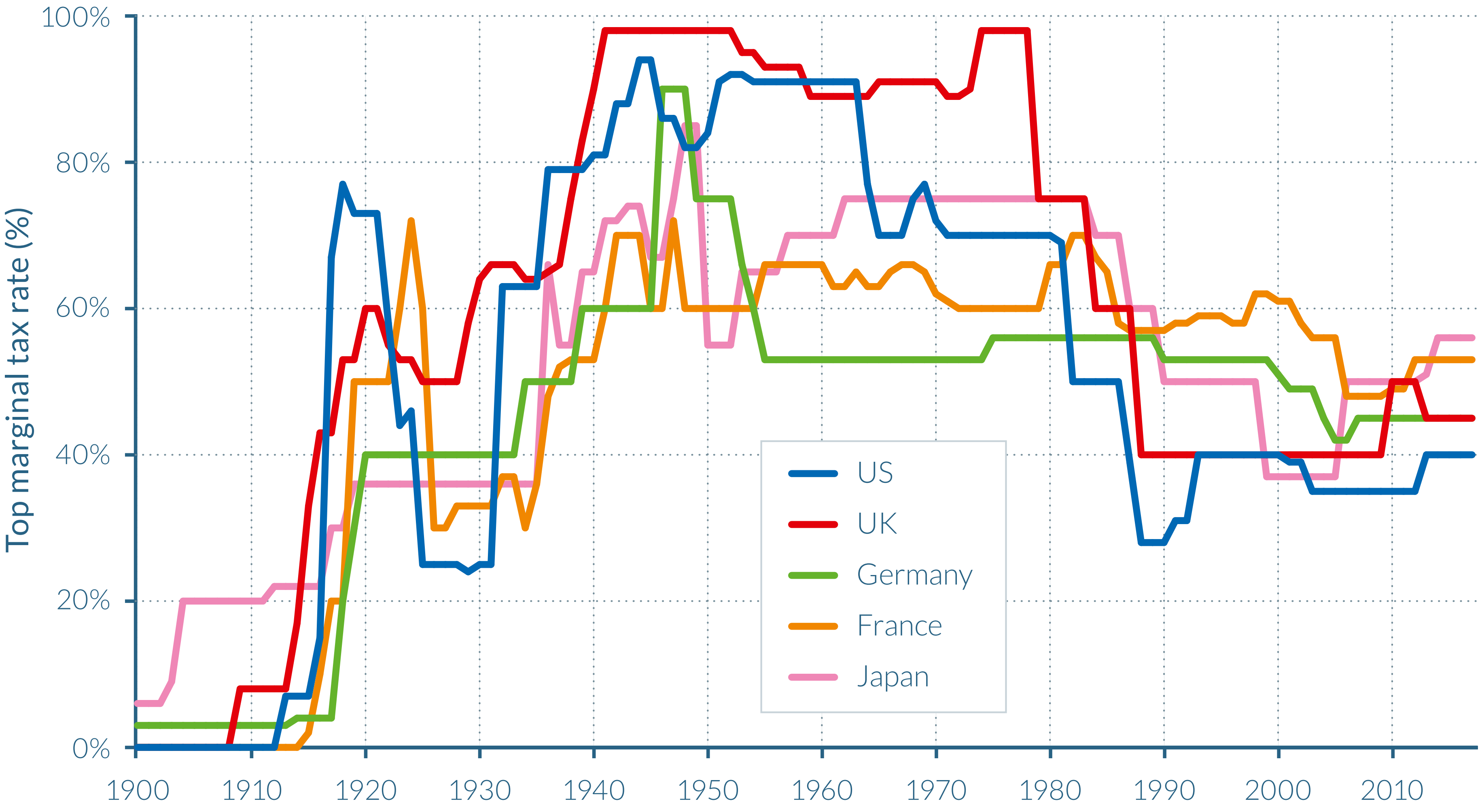
Source: Chetty, Hendren, Kline and Saez (2014). See wir2018.wid.world for data series and notes.

30% of children whose parents are in the Bottom 10% of the income distribution attend college between age 18 and 21. Almost 90% of children whose parents are in the Top 10% of the income distribution attend college between age 18 and 21.

Progressive taxation is a proven tool to tackle inequality at the top. It was strongly reduced since the late 1970s.

Figure 5.2.2

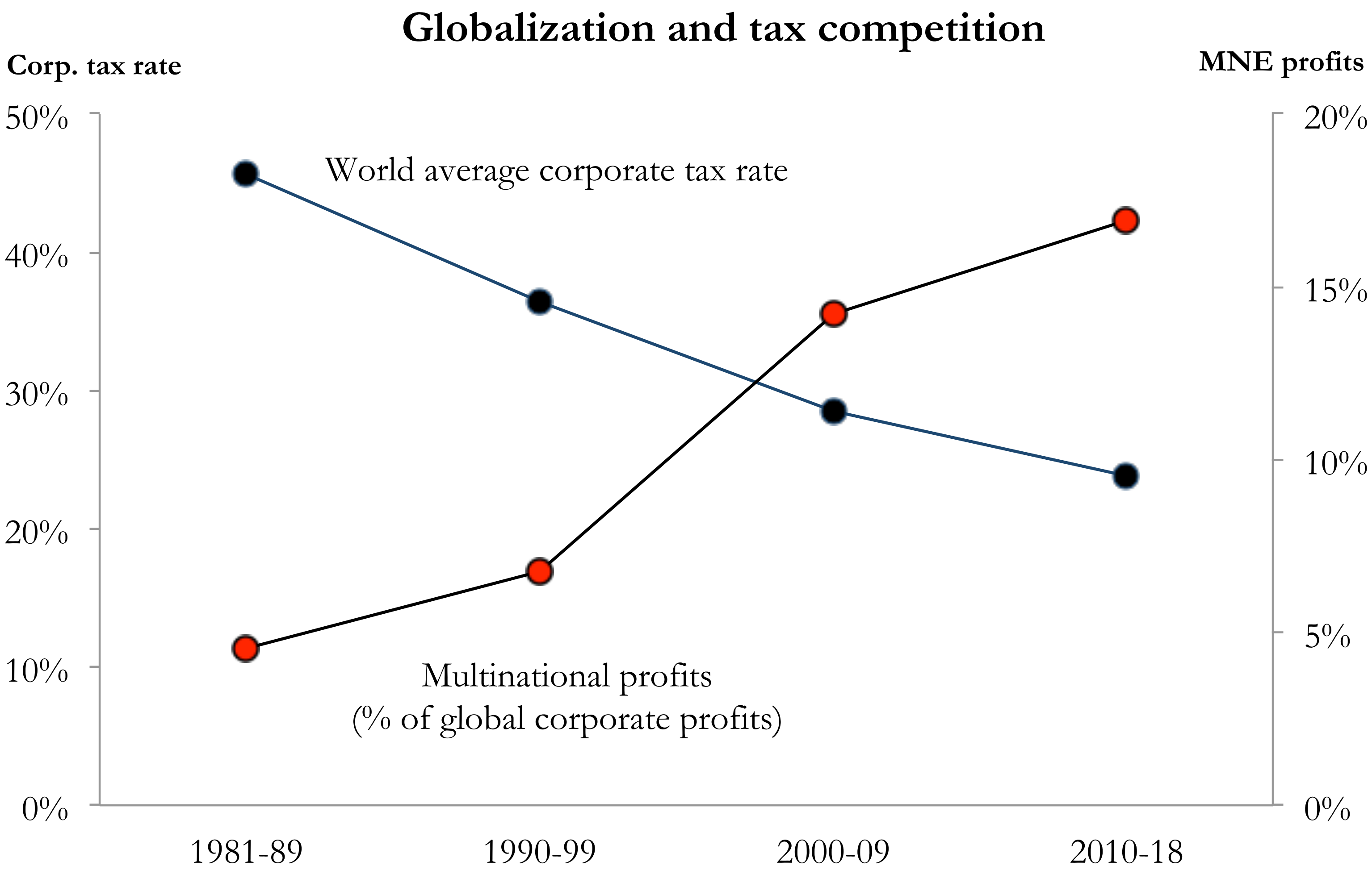
Top income tax rates in rich countries, 1900–2017



Sources: Piketty (2014) and updates. See wir2018.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%.

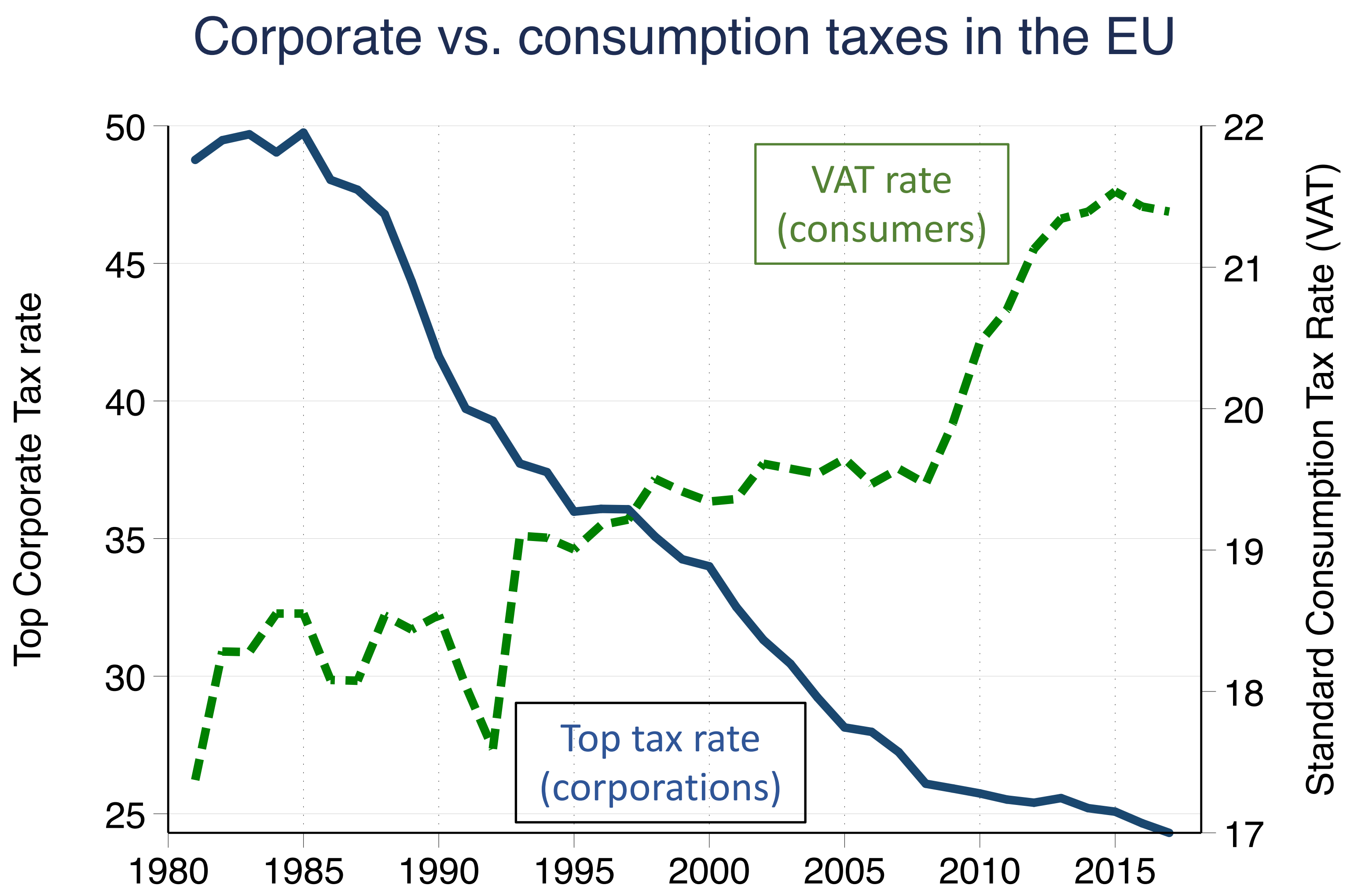
As globalization expands, race to the bottom in corporate taxes



Notes: This figure charts the unweighted world average corporate tax rate and the share of global corporate profits made by multinational corporations. Multinational profits were around €1.4 trillion in 2015, while global corporate profits were around €7.9 trillion.

Zucman, 2017

As top tax rates decline, countries willing to finance Social State increase taxes on immobile taxpayers



Blanchet, Chancel, Gethin, 2019

UN SDG income inequality Target 10.1: we're not quite there yet !

Table 5.5.1

Real income growth in emerging and rich countries, 1980–2016

		Brazil	China	France	India	Russia	USA
2015–2016	Bottom 40%	-7.1%	6.4%	1.7%	4.4%	-1.4%	0.6%
	Full Population	-5%	6.6%	1.4%	4.5%	-2.7%	2.2%
2000–2016	Bottom 40%	12%	200%	10%	50%	119%	-7%
	Full Population	1%	281%	4.7%	108%	69%	12%
1980–2016	Bottom 40%	–	359%	31%	107%	-21%	-3.9%
	Full Population		833%	40%	223%	52%	66%

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

Between 1980 and 2016, the average pre-tax income of the Bottom 40% in China grew by 359%. In comparison, the average pre-tax income of the full adult population grew by 833%.

: meets the SDG Target 10.1 (bottom 40%>full population)

Way forward: no more GDP publication without publications on growth distribution

- SDG inequality target 10.1 is a clear progress. But crucial need for more transparency on income and wealth statistics to enable sound evaluations of gvt. action. **Did you hear about SDG 10.1 in the news when latest GDP stats were published in your country?**

- GDP became the most powerful economic indicator after its inclusion in UN System of National Accounts (1953). Today, we need to operate the same evolution with inequality measures of growth.

- **UN to take leadership on inequality tracking standards:** Future revision of National Accounts in the coming 5 years --> need to distribute growth in a fully coherent, transparent framework, taking into account all incomes.

Way forward: A global financial registry to fight tax evasion

- The wealth currently held in tax havens is equivalent to more than 10% of global GDP and has increased considerably since the 1970s.

- Reducing financial opacity is critical to foster a more informed public debate about redistribution, fight tax evasion, money laundering, and the financing of terrorism.

- Countries have had land registries for centuries. As wealth became increasingly financiarized, registries were privatized. Information exists but is not available to authorities.

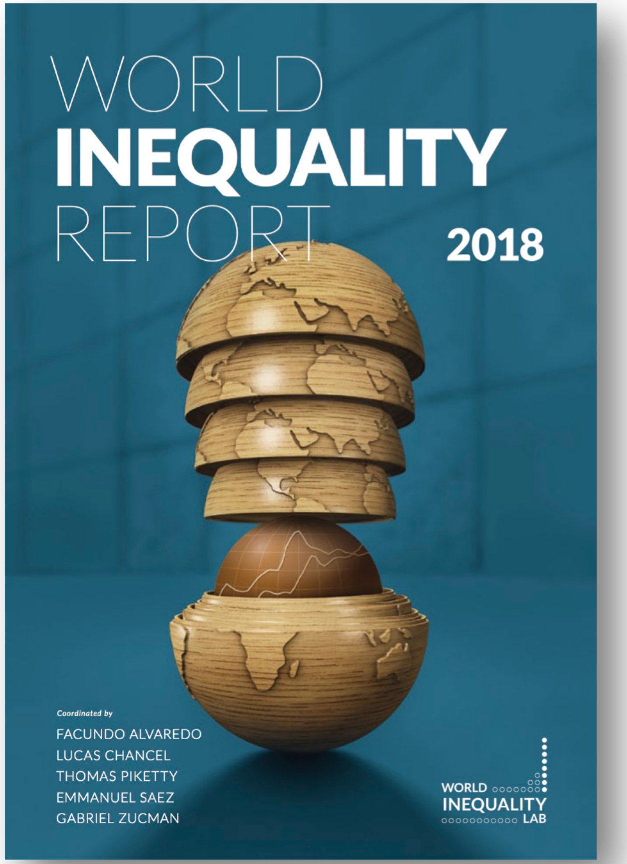
→ Towards a global public service to track wealth and income dynamics

Tackling inequality starts with more transparent information

- Our objective is not to make everybody agree on inequality

- It is to allow transparent and sound data on growth & inequality to be shared and used by all (civil society, research, policy, business)

- The UN has a critical role to play to make this happen



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- Additional slides

Revisiting three myths on globalization: summary

1. Inequality is on the rise globally, despite high growth in emerging countries. In BAU, this will continue.
2. Huge growth at the top was not necessary to lift boats at the bottom. With more equitable growth, global poverty could have been reduced much faster.
3. The rise in inequality is the result of policy choices, it is not a inevitable consequence of technological change and openness.