# Presentation of the World Inequality Report 2018

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# World Inequality Report 2018: highlights

- Report based on **WID.world**, the **most extensive database** on the historical evolution of income and wealth distribution. Project regrouping more than **100 researchers** over 5 continents. **100% transparent**, open source, reproducible.

- The first **systematic assessment** of globalization in terms of economic **inequality**. 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** and **political choices rather than deterministic forces.** This suggests much can be done in the coming decades to promote more equitable growth.

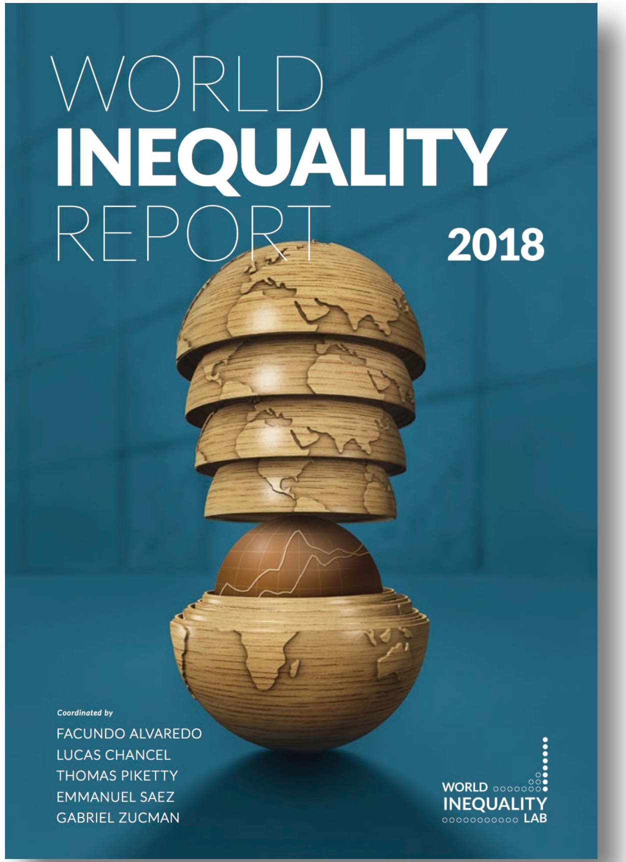
# This presentation

## 1. Introduction: the WID.world project

WID.world combines inequality data sources in a consistent way to fill a democratic gap.

## 2. Global income inequality dynamics

Global top 1% captured twice as much growth as bottom 50% since 1980.
Different national trajectories suggest that the trend was not inevitable.
Focus: the Middle East: the world's most unequal region?




## 3. Public vs. private capital dynamics

Gradual rise in wealth income ratios since 1980s in the context of large transfers of public to private wealth in emerging and rich countries.

## 4. Global wealth inequality dynamics

Combination of rising income inequality and fall of public wealth contributed to sharp rise in wealth inequality among individuals.
Focus: from aggregate wealth to wealth inequality: illustration with Spain

## 5. Conclusion: tackling inequality

Rethinking the policy cocktail of globalization

PART I

# THE WID.WORLD PROJECT AND THE MEASUREMENT OF ECONOMIC INEQUALITY

- The *World Inequality Report 2018* seeks to fill a democratic gap and to equip various actors of society with the necessary facts to engage in informed public debates on inequality.

- The *World Inequality Report 2018* relies on the most extensive database on the historical evolution of income and wealth inequality. Our methodology is fully transparent, open access and reproducible.

# 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

  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

# WID.world today

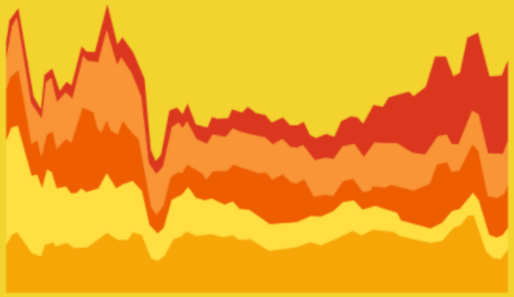
- **Constantly extending database on the historical evolution of income and wealth**
  - Income shares, averages, thresholds: 70 countries
  - Wealth income ratios, wealth distribution: 25 countries
  - Net National Income, CFC, GDP: 180 countries
- **Open access, multi-lingual website and visualization 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 | BY COUNTRY | DATA | WORLD WEALTH & INCOME DATABASE | METHODOLOGY | ABOUT US | NEWS

## WORLD VIEW

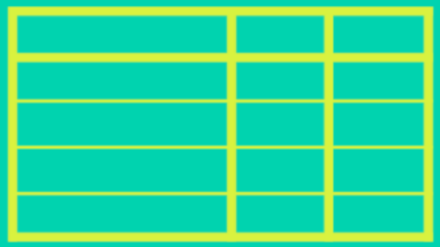
Compare inequality between countries on an interactive world map

## 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

# Towards a global distribution of income and wealth

- **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 tax data and larger country coverage

# Towards a global distribution of income and wealth

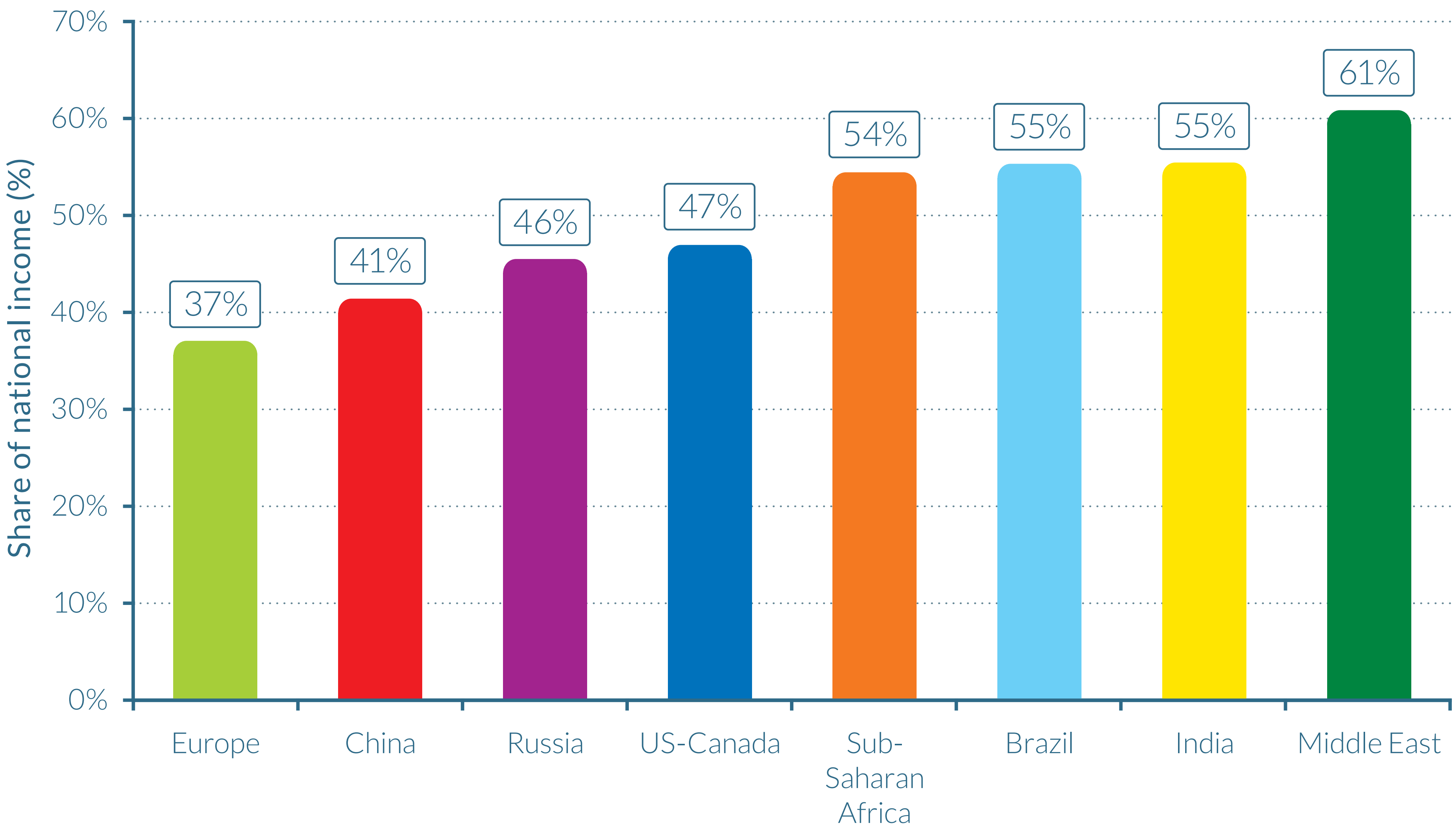
China + Europe + USA + India + Russia / Brazil / Middle East

↓

Global inequality dynamics

# Income inequality varies widely across world regions

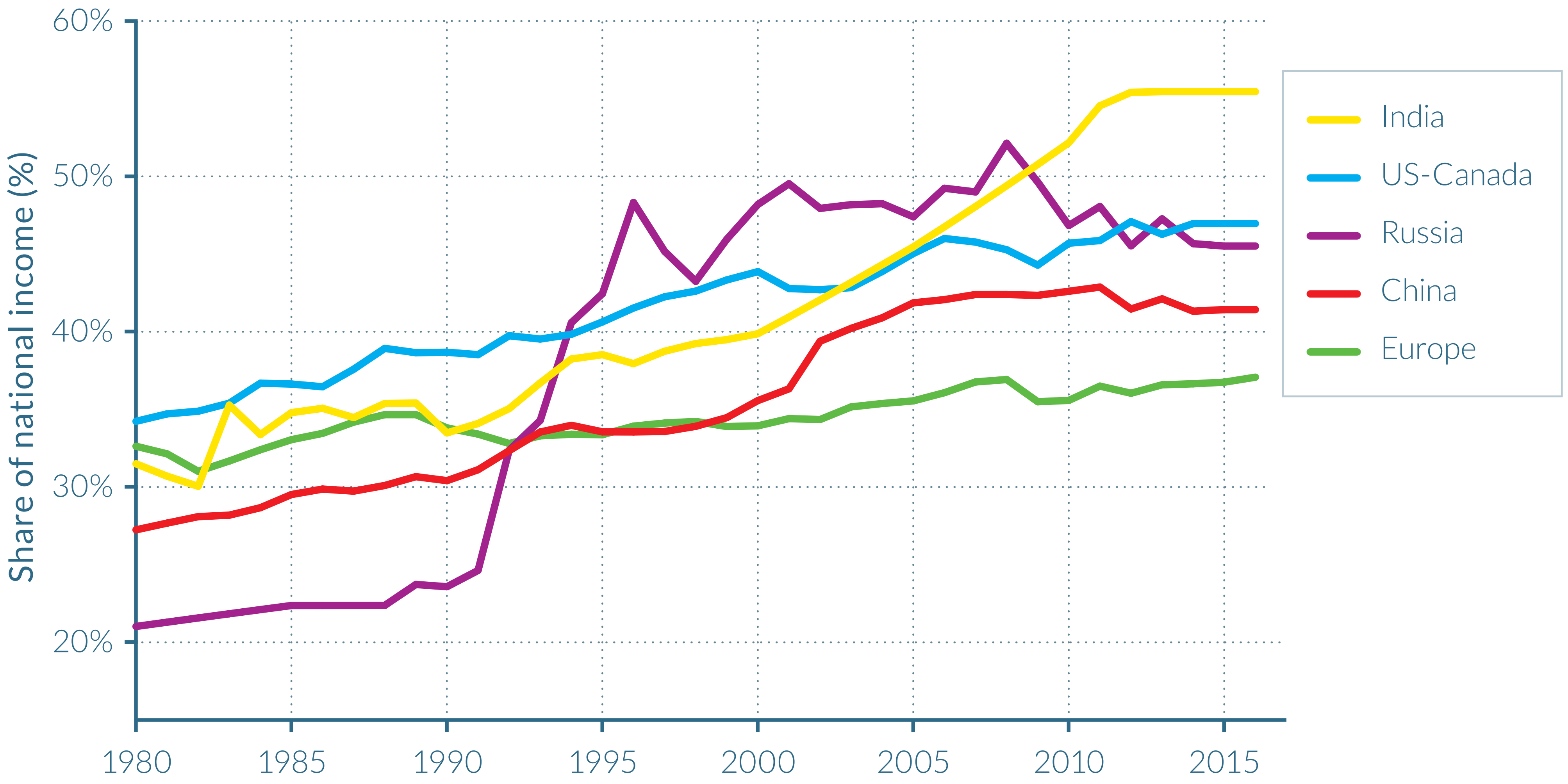
## Top 10% national income share across the world, 2016




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

# Income inequality rises almost everywhere, but at different speeds

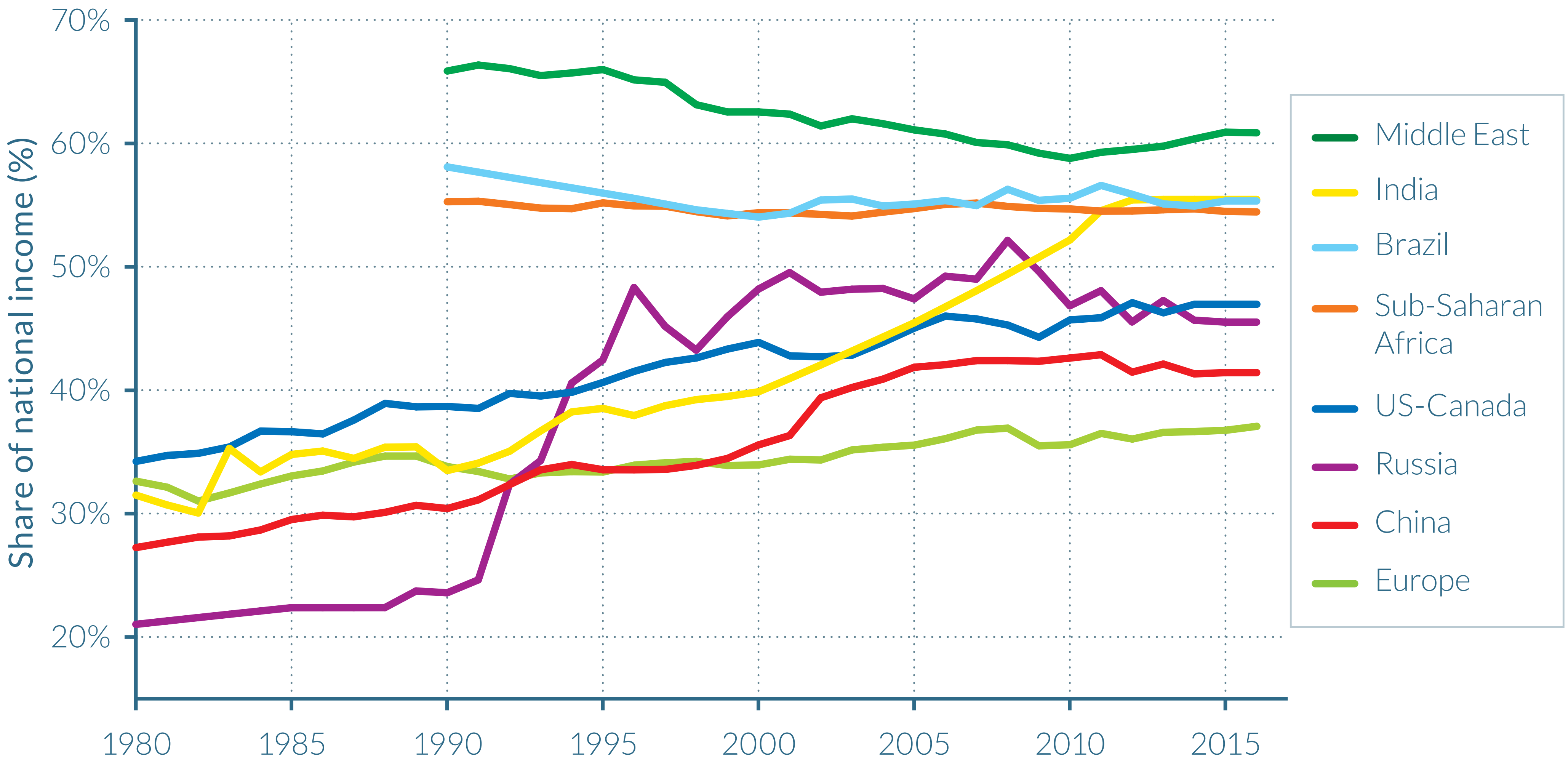
**Top 10% income shares across the world, 1980-2016**




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

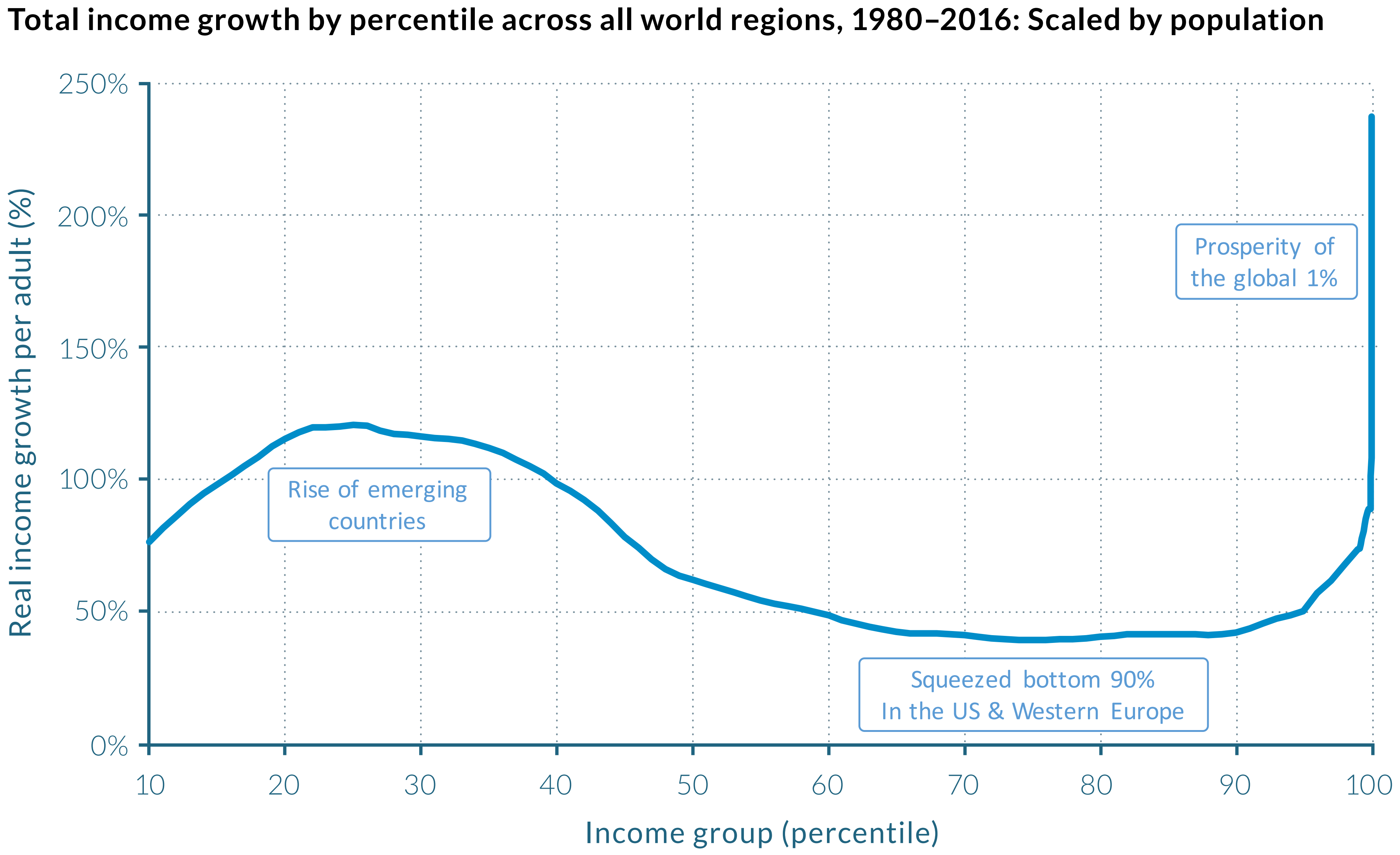
# Is the world moving towards the high inequality frontier?

**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.

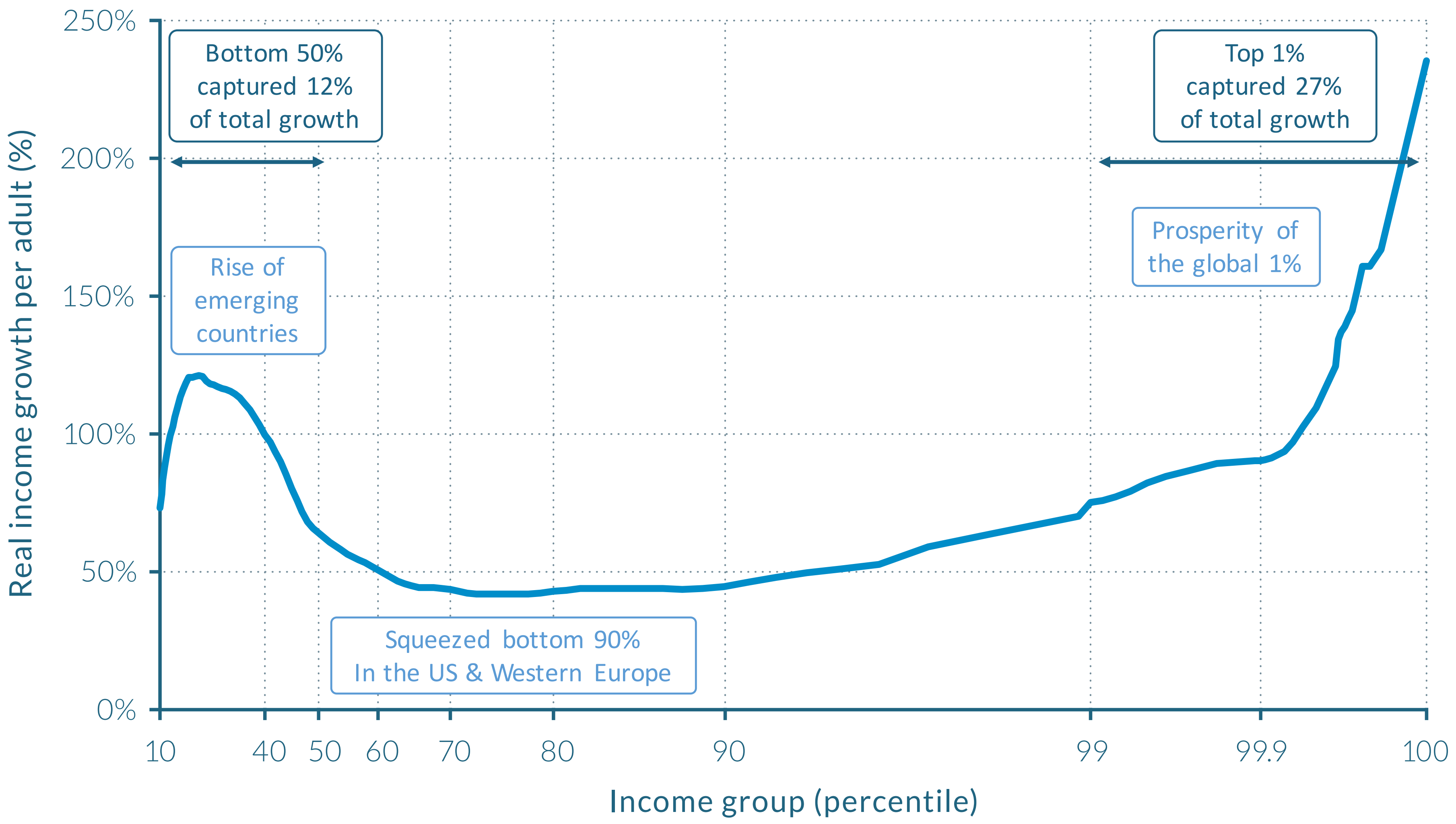
# The global elephant curve of inequality and growth: scaling by population




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

# Does high income growth for the top 1% really matter? Scaling by share of growth

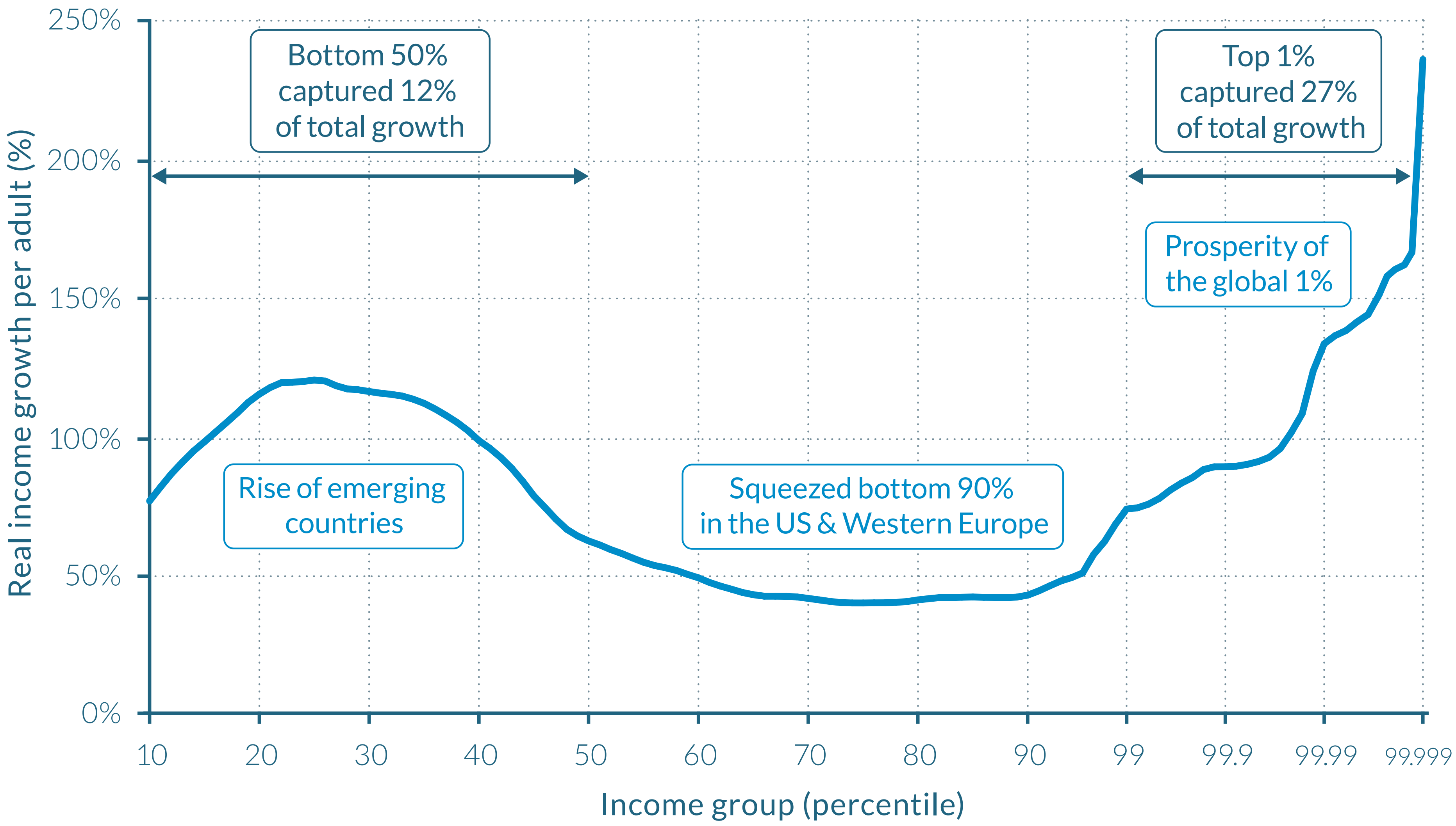
**Total income growth by percentile across all world regions, 1980–2016: Scaled by share of growth captured**




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.

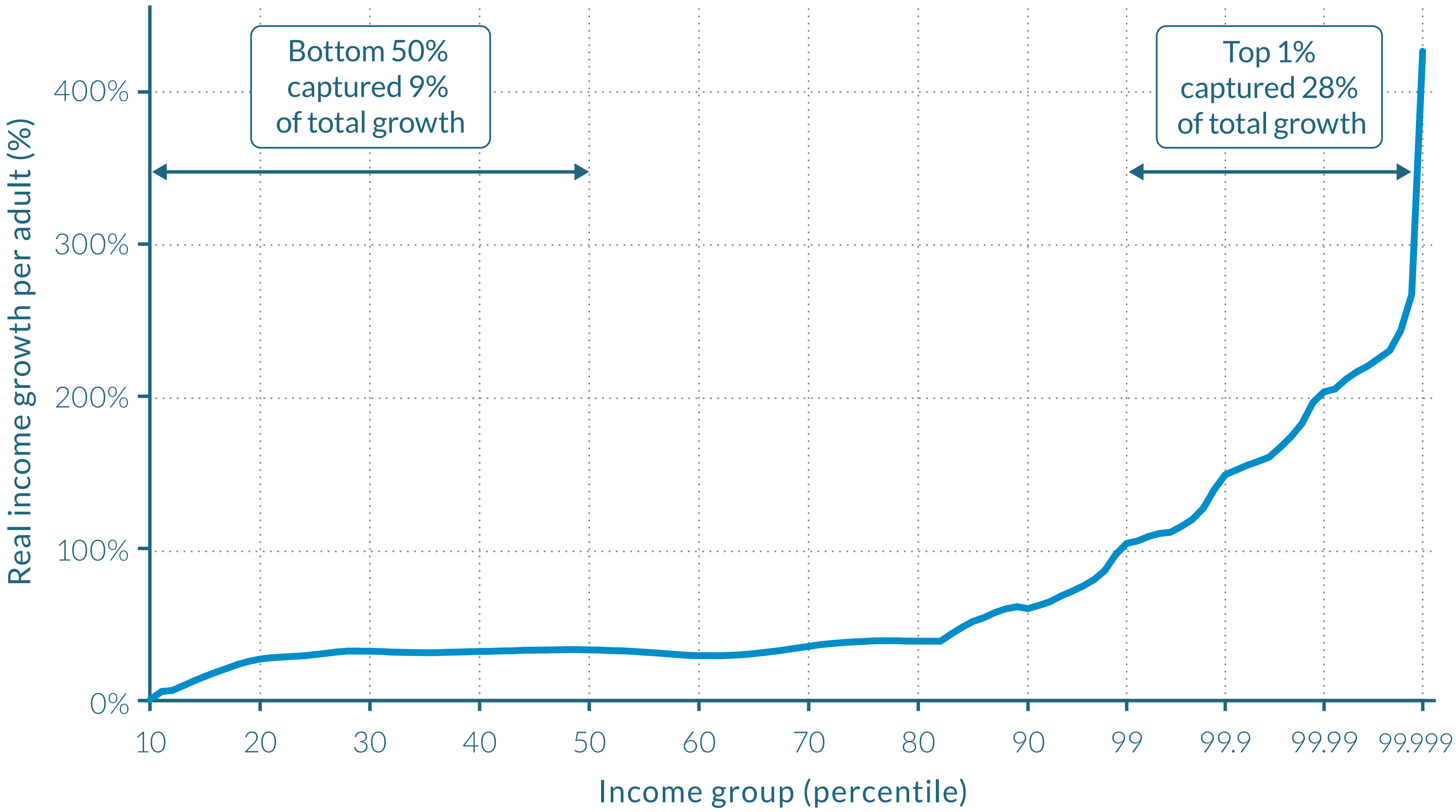
**Total income growth by percentile across all world regions, 1980–2016**




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

# Constructing the elephant: the « cobra curve » of growth in the Western World

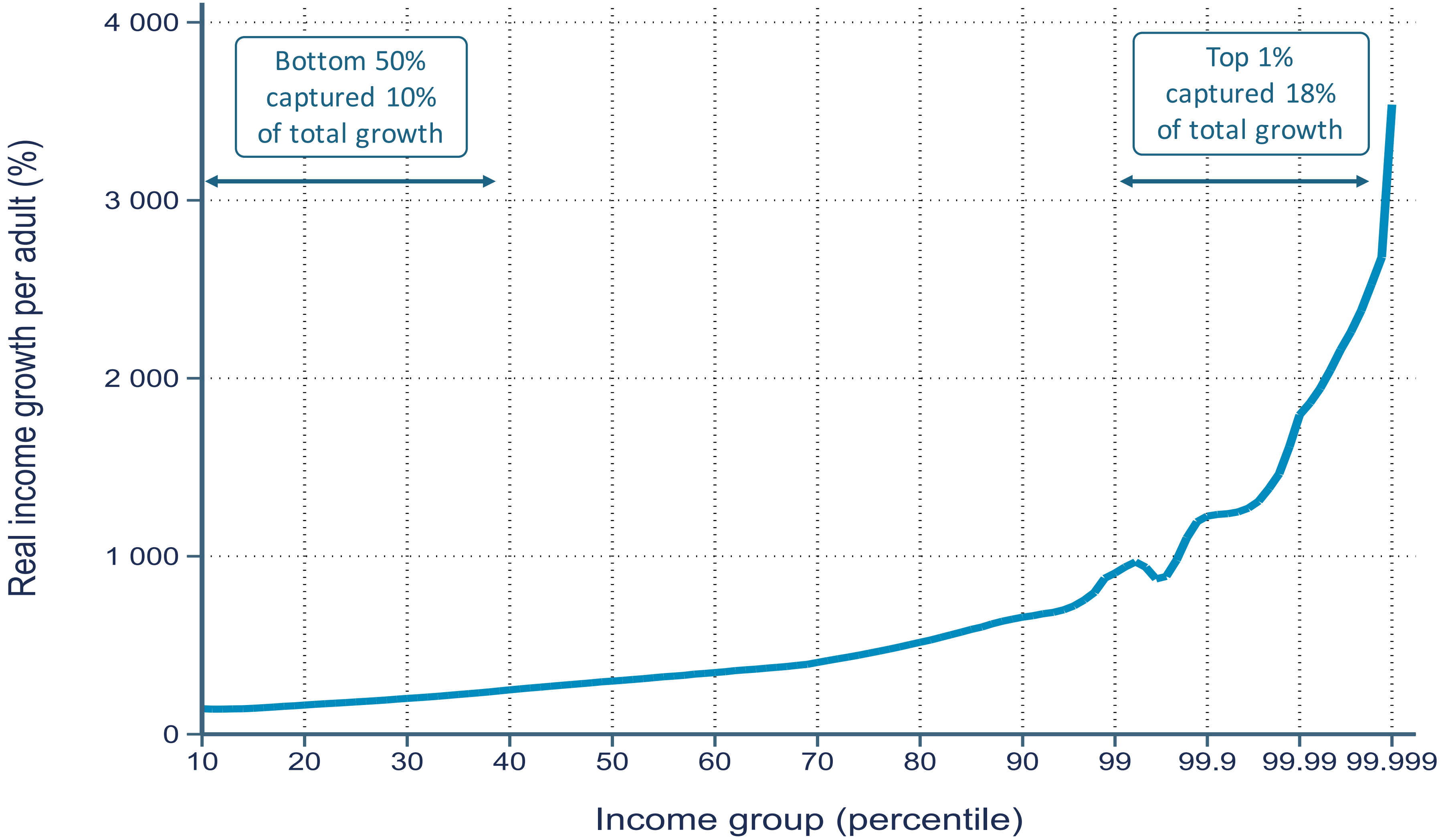
**Total income growth by percentile in US-Canada and Western Europe, 1980–2016**




Source: World Inequality Report 2018, Figure 2.1.2. See wir2018.wid.world for data sources and notes.

# Constructing the elephant: the « cobra curve » of growth in India and China

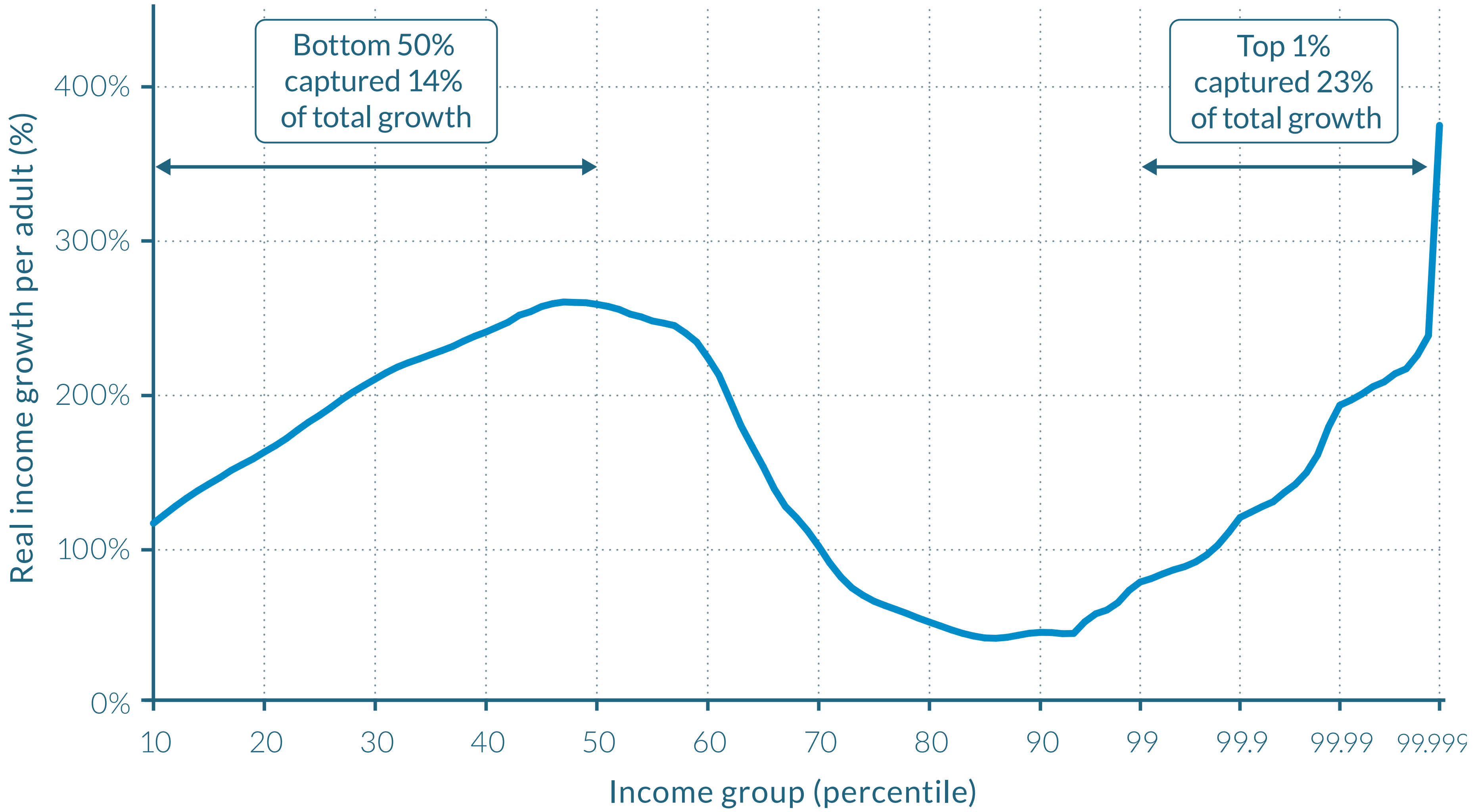
Total income growth by percentile in India and China, 1980-2016




Source: World Inequality Report 2018, Figure 2.9.4. See wir2018.wid.world for data sources and notes.

# The « global elephant » : the sum of two « cobras »

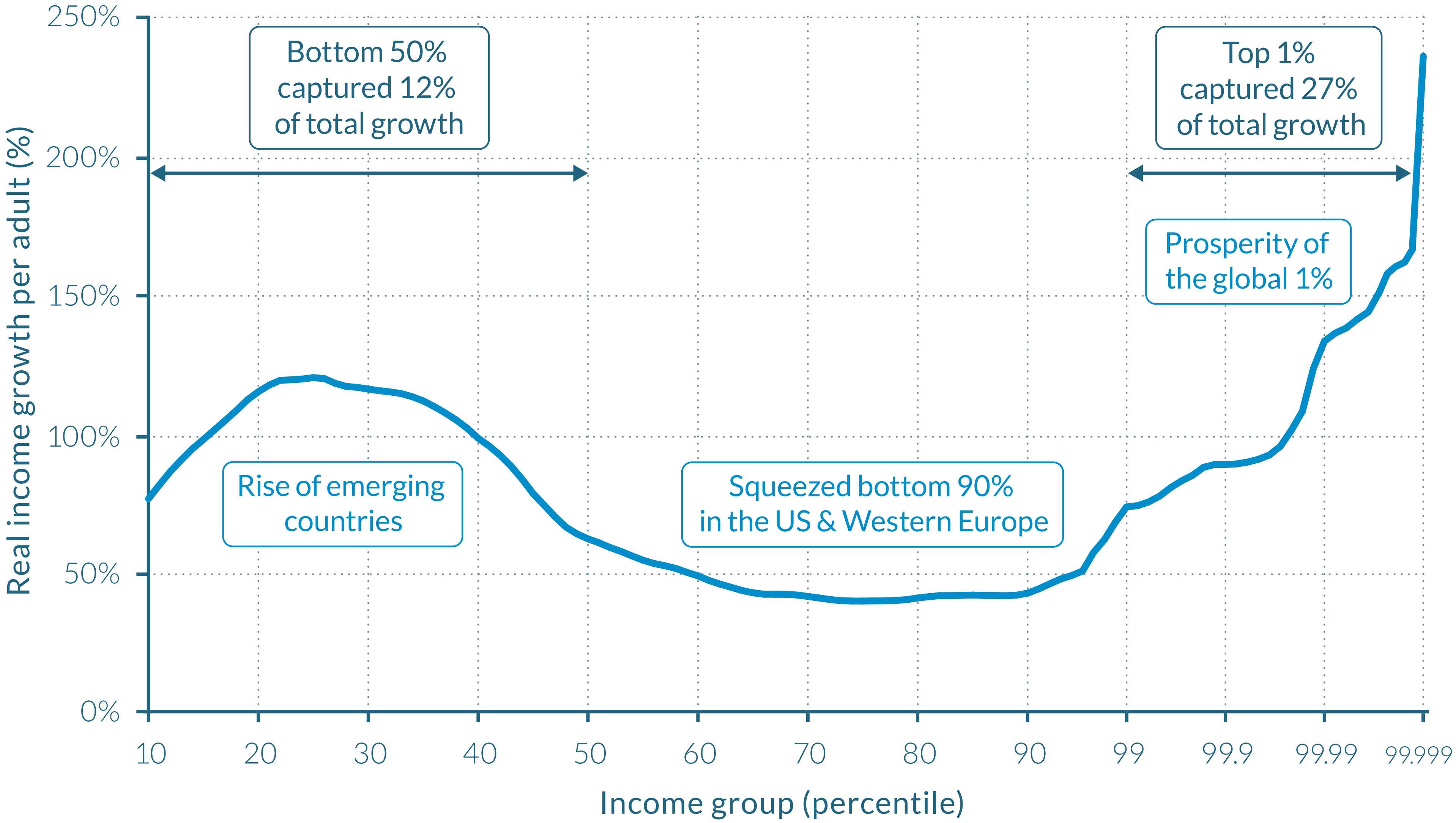
**Total income growth by percentile in China, India, US-Canada, and Western Europe, 1980–2016**




Source: World Inequality Report 2018, Figure 2.1.2. See wir2018.wid.world for data sources and notes.

# Adding other world regions flattens the global elephant (lower growth in Africa)

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



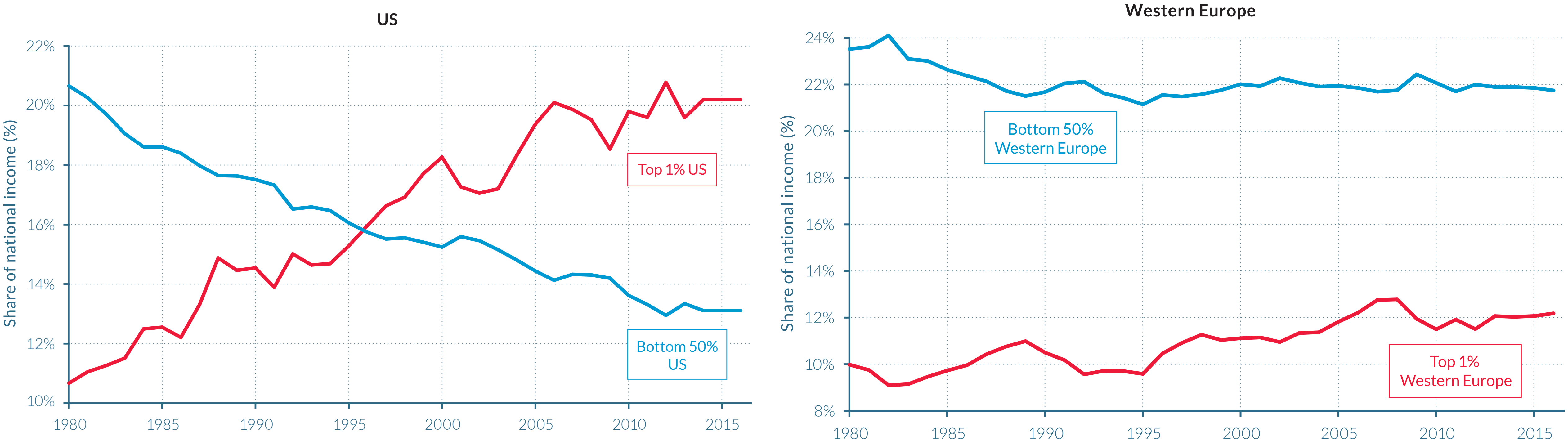

Source: World Inequality Report 2018, Figure 2.1.4. See wir2018.wid.world for data sources and notes.

- Key question: are we sure that the **enormous** rise of the global 1% was necessary for the growth of the bottom 50%?
- Answer: No.

- A careful analysis of country-level growth and inequality trajectories suggest that it is possible to combine higher growth and lower inequality.
  - US vs Europe: huge rise of inequality in US, but stagnation of bottom 50% average income
  - India vs China: higher rise in inequality in India, but less growth

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

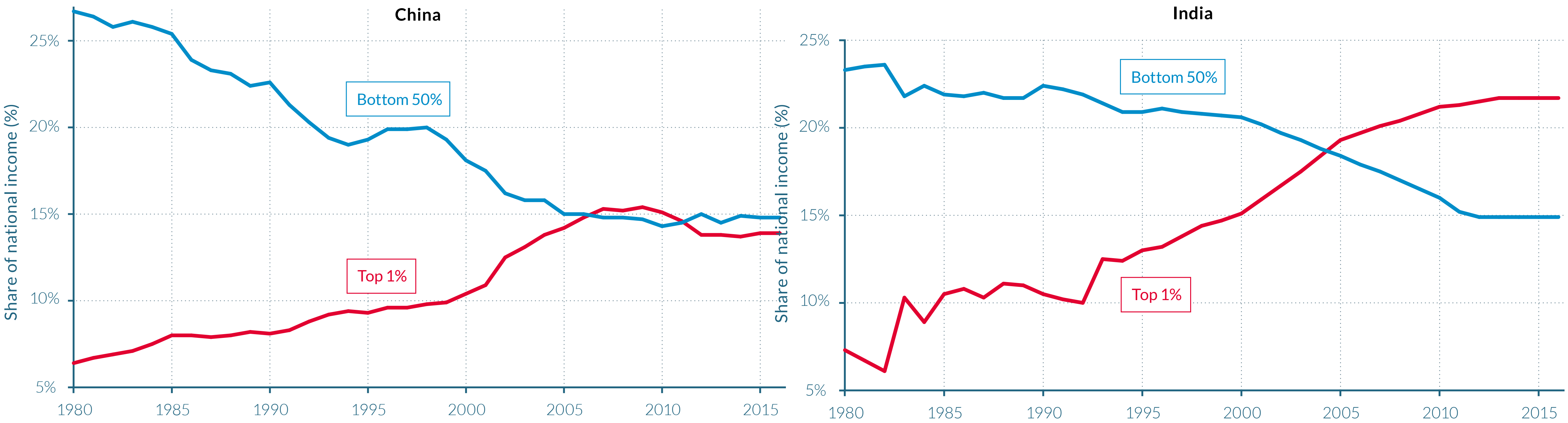
**Top 1% vs. bottom 50% in the US and Western Europe, 1980-2016**




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

# India vs China: higher rise in inequality in India, but less growth

## 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.

## Diverging trajectories among similar regions highlight importance of policy

- US vs. EU : similar levels of development, size, exposure to globalization and to new technologies in 1980. Radically diverging inequality trajectories due to different institutional and policy choices (less progressive taxation, unequal education, falling minimum wage, etc.).

  - US-Canada: average income grew by 63% btw 1980 and 2016, and bottom 50% by 5%; Europe: average income grew by 40%, and bottom 50% by 26%.

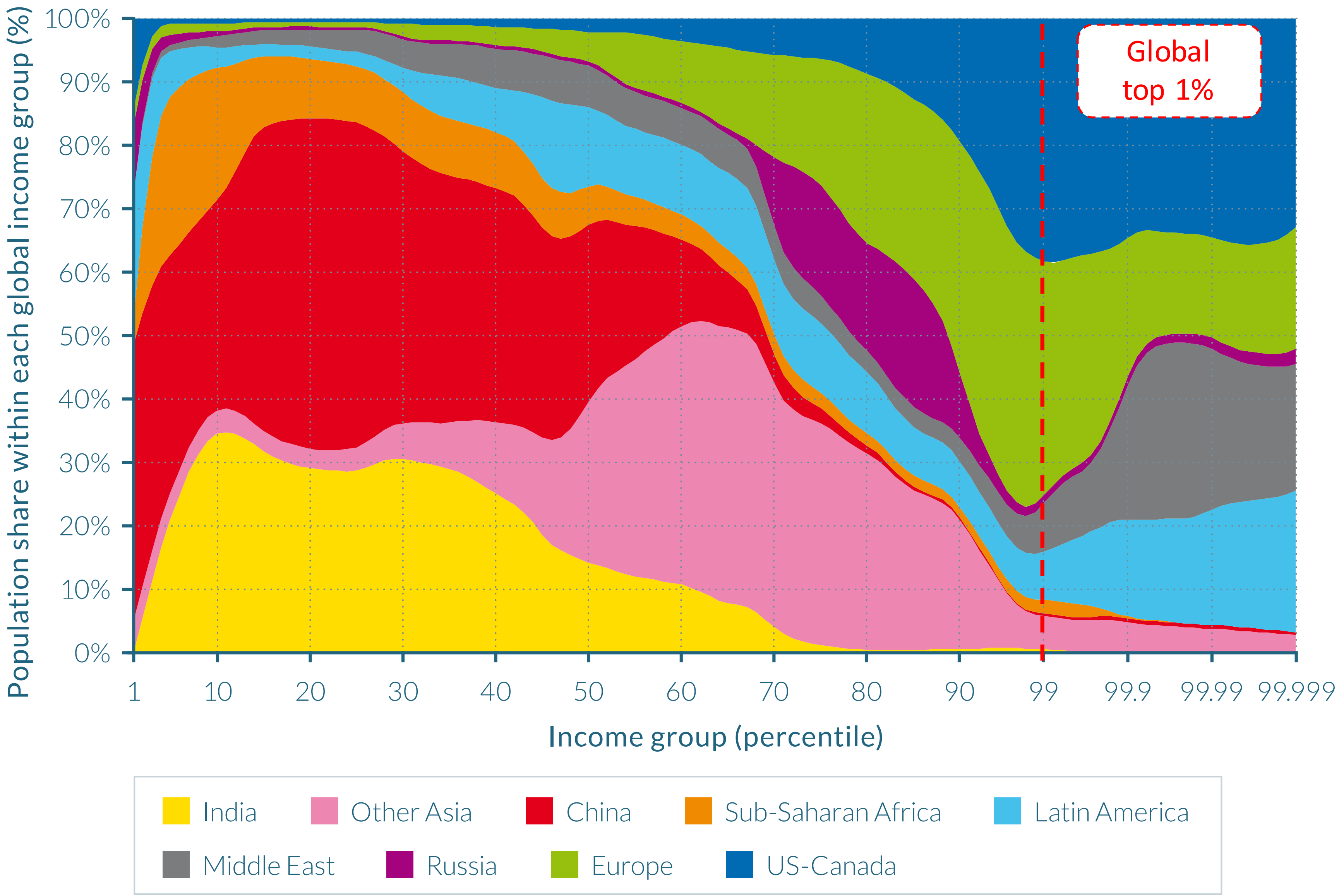
# Diverging trajectories among similar regions highlight importance of policy

- China vs. India: rise in inequality in both countries but was extreme in India, moderate in China. More investments in education, health, infrastructure for the bottom 50% in China.
  - China: average income grew by 831%, and bottom 50% by 417%;
    India: average income grew by 223%, and bottom 50% by 107%.

- NB: none of the above countries meets new SDG targets (bottom 40% is supposed to grow faster than the average)

# The geographical breakdown of global income groups changed significantly (1990)

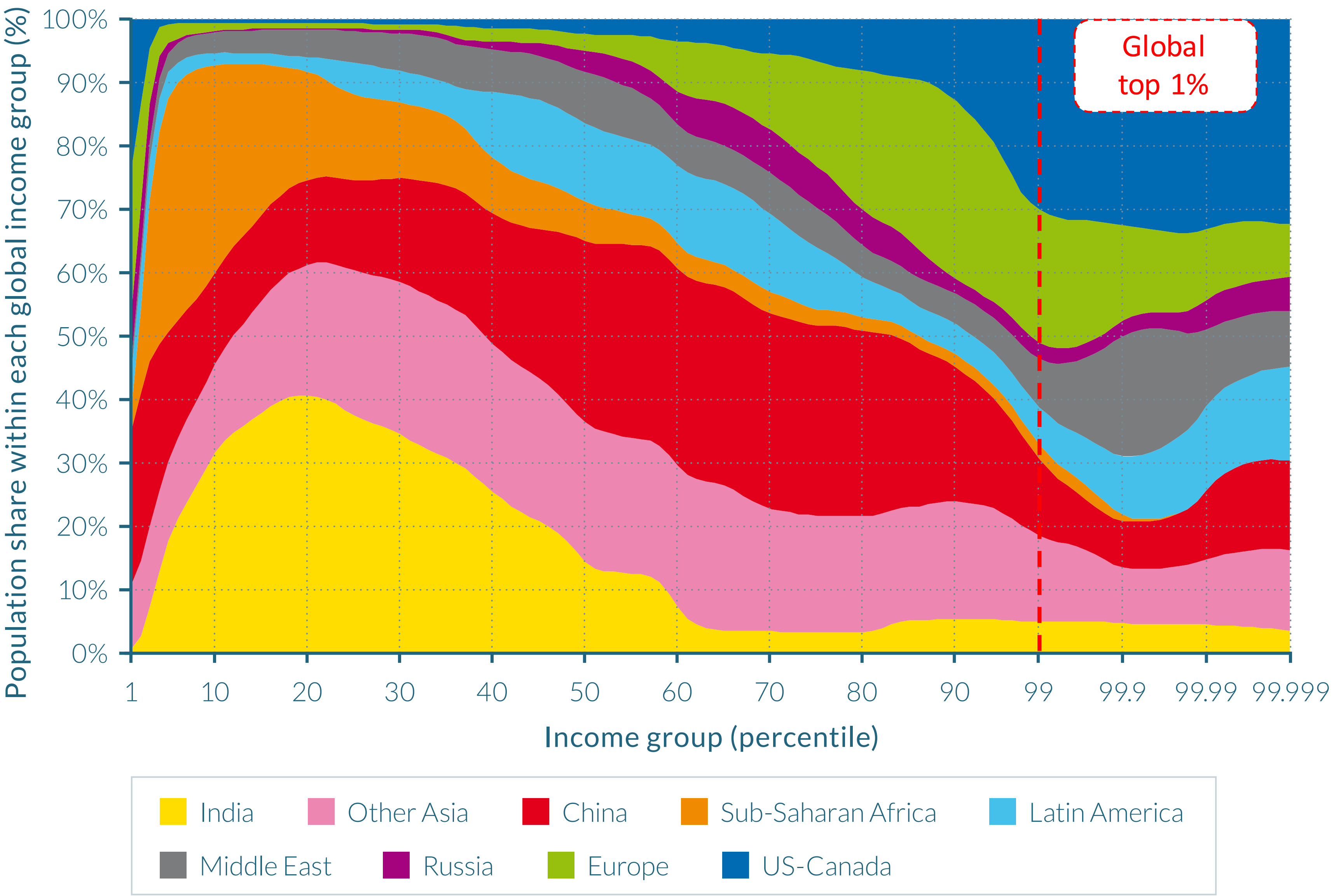
**Geographic breakdown of global income groups in 1990**




Source: World Inequality Report 2018, Figure 2.1.5. See wir2018.wid.world for data sources and notes.

# The geographical breakdown of global income groups changed significantly (2016)

**Geographic breakdown of global income groups in 2016**




Source: World Inequality Report 2018, Figure 2.1.6. See wir2018.wid.world for data sources and notes.

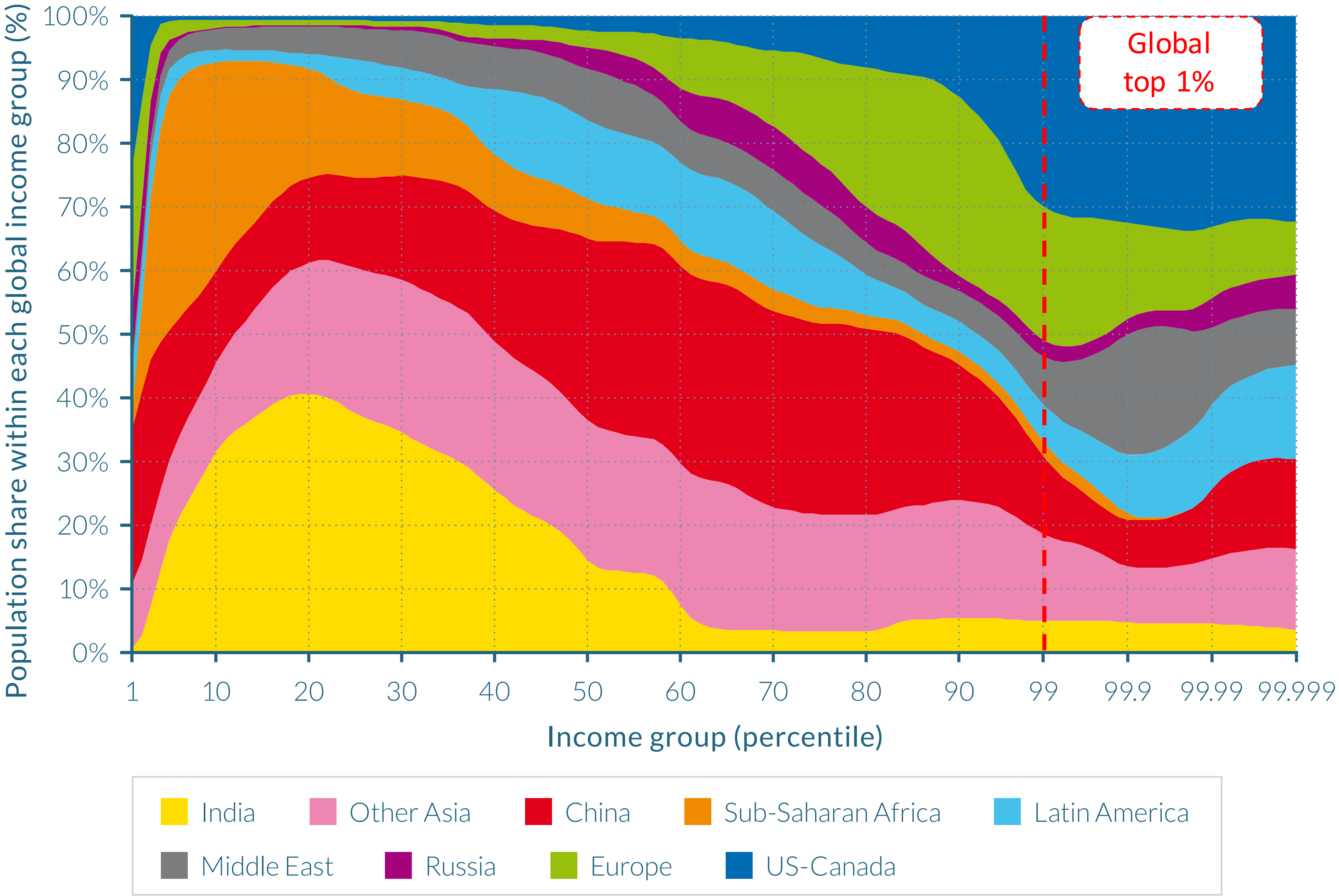
Regional Focus

# THE MIDDLE EAST, THE WORLD'S MOST UNEQUAL REGION?

- Richest individuals of the Middle East barely visible in official statistics on inequality
- Changing the scope of analysis (from the nation to the region) may be useful to better reveal perceived levels of inequality

# In official data, the Middle East is barely visible in the global top 1%.

**Geographic breakdown of global income groups in 2016**




- Source: World Inequality Report 2018, Figure 2.1.6. See wir2018.wid.world for data sources and notes.

# An Arab inequality puzzle?

- **Is the regional political turmoil related to the specific structure and level of socio-economic inequality?**
- Following the Arab Spring, there was a renewed interest in the measurement of income inequality in the region, as greater social justice was among the main demands of demonstrators
- The low levels of inequality found suggest that the source of dissatisfaction must be found elsewhere

# The Middle East appears to be the most unequal region in the world

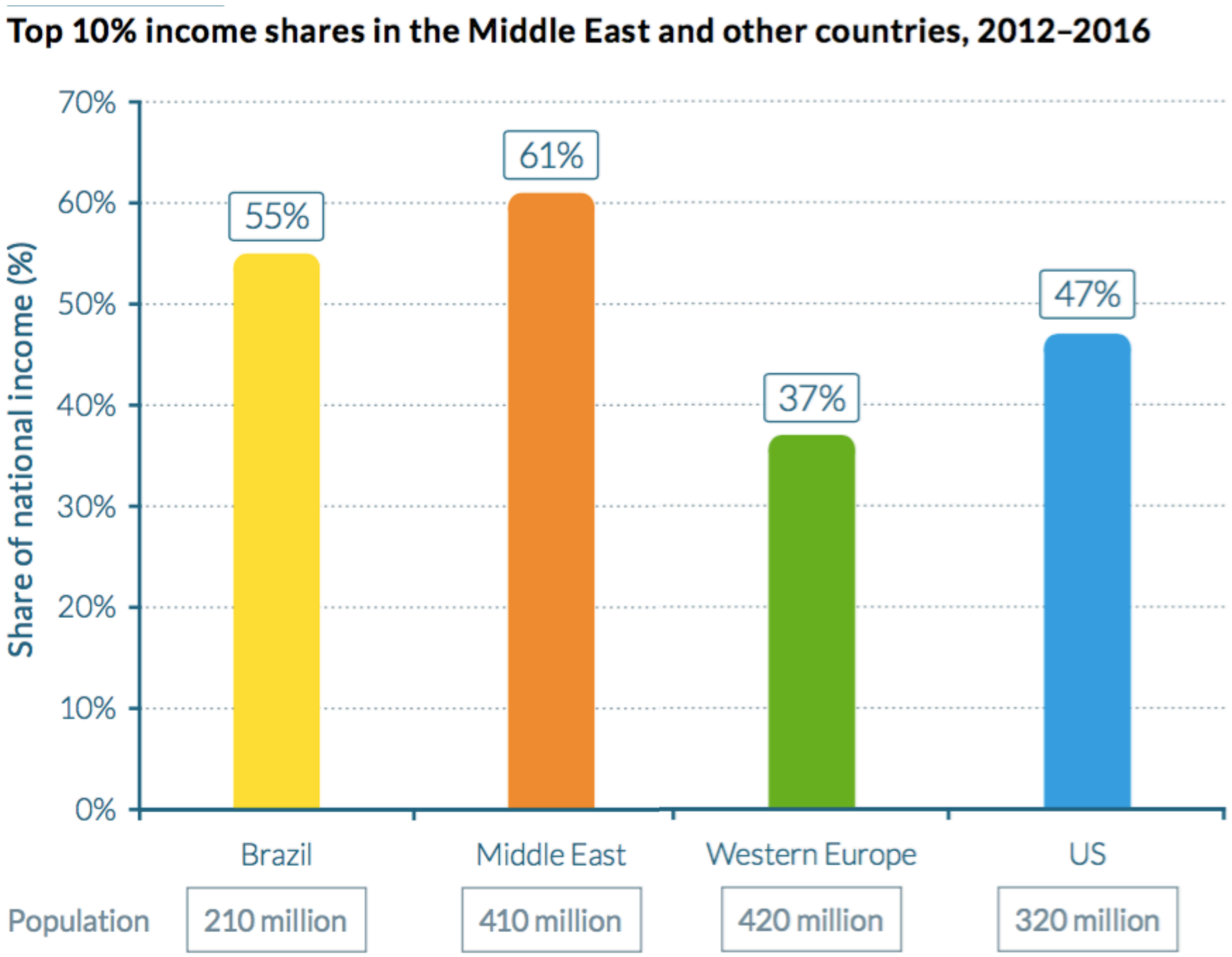
**The extreme level of inequality comes from:**

**1.** Enormous inequality between countries (particularly between oil-rich and population-rich countries)
**2.** Large inequality within countries

**The concept of nation-state may not be the unique or most meaningful level of analysis**

- Perceptions about inequality are not only determined by within-country inequality
- Changing the geographical level of analysis affects the measurement of inequality

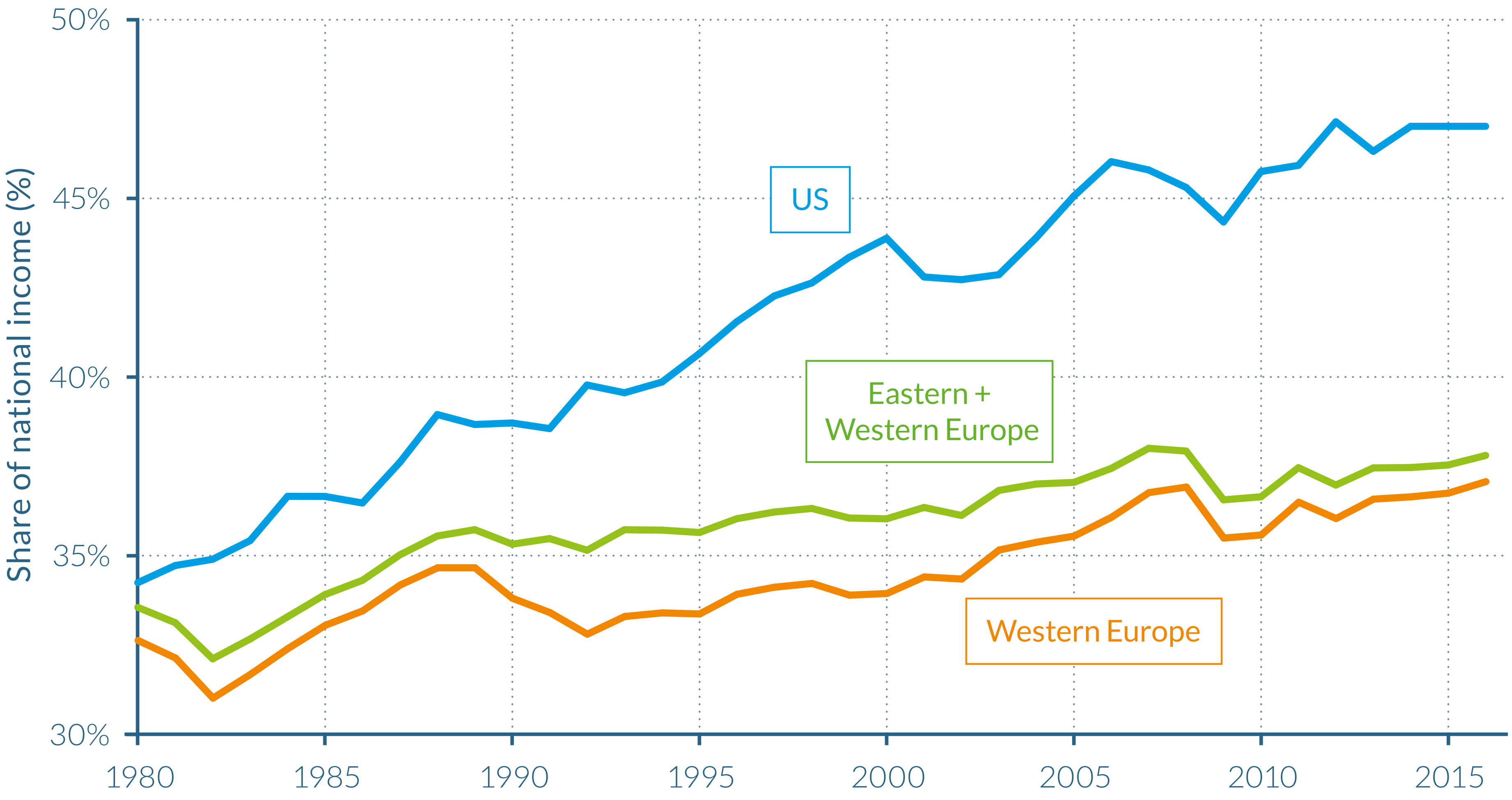
# The Middle East appears to be the most unequal region in the world




Source: World Inequality Report 2018, Figure 2.10.2 See wir2018.wid.world for data sources and notes.

# Focus on inequality at the level of regions can change the picture… or not : Western + Eastern Europe (pop:510million) is still much less unequal than the US (320m)

**Top 10% national income share in Europe and the US, 1980–2016**



# Enormous between-country inequality

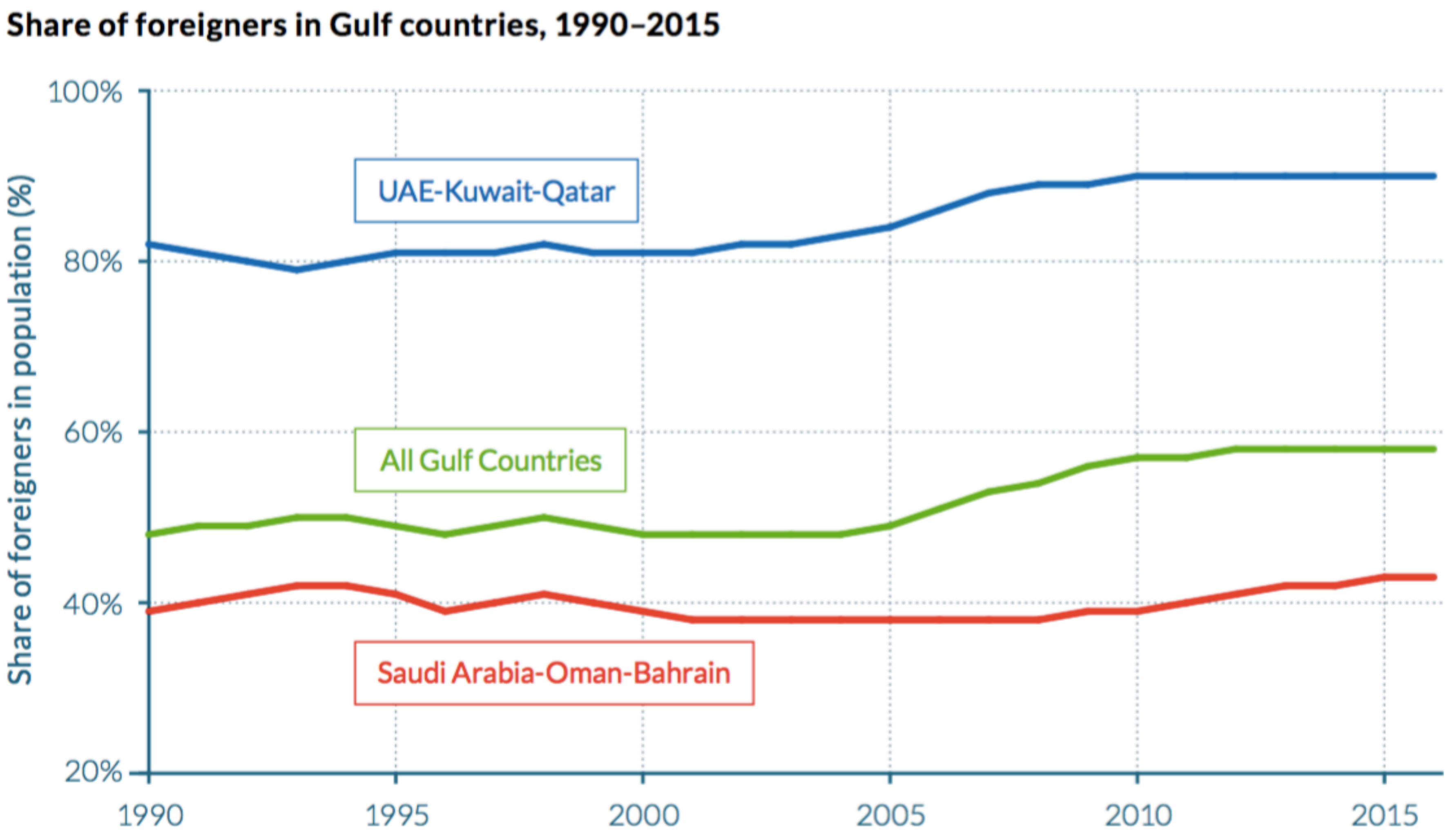
**Population and income in the Middle-East, 2016**

| | **Population** *(million)* | **Adult Population** *(million)* | **Adult population** *(% of ME total)* | **National Income** *(Billion 2016 € PPP)* | **% ME Total Income** *(PPP)* | **National Income** *(Billion 2016 € MER)* | **% ME Total Income** *(MER)* |
|---|---|---|---|---|---|---|---|
| **Turkey** | 80 | 53 | 21% | 1 073 | 19% | 548 | 22% |
| **Iran** | 80 | 56 | 22% | 896 | 16% | 330 | 13% |
| **Egypt** | 93 | 54 | 22% | 800 | 14% | 234 | 9% |
| **Iraq-Syria-Other (non-Gulf)** | 102 | 52 | 21% | 570 | 10% | 243 | 10% |
| **Gulf Countries** | 54 | 37 | 15% | 2 394 | 42% | 1 179 | 47% |
| **Total Middle East** | 409 | 252 | 100% | 5 733 | 100% | 2 534 | 100% |

Source: Alvaredo, Assouad and Piketty (2017). See wir2018.wid.world for data series and notes.

In 2016, Gulf countries earned €2.4 billion in Purchasing Power Parity. All values have been converted into 2016 Purchasing Power Parity (PPP) euros at a rate of €1 = $1.3, and into 2016 Market Exchange Rate (MER) euros at a rate of €1 = $1.1. PPP accounts for differences in the cost of living between countries. Values are net of inflation. Numbers may not add up due to rounding.

# Large inequality within countries




Source: World Inequality Report 2018, Figure 2.10.4. See wir2018.wid.world for data sources and notes.

# Determinants of extreme inequality

- There are different determinants to extreme inequality
- In many of the most unequal regions in the world (Brazil, South Africa), extreme inequality comes from a legacy of slavery, colonial or racial cleavage
- In the Middle East, **the origins of inequality are more "modern**" : they are directly linked to the functioning of contemporary capitalism and to the geography of oil ownership and the transformation of oil revenues into permanent financial endowments.
- Indeed, the dynamics of private and public capital ownership are critical determinants of inequality.

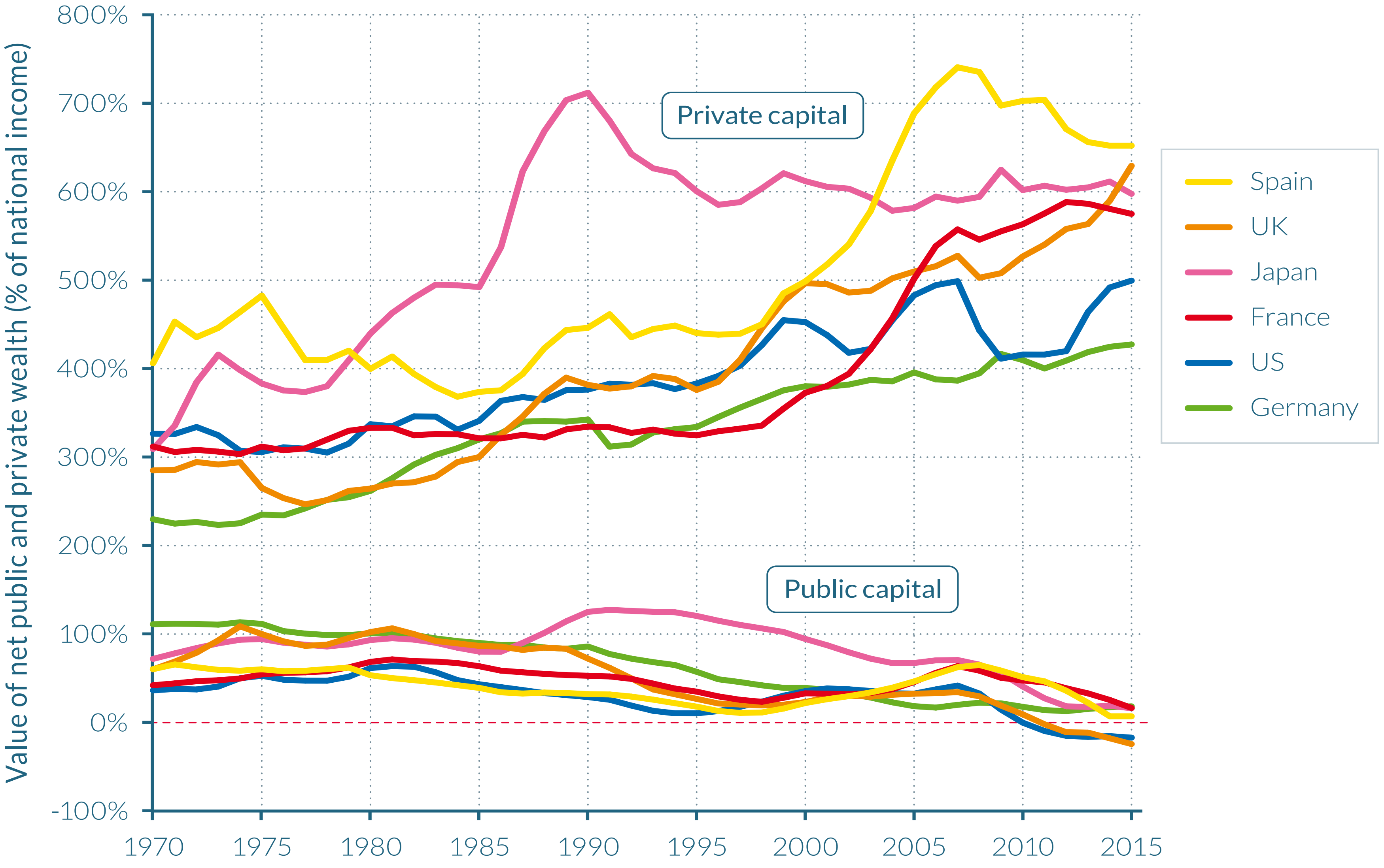
Part III

# 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 poor.

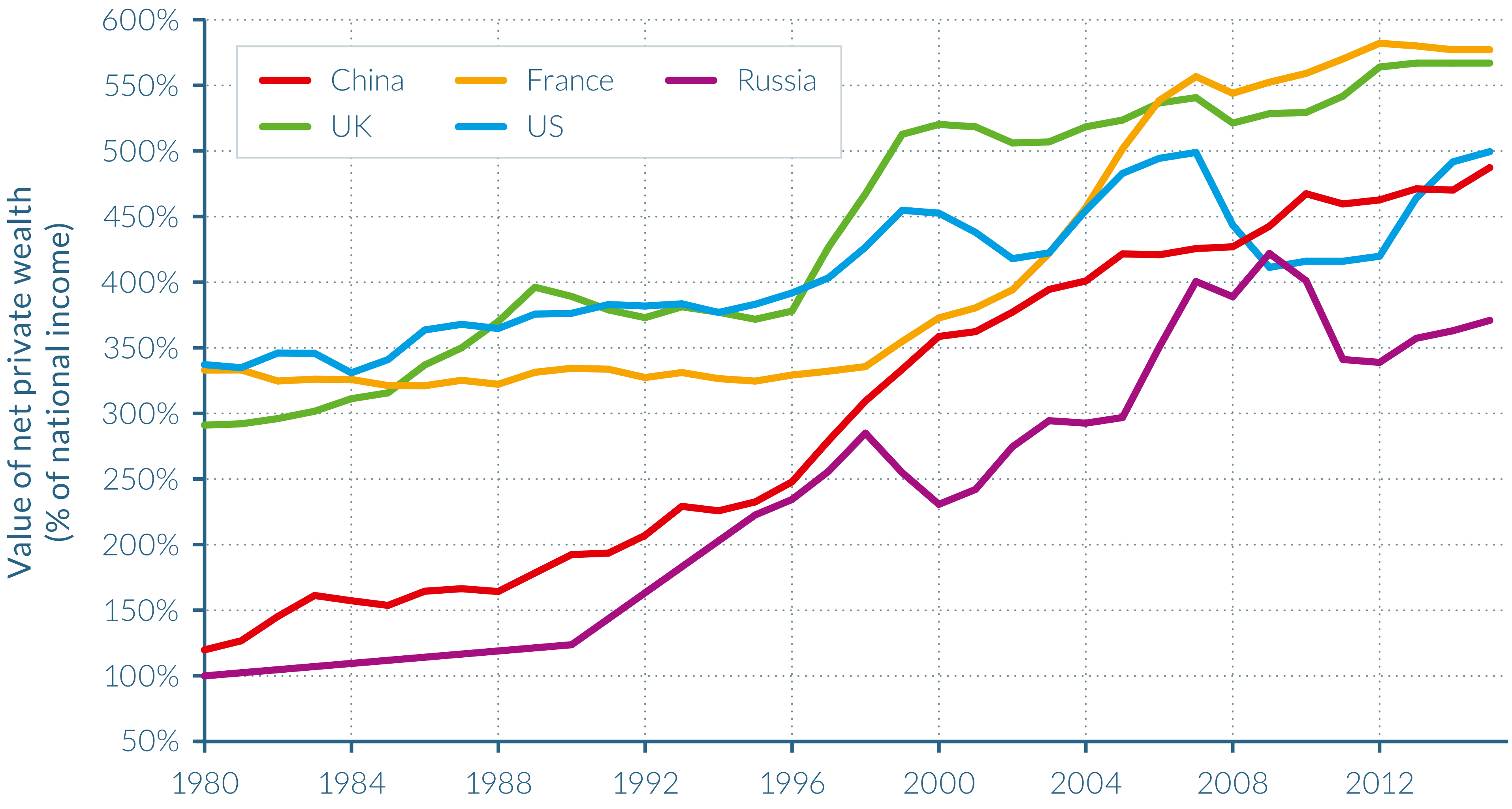
**The rise of private capital and the fall of public capital in rich countries, 1970–2016**




Source: World Inequality Report 2018, Figure E6. See wir2018.wid.world for data sources and notes.

# Private capital also rose sharply in emerging countries...

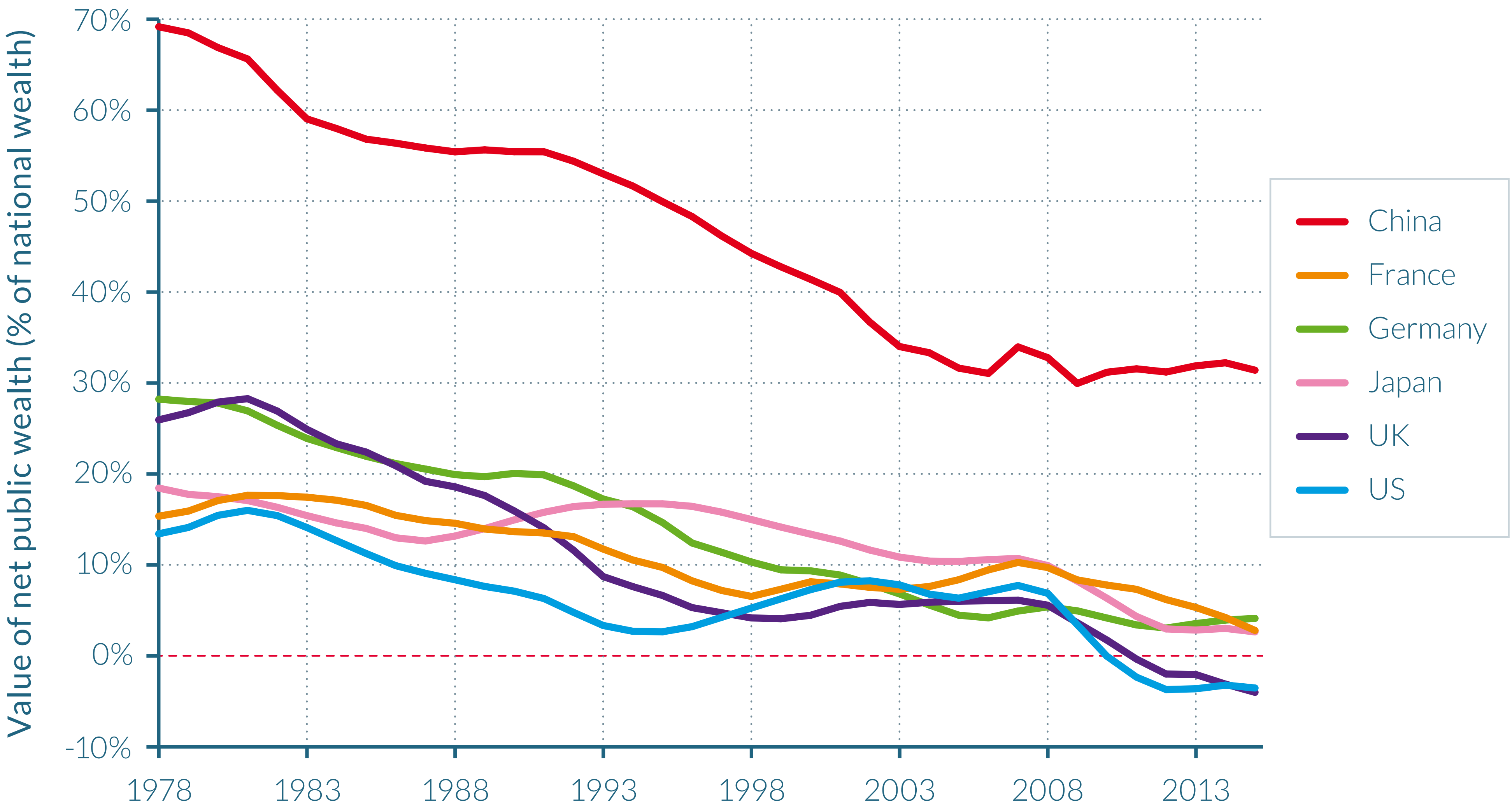
**Net private wealth to net national income ratios in China, Russia and rich countries, 1980–2015: The rise of private wealth**




Source: World Inequality Report 2018, Figure 3.1.1. See wir2018.wid.world for data sources and notes.

# … in China the share of public capital in national capital is now comparable to rich countries during the mixed-economy period (1950-1980).

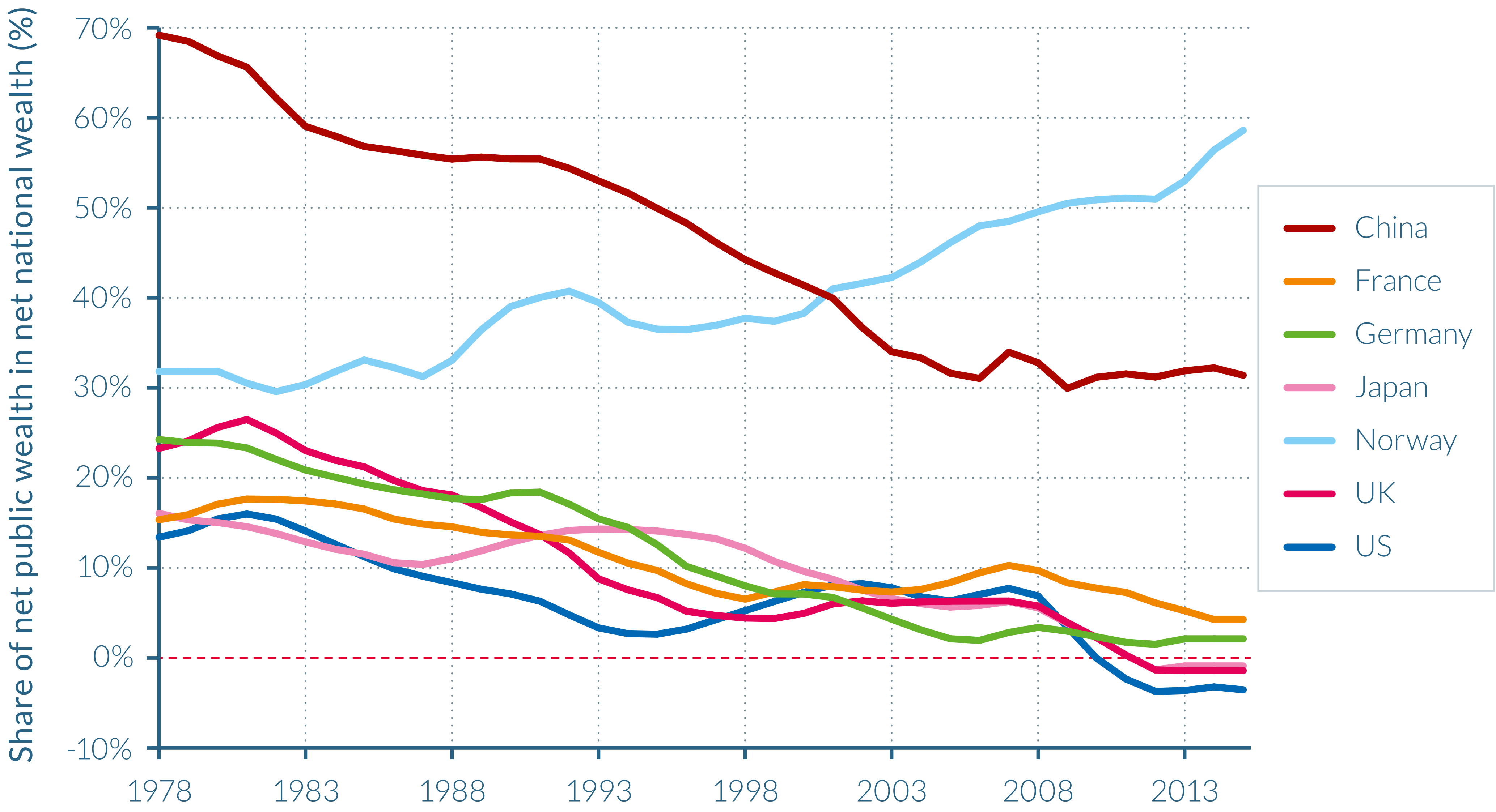
**The decline of public capital, 1970–2016**




Source: World Inequality Report 2018, Figure E7. See wir2018.wid.world for data sources and notes.

# There are some exceptions to the decline of public capital: Norway (sovereign funds without Russian leaks…)

**The share of public wealth in national wealth in rich countries, 1978–2015**




Source: World Inequality Report 2018, Figure 3.1.5. See wir2018.wid.world for data sources and notes.

Part IV

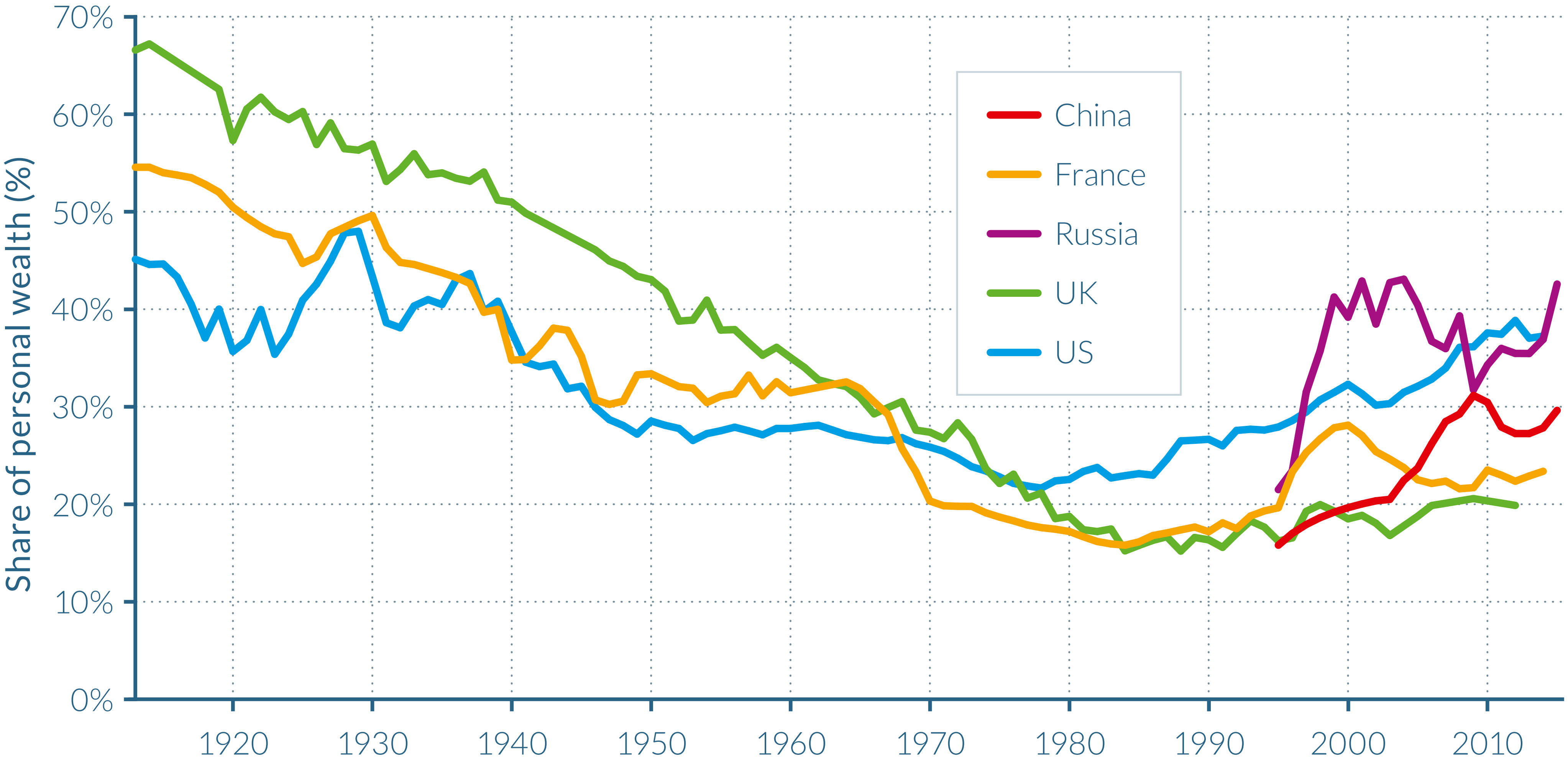
# GLOBAL WEALTH INEQUALITY DYNAMICS

- The combination of rising income inequality and large transfers of public to private wealth contributed to the steep rise in wealth inequality. Wealth data however remains particularly opaque.

- We observe a rise in global wealth inequality over the past decades. At the global level (China, Europe, and the US) the top 1% share of wealth increased from 28% in 1980 to 33% today, while the bottom 75% share hovered around 10%.

# Rise in wealth inequality since the 1980s in most countries after a historical decline

## Top 1% personal wealth share in emerging and rich countries, 1913–2015



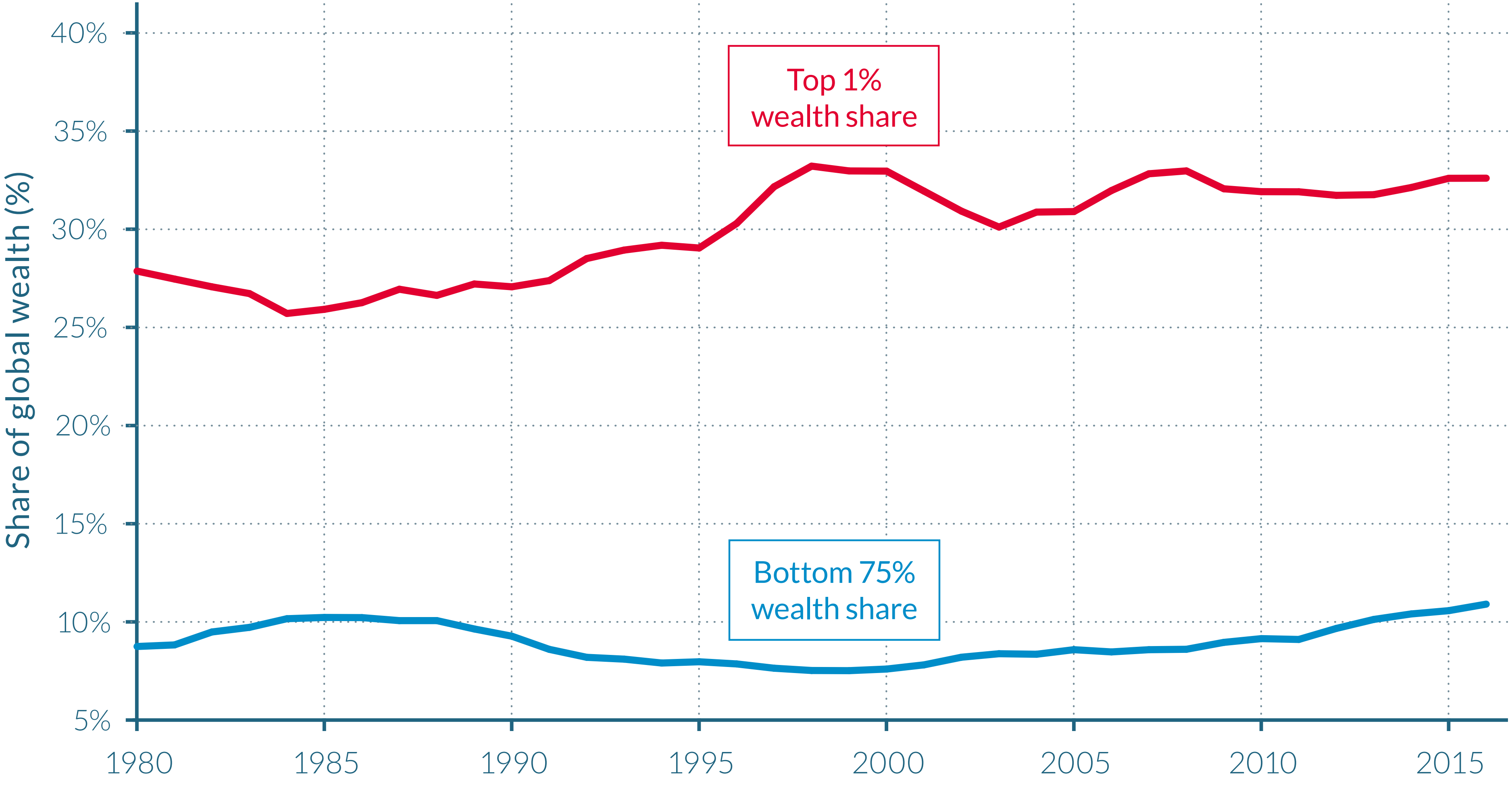

Source: World Inequality Report 2018, Figure 4.2.1. See wir2018.wid.world for data sources and notes.

# At the global level (China, EU, US), wealth inequality is on the rise

1987-2017

Annual wealth growth of top 100 adults:
**7.8%**
Annual wealth growth of full population:
**2.8%**
Annual income growth of full population :
**1.4%**

**Top 1% and Bottom 75% shares of global wealth, 1980–2017: China, Europe and the US**




Source: World Inequality Report 2018, Figures 4.1.1. See wir2018.wid.world for data sources and notes.

FOCUS

# FROM AGGREGATE WEALTH AND HOUSING BUBBLES TO WEALTH INEQUALITY: ILLUSTRATION WITH SPAIN

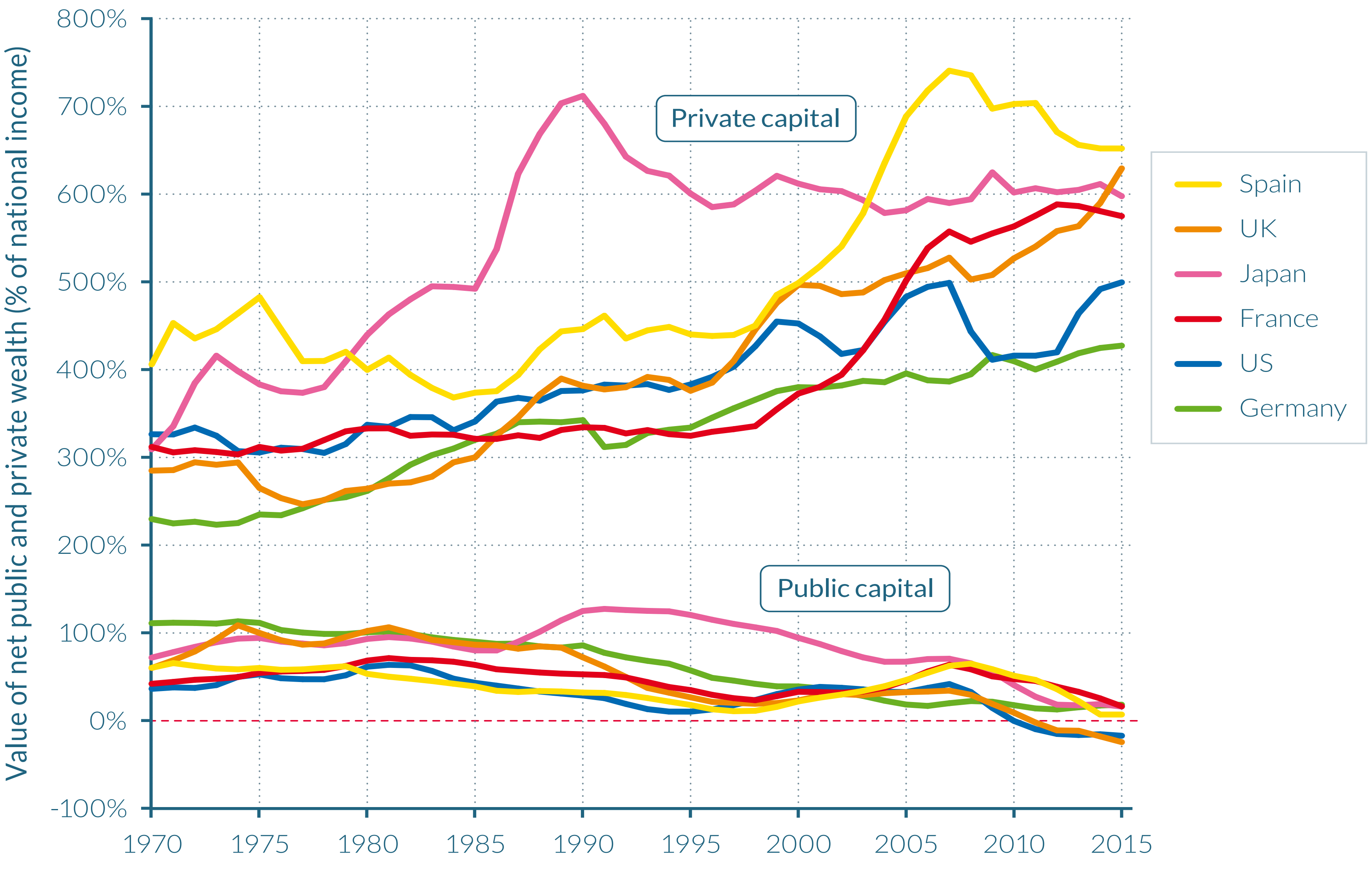
- Complex interactions between the rise of total private wealth & the evolution of wealth inequality between individuals. Need for detailed, country-by-country analysis.

- Spain has experienced an unprecedented rise in the personal wealth to national income ratio in the last two decades due mainly to the housing bubble

- However, little movements in wealth inequality: high housing prices benefit middle class more than the top and mitigates the general trend in rising inequality; but this complicates access to housing for the young generation with no family wealth…

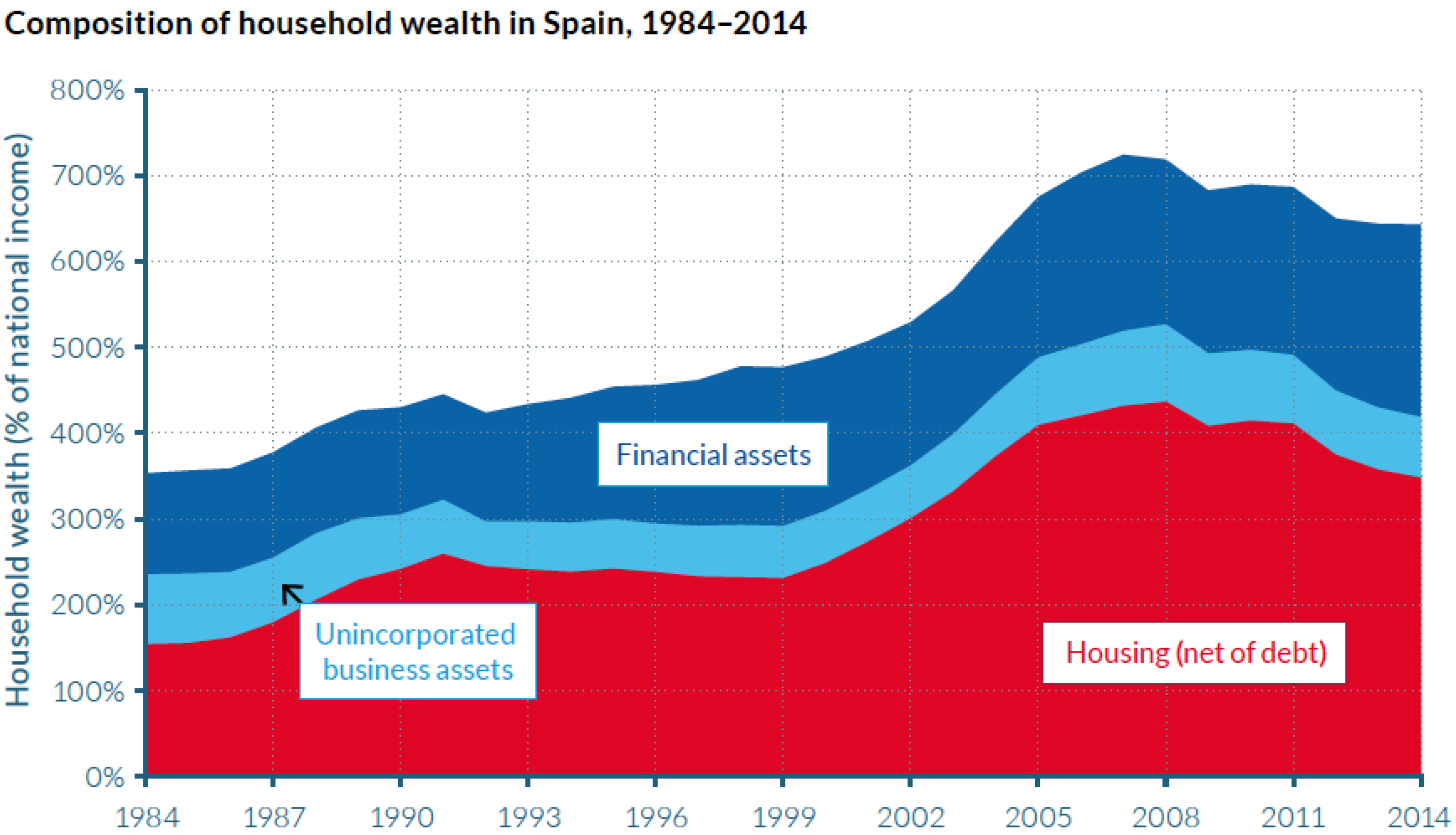
# Spain as an extreme case of rising private wealth-income ratios

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



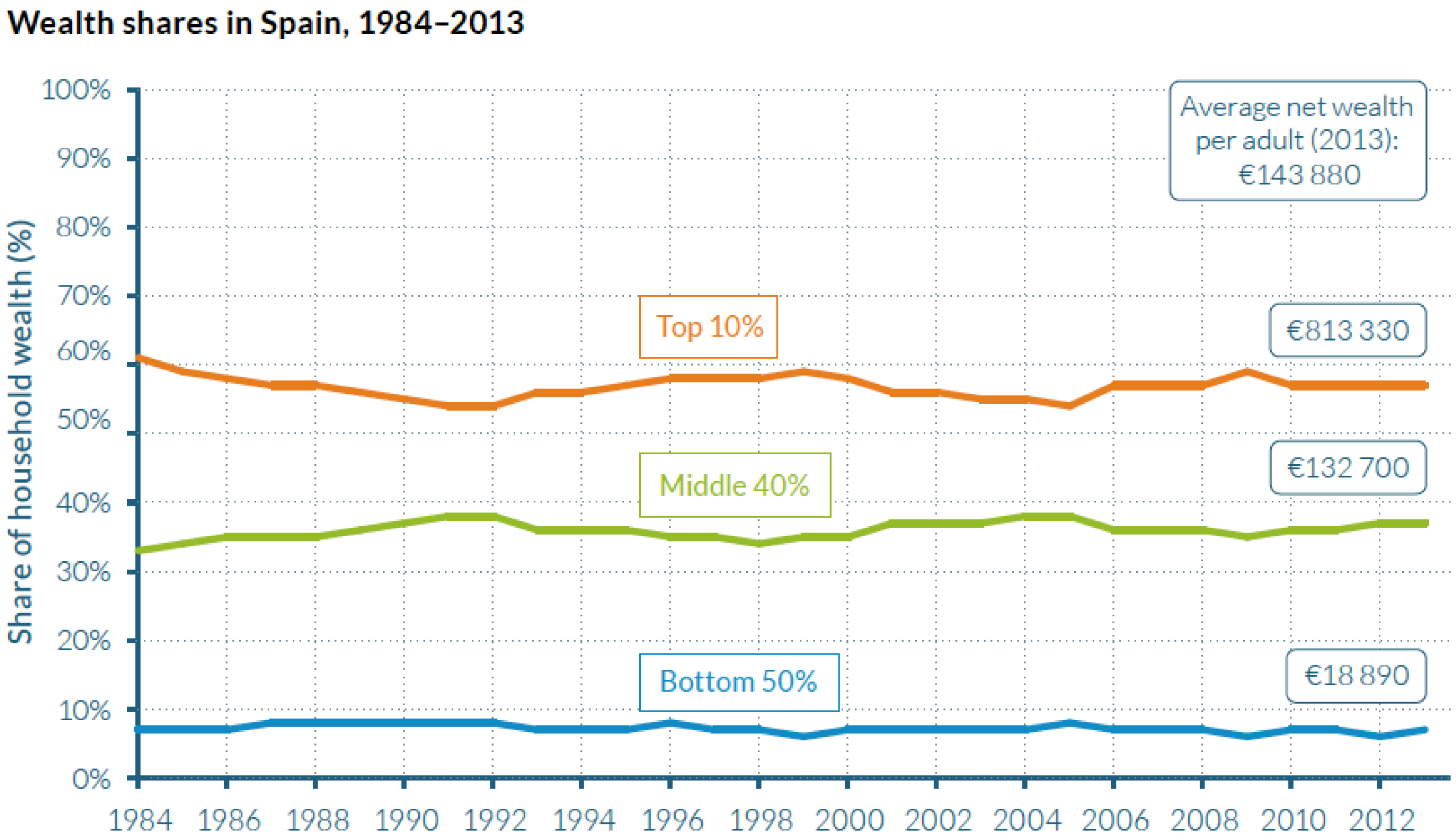

Source: World Inequality Report 2018, Figure E6. See wir2018.wid.world for data sources and notes.

# Huge rise in personal wealth to national income ratio



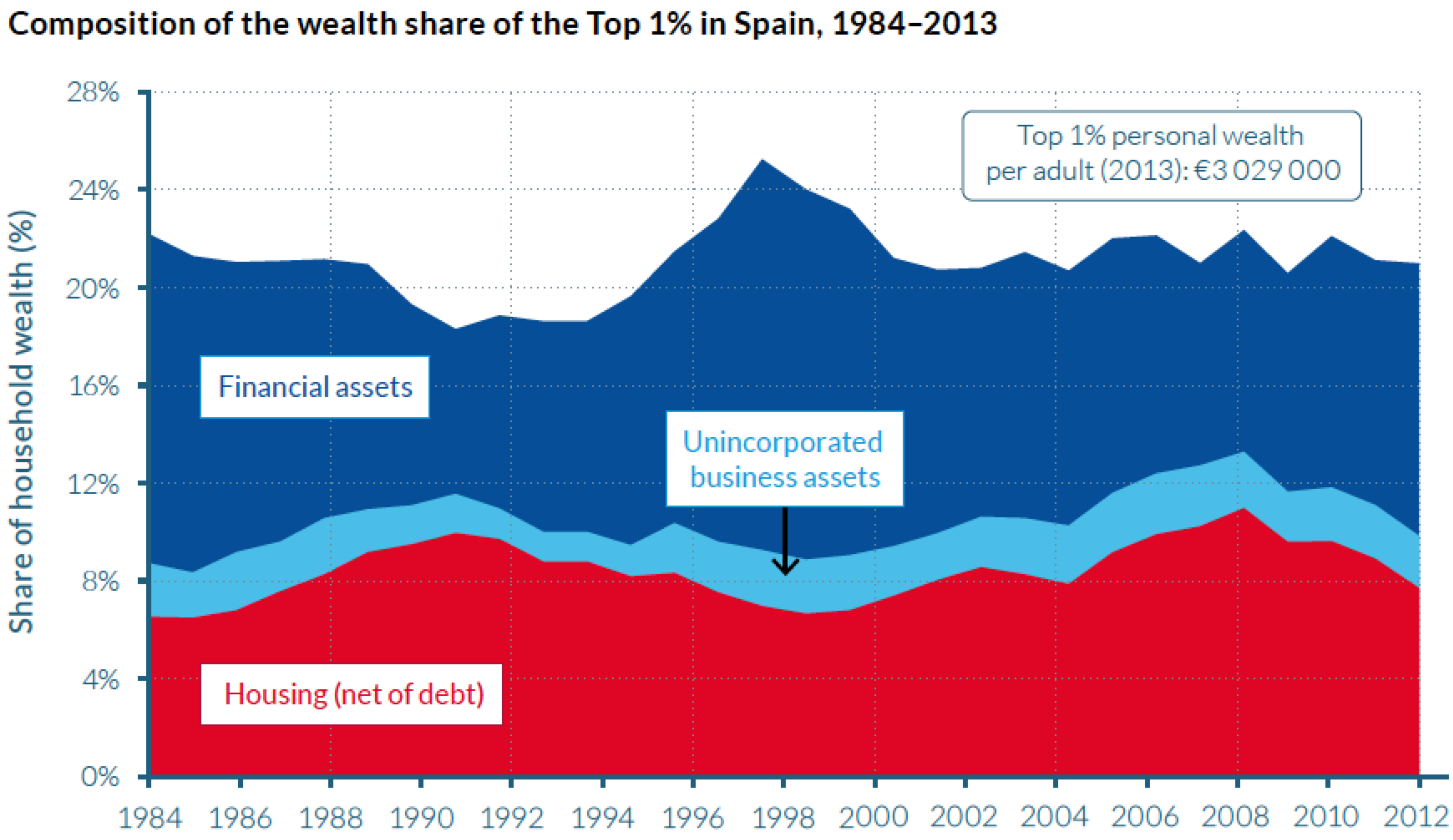

Source: World Inequality Report 2018, Figure 4.5.1. See wir2018.wid.world for data sources and notes.

# Wealth concentration high but nearly stable. Why?



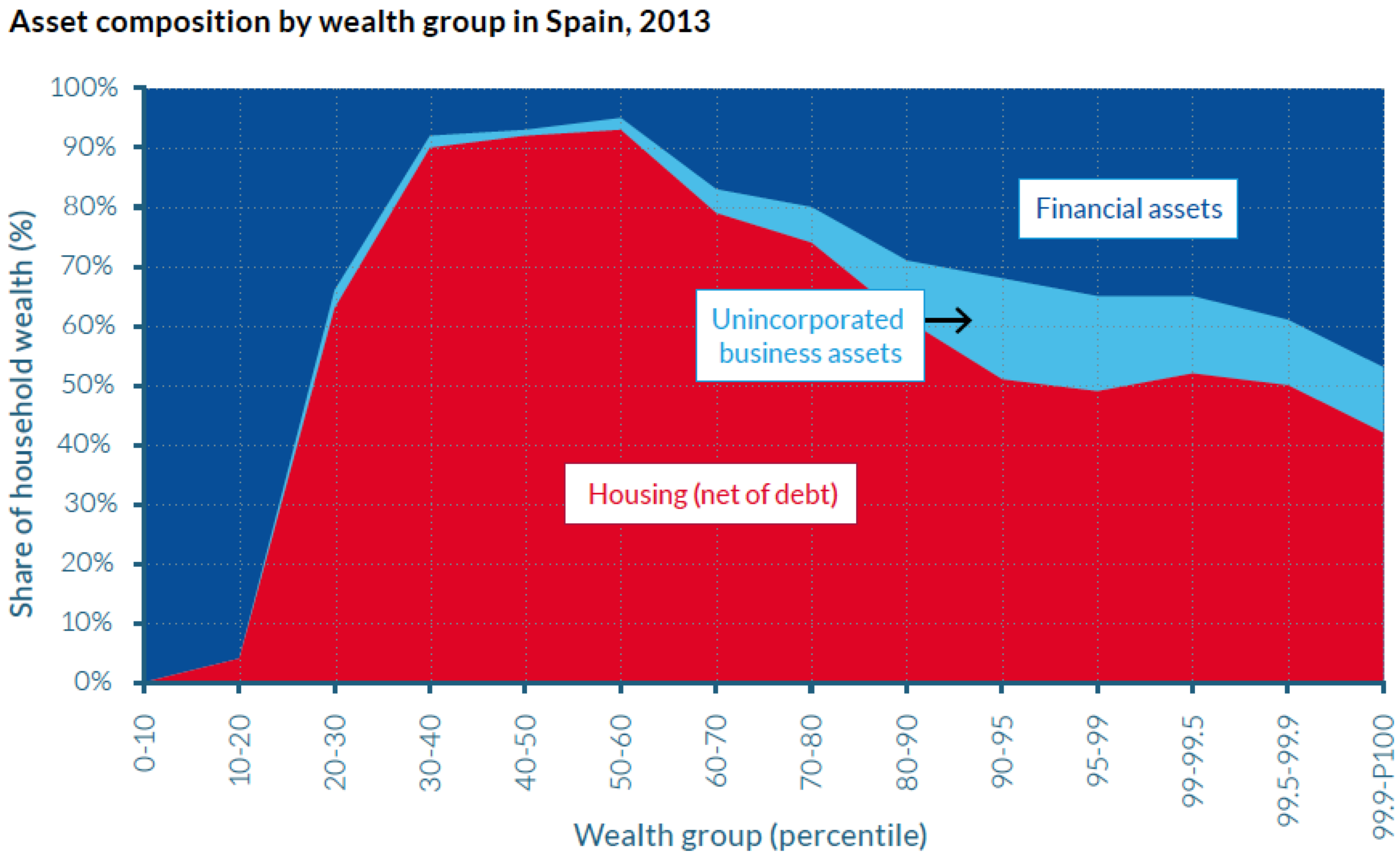

Source: World Inequality Report 2018, Figure 4.5.2. See wir2018.wid.world for data sources and notes.

# The rich own a large share of their portfolio in housing




Source: World Inequality Report 2018, Figure 4.5.4. See wir2018.wid.world for data sources and notes.

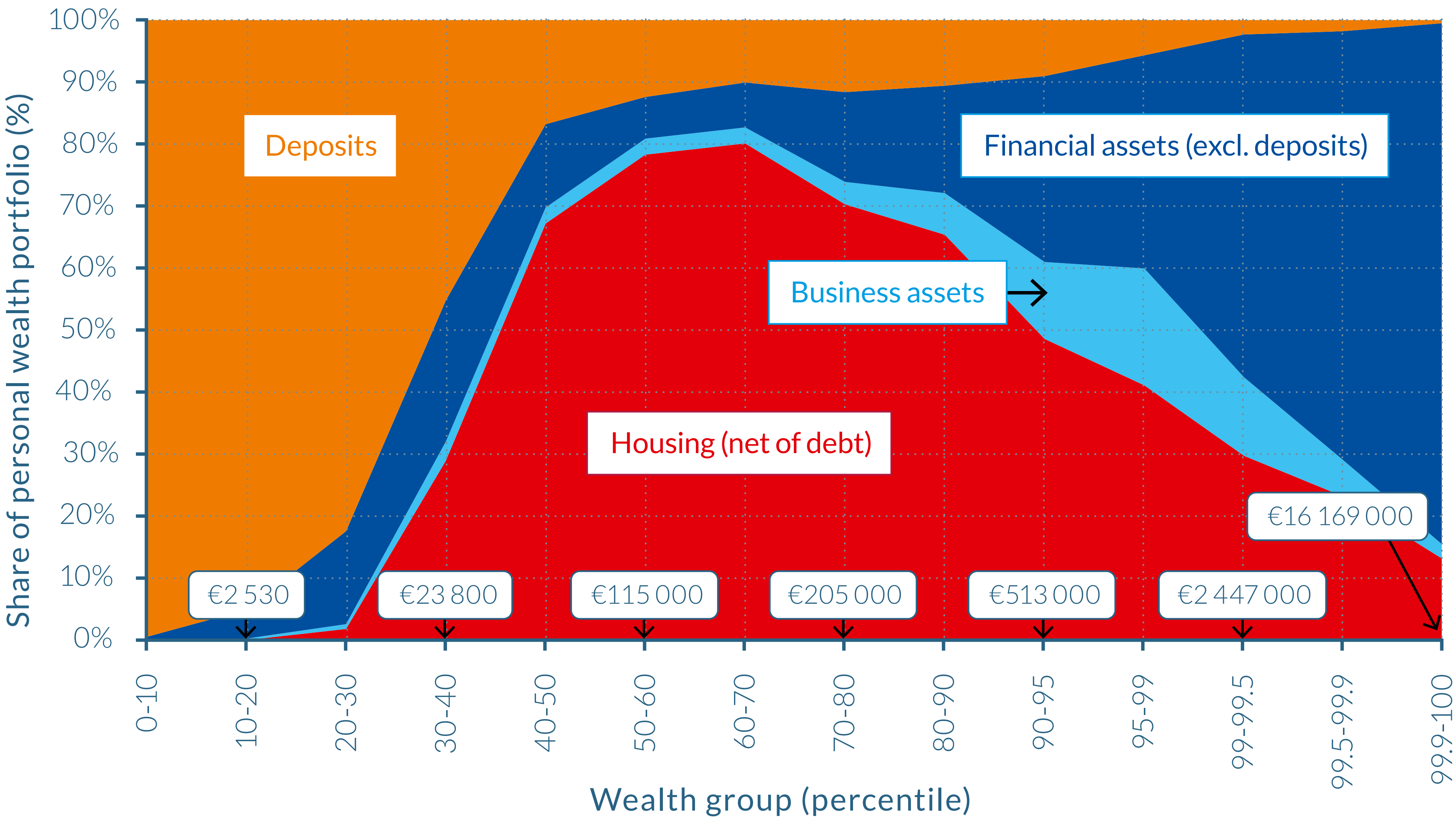
# ...even the very very rich own a large share of their portfolio in housing




Source: World Inequality Report 2018, Figure 4.5.3. See wir2018.wid.world for data sources and notes.

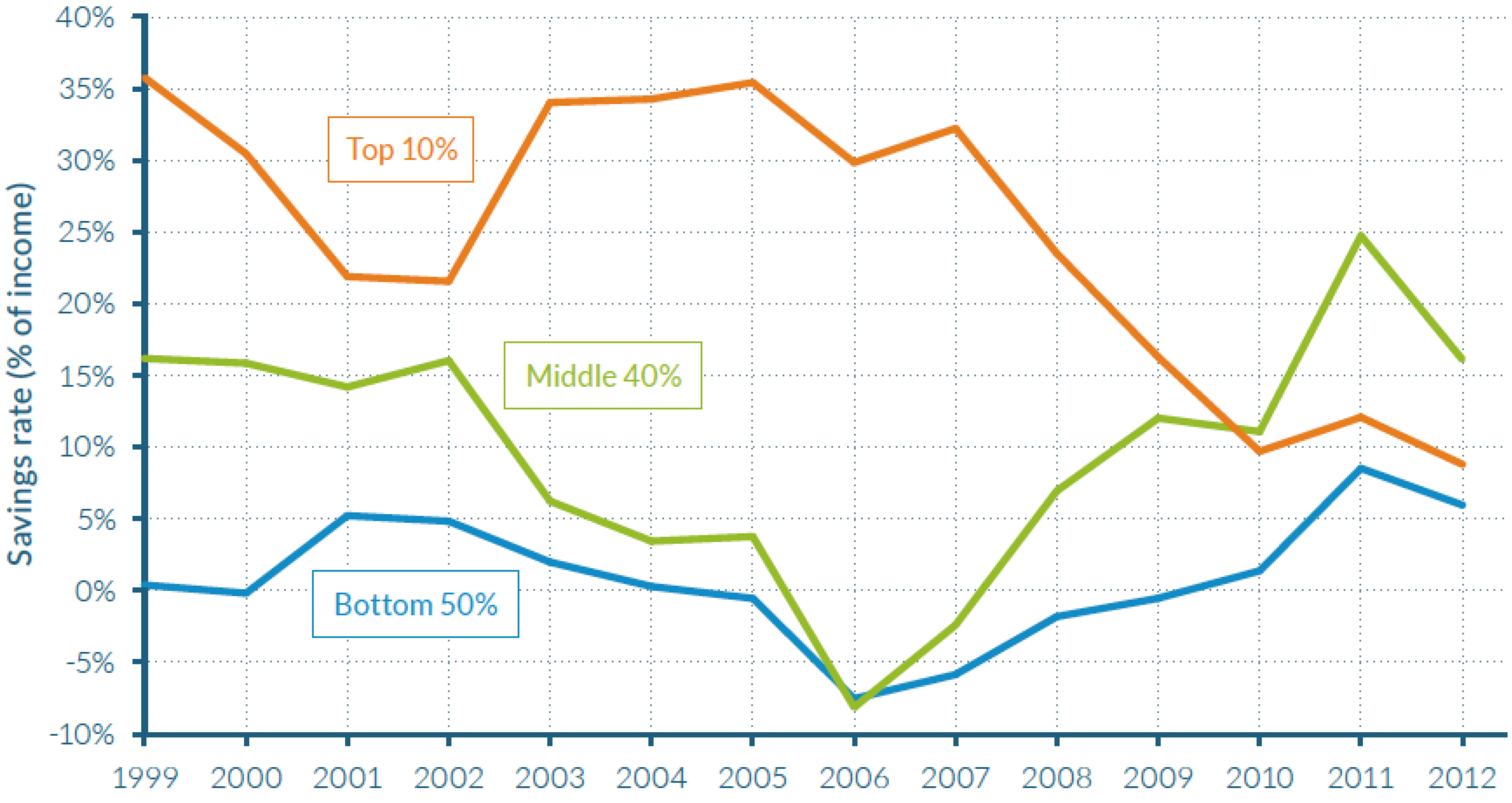
# Comparison with France: top wealth holders prefer financial/business assets in France

**Asset composition by wealth group in France, 2012**



# In Spain, the middle and the top have saved more than the bottom after the bubble

## Saving rates in Spain, 1999–2012




Source: World Inequality Report 2018, Figure 4.5.7a. See wir2018.wid.world for data sources and notes.

# The rich managed to reallocate their portfolios toward financial assets at the right time

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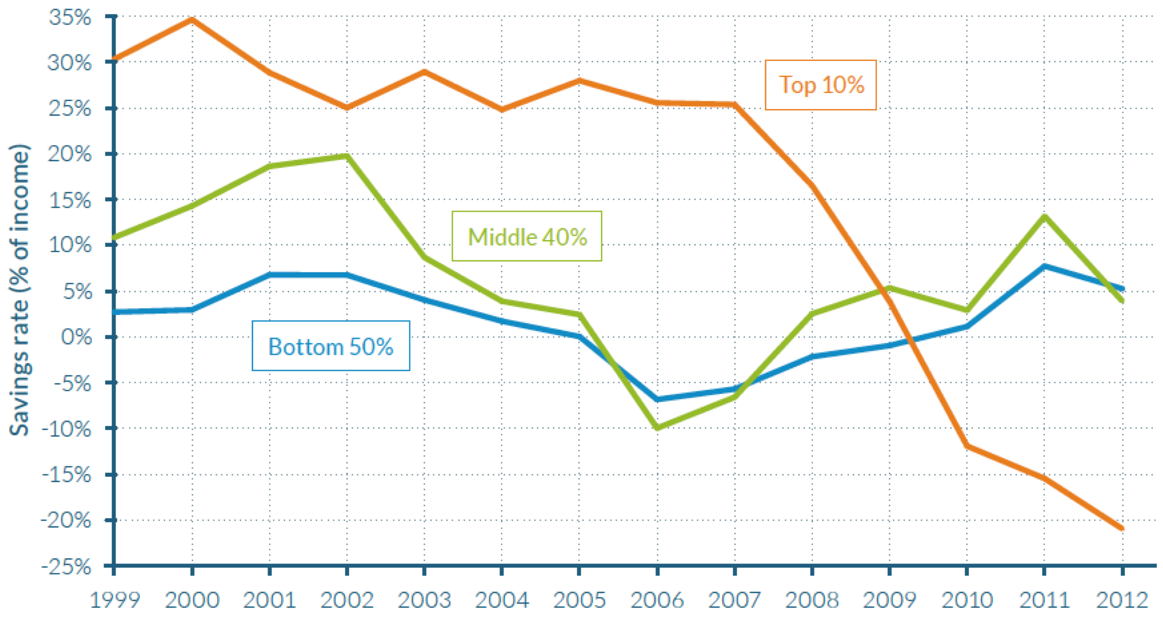
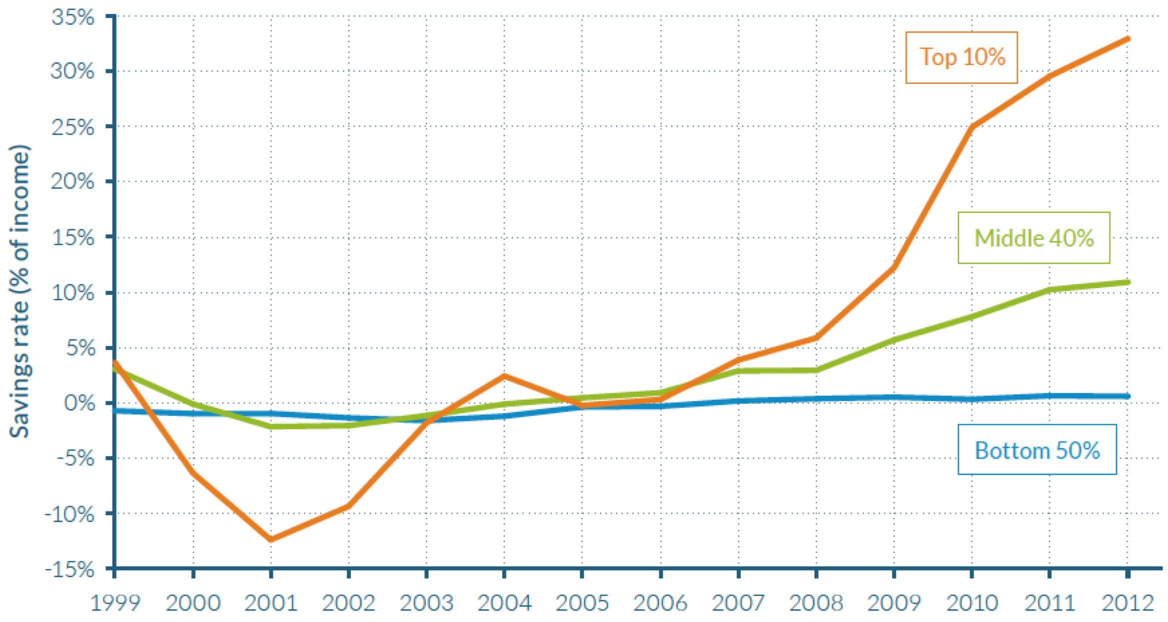
Saving rates on net housing in Spain, 1999–2012




Saving rates on financial assets in Spain, 1999–2012




Source: World Inequality Report 2018, Figures 4.5.7b and 4.5.7c. See wir2018.wid.world for data sources and notes.

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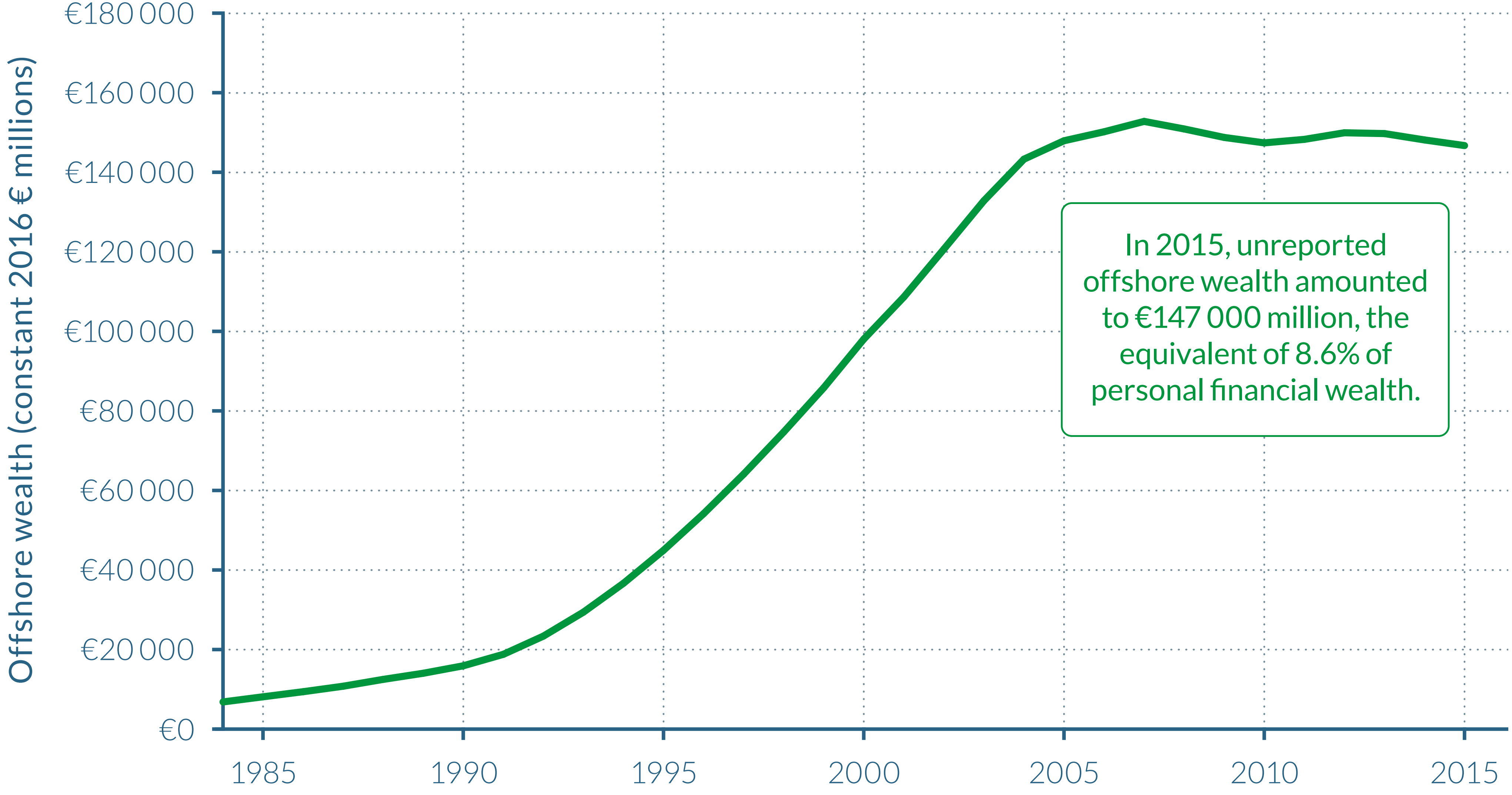
# The rise of offshore wealth in Spain: a lower bound estimate

**Total unreported offshore assets in Spain, 1984–2015**




Source: World Inequality Report 2018, Figure 4.5.8. See wir2018.wid.world for data sources and notes.

Part IV

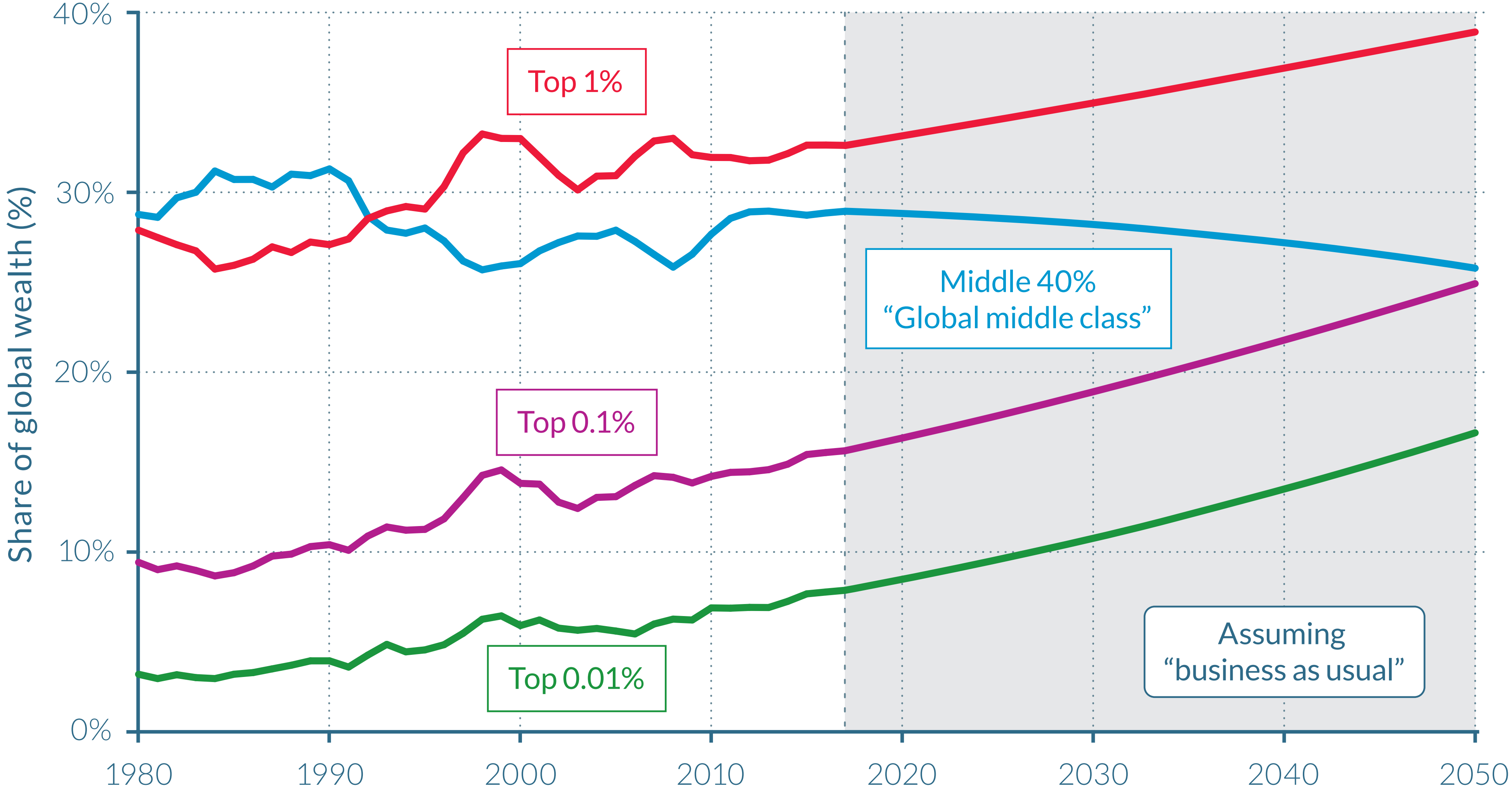
# TACKLING GLOBAL INEQUALITY

- 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: the global wealth middle class (China, Europe, US) will be squeezed

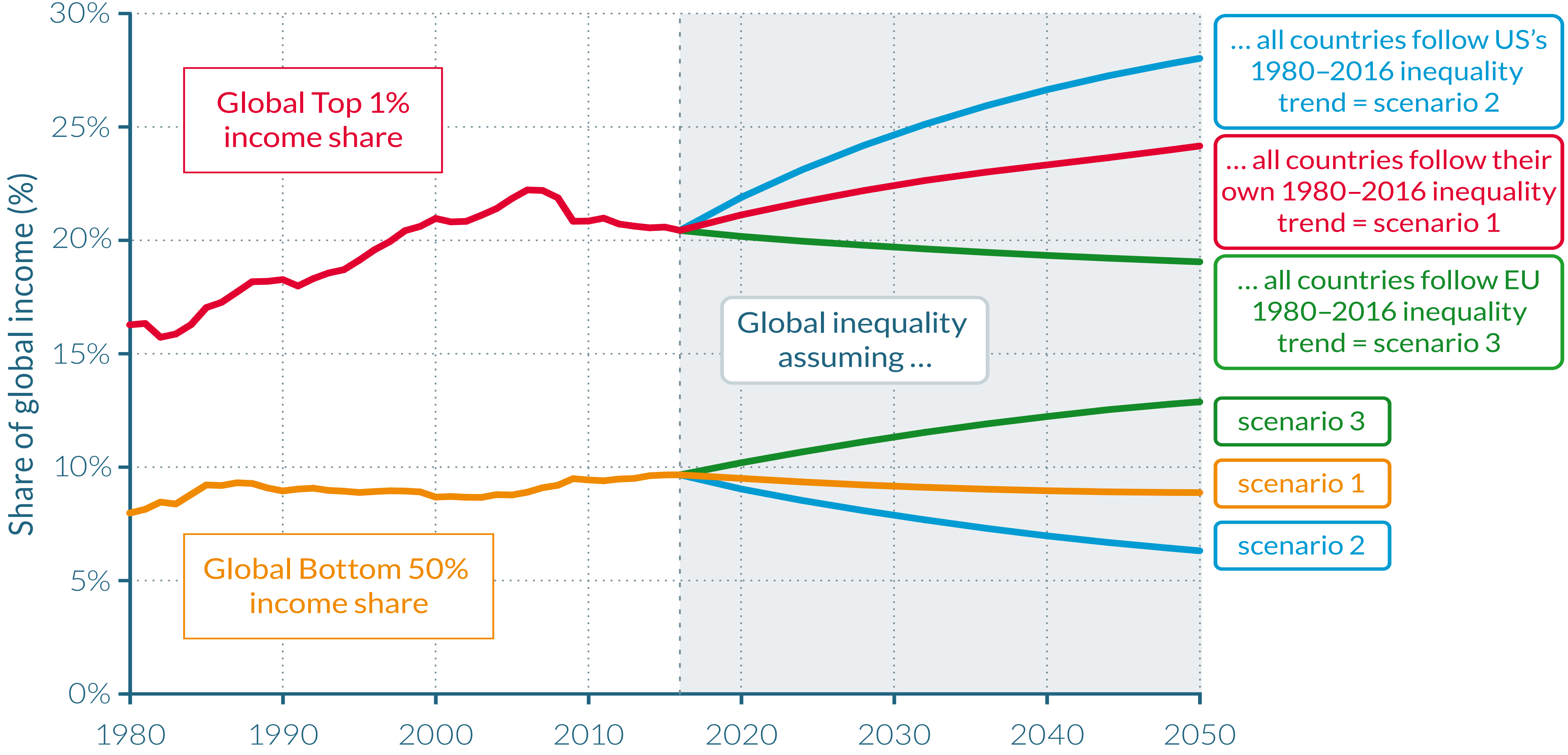
## The squeezed global wealth middle class, 1980–2050




Source: World Inequality Report 2018, Figures 4.1.3. See wir2018.wid.world for data sources and notes.

# 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.

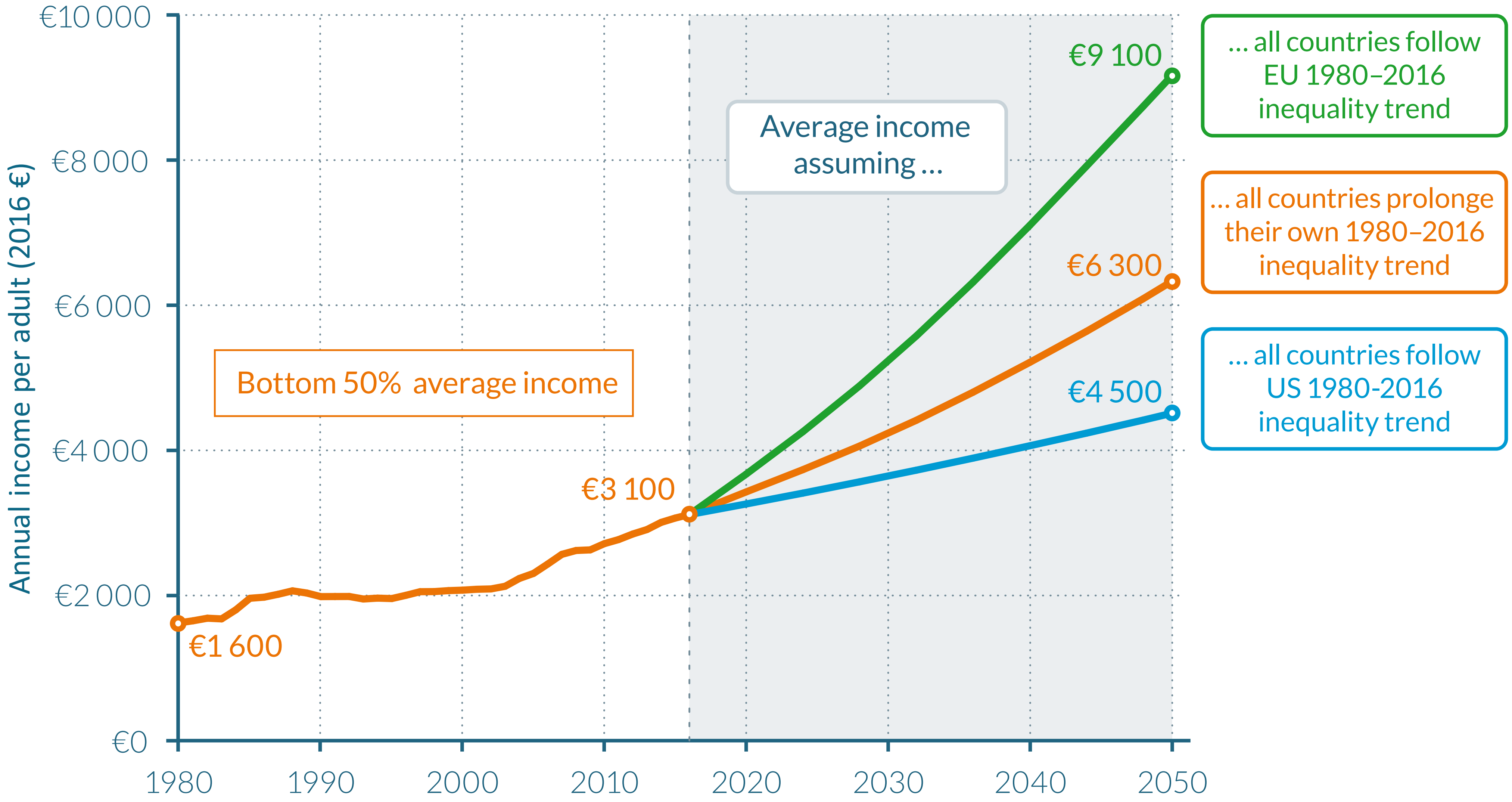
## Global income share projections of the Bottom 50% and Top 1% , 1980–2050




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

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

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




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

# 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

# CONCLUSION

- The WID.world project: more than 100 researchers over the five continents. All the data is entirely open source + transparent to feed public debates.

- This report: first systematic assessment of globalization in terms of inequality. Global top 1% captured twice as much growth as bottom 50% since 1980. Under Business as usual, even with optimistic growth assumptions in the emerging world, global inequality will continue to rise.

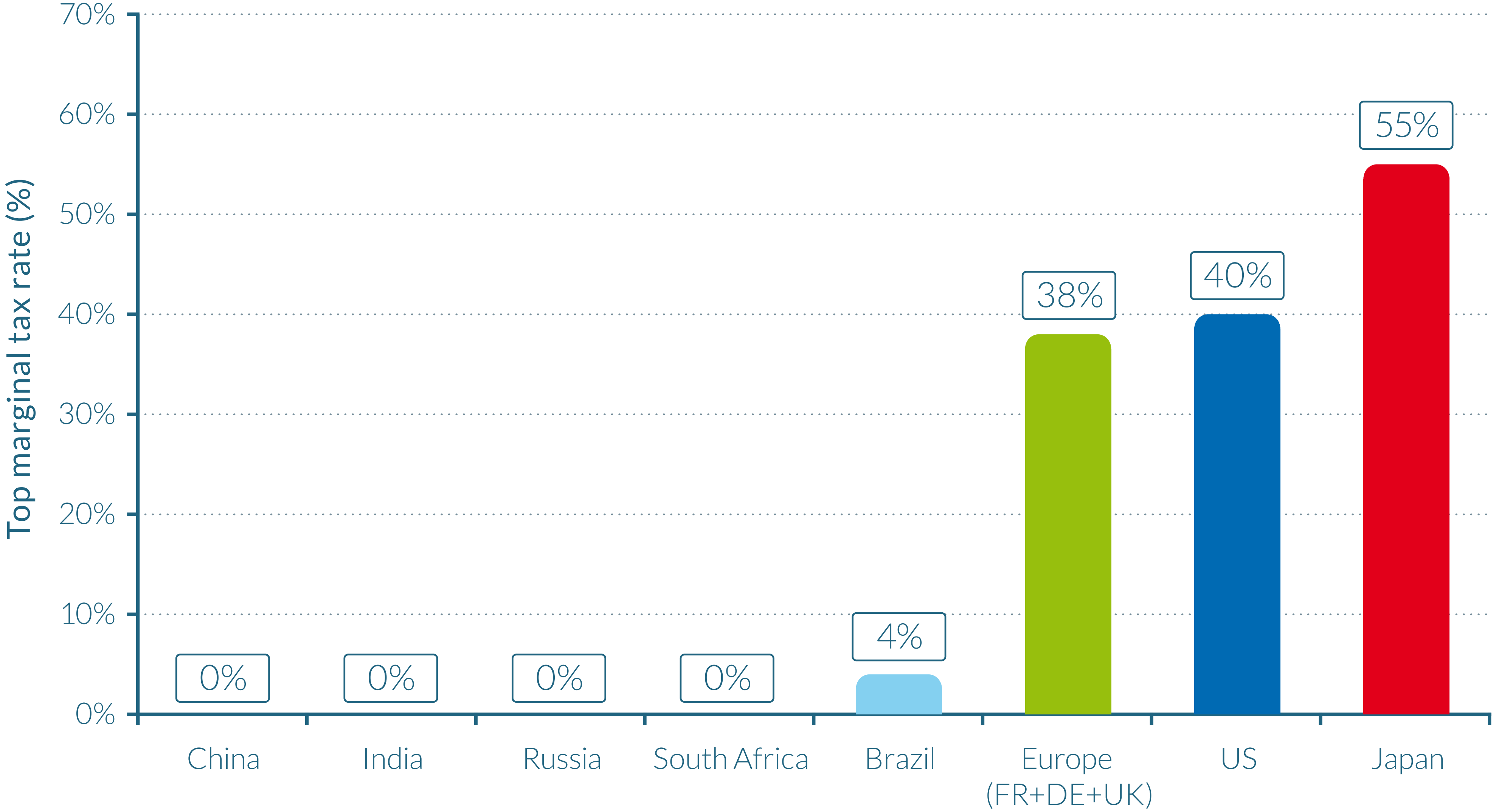
- Rising inequality is not inevitable: different types of policies can be implemented to promote equitable growth pathways in the coming decades.

VISIT **WIR2018.WID.WORLD**
FOR THE ONLINE VERSION OF THE REPORT.

# Additional slides

Figure 5.2.4

## Top inheritance tax rates in emerging and rich countries, 2017




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.

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WID.WORLD THE SOURCE FOR GLOBAL INEQUALITY DATA