



World Inequality Report 2018

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- 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.



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.

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

- **WID.world relies systematic combination of tax and household survey data as well as national accounts**
 - Based on the pioneering work of Kuznets (1953) and Atkinson (1978), followed by Piketty (2001), Piketty & Saez (2003)
 - --> We distribute national accounts

WORLD

BY COUNTRY ▾

DATA

WORLD
WEALTH & INCOME
DATABASE

METHODOLOGY ▾

ABOUT US ▾

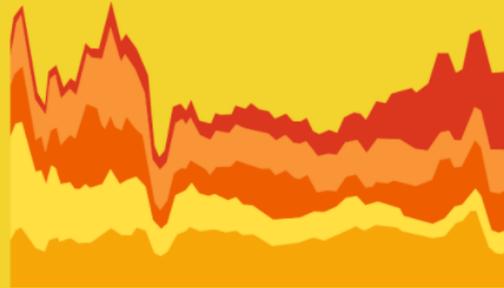
NEWS ▾

WORLD VIEW



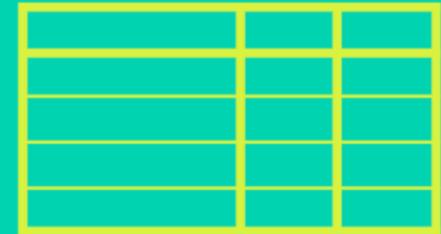
Compare inequality between countries on an interactive world map

COUNTRY GRAPHS



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

DATA TABLES



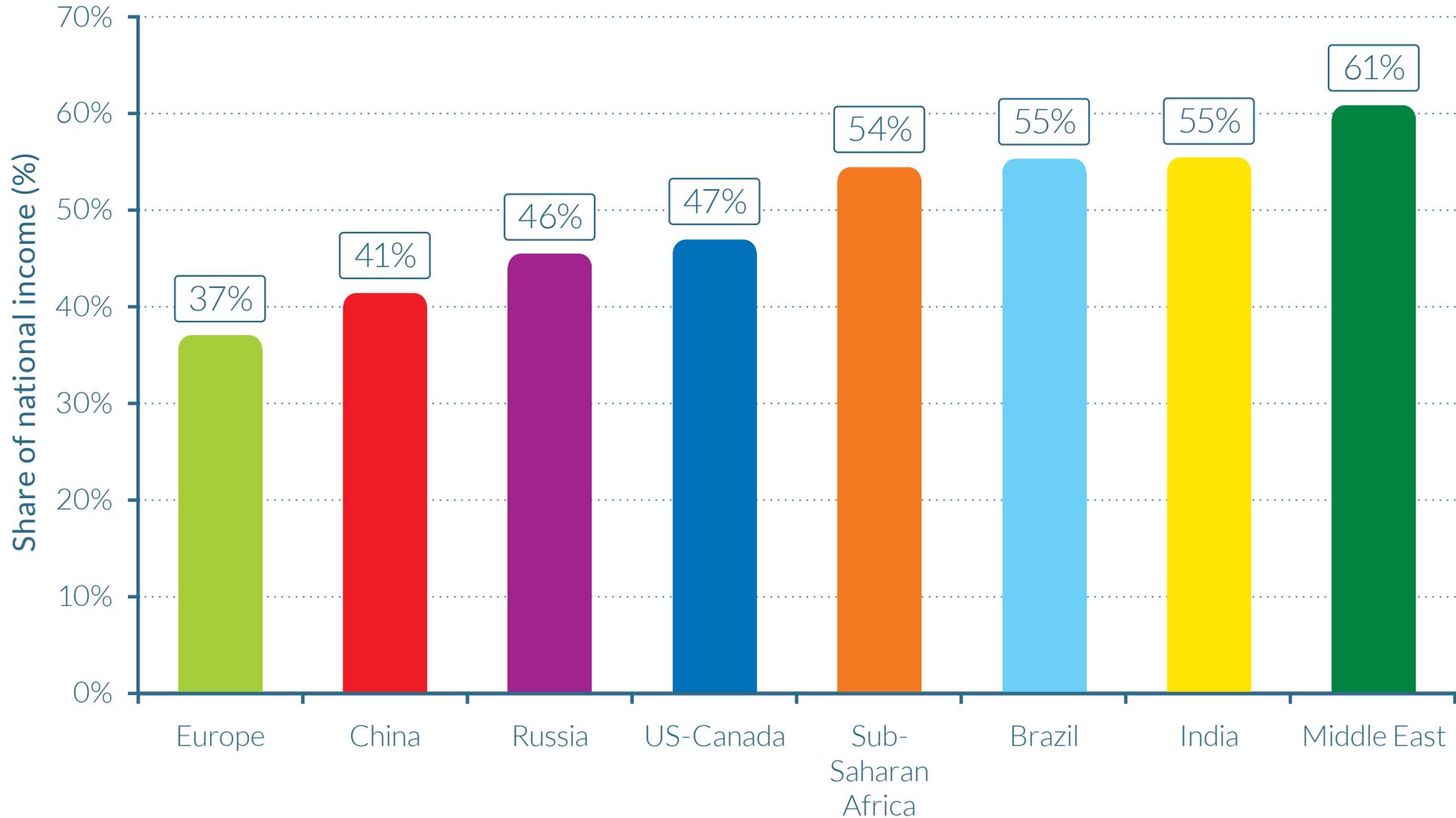
Download our open-access datasets

PART II

GLOBAL INCOME INEQUALITY DYNAMICS

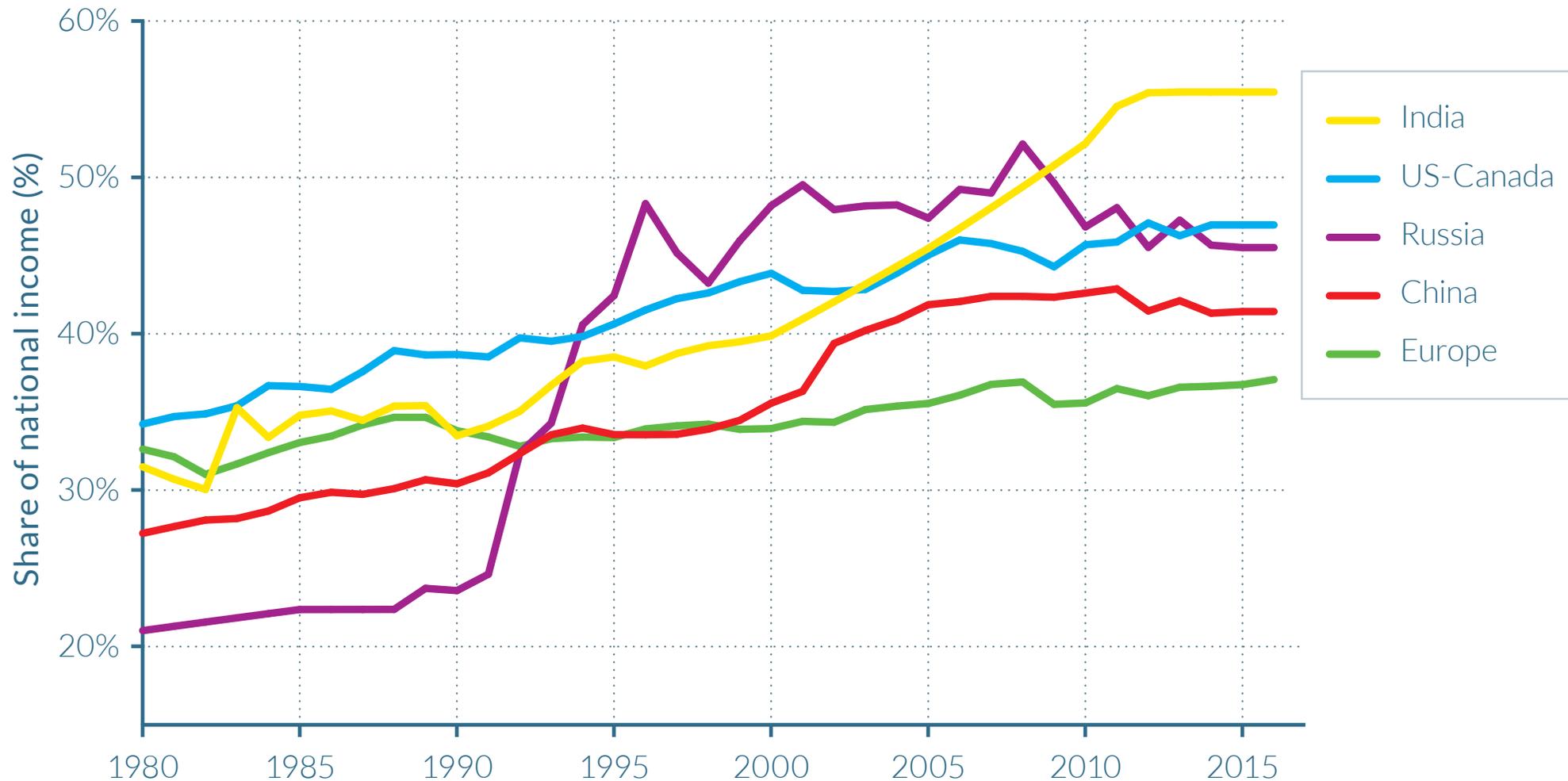
- The top 1% captured twice as much global income growth as the bottom 50% since 1980
- We observe rising inequality between world individuals, despite growth in the emerging world
- Different national trajectories show rising global inequality is not inevitable

Top 10% national income share across the world, 2016



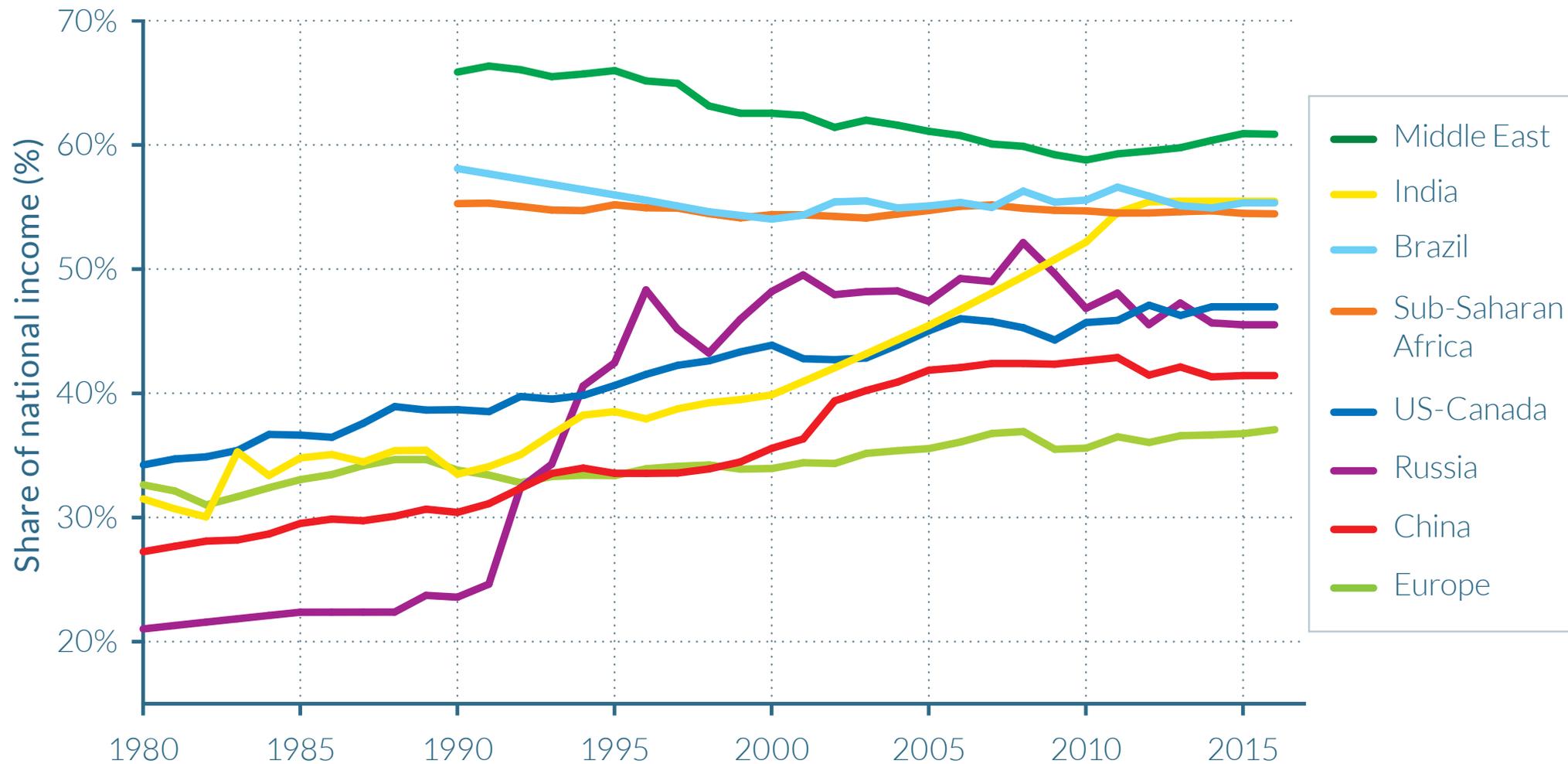
Source: World Inequality Report 2018, Figure 2.1.1. See wir2018.wid.world for data sources and notes.

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



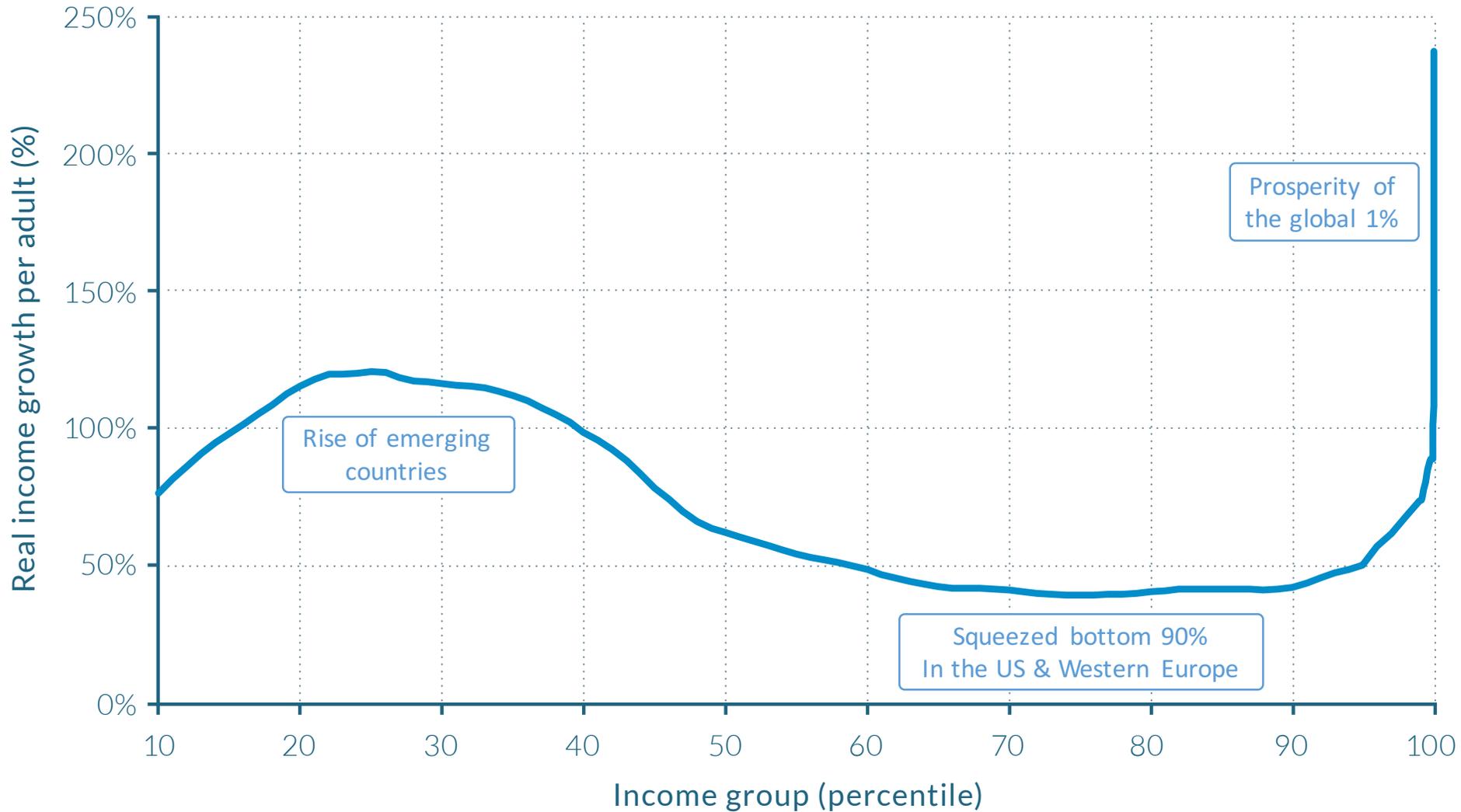
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Top 10% income shares across the world, 1980-2016



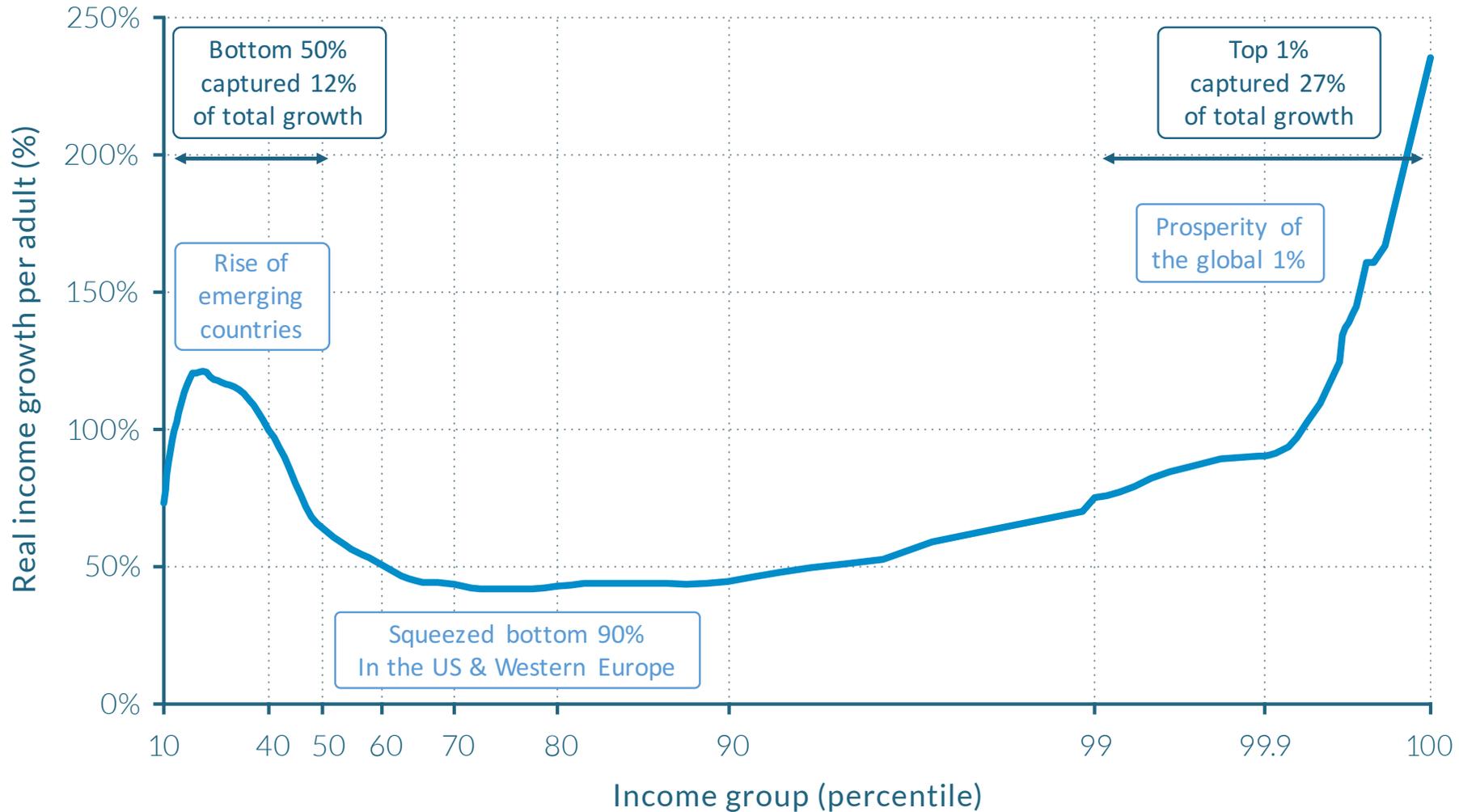
Source: World Inequality Report 2018, Figure 2.1.1. See wir2018.wid.world for data sources and notes.

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.

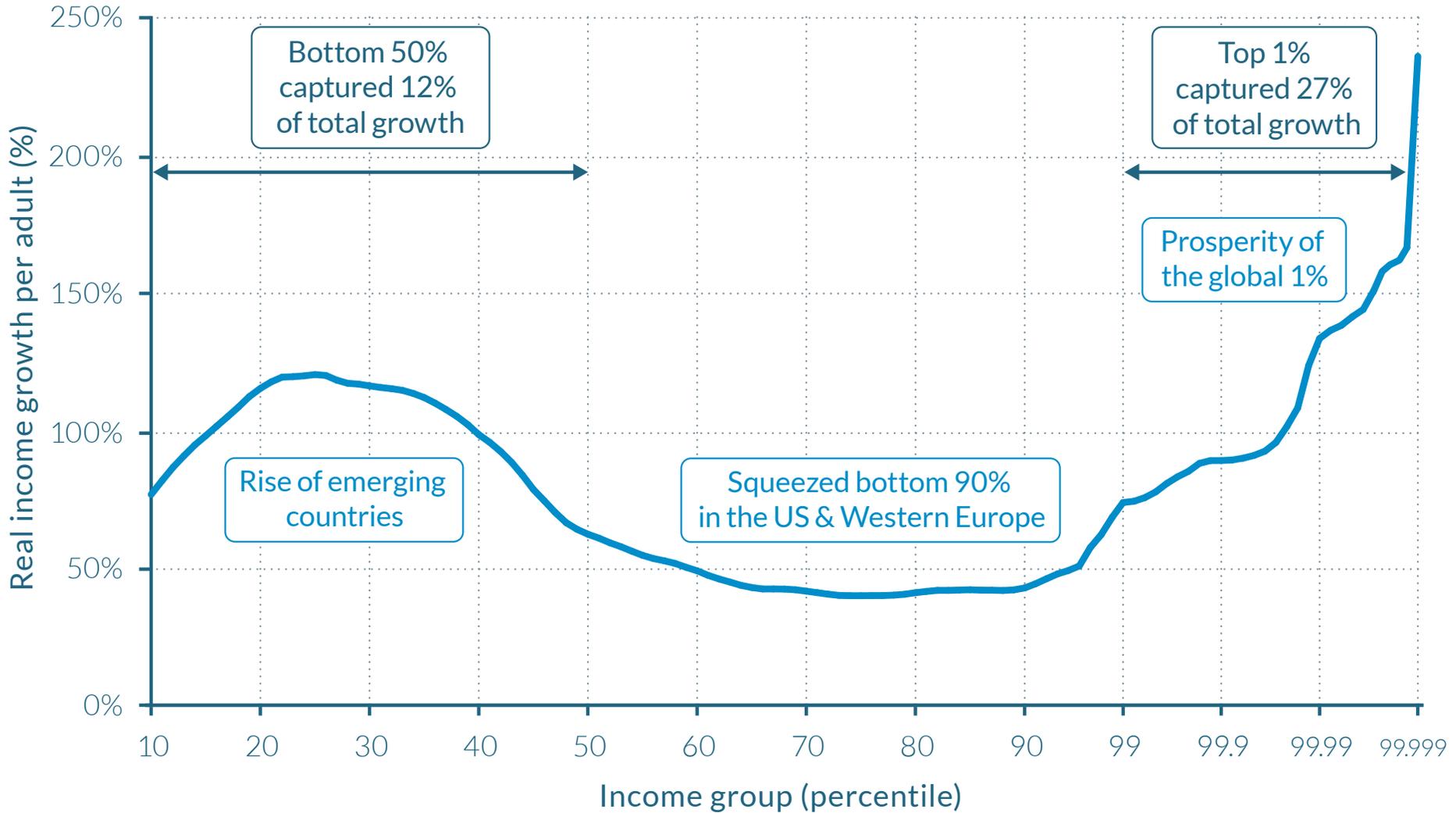
Total income growth by percentile across all world regions, 1980–2016: Scaled by share of growth captured



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

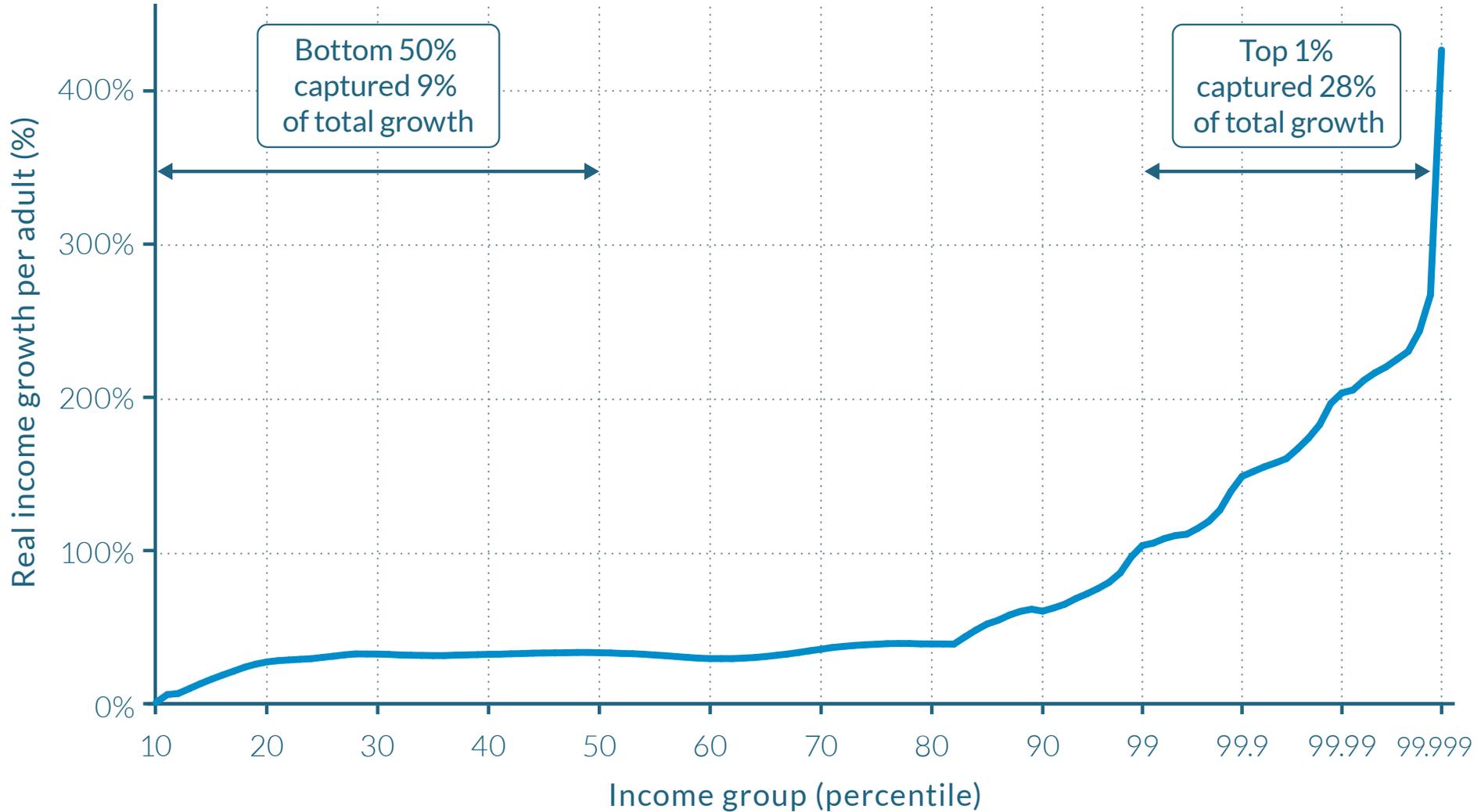
The bottom 50% grew... but the top 1% captured twice more total growth.

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



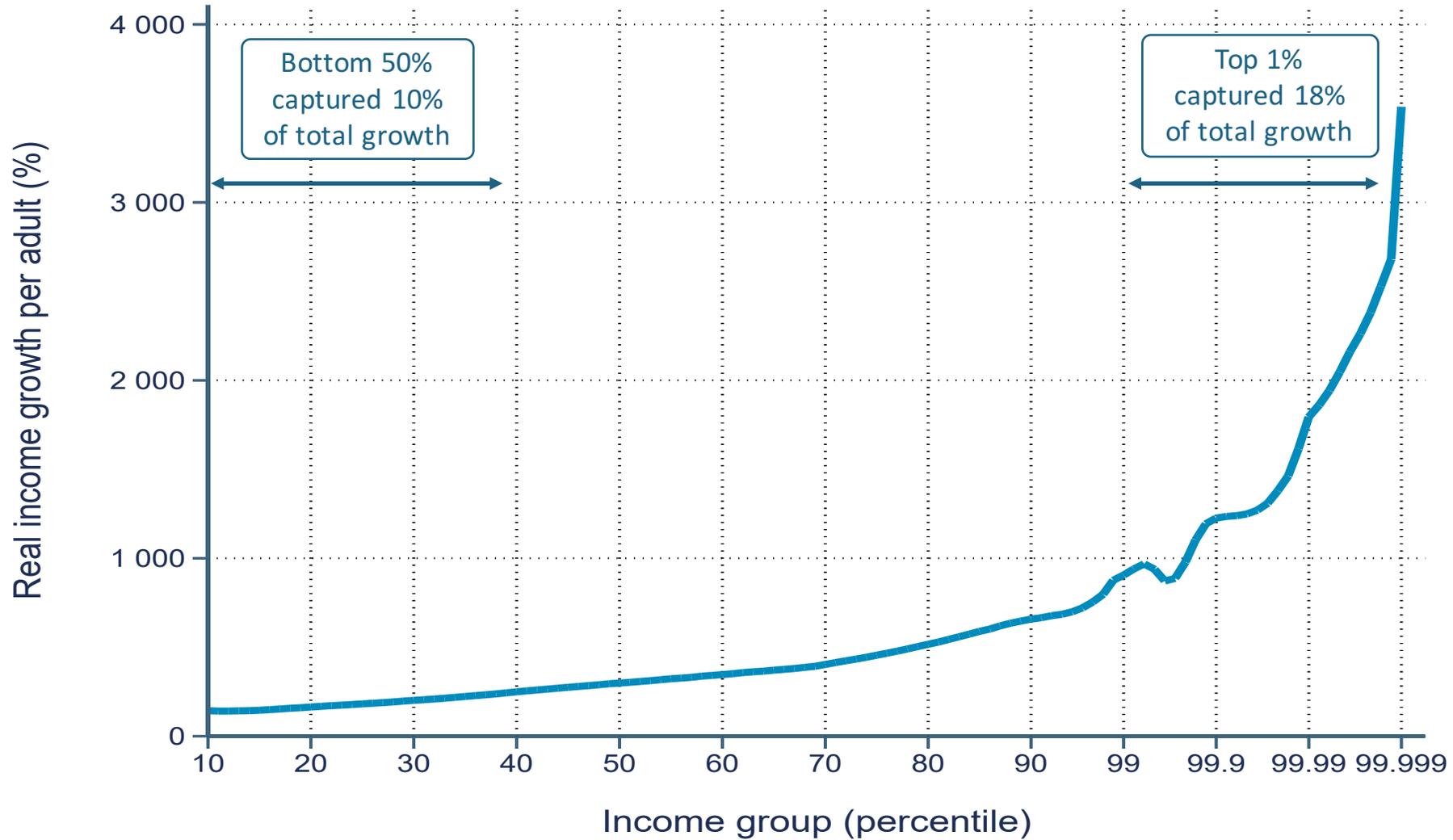
Source: World Inequality Report 2018, Figure 2.1.4. See wir2018.wid.world for data sources and notes.

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.

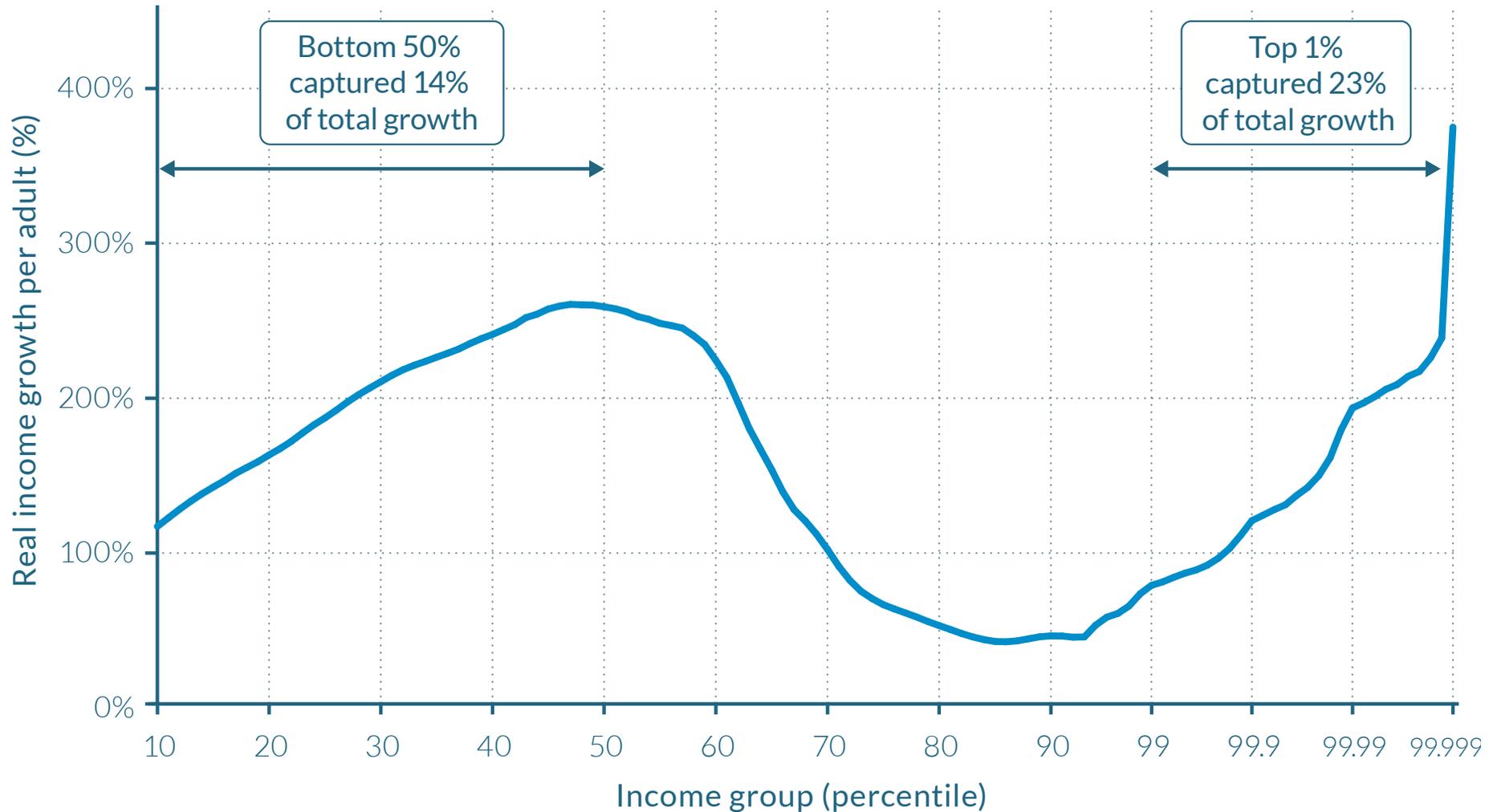
Total income growth by percentile in India and China, 1980-2016



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

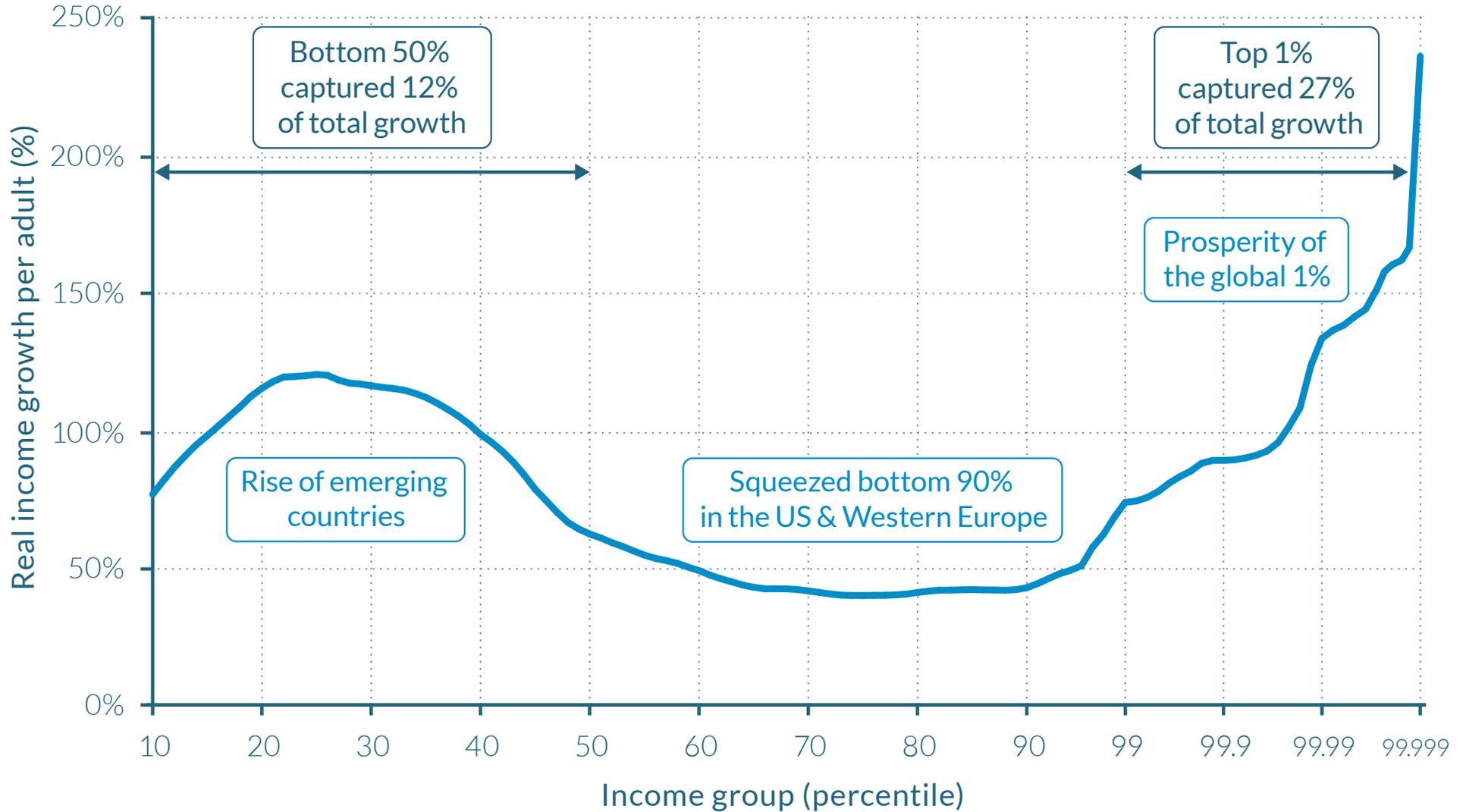
The « global elephant » : the sum of two « cobras »

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.

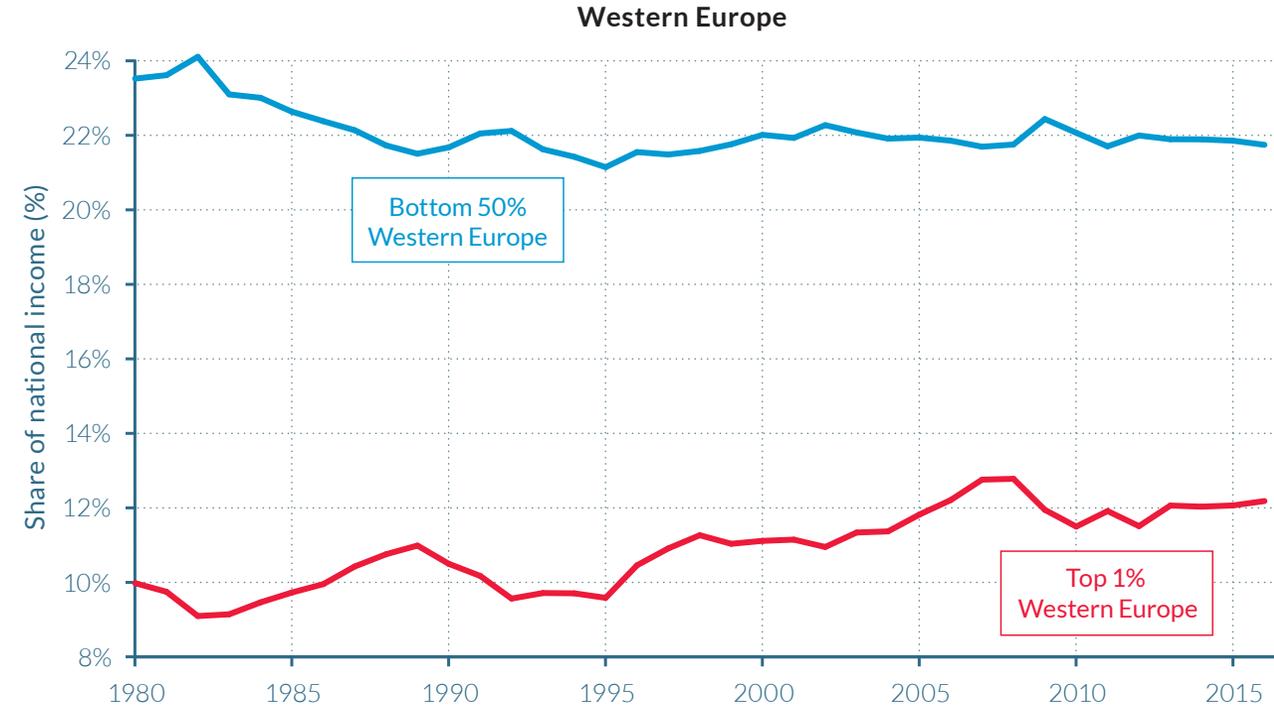
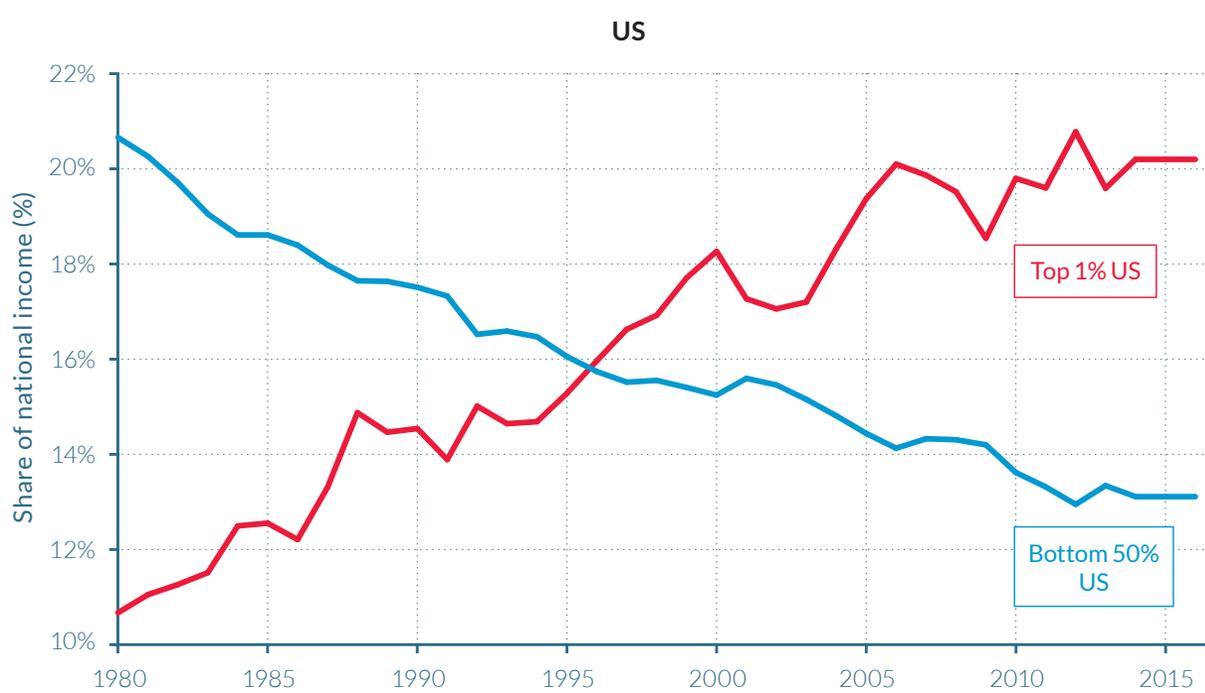
Total income growth by percentile across all world regions, 1980-2016



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

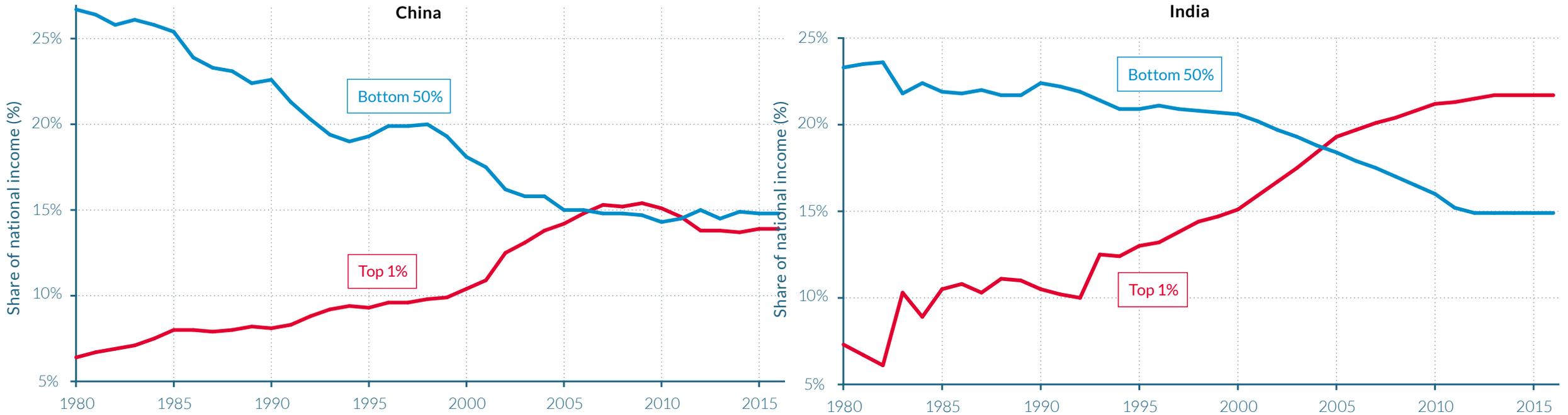
- Key question: are we sure that the **enormous** rise of the global 1% was necessary for the growth of the bottom 50%?
- Answer: No.
- A careful analysis of country-level growth and inequality trajectories suggest that it is possible to combine higher growth and lower inequality.
 - US vs Europe: huge rise of inequality in US, but stagnation of bottom 50% average income
 - India vs China: higher rise in inequality in India, but less growth

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.

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



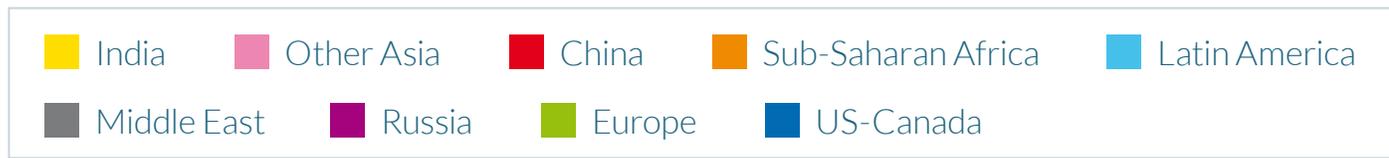
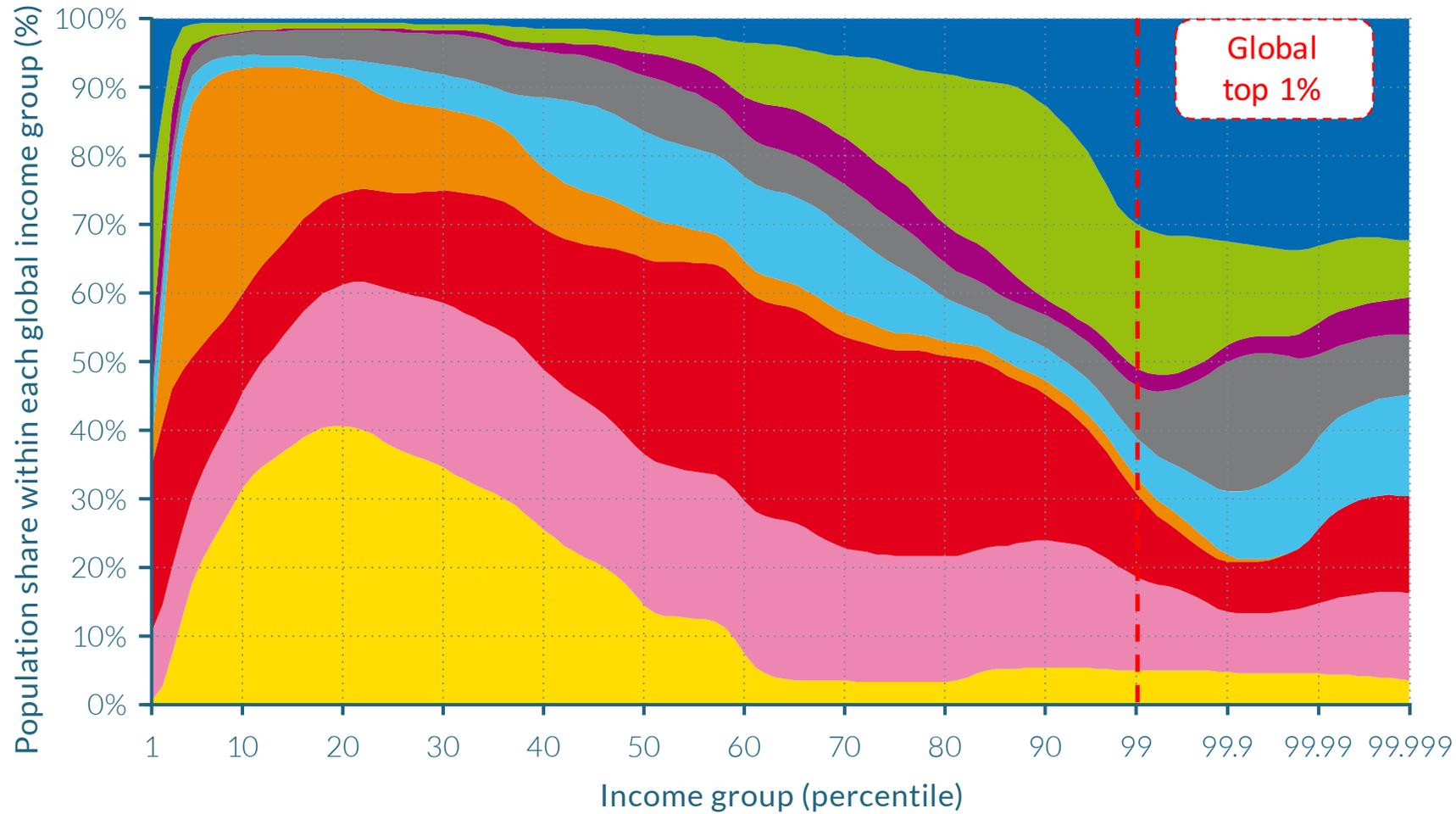
Source: World Inequality Report 2018, Appendix Figure A4. See wir2018.wid.world for data sources and notes.

- 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%.

- 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%.

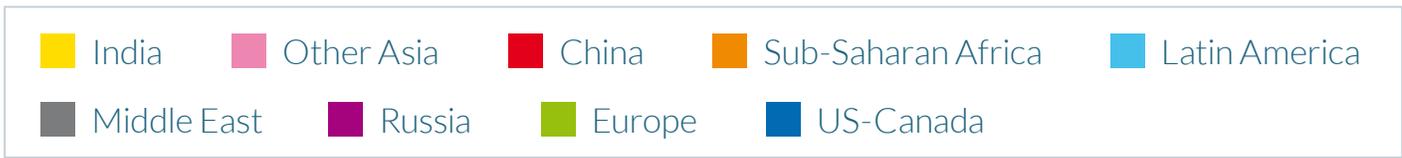
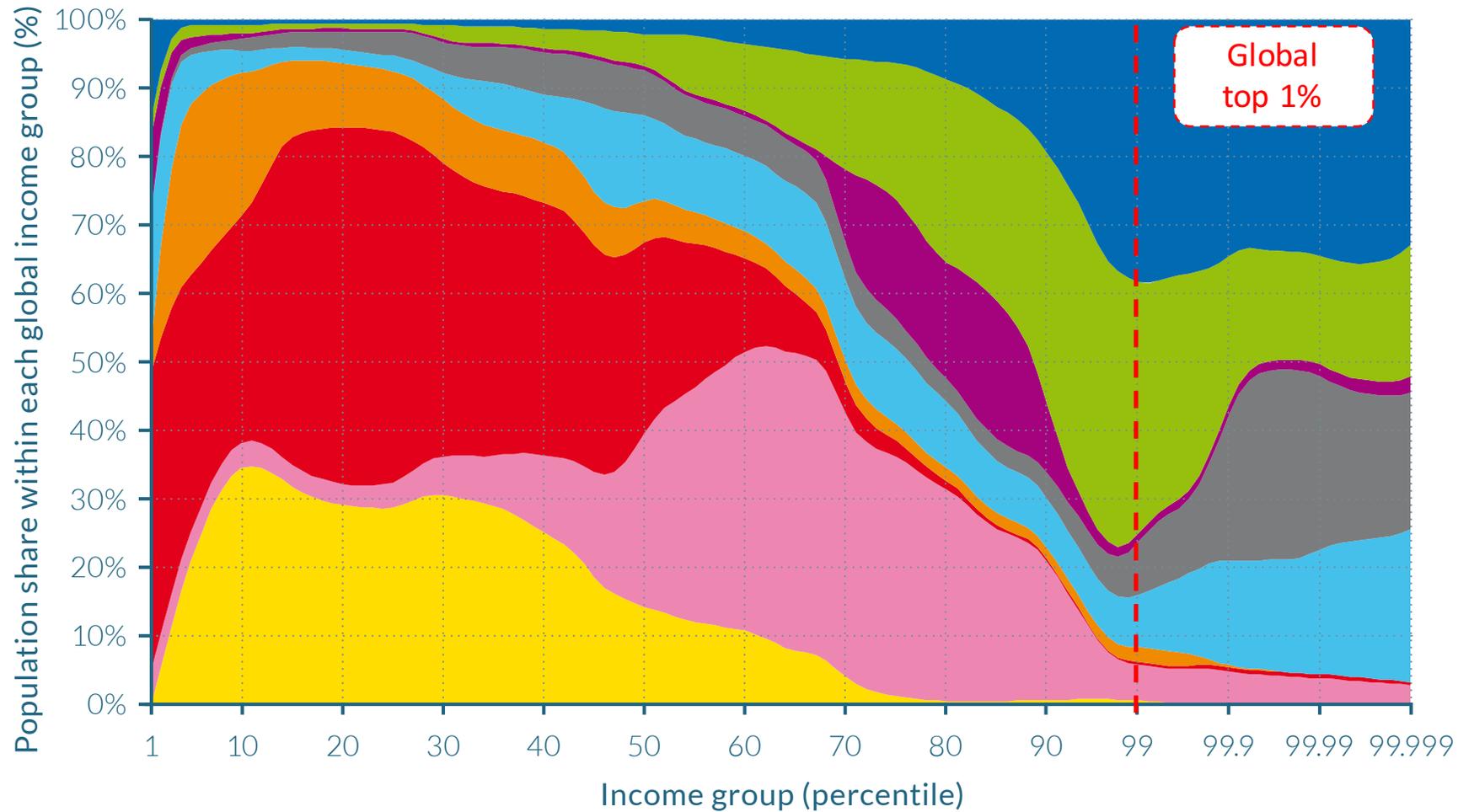
- NB: none of the above countries meets new SDG targets (bottom 40% is supposed to grow faster than the average)

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.

Geographic breakdown of global income groups in 1990



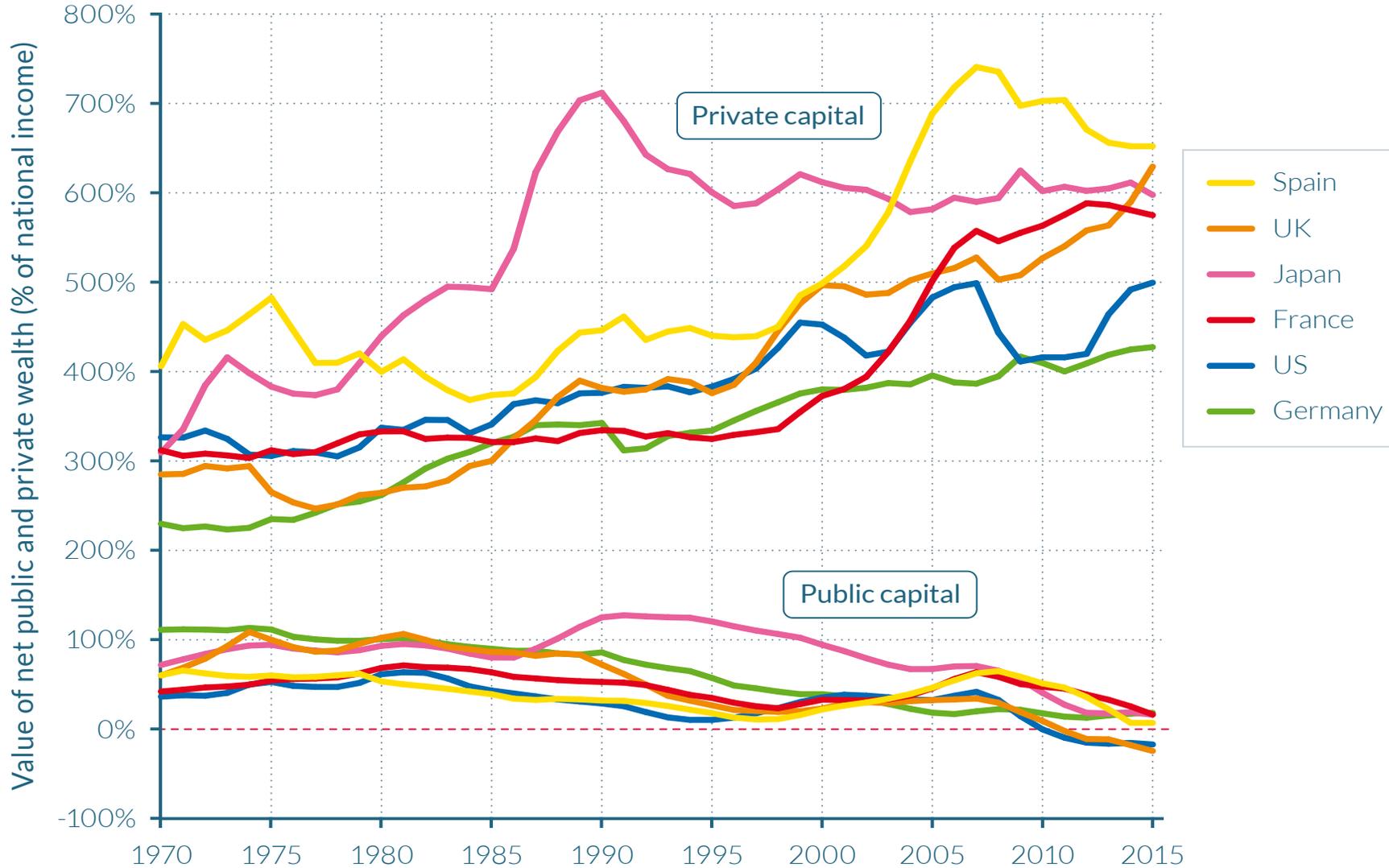
Source: World Inequality Report 2018, Figure 2.1.5. See wir2018.wid.world for data sources and notes.

Part III

PUBLIC VERSUS PRIVATE CAPITAL DYNAMICS

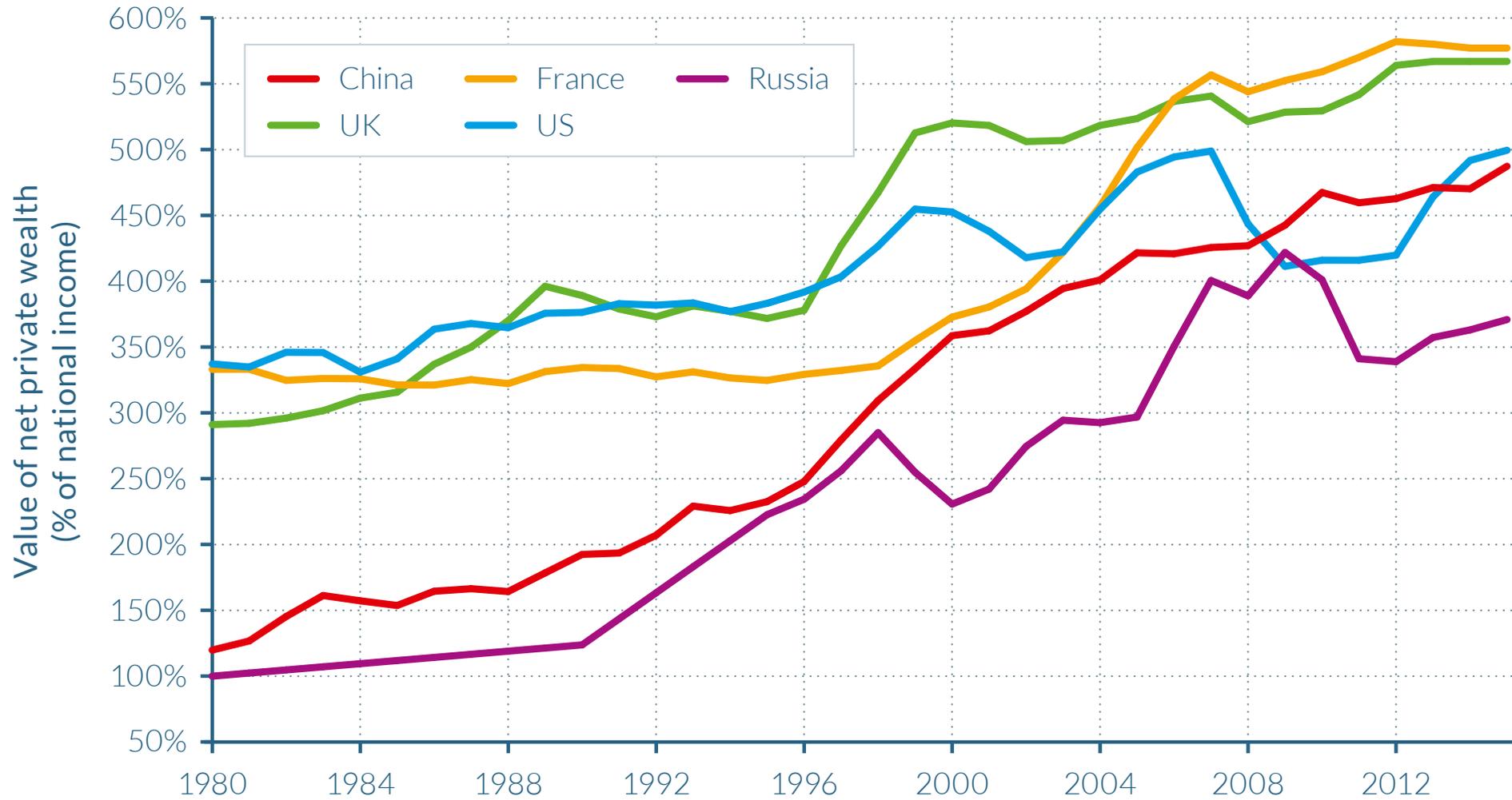
- Economic inequality is largely driven by the unequal ownership of capital, which can be either privately or public owned.
- We show that since 1980, very large transfers of public to private wealth occurred in nearly all countries, whether rich or emerging.
- While national wealth has substantially 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.

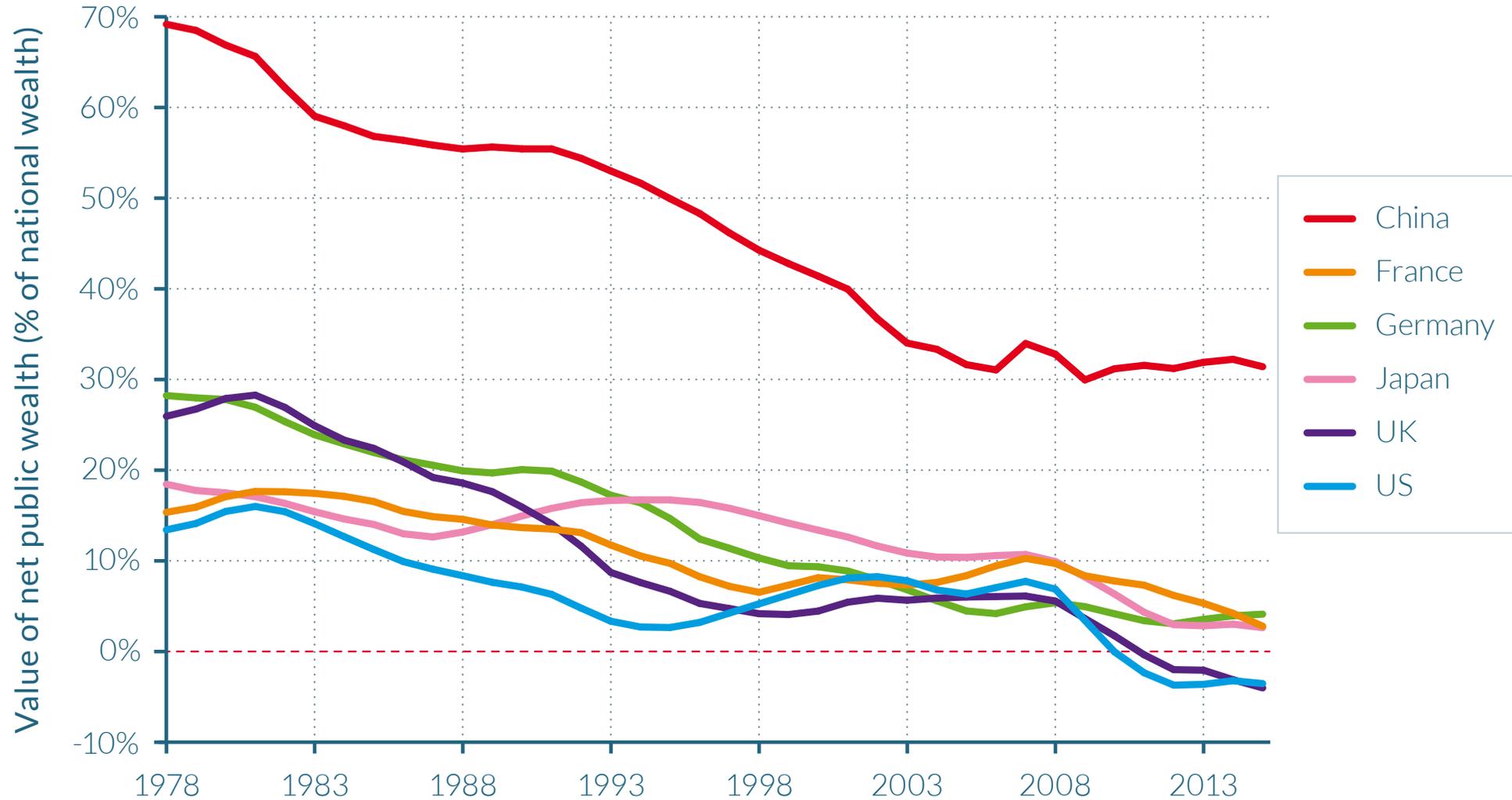
Net private wealth to net national income ratios in China, Russia and rich countries, 1980-2015: The rise of private wealth



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

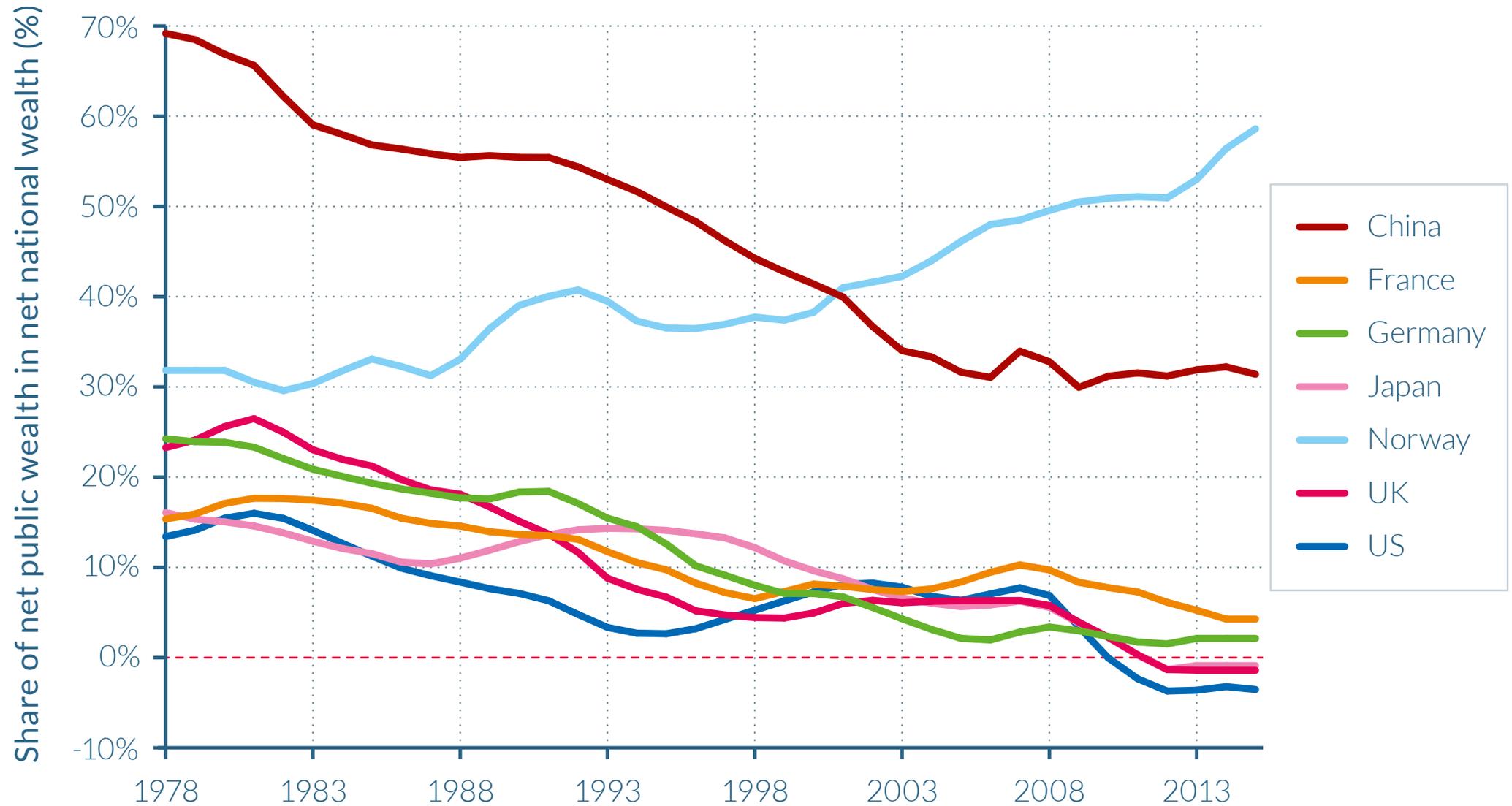
... in China the share of public capital in national capital is now comparable to rich countries during the mixed-economy period (1950-1980).

The decline of public capital, 1970-2016



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

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

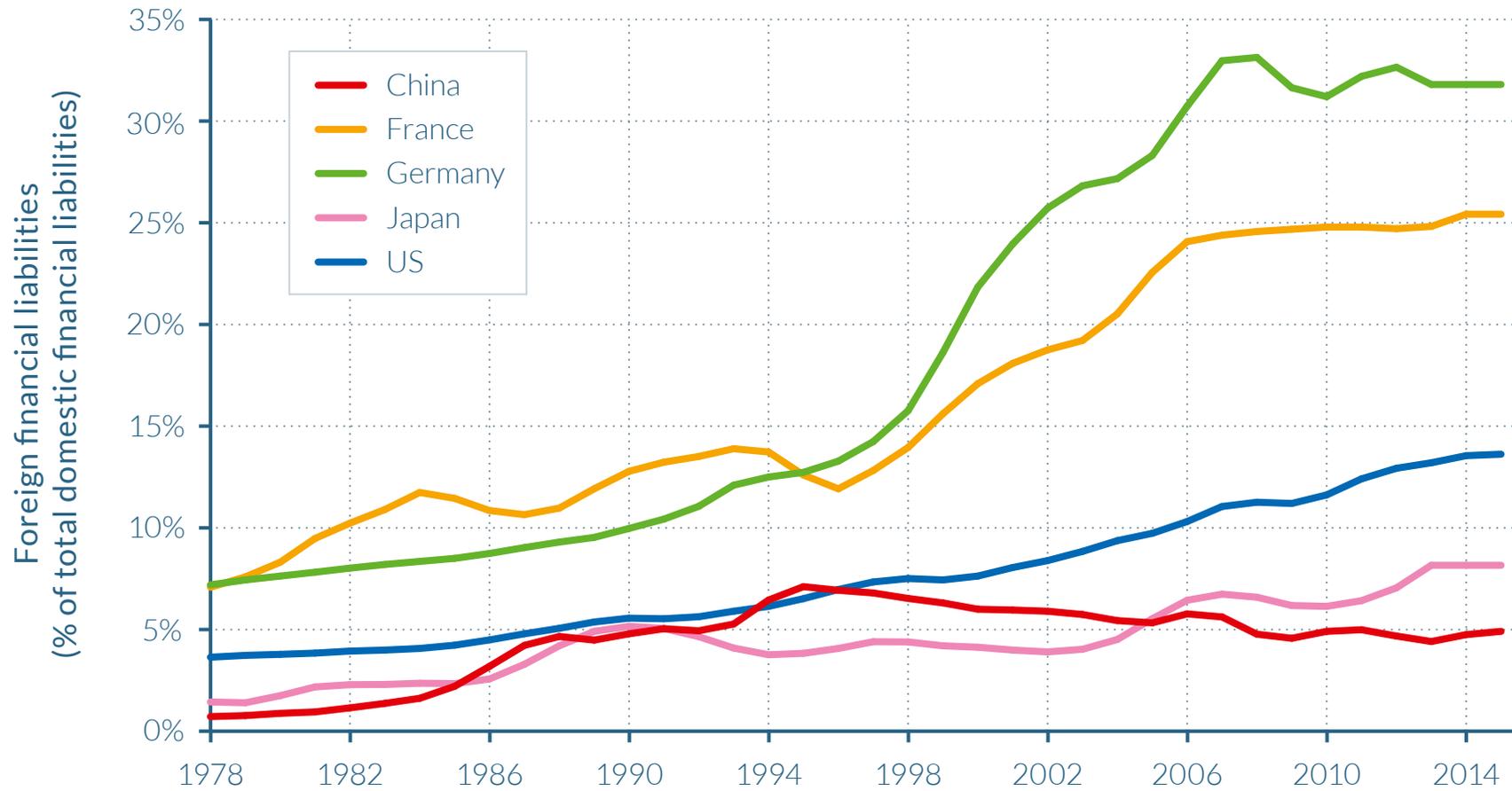


Source: World Inequality Report 2018, Figure 3.1.5. See wir2018.wid.world for data sources and notes.



Figure 3.4.6

Foreign financial liabilities in China and rich countries, 1978–2015: The rise of foreign ownership



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

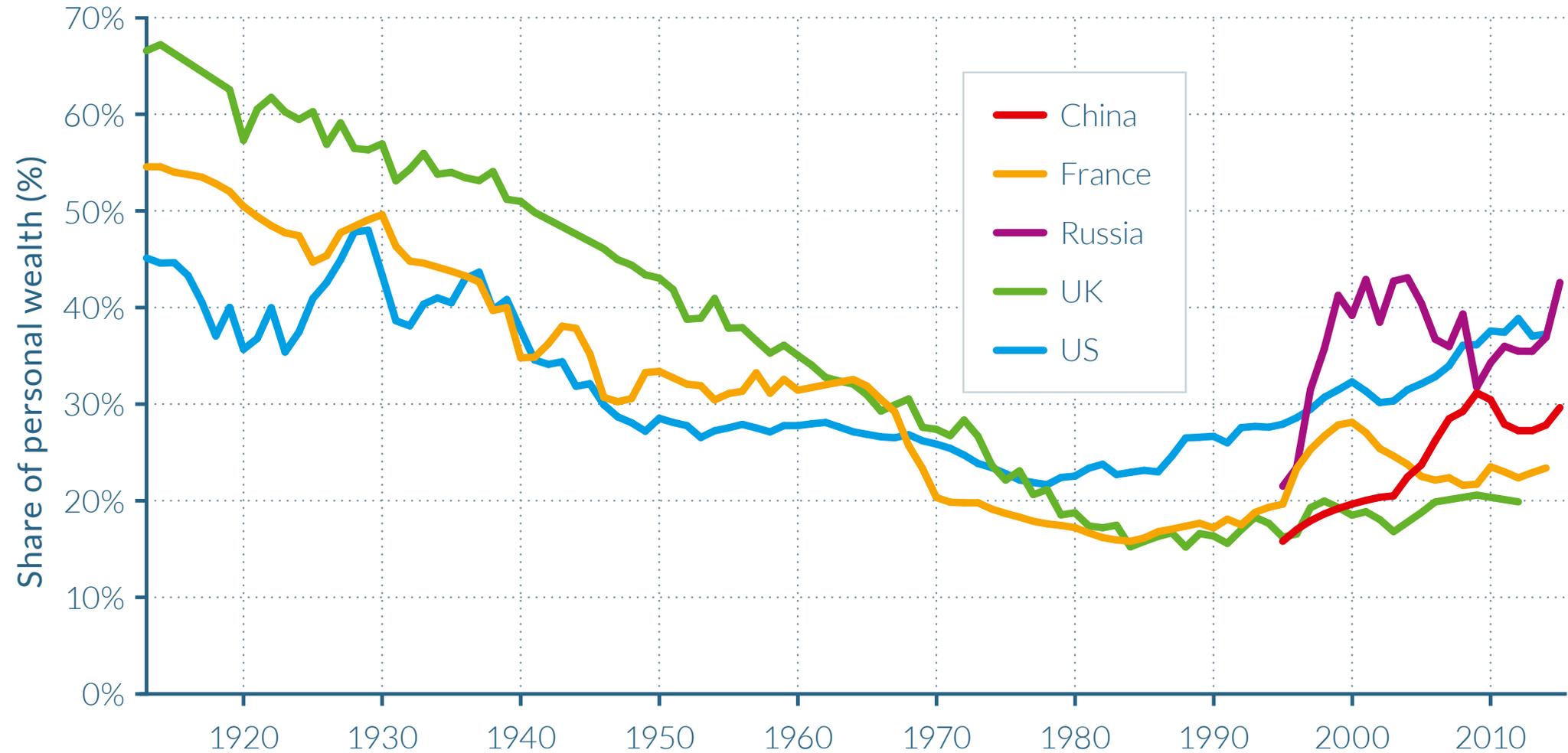
In 2015, the value of foreign financial liabilities in China equated to 5% of total domestic financial liabilities, while in France it was 25%. Foreign financial liabilities are comprised of portfolio equity held by foreigners, foreign direct investment, foreign debt and financial derivatives.

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%.

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



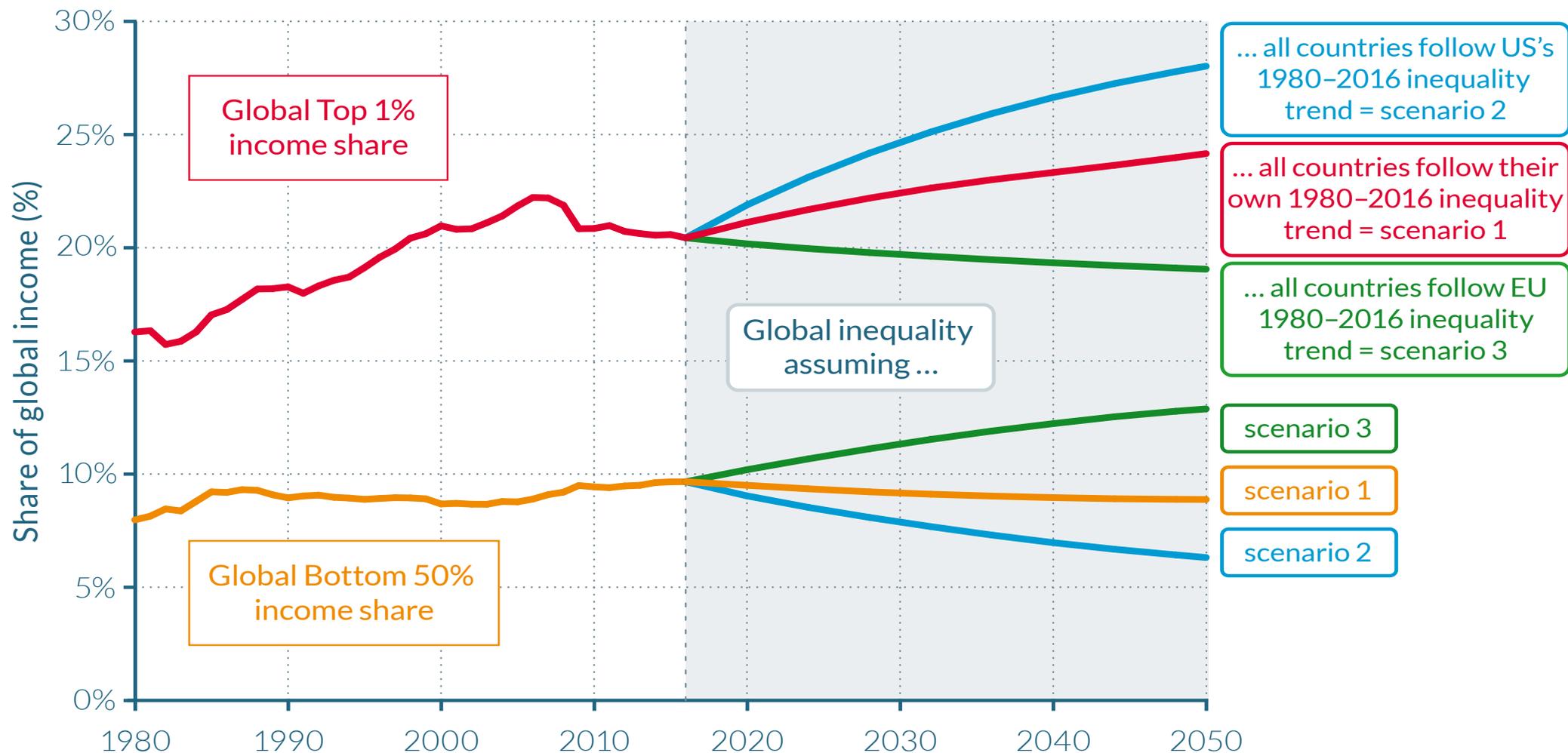
Source: World Inequality Report 2018, Figure 4.2.1. See wir2018.wid.world for data sources and notes.

Part IV

TACKLING GLOBAL INEQUALITY

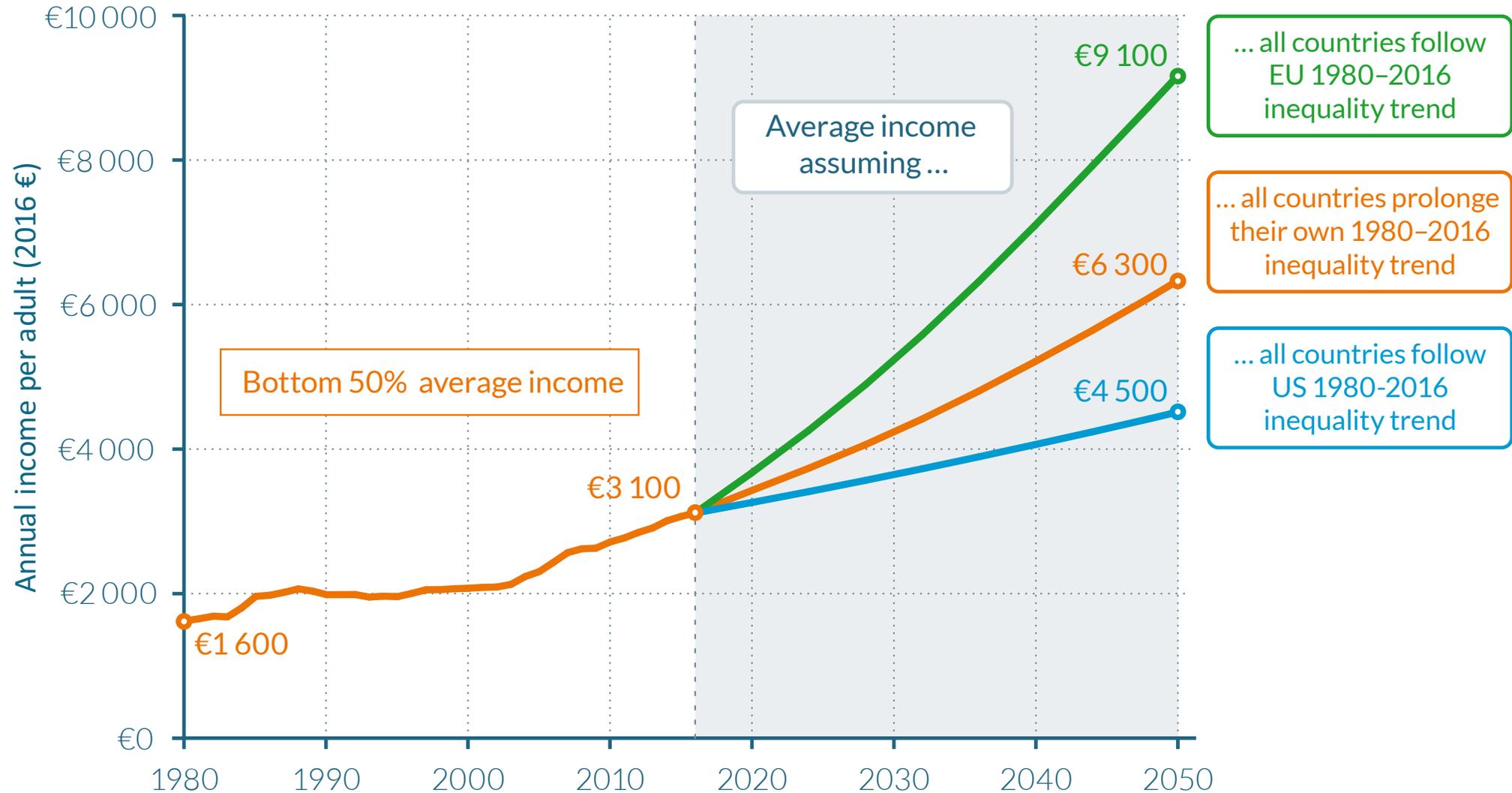
- The future of global inequality depends on convergence forces (rapid growth in emerging countries) and divergence forces (rising inequality within countries). No one knows which of these forces will dominate and whether current trends are sustainable.
- Under « Business as usual » scenario, even with 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.

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.

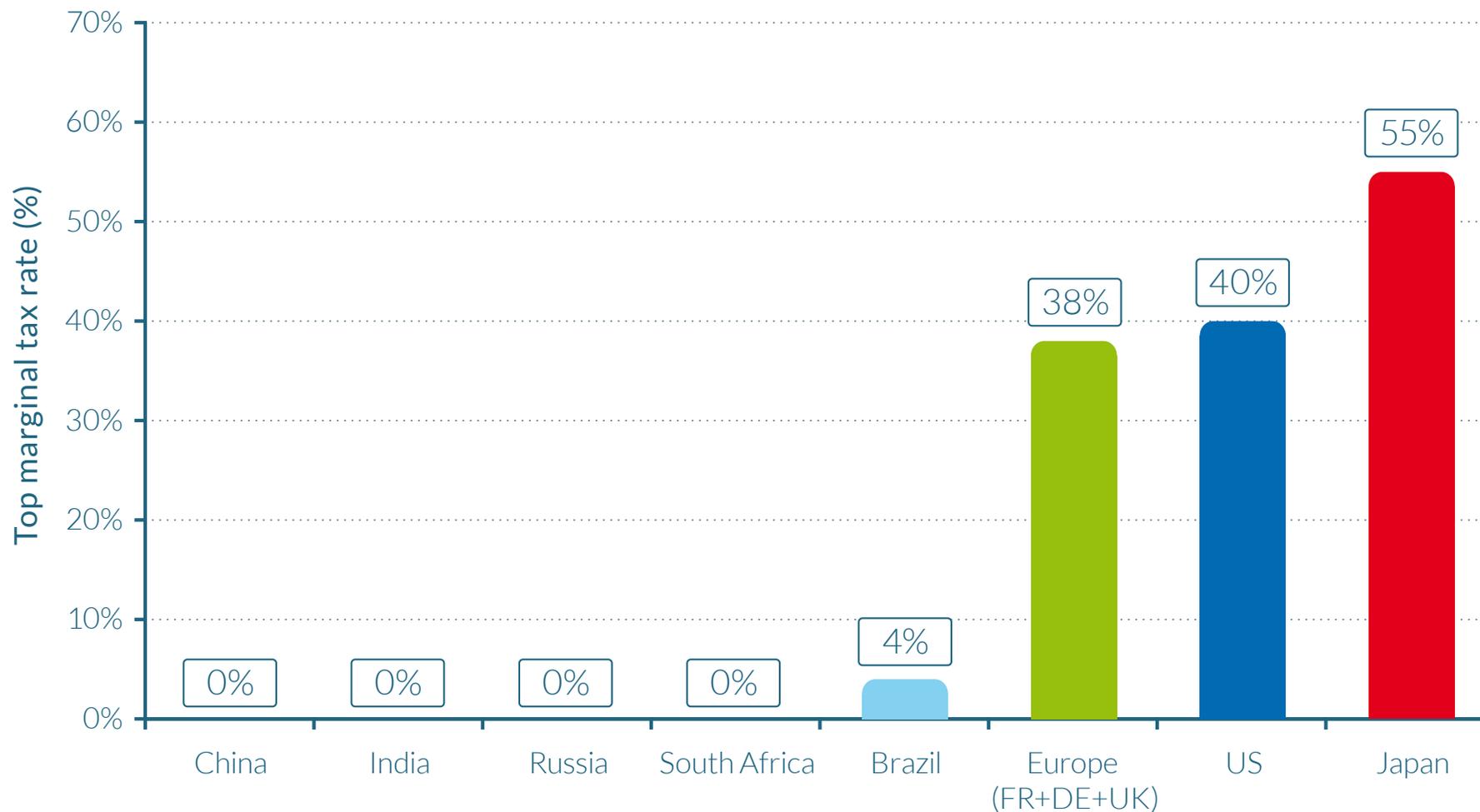
Global average income projections of the Bottom 50%, 1980-2050



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

Figure 5.2.4

Top inheritance tax rates in emerging and rich countries, 2017

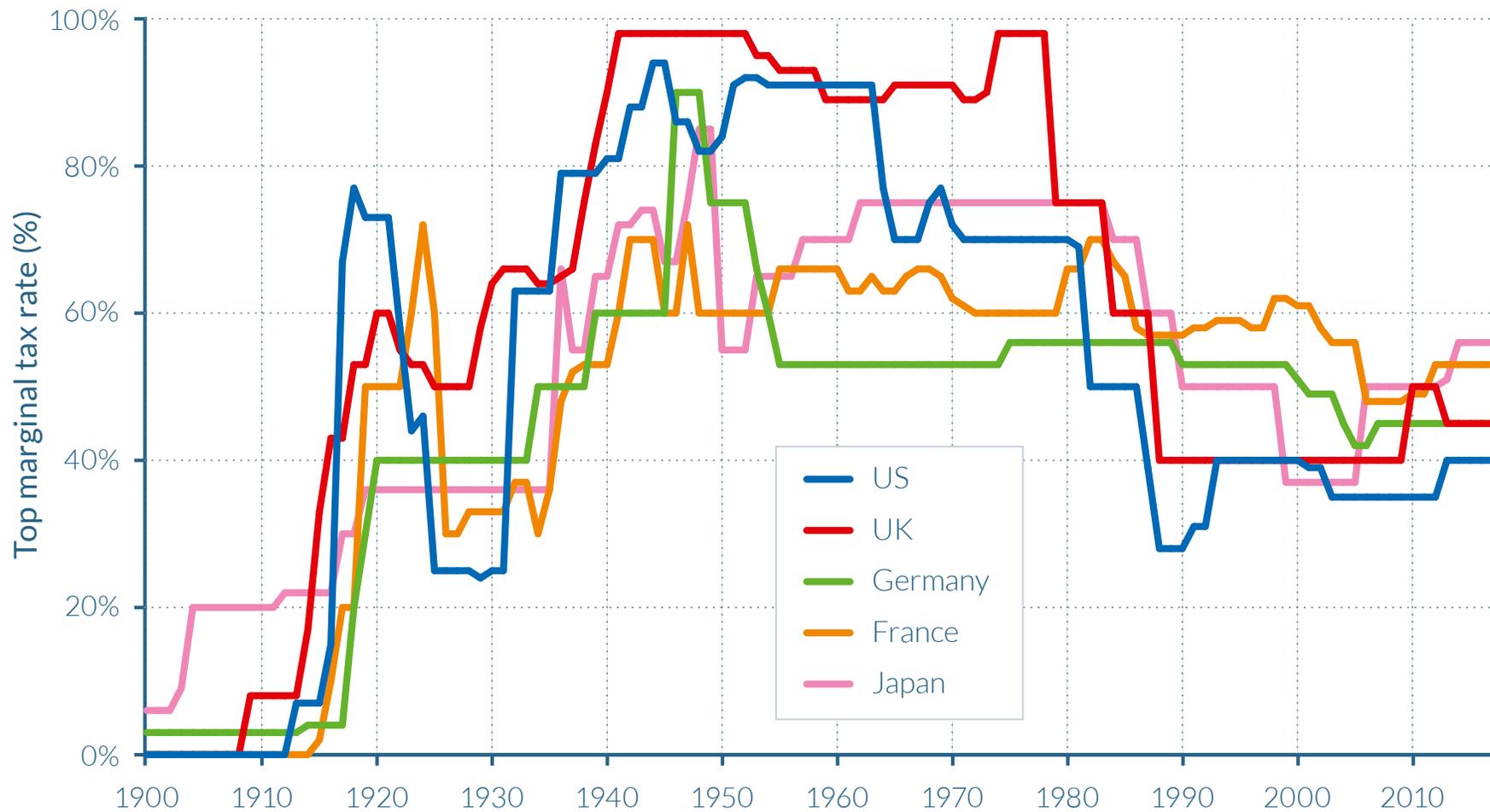


Source: WID.world (2017). See wir2018.wid.world for data series and notes.

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.

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%.

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.



Any question?

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