

Brookings Conference

Global inequality: an overview

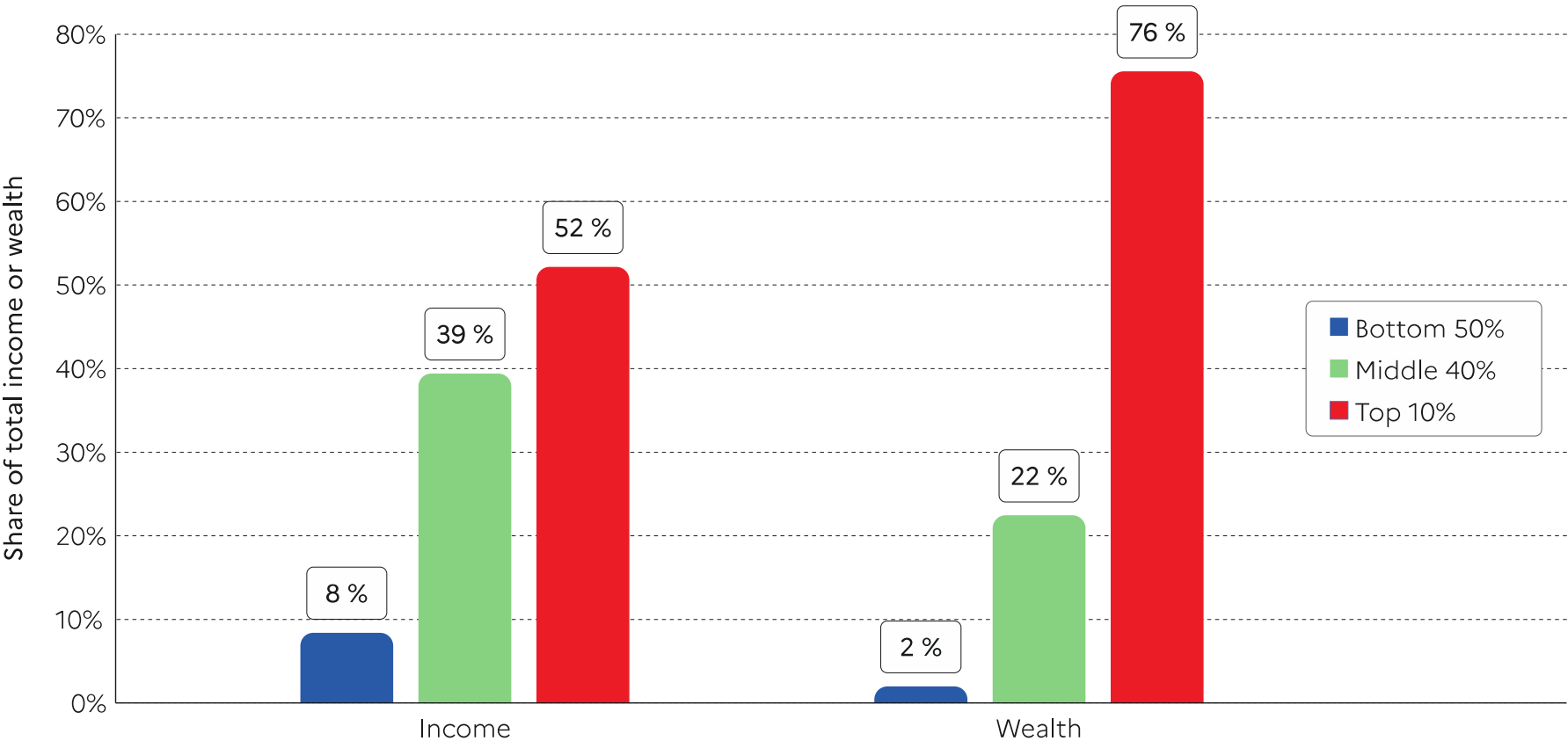
Lucas Chancel

Associate Professor, Sciences Po Paris
Co-Director, World Inequality Lab, Paris School of Economics
Senior Advisor, European Tax Observatory

lucas.chancel@sciencespo.fr

Global income and wealth inequality

Figure 1 Global income and wealth inequality, 2021

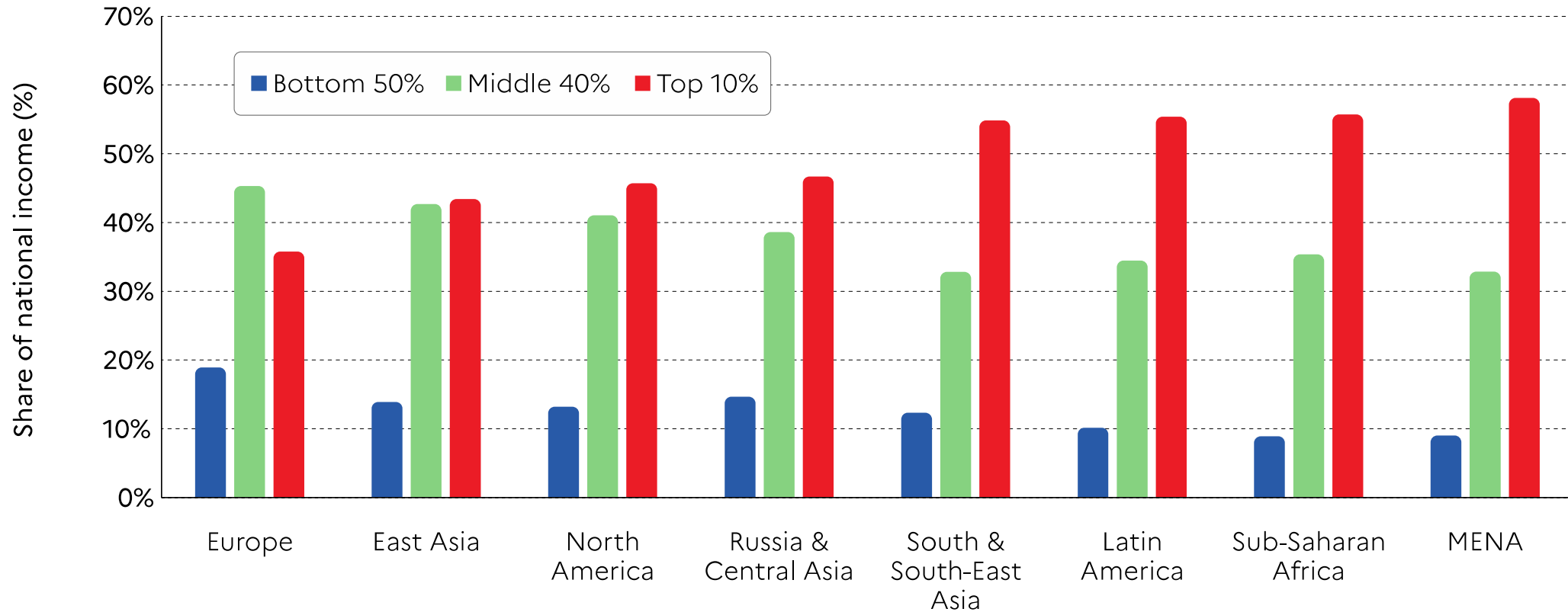


Interpretation: The global 50% captures 8% of total income measured at Purchasing Power Parity (PPP). The global bottom 50% owns 2% of wealth (at Purchasing Power Parity). The global top 10% owns 76% of total Household wealth and captures 52% of total income in 2021. Note that top wealth holders are not necessarily top income holders. Incomes are measured after the operation of pension and unemployment systems and before taxes and transfers. **Sources and series:** [wir2022.wid.world/methodology](https://www.wir2022.wid.world/methodology).

The diversity of income inequality regimes

Top 10% captures 35%-60% of national income, bottom 50% = 10-20%

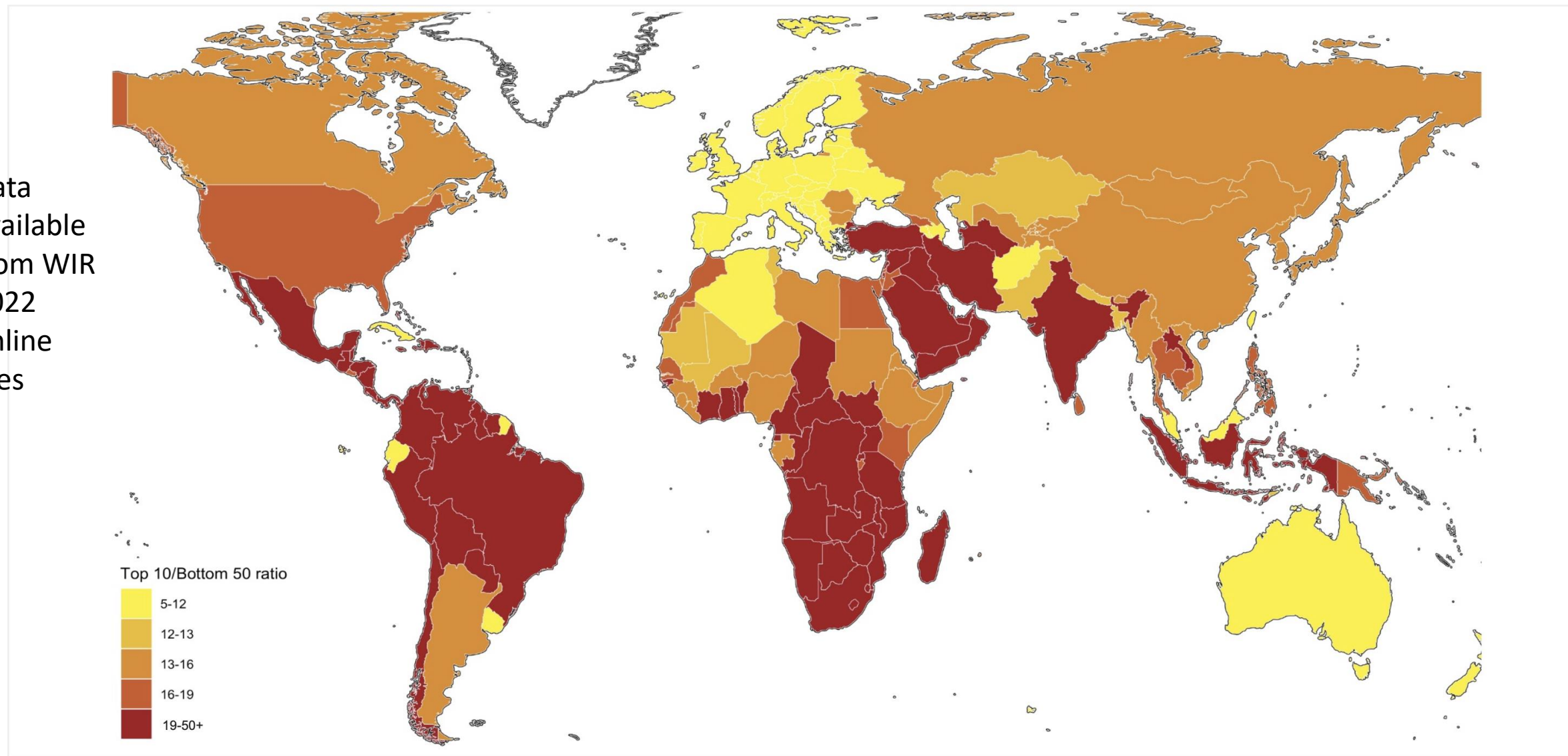
Figure 2 The poorest half lags behind: Bottom 50%, middle 40% and top 10% income shares across the world in 2021



Interpretation: In Latin America, the top 10% captures 55% of national income, compared to 36% in Europe. Income is measured after pension and unemployment contributions and benefits paid and received by individuals but before income taxes and other transfers. **Sources and series:** www.wir2022.wid.world/methodology.

Top 10 to Bottom 50 income gaps across countries: from 5-10 in the most equal countries to 20-50+ in most unequal ones

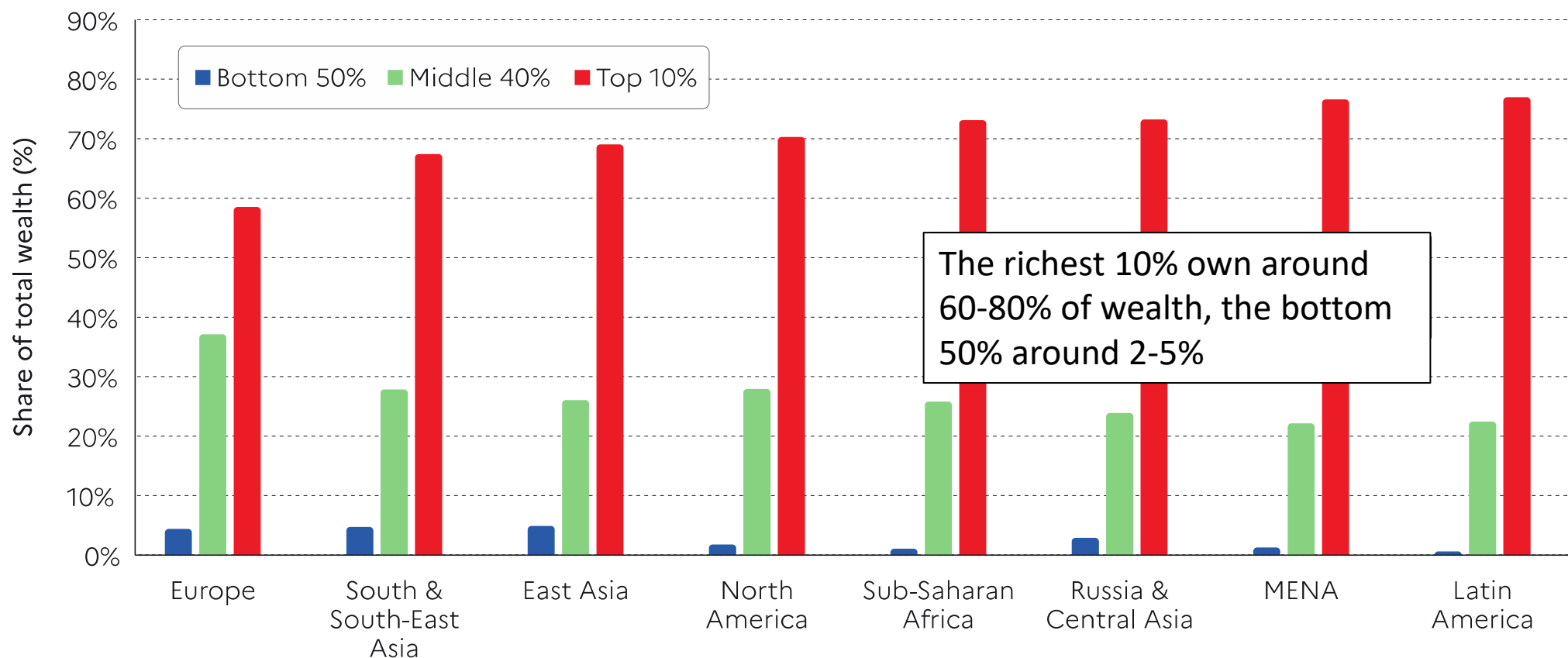
Data
available
from WIR
2022
online
files



Wealth inequality is extreme everywhere: no region where the bottom 50% owns more than 5% of wealth. Top 10% owns 60-80%.

Figure 4 The extreme concentration of capital: wealth inequality across the world, 2021

Data
available
from WIR
2022
online
files

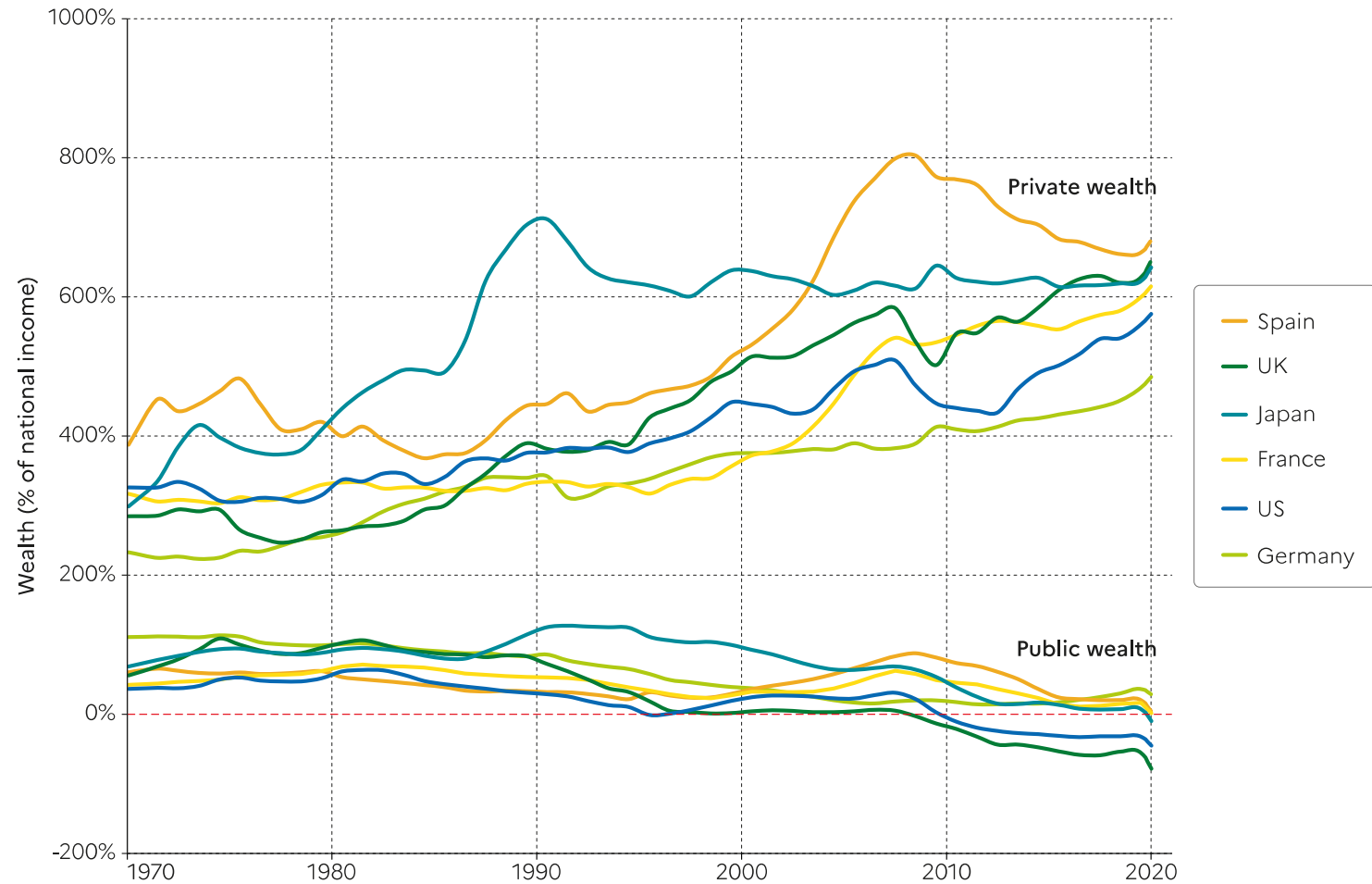


Interpretation: The Top 10% in Latin America captures 77% of total household wealth, versus 22% for the Middle 40% and 1% for the Bottom 50%. In Europe, the Top 10% owns 58% of total wealth, versus 38% for the Middle 40% and 4% for the Bottom 50%. **Sources and series:** wir2022.wid.world/methodology.

Nations have become richer but governments have become poor since the 1980s

Data
available
from WIR
2022
online
files

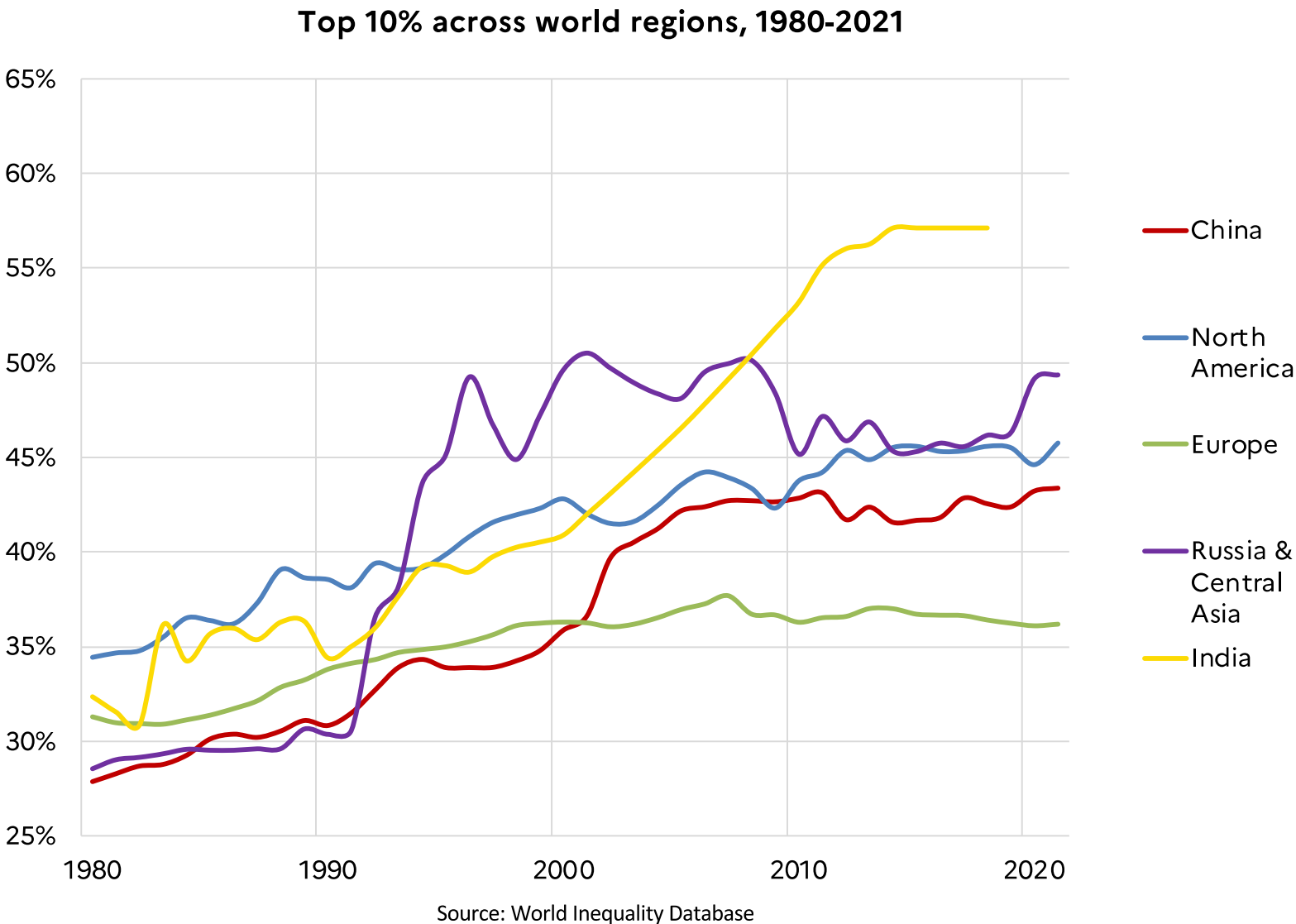
Figure 3.2 The rise of private wealth and the decline of public wealth in rich countries, 1970-2020



Interpretation: In UK, public wealth dropped from 60% of national income in 1970 to -106% in 2020. Public wealth is the sum of all financial and non-financial assets, net of debts, held by governments. **Sources and series:** wir2022.wid.world/methodology, Bauluz et al. (2021) and updates.

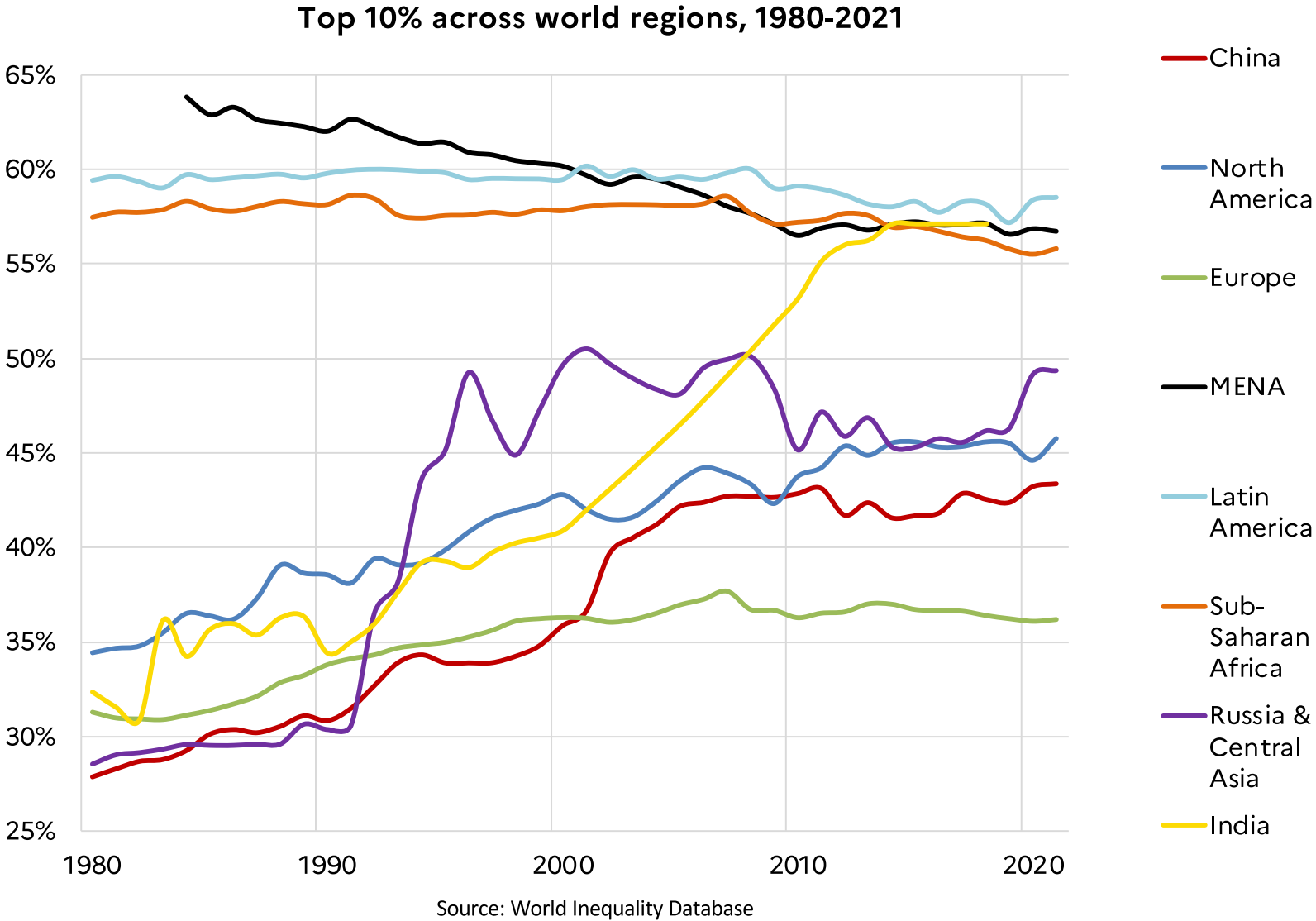
Since 1980, income inequality rose at different speeds: policy matters

Data
available
[here](#)



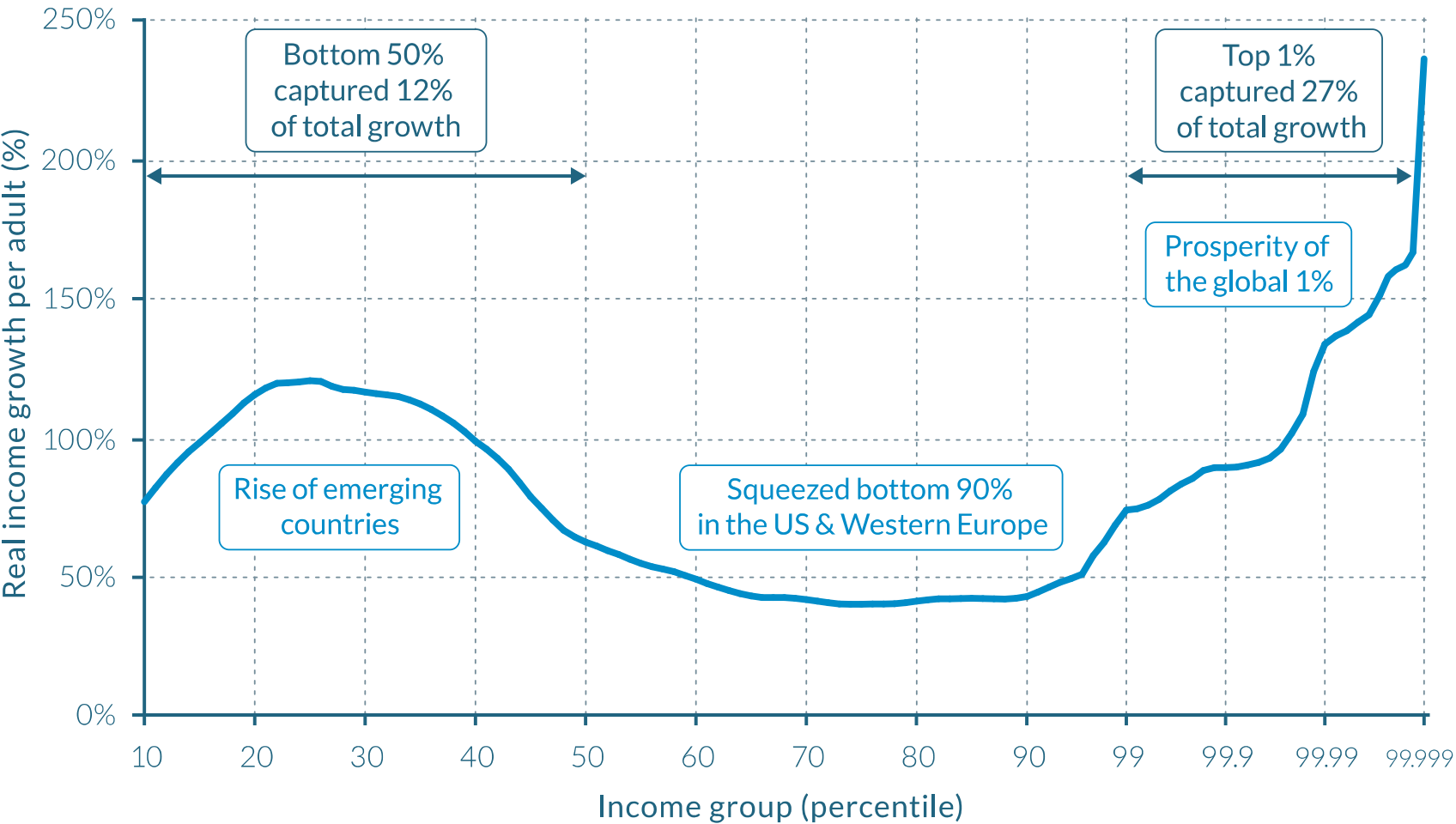
Is the world moving towards a high inequality frontier?

Data
available
[here](#)



The global elephant curve of inequality and growth

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

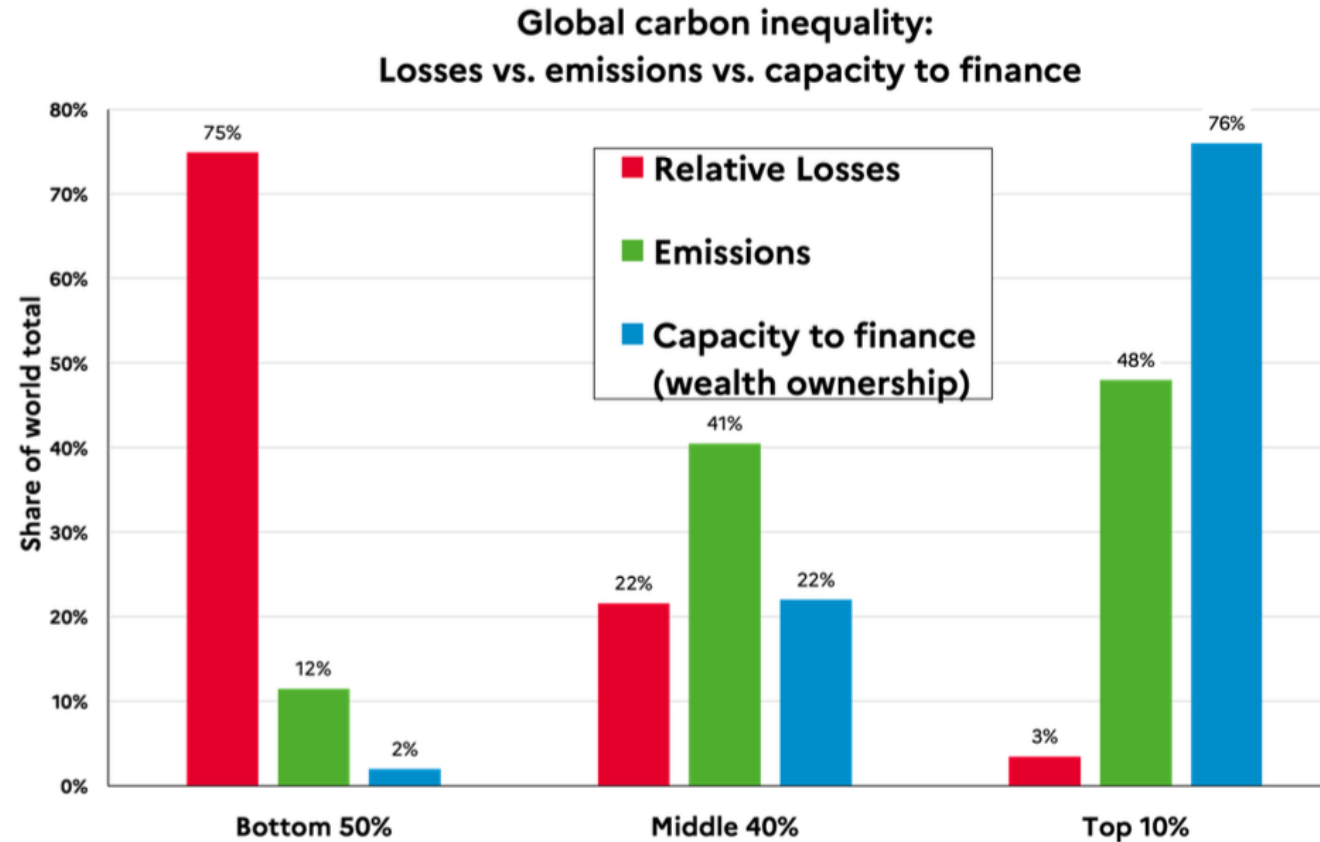


Source: World Inequality Report 2018, Appendix Figure A1. See wir2018.wid.world for data sources and notes.

Data available from WIR 2018 online files (see notes below picture)

Climate change will further exacerbate economic inequality

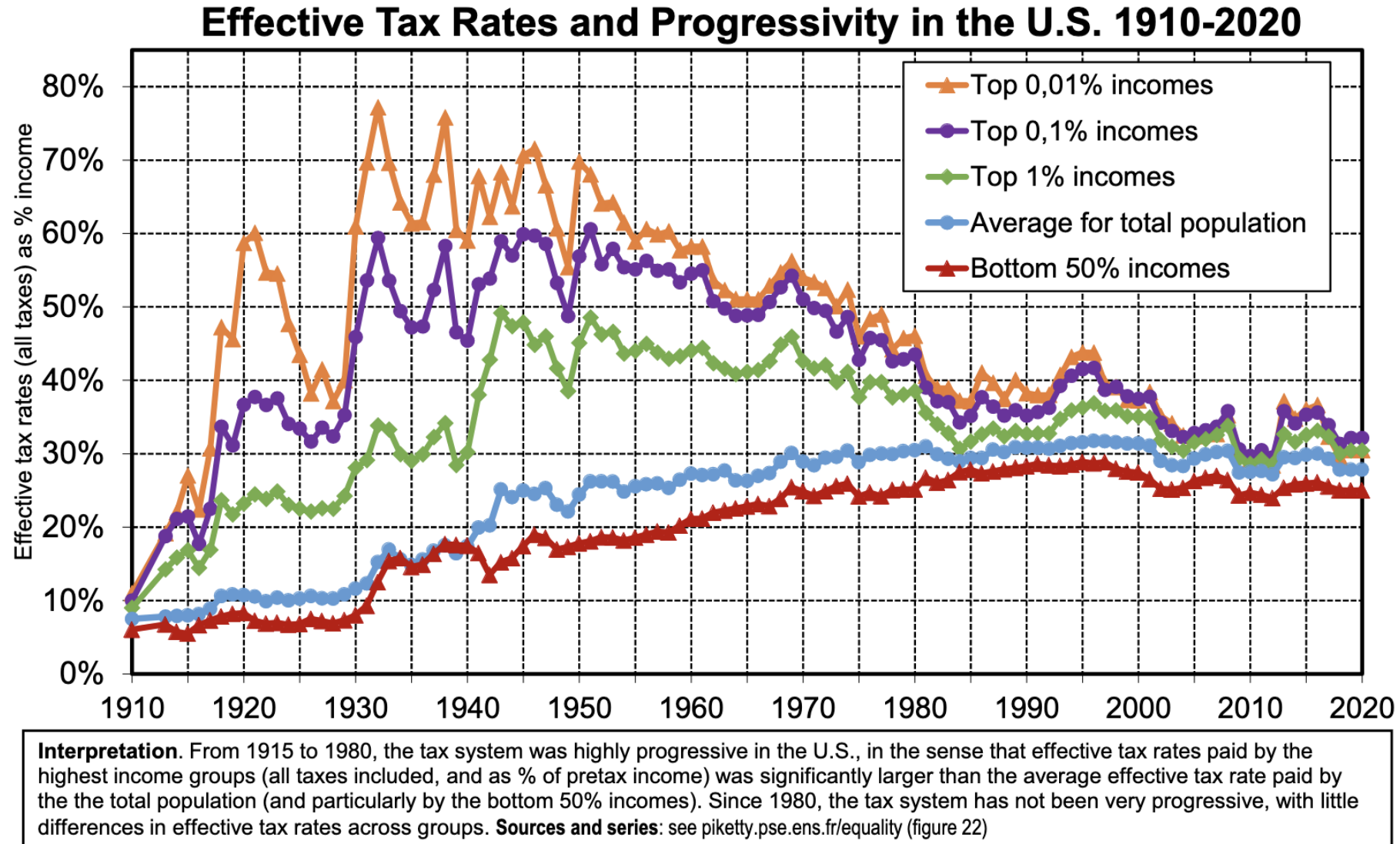
Data available
from this [link](#)



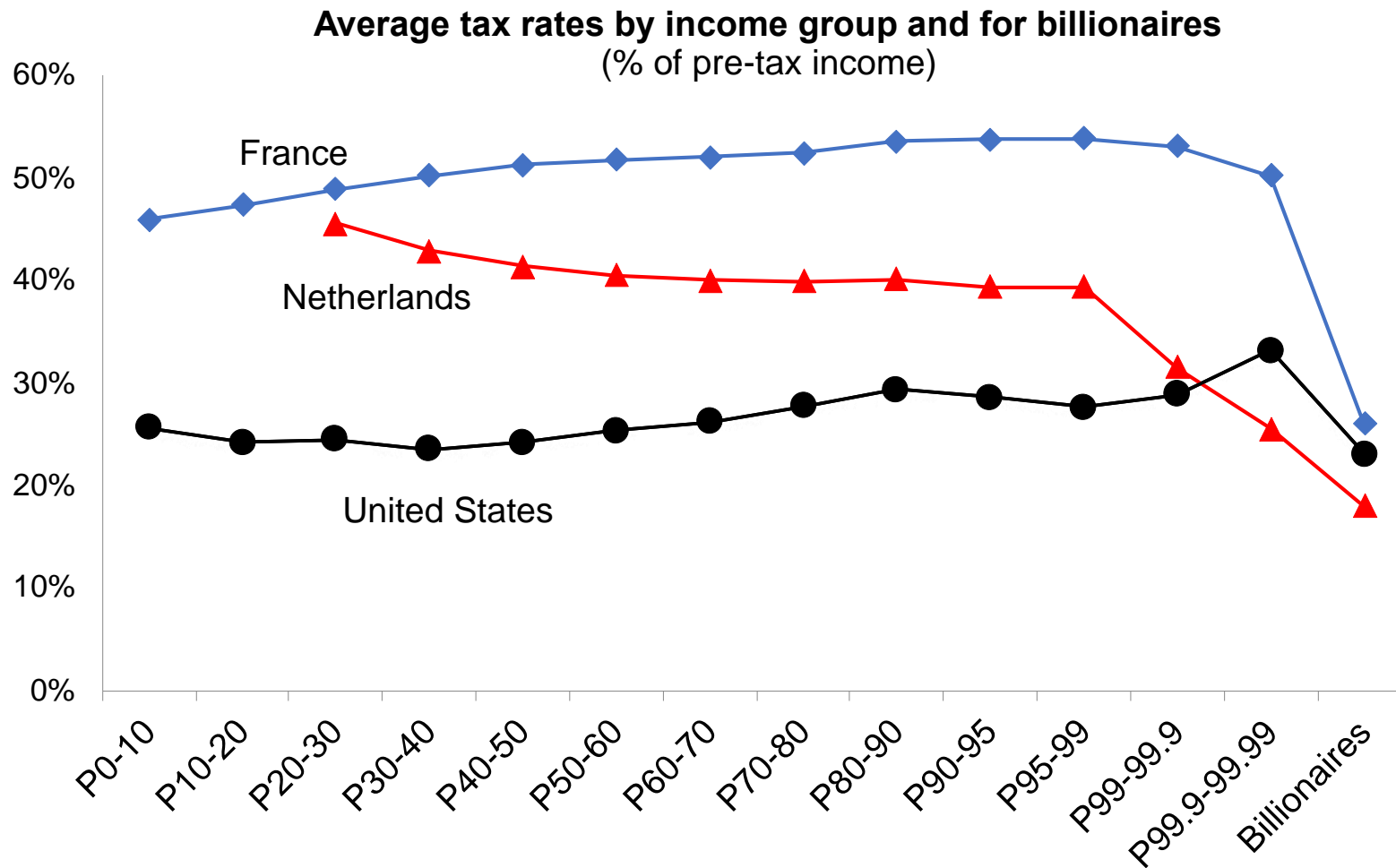
Global carbon inequality
Source: Chancel, Bothe, and Voituriez, 2023

Tax progressivity has declined since the 1990s

Cf. data in
WIR2022 online
files, chapter 8
figure 1



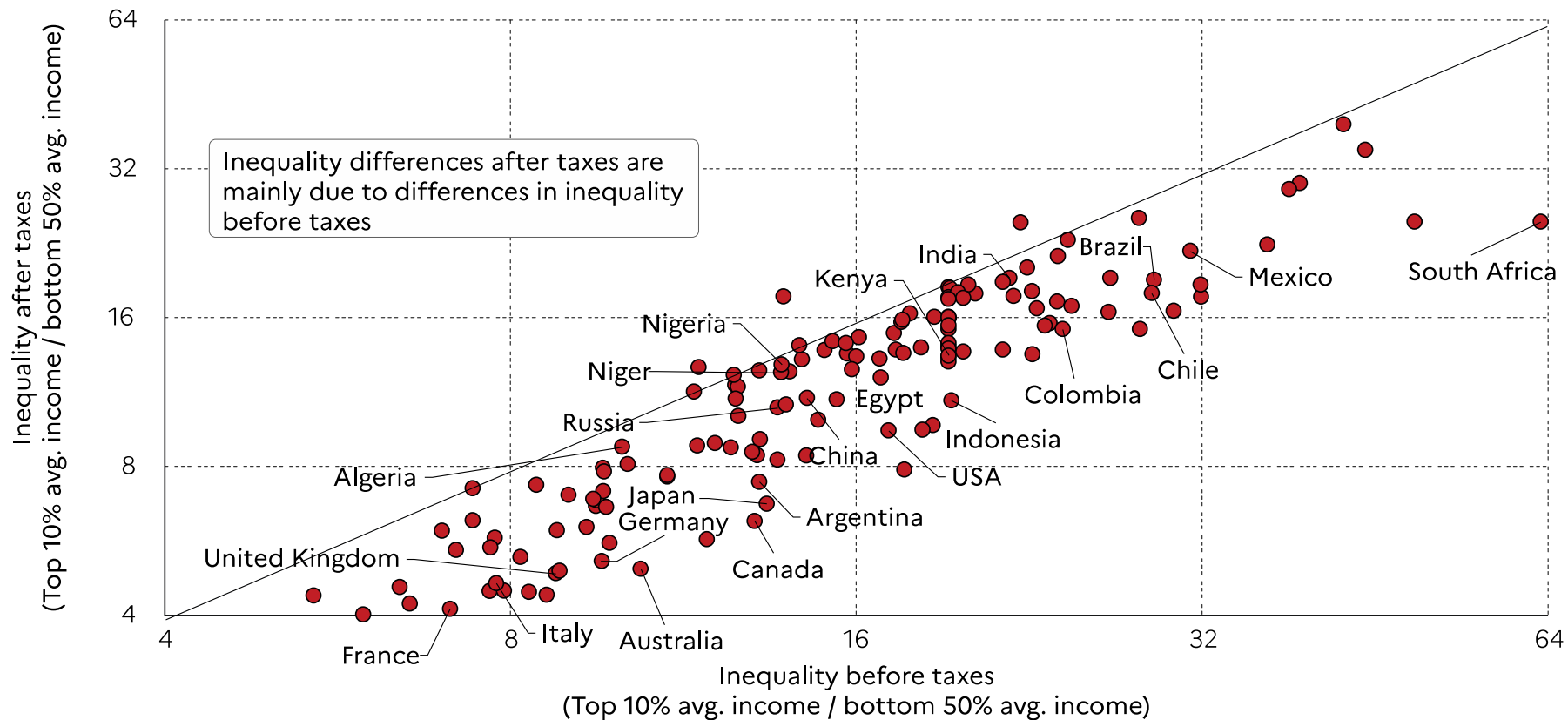
The tax deficit of billionaires undermines overall tax progressivity



Progressive taxes are necessary, not sufficient: pretax redistribution is also key (e.g. investing in education and health)

Cf. data in
WIR2022 online
files, chapter 1
figure 10

Figure 1.10 Inequality before and after taxes 2018-2021: Top 10/Bottom 50 income gap



Interpretation: Before taxes, the bottom 50% in South Africa earns 63 times less than the top 10%, whereas after taxes, the bottom 50% earns 24 times less than the top 10%. Income is measured after pension and unemployment payments and benefits received by individuals but before other taxes they pay and transfers they receive. Data for 2018-2021. **Sources and series:** wir2022.wid.world/methodology

Inequality reduction as a system of policies

		At what stage of the economy does policy intervene?		
		pre-production stage	production stage	post-production stage
Which income segment do we care about?	bottom incomes	primary education and early-childhood programs; vocational training	minimum wage; apprenticeships; reduced social security contributions by firms; in-work benefits	social transfers (housing, family, child benefits); guaranteed minimum income; Earned income tax credit
	middle class	public higher education; adult retraining programs	Industrial policies; occupational licensing; on-the-job training; collective bargaining & work councils; trade policies	unemployment insurance; pensions
	top incomes	Inheritance, gift & estate taxes	R&D tax credits; competition and anti-trust policies.	top income tax rates; wealth taxes; corporate taxes.

Source: Rodrik and Stantcheva 2020