Global inequality

We look at data from the latest World Inequality Report

About the report

The World Inequality Report produced by the World Inequality Lab is to contribute to a more informed global democratic debate on economic inequality by bringing the latest and most complete data to the international table of public discussion. To overcome limitations on data collection in the latest report (2018), the authors rely on what they call a ‘ground-breaking’ methodology. This combines, in a systematic and transparent manner, all data sources at their disposal: national income and wealth accounts including, whenever possible, offshore wealth estimates; household income and wealth surveys; fiscal data coming from taxes on income inheritance; and wealth rankings, when they exist.

The latest report focuses on figures for the year 2016 and it relies on the collective efforts of more than a hundred researchers, covering all continents, who contribute to the WID database. All the data are available online, allowing anyone to perform their own analysis and make up their own mind about global inequality.

The share of the top 10%

Figure 1 shows that, across the world regions, income inequality, as measured by the dominance of the top 10%, was lowest in Europe and highest in the Middle East region. You might want to ask yourself why this is the case.

Figure 2 says more about the recent trends in global income inequality. In most regions, income inequality increased between 1980 and 2016 — but can you spot the exceptions? There are also some quite large variations here. In Europe, the rise in inequality was relatively moderate, for example. However, in North America, China, India, and even more so in Russia, the rise was much more pronounced. Why has this division between the top 10% and the rest happened so strongly in India and Russia? In all these regions, the top 10% income share rose to about 45–50% of total national income in 2016. The fact that trends in inequality differ substantially across the regions tells us that policies and institutions matter: that rising inequality is not inevitable or a mechanical consequence of globalisation.

The global spread of wealth

Figure 3 shows us something different again. It demonstrates how the populations of different regions inform the international picture when we look at how national income is distributed globally. So, for example, despite rising inequality, most people in China and India still fall towards the lower-to-middle-income groups when we look at the spread of income globally. The USA and Europe tend to dominate when it comes to the proportion of their respective populations in the highest global income groups. The Middle East and Latin American elites are also disproportionately represented among the very top global groups, as they both make up about 20% each of the population of the top 0.001% global earners.

The World Inequality Report claims that the objective here is not to bring everyone into agreement regarding inequality. No single scientific truth exists about the ideal level of inequality, let alone the most socially desirable policies and institutions to achieve this level. Ultimately, it is up to political institutions and their processes to make these difficult decisions. However, in order to make robust policy decisions and choices, perhaps at a global level, we require more rigorous and transparent information on global trends in income and wealth.


References

Figure 1 Top 10% national income share across the world, 2016

Figure 2 Top 10% income shares across the world, 1980–2016

Figure 3 Geographic breakdown of global income groups, 2016