

Global Inequality & Growth:

Global inequality

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Global inequality the full view!

1. Between country inequality: e.g. difference between Denmark and China (last time)
2. Within country inequality: e.g. top income shares in Denmark (just before)

1*2=Global inequality! (now!)

Kahoot! If inequality goes up in all countries does global inequality

- 1) Goes up
- 2) Goes up or stays constant or goes down

This lecture: Global inequality!

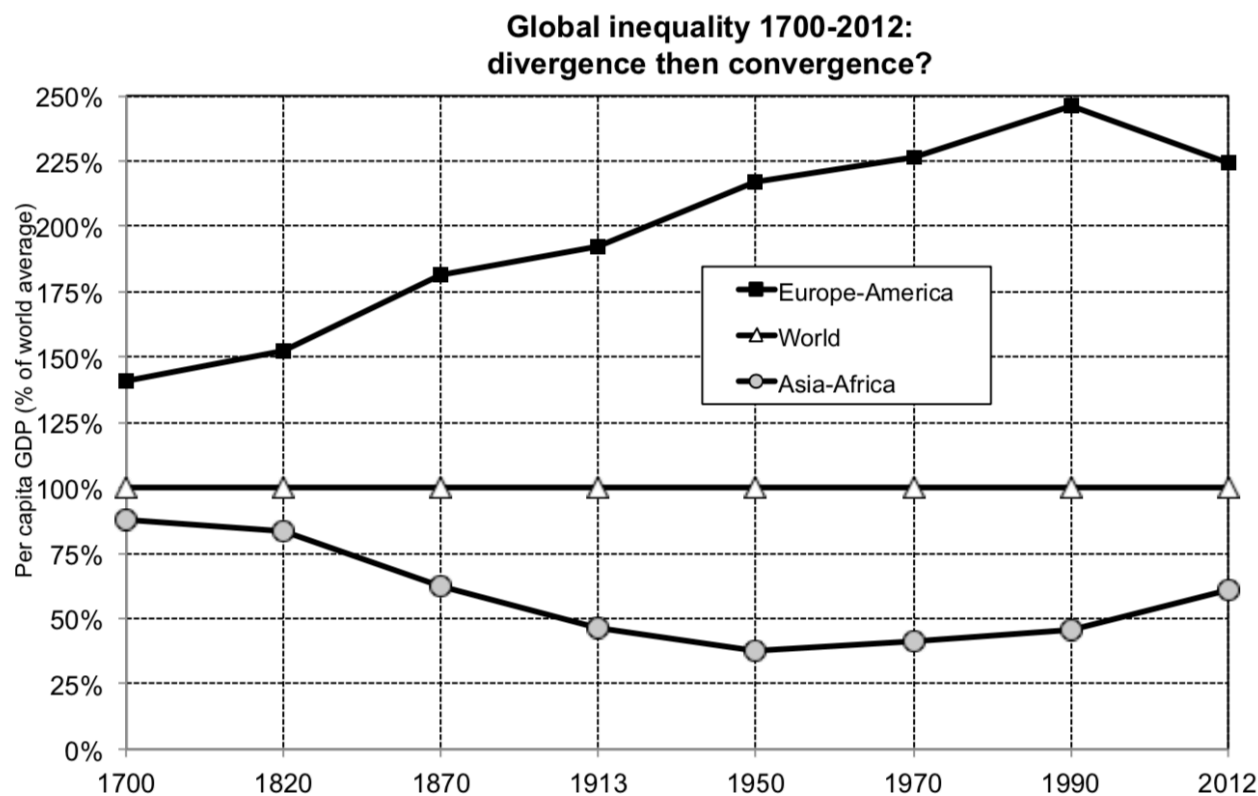


Trends since 1980's



A long-run perspective

Main lessons from last time: after centuries of divergence, the world is now converging!

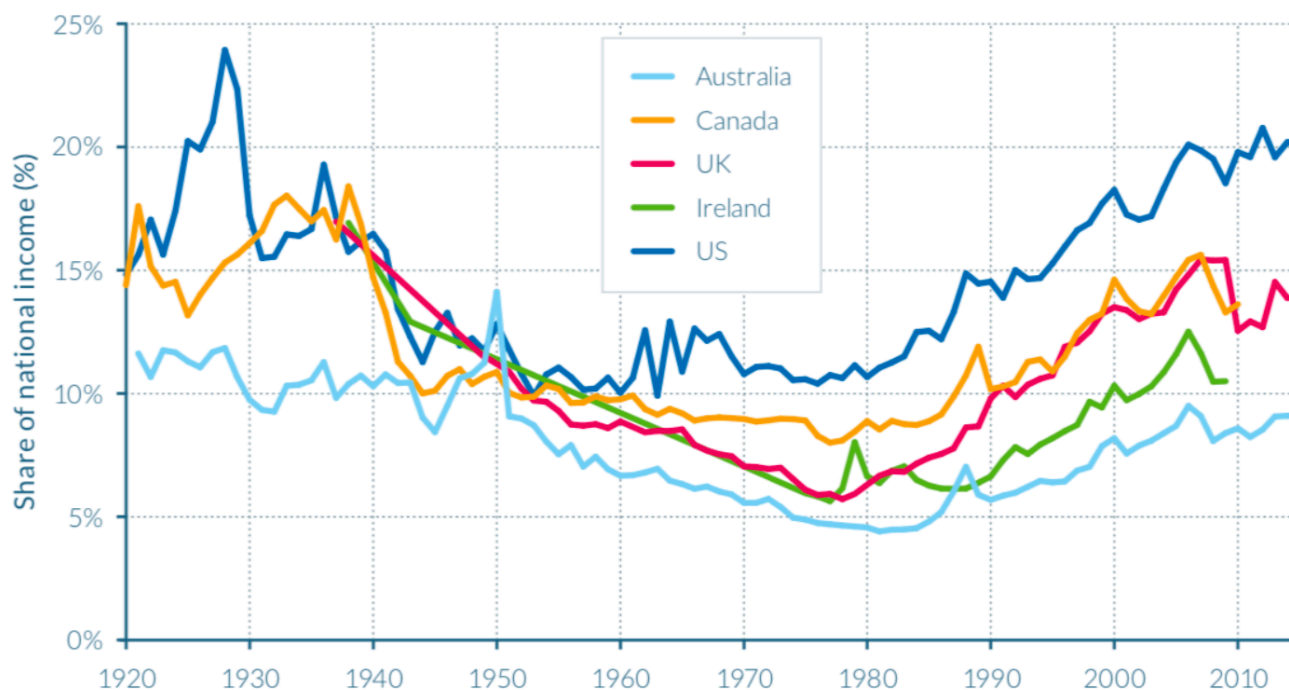


Per capita GDP in Asia-Africa went from 37% of world average in 1950 to 61% in 2012.

Sources and series: Piketty (2014) see piketty.pse.ens.fr/capital21c.

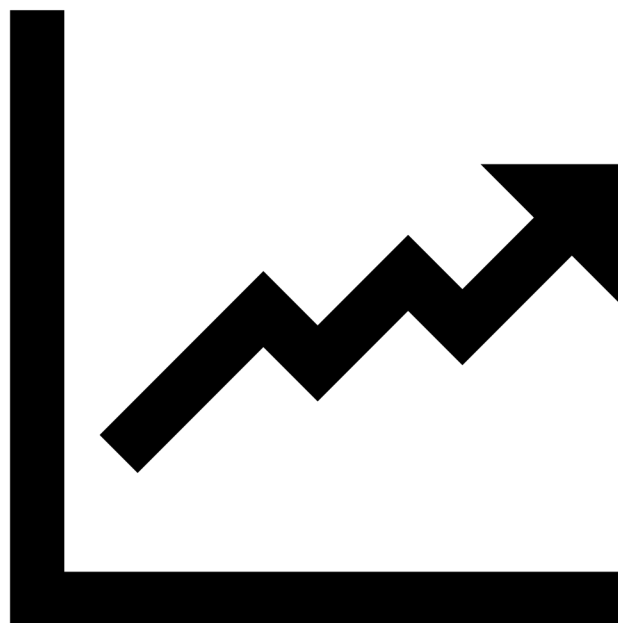
Main lessons from last time: after decades of decline, within country inequality is on the rise!

Top 1% national income share in Anglophone countries, 1920–2015



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

Inequality trends since 1980's



The world distribution of income in 2018

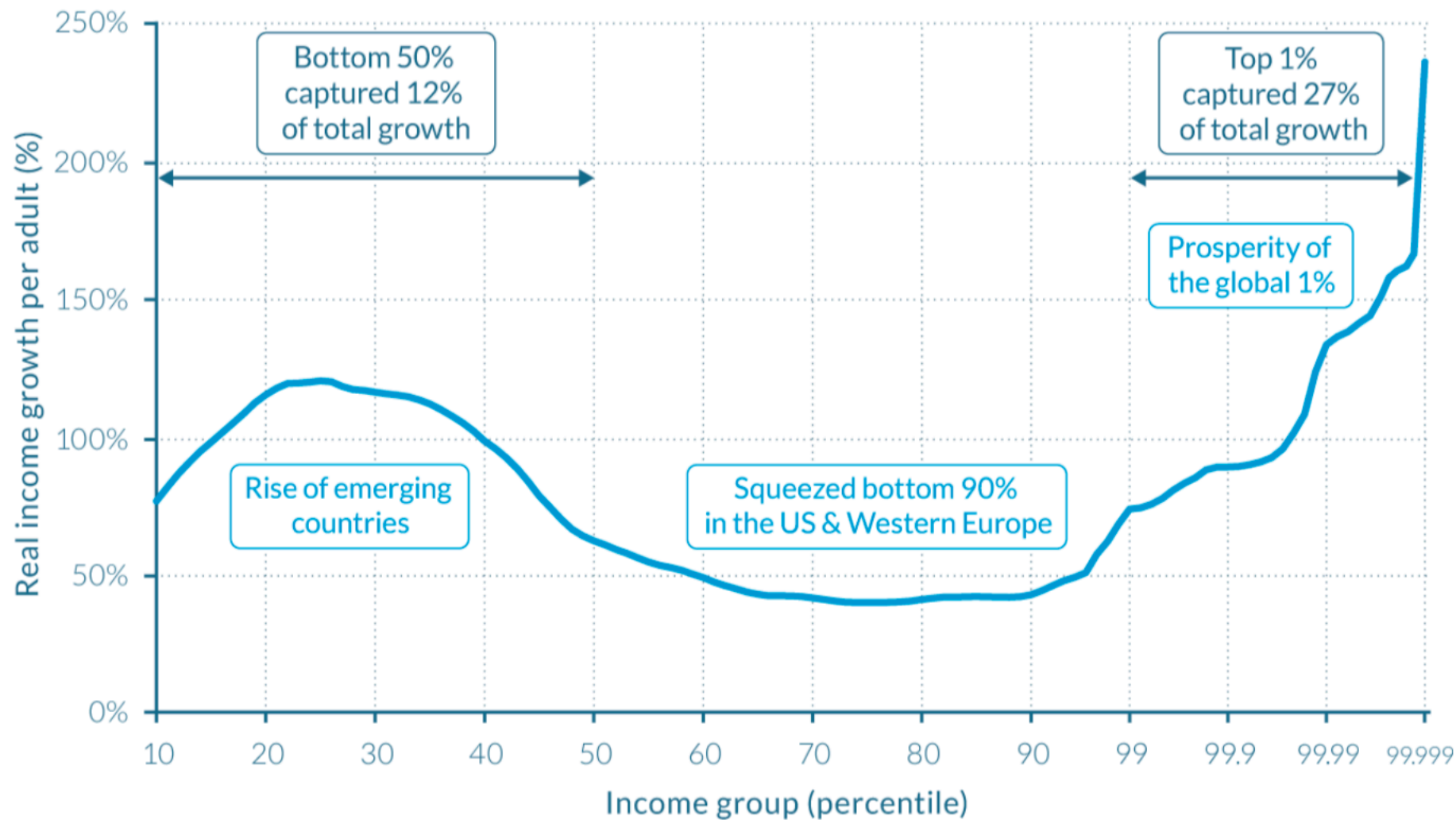
- Data series on global inequality are scarce; caution is required in interpreting them
- WIR 2018: combines consistent and comparable data (DINAs)
- When measured using market exchange rates, top 10% share = 60% today
- With purchasing power parity (PPP) rates, top 10% share = 53%

How has global inequality evolved since 1980?

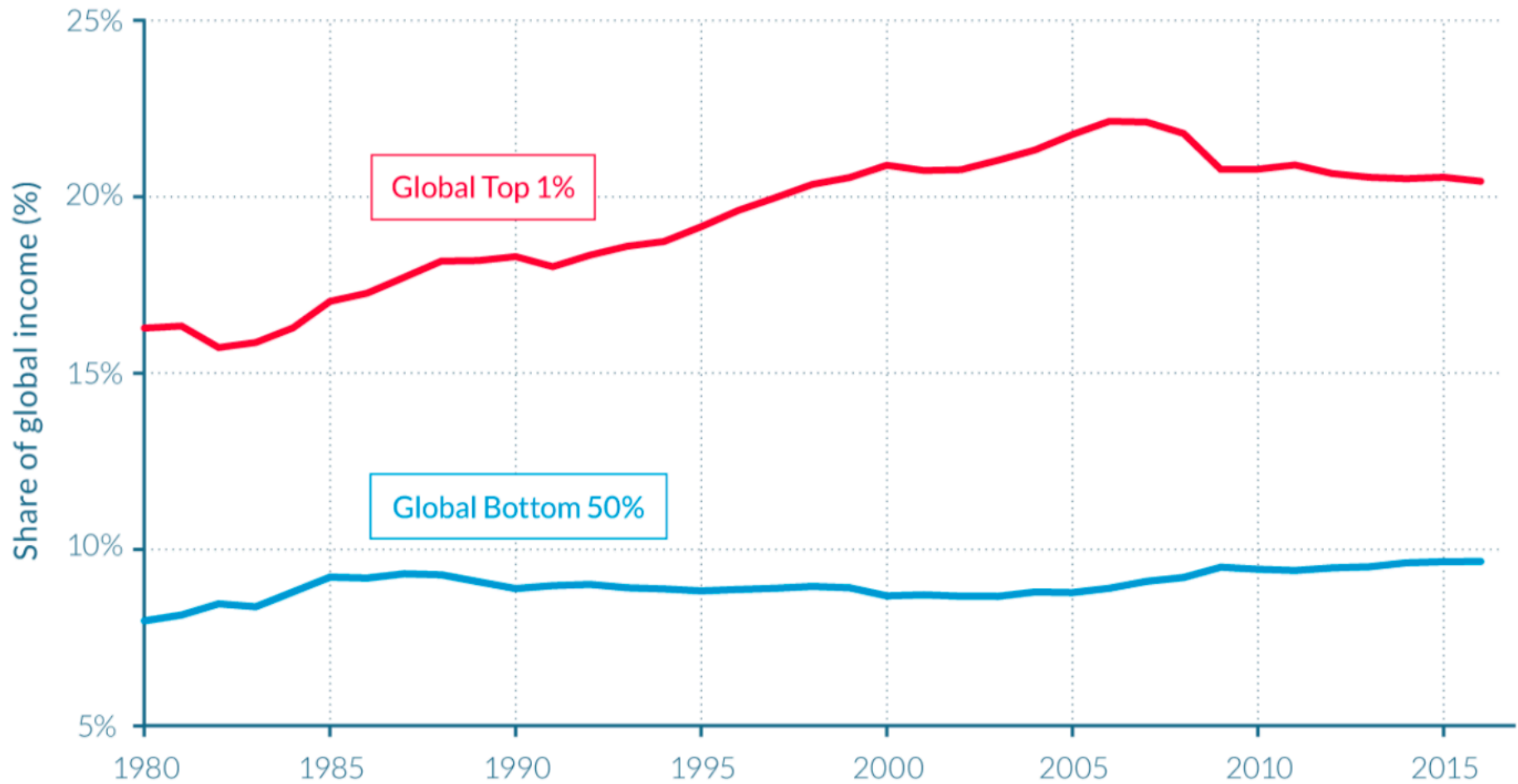
- Convergence in average income across countries, but rising inequality within countries
- Over medium run both trends approximately offset each other
- More precisely: from 1980 to 2000 rising global inequality - global top 1% income share 16% in 1980 to 22% in 2000
- Then falling slightly 2000-2018 (top 1% share = 20% in 2018).

Distribution of world growth:

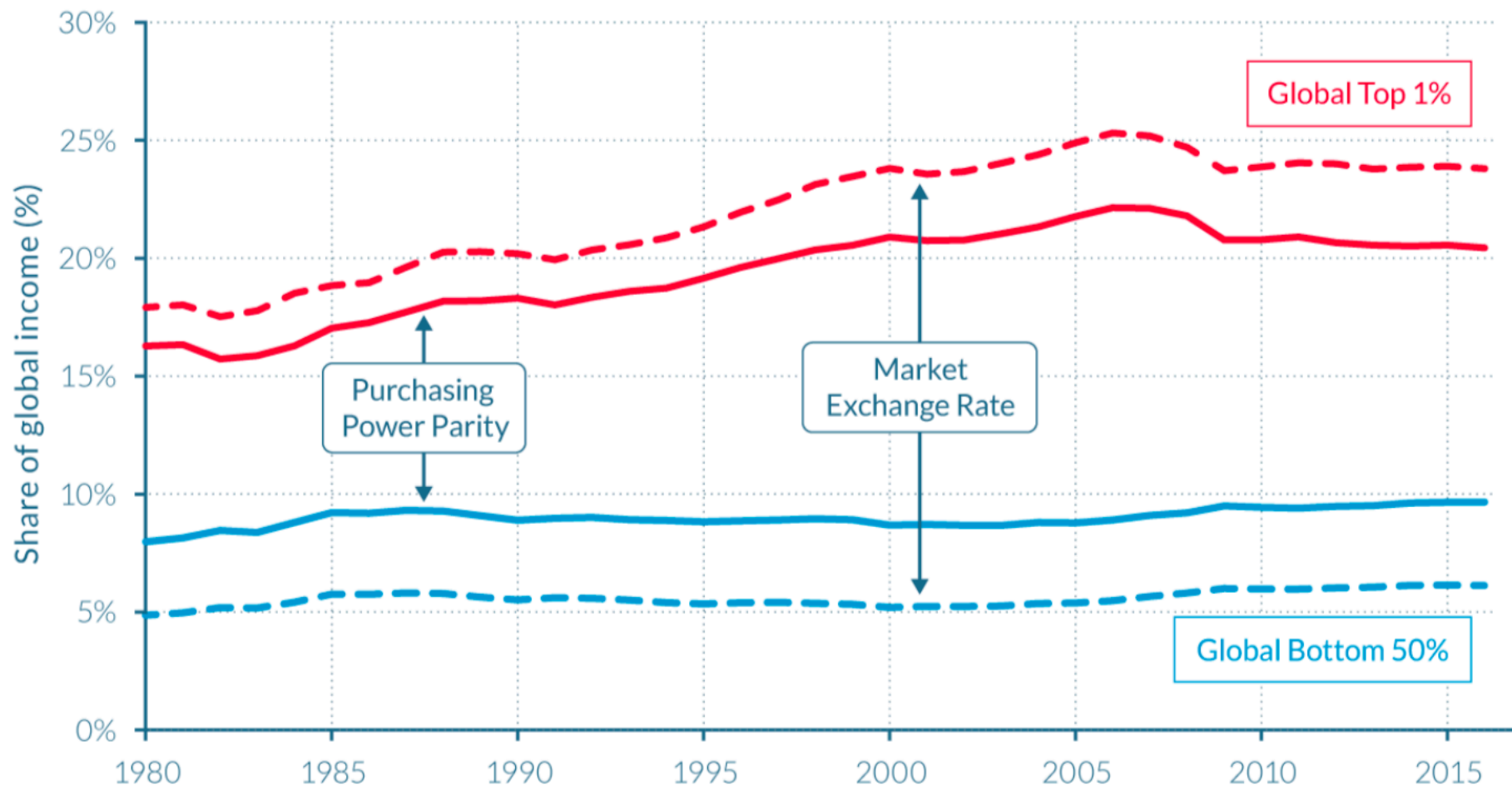
- Poorest half of the global population has seen its income grow significantly thanks to high growth in Asia.
- But top 0.1% has captured as much growth as the bottom half since 1980.
- Income growth sluggish or even nil for individuals between the global bottom 50% and top 1% (includes North American and European lower- and middle-income groups)



Source: WID.world (2017). See wir2018.wid.world/methodology.html for more details.

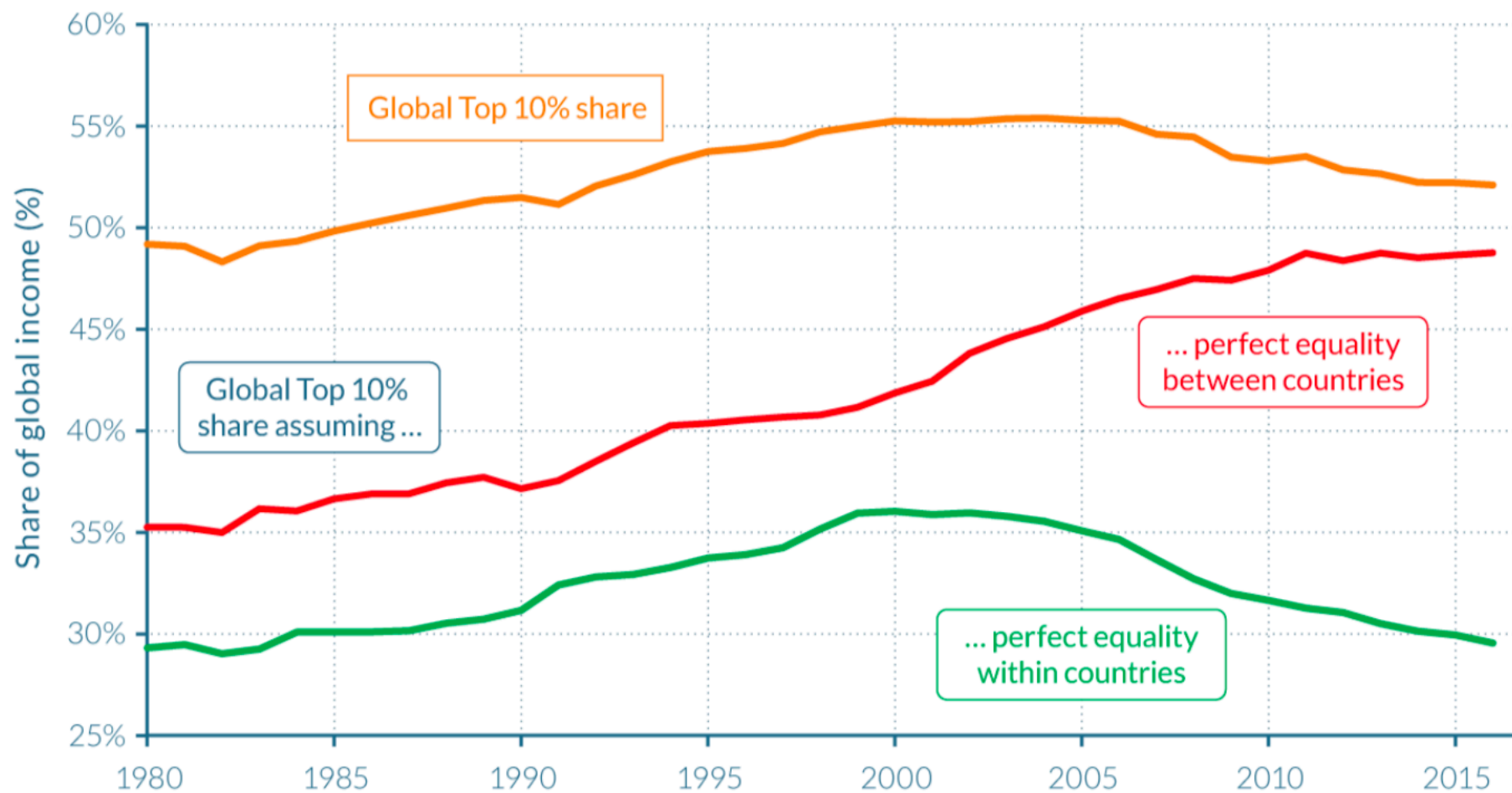


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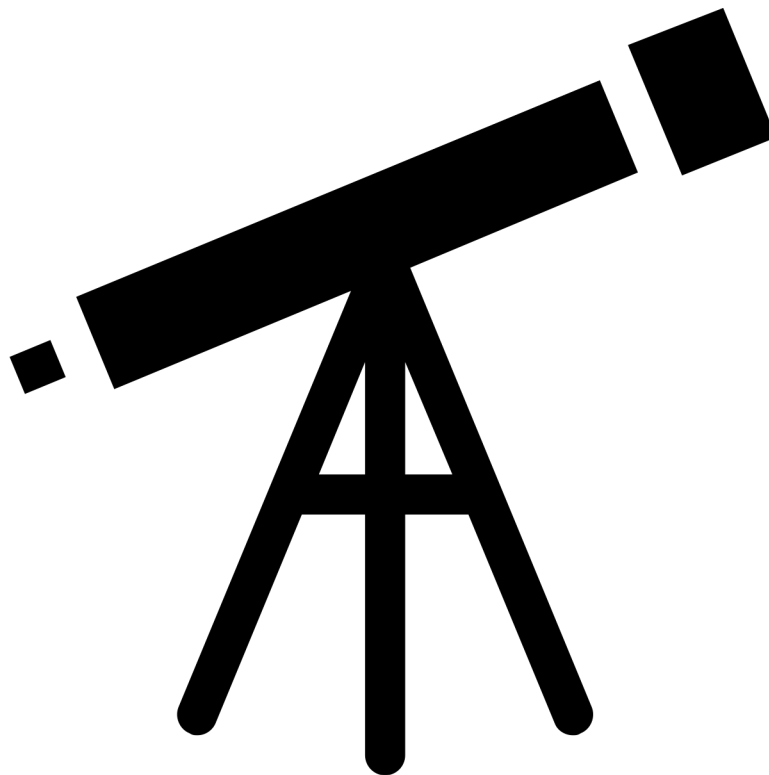
In 2010, the Top 1% received 24% of global income when measured using Market Exchange Rates (MER). When measured using Purchasing Power Parity (PPP), their share was 21%. Thick lines are measured at PPP values, dashed lines at MER values. Income estimates account for differences in the cost of living between countries. Values are net of inflation.



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

In 2010, 53% of the world's income was received by the Top 10%. Assuming perfect equality in average income between countries, the Top 10% would have received 48% of global income.

A long-run perspective



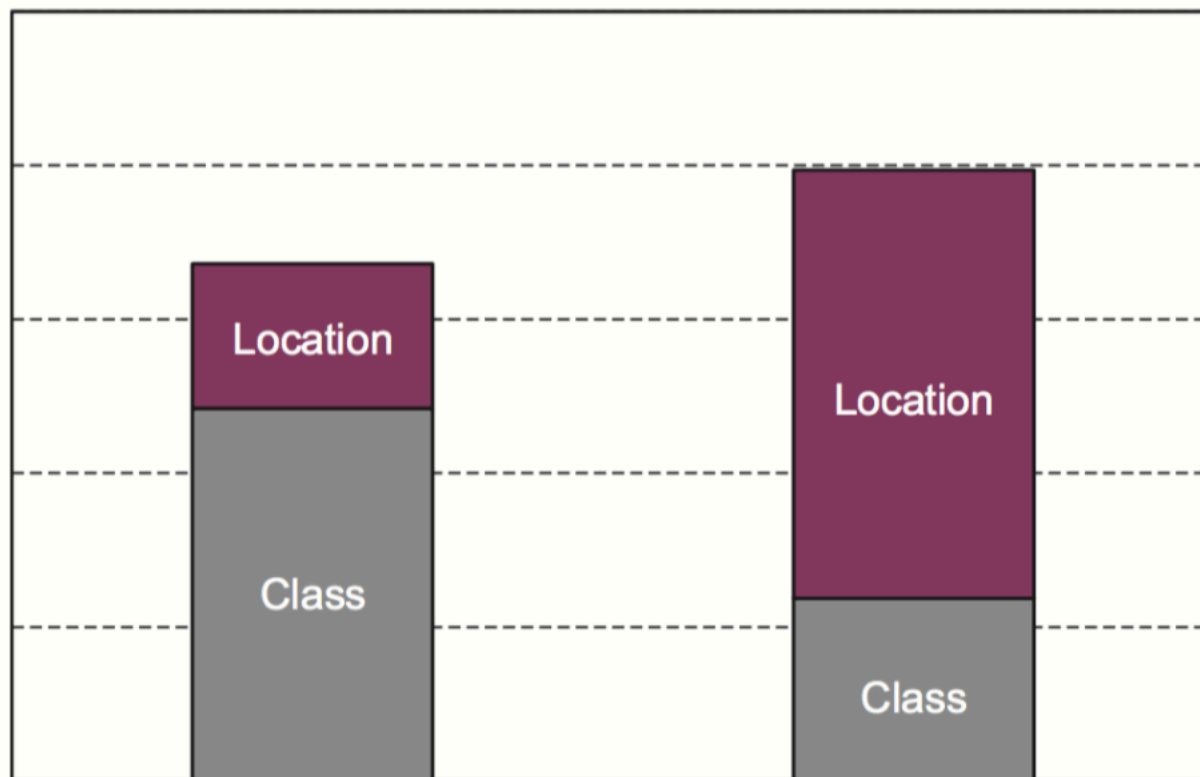
Long-run inequality

- Estimates by Bourguignon and Morrisson (2002) and Milanovic (2013) as far back as early 19th century
- Global inequality increased from beginning of 19th century to World War 2 (class inequality + Industrial Revolution)
- After that: stabilized or at least grew more slowly

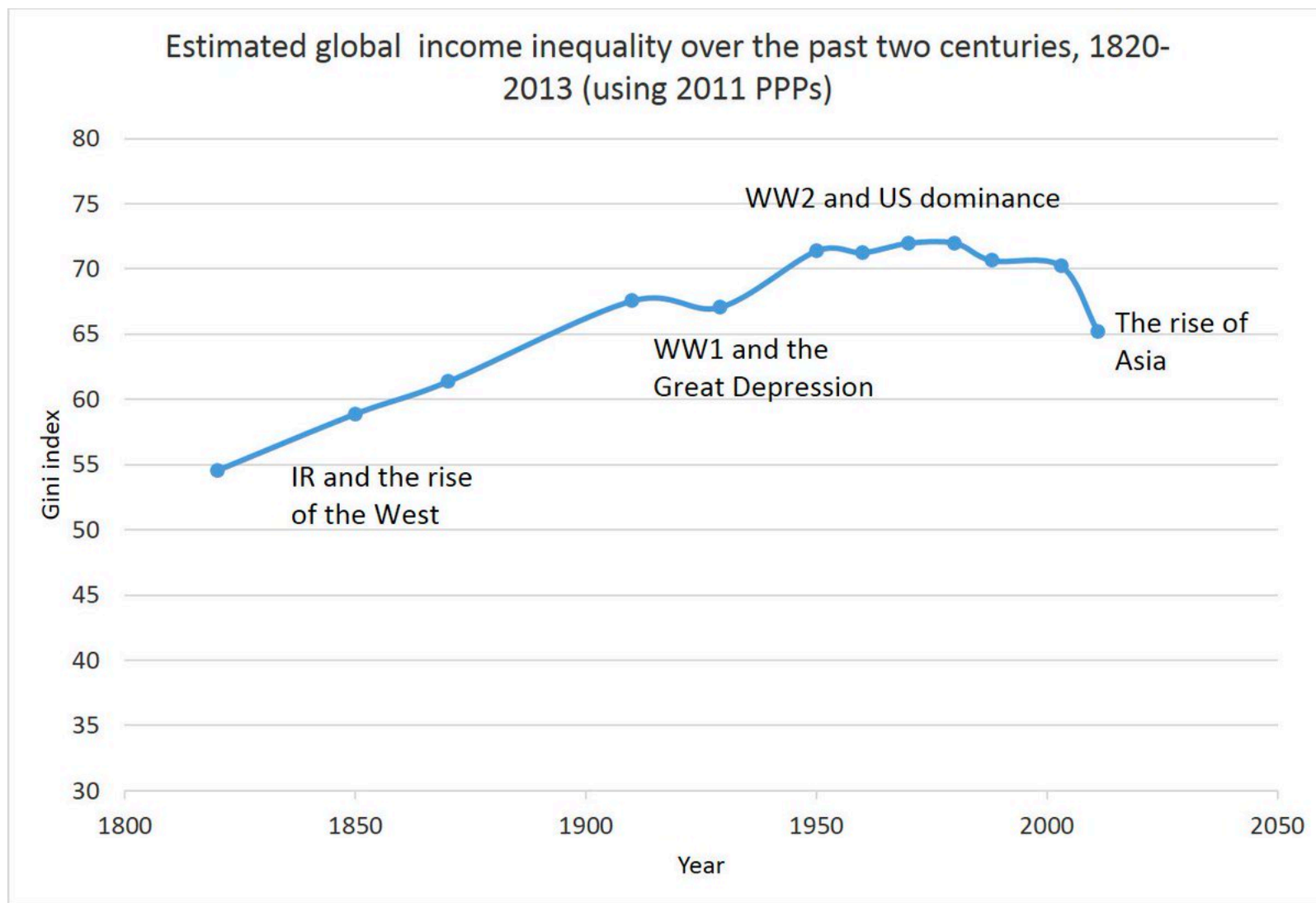
Global inequality: class vs location

- Since the 19th century the World has moved from class to location inequality
- <https://www.ineteconomics.org/perspectives/videos/inequality-101>

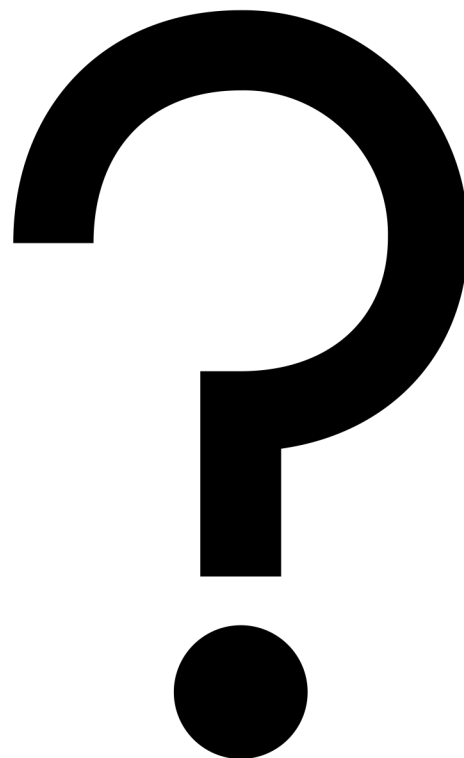
Figure 6. A non-Marxian world: level and composition of global inequality in the 19th century and around 2000 (measured by the Theil index).



Source: Milanovic (2013)



How does the future look?



Summary

- Since 1980 – Global inequality has remained fairly constant, but hides large movements:
 - Within country inequality has increased dramatically
 - Between country inequality has fallen dramatically
- Since the 19th century global inequality has increased in particular due to the industrial revolution
 - Location is now more important than class within countries
 - ... but the future may look like the past

References

- Milanovic, Branko, “Global inequality in numbers: in History and Now”, Global Policy, 2013
- Milanovic, Branko, Global inequality: a new approach for the age of globalization, Harvard University Press, 2016
- World Inequality Report 2018