Sustainable Development Goals: Who is at risk of being left behind?

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There are exceptions to the general pattern. In the middle east, sub-saharan africa, and brazil, income inequality has remained relatively stable, at extremely high levels (Figure E2b). Having never gone through the postwar egalitarian regime, these regions set the world “inequality frontier.”

The diversity of trends observed across countries since 1980 shows that income inequality dynamics are shaped by a variety of national, institutional and political contexts. This is illustrated by the different trajectories followed by the former communist or highly regulated countries, China, India, and Russia (Figure E2a and b). The rise in inequality was particularly abrupt in Russia, moderate in China, and relatively gradual in India, reflecting different types of deregulation and opening-up policies pursued over the past decades in these countries.

The divergence in inequality levels has been particularly extreme between Western europe and the united states, which had similar levels of inequality in 1980 but today are in radically different situations. While the top 1% income share was close to 10% in both regions in 1980, it rose only slightly to 12% in 2016 in Western europe while it shot up to 20% in the united states. Meanwhile, in the united states, the bottom 50% income share decreased from more than 20% in 1980 to 13% in 2016 (Figure E3).

The income-inequality trajectory observed in the United States is largely due to massive educational inequalities, combined with a tax system that grew less progressive despite a surge in top labor compensation since the 1980s, and in top capital incomes in the 2000s. continental europe meanwhile saw a lesser decline in its tax progressivity, while wage inequality was also moderated by educational and wage-setting policies that were relatively more favorable to low- and middle-income groups. In both regions, income inequality between men and women has declined but remains particularly strong at the top of the distribution.

In 2016, 47% of national income was received by the top 10% in US-Canada, compared to 34% in 1980. Source: WID.world (2017). See wir2018.wid.world for data series and notes.
The global 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.
Different inequality trajectories at the national level matter enormously for global poverty eradication.

Within country inequality trends are critical for global poverty eradication. What do these different scenarios mean in terms of actual income levels, and particularly for bottom groups? It is informative to focus on the dynamics of income shares held by different groups, and how they converge or diverge over time. But ultimately, it can be argued that what matters for individuals—and in particular those at the bottom of the social ladder—is their absolute income level. We stress again here that our projections do not pretend to predict how the future will be, but rather aim to inform on how it could be, under a set of simple assumptions.

Figure 5.1.2 depicts the evolution of average global income levels and the average income of the bottom half of the global population in the three scenarios described above.

The evolution of global average income does not depend on the three scenarios. This is straightforward to understand: in each of the scenarios, countries (and hence the world as a whole) experience the same total income and demographic growth. It is only the matter of how this growth is distributed within countries that changes across scenarios. Let us reiterate that our assumptions are quite optimistic for low-income countries, so it is indeed possible that global average income would actually be slightly lower in the future than in the figures presented. In particular, the global bottom 50% average income would be even lower.

In 2016, the average per-adult annual income of the poorest half of the world population was €3100, in contrast to the €16000 global average—a ratio of 5.2 between the overall average and the bottom-half average. In 2050, global average income will be €35500 according to our projections. In the business-as-usual scenario, the gap between average income and the bottom would widen (from a ratio of 5.2 to a ratio of 5.6) as the bottom half would have an income of €6300. In the US Annual income per adult (€)

If all countries follow the inequality trajectory of Europe between 1980 and 2016, the average income of the Bottom 50% of the world population will be €9100 by 2050.

Income estimates are calculated using Purchasing Power Parity (PPP) euros. For comparison, €1 = $1.3 = ¥4.4 at PPP. PPP accounts for differences in the cost of living between countries. Values are net of inflation.

The world is becoming a giant tax free area: how then compensate losers of globalization?

Notes: This figure charts the unweighted world average corporate tax rate and the share of global corporate profits made by multinational corporations. Multinational profits were around €1.4 trillion in 2015, while global corporate profits were around €7.9 trillion.
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%.

Sources: Piketty (2014) and updates. See wir2018.wid.world for data series and notes.
As tax rates on multinationals and top earners decline, govts. tempted to increase fiscal pressure on the poor and middle class.

Corporate vs. consumption taxes in the EU

- Rise of consumer taxes
- Fall of corporate tax rate
Extreme inequality is at the heart of unsustainable development patterns.

Tackling extreme inequality is key to end extreme poverty.

To do so, we need to end financial opacity and fix our global tax system.
Thank you for your attention!

Visit WID.world, the source for global inequality data

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