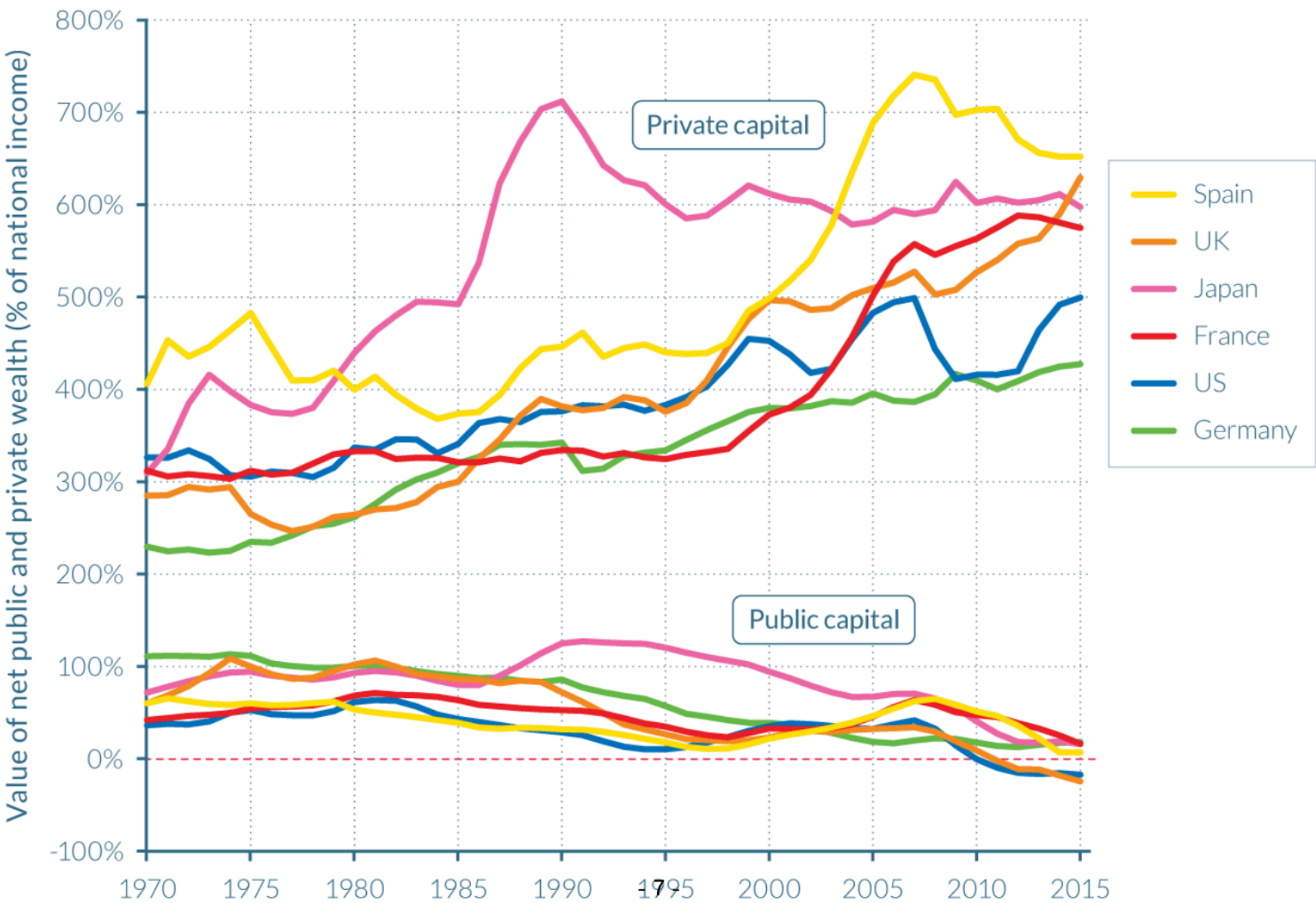


Global Inequality & Growth:

Global Wealth Inequality

Ludvig Wier





Roadmap



Measurement of wealth inequality



Wealth inequality across time and space



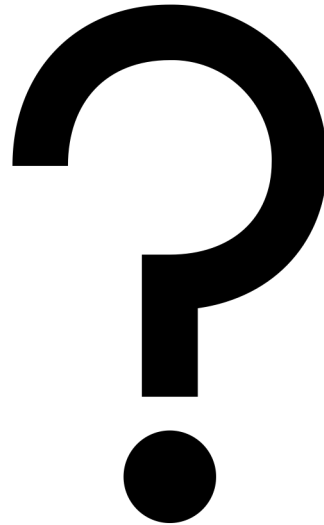
The drivers of wealth inequality (next)

Why study wealth inequality?

- Change in W inequality \rightarrow change in Y ineq.
- Changes in wealth inequality historically key driver of changes in overall income inequality
- Fall of the top 1% income share in US, Europe over first half of 20th century: due to decline of wealth inequality

Before we go on – a question (again):

- Why is wealth concentration amongst a few individuals interesting to study beyond the implications for income inequality?



How to measure wealth inequality?

- Wealth inequality more difficult to measure than income inequality
- Ideal data source would be annual wealth tax declarations for the entire population
- But exist in very few countries only (eg, Norway)
- For most countries, need to use indirect methods and combine data sources

Estate tax multiplier method

- Start with wealth-at-death reported on estate tax returns
- Compute mortality rate by age and gender (and income!)
- Then weight wealth-at-death by inverse of mortality rate
- Limit: widespread avoidance/evasion of estate tax + extrapolation based on diseased (excludes Warren, Zuckerberg, Bloomberg, Gates, etc.)

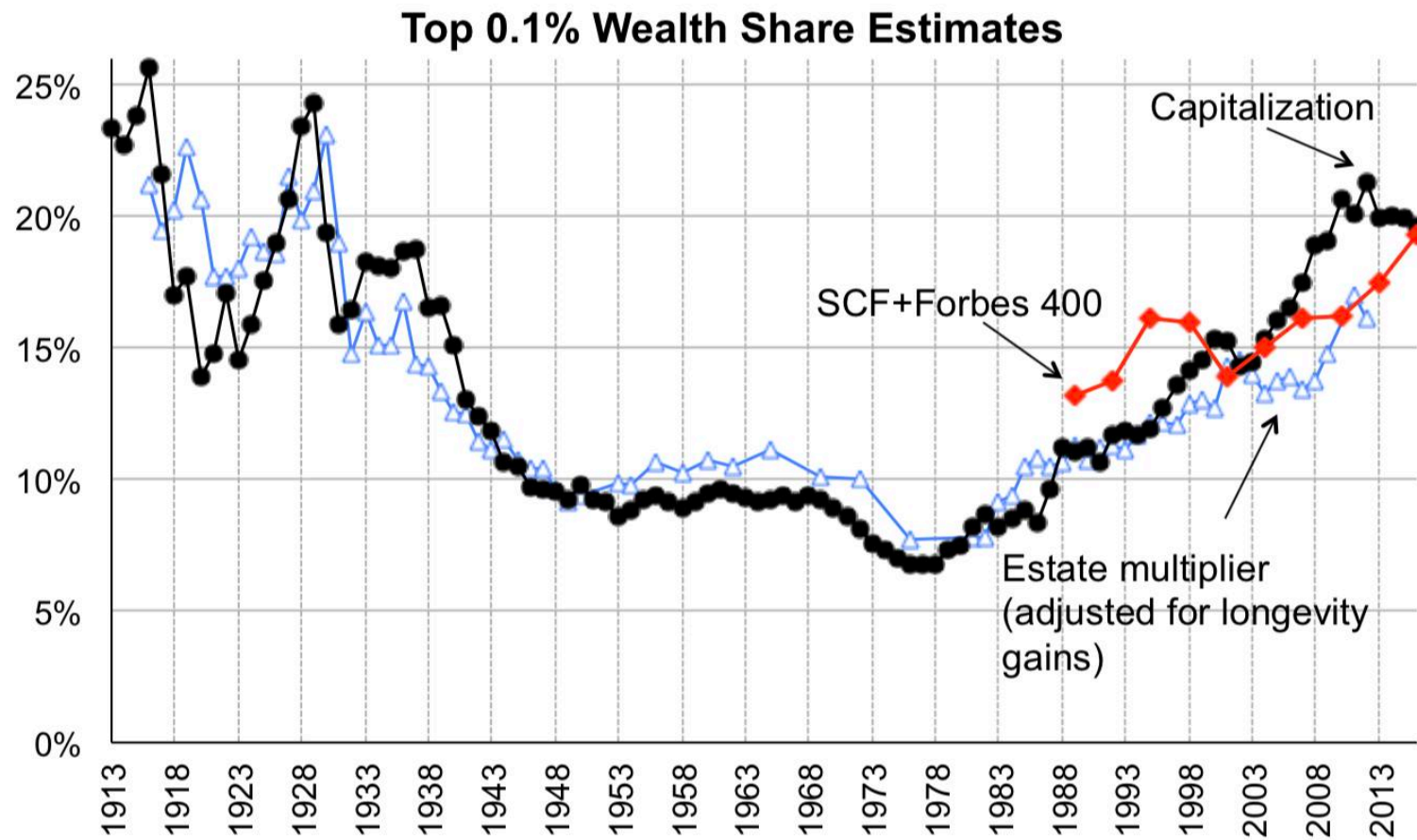
Capitalization of investment income

- Start with capital income reported in personal income tax returns
- Compute rate of return on each asset class
- Multiply capital income by inverse of rate of return (correct for differences by wealth percentile)
- Limit: does not work well if taxable rates of return vary with wealth substantially and unpredictably

Survey data with top-end correction

- Main problem of surveys: poor coverage of the top
- Information from the very top can be obtained from named-lists of rich individuals, e.g., Forbes
- These lists have limitations but they can be useful to supplement surveys

US case: different sources same outcome!



This figure depicts the share of total household wealth owned by the top 0.1% of families (tax units) from various data sources.

Levels and Trends in wealth concentration

Private wealth always more concentrated than income

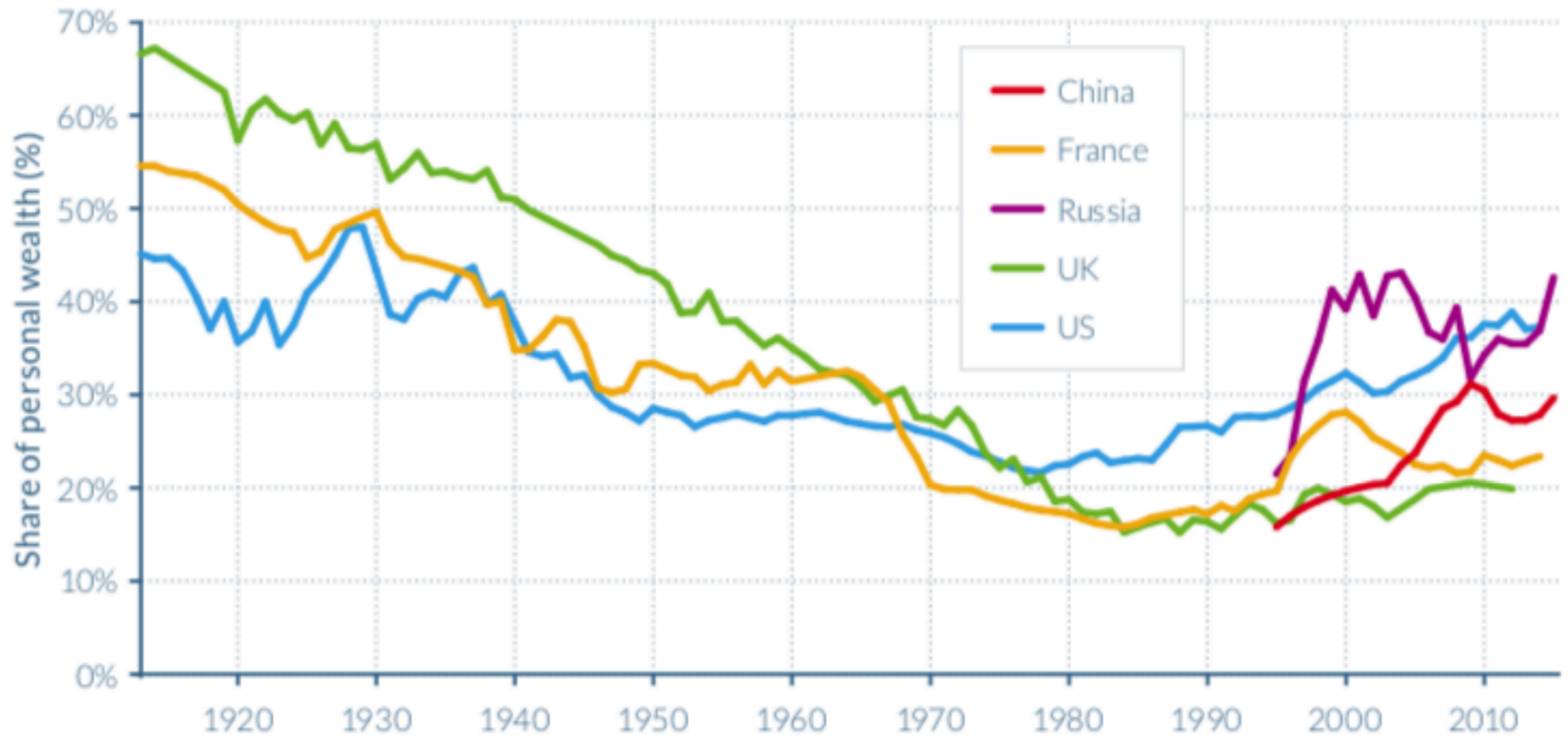
- Top 10% owns more than 50% of wealth in China, Europe, US
- Bottom 50% owns less than 10%

Trends in world wealth inequality

- Evidence points toward rise in global wealth inequality over past decades
- Given data limitation, in what follows: world = Europe + China + US
- Global top 1% increased from 28% in 1980 to 33% today
- Bottom 75% share hovered around 10%

Figure E8

Top 1% wealth shares across the world, 1913–2015: the fall and rise of personal wealth inequality



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

In 2015, the Top 1% wealth share was 43% in Russia against 22% in 1995.

United States

- Great reversal: the US used to be much more equal than Europe, and now is much more unequal
- Before World War I, wealth was less concentrated in the US than in Europe
- Substantial fall in wealth inequality in the 1930s and 1940s
- Then gradual and dramatic increase since the late 1970s

Wealth inequality in the 18th century

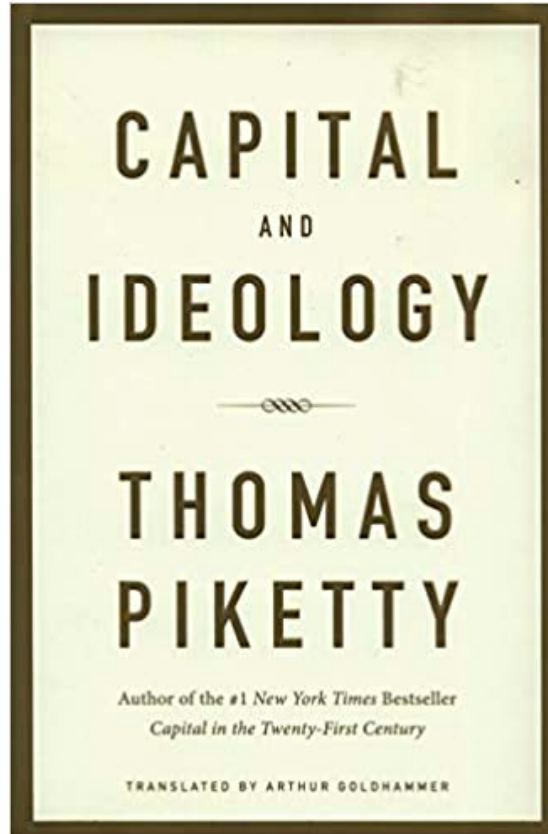
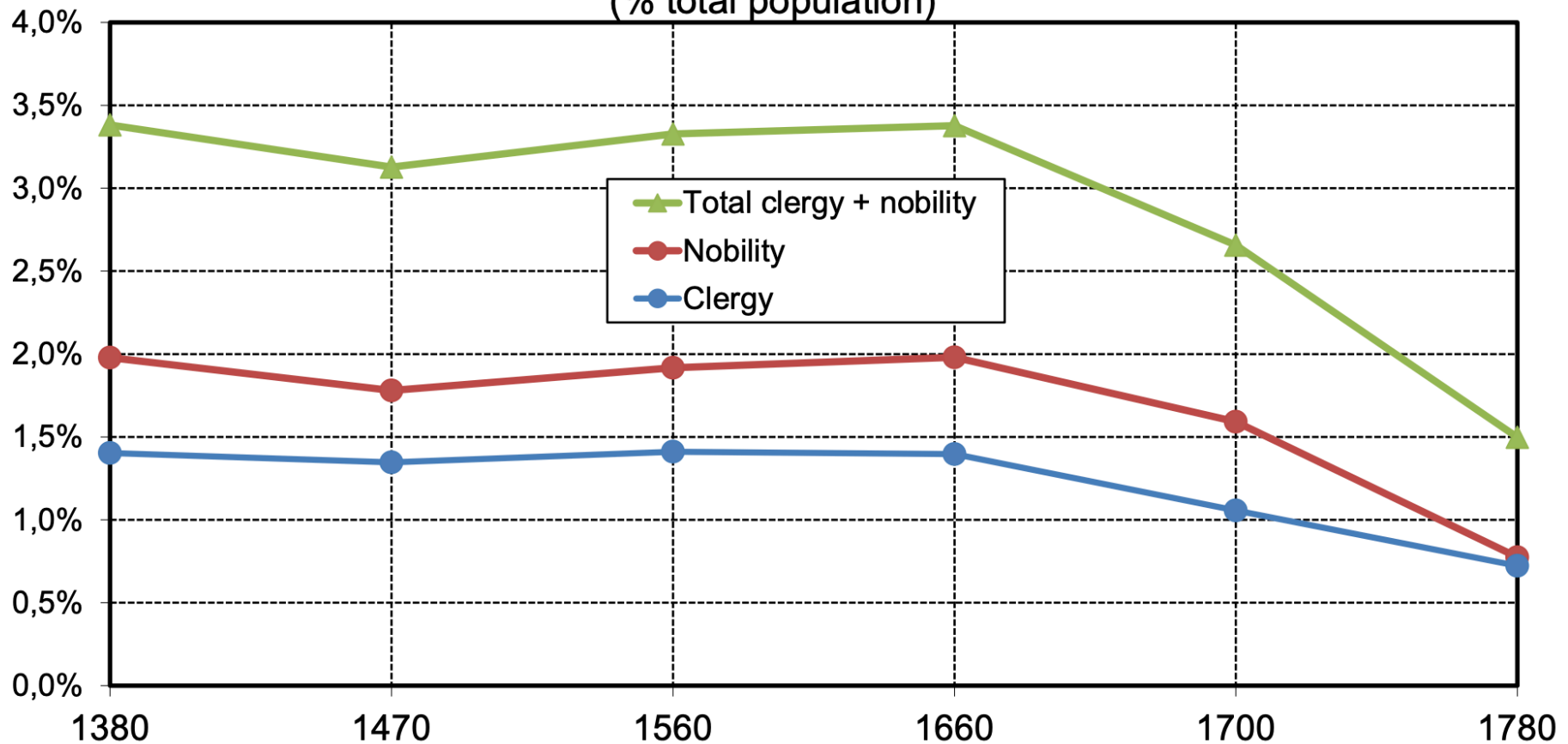
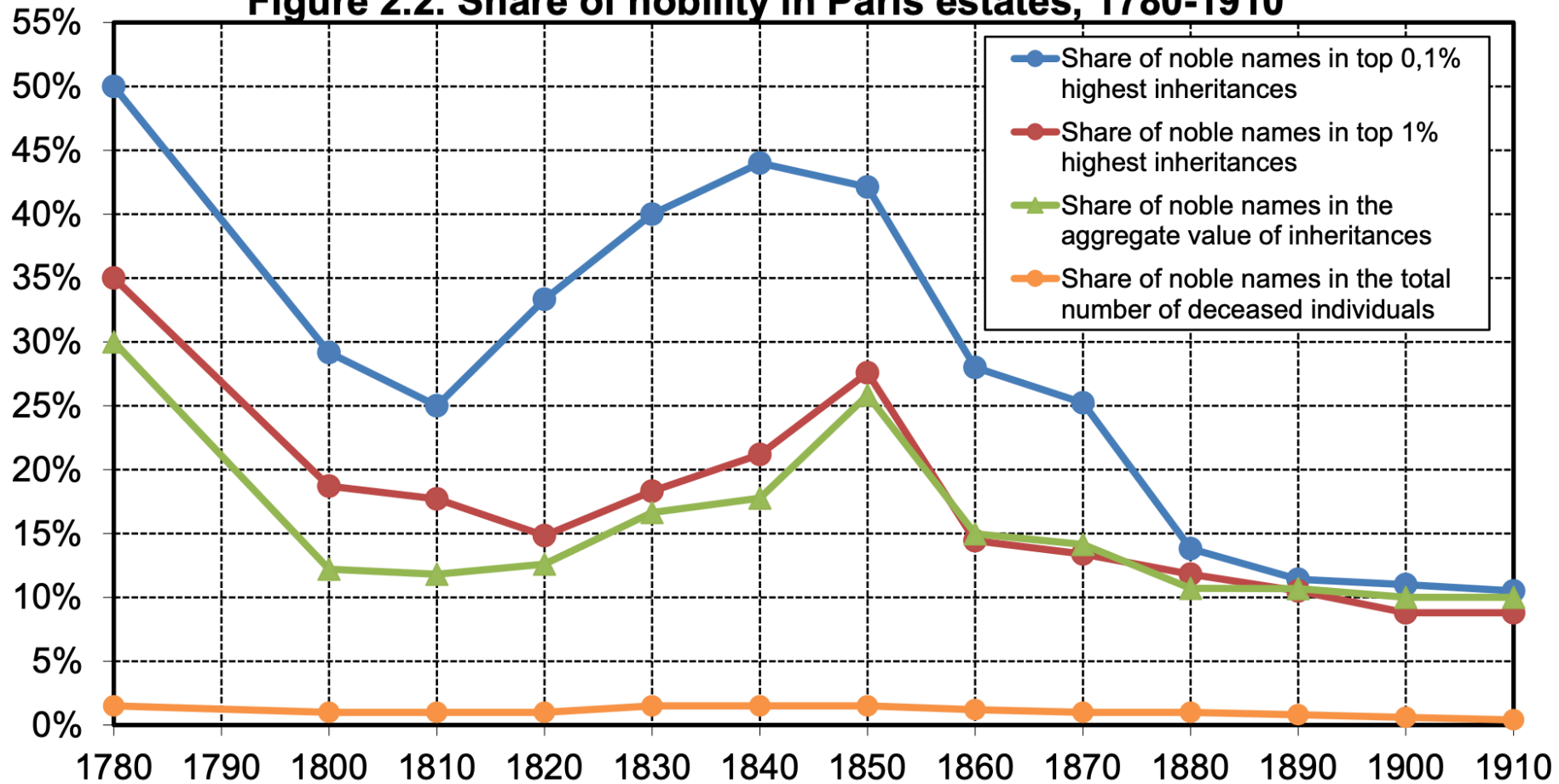


Figure 2.1. Population shares in French ternary society (1380-1780)
(% total population)



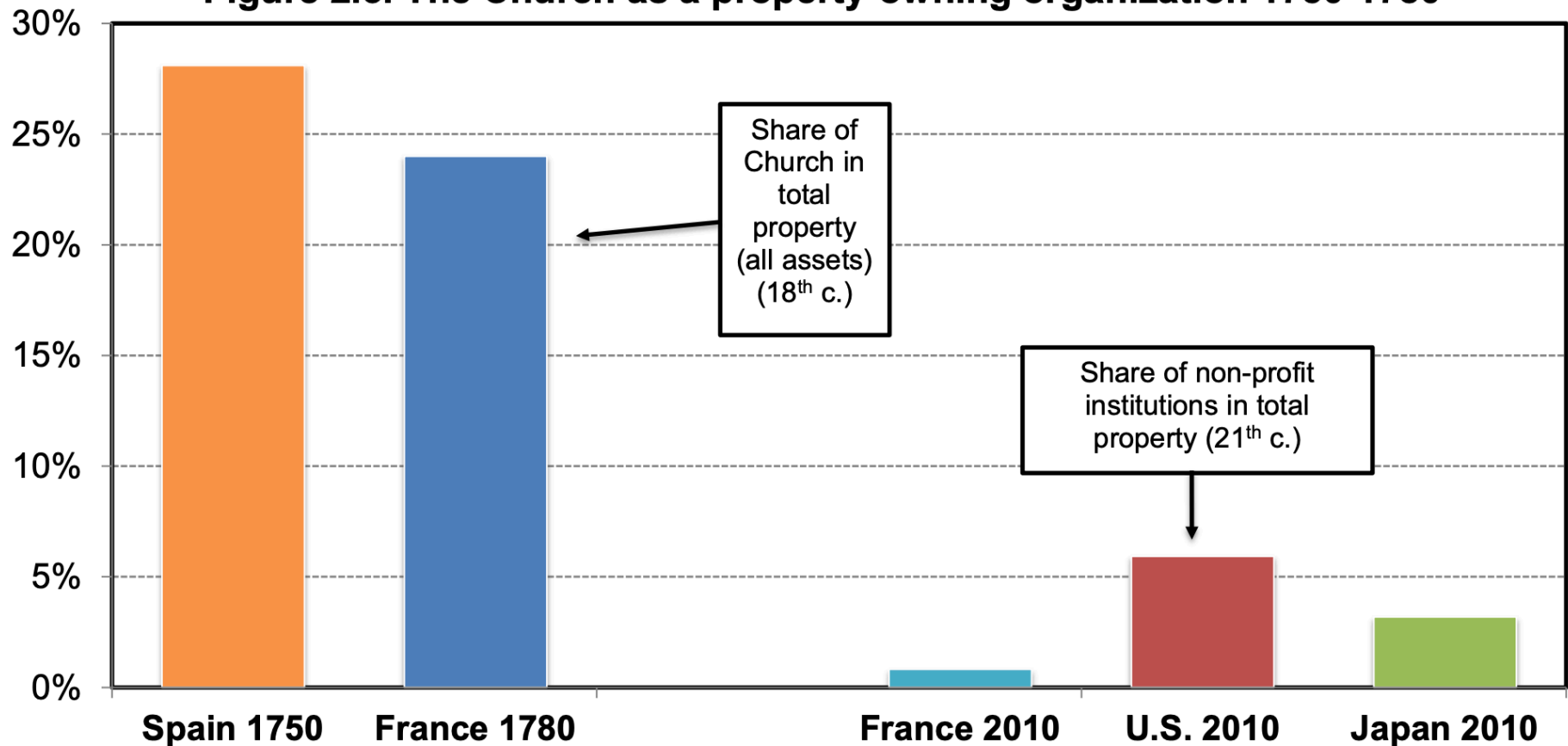
Interpretation. In 1780, the nobility and the clergy accounted respectively for 0,8% and 0,7% of total French population, or a total of 1,5% for the two dominant orders and 98,5% for the third estate; in 1660, the nobility and the clergy accounted respectively for 2,0% and 1,4% of total population, or a total of 3,4% for the two dominant orders and 96,6% for the third estate. These proportions remained fairly stable between 1380 and 1660, followed by a sharp drop between 1660 and 1780. **Sources and series:** see piketty.pse.ens.fr/ideology.

Figure 2.2. Share of nobility in Paris estates, 1780-1910



Interpretation. The share of noble names among the top 0,1% highest inheritances in Paris dropped from 50% to 25% between 1780 and 1810, before rising to about 40%-45% during the period of censitary monarchies (1815-1848), and finally declining to about 10% in the late 19th century and early 20th century. By comparison, noble names have always represented less than 2% of the total number of deceased individuals between 1780 and 1910. **Sources and series:** see piketty.pse.ens.fr/ideology.

Figure 2.3. The Church as a property-owning organization 1750-1780



Interpretation. Around 1750-1780, the Church owned between 25% and 30% of total property in Spain and close to 25% in France (all assets combined: land, real estate, financial assets, including capitalisation of church tithes). By comparison, in 2010, the set of all non-profit institutions (including religious organizations, universities, museums, foundations, etc.) owned less than 1% of total property in France, 6% in the United States and 3% in Japan. **Sources and series:** see piketty.pse.ens.fr/ideology.

Summary

- Wealth inequality is important in understanding the distribution of power in society – e.g. the power to decide what to produce and who to hire
- Since the 1970's global wealth inequality has been increasing
- In the US levels of wealth inequality now = 1910/1920

References

Saez, E. and Zucman, G., “Progressive Wealth Taxation”, 2019 ([link](#))

World Inequality Report 2018, part III

Piketty, Thomas. Capital and Ideology. Cambridge: Harvard University Press, 2020.