

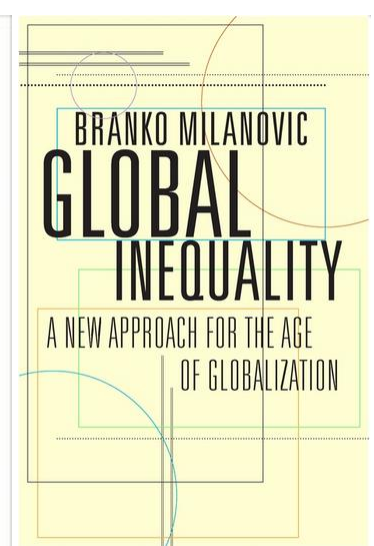
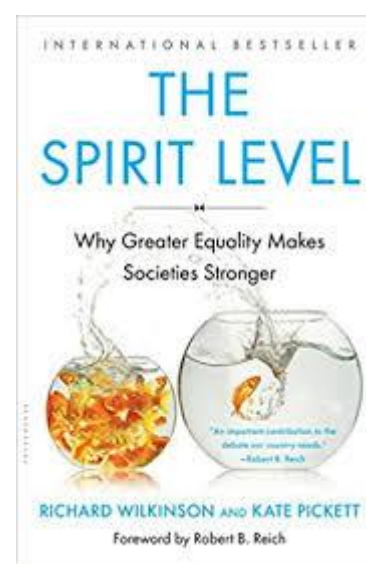
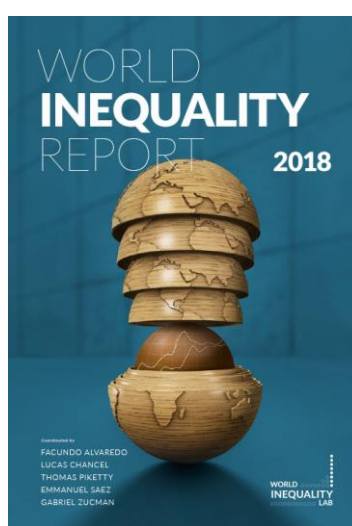
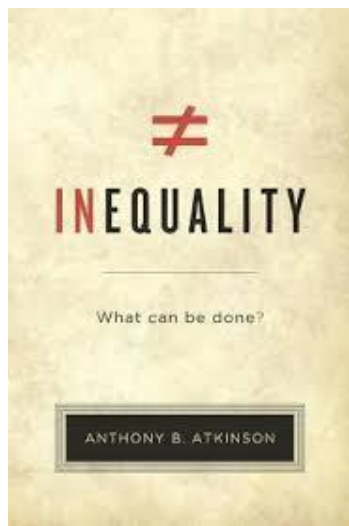
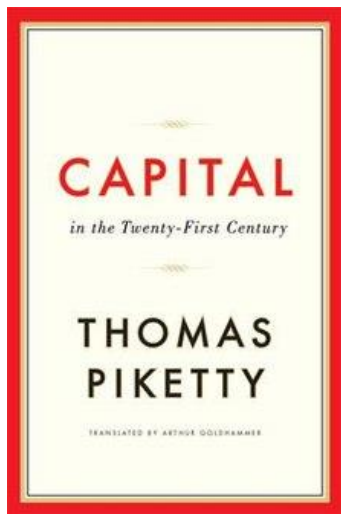


International
Inequalities Institute



The challenge of global inequality

Mike Savage



The 'inequality paradigm' is transforming the social sciences from a set of disciplines to a 'problem-based' approach

What are the fundamental challenges which inequality poses for the society of tomorrow?

Plan

1. Is global inequality really rising?
2. What does inequality mean for society of the future?
 1. Affluent but unequal nations have more social problems
 2. Geo-political tensions & the future of democracy
 3. The urban vortex

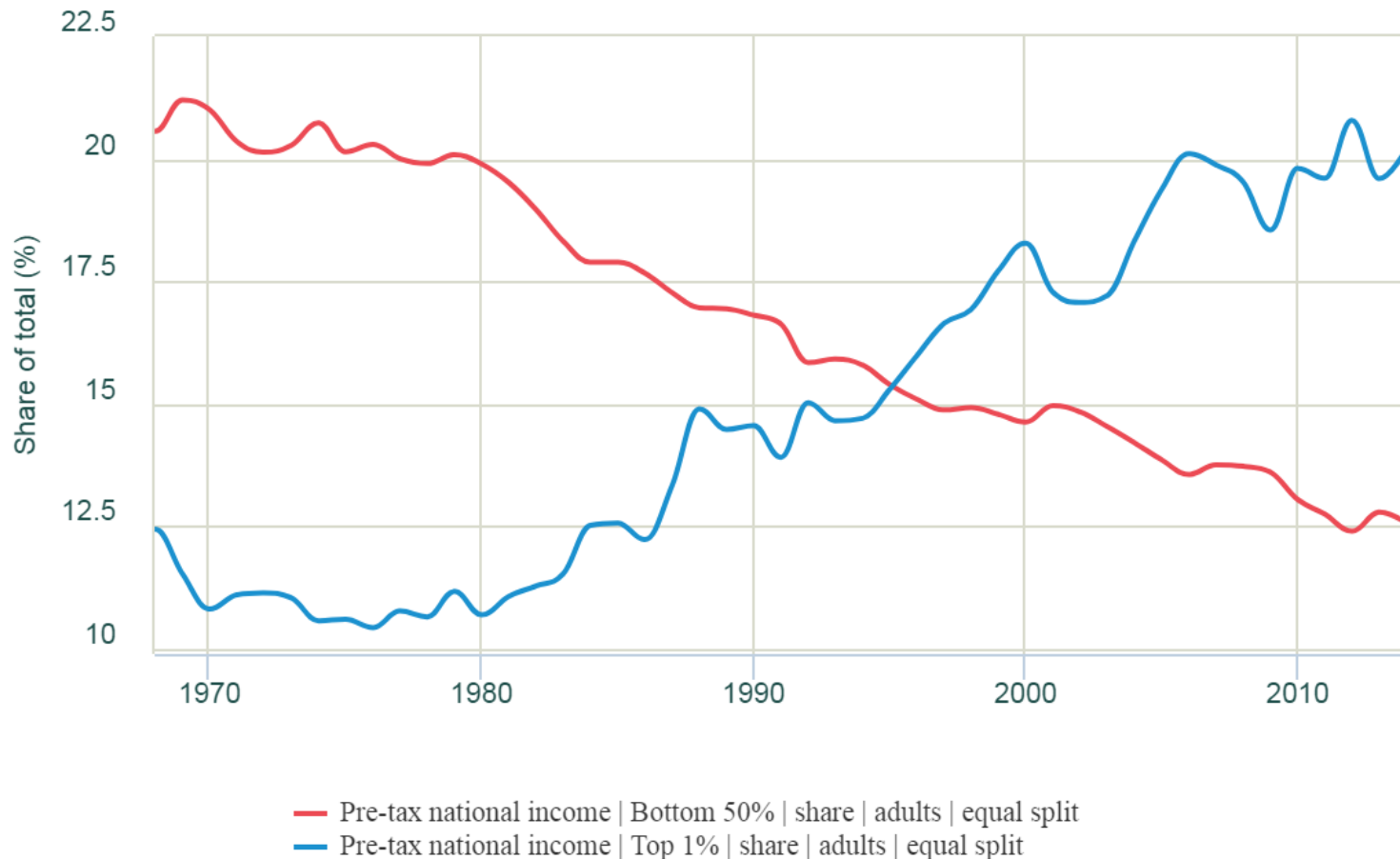
1: Is global inequality really rising?

The initial concern over escalating income inequality focused on the United States, where the trends are clear & disturbing



The American inequality machine....

Income inequality, USA, 1968-2014



Graph provided by www.wid.world

However, America is not the world!

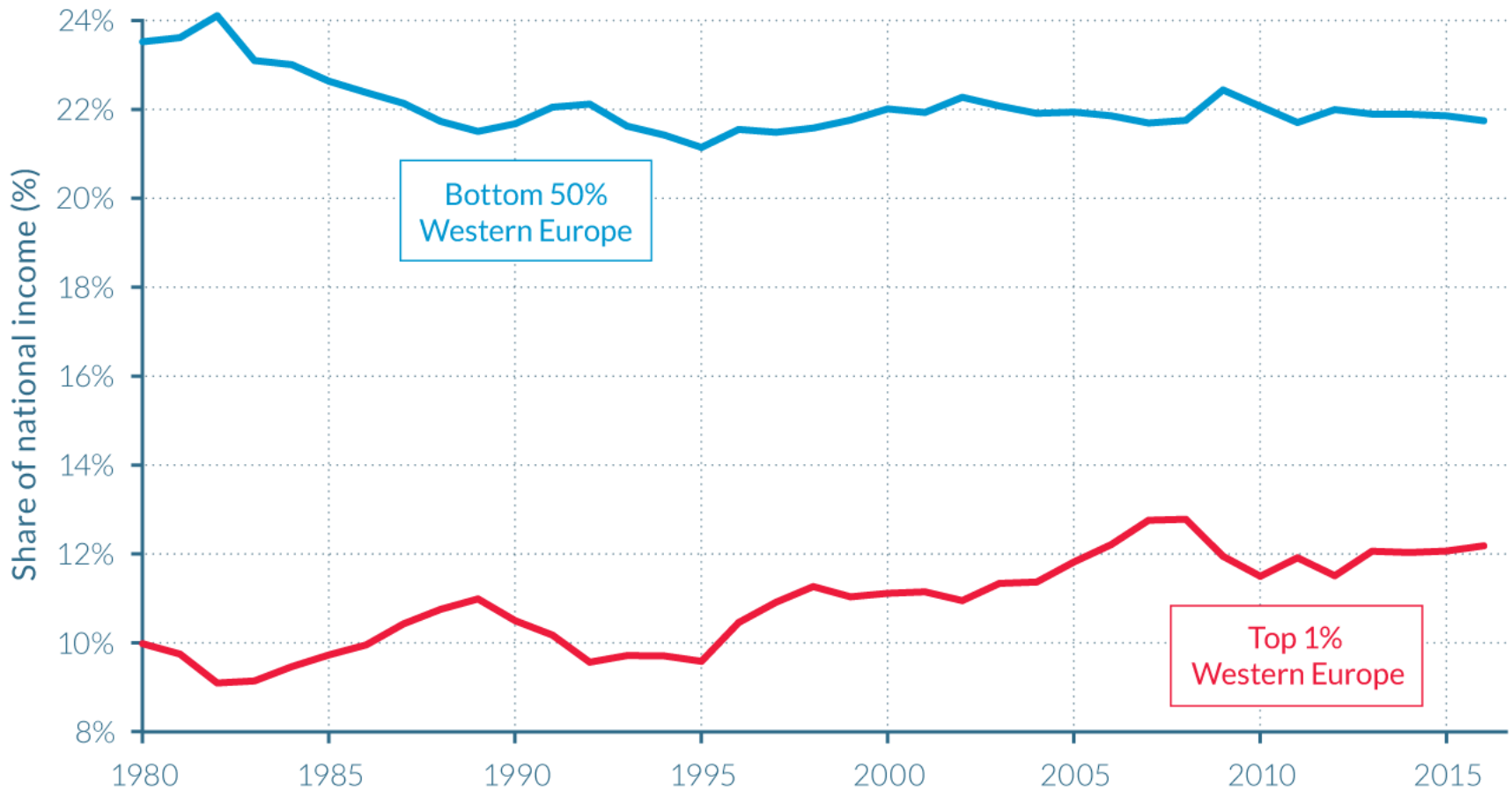
Since Piketty and Saez (2003), there have been strenuous efforts to analyse inequality trends comparatively.

So far, it is mostly OECD & especially European nations which have been studied

European nations have a different story!

European inequality....

Top 10% national income share Western Europe



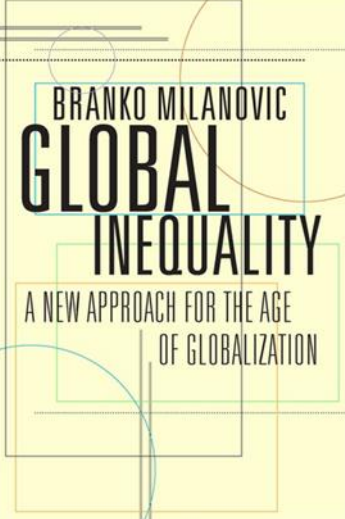
Source: WID.world (2017). See wir2018.wid.world/methodology.html for data series and notes.

In 2016, 22% of national income was received by the Bottom 50% in Western Europe.

What about the global picture?

Two different interpretations now compete:

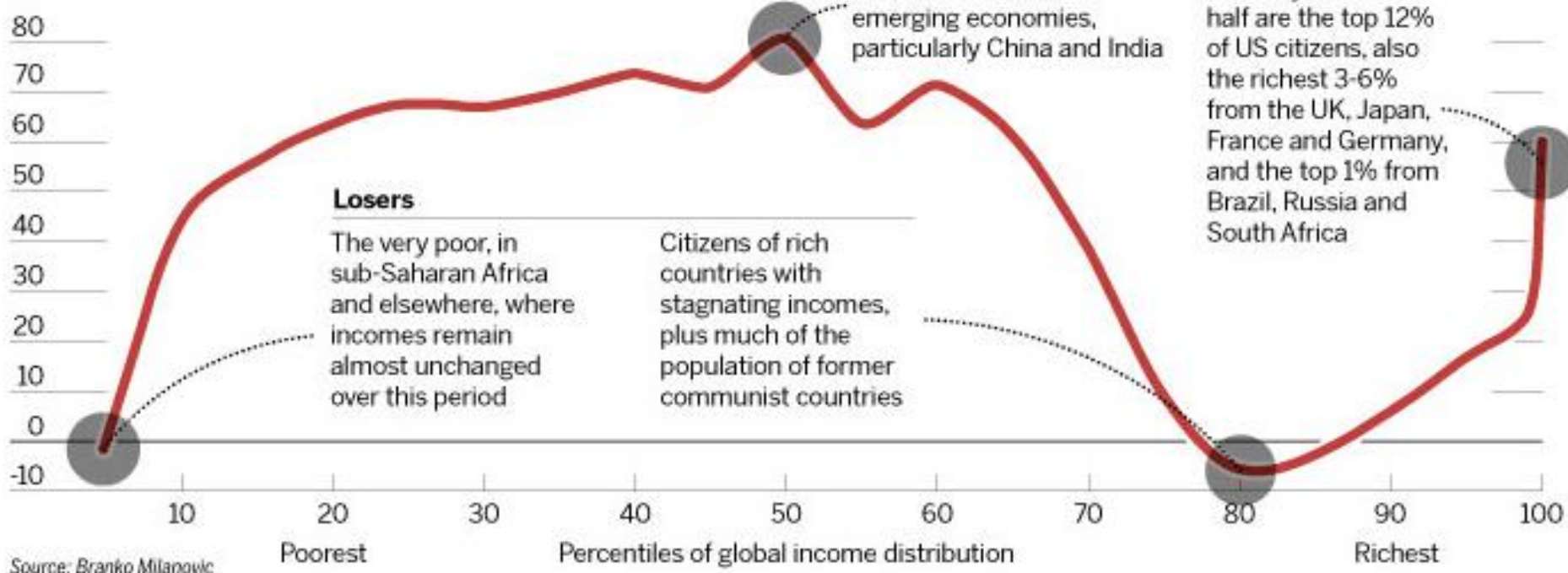
- A (modestly) optimistic view that economic growth in emerging economies is leading to declining global inequality, with trends in some parts of the world are more progressive
- A pessimistic view that the rise of the 1% is a global phenomenon



Optimistic 'elephant graph' using global survey data

Winners and losers

Change in real income, at purchasing power parity, between 1988 and 2008 (%)

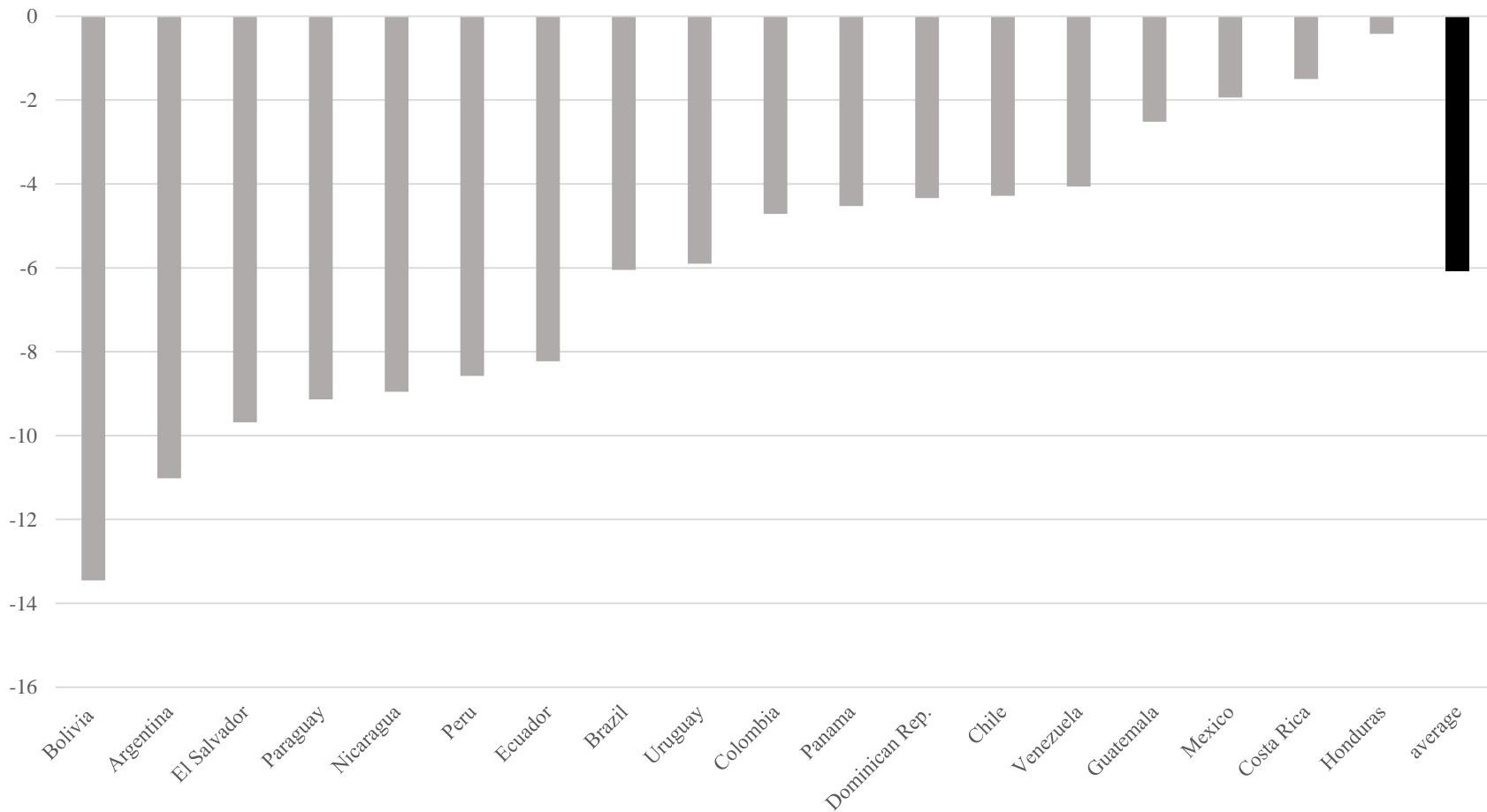


Source: Branko Milanovic

Declining inequality using survey data

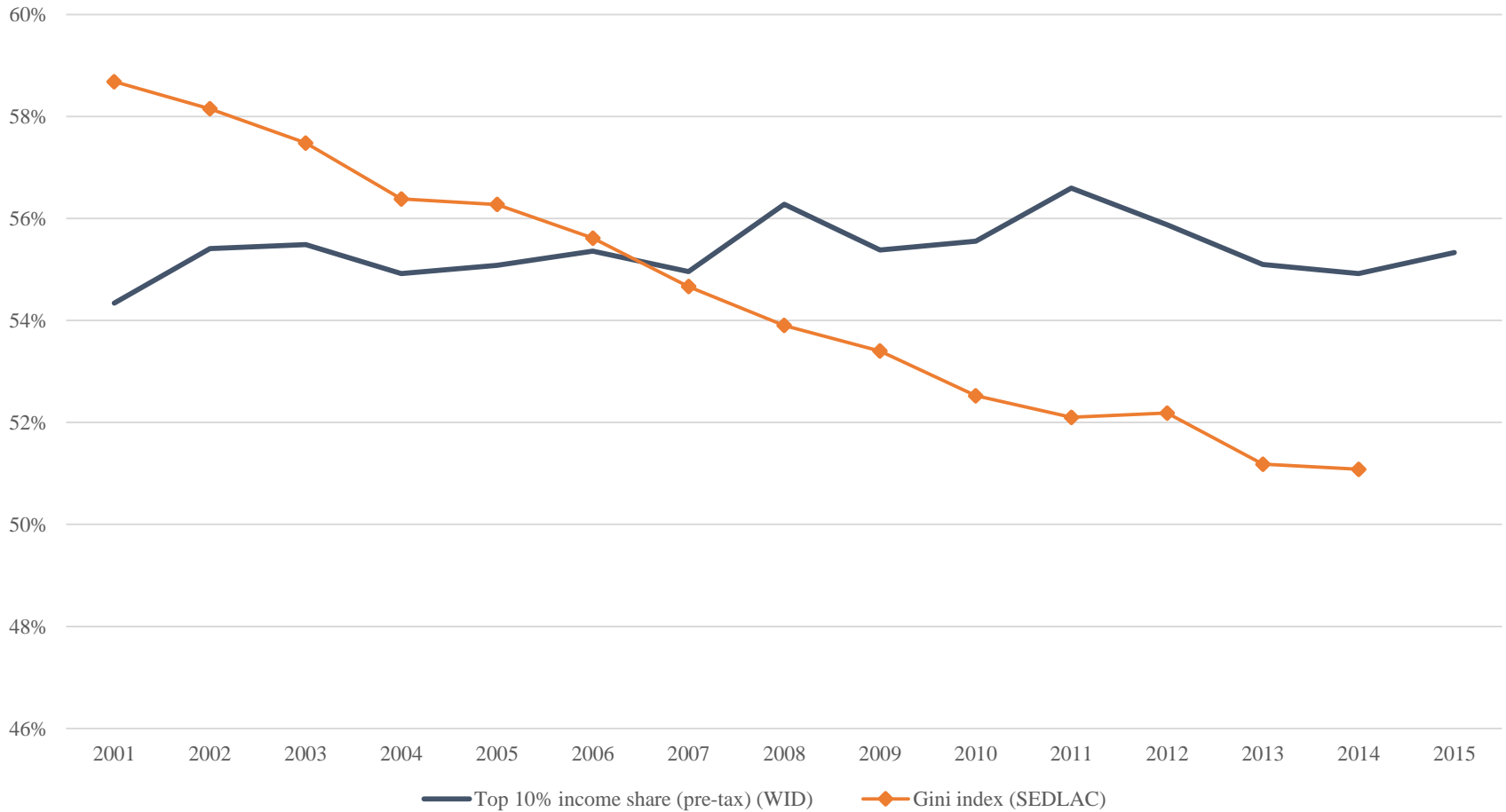
Clear inequality decline	17 COUNTRIES Latin America (16 countries) Thailand
Plausible inequality decline	10 COUNTRIES Malaysia, <i>Cambodia</i> Iran, <i>Tunisia, Algeria</i> Burkina Faso, Mali, Mauritania, Guinea, Niger
Inequality rise	12 COUNTRIES Asian countries
Flat or uncertain trend	47 COUNTRIES Asia Africa Middle East and North Africa (MENA)

% decline in gini in South America 2002-2012



Problems with survey data!

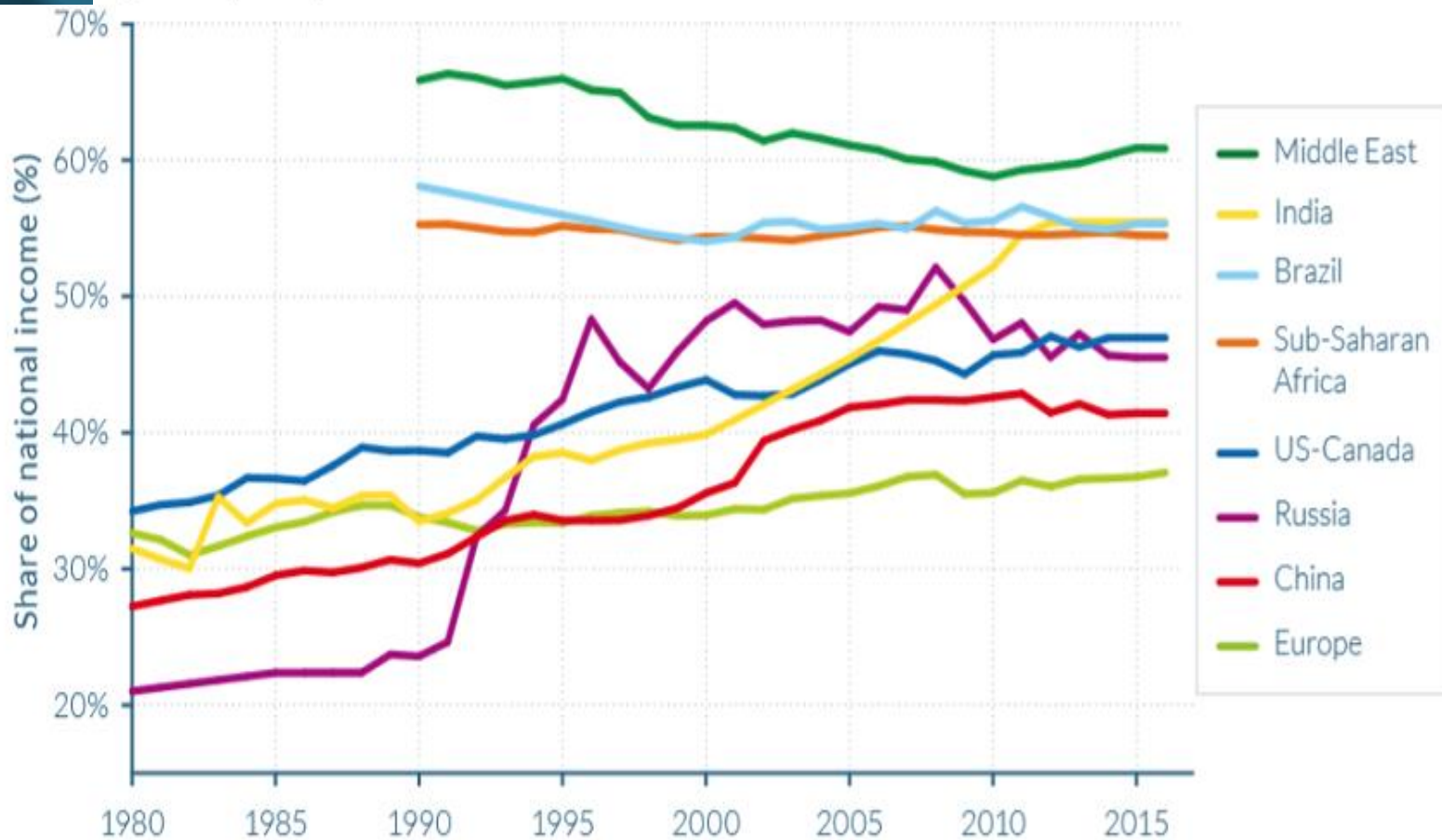
Brazilian inequality trends





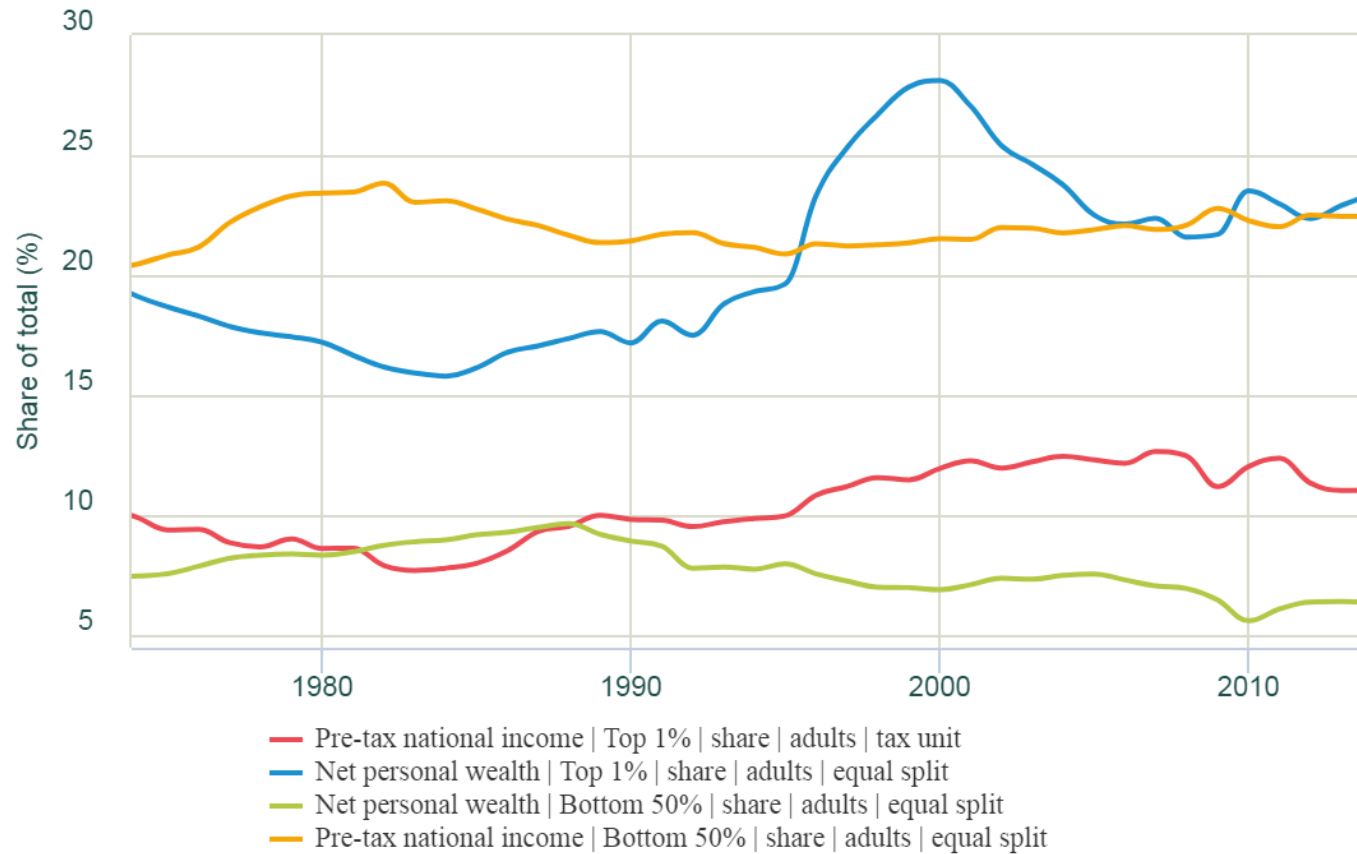
Global inequality trends using taxation data

Top 10% income shares across the world, 1980-2016: Is world inequality moving towards the high-inequality frontier?



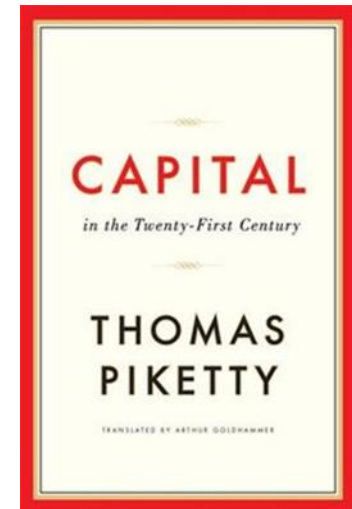
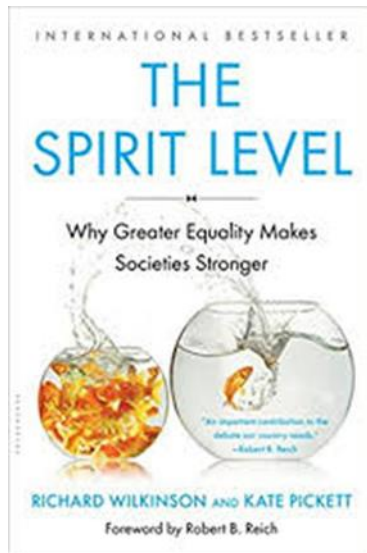
And finally: the wealth time bomb...

Income and wealth inequality, France, 1974-2014



Graph provided by www.wid.world

2: What does inequality mean for society of the future?

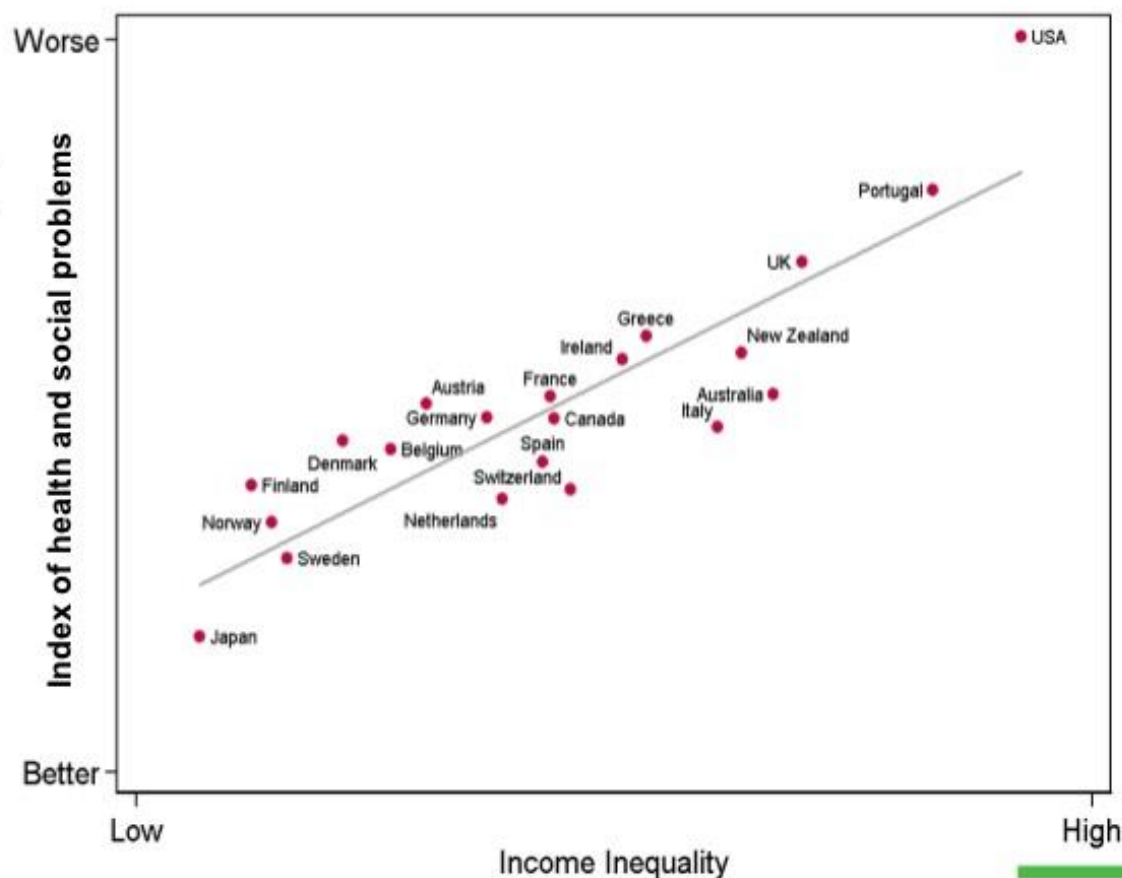


A: Affluent but unequal nations have more social problems

Health and social problems are worse in more unequal countries

Index of:

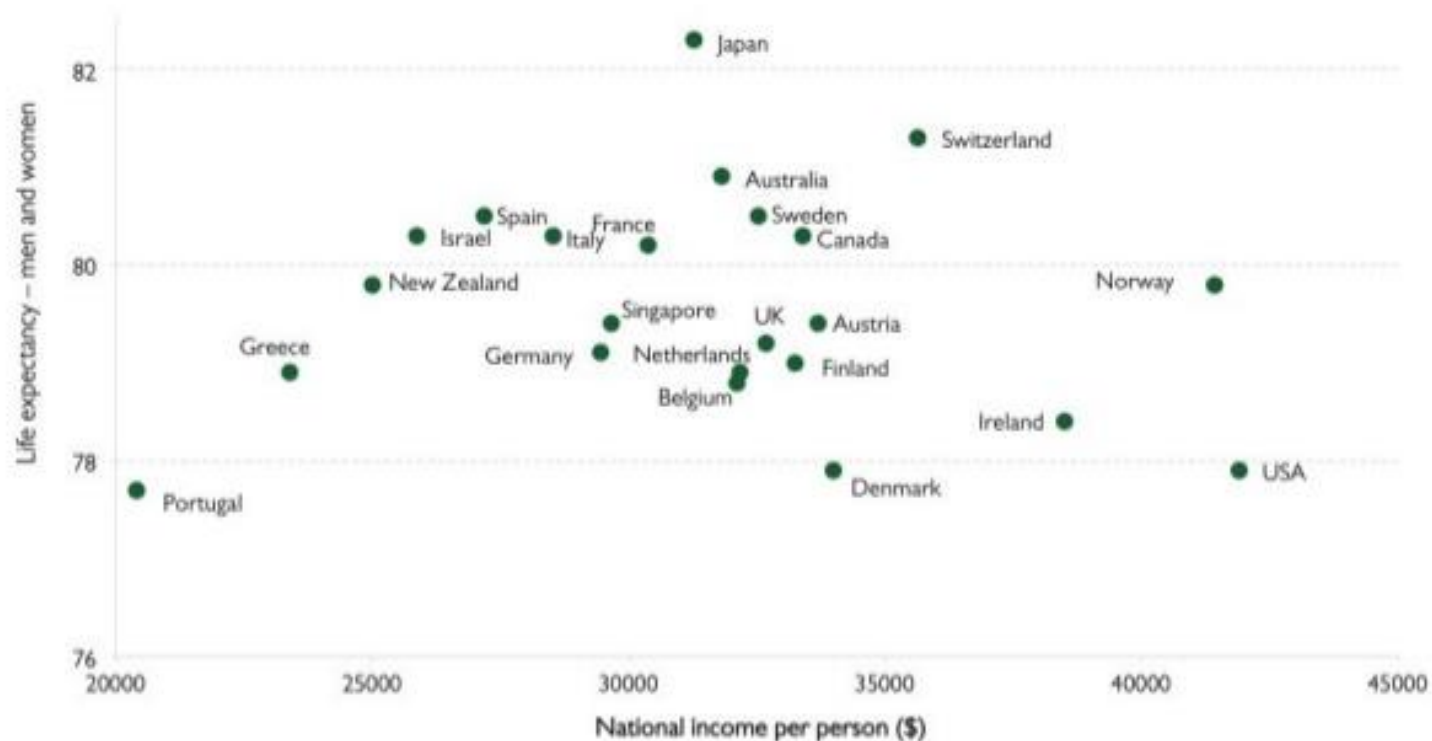
- Life expectancy
- Math & Literacy
- Infant mortality
- Homicides
- Imprisonment
- Teenage births
- Trust
- Obesity
- Mental illness – incl. drug & alcohol addiction
- Social mobility



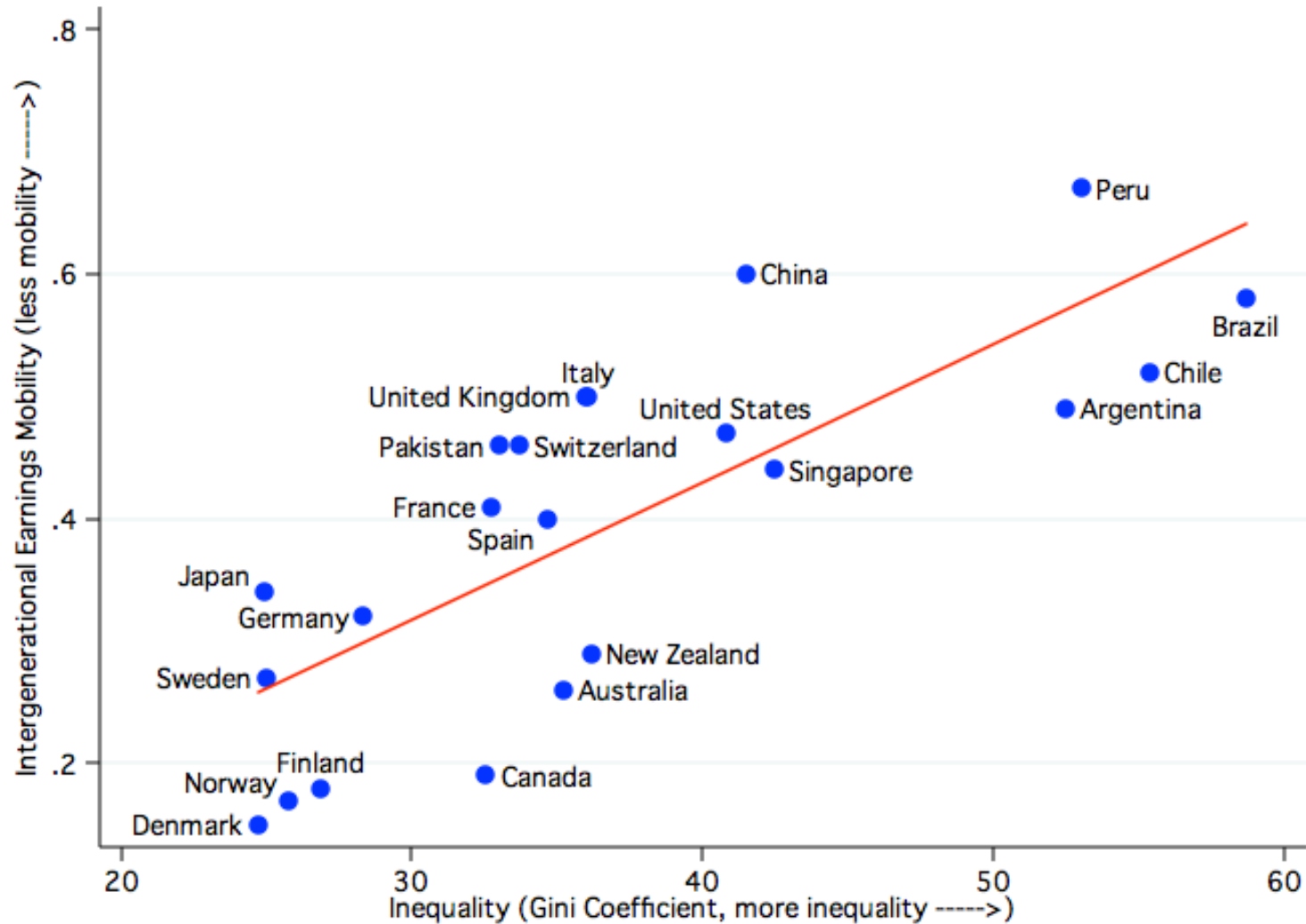
Economic growth is not the answer

Health is related to income differences *within* rich societies but not to those *between* them

Between (rich) societies

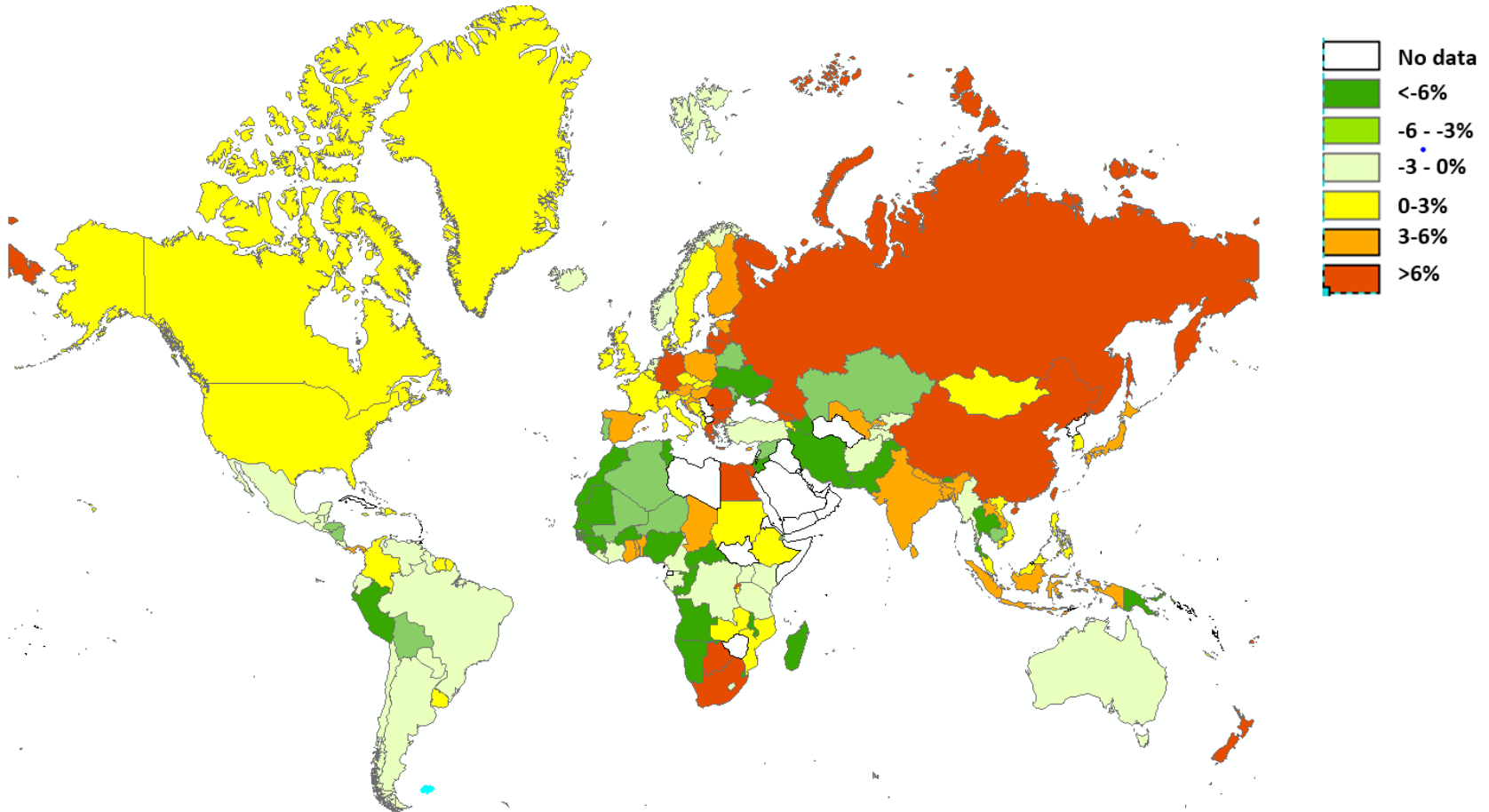


Social mobility is low when the gap between rich and poor is greatest.

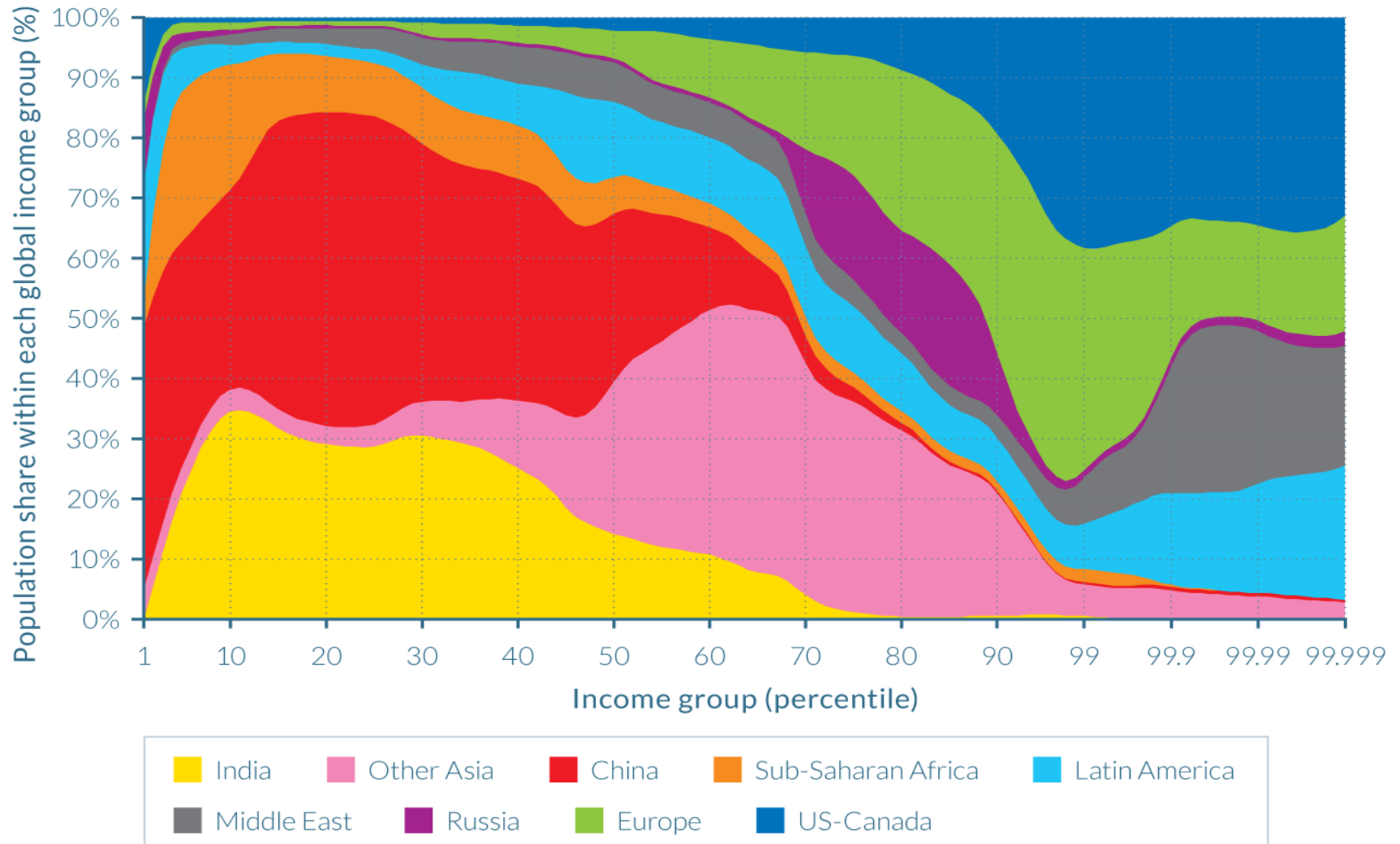


B: Geo-political tensions and the future of democracy

% pt change in the gini, 1980 - 2013
(Global Consumption and Income Project)



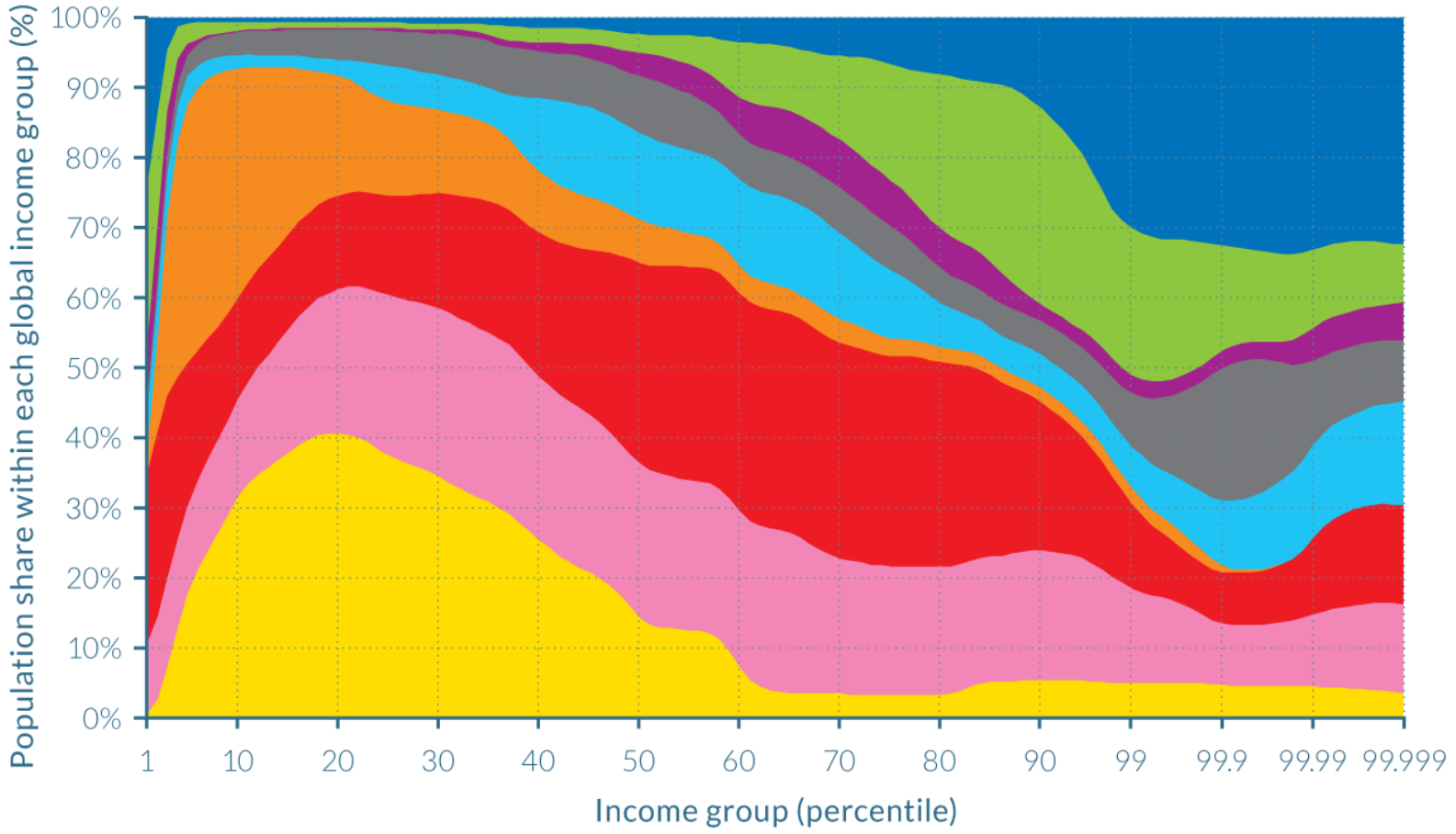
Europeans are now less dominant among the global 'affluent' classes: in 1990 they were 35% of the top 10%



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

In 1990, 33% of the population of the world's Top 0.001% income group were residents of the US and Canada.

2016: American share of the global top 10% has held up, Asian has grown, European has declined substantially

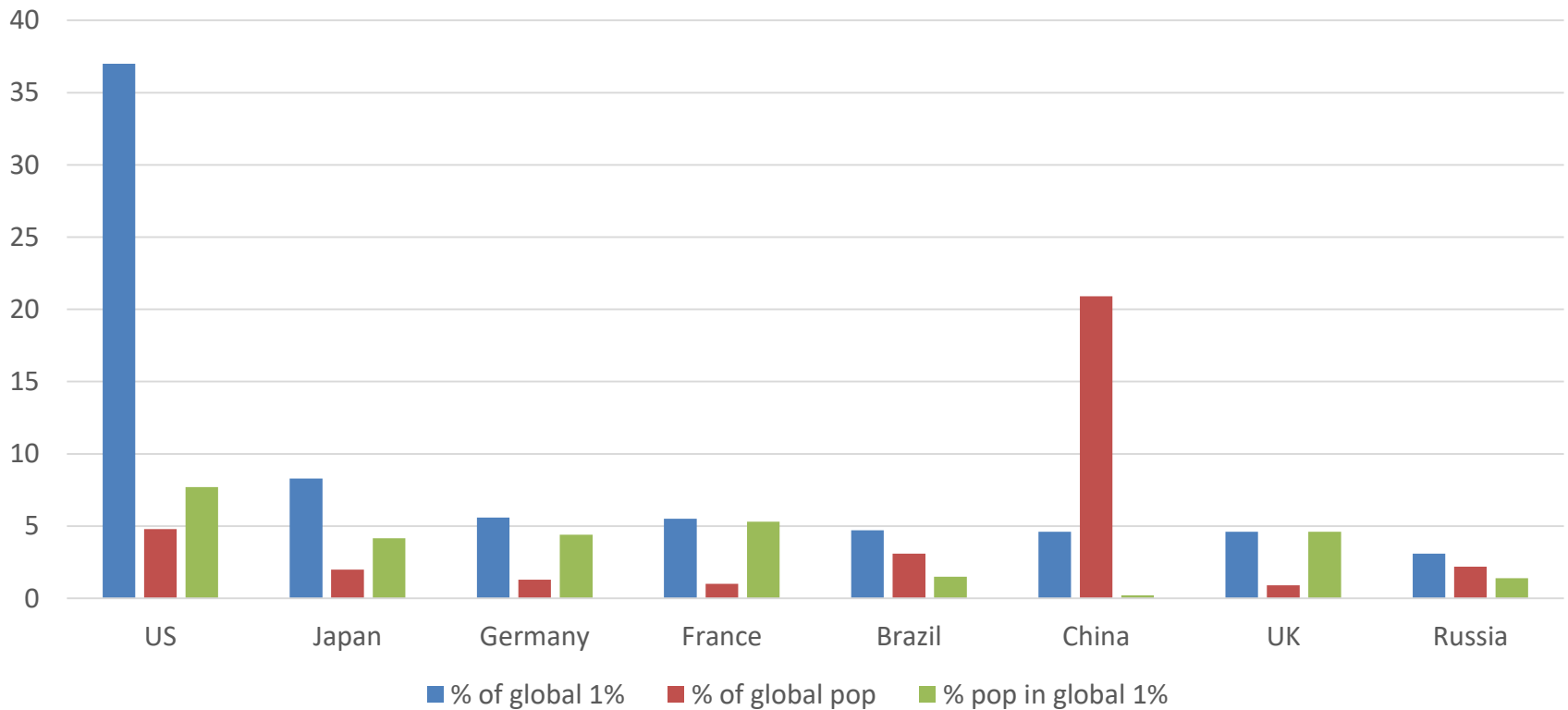


Source: WID.world (2017). See wir2018.wid.world/methodology.html for data series and notes.

In 2016, 5% of the population of the world's Top 0.001% income group were residents of Russia.

Who are the global top 1%?

Global 1% = \$51,600 per capita (children weighted equally to adults)



Empires vs nations

It is the large 'imperial' nations with dominant global power who are leading the inequality drive: especially US, China, India....

'Sustainable nationalism' is a vital counter to 'imperial nationalism'

C: The urban vortex

Europe remains the centre of wealth accumulation, and plays a key role in driving global inequality dynamics

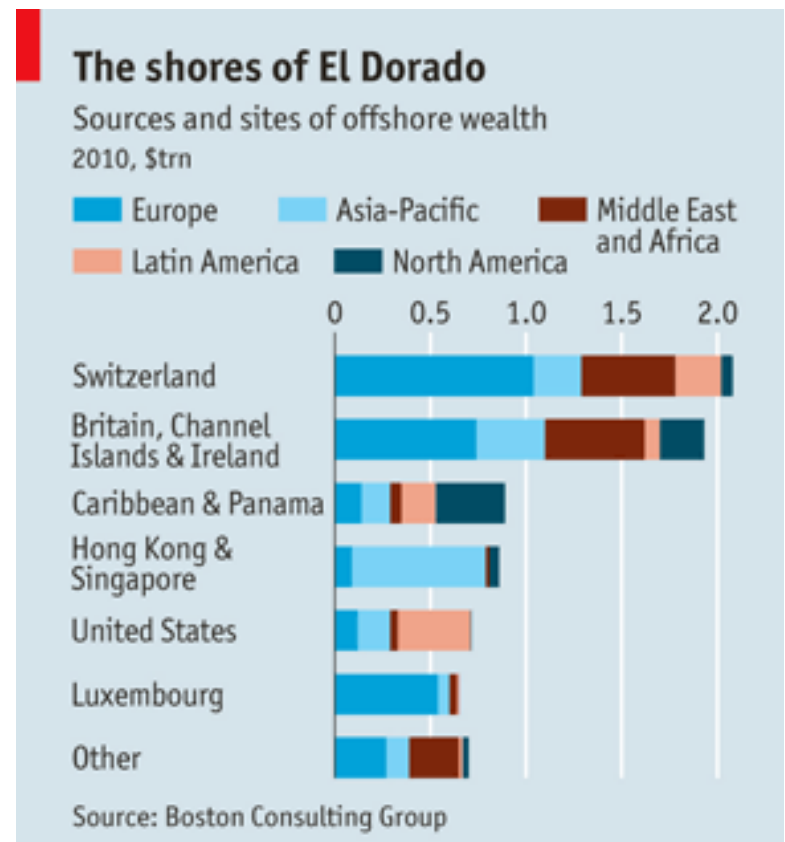
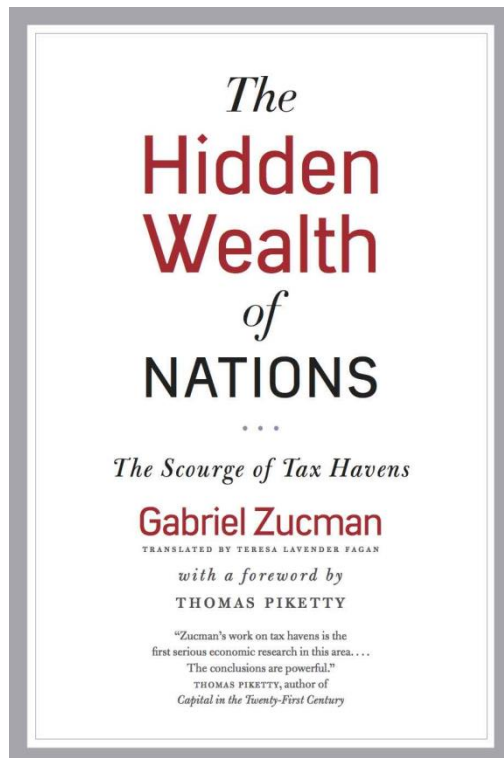
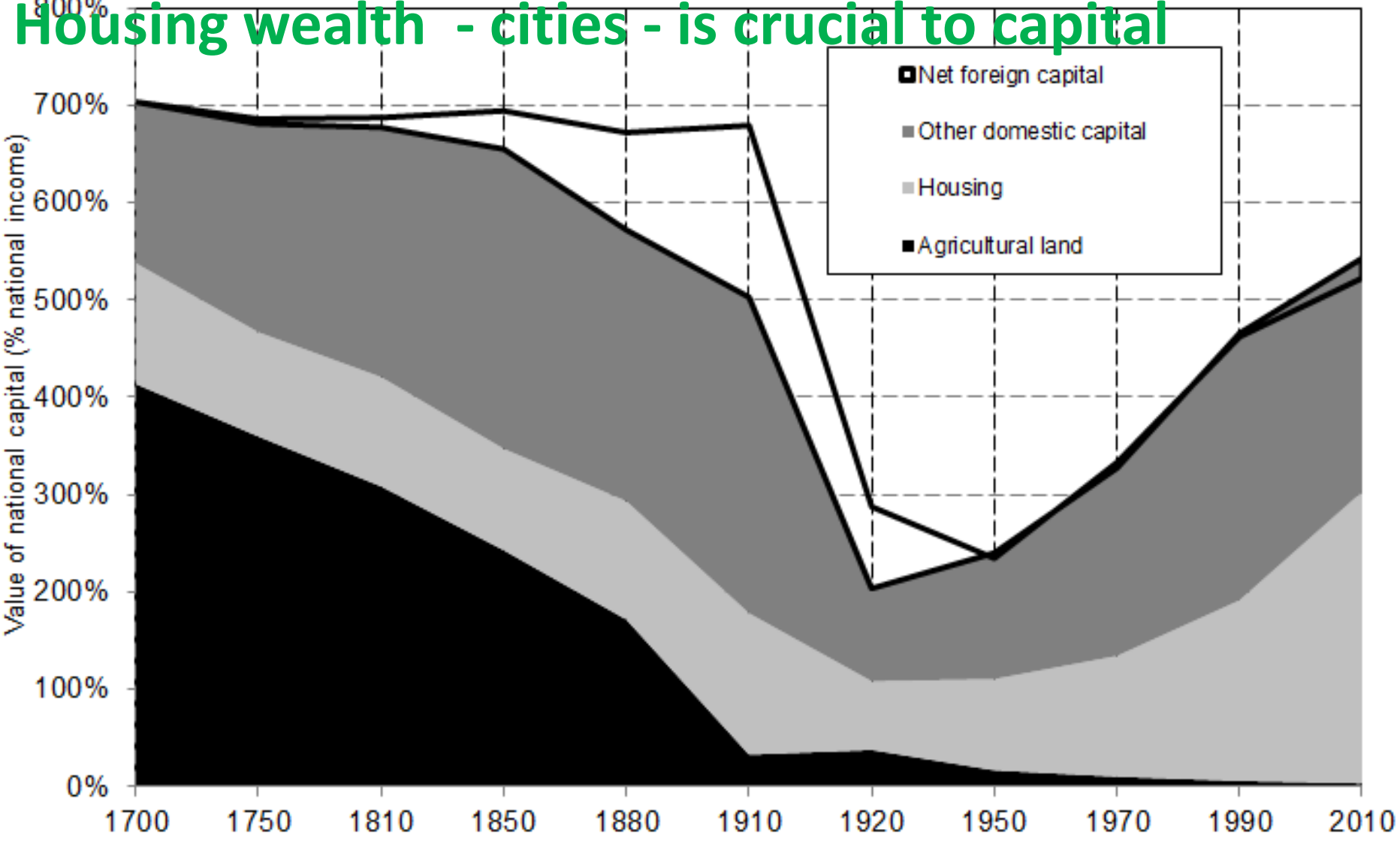


Figure 3.1. Capital in Britain, 1700-2010

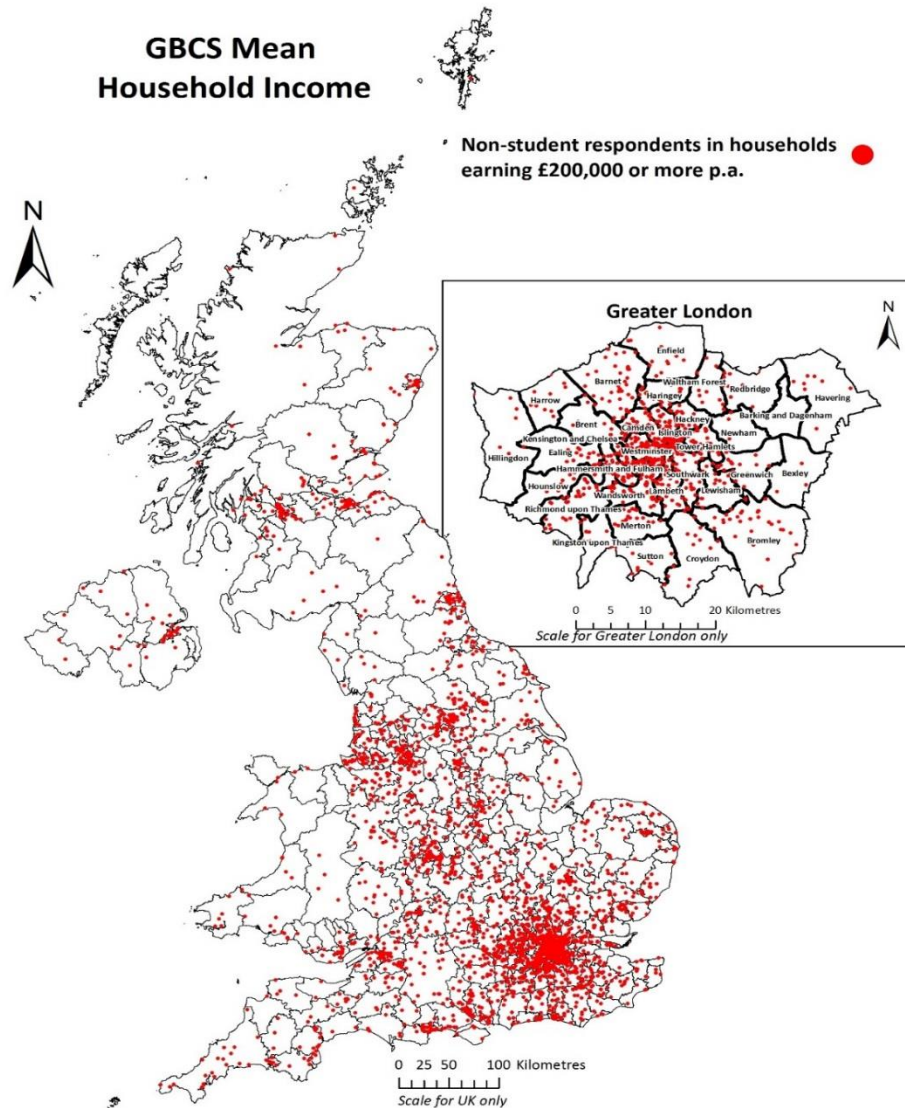
Housing wealth - cities - is crucial to capital



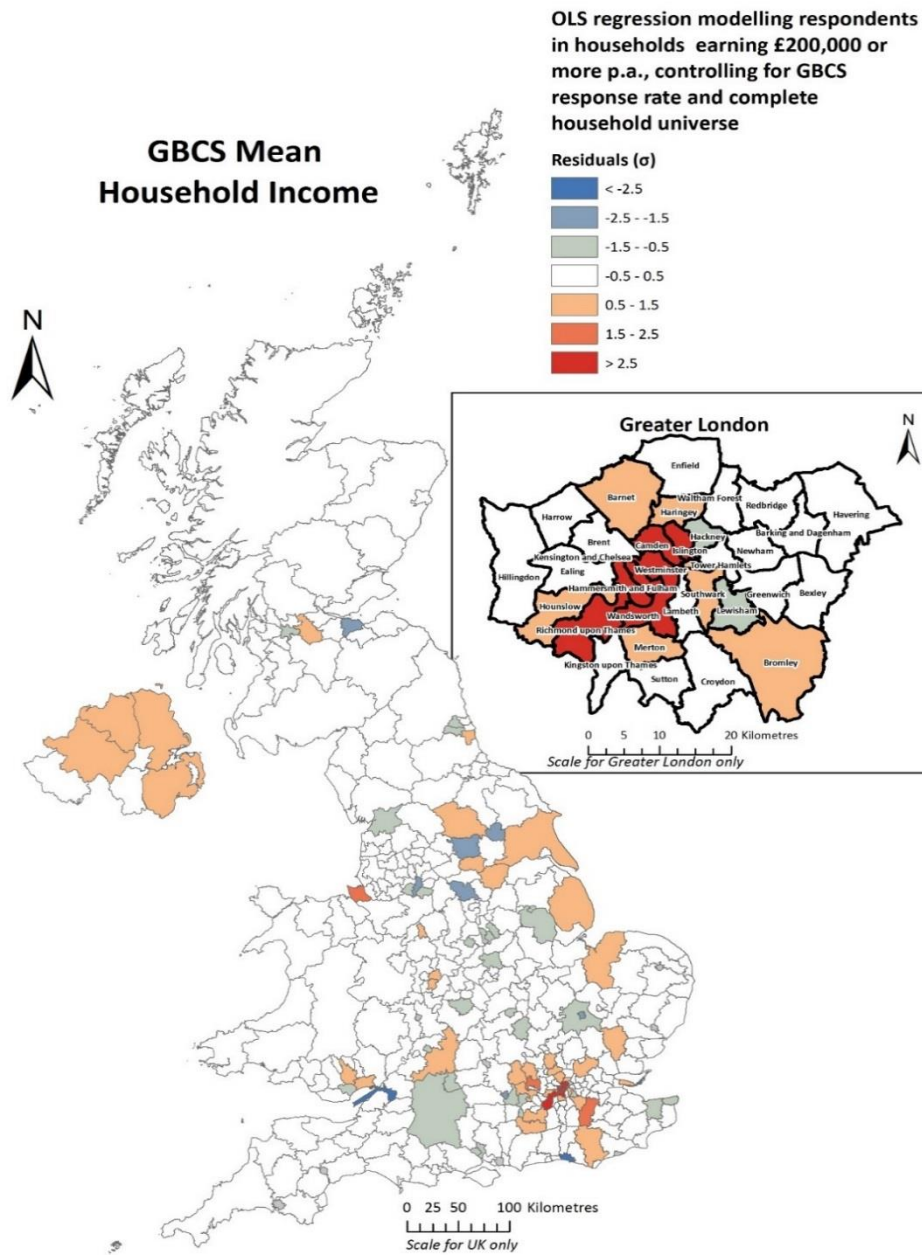
National capital is worth about 7 years of national income in Britain in 1700 (including 4 in agricultural land).

Sources and series: see piketty.pse.ens.fr/capital21c.

Where do the British wealthy elite live?



Controlling for population size...



The urban vortex

Cities intensify broader social inequalities and are the 'switching points' of inequality circuits

- Can entail enhanced inequalities within cities
- Or enhanced differentiation between cities and rural hinterlands...

Most unequal cities in the world

City	Palma ratio	Change 2005-2016	Country Palma	City Palma as % of national Palma
Johannesburg	13.4	-	South Africa 7.1	188
Lagos	12.3	-	Nigeria 3.0	410
Nairobi	11.7	+42	Kenya 2.8	433
Santo Domingo	10.7	-22	Dominican Rep 2.7	396
Cape Town	9.1	0	South Africa 7.1	128
Kuala Lumpur	8.5	+112	Malaysia 2.6	327
Rio de Janerio	7.2	+17	Brazil 4.3	167
Guatemala City	6.4	-30	Guatemala 4.5	142
Sao Paulo	4.8	-18	Brazil 4.3	116
Miami	4.8	+14	US 1.9	252
Frankfurt	4.7	+105	Germany 1.0	470
Baku	4.5	+51	Azerbaijan 1.4	321
Salvador	4.4	-52	El Salvador 3.0	147
Bogota	4.4	-33	Columbia 4.5	98
San Jose	4.4	+36	US 1.9	232
Los Angeles	4.2	+4	US 1.9	221
Jerusalem	4.2	+55	Israel 1.8	233
New york	4.2	+4	US 1.9	221
Quito	3.8	-49	Ecuador 3.1	123

	Palma ratio	Change 2005-2016	Country Palma	City Palma as % of national palma
Mumbai	0.9	-7	India 1.4	64
Karachi	1.0	-66	Pakistan 1.2	83
Bratislava	1.0	-37	Slovakia 0.9	111
Wuhan	1.2	-35	China 2.1	57
Almaty	1.2	+6	Kazakhstan 1.1	109
Berlin	1.2	-4	Germany 1.0	120
Birmingham	1.3	-13	UK 1.6	81
Guangzhou	1.3	-67	China 2.1	62
Shenzhen	1.3	-67	China 2.1	62
Beijing	1.3	-53	China 2.1	62
tianjin	1.3	-61	China 2.1	62
Leeds	1.4	+22	UK 1.6	88
Kiev	1.4	+3	Ukraine 0.9	155
Prague	1.4	-12	Czech Rep 0.9	155
Taipei	1.4	+11	China 2.1	67
Casablanca	1.5	-33	Morocco 2.0	75
Warsaw	1.5	-25	Poland 1.3	115
Riga	1.5	-20	Latvia 1.4	107
Tblisi	1.5	-61	Georgia 2.1	71
Barcelona	1.5	+23	Spain 1.4	107

Conclusions

- Inequality is indeed the defining problem of our time – and not only for economic reasons.
- ‘Sustainable nationalism’ with strong social contracts is the best way to counter global inequality