TRENDS IN GLOBAL INCOME EQUALITY AND RELATED ECONOMIC FACTORS

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ABSTRACT

This report discusses the historical series of the transnational income inequality database between 1820 & 2020, its persistent evolution and its mutation pattern, depicting the continuance of an elevated hierarchical global economic scenario. Constructing global income allotment computations, the research evaluates the rise of Western superiority and colonialism, the increase in global inequality levels between 1820 & 1910 and then the stabilization of these estimates at an extremely increased level between 1910 & 2020. It goes into detail to discuss between nations and within nations income inequality patterns between 1910 & 2020, which prove to be contradictory to each other. The study elaborates on the pivotal and supplementary income inequality indicators and the regional decomposition of income inequality across the globe. This white paper analyzes income inequality trends in India and provides a comparative analysis with China. Furthermore, it highlights the global economic turnaround trend in the mid-1980s - the transfer of public wealth to private wealth and its impact on income inequality. The report concludes with suggestive measures to reduce global income inequality and provides future projections of revenue and wealth from diverse income groups.

Introduction

Tracking Global Inequality Levels Between 1820 & 2020

In order to study global inequality through diverse angles - in terms of various individuals earning different total incomes, average income per person, purchasing power parity, Gini coefficient, regional decomposition of income levels for multiple nations and also income inequality within a particular nation - it is essential to evaluate nations' population. Figure 1 depicts the trends in the global population from 1820-1920 for diverse regions across the globe. The main facts depicted by the figure portray that from 1820-2020 - the stake of Europe in the global population declined from 16% to 7%, the share of East Asia decreased from 42% to 21%,

while that of Sub-Saharan Africa increased from 6% to 14%.

Figure 1 - Trends in global population from 1820-2020

Global population by region, 1820–2020 (% global population)	1820	1900	1950	1980	2020
Global population (millions)	1,044	1,559	2,521	4,433	7,665
World	100%	100%	100%	100%	100%
East Asia	42%	31%	27%	27%	21%
incl. China	37%	26%	22%	22%	18%
incl. Japan	3%	3%	3%	3%	2%
Europe	16%	20%	16%	11%	7%
incl. Great Britain	2%	3%	2%	1%	1%
incl. France	3%	3%	2%	1%	1%
incl. Germany	2%	3%	3%	2%	1%
Latin America	2%	4%	6%	8%	8%
incl. Brasil	0%	1%	2%	3%	3%
incl. Mexico	1%	1%	1%	2%	2%
Middle East and North Africa	3%	4%	4%	5%	7%
incl. Egypt	0%	1%	1%	1%	1%
incl. Turkey	1%	1%	1%	1%	1%
North America/Oceania	1%	5%	7%	6%	5%
incl. the United States	1%	5%	6%	5%	4%
Russia/Central Asia	5%	8%	7%	6%	4%
incl. Russia	3%	5%	4%	3%	2%
South and South East Asia	24%	23%	26%	28%	33%
incl. India	20%	18%	15%	16%	18%
incl. Indonesia	1%	2%	3%	3%	4%
Sub Saharan Africa	6%	6%	7%	9%	14%
incl. South Africa	0.1%	0.3%	1%	1%	1%

Source - Chancel and Piketty (2021)

Transnational income inequality levels have constantly been remarkably high, depicting the continuation of a tremendous hierarchical global financial scenario. The worldwide top 10% income percentage has captured about 50%–60% of the total transnational income, while the worldwide bottom 50% income percentage has captured typically about 5%–10% of the total global income. Also, the worldwide top 1% percentage stake constitutes greater than 3-4 times the bottom 50% stake globally, which is similar in order of volume as compared to the top 0.1% stake. This can be roughly compared with the level of income inequality that is presently in South Africa, Brazil, Mexico and the United Arab Emirates.

No matter what, if we scrutinize indicators like the T10/B50 proportion between the average revenues of the top 10% and the bottom 50% global population or the Gini coefficient, we discover that transnational inequality rose between 1820 & 1910, as there was the establishment of Western superiority and colonial kingdoms and then this income inequality settled at an extremely elevated level between 1910 & 2020. Furthermore, between 1820 & 1910, both between nations and within nations' income inequality were rising.

However, since 1910 both between nations and within nations' income inequality moved on separate paths. Between 1910 & 1980 within nations income inequality declined steadily primarily because of growing social expenditure and progressive taxation and between nations income inequality rose, hence the effect on transnational inequality was indefinite. Between 1980 & 2020 income inequality within nations rose, and between nations, income inequality began to decrease. As a result of these contradictory developments and offsetting tendencies, early 21st-century neo-colonial capitalism pertains to analogous grades of income inequality as early 20th-century colonial capitalism, although it is established in another group of laws and societies.

Studying the detailed analysis of per capita income trends in Figure 2 - the values in East Asia including China dipped from 82% of the worldwide average in 1820 to 20% in 1980, before increasing to 109% in 2020. Furthermore, per capita income trends in South and Southeast Asia including India declined from 57% of worldwide average to 16% in 1980, and rose to 41% in 2020. Some nations like Japan began to recuperate relatively to the worldwide average between 1900 & 1950, but a majority of nations recuperated after the 1950s like Indonesia and some post the 1980s namely - China and India. In Sub-Saharan Africa, the healing began around 2000–2010 or still is yet to happen. Also, the transnational income inequality trends between nations remain extremely elevated even in 2020; in particular, it is even much higher as compared to the corresponding value in 1820.

Figure 2 - Trends in global per capita income for multiple regions between 1820 & 2020

Global per capita income by region, 1820–2020 (% global per capita income).	1820	1900	1950	1980	2020
Global per capita income (2020 PPP EUR)	*703*	*1,589*	*2,569*	*5,571*	*11,131*
World	100%	100%	100%	100%	100%
East Asia	84%	43%	29%	45%	123%
incl. China	82%	40%	20%	20%	109%
incl. Japan	100%	71%	85%	237%	226%
Europe	192%	210%	201%	257%	239%
incl. Great Britain	233%	315%	294%	212%	240%
incl. France	225%	254%	254%	339%	264%
incl. Germany	175%	234%	188%	315%	295%
Latin America	113%	85%	113%	125%	90%
incl. Brasil	129%	58%	91%	136%	89%
incl. Mexico	129%	103%	123%	151%	106%
Middle East and North Africa	173%	144%	117%	173%	121%
incl. Egypt	151%	110%	63%	57%	80%
incl. Turkey	178%	113%	104%	106%	151%
North America/Oceania	255%	341%	404%	351%	346%
incl. the United States	263%	350%	411%	354%	354%
Russia/Central Asia	71%	98%	144%	166%	110%
incl. Russia	74%	102%	150%	212%	149%
South and South East Asia	62%	29%	25%	22%	47%
incl. India	57%	25%	22%	16%	41%
incl. Indonesia	57%	26%	16%	20%	68%
Sub Saharan Africa	62%	57%	56%	39%	23%
incl. South Africa	92%	100%	159%	134%	75%

Sources - Chancel and Piketty (2021)

Figure 3 illustrates the allocation of aggregate global income for multiple regions between 1820 & 2020. Due to the colonial empires, the allocation of Western Europe in global income peaked around 1900. Additionally, the stake of North America peaked around 1950 and surged from 3% in 1820 to 27% in 1950 and then declined to 17% in 2020. China superseded the United States as a global economic superpower between 2010 & 2020 in terms of aggregate PPP.

Figure 3 - Trends in aggregate global income for multiple regions between 1820 & 2020

| Global income by region, 1820–2020 (% global income)	1820	1900	1950	1980	2020
Global income (billions 2020 PPP EUR)	734	2,477	6,477	24,696	85,318
World	100%	100%	100%	100%	100%
East Asia	36%	13%	8%	12%	26%
incl. China	30%	10%	4%	4%	20%
incl. Japan	3%	2%	3%	6%	4%
Europe	32%	41%	32%	29%	17%
incl. Great Britain	5%	8%	6%	3%	2%
incl. France	7%	6%	4%	4%	2%
incl. Germany	4%	8%	5%	6%	3%
Latin America	2%	3%	7%	10%	8%
incl. Brasil	1%	1%	2%	4%	2%
incl. Mexico	1%	1%	1%	2%	2%
Middle East and North Africa	6%	6%	5%	9%	8%
incl. Egypt	1%	1%	1%	1%	1%
incl. Turkey	2%	1%	1%	1%	2%
North America/Oceania	3%	18%	27%	20%	17%
incl. the United States	3%	17%	25%	18%	15%
Russia/Central Asia	4%	7%	10%	9%	4%
incl. Russia	2%	5%	6%	7%	3%
South and South East Asia	15%	7%	7%	6%	15%
incl. India	11%	5%	3%	2%	7%
incl. Indonesia	1%	1%	0.4%	1%	2%
Sub Saharan Africa	4%	3%	4%	3%	3%
incl. South Africa	0.1%	0.3%	1%	1%	1%

Sources - Chancel and Piketty (2021)

Pivotal Income Inequality Indicators

The research paper commences with the fundamental decomposition between the allocations of global revenue distribution among the top 10%, the middle 40% and the bottom 50% income strata. The breakdown of the stake of the worldwide top 10% income group was about 50–60% of total global income between 1820-2020 is discussed here- around 50% in the 1820s, 60% in the 1910s, 56% in the 1980s, 61% in the 2000s and 55% in the 2020s. The stake of the bottom 50% income strata which constitute the least revenues has typically been about 10% or below of total global income between 1820 & 2020 - around 14% in the 1820s, 7% in the 1910s, 5% in the 1980s, 6% in the 2000s and 7% in the 2020s. The prevailing transition between 1910 & 2020 depicts that there is no apparent long-term direction in income inequality, either ways downwards or upwards, except perhaps a slight advancement in the allocation of the global income for the

middle 40% income strata. Refer to Figure 4 for further details.

Figure 4 - Global income inequality trends for diverse income categories between 1820 & 2020
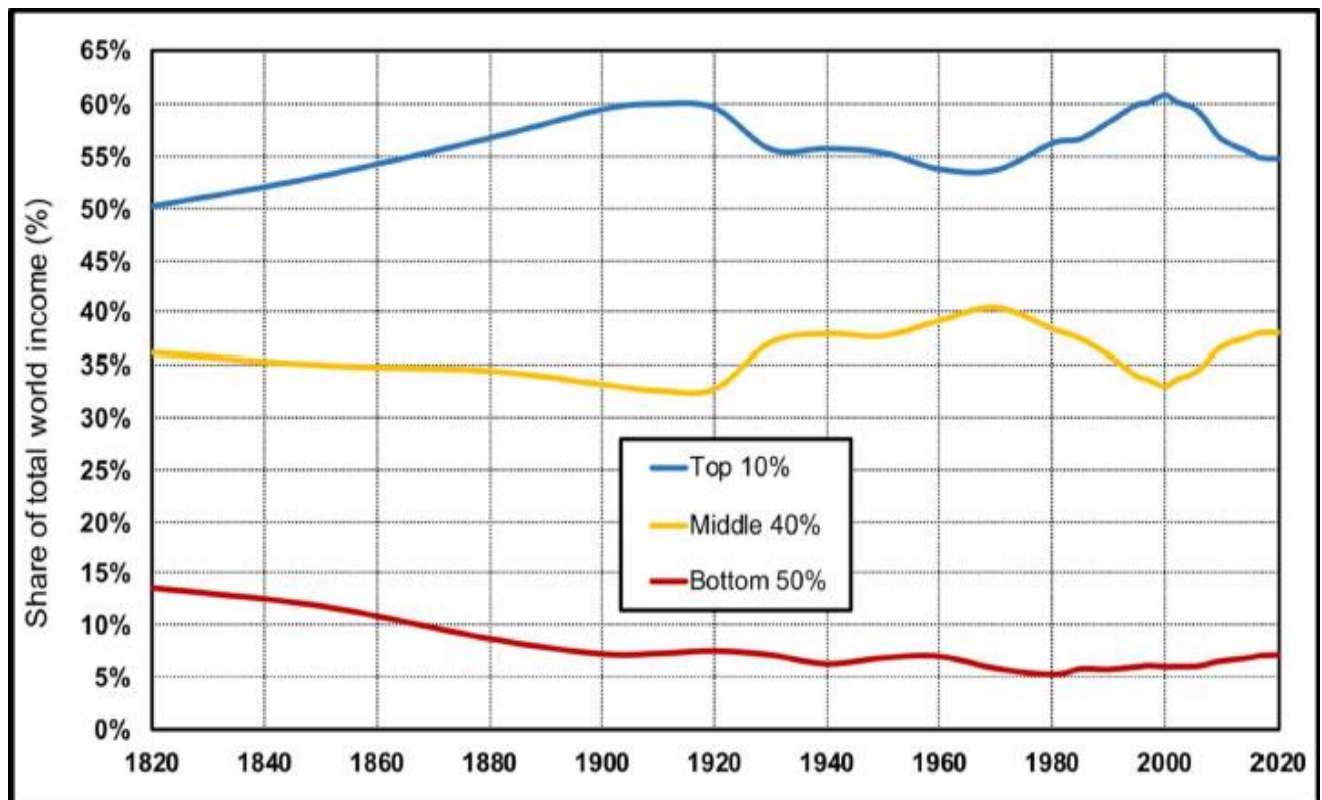
Source - Chancel and Piketty (2021)

In fact in some regions the top 10% income start grew tremendously, for example in East Asia in the 1980s, the top 10% income stake was equivalent to 59% of total global income and the corresponding value for the Middle East and North Africa was 67% during the same time period. Also, in East Asia in the 1980s, the bottom 50% income strata's stake was equivalent to 12% of total global income and the corresponding value for the Middle East and North Africa was 7% during the same time period.

The lowest income inequality levels were experienced between the 1950s & 1980s, both in socialist and communist economies like China and Russia and in mixed-economy administrations like Germany and Japan. Most income inequality levels are experienced in Sub-Saharan Africa and in the Middle-East North Africa regions during the colonialism period and also in modern societies in these regions. Refer to Figures 5 and 6 for further information.

Figure 5 - Trends in income inequality by region between 1820 & 2020 for the top 10% income share

Inequality by region, 1820–2020 (top 10% income share)					
	1820	1900	1950	1980	2020
World	50%	60%	55%	56%	55%
East Asia	46%	51%	37%	59%	44%
incl. China	46%	51%	27%	28%	42%
incl. Japan	45%	47%	28%	35%	43%
Europe	50%	54%	35%	30%	36%
incl. Great Britain	50%	56%	33%	30%	36%
incl. France	49%	50%	34%	28%	32%
incl. Germany	47%	53%	30%	29%	38%
Latin America	53%	57%	58%	55%	55%
incl. Brasil	53%	55%	58%	55%	57%
incl. Mexico	54%	55%	58%	53%	59%
Middle East and North Africa	53%	56%	53%	67%	57%
incl. Egypt	53%	58%	61%	51%	49%
incl. Turkey	53%	54%	55%	55%	51%
North America	42%	40%	39%	34%	45%
incl. the United States	42%	40%	39%	34%	45%
Russia/Central Asia	45%	48%	27%	26%	46%
incl. Russia	45%	48%	27%	26%	46%
South and Southeast Asia	47%	52%	39%	46%	54%
incl. India	48%	54%	35%	32%	57%
incl. Indonesia	41%	42%	46%	40%	41%
Sub Saharan Africa	49%	54%	55%	58%	56%
incl. South Africa	49%	53%	53%	47%	65%

Source - Chancel and Piketty (2021)

Figure 6 - Trends in income inequality by region between 1820 & 2020 for the bottom 50% income share

Inequality by region, 1820–2020 (bottom 50% income share).					
	1820	1900	1950	1980	2020
World	14%	7%	7%	5%	7%
East Asia	18%	17%	20%	12%	13%
incl. China	19%	17%	25%	25%	14%
incl. Japan	18%	17%	25%	21%	18%
Europe	15%	14%	20%	20%	19%
incl. Great Britain	16%	14%	19%	22%	20%
incl. France	14%	13%	19%	24%	22%
incl. Germany	17%	15%	23%	23%	19%
Latin America	11%	10%	10%	9%	10%
incl. Brasil	12%	11%	10%	11%	10%
incl. Mexico	11%	10%	10%	8%	8%
Middle East and North Africa	14%	13%	12%	7%	10%
incl. Egypt	15%	14%	13%	16%	17%
incl. Turkey	14%	13%	13%	13%	15%
North America	14%	14%	17%	19%	13%
incl. the United States	14%	15%	17%	19%	13%
Russia/Central Asia	16%	15%	23%	21%	14%
incl. Russia	16%	15%	23%	27%	17%
South and Southeast Asia	16%	14%	17%	15%	12%
incl. India	16%	14%	20%	21%	13%
incl. Indonesia	18%	17%	16%	18%	16%
Sub Saharan Africa	13%	12%	10%	7%	9%
incl. South Africa	13%	12%	12%	13%	6%

Source - Chancel and Piketty (2021)

Furthermore, the worldwide income inequality, as gauged by the ratio between the average revenue of the top 10% of income strata and the average revenue of the bottom 50% of income strata that is T10/B50 depicted that it is more than made twice as much between 1820 & 1910, from less than 20x to more than 40x, and then stabilized around 40x between 1910 & 2020. It attained its peak of 53x in the 1980s and then 50x in the 2000s, before dwindling to 38x in the 2020s. It is striking to see that the decline in the global T10/B50 ratio occurred for the most part after the 2008 financial crisis. Refer to Figure 7 for a detailed look.

Figure 7 - Trends in transnational average income inequality between 1820 & 2020 using T10/B50 ratio
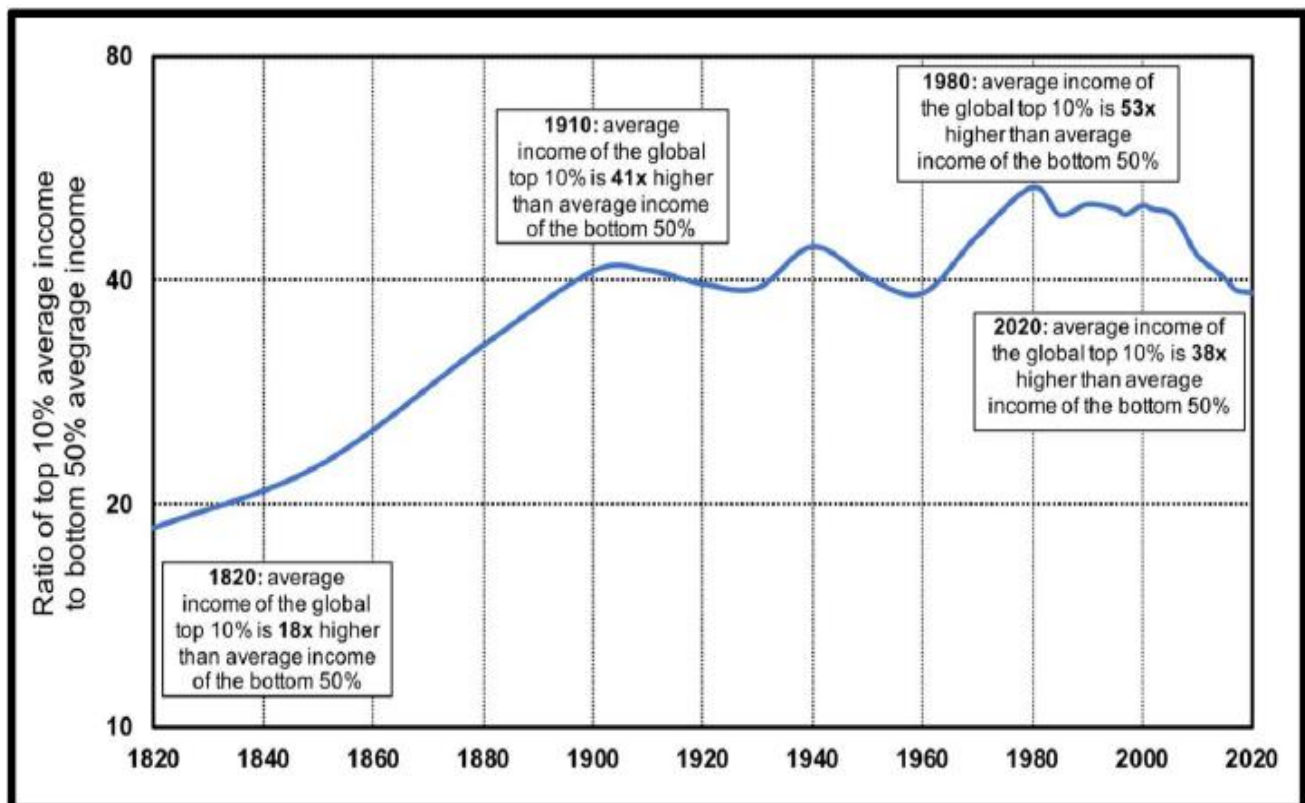
Source - Chancel and Piketty (2021)

The worldwide income inequality, as calculated in terms of the international Gini coefficient, increased from about 0.6 in 1820 to approximately 0.7 in 1910 and then settled between 0.7-0.67, between 1910 & 2020. Refer to Figure 8. Taking into account the Gini coefficient the worldwide income inequality attained its peak in 2000, however if we examine the T10/B50 ratio the peak was attained in 1980.

Figure 8 - Trends in global income inequality between 1820 & 2020 using the Gini index
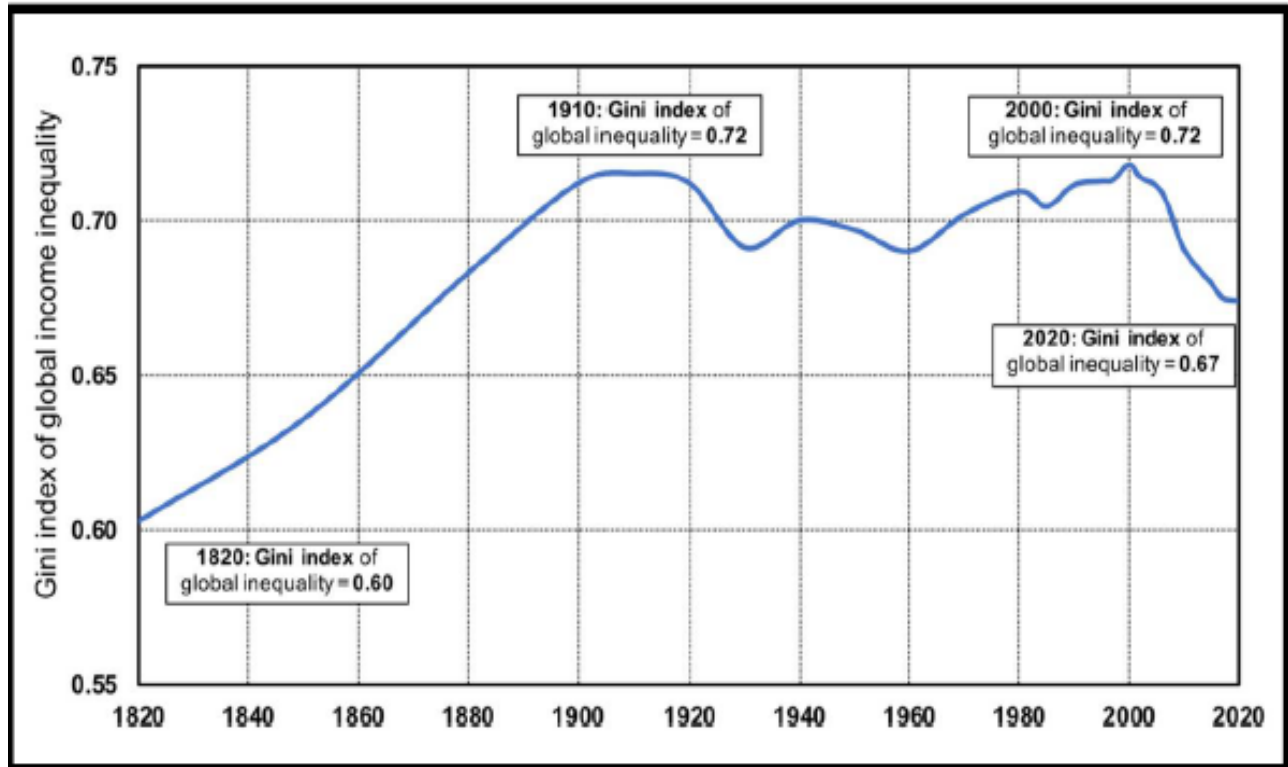
Source - Chancel and Piketty (2021)

Nonetheless, whatever indicator we use, the transnational income inequality peak was attained twice, first around 1910 and then in 1980–2000, and maximum transnational income inequality decrease took place post the financial crisis in 2008. However, all studies reflect that the transnational income inequality indicators demonstrate extremely elevated income inequality levels in 2020 and are tremendously bigger than those experienced in 1820.

Figure 9 depicts the two interpretations of the T10/B50 income inequality ratio - the within nations ratio and the between nations ratio. The within nations T10/B50 income inequality proportion was calculated by nullifying the between nations income inequality, that is, by inferring that all nations have identical average income and by totaling the resulting nation-level distributions. The within nation's income inequality estimates employing this methodology depicted a gradual growth between 1820 & 1910, then a sharp reduction between1910 & 1980 and an eventual rise again between 1980 & 2020. Also, the advancement of within nations' income inequality since 1980 attained a plateau between 2010 & 2020.

On the other hand the between nations T10/B50 inequality proportion observes an extremely

diverse pattern. The income inequality between nations advanced continually between 1820 & 1980 and particularly it rose immensely between 1820 & 1950, during colonial kingdoms, which is the T10/B50 value from less than 4 in 1820 increased to 16 in 1950. This ratio went on to rise between 1950 & 1980 and was more than 20 in 1980, after which it began to decrease and it was estimated to be just above 9 in 2020. China stopped being a segment of the bottom 50% share of the world in 2010, so the continuance of this deterioration after 2010 can be attributed to India, Indonesia, Vietnam and Sub-Saharan African nations. However, transnational income inequality remains very elevated in absolute terms: In 2020, it is near the level experienced around 1900.

Figure 9 - Global income inequality between 1820 & 2020, between nations versus within nations' inequality (ratio T10/B50)
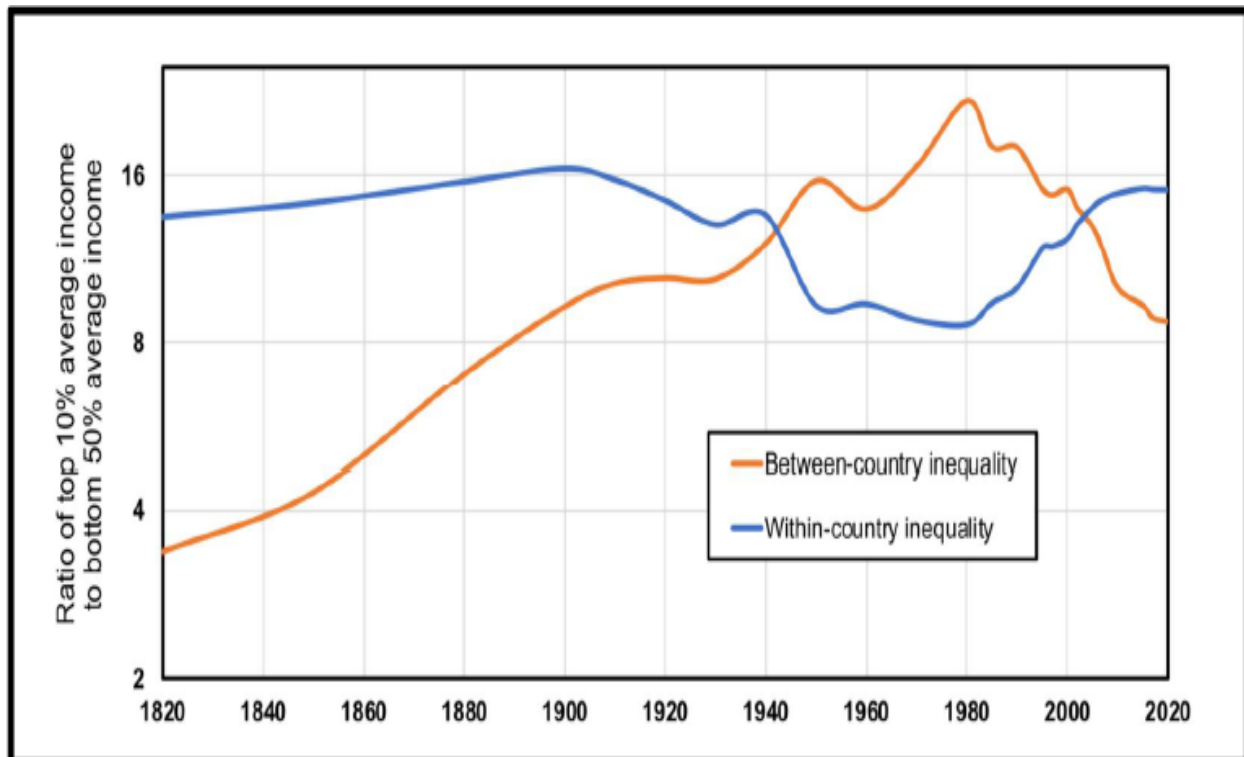
Source - Chancel and Piketty (2021)

The stake of income inequality of the top 1% loftiest income strata at the global level has fluctuated between 15–25% between 1820 & 2020 and has invariably been extremely bigger than the stake of the bottom 50% income strata. The share of the bottom 50% income strata has typically been of the similar value trend as the stake of the top 0.1%. Figure 10 depicts this data graphically.

Figure 10 - Trends in global income inequality between 1820 & 2020, top 1% versus bottom 50% shares
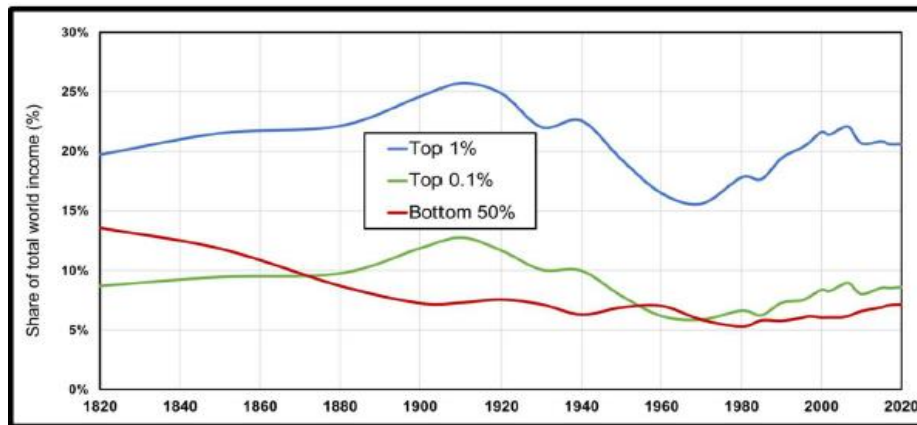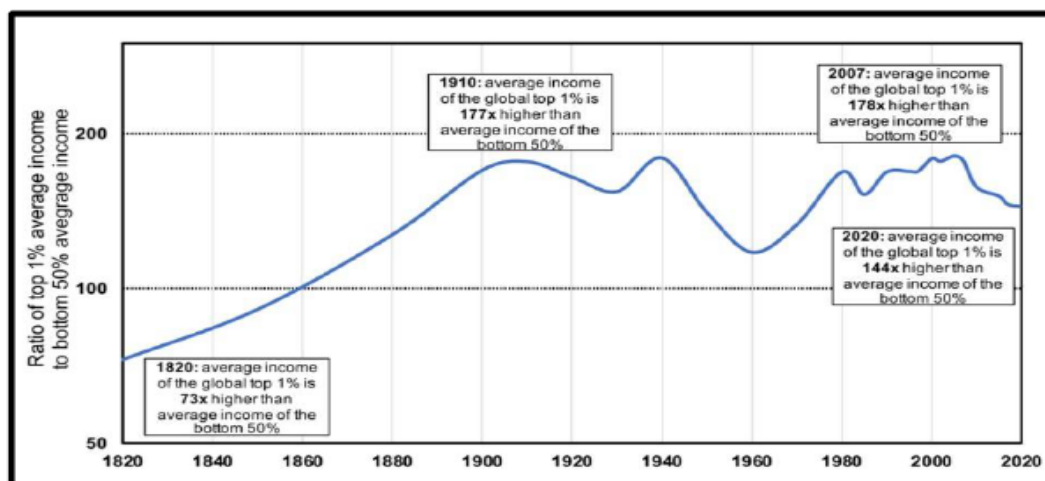

Source - Chancel and Piketty (2021)

Additional Income Inequality Indicators

Analyzing finer income inequality indicators concentrating on distinct components of the distribution, as calculated by the proportion of T1/B50 between the mean income of the top 1% and the mean income of the bottom 50%, states that the value more than doubled between 1820 & 1910 from 73x to 177x, and stabilizedaround 150 between 1910 & 2020. Refer to Figure 11.

Figure 11 - Trends in global income inequality between 1820 & 2020: T1/B50 ratio using mean income estimates

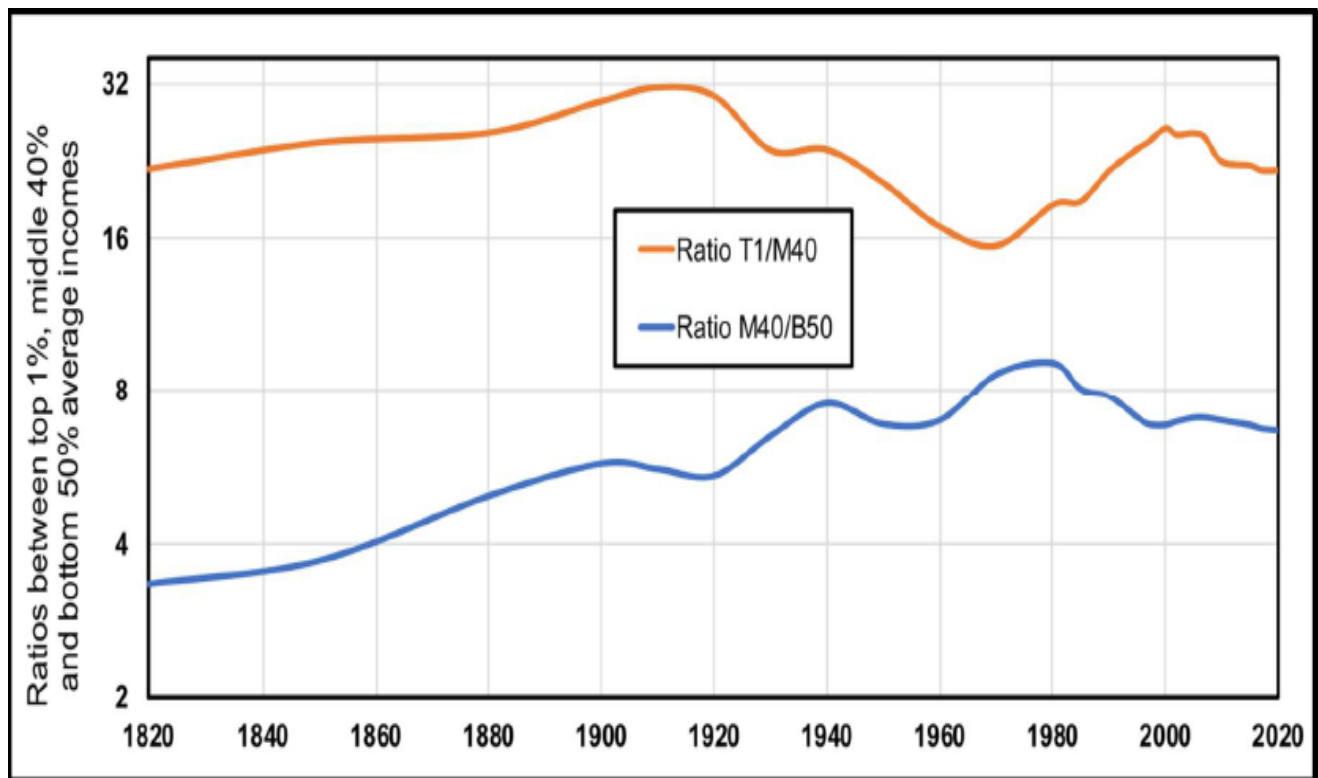Source - Chancel and Piketty (2021)

Global inequality, as measured by the ratio T0.1/B50 between the mean income of the top 0.1% income strata and the average income of the bottom 50% income strata, nearly tripled between 1820-1910, from 320 to 875, and around 500-700 between 1950 & 2020. It is surprising to observe that the T0.1/B50 ratio reached its historical peak in 1910, while additional inequality indicators like the T10/B50 proportion reached its peak in 1980 and the Gini coefficient attained its peak during 2000. This exemplifies the fact that top income strata income inequality never completely returned to its Belle E´poque 1910 the highest point, particularly in European nations, which conquered the global economy and received the highest income distribution at that duration. Refer to Figure 12.

Figure 12 - Trends in global income inequality between 1820 & 2020 T0.1/B50 ratio using mean incomes
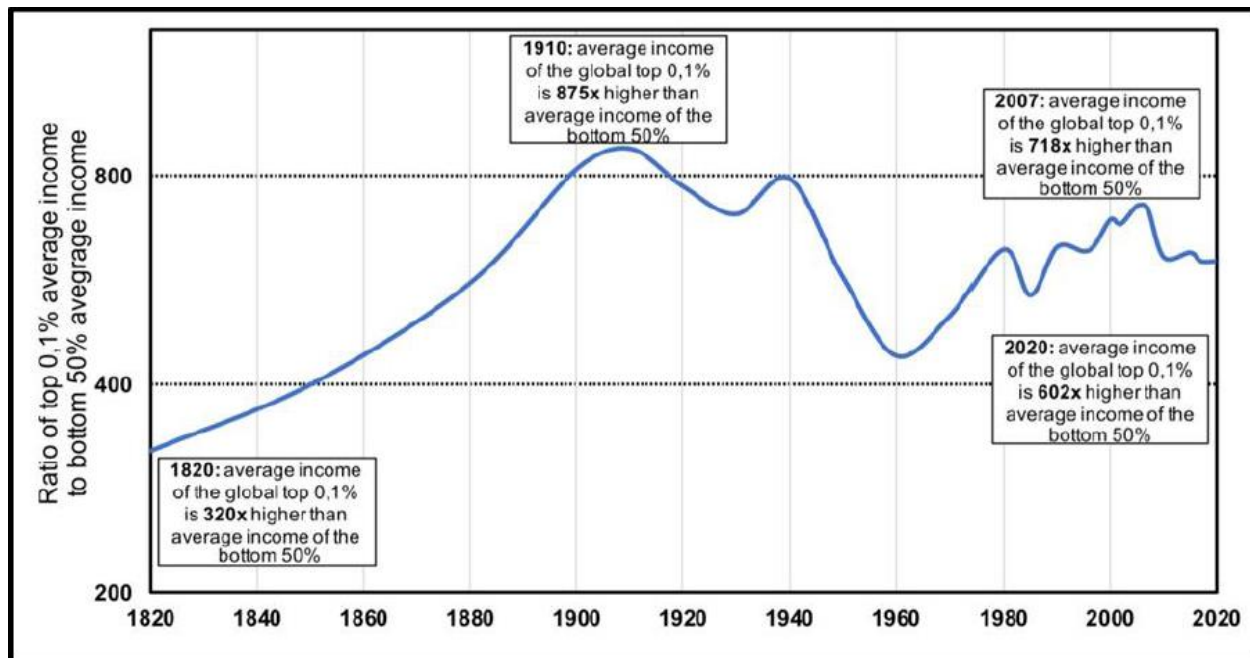
Source - Chancel and Piketty (2021)

Also, Figure 13 depicts an interesting comparison of transnational income inequality between 1820 & 2020 for the top 1% and middle 40% mean income ratios and the middle 40% and bottom 50% mean income ratios. The top-end transnational income inequality, as gauged by the proportion T1/M40 between the mean incomes of the top 1% and the middle 40%, increased from 22 in 1820 to 32 in 1910, reduced to 15 in 1970 and then increased to 22 in 2020. The bottom-end transnational income inequality, as gauged by the proportion of M40/B50 between the mean revenues of the middle 40% and the bottom 50%, increased from 3.3 in 1820 to 9.1 in

1980 and decreased to 6.7 in 2020. Hence, between 1980 & 2020 the transnational income inequality decreased between the top and the middle of the income distribution, but the value increased between the middle and the bottom of the income distribution.

Figure 13 - Global income inequality between 1820 & 2020 T1/M40 versus M40/B50 mean income ratios

Source - Chancel and Piketty (2021)

Another technique to infer this is the "elephant curve" of transnational income inequality between the performance of the bottom 50% and the top 1%, refer to Figure 14. This technology depicts that the bottom 50% incomes of the globe experienced significant development between 1980 & 2020 between the cumulative growths of per capita income C50%-C200%. The top 1% incomes earned an elevated expansion between C100%-C200%. However, the intermediate classes rose lesser in comparison. Hence, income inequality reduced between the bottom and the middle of the transnational income distribution and rose between the middle and the top. In totality, the top 1% income strata grasped 23% of total global proliferation between 1980 & 2020, as compared to 9% for the bottom 50% income strata.

Figure 14 - The elephant curve of global inequality between 1980 & 2020
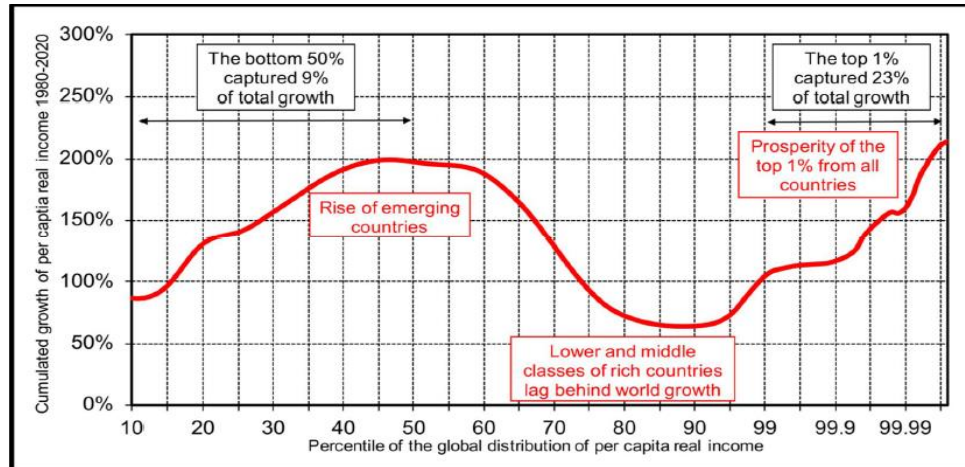
Source - Chancel and Piketty (2021)

On the other hand, examining the overall growth of the incidence curve between 1820 & 2020, then we discover that it is upward-sloping. The transnational top 30% income strata have profited more due to an increase in their purchasing power over the past two centuries, which has been approximately double the value of the transnational bottom 50% income strata. Refer to Figure 15. This depicts that the transnational income inequality in 2020 is substantially bigger than in 1820. The bottom 50% income strata of the globe experienced significant expansion between 1820 & 2020, which is C600%-C1000%. The top 30% of income strata profited from even more elevated growth between C1600%-C1800%.

**Figure 15 - The global growth incidence curve between 1820 & 2020**
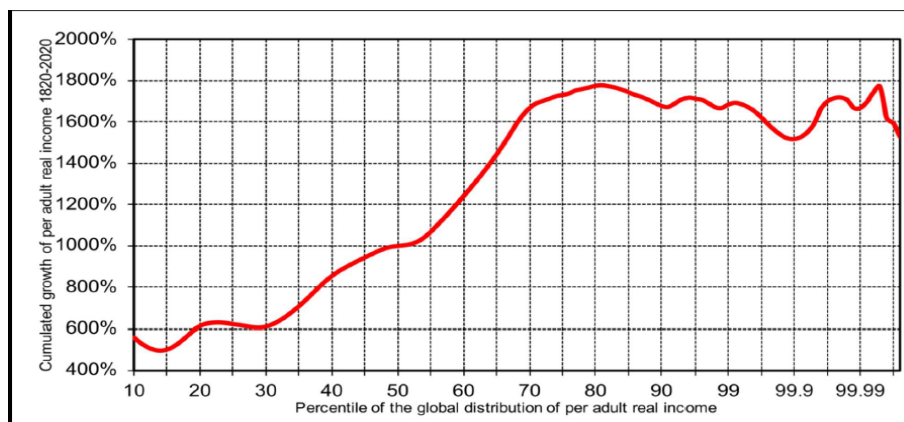
Source - Chancel and Piketty (2021)

Regional Income Inequality Decompositions

Examining the transnational income inequality regional decompositions for the international top 10% income strata reflects Europe's undisputed prevalent position between 1880 & 1910 due to its colonial power and also North America's superiority since 1920-1930. Refer to Figure 16. The percentage of the top 10% income strata arising from East Asia and South/Southeast Asia has boosted slowly since the 1950s, with a rapid expansion since the 1980s, but the Western supremacy within the transnational top 10% income strata is nonetheless exceptionally notable.

Figure 16 - The regional composition of the global top 10% between 1820 & 2020
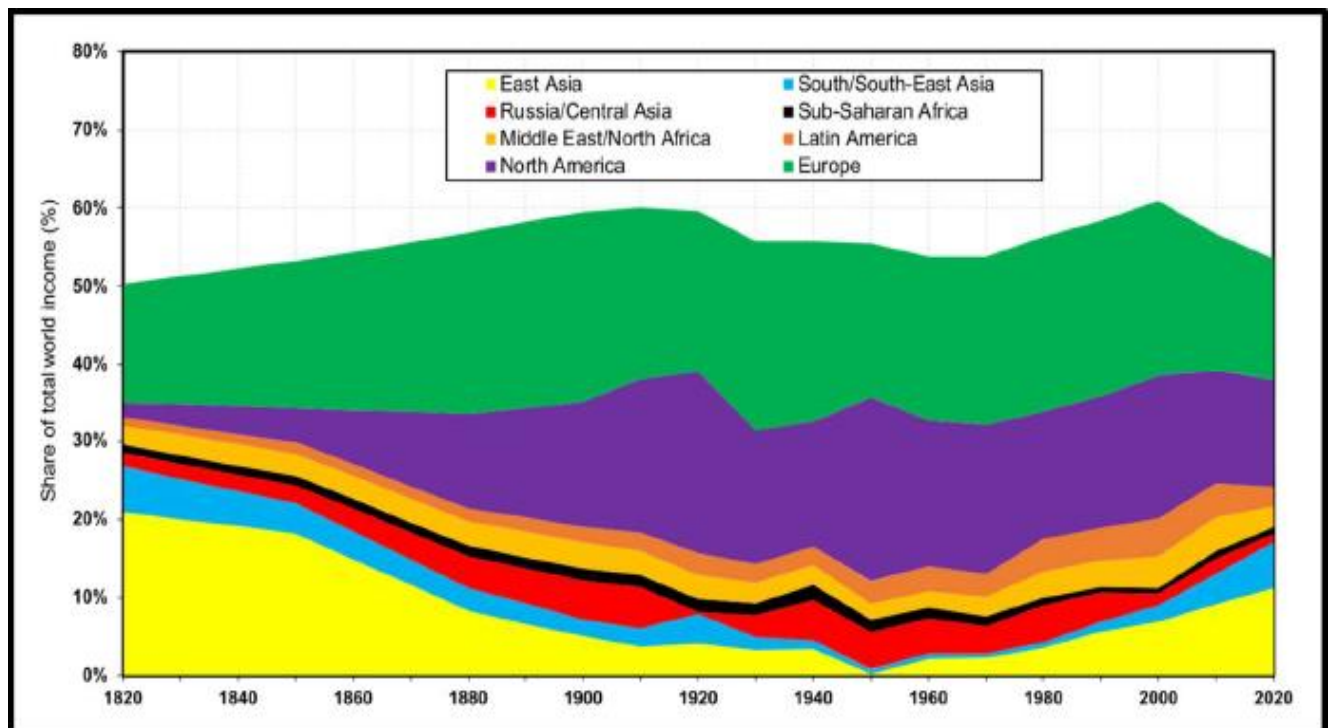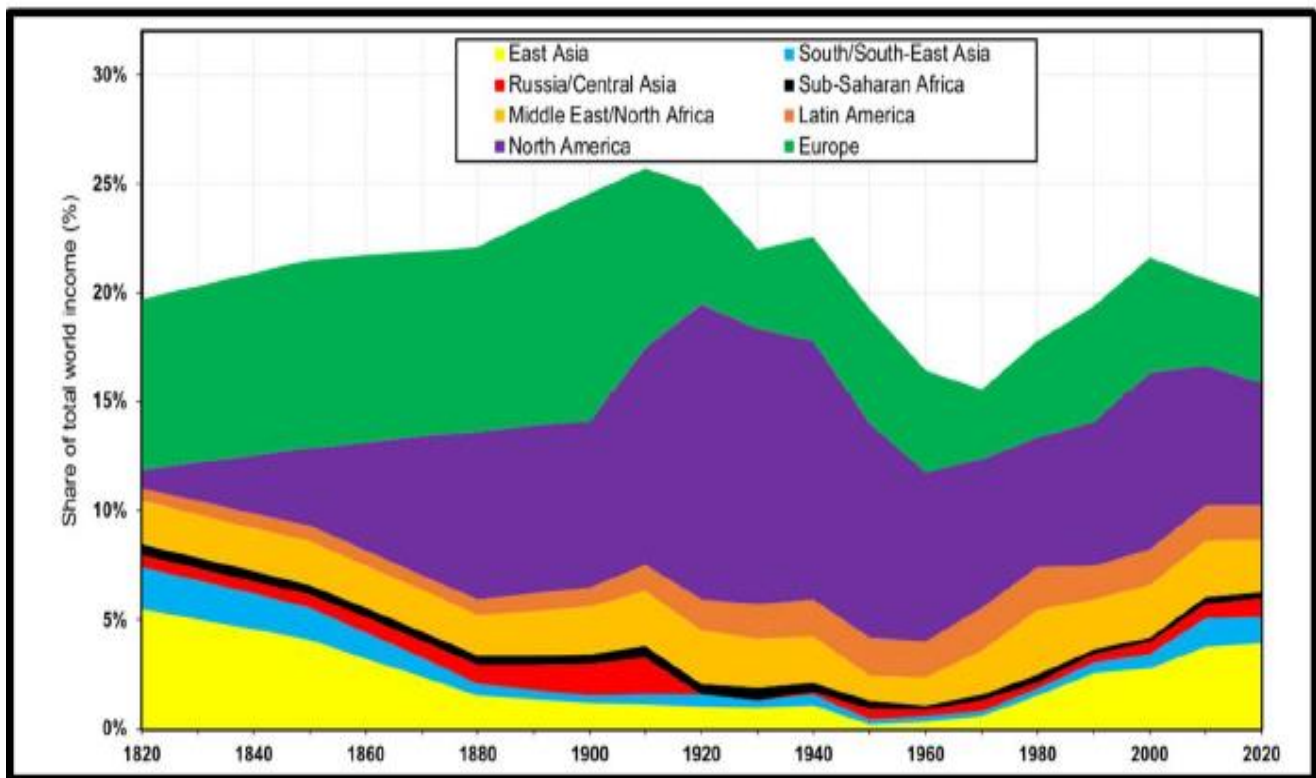

Source - Chancel and Piketty (2021)

Note: Oceania is included in North America

Figure 17 depicts a similar prevailing pattern for the regional composition of the transnational top 1%, with two intriguing caveats. First, the prevalent status of Europe greatly tumbled down post World War I and never completely recovered, hence North America has been the unanimous authority of the global top 1% income groups since 1920–1930. Secondly, the transnational top 1% comprises in recent decades a moderately big fraction of people from the Middle East, Latin America, and Russia. Hence, these territories play a relatively larger role in

the transnational top 1% as compared to the transnational top 10%, depicting the fact that they are portrayed by extremely elevated income inequalities within their nations. Also, the transnational top 1% has transformed enormously between 1820 & 2020, especially for East Asia and South/South-East Asia where the stake of the transnational top 1% tumbled down between 1820 & 1950 and then rose gradually between 1950 & 2020.

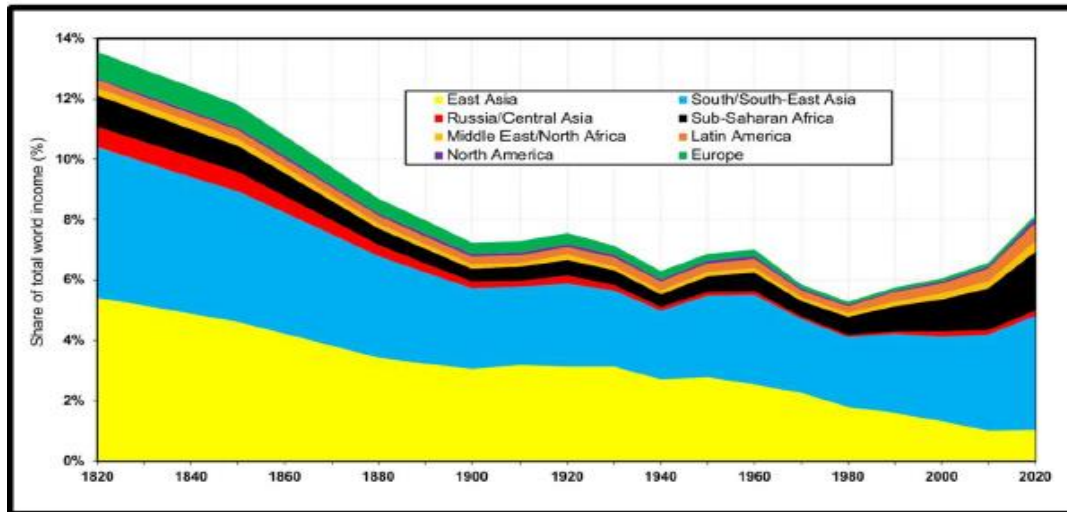**Figure 17 - The regional composition of the global top 1% between 1820 & 2020**

Source - Chancel and Piketty (2021)

Note: Oceania is included in North America

The regional composition of the transnational bottom 50% income strata depicts the dwindling significance of East Asia and the growing share of South/South-East Asia and particularly Sub-Saharan Africa in recent decades. Refer to Figure 18. Furthermore, since the mid-20th century the share of Europe or North America in the global bottom 50% has decreased, whereas in the 19th century, the European impoverished class did comprise a substantial portion of this category. The percentage of South/South-East Asia and Sub-Saharan Africa within the transnational bottom 50% has increased considerably between 1980 & 2020.

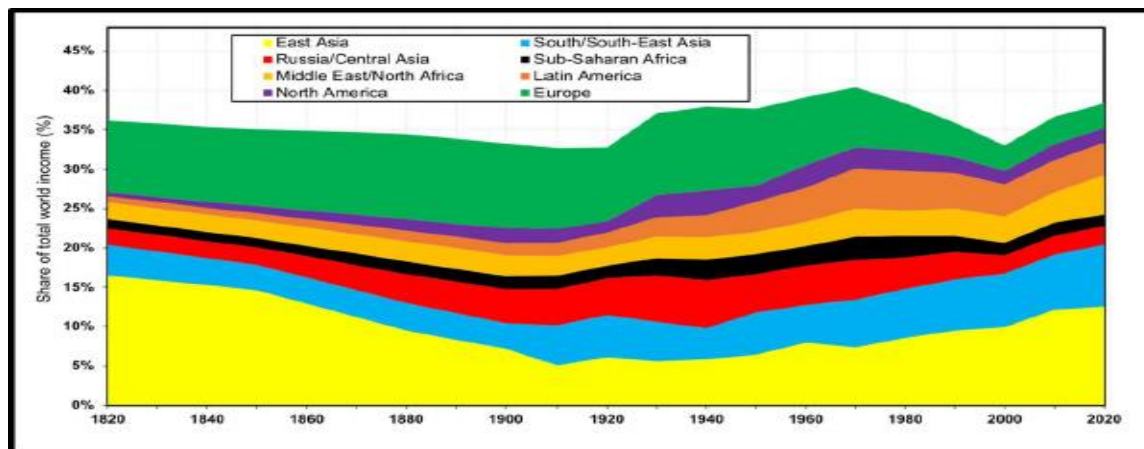**Figure 18 - The regional composition of the global bottom 50% between 1820 & 2020**

Source - Chancel and Piketty (2021)
Note: Oceania is included in North America

On the other hand, the transnational middle 40% currently is extremely diverse and attracts substantial inhabitants from all territories. Figure 19 depicts that the regional composition of the transnational middle 40% has altered enormously between 1820 & 2020. The share of East Asia and South/South-East Asia within the transnational middle 40% expanded considerably between 1940 & 2020 and that of Europe has declined significantly.

Figure 19 - The regional composition of the global middle 40% between 1820 & 2020
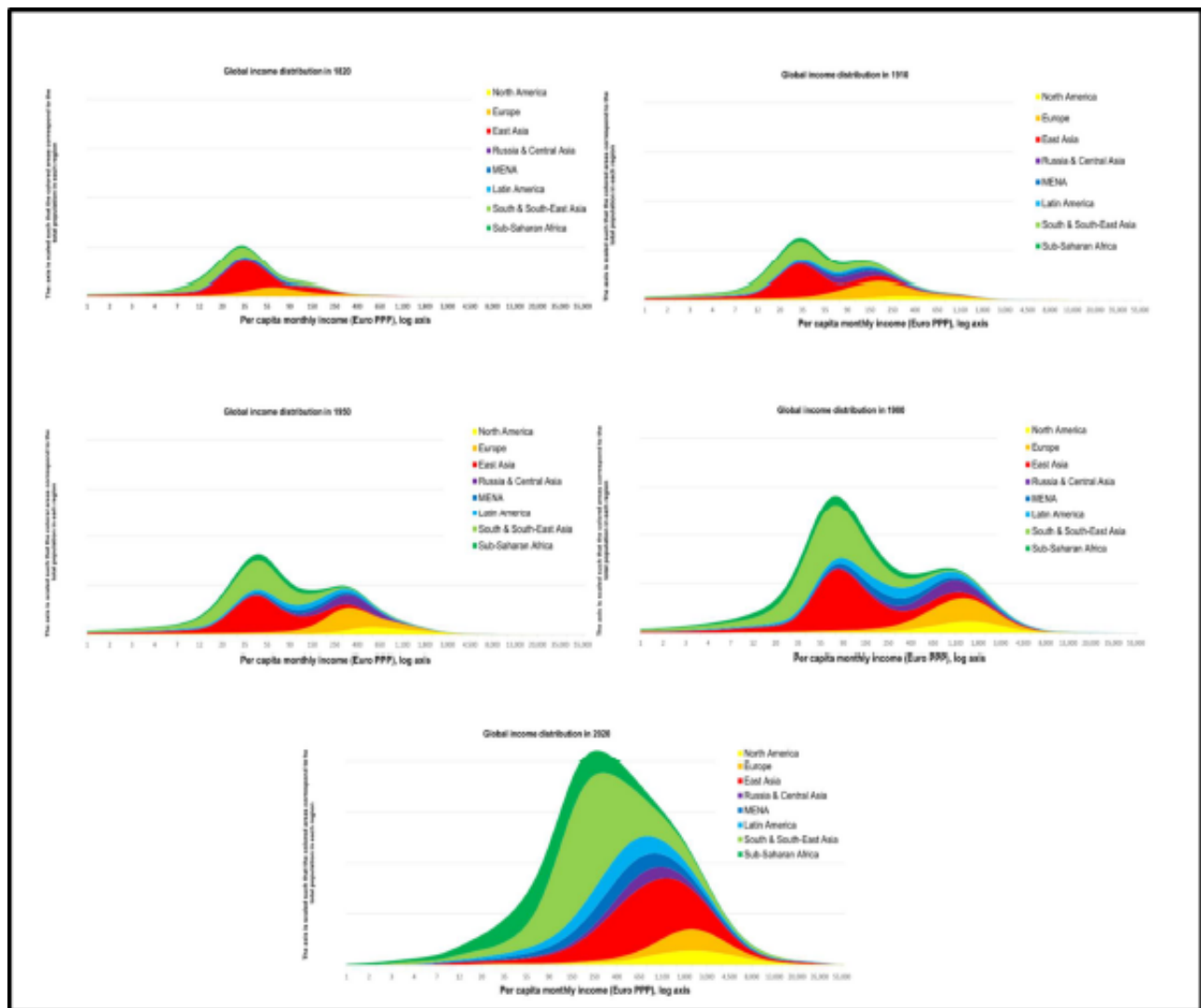

Sources - Chancel and Piketty (2021)
Note: Oceania is included in North America

Figure 20 illustrates the expansion of the transnational income distribution between 1820 & 2020. The vertical axis is scaled such that the colored wedges correspond to the total population of each territory at distinct time periods in terms of Euro PPP. From the 1980s onwards the share of East Asia, Sub-Saharan Africa and South/South-East Asia has increased significantly.

**Figure 20 - Global income distribution from 1820-2020**

Source - Chancel and Piketty (2021)

Analyzing Income Inequality In India

From the beginning of the 19th century, British colonialism in India through the East India Company exploited its strengths to exhaust the wealth in India. The GDP per capita as depicted

in Figure 21 only commenced to rise after India's independence in 1947.

Figure 21 - Trends GDP per capita in India from 1820–2015
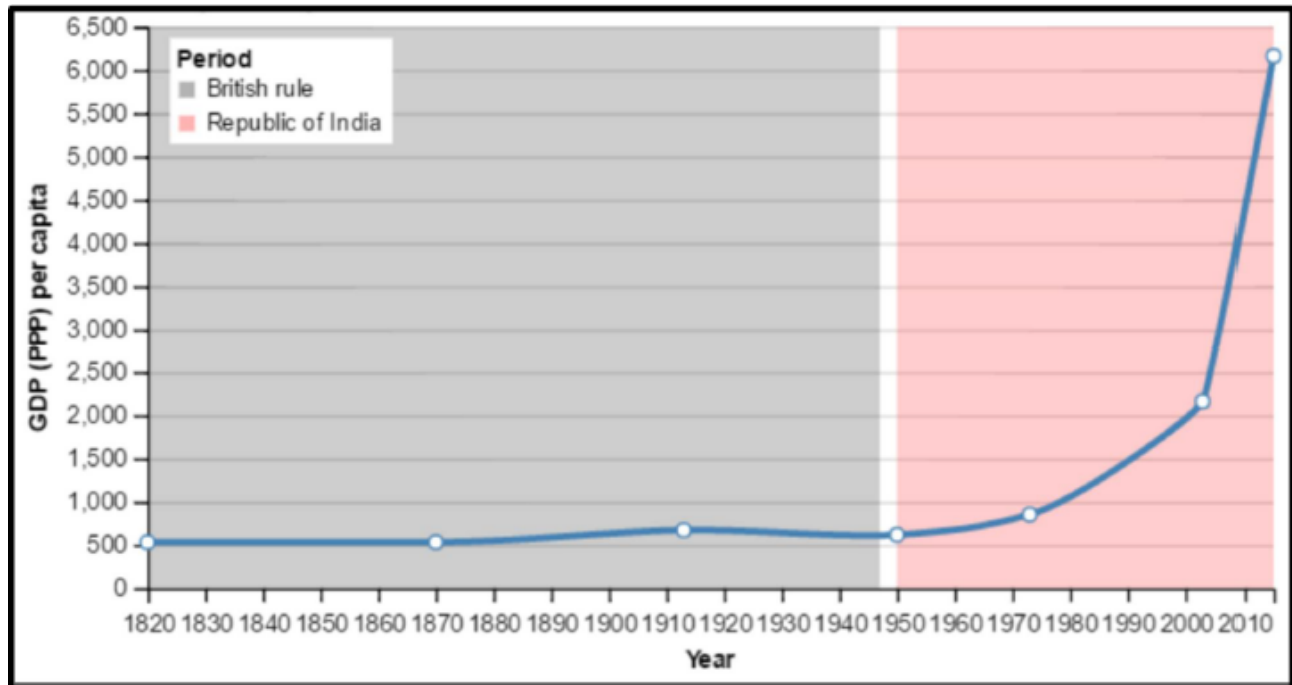
Source - Prof. Angus Maddison (2010)

Note: Figures are inflation-adjusted to 1990 International Geary-Khamis dollars

According to the Indian National Accounts estimates, the revenue expansion in the 2000s has immensely boosted as compared to the prior decades. The mean annual real income growth was smaller than 2% in the 1960s and 1970s, in the 1980s it achieved a 2.5% expansion rate and during the 1990s it stabilized at 2%. Furthermore, in the 2000s the value reached 4.7%. Refer to Figure 22.

The bottom 50% revenue strata grew at a significantly lower rate than mean growth of income since the 1980s. The middle 40% revenue strata of the population also grew at a lower rate than the mean growth of income since the 1980s. Nevertheless, the economic liberalization reforms and reduction in taxes from the 1990s improved the expansion rate for the bottom 50% and for the middle 40% income strata. However, the top 10% and top 1% income strata thrived considerably quicker than the mean growth of income since the 1980s. Hence, the phrase "Shining India" associates to the top 10% of the population rather than the middle 40%, as since the early 1980s, expansion has been unevenly dispersed within the top 10% income strata.

Figure 22(a) - National income growth in India for the - Full Population vs. Bottom 50% from 1951–2015

Figure 22(b) - National Income Growth in India for the - Full Population vs. Middle 40% from 1951–2015 Figure

22(c) - National Income Growth in India for the - Full Population vs. Top 1% and Top 10% from 1951– 2015
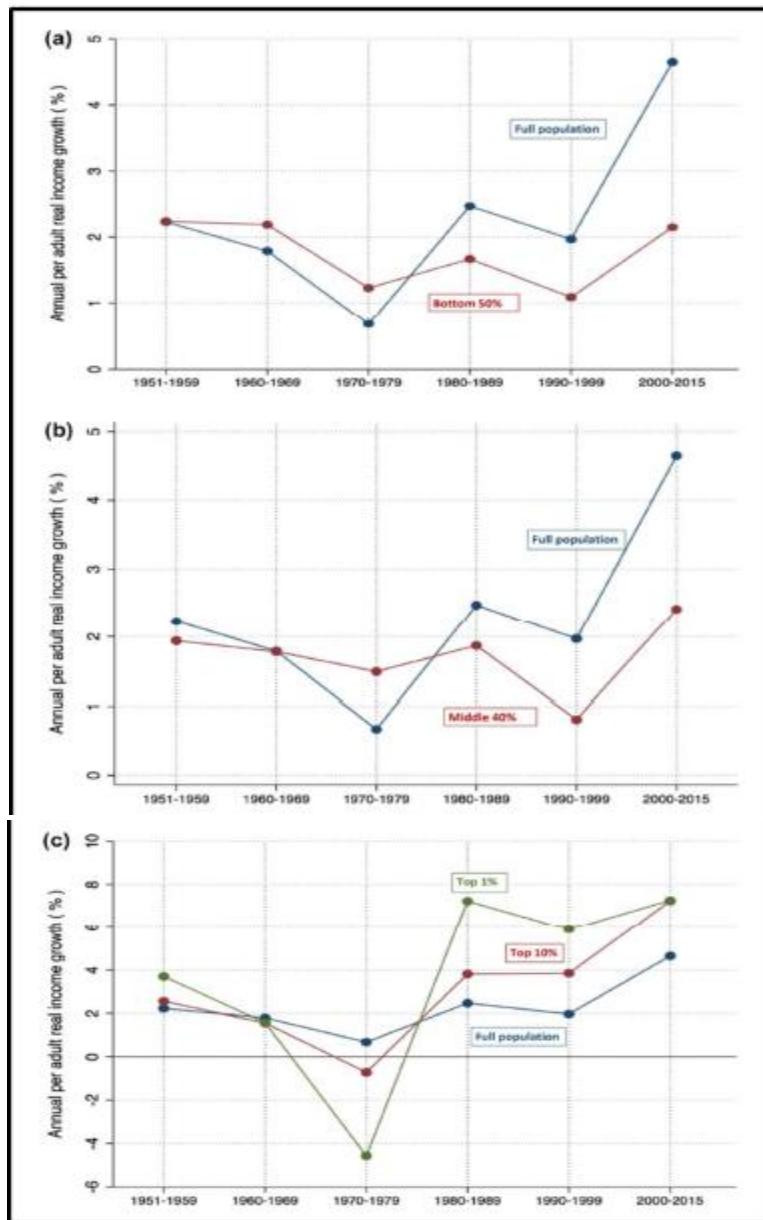

Source - "Indian Income Inequality, 1922-2015: From British Raj To Billionaire Raj?" Lucas Chancel and Thomas Piketty

Comparing Income Inequality India vs. China

A detailed examination of country-level expansion and inequality trajectories for India versus China demonstrates that it is achievable to incorporate elevated growth and reduce income inequality simultaneously. India experienced an increased rise in income inequality but lesser growth as compared to China from 1980- 2015. Higher investments in China in the field of education, health and infrastructure for the bottom 50% income strata helped to decline income inequalities. China's average income rose by 831% and the bottom 50% rose by 417% while in India the average income rose by 223% and the bottom 50% by 107%, for the above mentioned period. However, neither of these nations met the new SDG targets, where the bottom 40% is believed to prosper quicker than the average.

Figure 23 - India versus China comparison of top 1% and bottom 50%
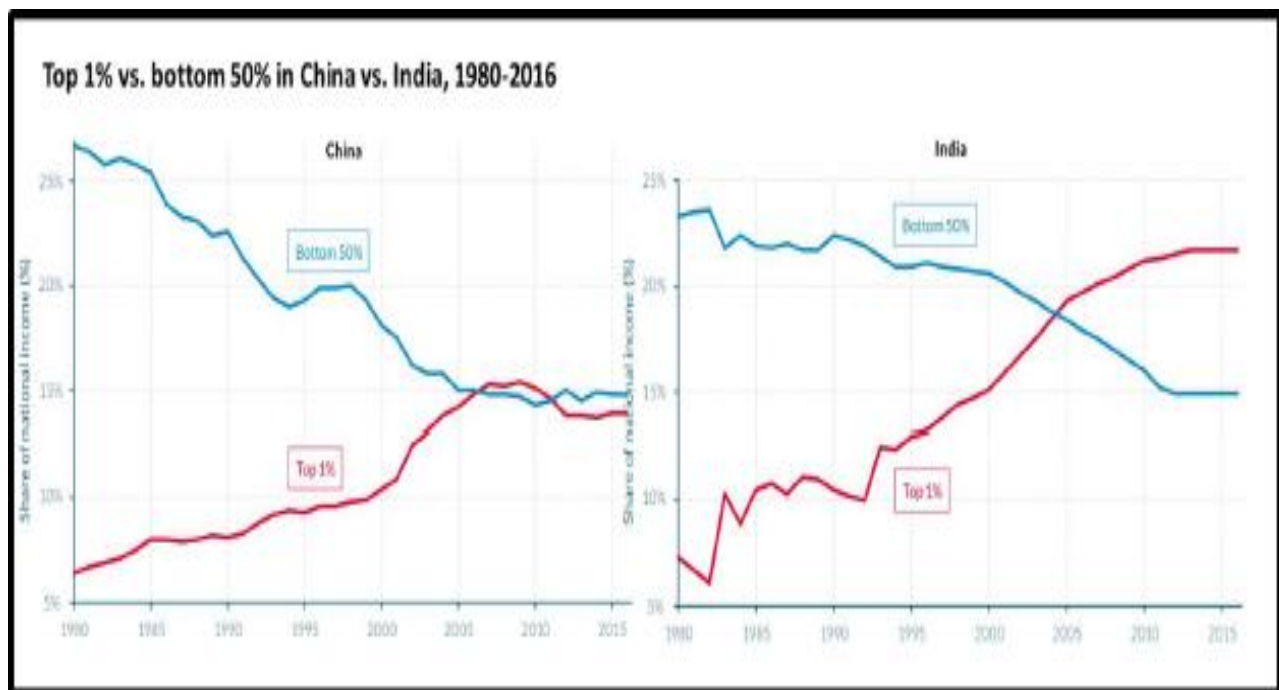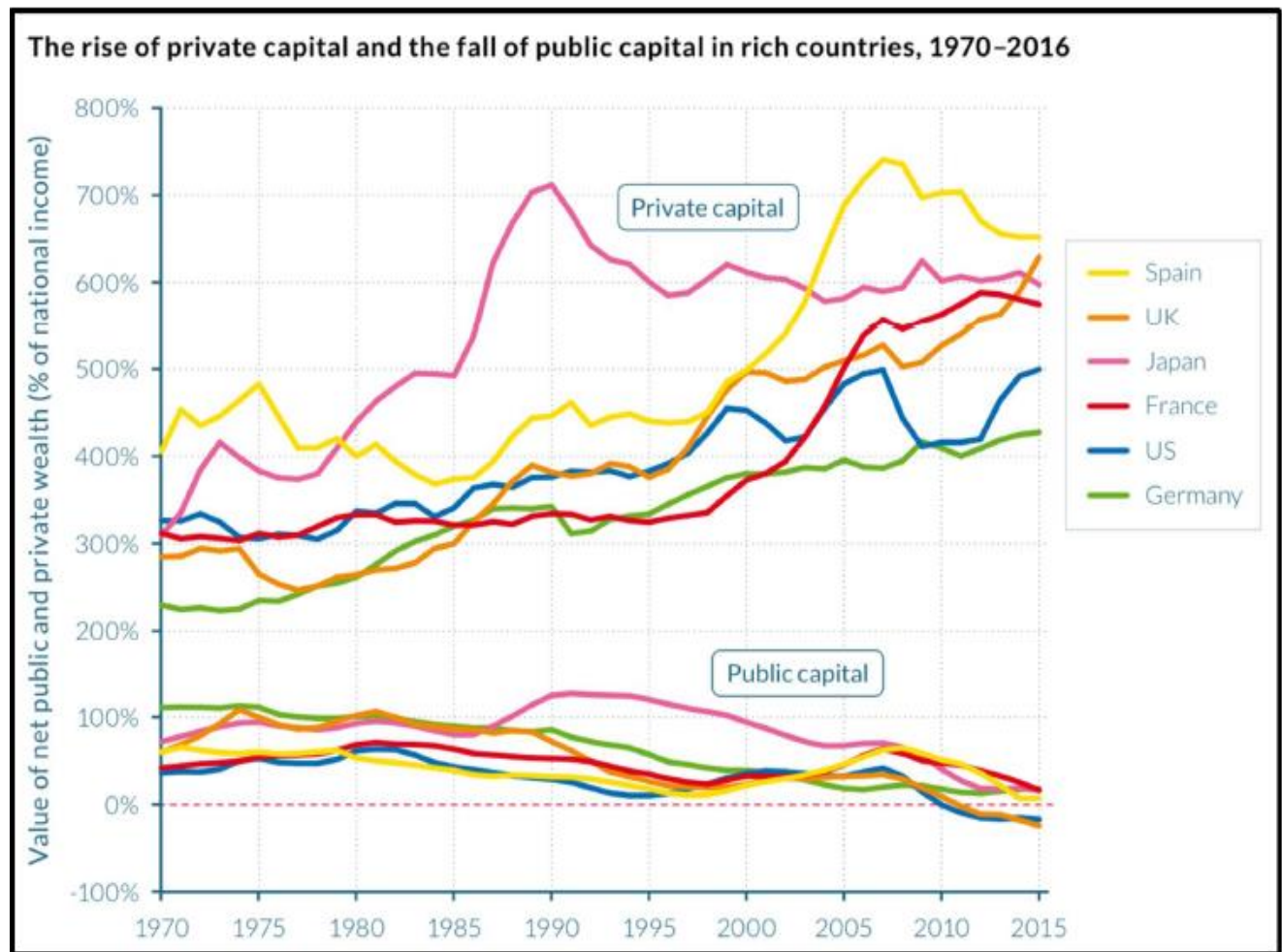

Source - World Inequality Report 2018

Mid-1980s Worldwide Economic Turnaround

Financial inequality is primarily steered by the unequal ownership of capital, which can be owned either privately or public. Since the 1980s, there have been massive worldwide transfer movements of the public to private wealth in practically all nations, whether prosperous or developing countries. Even though national wealth has considerably risen, public wealth is

currently negative or near zero in wealthy nations. Hence, this restricts the power of governments to solve inequality. The mixture of growing income inequality and enormous transfers of public to private wealth led to the advancement in wealth inequality.

Wealth database nonetheless remains exceptionally unclear. The trends of the rise in private capital and the decline in public capital for several prosperous nations from 1970-2016 is depicted in Figures 24 and 25. At the transnational tier China, Europe, and the US the top 1% stake of wealth rose from 28% in 1980 to 33% currently, while the bottom 75% stake loomed at roughly 10%. Particularly for China, the percentage share of private capital in the national capital is now similar to prosperous nations having mixed-economies period from 1980-2015.

Figure 24 - Trends in private and public capital from 1970-2015 in multiple economies

Source - World Inequality Report 2018

Figure 25 - Trends in net private wealth to net national income between 1980 & 2015 for multiple nations

Net private wealth to net national income ratios in China, Russia and rich countries, 1980–2015: The rise of private wealth
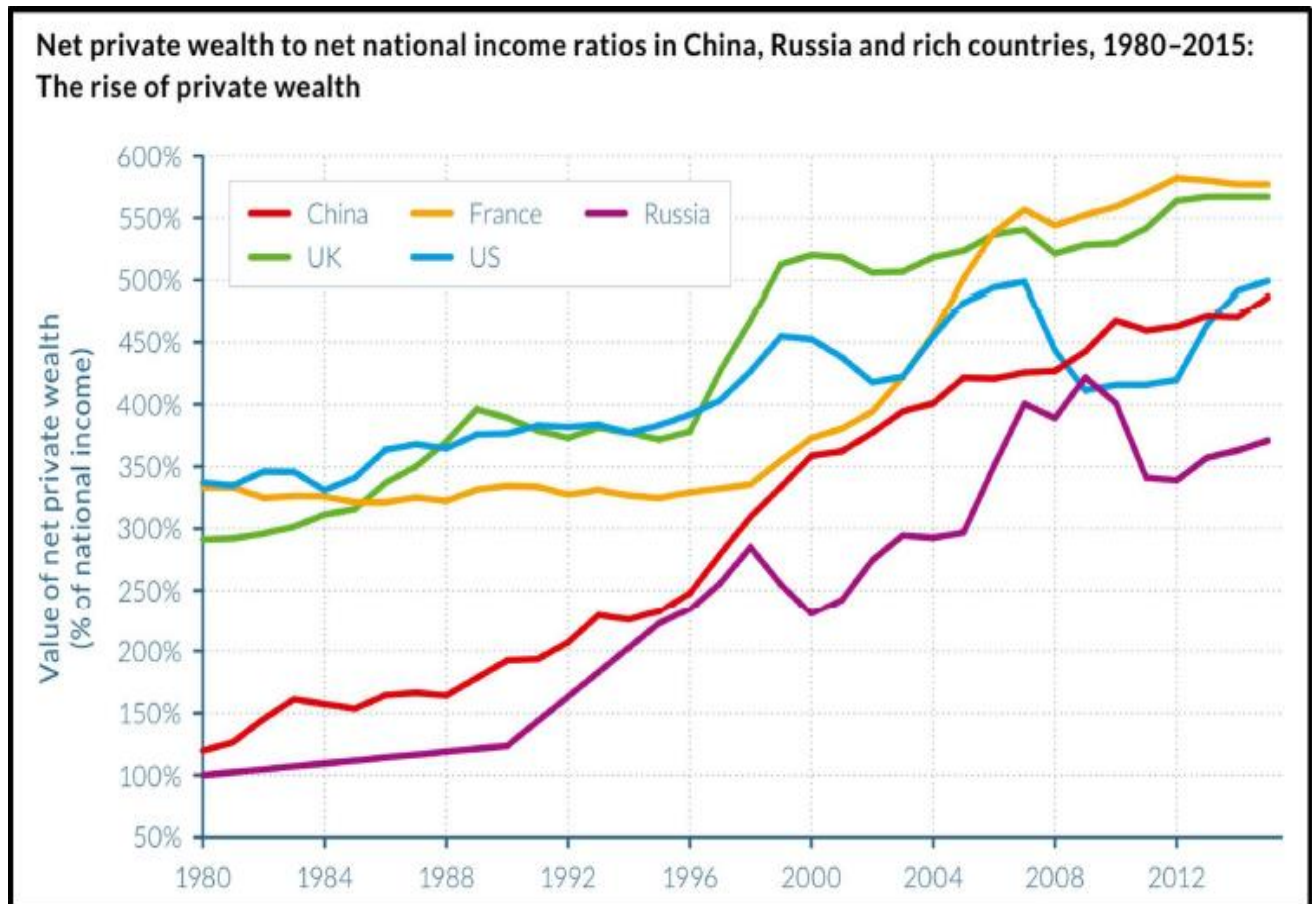
Source: World Inequality Report 2018

Conclusion:

Future Transnational Prognoses Of Revenue And Wealth For Diverse Income Groups

Nations with lower mean income tend to labor lengthier hours, both in the cross-section and over time, so that the transnational income inequality of hourly earnings is even greater than the transnational inequality of income.

According to the perspective of traditional neoclassical economics, the most apparent rationale for the tremendous and endless inequality in hourly income means in terms of productivity is the inequality in capital endowments. However, if the impoverished economic societies at the transnational level were to acquire adequate capital investment - physical and human capital then

international income inequality would reduce significantly. Nevertheless, there are prominent political-economy justifications why this is unlikely to take place in the shape of straightforward wealth transfer unless compelled through a revolt, a land reform or a permanent strategy of the progressive refined taxation system and redistribution of wealth, the wealthiest economic clusters are unlikely to part away their assets and acquisitions.

The future of transnational income inequality depends on convergence influences which implies instantaneous development in developing nations and divergence forces which indicate the growing income inequality within nations. No one can predict which of these forces will dominate and whether existing trends are sustainable.

Under the typical scenario, even with elevated expansion in the developing world, within nations divergence will persist. However, if all nations embrace the following steps listed below, global inequality will decrease by 2050 and would support international poverty eradication.

To target transnational income inequality the following measures can be adopted:

1. Progressive taxation system

2. Provide state low-cost or free health services for the needy

3. International financial registry to aid under developed countries

4. Equivalent access to education and well-paid employment opportunities for the society as a whole

5. Investing in the future infrastructure and monetary policy to support the financially challenged groups

Refer to Figures 26, 27 and 28 that predict the future for different income groups. Figure 26 depicts that global wealth of the middle class (China, Europe, US) will be squeezed. Figure 27 portrays that transnational income inequality will persist to increase, despite elevated development in the emerging nations. Between nations, convergence is not sufficient to counter within nations trends. Figure 28 depicts the diverse inequality courses at the nationwide level matter immensely for transnational poverty eradication.
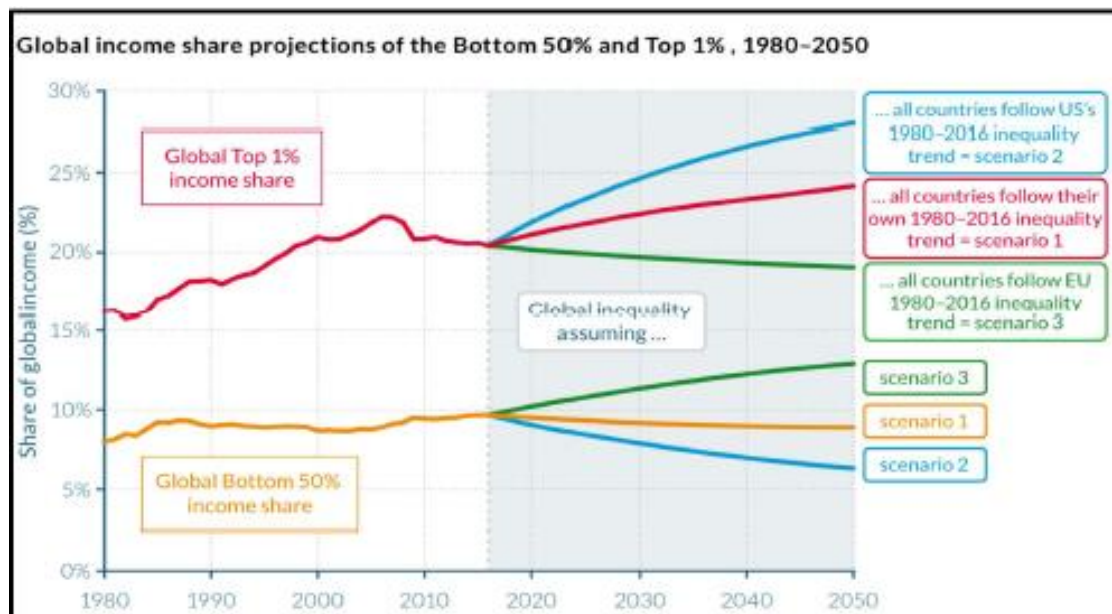
Figure 26 - Trends anticipated for the global wealth for the middle class (China, Europe and the US) between 1980 & 2050
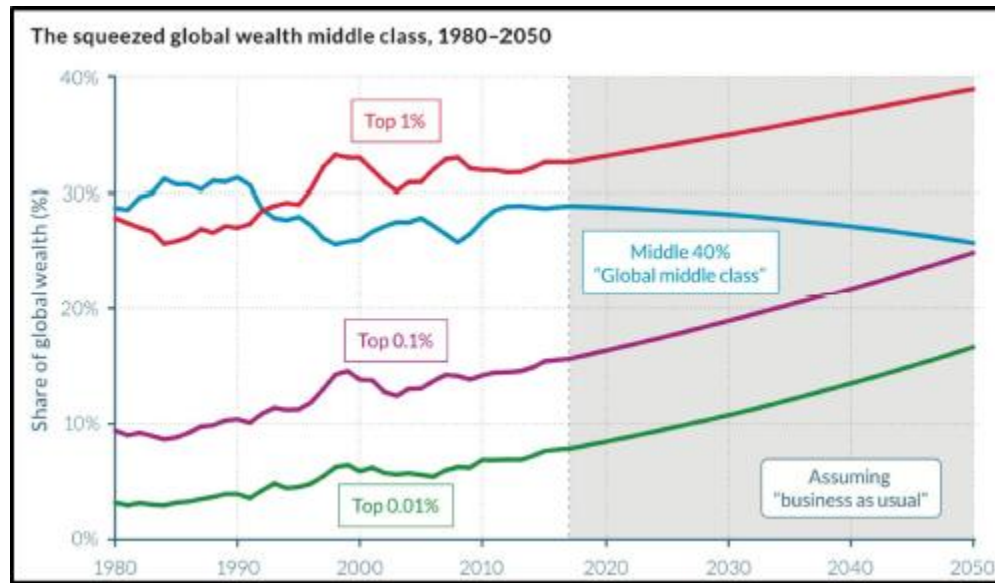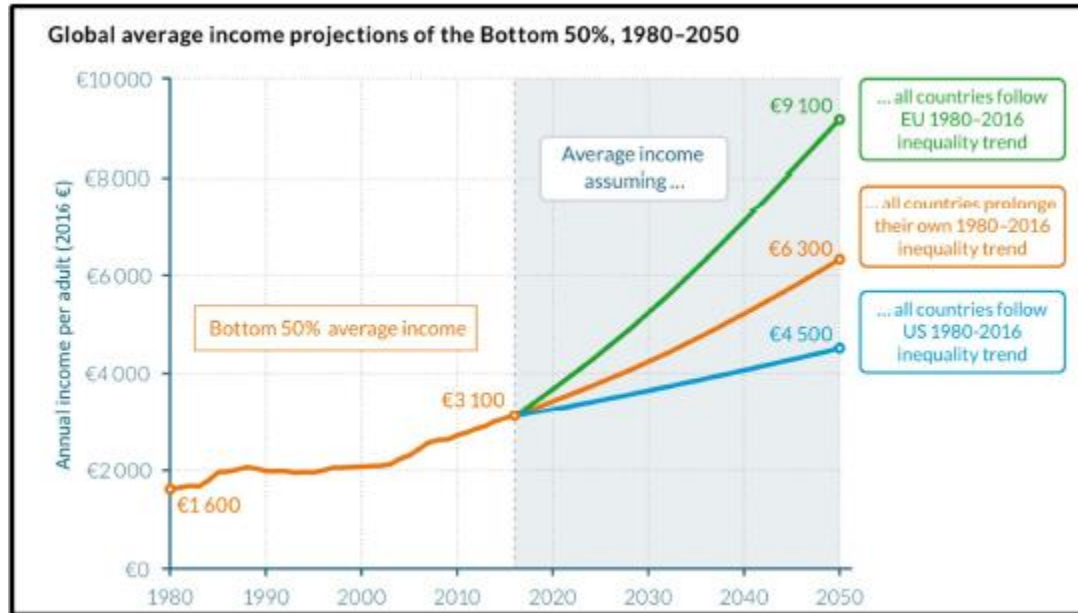

Source - World Inequality Report 2018

Figure 27 - Trends anticipated for the top 1% and bottom 50% between 1980 & 2050

Source - World Inequality Report 2018

Figure 28 - Anticipated trends of global mean revenue for the bottom 50%

Source - World Inequality Report 2018

References

Chancel & Piketty (2019), Indian Income Inequality, 1922-2015: From British Raj to Billionaire Raj?

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Appendix

Global income inequality trends for diverse income categories between 1820 & 2020
Source - Chancel and Piketty (2021)

Trends in global income inequality between 1820 & 2020 using the Gini index
Source - Chancel and Piketty (2021)

Global income inequality between 1820 & 2020, between nations versus within nations' inequality (ratio T10/B50)
Source - Chancel and Piketty (2021)

The regional composition of the global bottom 50% between 1820 & 2020
Source - Chancel and Piketty (2021)
Note: Oceania is included in North America