What Does the Global Future Hold? 
Wealth and Income Inequality

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The distribution of *personal wealth* is receiving a great deal of attention…

…after being neglected for many years

- **US** (Kopczuk-Saez, 2004; Saez-Zucman, 2016, 2019)
- **France** (Garbinti-Goupille-Piketty, 2020)
- **Spain** (Alvaredo-Saez, 2010; Martínez Toledano, 2018; Alvaredo-Artola, forthcoming)
- **Italy** (Acciari, Alvaredo, Morelli, 2021)
- **Denmark, Belgium, Germany, Sweden, Switzerland**
- **Credit Suisse** (Shorrocks and Davis), Allianz, Merrill Lynch, UBS,… reports
- **ECB/ONS/FRB** network of wealth surveys, and related papers and reports
- **OECD** *Guidelines for Micro Statistics on Household Wealth* and Database
- **LWS**
- **Etc…**
Inequality illusions

Why wealth and income gaps are not what they appear
Reason: increasing recognition that we need to look at \textit{capital incomes} and not only at \textit{earnings}.

In 2016, 12\% of national income was received by the top 1\% in Western Europe, compared to 20\% in the United States. In 1980, 10\% of national income was received by the top 1\% in Western Europe, compared to 11\% in the United States.


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

Reason: increasing recognition that we need to look at *capital incomes* and not only at *earnings*

**Figure I**

From Taxable Income to National Income (1916–2014)

Source: Saez and Zucman (2016)
Reason: average *personal wealth* has increased substantially

E.g.: UK

Source: Alvaredo, Atkinson and Morelli (2018)
Reason: average personal wealth has increased substantially

E.g.: Italy

Source: Acciari, Alvaredo and Morelli (2021)
Reason: the ratio of private wealth to income has been rising

Net private wealth to net national income ratio in rich countries, 1970–2016

In 2015, the value of net private wealth in the UK was 629% of net national income, i.e. it was worth 6.3 years of national income. Net private wealth is equal to private assets minus private debt. Net national wealth is equal to net private wealth plus net public wealth.

Reason: the ratio of public wealth to income has been declining (cont.)

The share of public wealth in national wealth in rich countries, 1978–2015

UK: Top 10% and bottom 90% wealth share since 1895

Source: Alvaredo, Atkinson and Morelli (2018)
UK: Top 1% *wealth* share since 1895 (inheritance data)

Source: Alvaredo, Atkinson and Morelli (2018)
UK: Top 1% *wealth* share since 1895 (inheritance data)

Source: Alvaredo, Atkinson and Morelli (2018)
UK: Top 1% wealth share: the role of housing assets

Source: Alvaredo, Atkinson and Morelli (2018)
Comparison of estimates across methods and debates. US (cont.)

Figure 1: Wealth Concentration in the United States

A. Top 0.1% Share of Total Wealth

Source: Smith, Zidar and Zwick, 2020
France: Wealth shares 1800-2015 (hybrid method)

Figure 1. Wealth concentration in France, 1800-2014 (wealth shares, % total wealth)

- Top 10% ("Upper Class")
- Middle 40% ("Middle Class")
- Bottom 50% ("Lower Class")

1914-1984: the Fall of the Upper Class, the Rise of the Middle Class

Average net wealth per adult (2014): 197 000 €

Source: Garbinti, Goupille and Piketty (2021)
These contradictory movements in relative asset prices have an important impact on the evolution of wealth inequality in France, as depicted by Figure 4.4.4. The bottom 30% of the distribution own the main form of wealth for the middle of the distribution. However, as one moves towards the top 10% and the top 1%, asset portfolio construction remains relatively similar to trends in a number of other rich nations, house prices in France increased at a faster pace than the stock market boom of the 2000s and its slide thereafter had on top wealth shares in particular. It also shows the effect of the rising housing prices moderated wealth concentration since the 1980s and further discussed below.

In 2012, 67% of the personal wealth of the 5th decile (p50-p60) was composed of housing assets (net of debt). All values have been converted to 2016 constant HXURVDFFRXQWLQJIRULQćDWLRQ.

Spain: Wealth shares 1984-2015 (capitalization)

Figure 4.5.2 shows the share of personal wealth held by different wealth classes in Spain from 1984 to 2013. The share of personal wealth attributable to the bottom 50% has increased from about 6% in 1992 to just over 6% in 2013. Conversely, the personal wealth share of the middle 40% has concentrated between 32% and 35% for the majority of the observed period, with notable increases during the 2008 financial crisis. Notably, the top 10% of the wealth distribution has experienced a significant increase in their share of wealth.

Since then, the share of the top 10% has fallen back to just over 6%. There are important differences in the portfolio of assets by wealth class. In 2013, the bottom 20% of the Spanish wealth distribution mostly owned property, while the top 10% had a more diversified portfolio.

Spain: Asset composition by wealth groups, 2013 (capitalization)

In 2013, 93% of the household wealth of the 5th decile (p50-p60) was composed of housing assets (net of debt).

Figure 4.5.3 shows the asset composition by wealth group in Spain, 2013. The graph indicates that housing assets (net of debt) dominate in the lower wealth groups, whereas financial assets become more significant in the higher wealth groups. The unincorporated business assets are also present but less prominent compared to the other two categories.

Italy 1995-2016

Figure 1: The inversion of fortunes between 1995 and 2016

Source: Acciarri, Alvaredo and Morelli (2021)
The top 1% share of global wealth

The top 1% and bottom 75% shares of global wealth in China-US-Europe

Top income tax rates in rich countries, 1900–2017

Sources: Piketty (2014) and updates. See wir2018.wid.world for data series and notes.
Remarks

• For some of the countries for which we have data (but not for all), wealth concentration has been on the rise since the 1980s

• Increasing income inequality and transfer of public wealth to private holders have played a key role

• In France and the UK, the increase in wealth concentration has been more moderate due to the equalizing effect of rising housing prices

• In the US (where the housing wealth effect has been smaller), the inequality of saving rates seems to have been a major driver of the increase in wealth concentration
Centralization with de-accumulation, and the differentiation of capital

Example: Soy production

- 80 years ago seeds were quasi-public goods (available for successive uses without payment)
- Improvements/adaptation in seeds were made by producers, the public sector,…
- The last decades saw the emergence of hybrid seeds, which lose specific characteristics in the second generation, and the developments in the genetic changes, only accessible to a handful of firms
- New case: who is the owner of the seed?
- Diamond v. Chakrabarty, 1980, permitted a patent over a bacterium, and in 2000 US Supreme Court confirmed the possibility of granting patents to a plant (genes, tissues, new plants, seeds).
- Today a handful Gene Giants control 70% of world seed market (Syngenta, Bayer/Monsanto, Basf, Dupont, Chemchina). 82% of seeds have patents, and they hold 85% of patents.
- These firms write adhesion contracts with producers: they establish what to produce, where to produce, who the local seed provider is, which the exporting company will be.
- In this context, which includes all relevant sectors, we should ask ourselves what the concept of asset and wealth is. The relevant conflict is who plans whom.