A political cartoon depicting a large ship named 'S.S. DENIAL' sinking. A man in a tuxedo and top hat stands on the upper deck, holding a champagne glass and shouting. The ship's hull is marked with an anchor and the name 'S.S. DENIAL'. In the background, a small island with a palm tree is visible. In the foreground, a man in a hat sits on a piece of the ship's hull, holding a heart-shaped sign. Other pieces of the ship, including a house and a car, are floating in the water. A soccer ball is also visible in the bottom right corner.

A RISING TIDE  
LIFTS ALL BOATS...  
YOU SHOULD  
GET ONE!

# Chapter 2

**Are Countries Becoming More Unequal?**

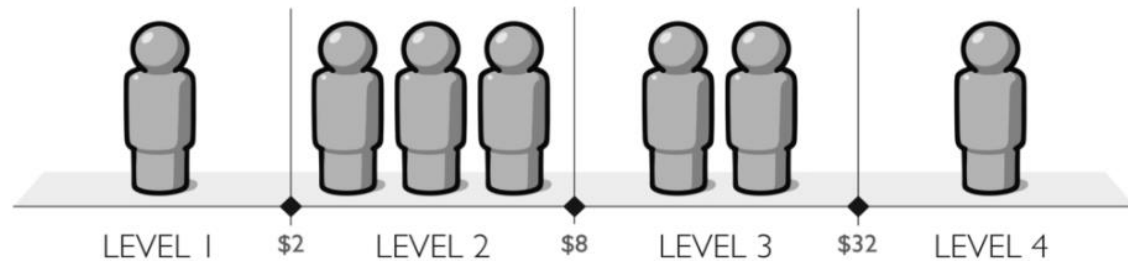


# Factfulness

by Hans Rosling with Ola Rosling  
and Anna Rosling Ronnlund

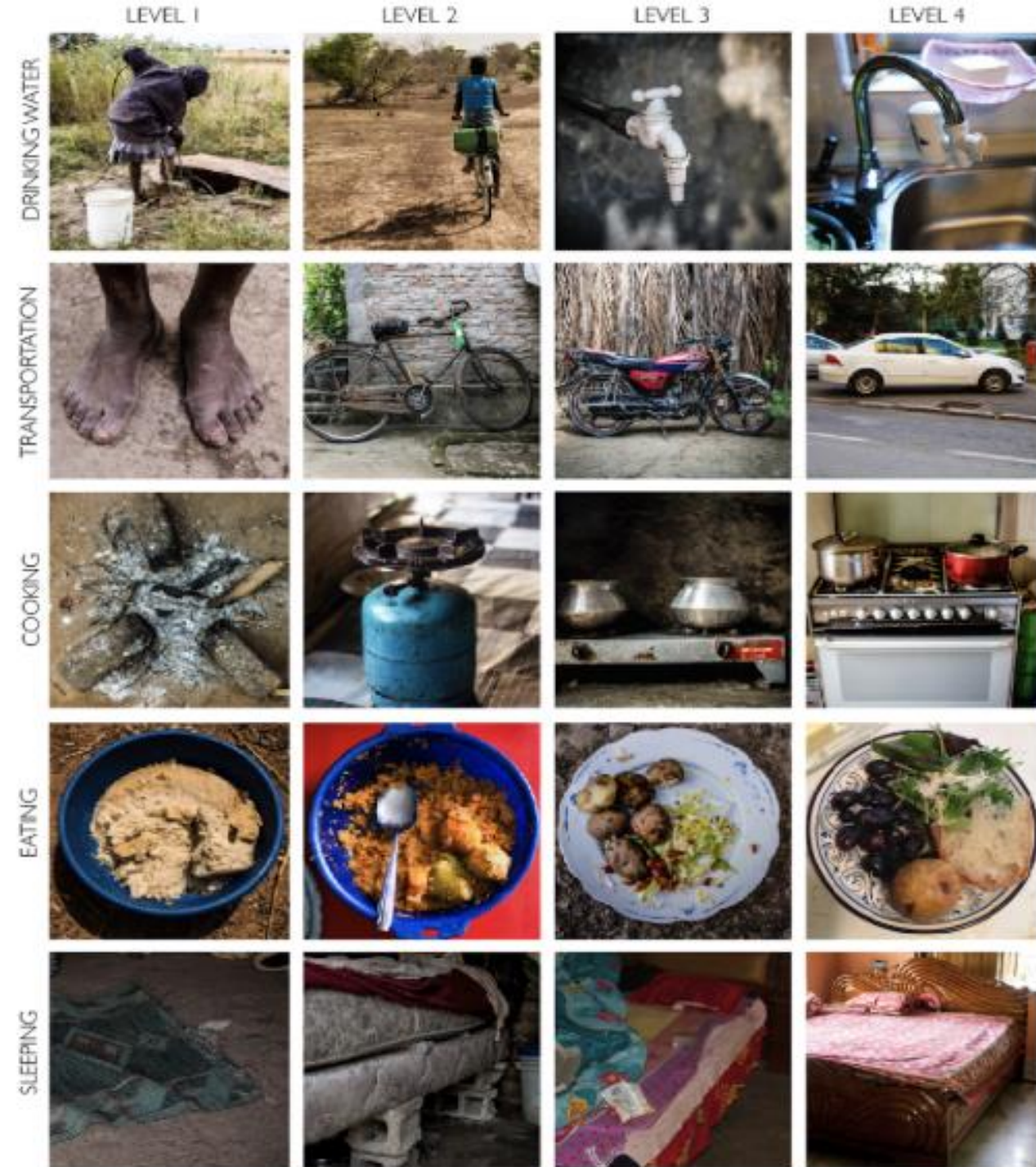
## Context of income inequality

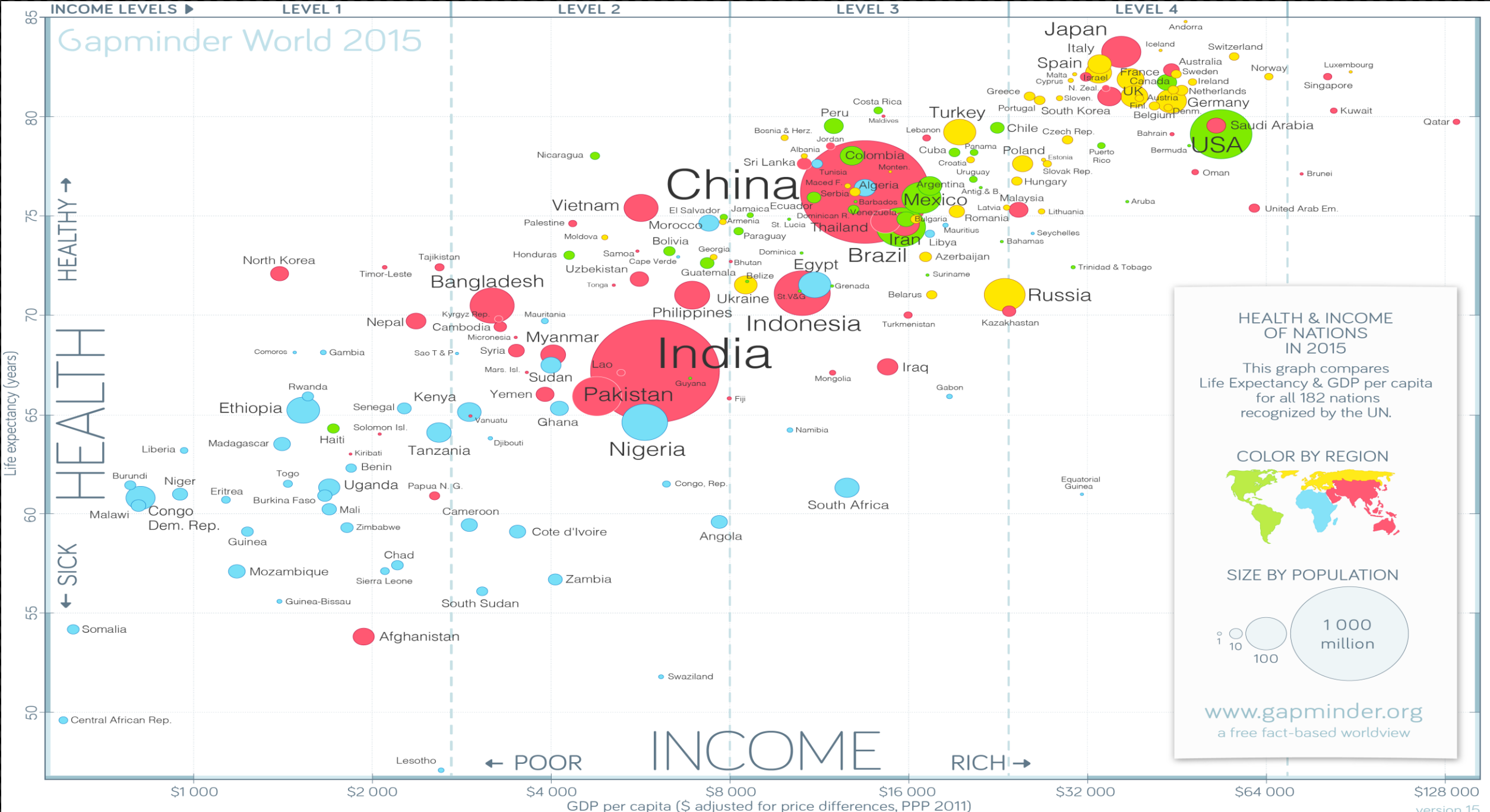
The image below shows how many of the world's 7 billion people live on each Income Level (each figure represents one billion people).



Income per person in dollars per day adjusted for price differences.

Source: Gapminder[3]





**HEALTH & INCOME OF NATIONS IN 2015**

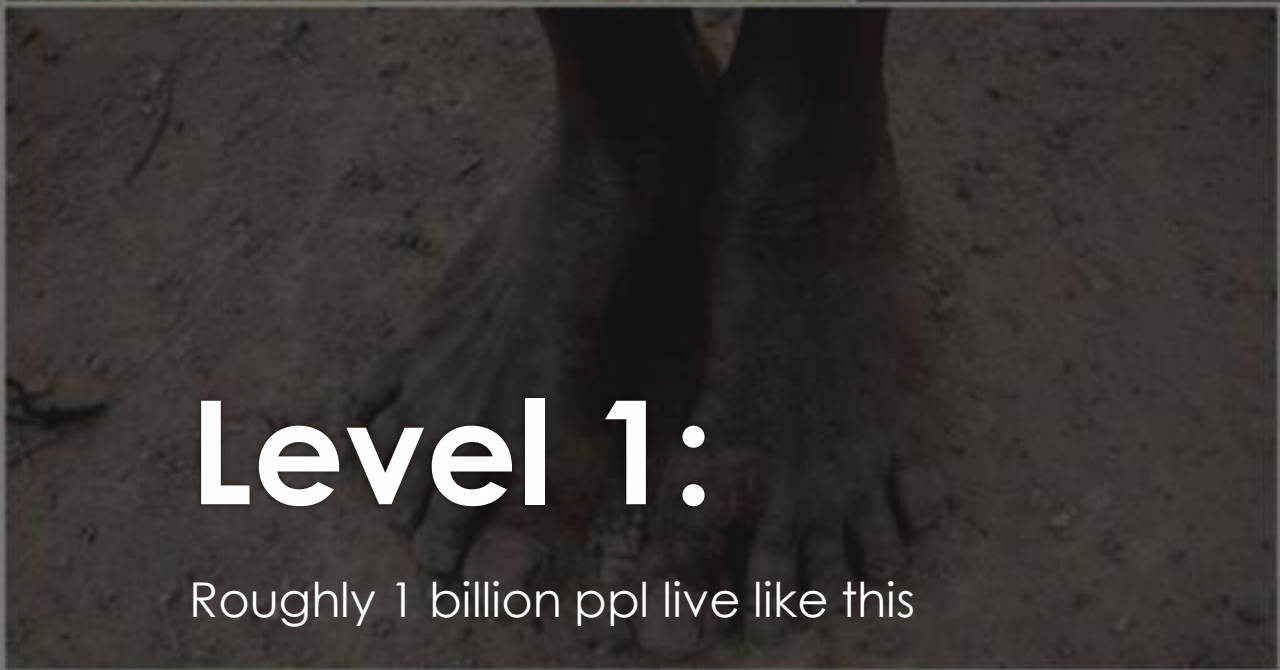
This graph compares Life Expectancy & GDP per capita for all 182 nations recognized by the UN.

**COLOR BY REGION**

**SIZE BY POPULATION**

[www.gapminder.org](http://www.gapminder.org)  
a free fact-based worldview





# Level 1:

Roughly 1 billion ppl live like this



## < Families in The World



POOREST

RICHEST



## < Families in The World



POOREST

RICHEST



### Home of Kabore

Monthly income  
\$29 

Burkina Faso

The Kabore family lives in the Kadiogo province of Burkina Faso. Compaore is 50 years old and works as a farmer. His wives, Mamouna and Adjarata, are 25 and 38 years old respectively. They live with their 6 children and the grandmother. The family owns their house and have been living there for around 50 years. The next big thing they plan on buying is a bicycle.

↓ Read more



All families in Burkina Faso

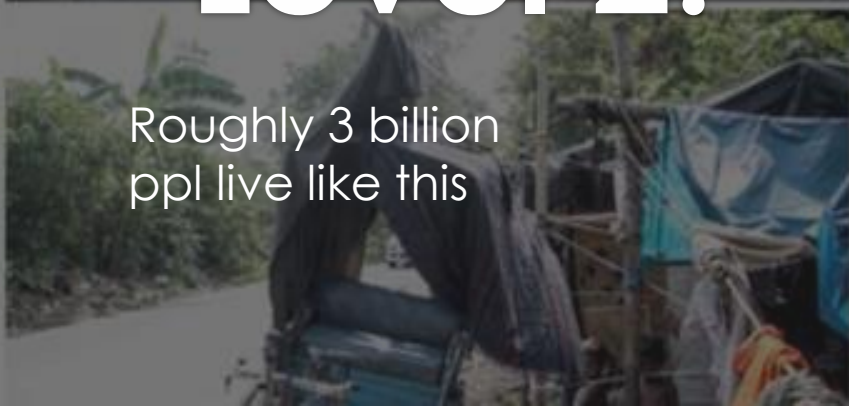


Photo by: [Zoriah Miller](#)





## Level 2:



Roughly 3 billion  
ppl live like this





## < Families in The World



POOREST

RICHEST



## < Families in The World



POOREST

RICHEST



### Home of Khā

The Khā family lives in Mai Châu in Vietnam. Tim is 56 years old and is a farmer. His wife Hao is 55 years old and she is also a farmer. They live with their 5 family members in a 1-room house, which they own, and have been living there for 26 years. Their favorite item in the house is the work knife. The next big thing they plan on buying is dinnerware. Their dream is to buy a motorbike.

↓ Read more

Photo by: [Victrixia Montes](#)

Monthly income  
\$246

Vietnam



All families in Vietnam

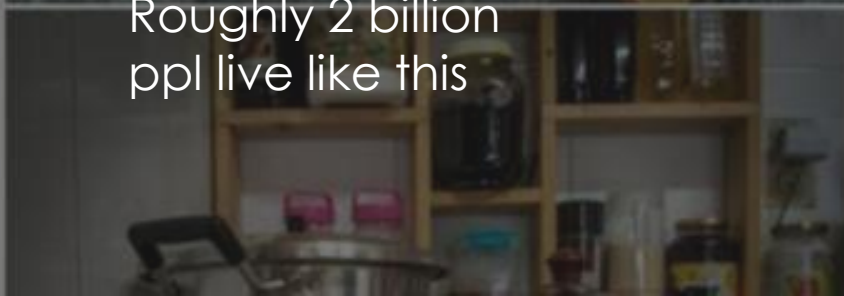






# Level 3:

Roughly 2 billion  
ppl live like this







## < Families in The World



POOREST

RICHEST



## < Families in The World



POOREST

RICHEST



### Home of Alu's

Monthly income  
\$840

Alu's family lives in the Yunnan province in China. Alu is 50 years old and is a farmer. He lives with his 3 family members in a 4-bedroom house. The family owns the house and have been living here for 21 years. They like the house because they grew up here and like its quality and size. Their dream is to buy another house later in their life.

↓ Read more

Photo by: Jonathan Taylor

China



All families in China





# Level 4:

Roughly 1 billion  
ppl live like this







## < Families in The World



POOREST

RICHEST



## < Families in The World



POOREST

RICHEST



### Home of Carolina

Carolina family lives in Jayapura city, in Papua province, Indonesia. They are 2 adults and 1 child. Maria and her husband Chendns, are both 29 years old and they are doctors. They live in a 2-bedroom house and have been living there for 2 years. The house is close to their workplace and their most valuable belongings in it are TV and refrigerator.

↓ Read more

Photo by: [Global Exploration](#)

Monthly income  
\$2,594 

Indonesia



All families in Indonesia



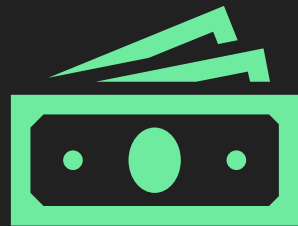
# The Rise in National Income Inequality-USA

- Uses primary income data (prior to taxes)
- After redistribution level of inequality decreases with the share going to the richest 10% dropping from 40% of primary income to a little under 30% of disposable income
- Still substantial rise in inequality over the last 30 years



**Figure 2.** Share of top 10% in total market income: United States, 1910–2010.





## Individual wage income

Before 1980s top 10% paid 80% more than medium wage

By 1995 risen to 125%



## According to U.S Congressional Budget Office household average income:

Total growth was only 37% for the poorest  
Exceeded 250% for the richest 10% of the population

# Do we see this in Countries other than the US?



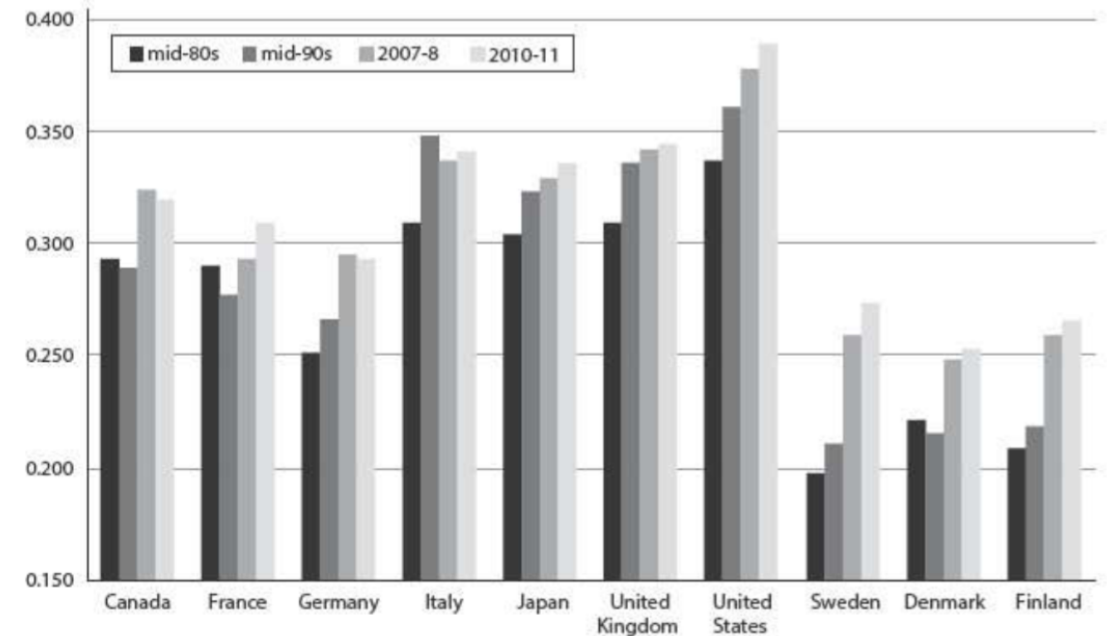
- Gini coefficient of disposable income per adult equivalent has risen by at least 2 % in more than 3/4 of OECD countries over the last 20 years.



- Risen over 4 % in a dozen or so countries. These countries include the United States, United Kingdom, Germany, the Netherlands, Italy, and even—Scandinavian countries



- Not impacted by recent financial crisis



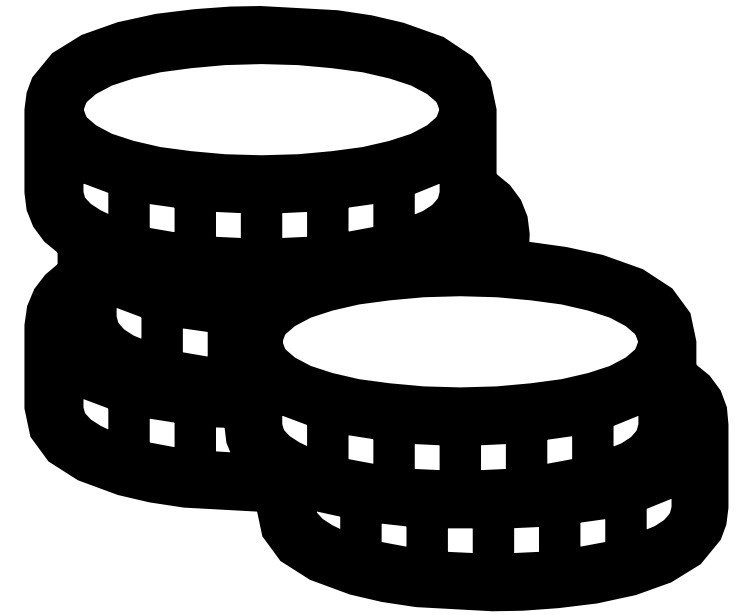
**Figure 3.** The increase in inequality in selected OECD countries.

*Note:* Gini coefficient of disposable income per adult equivalent, 1985–2010.



# Exceptions

- France
  - Still an increase but much less
  - Due to minimum wage
  - Payroll cuts at the top and middle but not the bottom



# Inequality in Developing Countries: As growth increases inequality increases

- China
  - Mid 1980s-end of 2000s
    - 0.28 to 0.42 increase in Gini
    - Even 30 years after new market adoptions
- Asia
  - India, Indonesia and Bangladesh
- Africa
  - Ghana, Kenya, Nigeria, and the Ivory Coast prior to the 2002 crisis.
- Latin America
  - Brazil especially



# The Capital-Labor Split

- Analysis based on distribution of standard of living within national populations, which is basically defined by the per person income or spending of the households in which these individuals live.
- Bias in the sense it could be worse if it included property capital gains
- G7 countries as a whole, it has increased almost continually since 1970. It was 34% in 1970 and rose to 38% by 2005.
- Halted by 2008-2009 crisis

# Wealth Inequality

- concept that is related but different from income inequality, and one that is implicit to the consideration of the labor- capital split of value added, has to do with wealth= the richness of individuals or the value of their property less outstanding debts.
- This inequality is less regularly tracked
- Much higher than income inequality
- Gini coefficient, which is around 0.38 for standard of living, rises to 0.83 for wealth





# Wealth Inequality Continued

## Developed Countries

- Risen in the US and the UK
- richest 10% have seen their share increase from 64% to 71% between 1970 and 2010



## Emerging and Developing Countries

- Limited data
- Gini coefficient for wealth was estimated in the late 1990s or early 2000s:
- 0.55 in China
- 0.65 in India
- 0.78 in Brazil and Mexico

# Inequality of Opportunities

## Unemployment:

- France: has been around 9% for years. Trade other inequalities for this type of inequality
- Has social implications such as frustration and social stigma

## Lack of a “Decent Job”

- Fixed term employment contracts, temporary work or very part time work in developed countries, and informal jobs with irregular working hours, low earnings, and uncertain futures
- France increased from 8% in 90s to 12% in 2000s

## Discrimination

- More difficult for specific groups (ethnic, racial, immigrants, gender)
- Despite lessening gap in education and experience this is stagnating or growing more slowly

## Environment

- Urban “gehttos” “sensitive urban zones”

## Difficulties in intergenerational mobility

- Gotten better in some places (Europe) worse in others (US)
- Issues in moving from one social status to another (parental wealth)

# Chapter 3

## Globalization and the Forces behind the Rise in Inequality





# Developed Countries: Globalization and Deindustrialization

01

offshoring has had only a limited effect on industrial employment

02

globalization accelerated the deindustrialization of developed countries and led to the increased precariousness of employment in the regions on which it has had the greatest impact

03

competition from low-wage countries in some services employing medium- skilled labor is increasing, a process that is being reinforced by technological advances

# Emerging Economies

---

The development gap between urban and rural areas, have contributed to a sizable increase in income inequality

---

The expansion of the export sector can therefore take place without any direct impact on industrial wages, primarily benefiting on the one hand the workers newly engaged in manufacturing and, on the other hand, capital- owners

---

Despite the globalization process the majority of developing economies that keep exporting mostly raw materials, whether agricultural or mineral, it is again capital- and large property owners (sometimes the state) who profited from rising demand and prices for these basic commodities.



# Technological Progress, Superstars, Bosses, and Very High Incomes



## Entertainment:

Gives bands like U2, Swedish soccer player Zlatan Ibrahimovich a larger audience world-wide



## Financial sector:

Increases the volume of financial operations and made it possible for a single person to manage a huge portfolio, often worth a few billion dollars, and to generate larger profits.



## Heads of Companies:

Big corporations and multinational corporations benefit from lower wages and ability to expand which expands profits



# Institutional Changes



TAXATION



PRIVATIZATION AND  
DEREGULATION



EMERGING ECONOMIES AND  
STRUCTURAL ADJUSTMENT

# Taxation

Tax cuts for the  
wealthy

Distinction between  
the taxation of income  
from capital and  
savings and the  
taxation of income  
from labor

Rates on corporate  
profits were also  
reduced

# Privatization and Deregulation

## Financial Deregulation

disinflation that took place at the beginning of the 1980s re- energized financial markets by eliminating a major source of uncertainty about the cost of and the real return on capital facilitated by the growing openness of international financial markets

## Deregulation of the Labor Market

restrictions on and costs for dismissing individuals or groups of employees with permanent contracts, the regulation of fixed- term or temporary contract work  
role of unions and collective bargaining, social contributions, or wage deductions, and payroll charges imposed on employees and employers, unemployment compensation and, of course, minimum wage laws



# Emerging Economies and Structural Adjustment

Latin America: Contributed to inequality: The transformation of public monopolies into poorly regulated private monopolies also allowed for the creation of new rents and sometimes even the accumulation of immense fortunes done for “economic efficiency”

Asia: Structural adjustment allowed for a faster return to earlier levels of growth.

African countries: inequality was less sensitive to the reforms that came as pre-conditions on aid from development agencies. These programs left the income distribution unchanged. Growth was seriously slowed, even reversed, in the 1980s, possibly because of the adjustment but also because of unfavorable terms of trade.

# Globalization, Deregulation, Inequality-Conclusion

## Globalization.

- Changed the international climate for all national economies and has profoundly modified their structures
- Intensified competition: accelerated the pace of technological innovation and its consequences.
- Caused financial liberalization in a large number of countries and reinforced the mobility of capital.
- Weakening of the progressiveness of taxation may themselves be an indirect consequence of globalization

## Economic Policies:

- Justified in the name of two very different principles: efficiency and/or equality
- Improve the competitiveness of national economies, notably, as argued earlier, in the face of the disequilibria caused by globalization. But these very reforms have often contributed to a rise in inequality, without necessarily having had a major effect on efficiency