Distributional National Accounts

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This presentation

Inequality data as a public good: the World Inequality Database project

What have we learned from recent research on global income & wealth dynamics?

Inequality is everywhere but still missing from public statistics

- Leaks, rich lists, social movements suggest large inequalities (in particular wealth inequalities)

- Public statistics in most countries still struggle to publish basic information about the distribution of income and wealth growth

- Issue of accountability in democracy

The objective of the Distributional National Accounts Project (DINA) is to fill this data gap

- **1950s-1970s**: Pioneering work of Kuznets (1953) and Atkinson (1978) combining tax and national accounts data

- **2000-2010s**: Project started with the publication of long run top income shares (Piketty, 2001, 2003; Piketty and Saez, 2003; Alvaredo et al. 2013)
    → World Top Income Database

- **Since the mid-2010s**: focus on top and bottom groups, income and wealth thanks to systematic combination of household surveys, national accounts, tax data rich lists
    → World Inequality Database

Methodological contribution: Distributional National Accounts guidelines

- **Flexible** approach to the distribution of national income and wealth within countries

- DINA use the strength of **all data sources** (tax, survey, nat. accounts, lists...) and combine them systematically and in a transparent manner

- A **cumulative** process: series are constantly improved thanks to better data access or methodological improvements

- **Collaborative** enterprise: computer codes, raw sources available online (WID.world, github) for anybody to contribute to the project

Distributional National Accounts Guidelines

Methods and Concepts Used in the World Inequality Database

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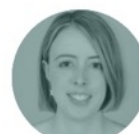PARIS SCHOOL OF ECONOMICS AND IDDRI SCIENCES PO

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Collaborations with the vast ecosystem of inequality data actors

- **International organizations :** United Nations, World Bank, OECD

- **National statistical offices**: in Europe, Latin America, Africa…

- **Partner institutions:** Luxembourg Income Study (LIS), Commitment for Equity Institute (CEQ), Southern Center for Inequality Studies, Stone Center Harvard Kennedy School…

→ **Common challenges:** heterogeneity of data, lack of common standards
→ **Common goals:** develop public data systems fit for 21st century challenges

Expert Group Report on the Measurement of Inequality and Redistribution

Insee Methods

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Direction générale
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France: Expert Working Group

Figure 1: Simplified table of distributed national accounts in 2016 (France, in billion euros)

	All	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	P100	M1000
IBT: Income Before Transfers	1881	39	66	94	115	140	161	187	224	280	576	406	183
IBD: IBT + Deferred Incomes	1881	46	72	100	123	141	160	182	217	274	576	389	174
TCP: Tax on Cons&Prod	-300.1	-17.3	-19.5	-22.1	-24.2	-26.9	-28.7	-30.9	-34.2	-40.9	-55.3	-35.2	-13.0
TIW: Tax on Inc. and Wealth	-276.6	-2.3	-3.9	-6.6	-9.6	-12.4	-15.5	-19.9	-27.4	-40.4	-138.5	-109.1	-60.7
TSC: Social Security Contributions	-471.2	-5.4	-15.4	-22.6	-30.0	-38.1	-45.1	-53.8	-64.4	-77.6	-118.8	-74.6	-22.3
BCA: Social Security Benefits in Cash	486.4	25.2	35.4	40.6	45.6	45.3	46.8	50.4	54.4	62.9	79.9	41.4	8.5
IDI: Disposable Income	1320	40	64	83	97	108	119	132	152	184	341	231	97
BKI: Social Security Benefits in Kind	394.3	54.5	52.0	45.4	41.5	37.0	36.0	31.9	33.1	32.3	30.6	15.3	3.1
BCO: Collective Consumption	182.9	23.0	20.9	18.6	18.1	17.2	16.4	17.2	16.9	17.4	17.2	8.6	1.7
MBT: Balance of Transfers	-15.9	1.0	0.5	0.2	-0.1	-0.4	-0.7	-1.1	-1.9	-3.0	-8.7	-4.3	-0.9
ATI: After Transfer Income	1881	118	137	148	157	161	170	180	200	230	380	251	100
NWE: Net wealth	10,783	120	232	308	398	520	662	837	1,074	1,526	5,106		
	All	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	P100	M1000

Sources: prototype distributed national accounts for 2016, authors' calculations.
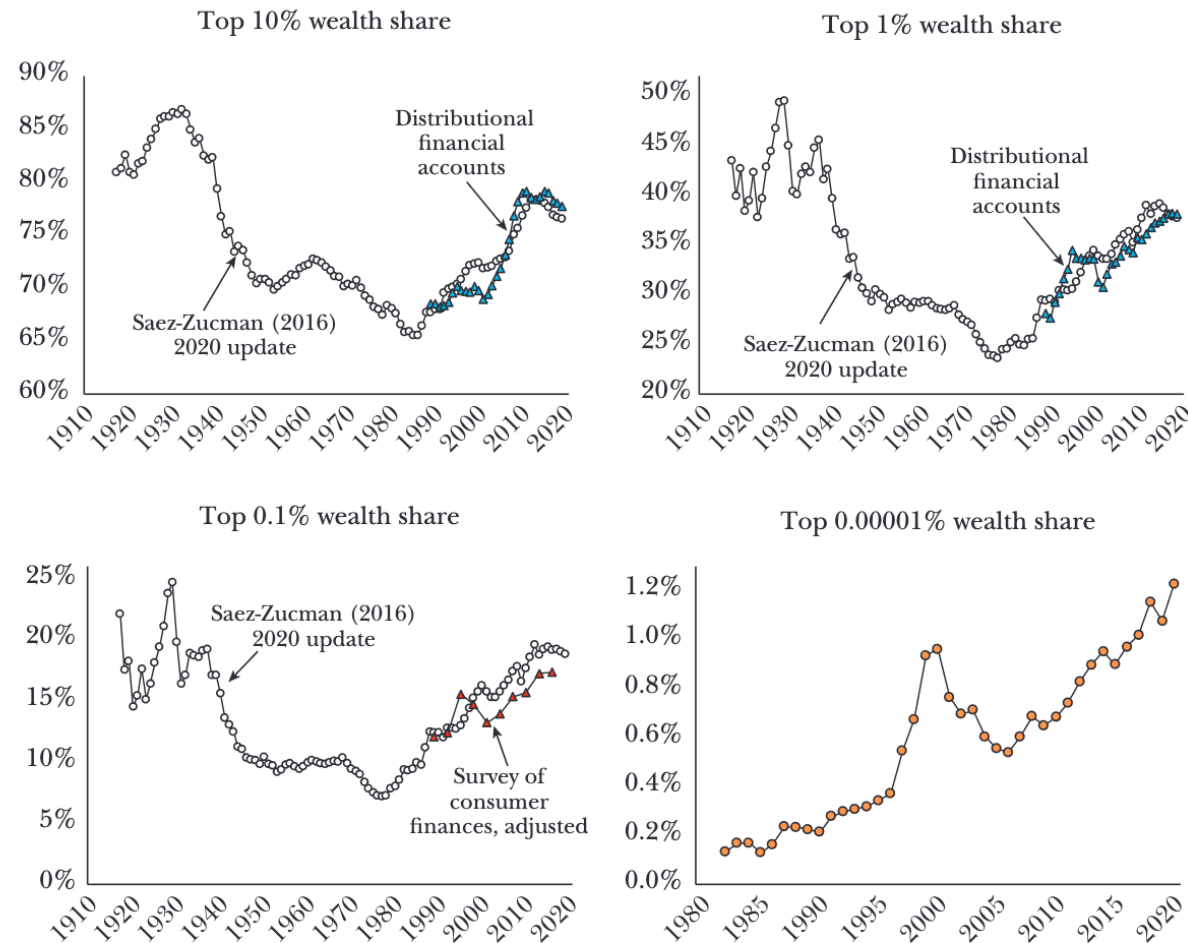
Germain et al. 2021

Figure A.2.1.1
Level and composition of capital income in Europe, 1980-2017
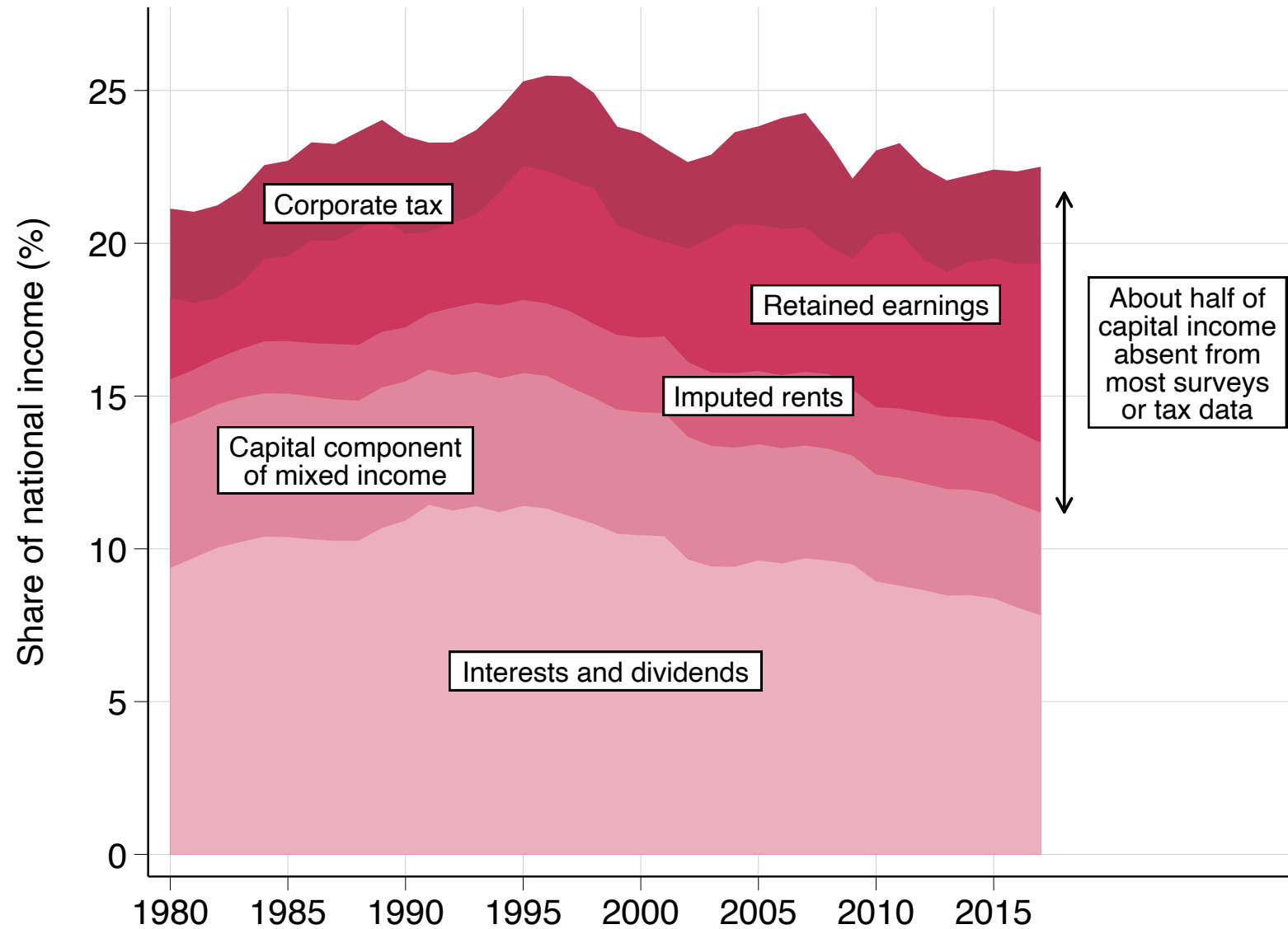
US: Convergence of official metrics and academic estimates, although still a veil of ignorance.


Figure 1

**Top Wealth Shares in the United States: Comparing Estimates**

Top 10% wealth share

Top 1% wealth share

Top 0.1% wealth share

Top 0.00001% wealth share

Source: Federal Reserve, Saez and Zucman (2016), September 2020 update, and *Forbes*.

The World Inequality Database today

- **Aggregate** income and wealth series for 140+ countries

- **Distributional** income and wealth series for 140+ countries since 1980s-1990s

- **Long-run** income inequality series for large countries & world regions since 1820

- Used by academia, policymakers, media, policy agencies, some stat agencies over the world

www.wid.world
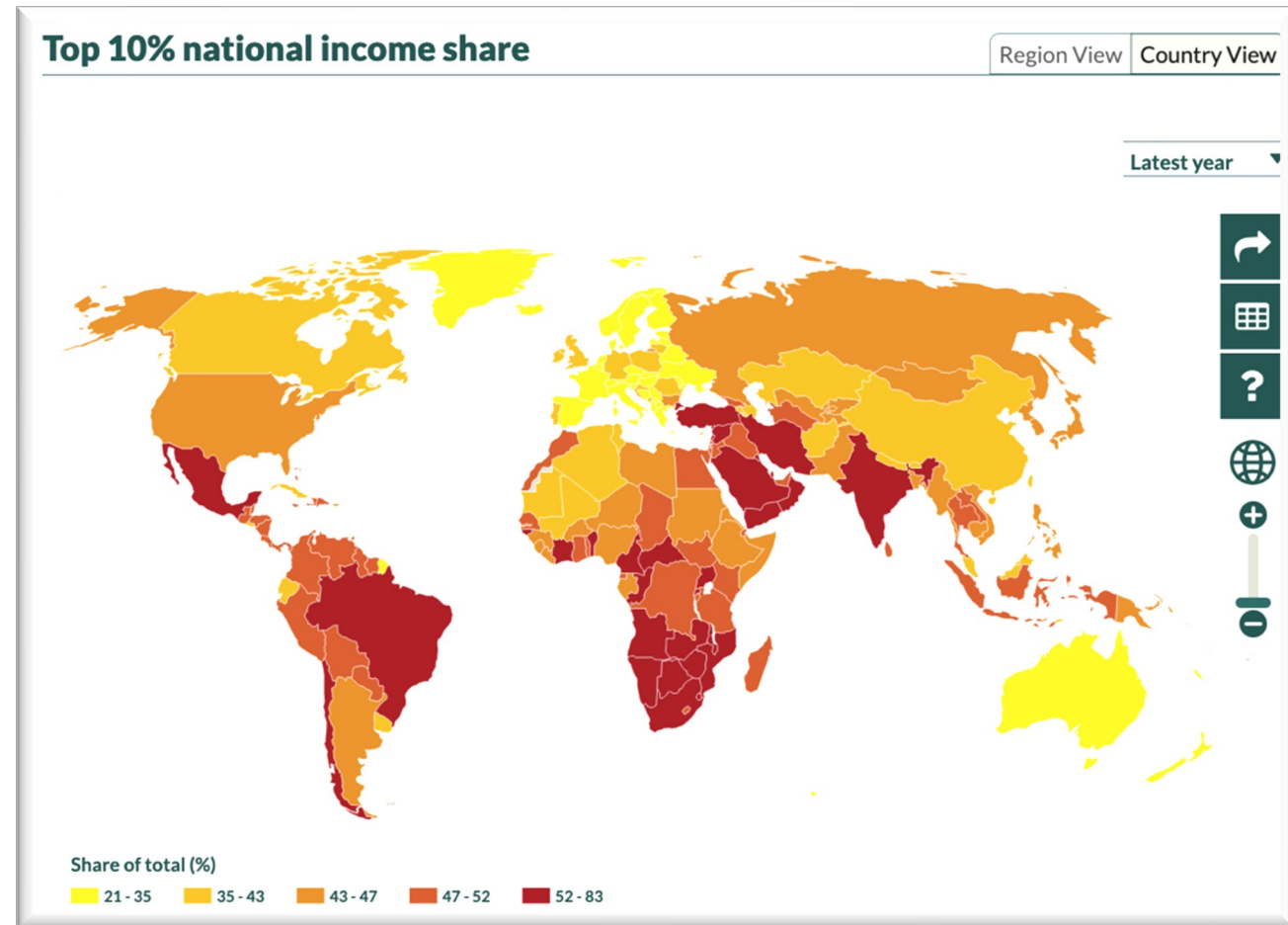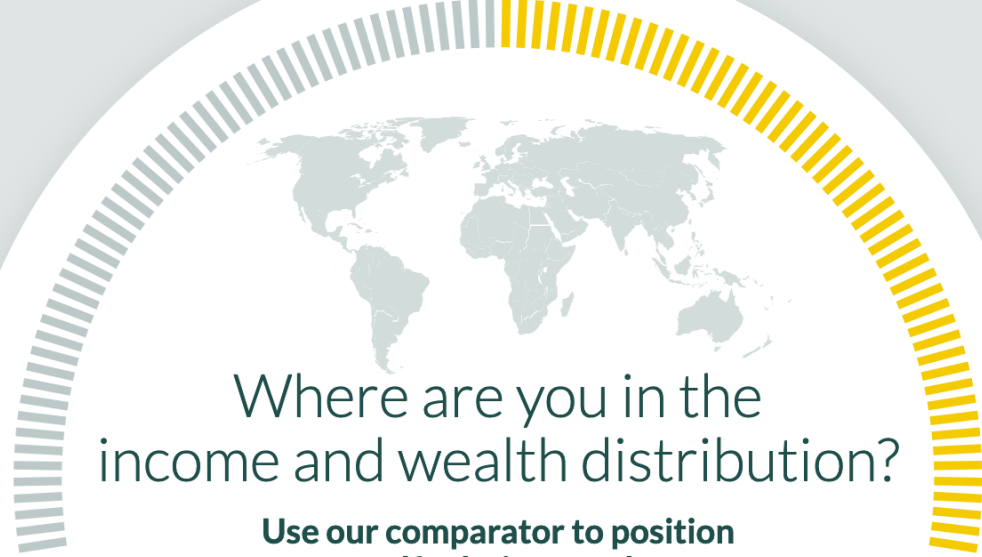
Where are you in the
income and wealth distribution?

**Use our comparator to position
yourself relative to others.**

Income

Wealth

We do not store any of the
information you provide

Differences in national statistical environments

INEQUALITY TRANSPARENCY INDEX
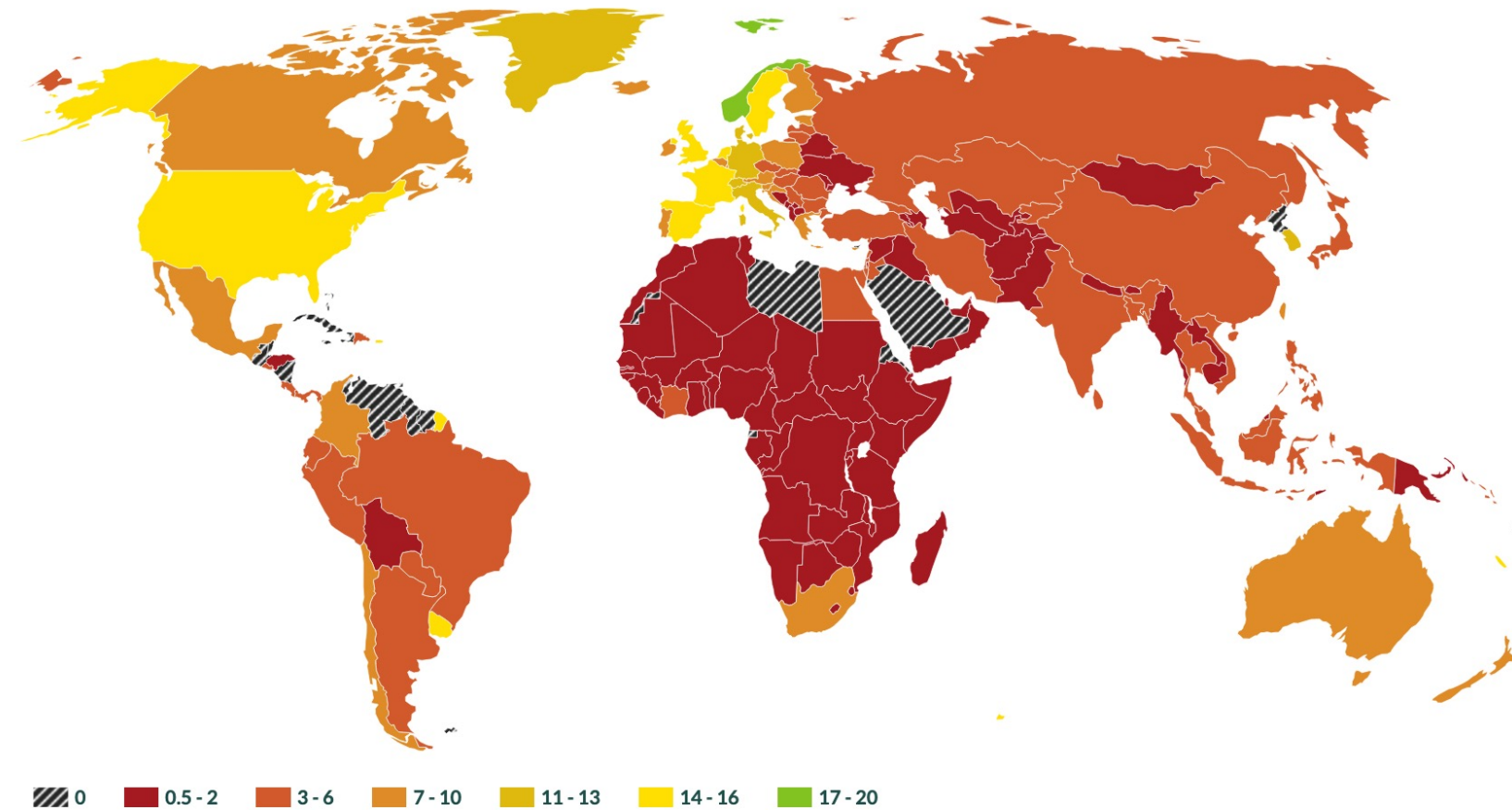
Some questions the DINA framework helps answer

- How is the <u>totality</u> of macroeconomic income or wealth growth distributed across the entire population.

- What is the incidence of taxes and transfers?

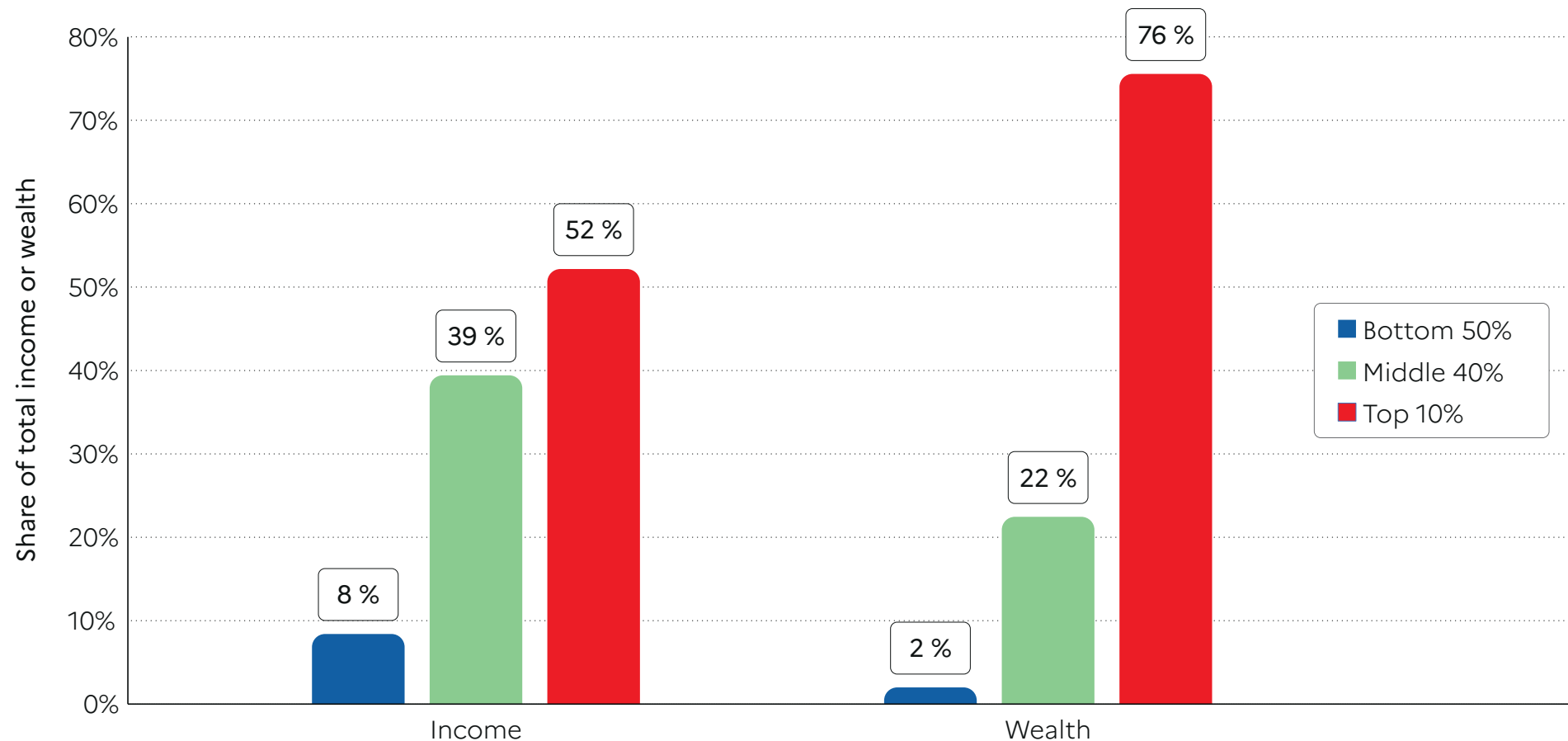- What are the drivers of inequality (cross-country & historical studies, event-studies, etc.)?

This presentation

Inequality data as a public good: the World Inequality Database project

What have we learned from recent research on global income & wealth dynamics?

Global income and wealth inequality today

**Figure 1** *Global income and wealth inequality, 2021*

Interpretation: *The global 50% captures 8% of total income measured at Purchasing Power Parity (PPP). The global bottom 50% owns 2% of wealth (at Purchasing Power Parity). The global top 10% owns 76% of total Household wealth and captures 52% of total income in 2021. Note that top wealth holders are not necessarily top income holders. Incomes are measured after the operation of pension and unemployment systems and before taxes and transfers.* **Sources and series:** *wir2022.wid.world/methodology.*

A diversity of income inequality regimes
Top 10% captures 35%-60% of national income, bottom 50% = 10-20%

Figure 2 *The poorest half lags behind: Bottom 50%, middle 40% and top 10% income shares across the world in 2021*
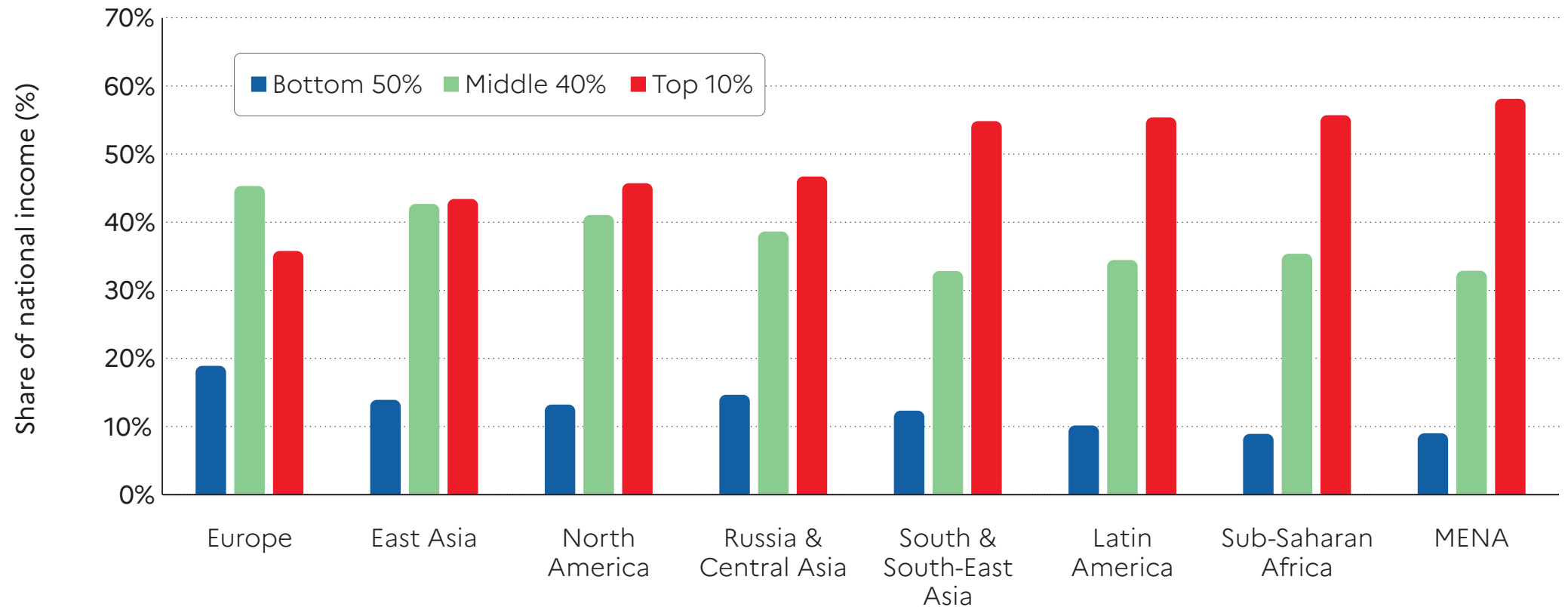
Interpretation: *In Latin America, the top 10% captures 55% of national income, compared to 36% in Europe. Income is measured after pension and unemployment contributions and benefits paid and received by individuals but before income taxes and other transfers.* **Sources and series:** *www.wir2022.wid.world/methodology.*

Inequality differences after taxes are mainly due to inequality gaps before taxes: role of predistribution (public services, min. wages, regulations)
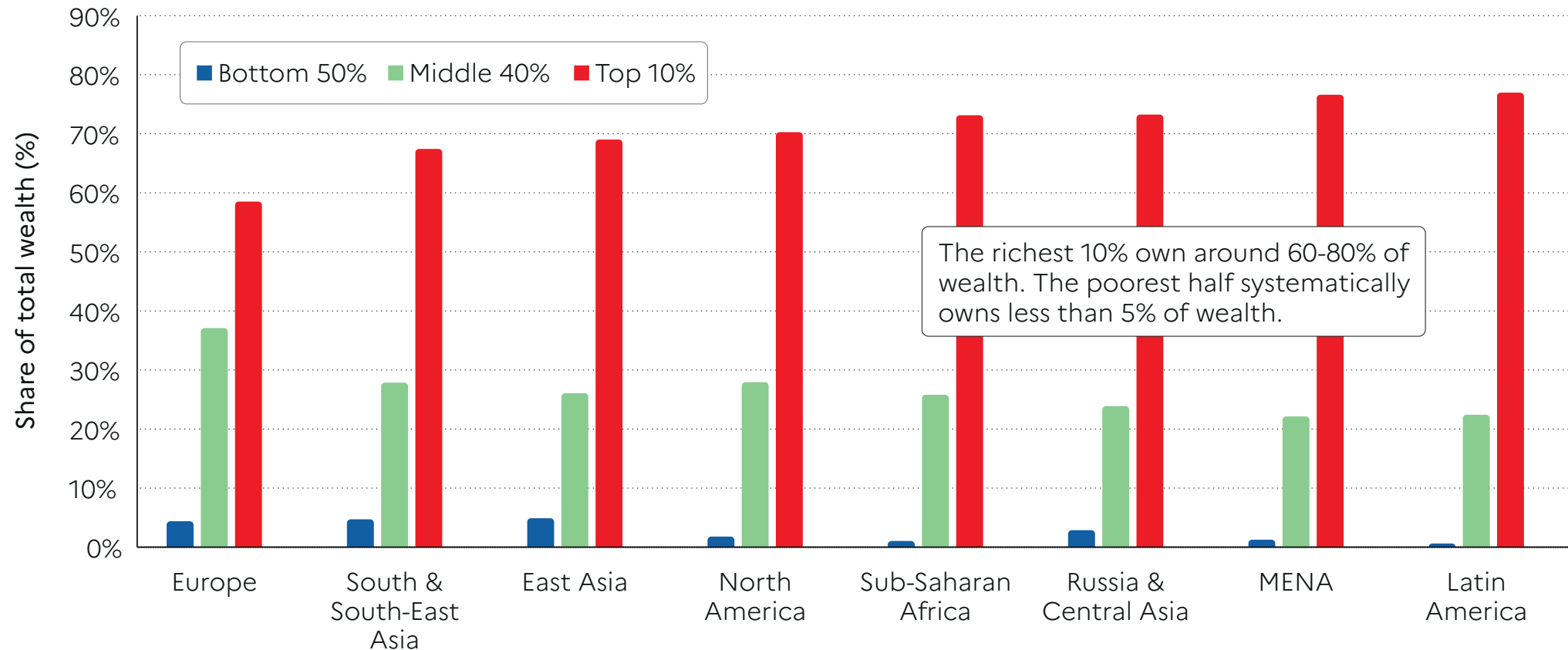
Figure 1.10 *Inequality before and after taxes 2018-2021: Top 10/Bottom 50 income gap*

Inequality differences after taxes are mainly due to differences in inequality before taxes

Interpretation: *Before taxes, the bottom 50% in South Africa earns 63 times less than the top 10%, whereas after taxes, the bottom 50% earns 24 times less than the top 10%. Income is measured after pension and unemployment payments and benefits received by individuals but before other taxes they pay and transfers they receive. Data for 2018-2021.* **Sources and series:** *wir2022.wid.world/ methodology*
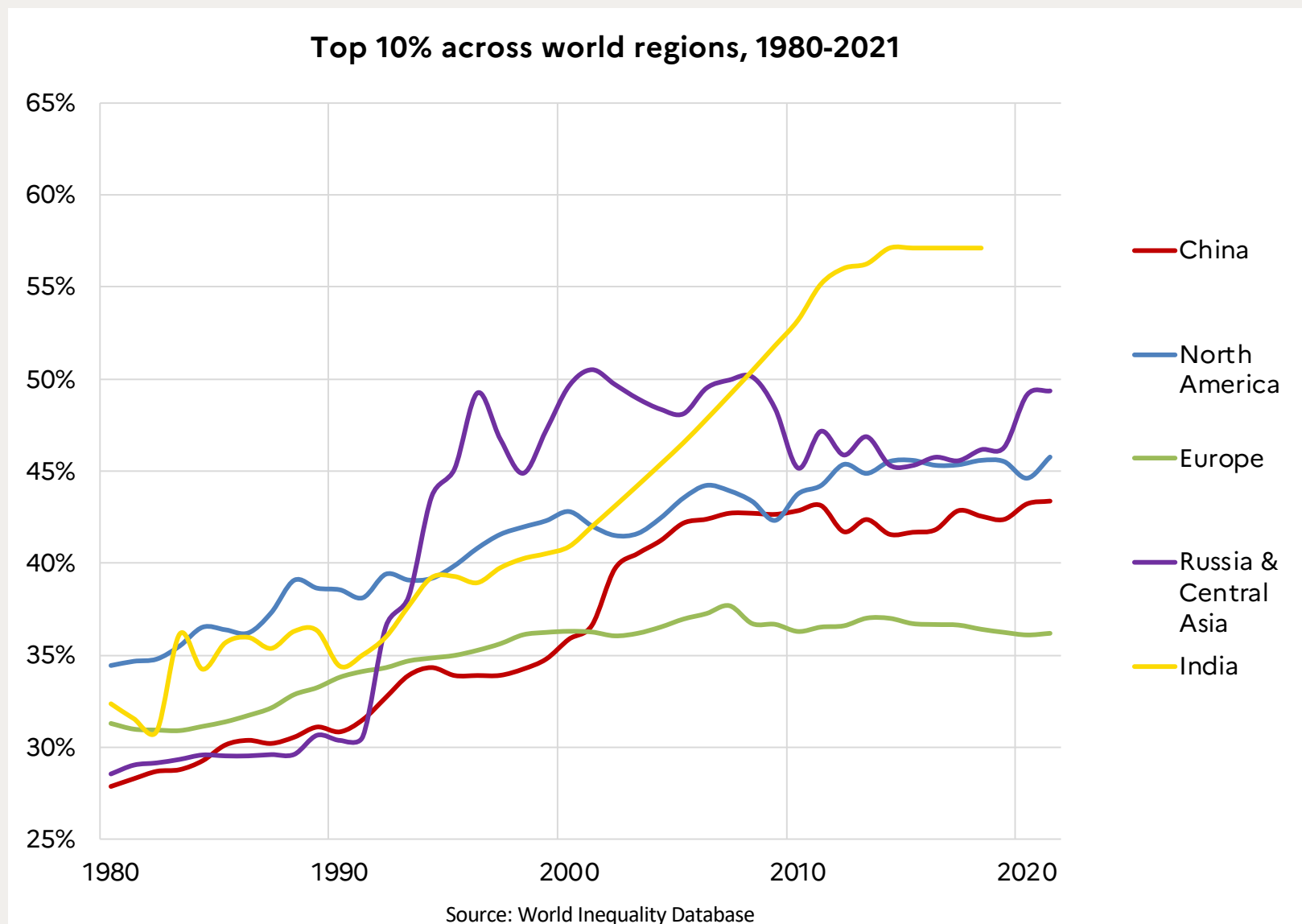
Wealth inequality is extreme everywhere: no region with a bottom 50% owning more than 5% of wealth. Top 10% = 60-80%.

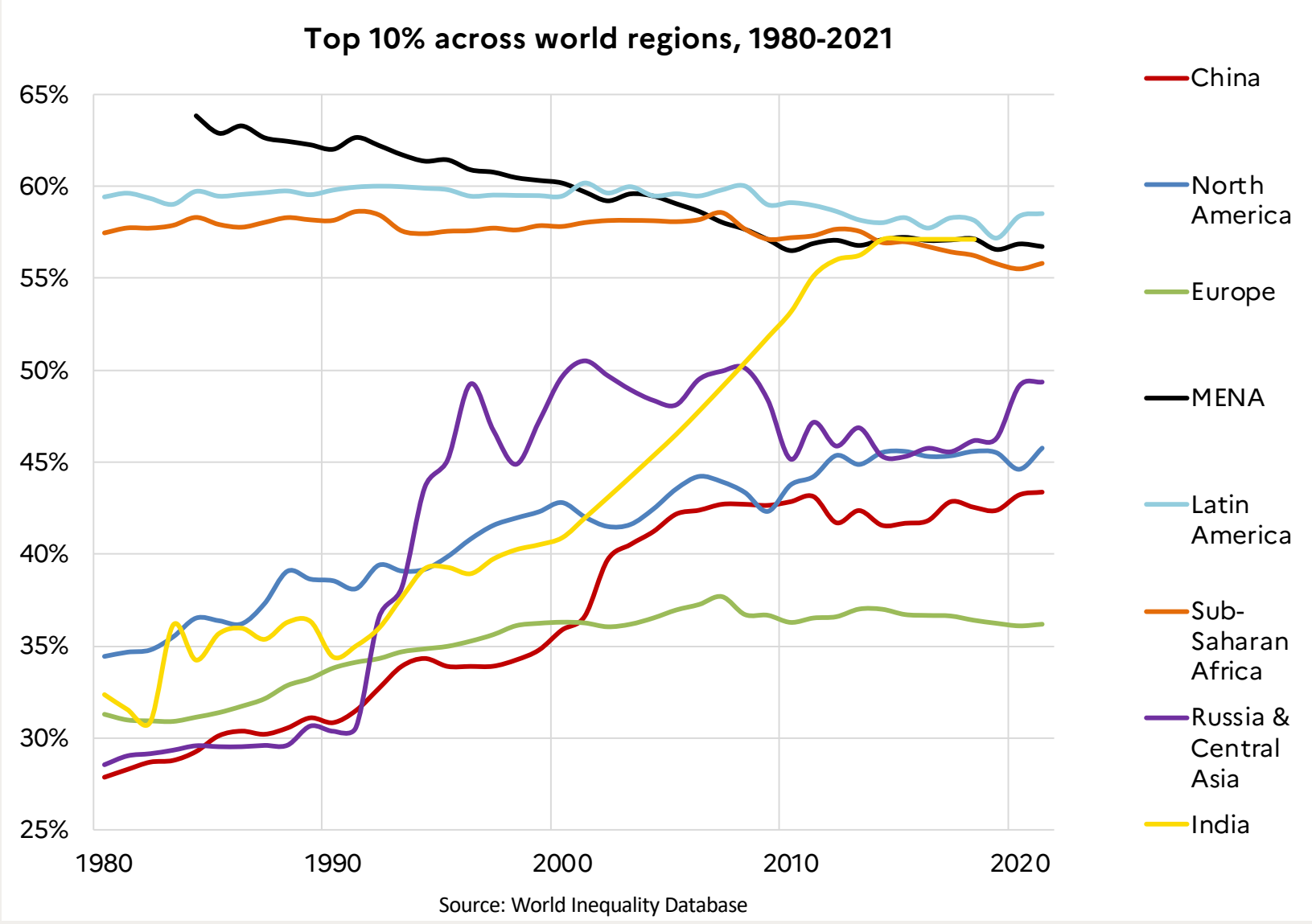The richest 10% own around 60-80% of wealth. The poorest half systematically owns less than 5% of wealth.

Interpretation: *The Top 10% in Latin America captures 77% of total household wealth, versus 22% for the Middle 40% and 1% for the Bottom 50%. In Europe, the Top 10% owns 58% of total wealth, versus 38% for the Middle 40% and 4% for the Bottom 50%.* **Sources and series:** *wir2022.wid.world/methodology.*

Top 10% across world regions, 1980-2021

Source: World Inequality Database

Top 10% across world regions, 1980-2021

Source: World Inequality Database

Legend: China, North America, Europe, MENA, Latin America, Sub-Saharan Africa, Russia & Central Asia, India

Methodological lessons

- ## Universal standard for inequality
  Global approach made us define inequality measures consistent across countries and times

- ## Pragmatic use of data available
  Great heterogeneity in data available and hence need for flexible methodology

- ## Impressive coordination of academics in recent years
  Both in terms of country coverage and method development

Methodological perspectives

- Micro-macro consistency remains a challenge

- Strong demand for granular inequality data… data transparency is declining in some countries

- Traditional data producers must adapt to data environment if they want to survive

- Key role for the UN, as it has already played for aggregate statistics in the past