New methods for estimating the level and trend of income and wealth inequality

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5 September 2014
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- CIGI-INET project, “The World Distribution of Income and Wealth”
Research on global wealth and income

Good Advice !!!

• be sceptical
• be resourceful/inventive
• be humble
Objective

• outline methodology for estimating level and distribution of household wealth

• discuss solutions to various problems encountered

• offer alternative to Lorenz curve as method of capturing and analyzing data on inequality

• mention ongoing work on level and distribution of global income
Global wealth methodology

(1) **mean level of wealth for each country:** based on

- household balance sheets and wealth survey data where available
- extended by regression methods to most other countries
- region-income class averages imputed to remaining countries

(2) **distribution of wealth for each country:** based on

- wealth distribution data for c30 countries
- wealth dist estimated from income distribution for most other countries
- region-income class averages imputed to remaining countries

(3) **generate synthetic global wealth sample** (1.3 million observations)

- process for global results
Methodology issues I

(1) **resource concept**
- “marketable” wealth
- gross income vs net consumption

(2) **unit of analysis** (person, household, etc)
- we choose adult for global wealth
- adult, person, household for global income

(3) **exchange rate** (current USD, PPP)
Methodology issues II

(4) **Lorenz curve gaps**

- UNU-WIDER utility generates synthetic sample
- 1/10,000; 1/1,000; 1/100

(5) **residency** (eg non-doms in UK)

- important for inequality (eg share top 1%)

(6) **top tail adjustments**

- match information in “rich lists”, esp Forbes billionaire data

(7) **methods of presentation**

- pyramid, regional composition
The global wealth pyramid

- USD 89.1 trn (38.5%)
- USD 100.6 trn (43.6%)
- USD 33.5 trn (14.5%)
- USD 7.6 trn (3.3%)

Wealth range:
- < USD 10,000
- USD 10,000 to 100,000
- USD 100,000 to 1 million
- > USD 1 million

Number of adults (percent of world population):
- 3,054 mn (67.6%)
- 1,066 mn (23.6%)
- 369 mn (8.2%)
- 29.7 mn (0.5%)
Regional Composition of Global Wealth

Decile

North America
Latin America
Europe
Africa
India
China
Asia-Pacific
Wealth distribution China, 2000
Unadjusted and adjusted wealth values for China

Number of adults above wealth level

Wealth level (USD, Logarithmic scale)

unadjusted data

adjusted data
Wealth distribution China, 2005
Wealth distribution China, 2010
Wealth distribution China, 2013
Wealth distribution USA, 2000
Wealth distribution USA, 2013
Wealth distribution USA, all years