Inequality – measurement, trends, impacts, and policies
UNU-WIDER, Helsinki, 5–6 September 2014

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

Anthony Shorrocks

5 September 2014

(Main) Collaborators

Jim Davies, Susanna Sandstrom, Ed Wolff

- "The world distribution of household wealth" in J.B. Davies (ed.) *Personal Wealth from a Global Perspective* (OUP, 2008)
- "The level and distribution of global household wealth", *Economic Journal,* March 2011

Jim Davies, Rodrigo Lluberas

- Credit Suisse Global Wealth Report 2010, 2011, 2012, 2013, 2014
- Credit Suisse Global Wealth Databook 2010, 2011, 2012, 2013, 2014

Jim Davies, Cinar Baymul

- CIGI-INET project, "The World Distribution of Income and Wealth"

OXFORD

PERSONAL WEALTH

FROM A GLOBAL PERSPECTIVE

Edited by

James B. Davies

UNU-WIDER STUDIES IN DEVELOPMENT ECONOMICS

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%)

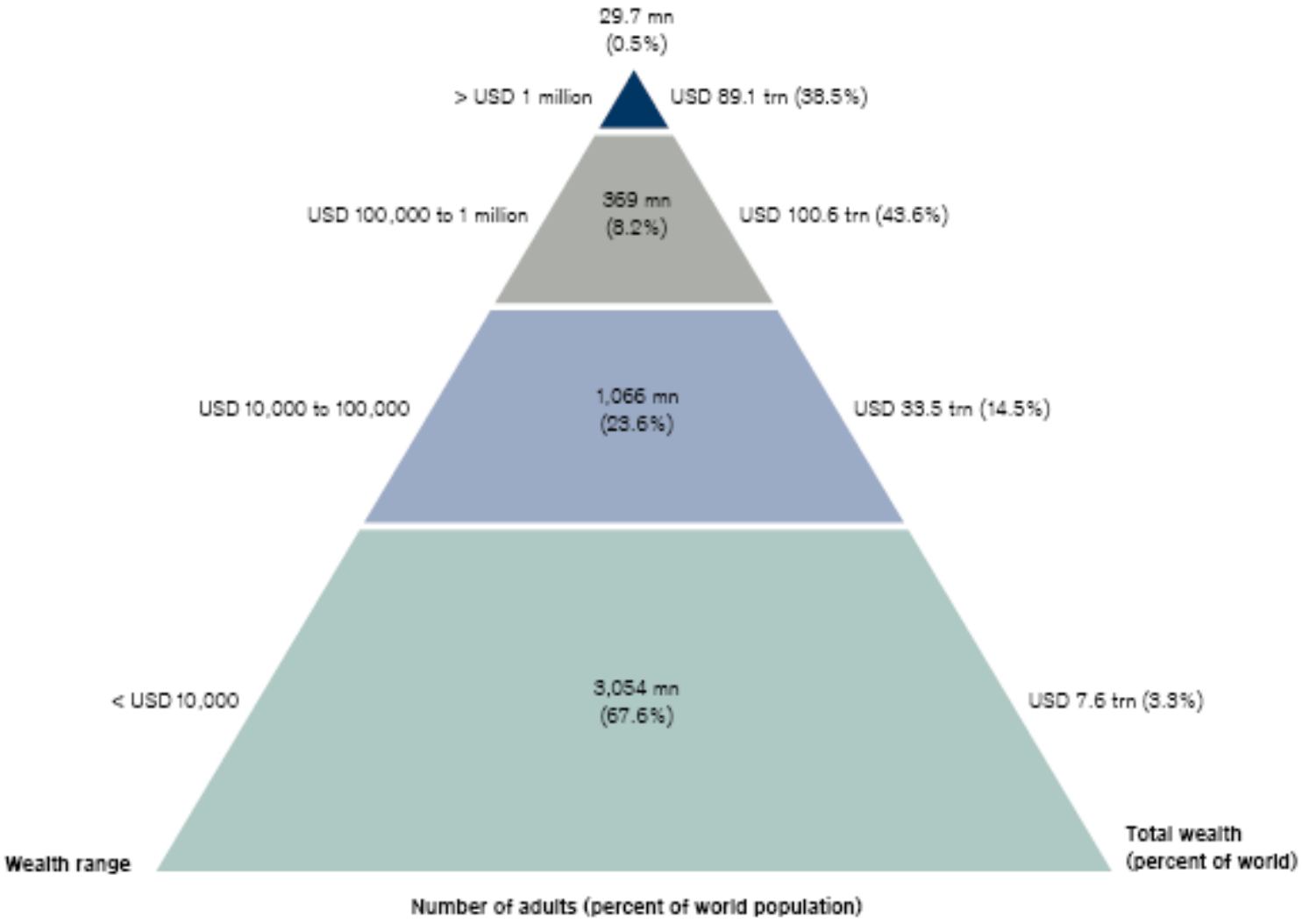
(6) **top tail adjustments**

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

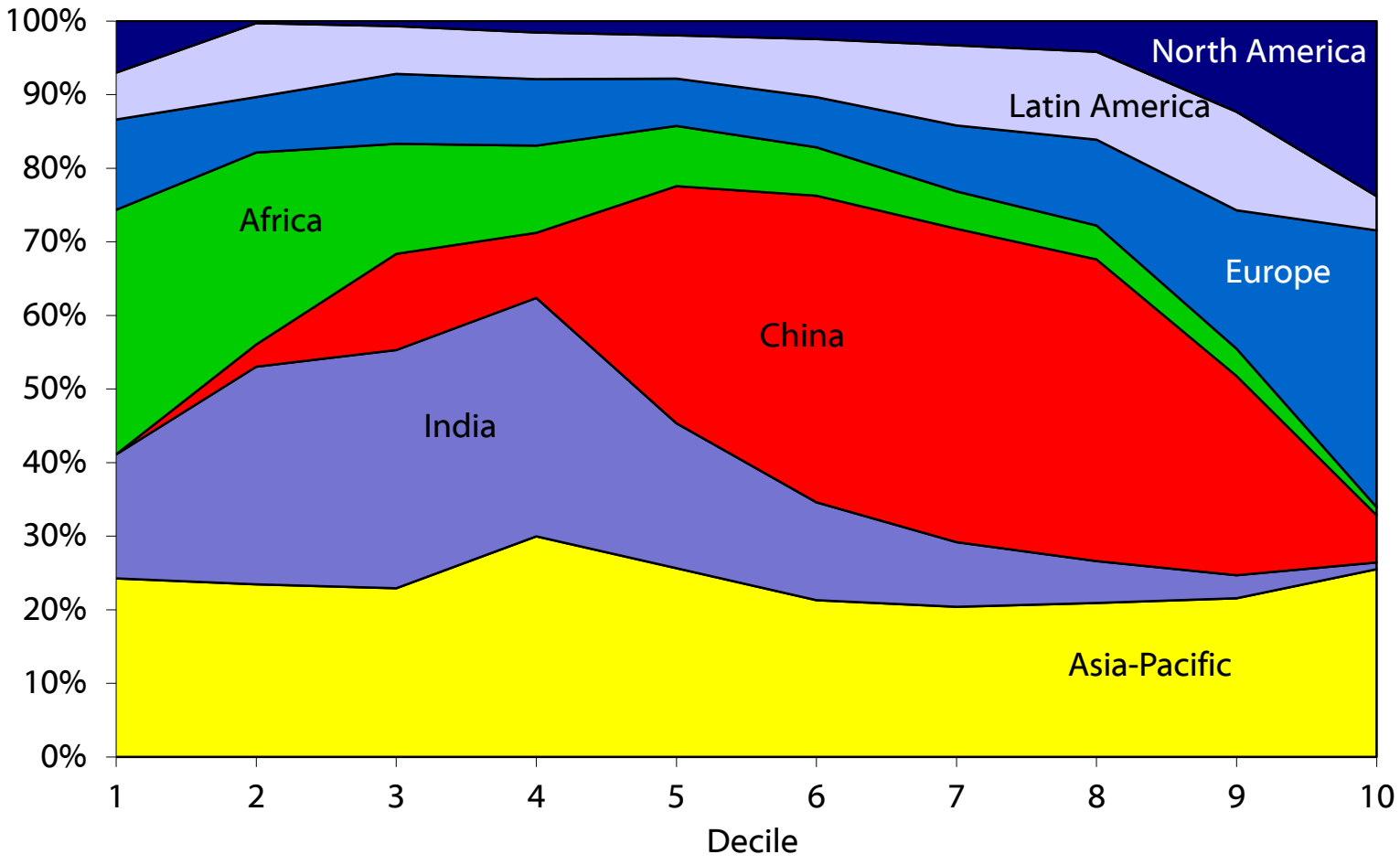
(7) **methods of presentation**

- pyramid, regional composition

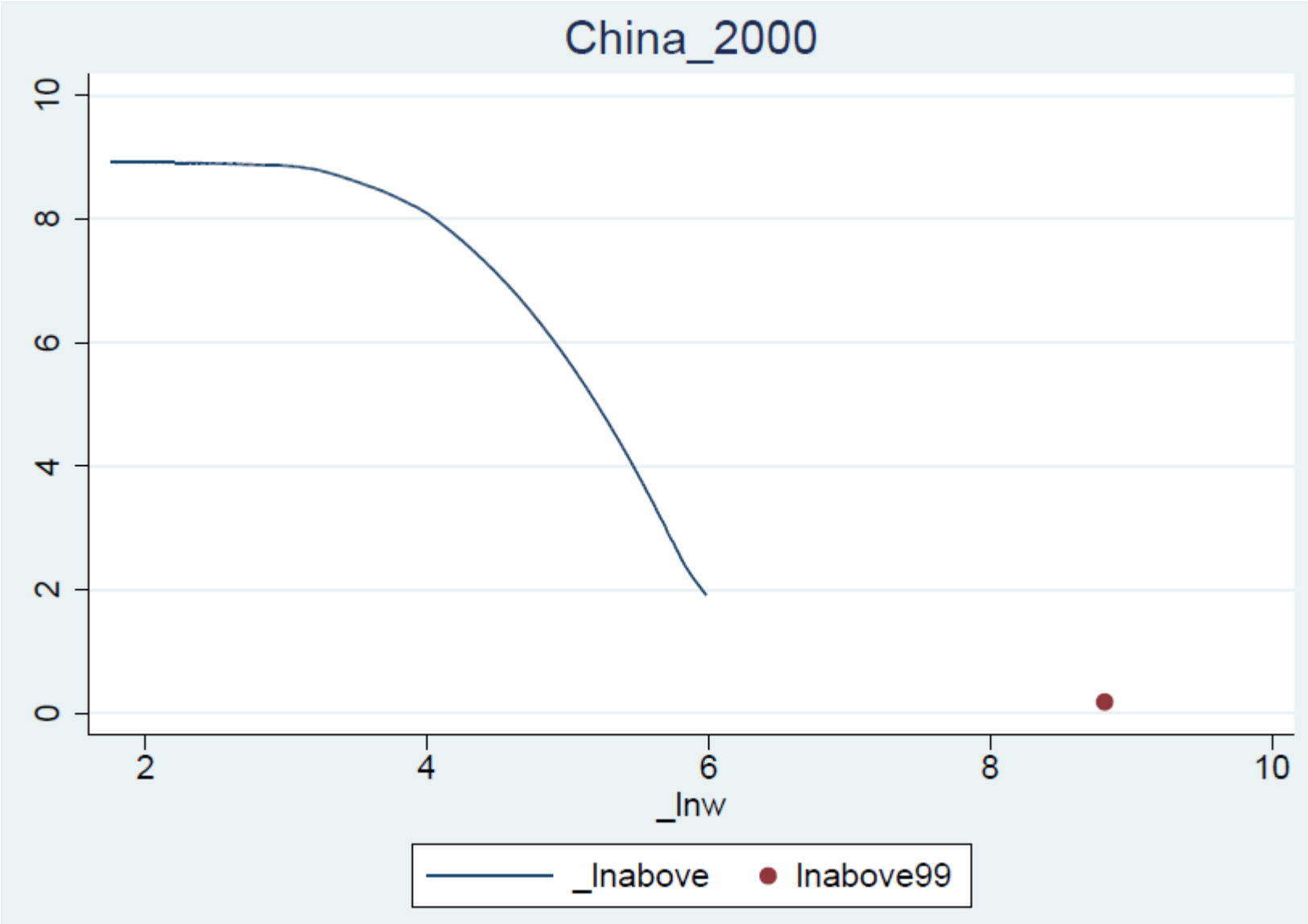
The global wealth pyramid



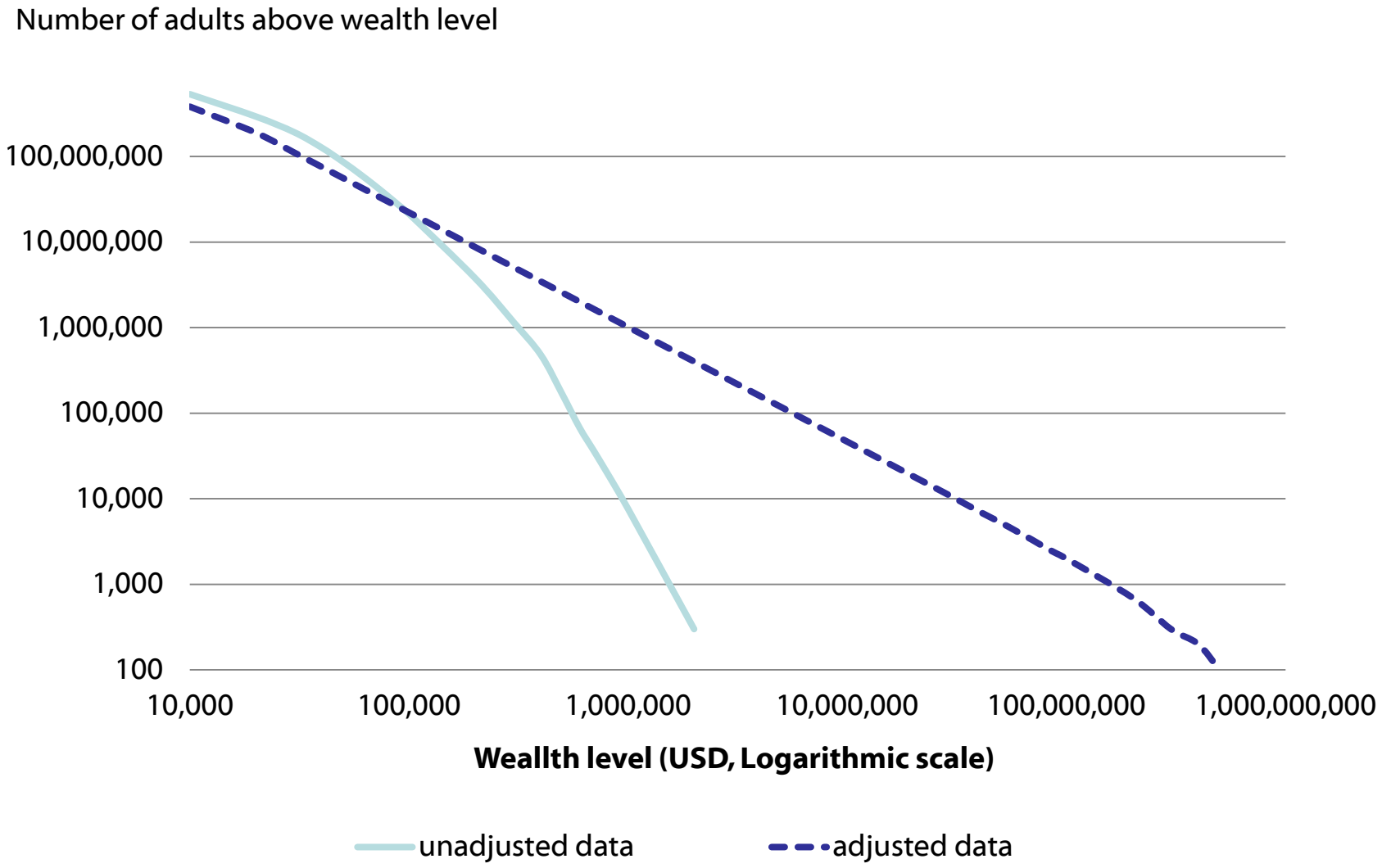
Regional Composition of Global Wealth



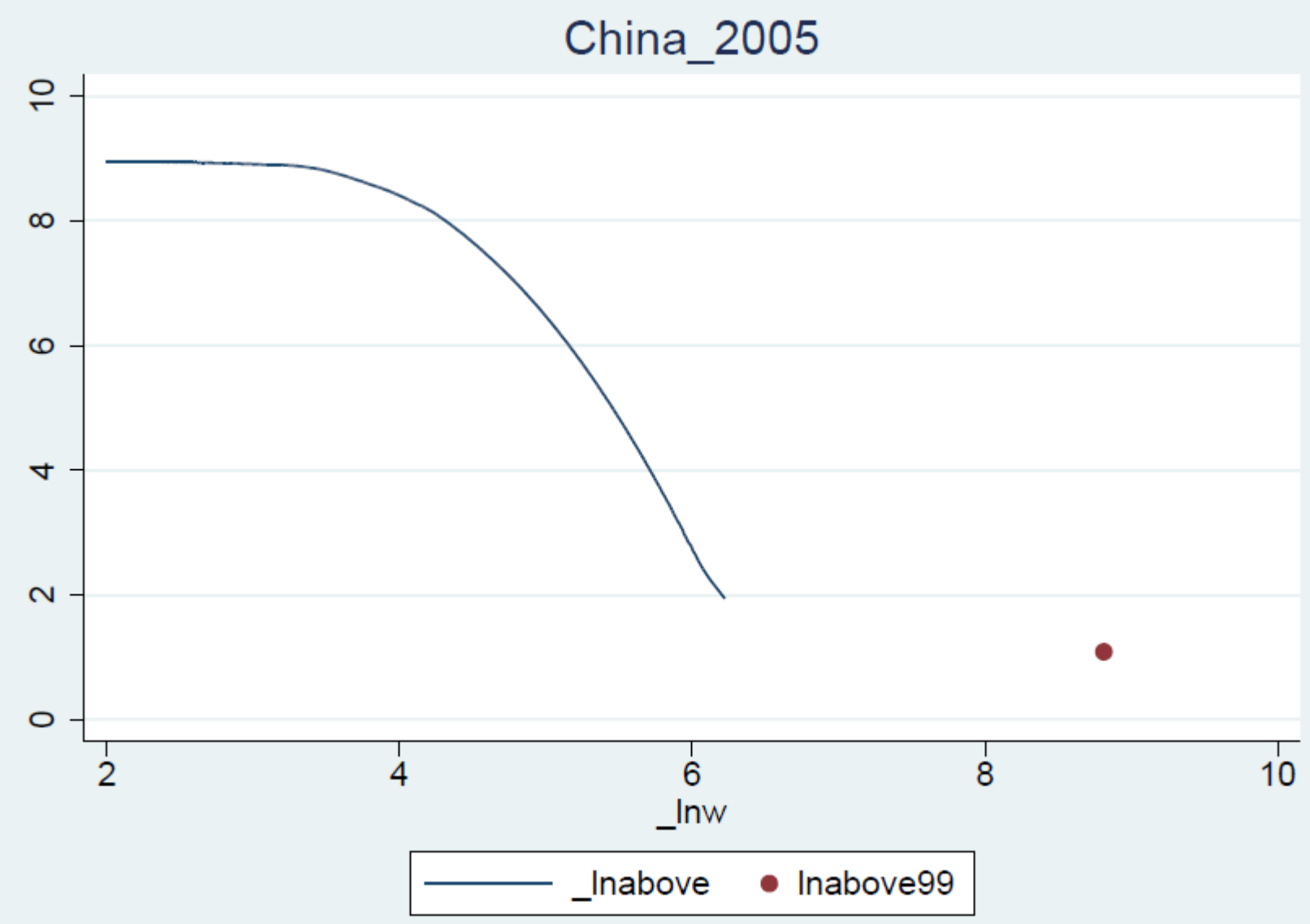
Wealth distribution China, 2000



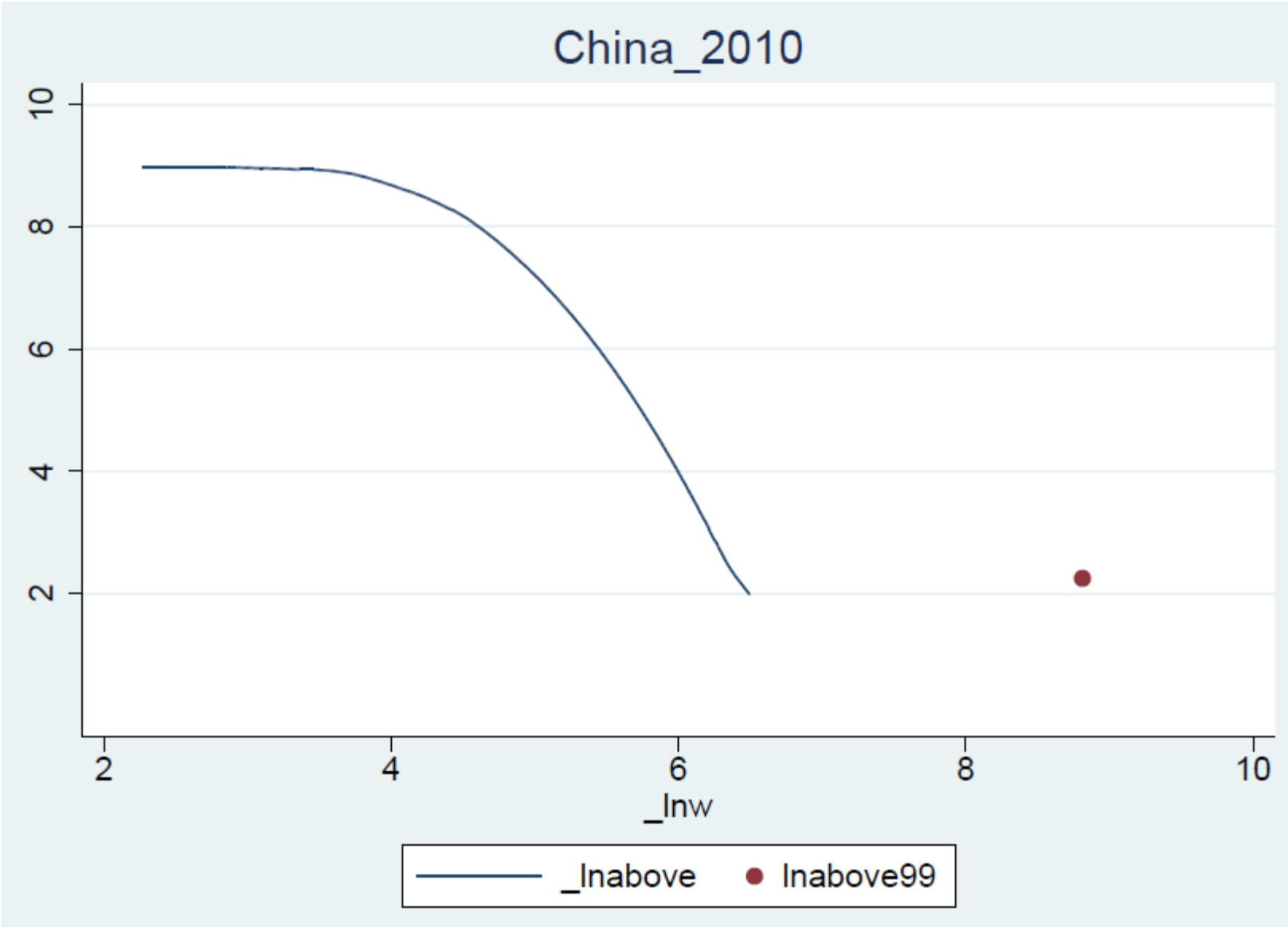
Unadjusted and adjusted wealth values for China



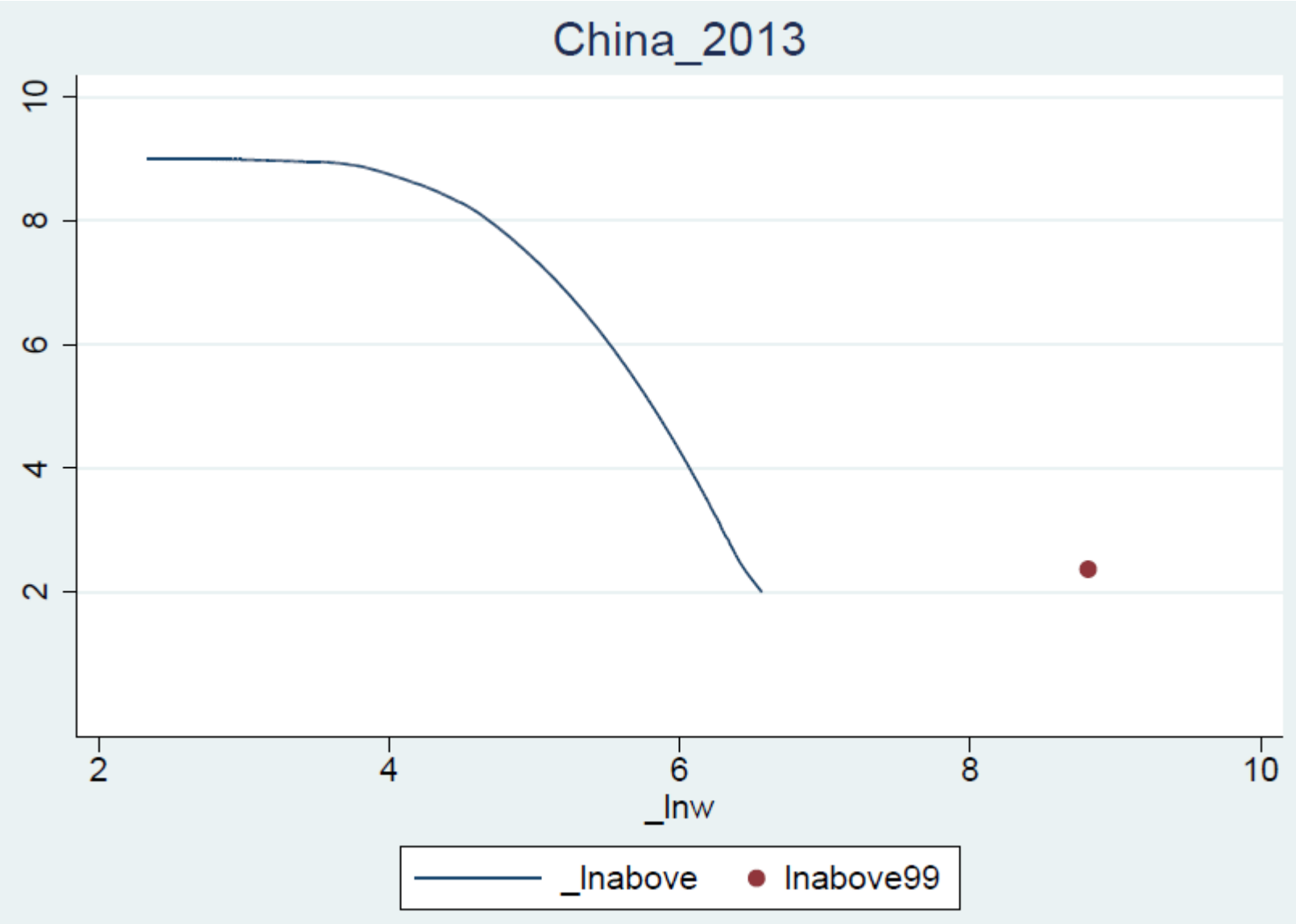
Wealth distribution China, 2005



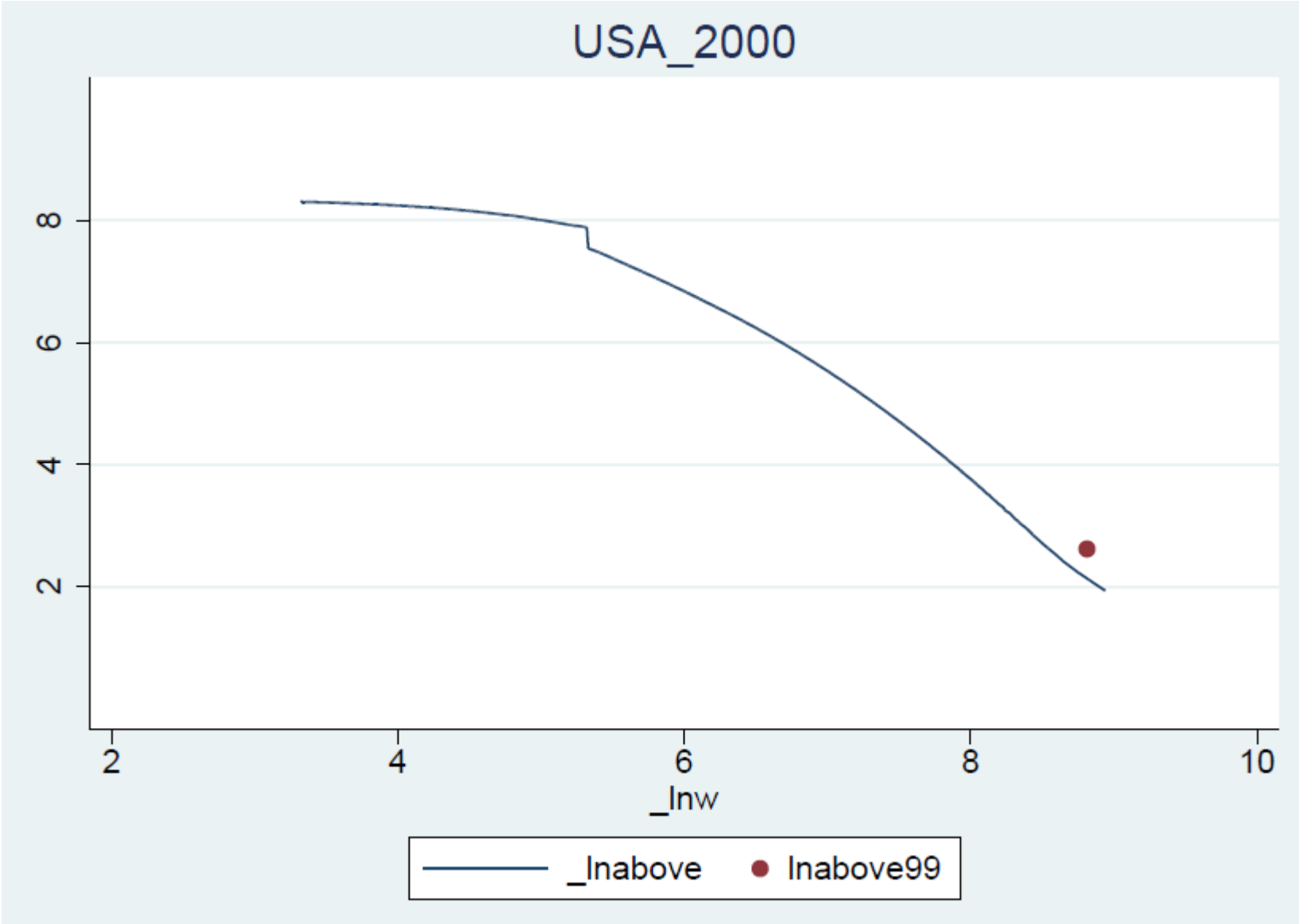
Wealth distribution China, 2010



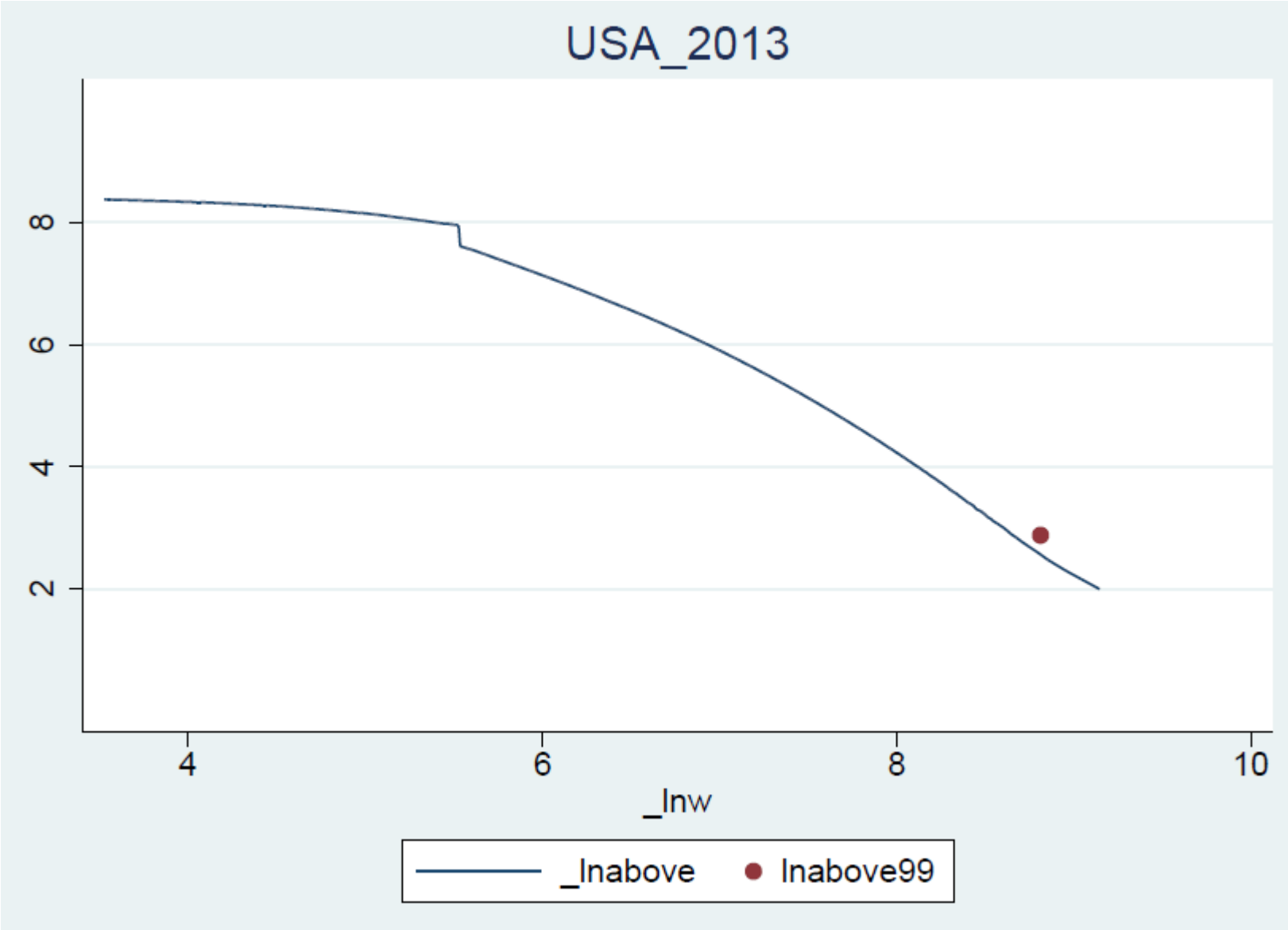
Wealth distribution China, 2013



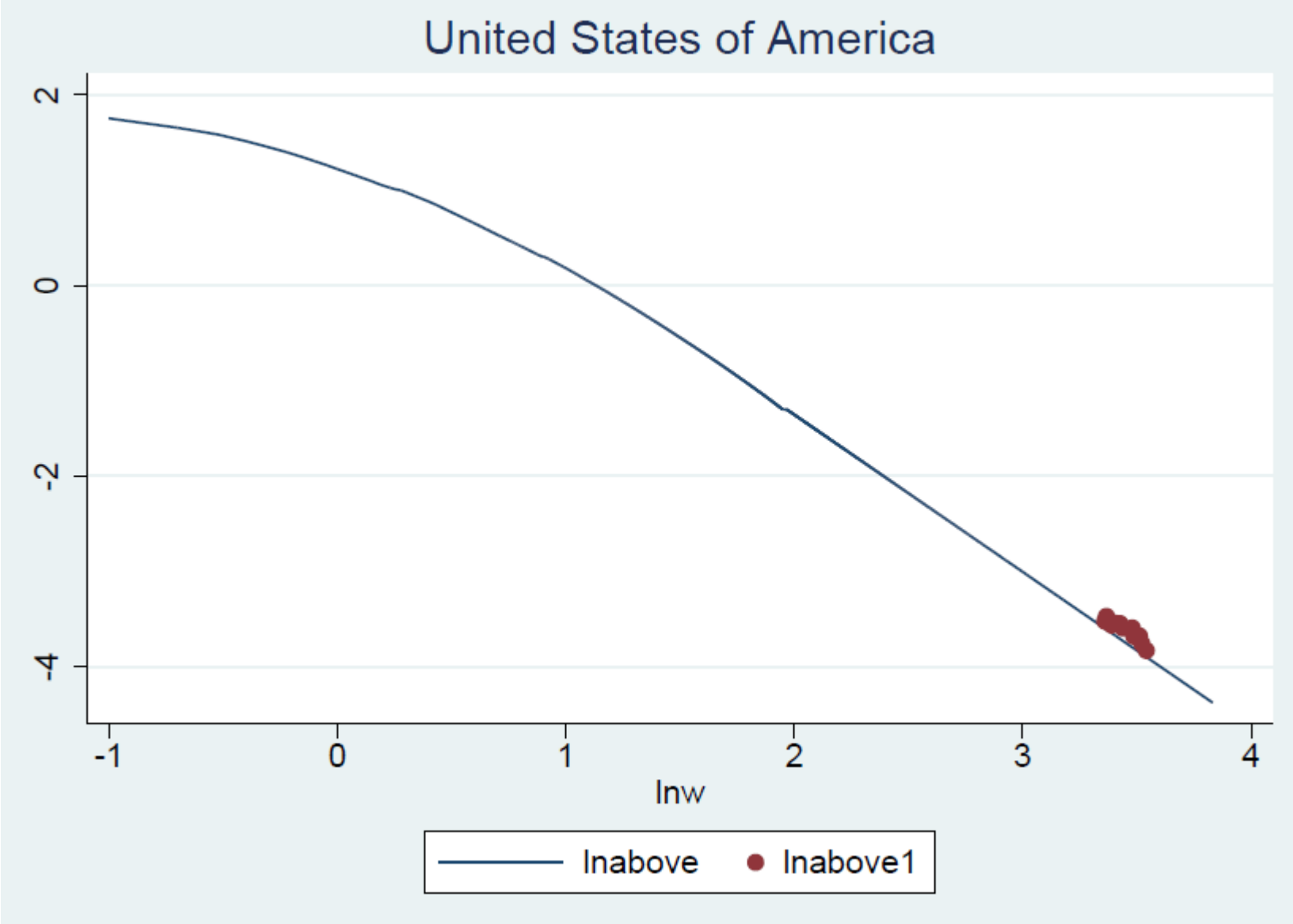
Wealth distribution USA, 2000

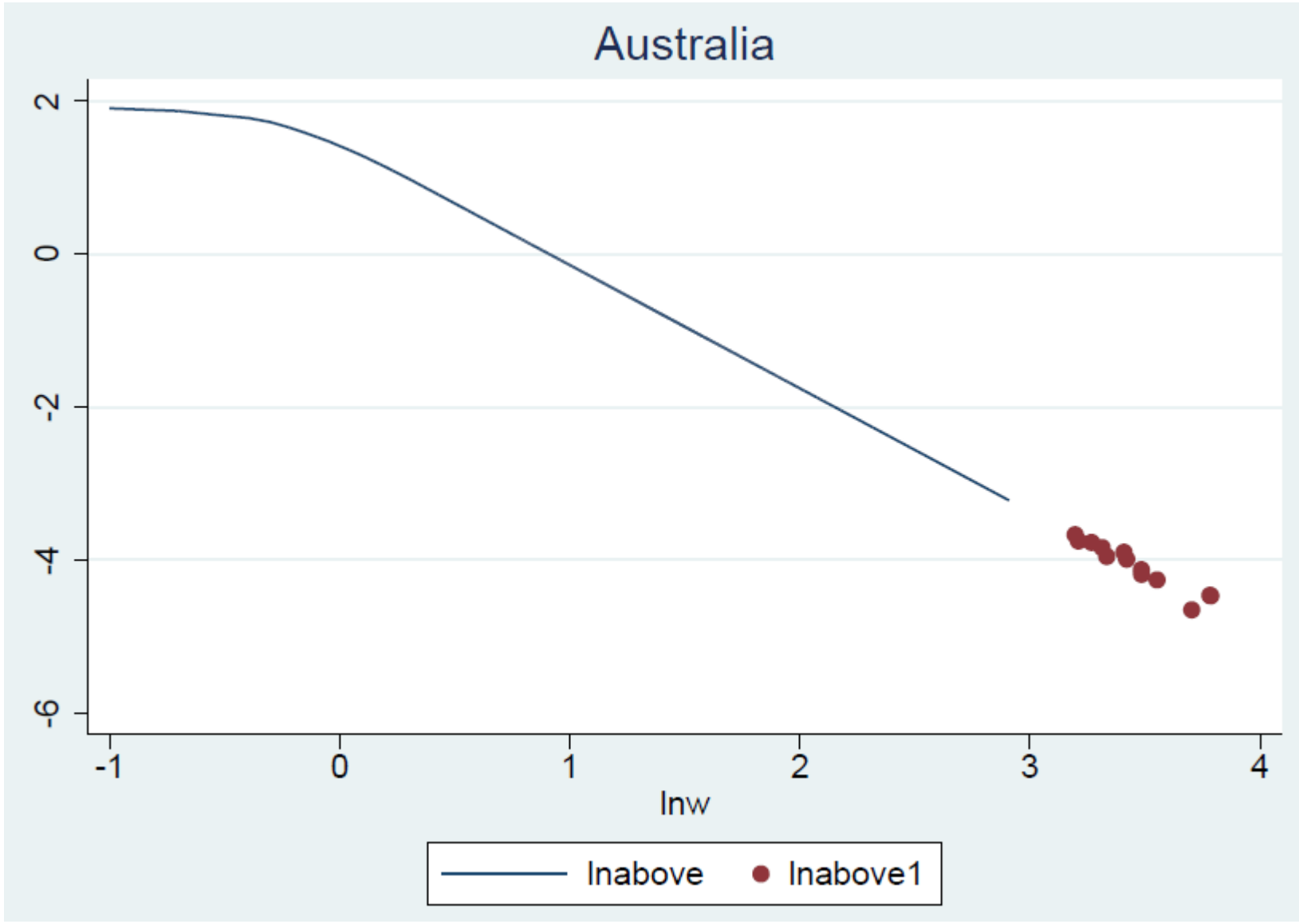


Wealth distribution USA, 2013



Wealth distribution USA, all years

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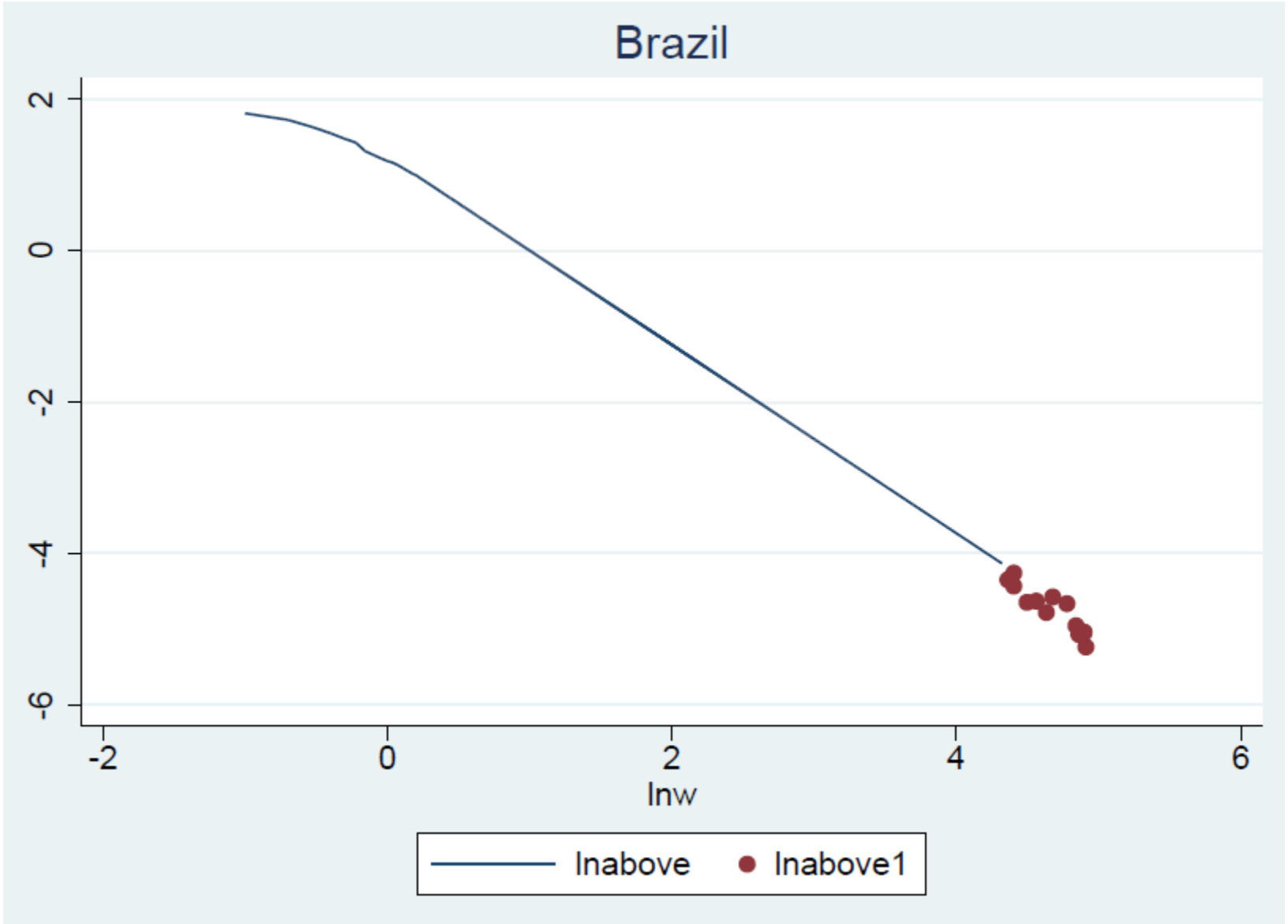
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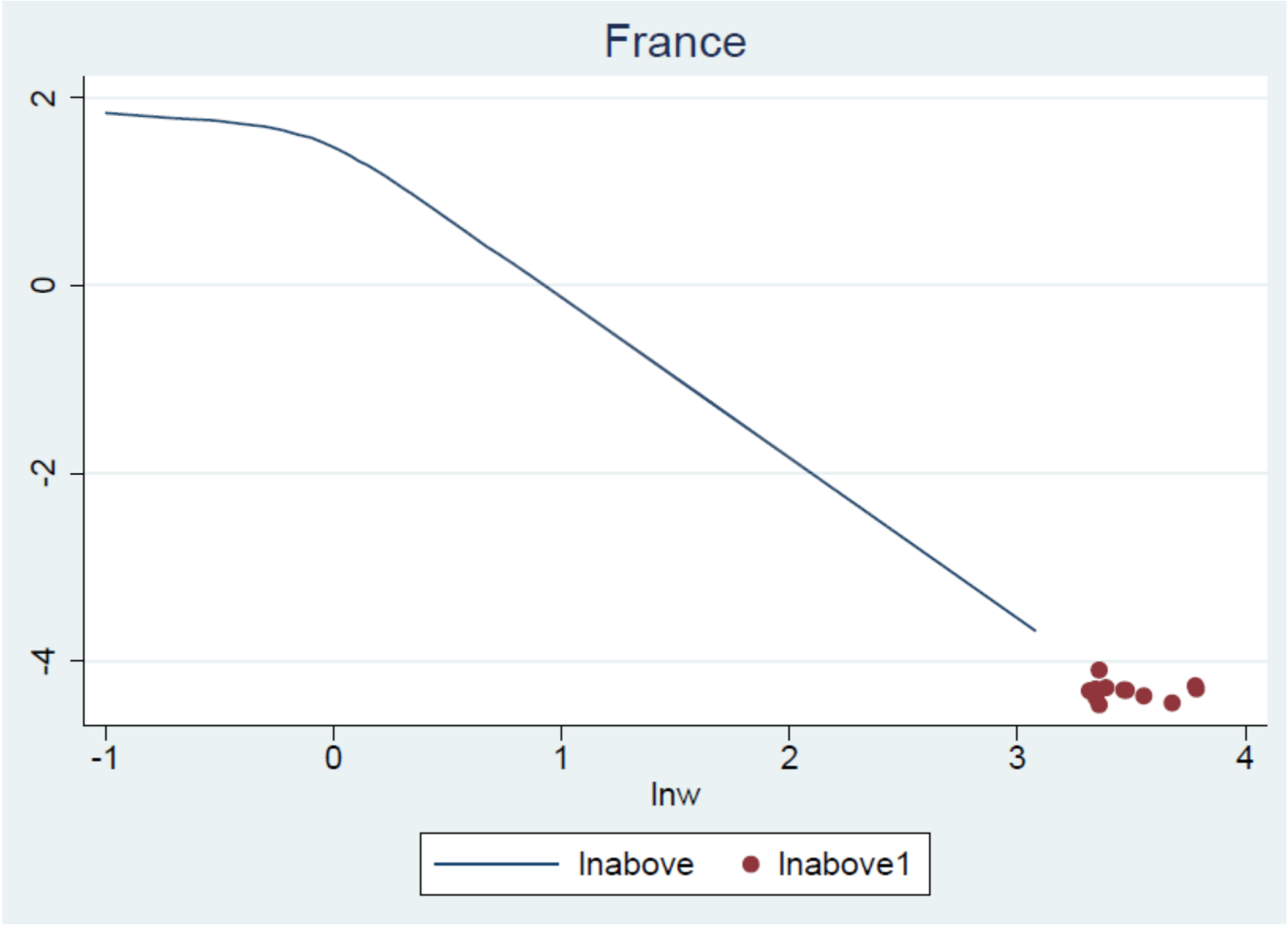
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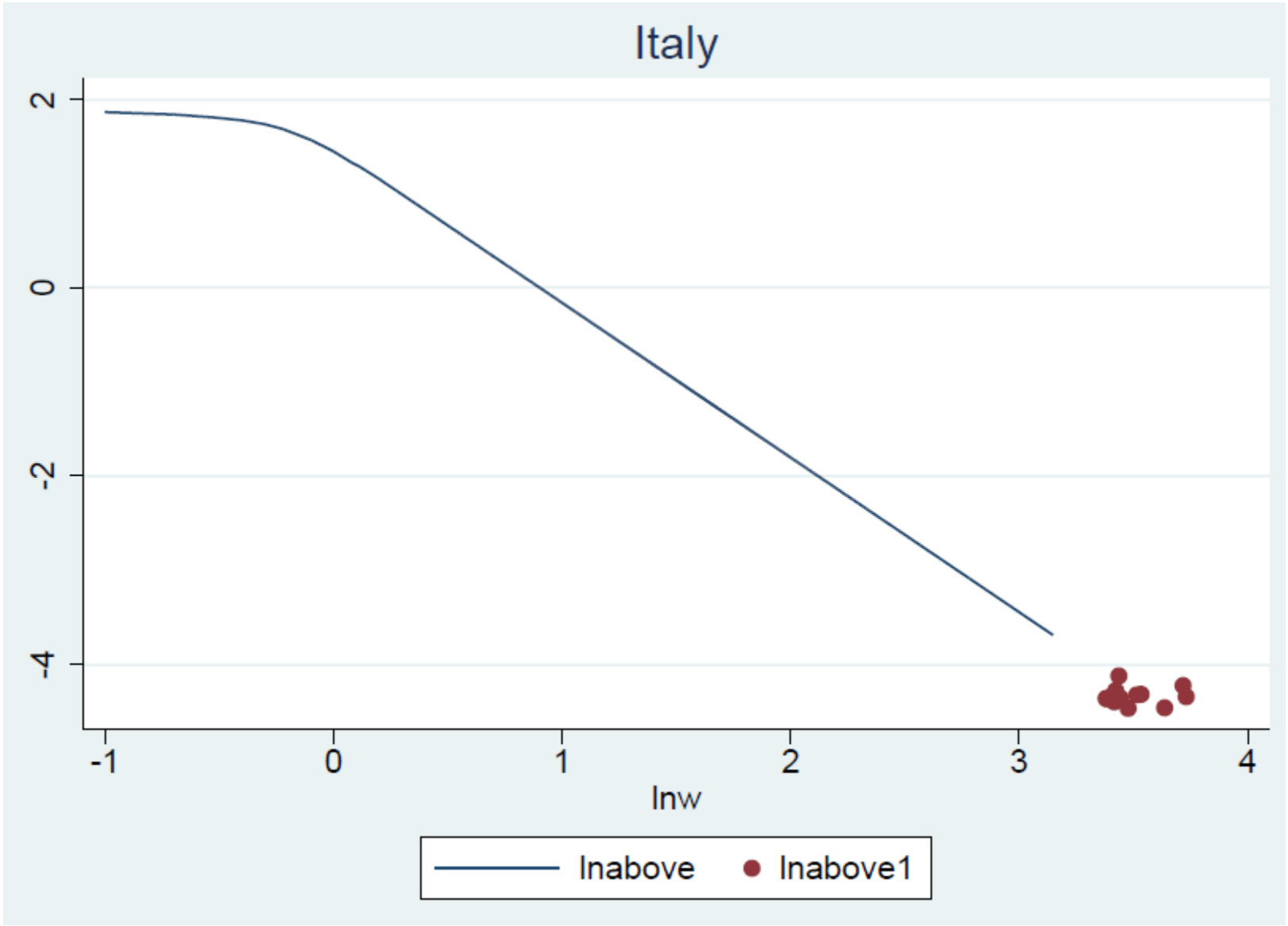
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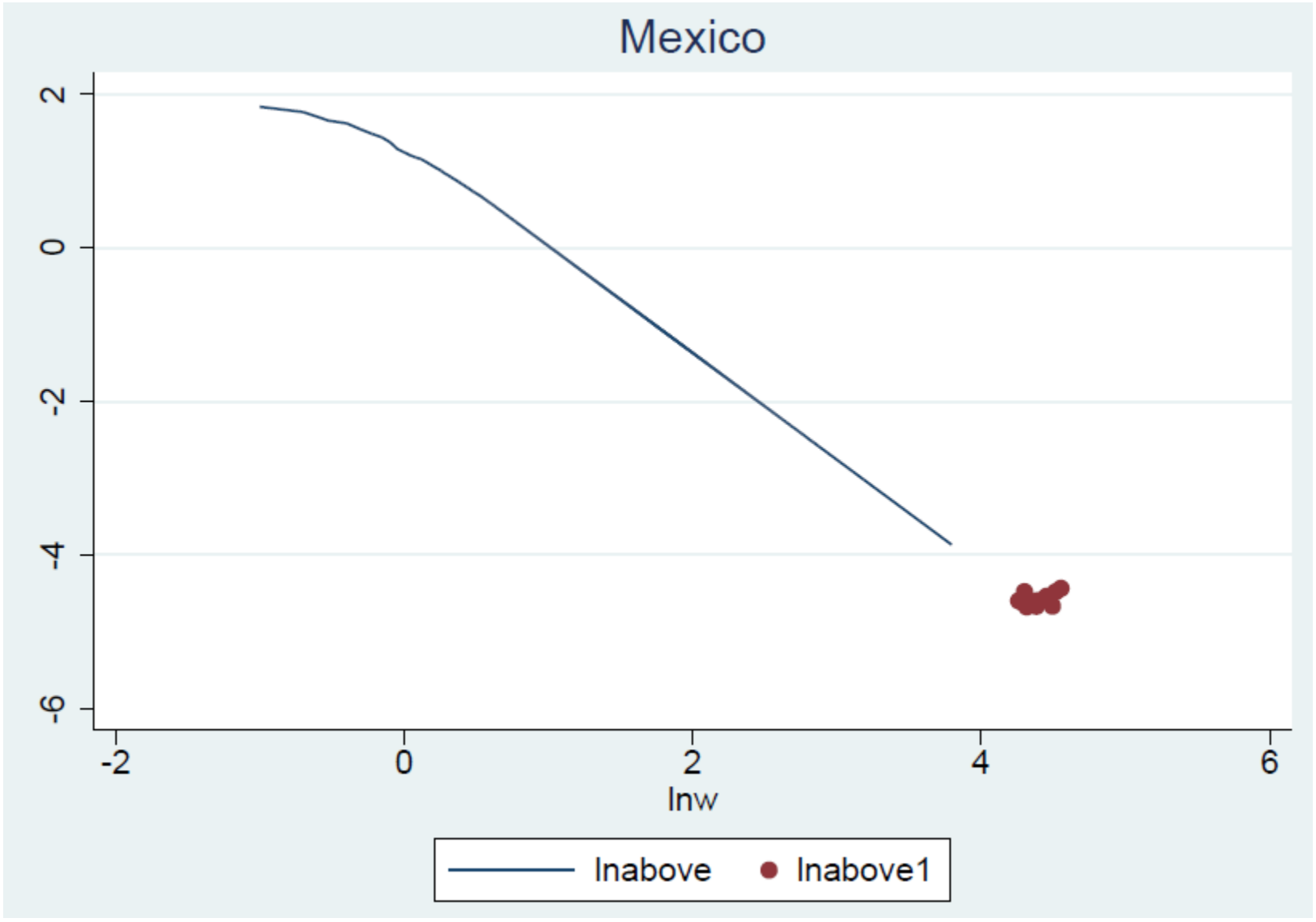
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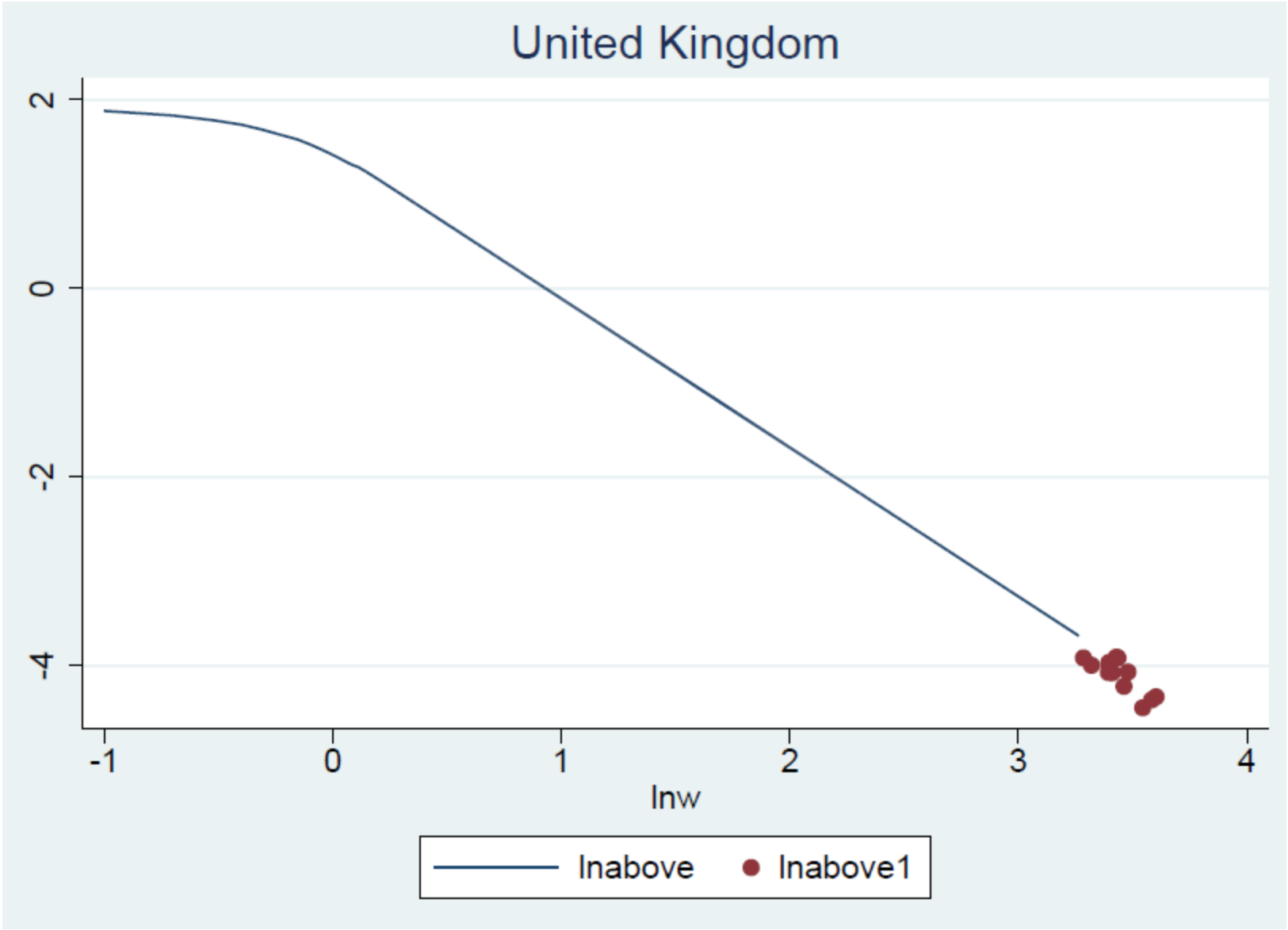
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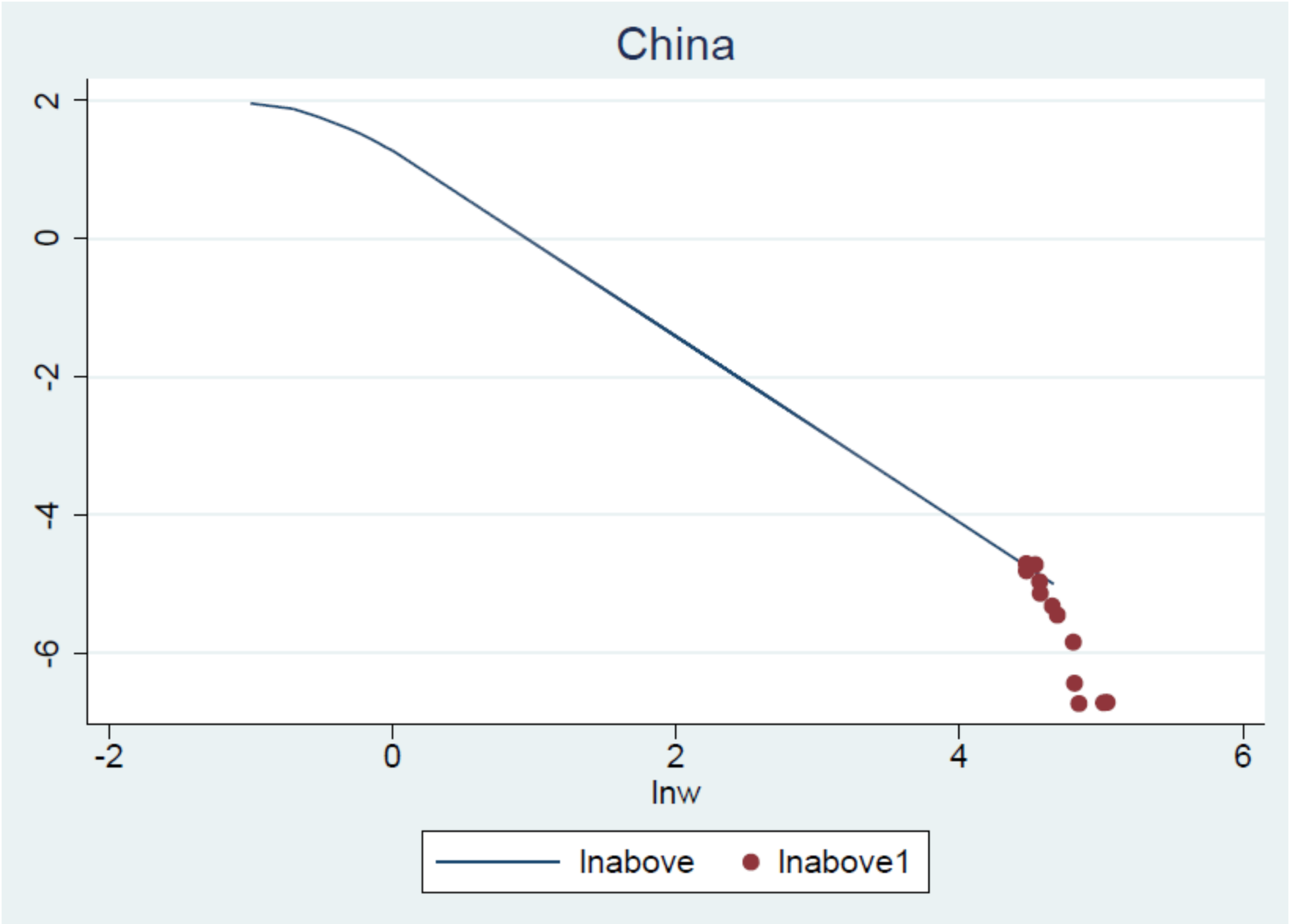
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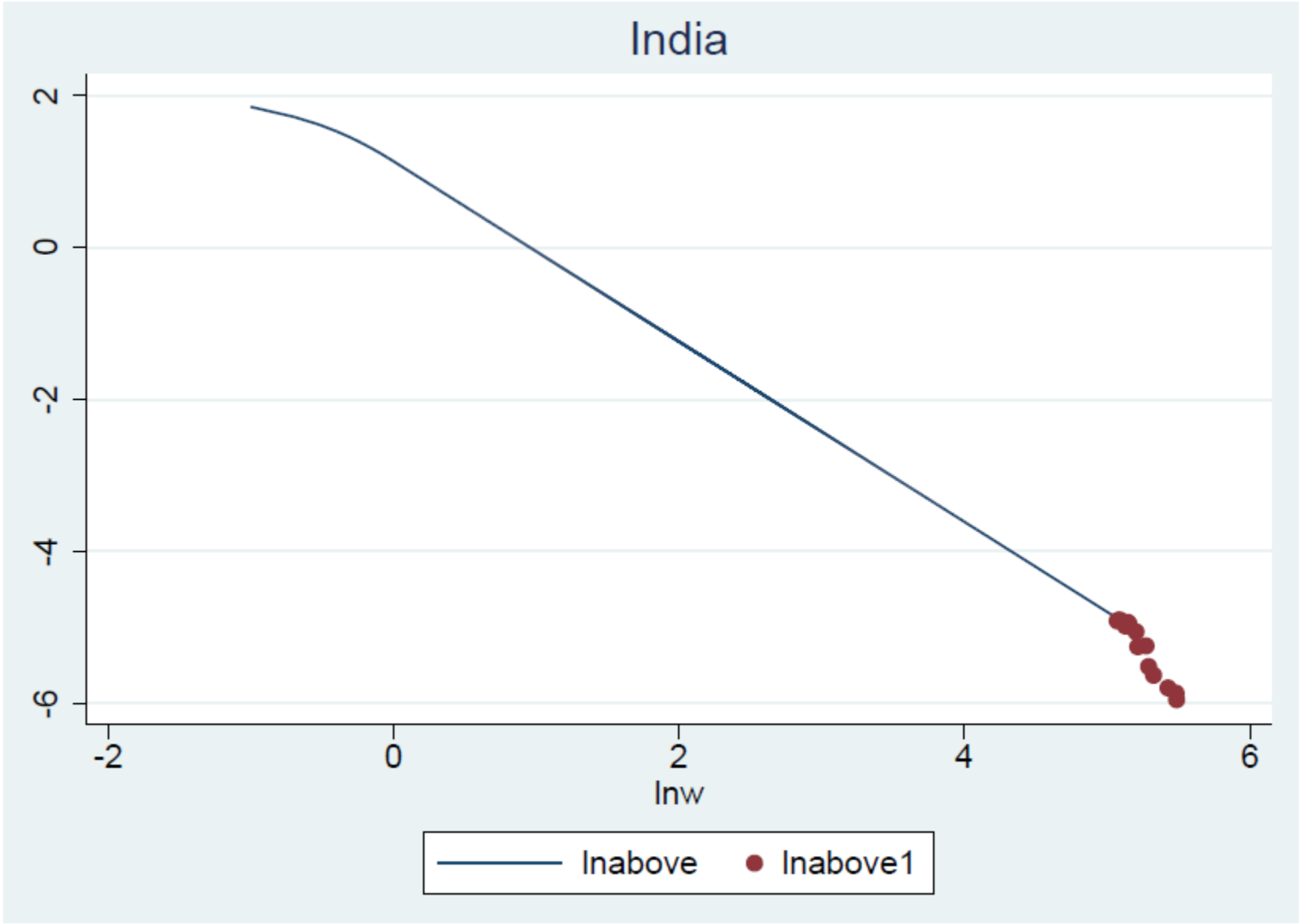
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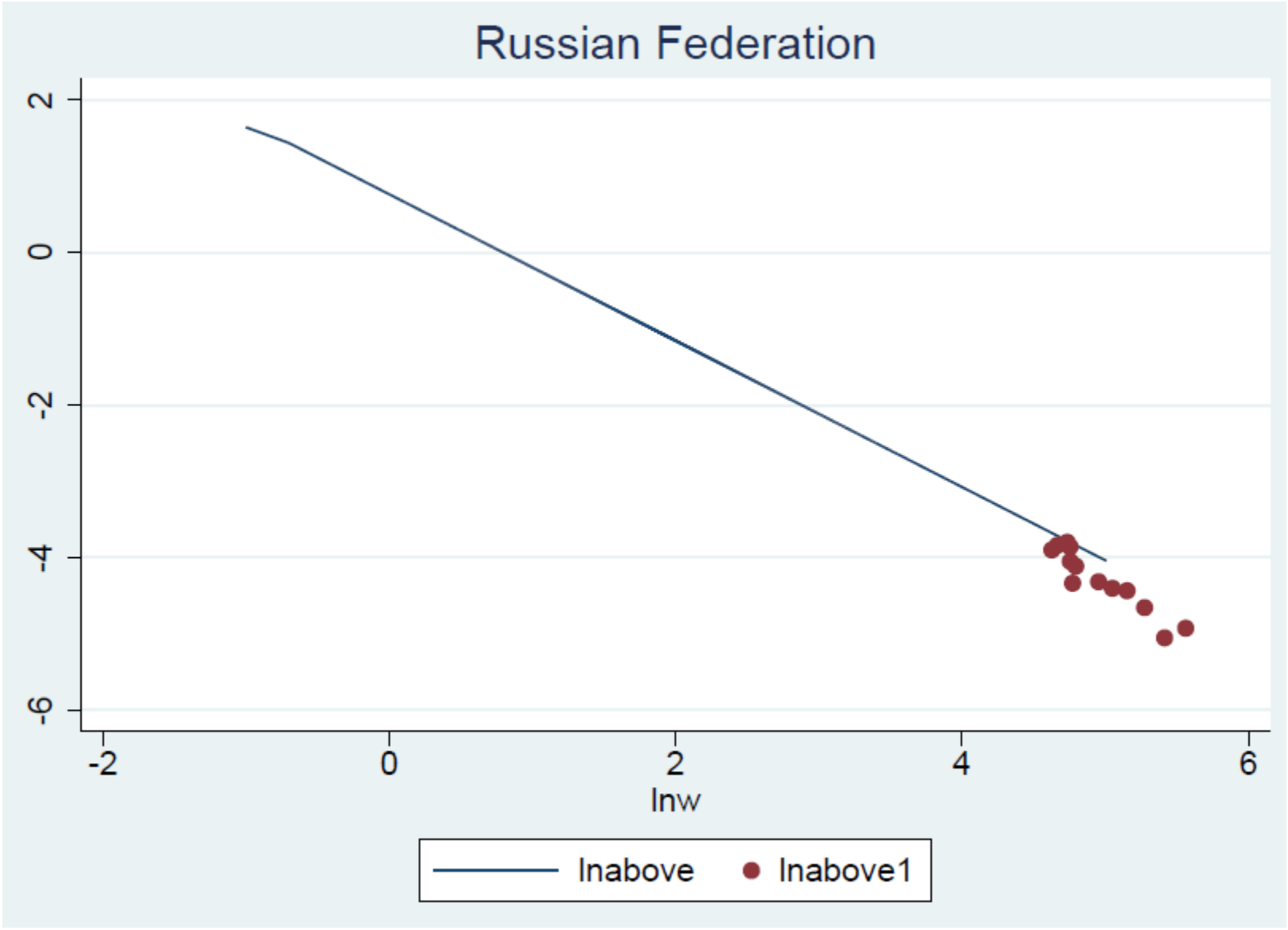
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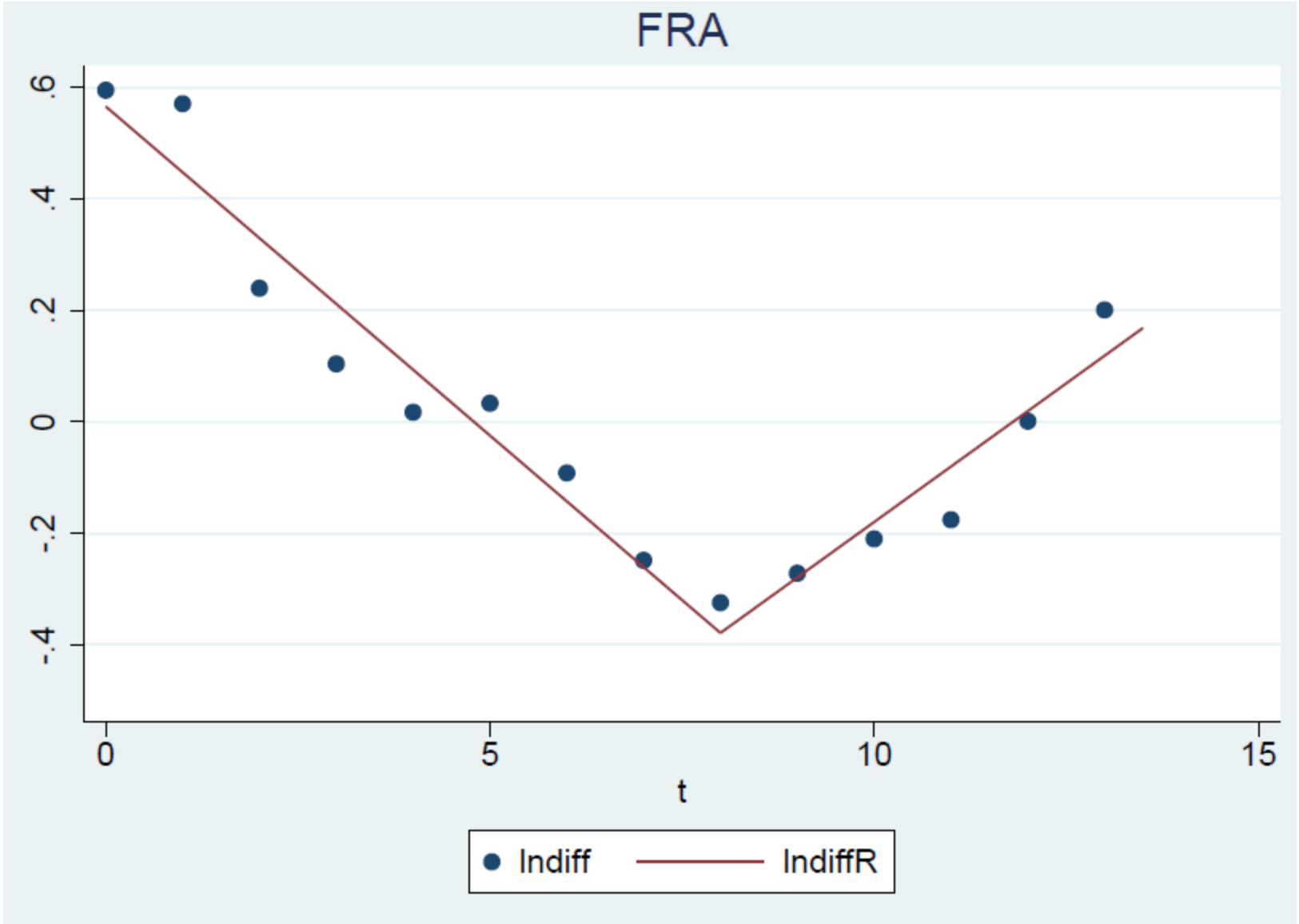
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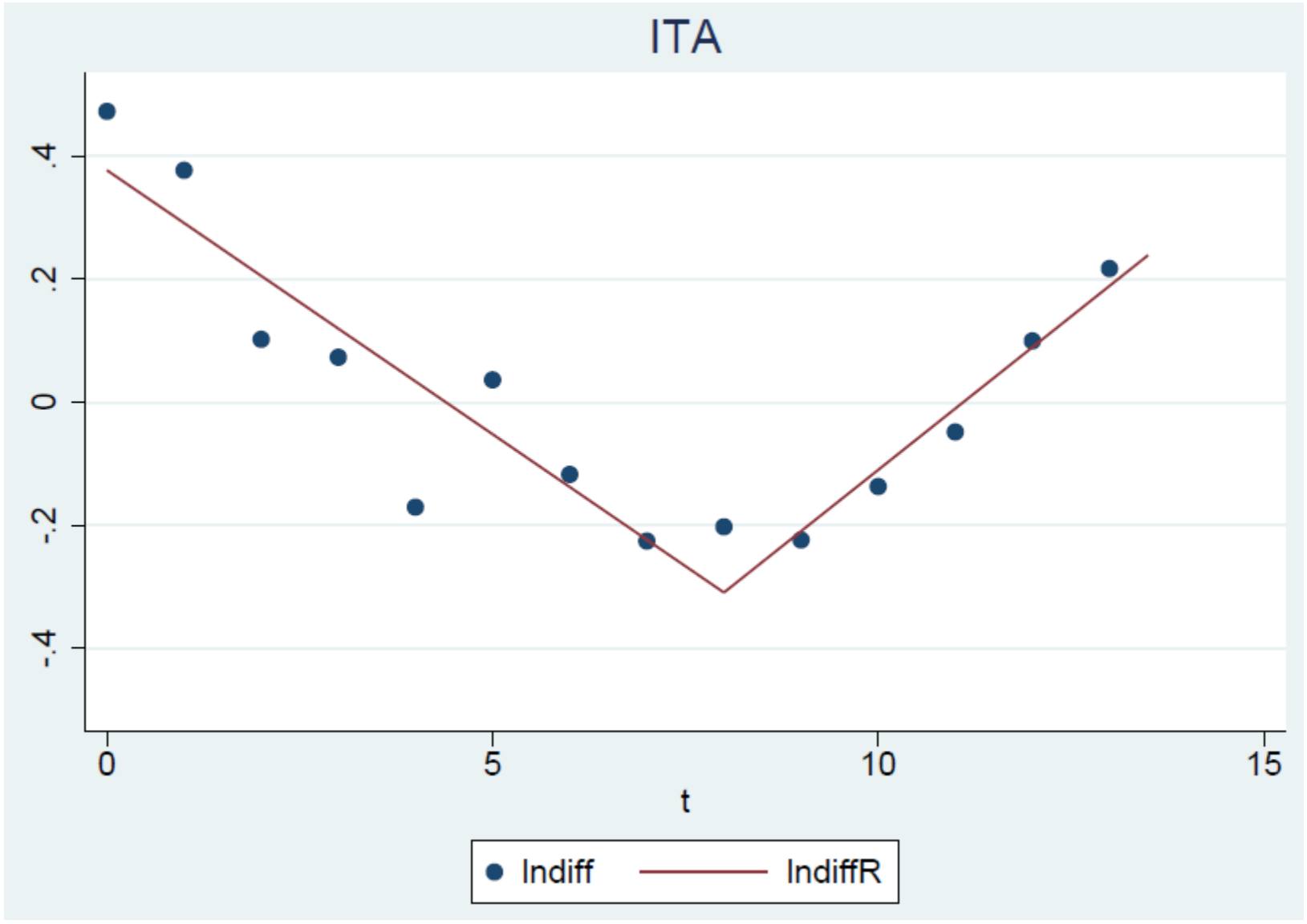
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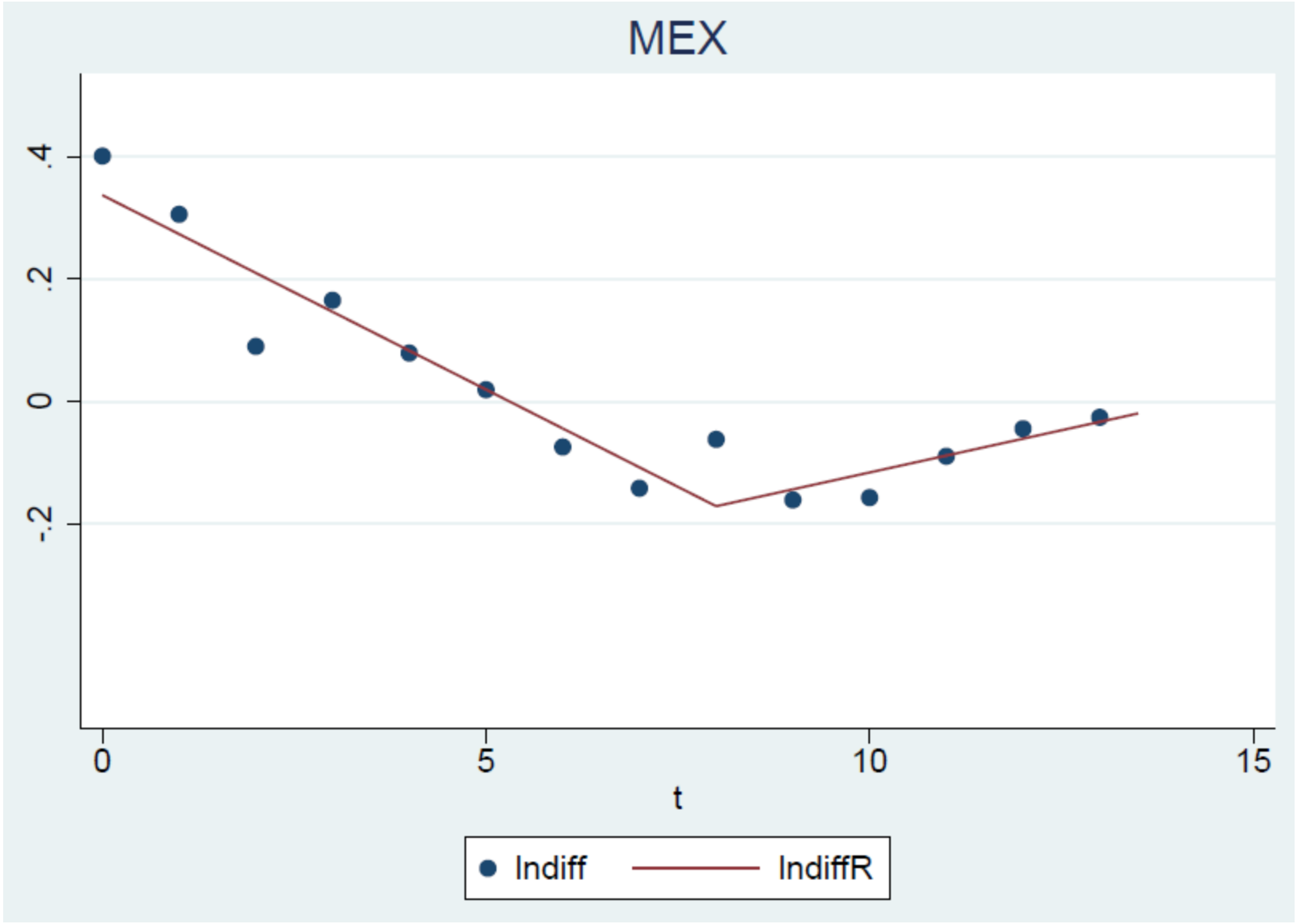
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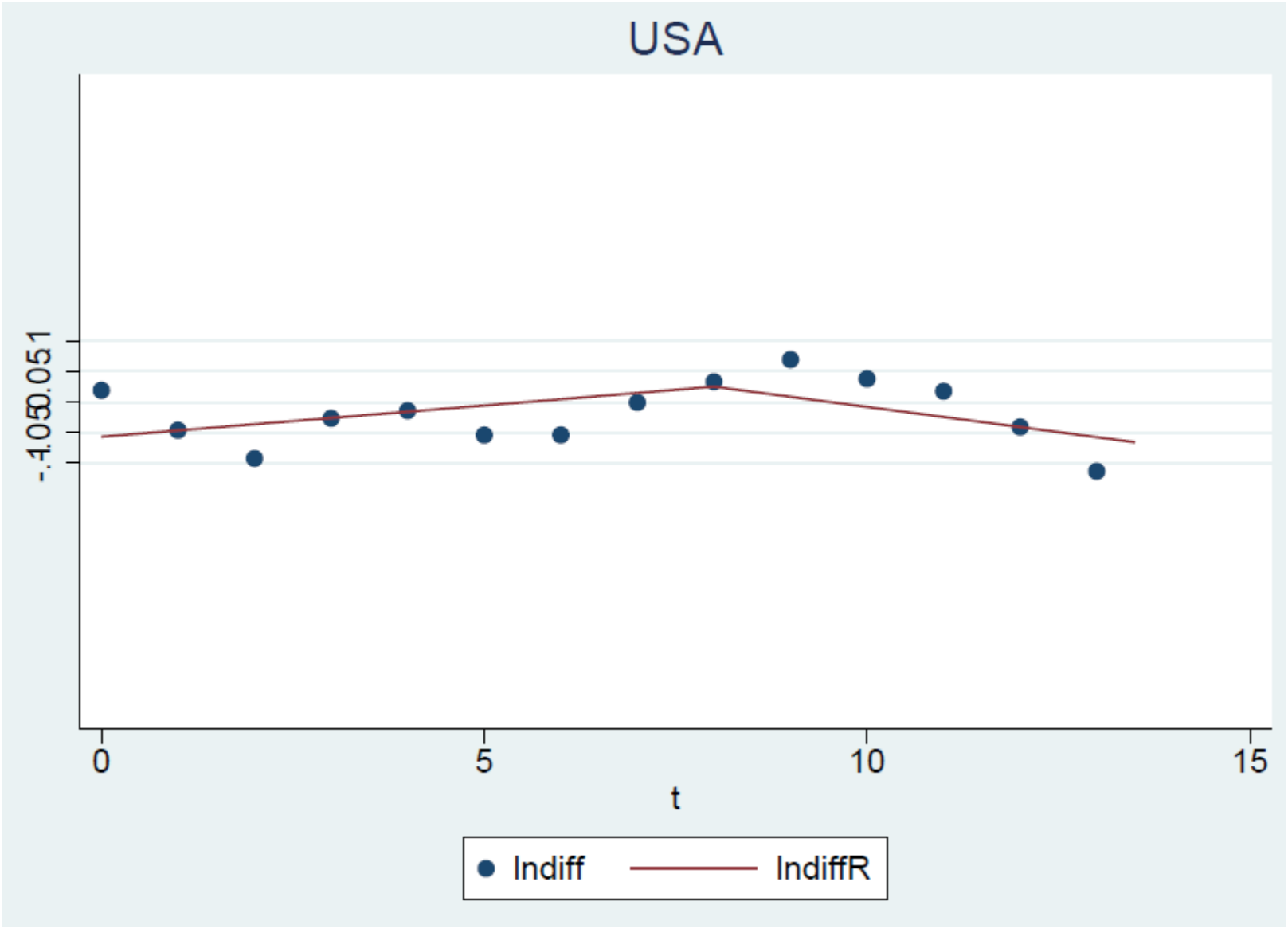
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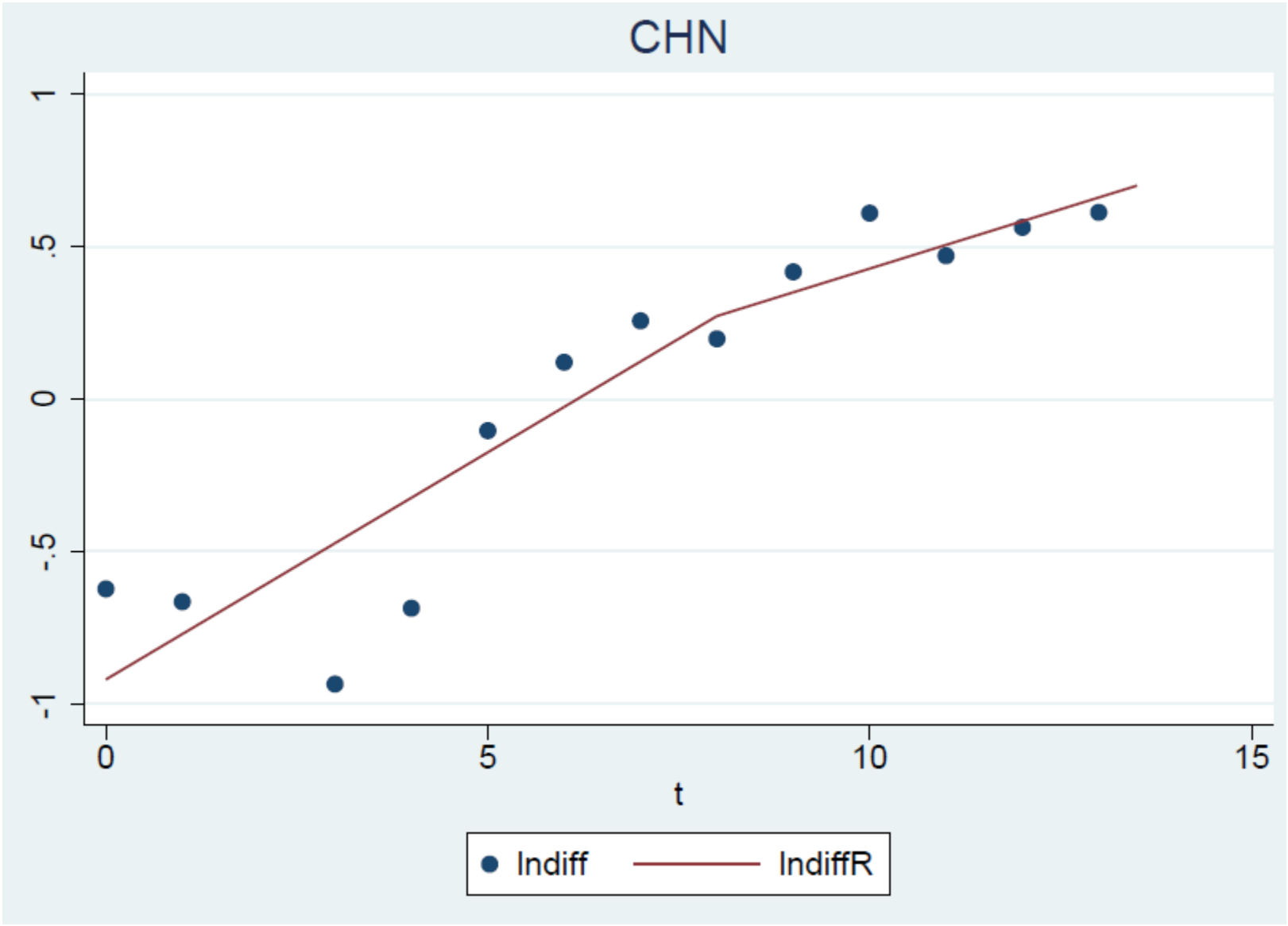
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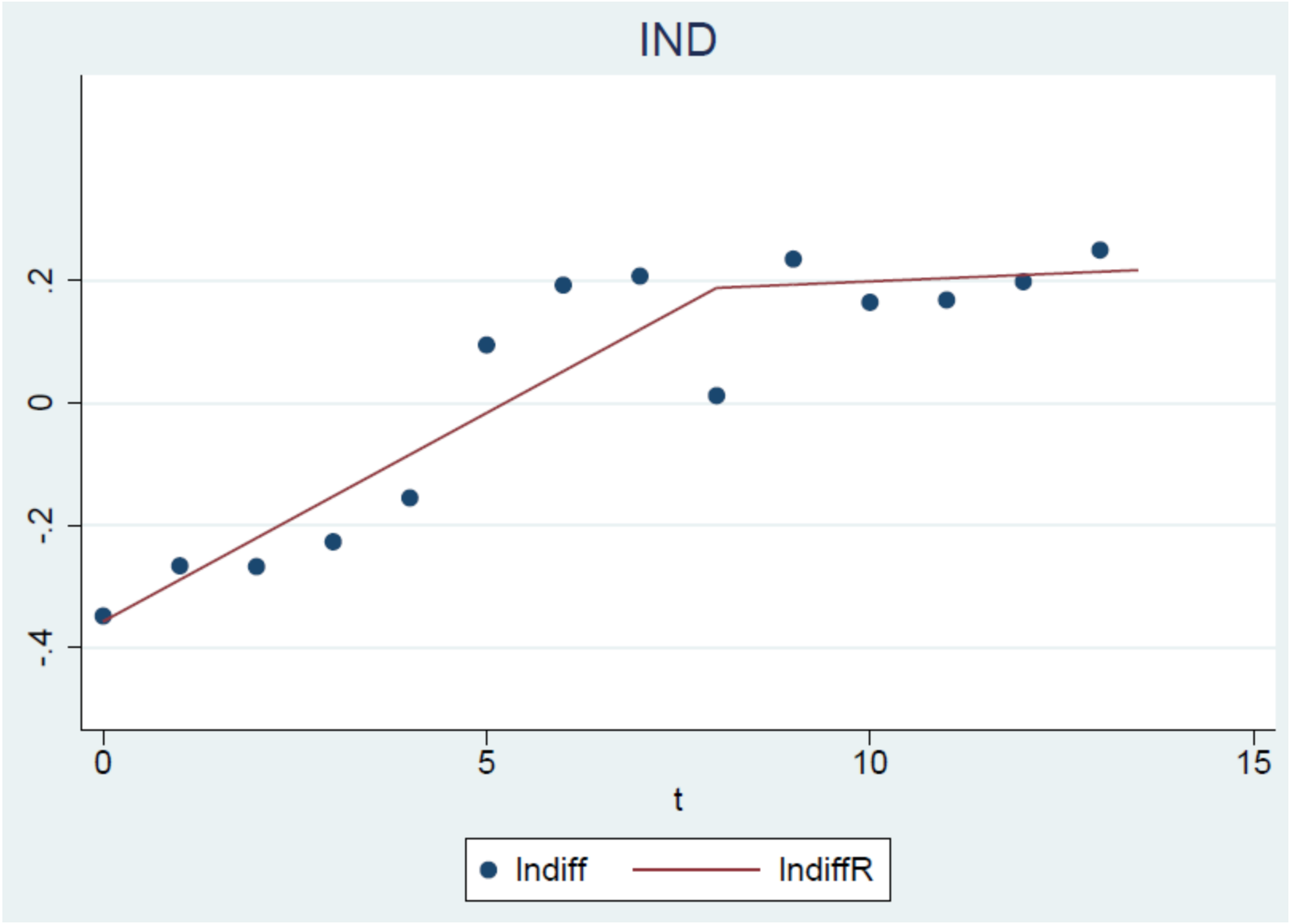
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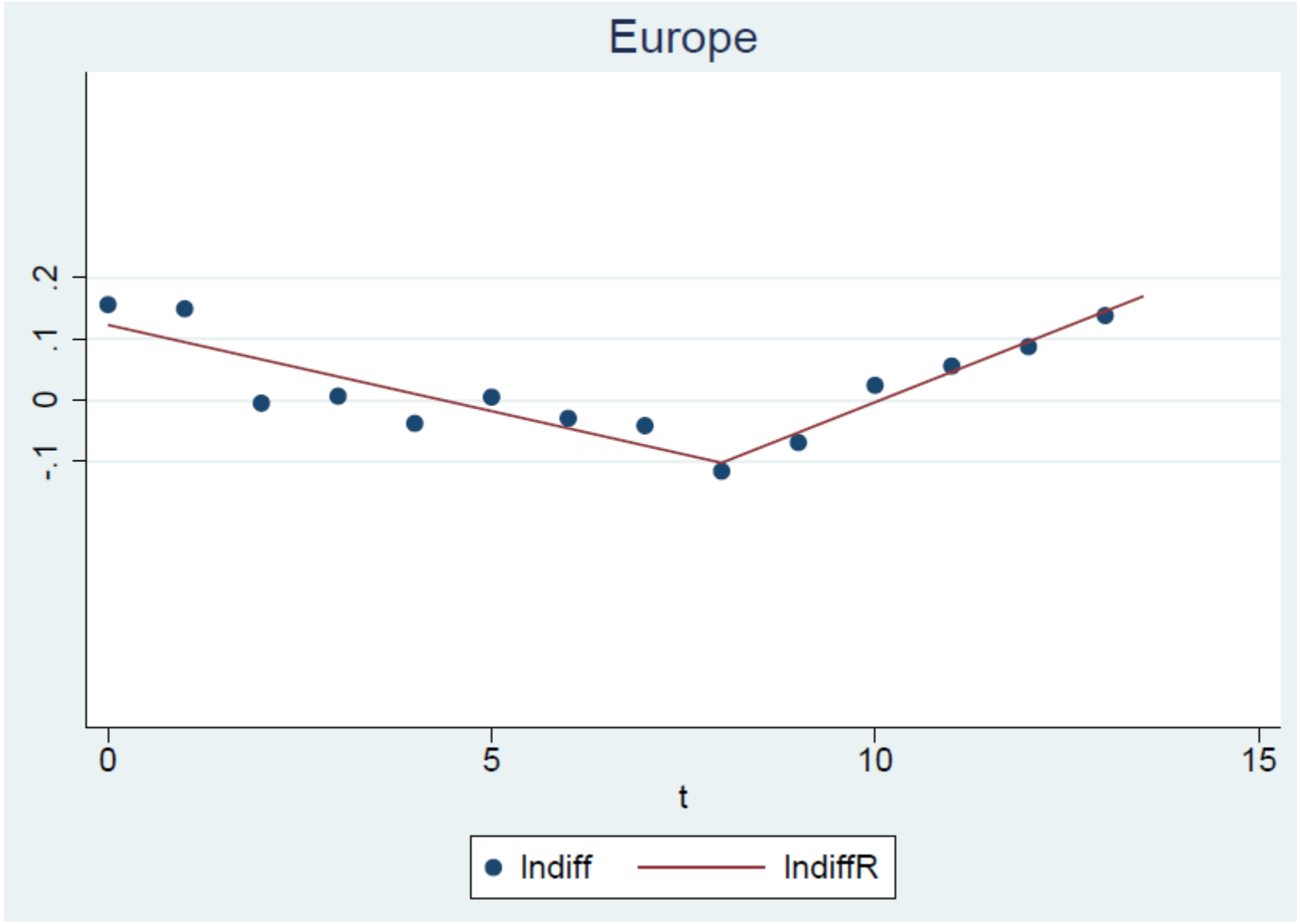
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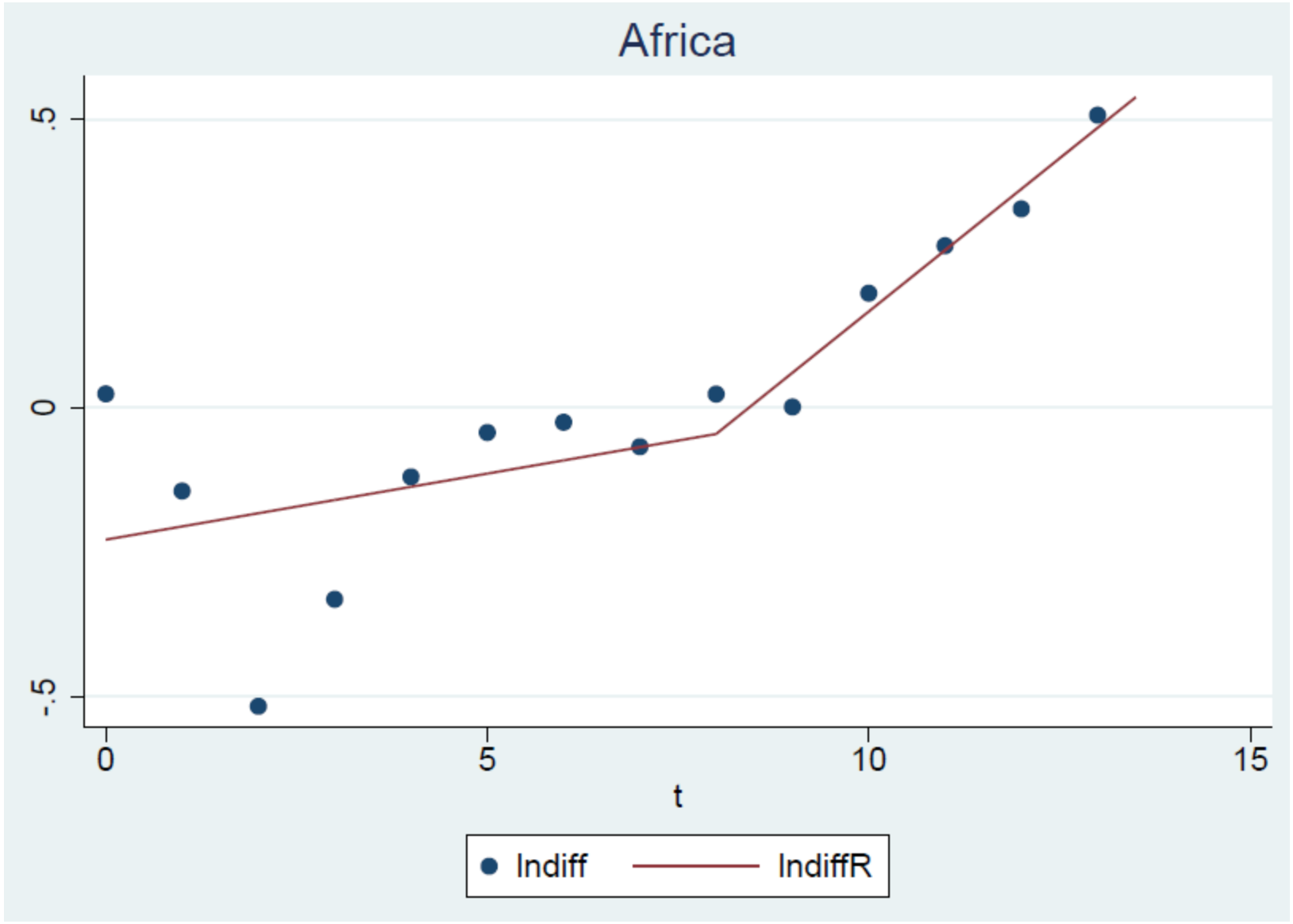
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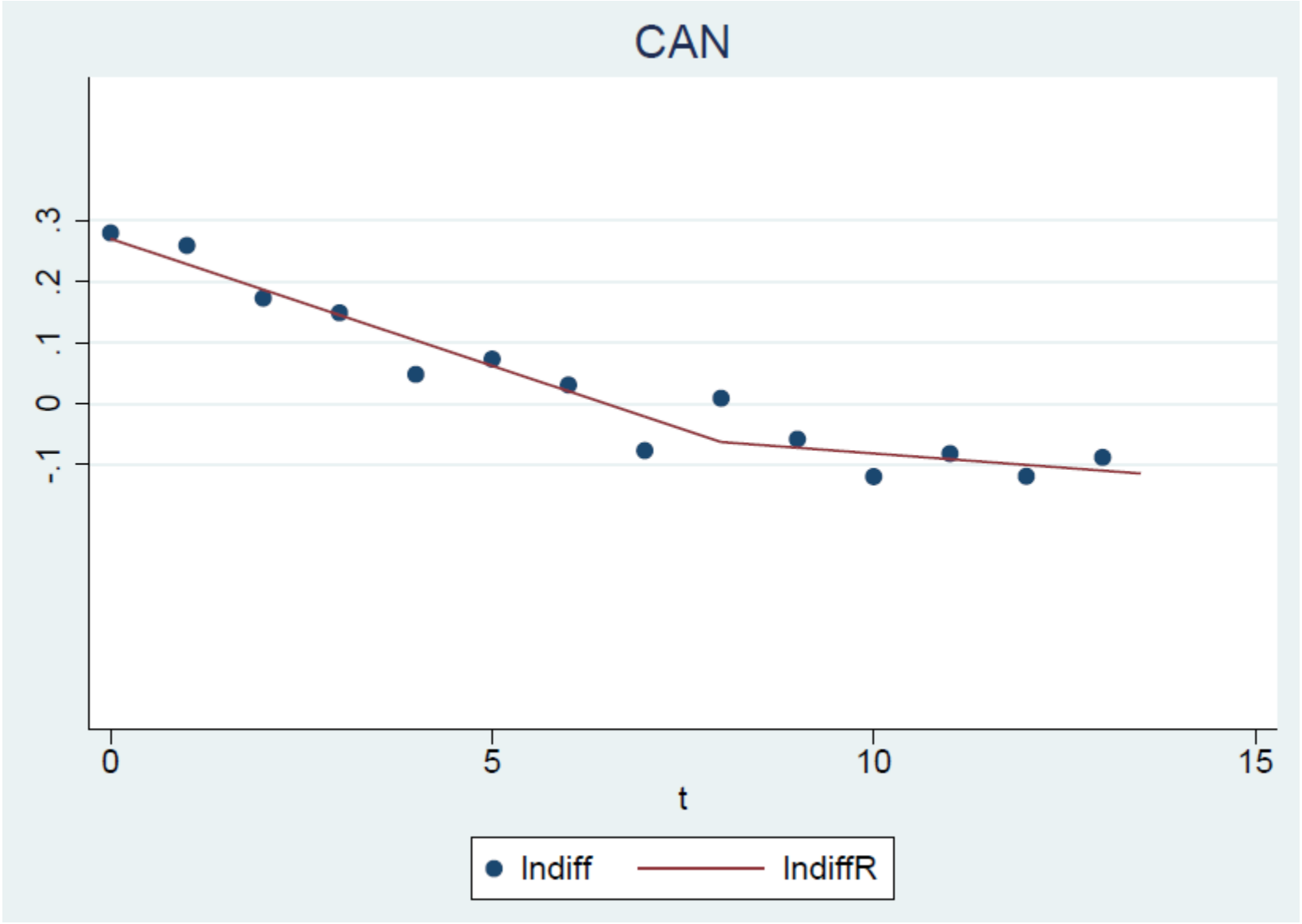
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