



International
Inequalities Institute



Global inequalities and the challenge of populism

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The drama of populist nationalism



Anything is possible if enough decent people are prepared to stand up against the Establishment. We made June 23rd (2016) our independence day when we smashed the Establishment



When we win, it is the people, not powerful, who win. The nurse, the teacher, the small trader, the carer, the builder, the office worker, the student who wins..... We don't accept that it is natural for Britain to be governed by a ruling elite



Today's ceremony, however, has very special meaning.... we are transferring power from Washington, D.C. and giving it back to you, the American People.

For too long, a small group in our nation's Capital has reaped the rewards of government while the people have borne the cost.

Washington flourished – but the people did not share in its wealth.

Politicians prospered – but the jobs left, and the factories closed.

The establishment protected itself, but not the citizens of our country.



France's newly elected leader, Emmanuel Macron, represents the European establishment fearful of a popular revolt, former MI5 intelligence officer Anne Machon tells RT, as many analysts appeared to be sceptical the former Socialist minister could bring change.

“Former US President Barack Obama endorsed Macron, the EU endorsed Macron. They were very frightened about another popular revolt against the establishment. Macron is very establishment: the elitist universities in France, the fact that he was [France's] Economy Minister,” Machon said....

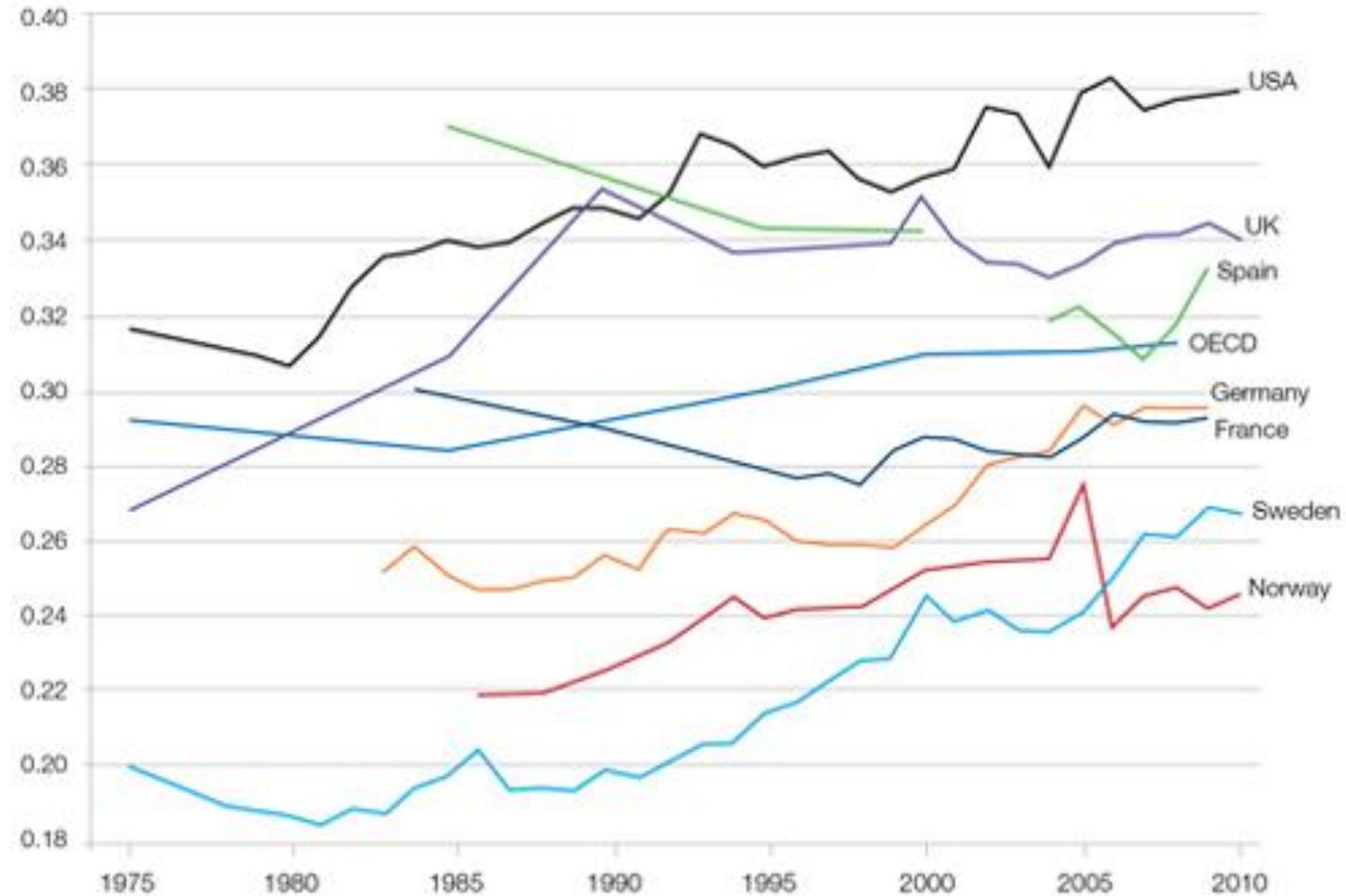
According to the former British intelligence officer, the fact that his En Marche! political movement “that came from nowhere within one year” looks very much “an establishment stitch-up.”

How is this linked to inequality trends?

An argument in four steps.....

1: Income inequality trends in many leading nations are now mixed

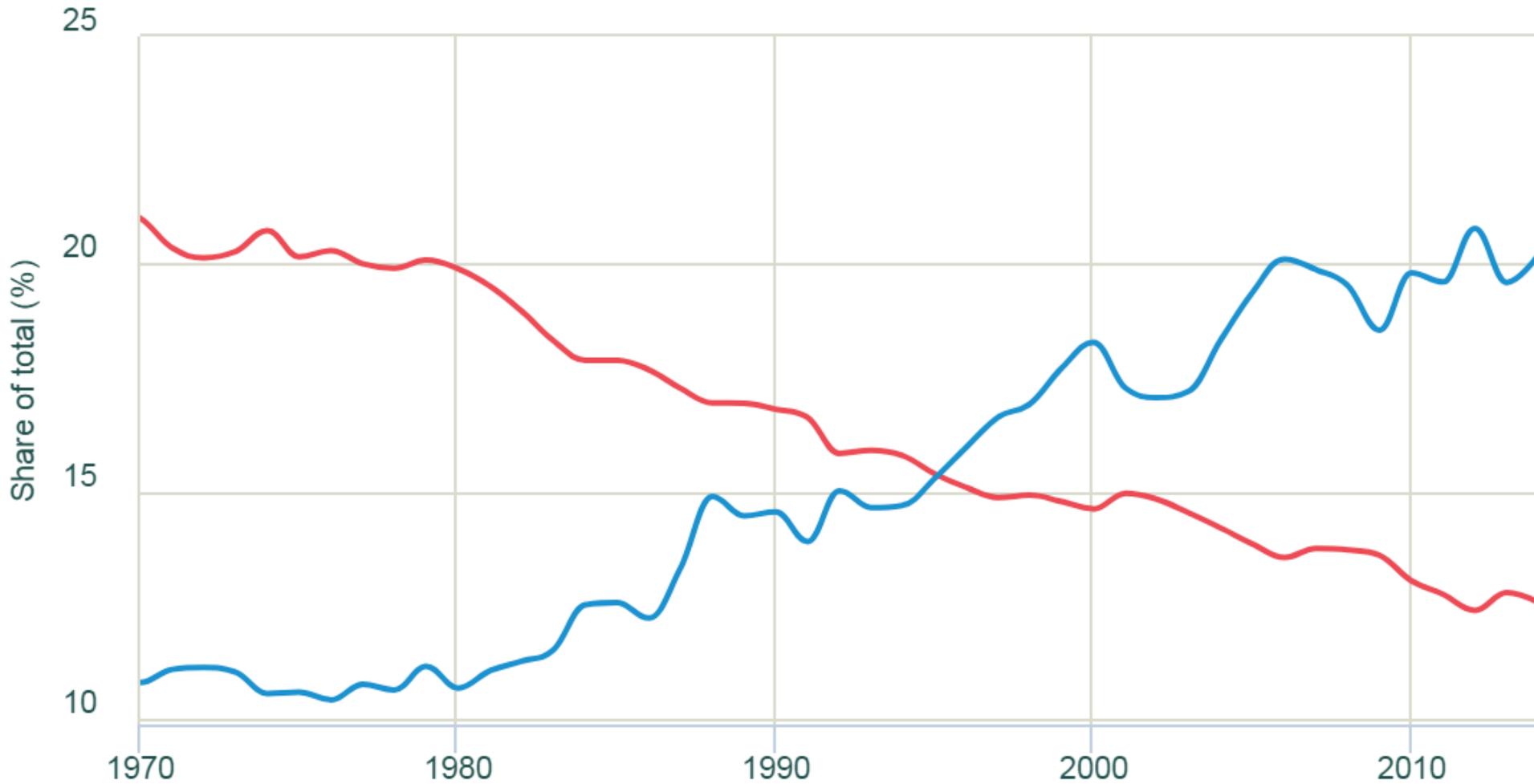
Gini coefficients generally rose 1985 to 2000, have steadied since then



Note: Break in series for Spain in 2000.
Source: OECD.

Income inequality, USA, 1970-2014

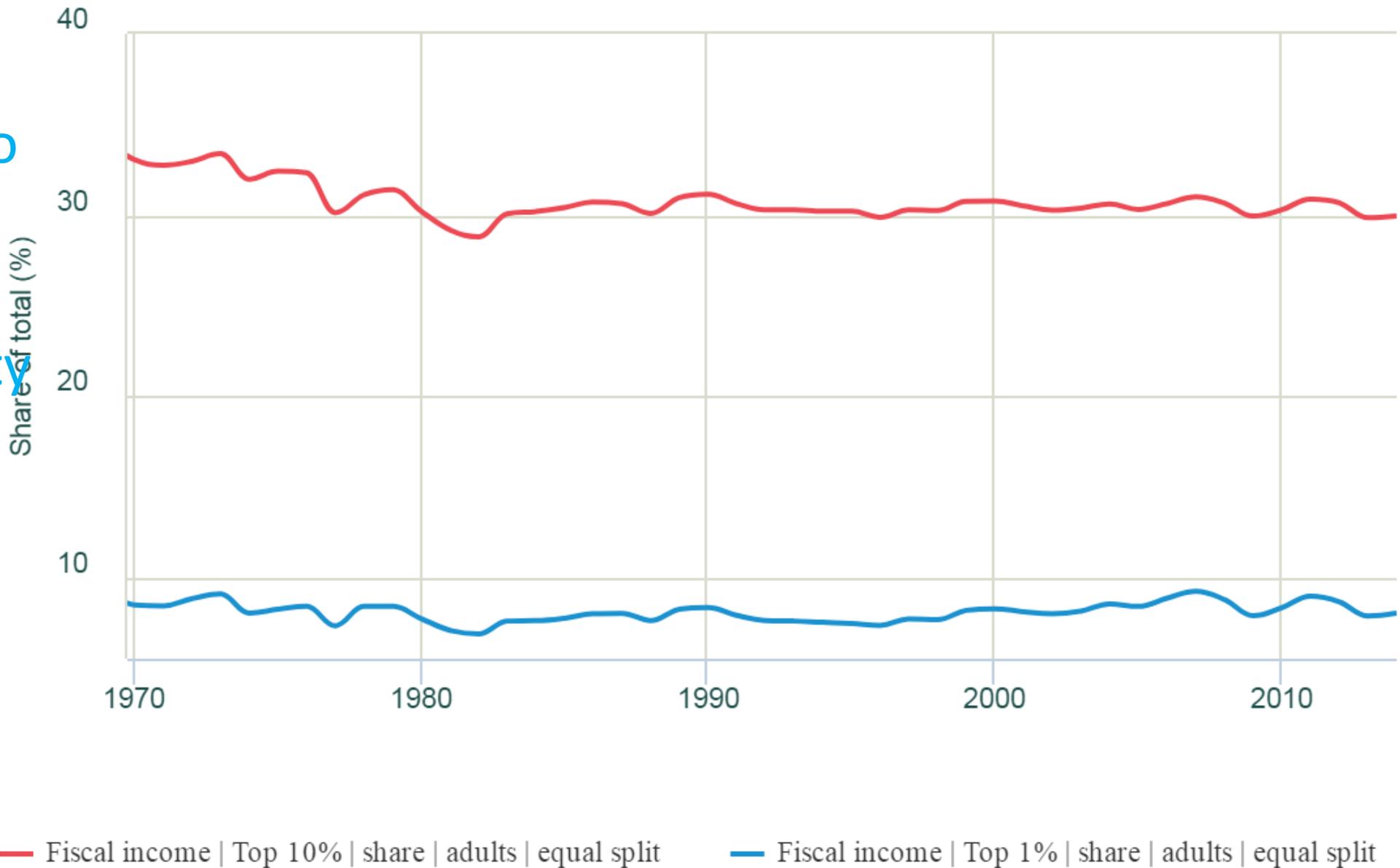
The US model is extreme



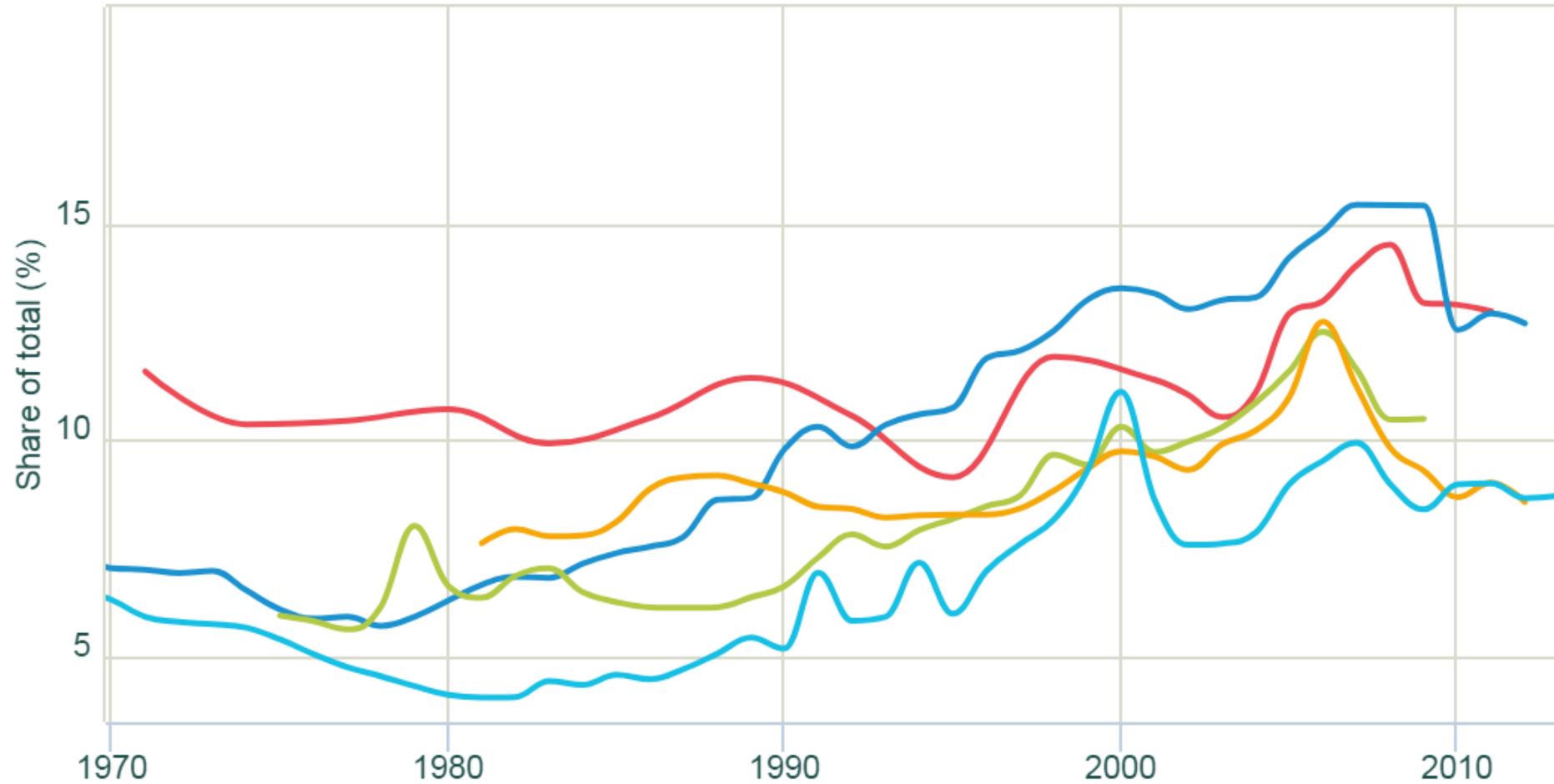
— Pre-tax national income | Bottom 50% | share | adults | equal split
— Pre-tax national income | Top 1% | share | adults | equal split

Income inequality, France, 1970-2014

France shows no move to greater inequality



Top 1% fiscal income share

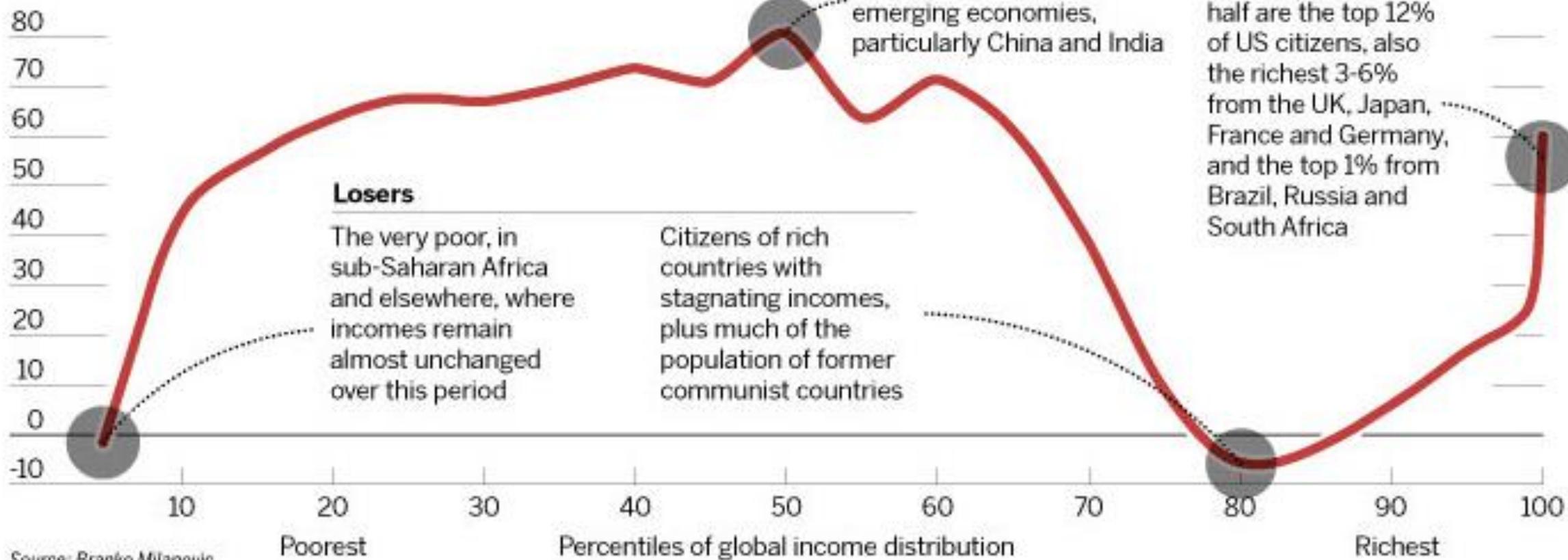


— Germany — United Kingdom — Ireland — Spain — Sweden

2: Global income inequality has declined

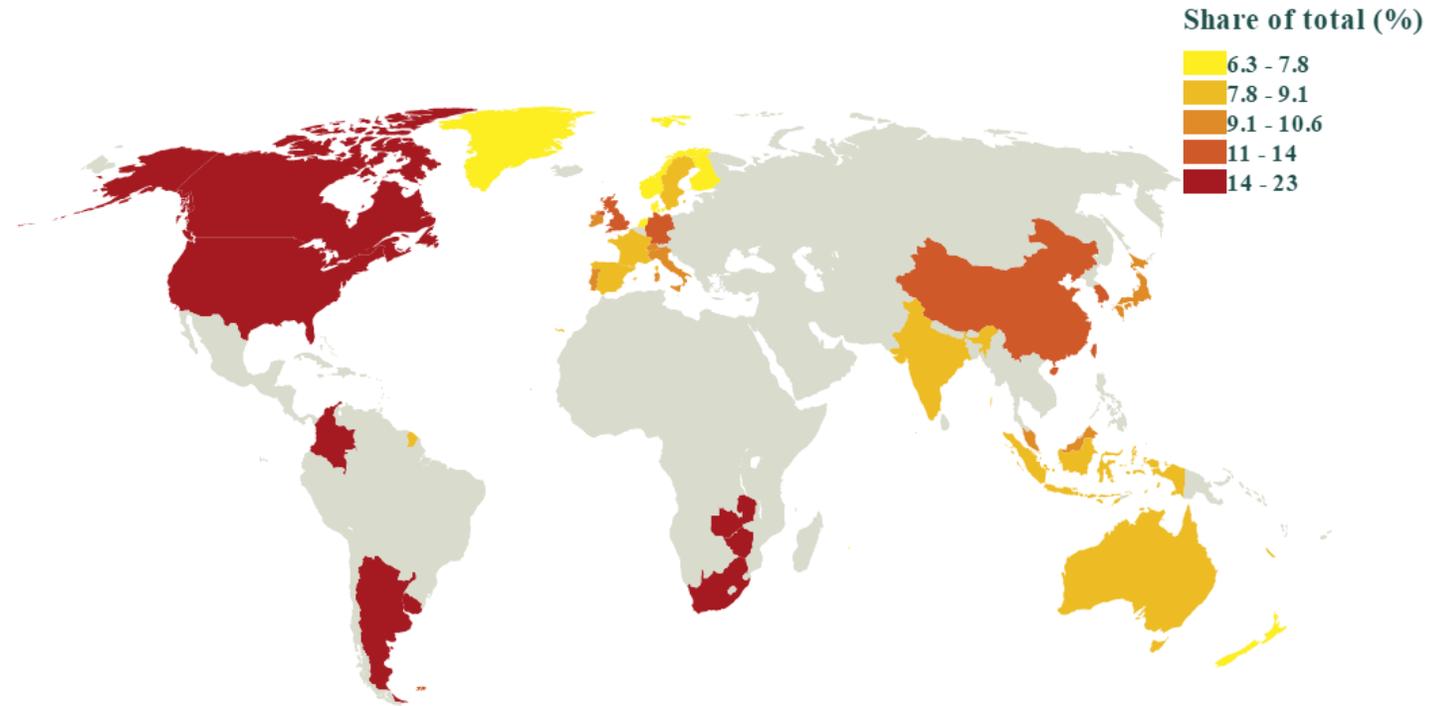
Winners and losers

Change in real income, at purchasing power parity, between 1988 and 2008 (%)



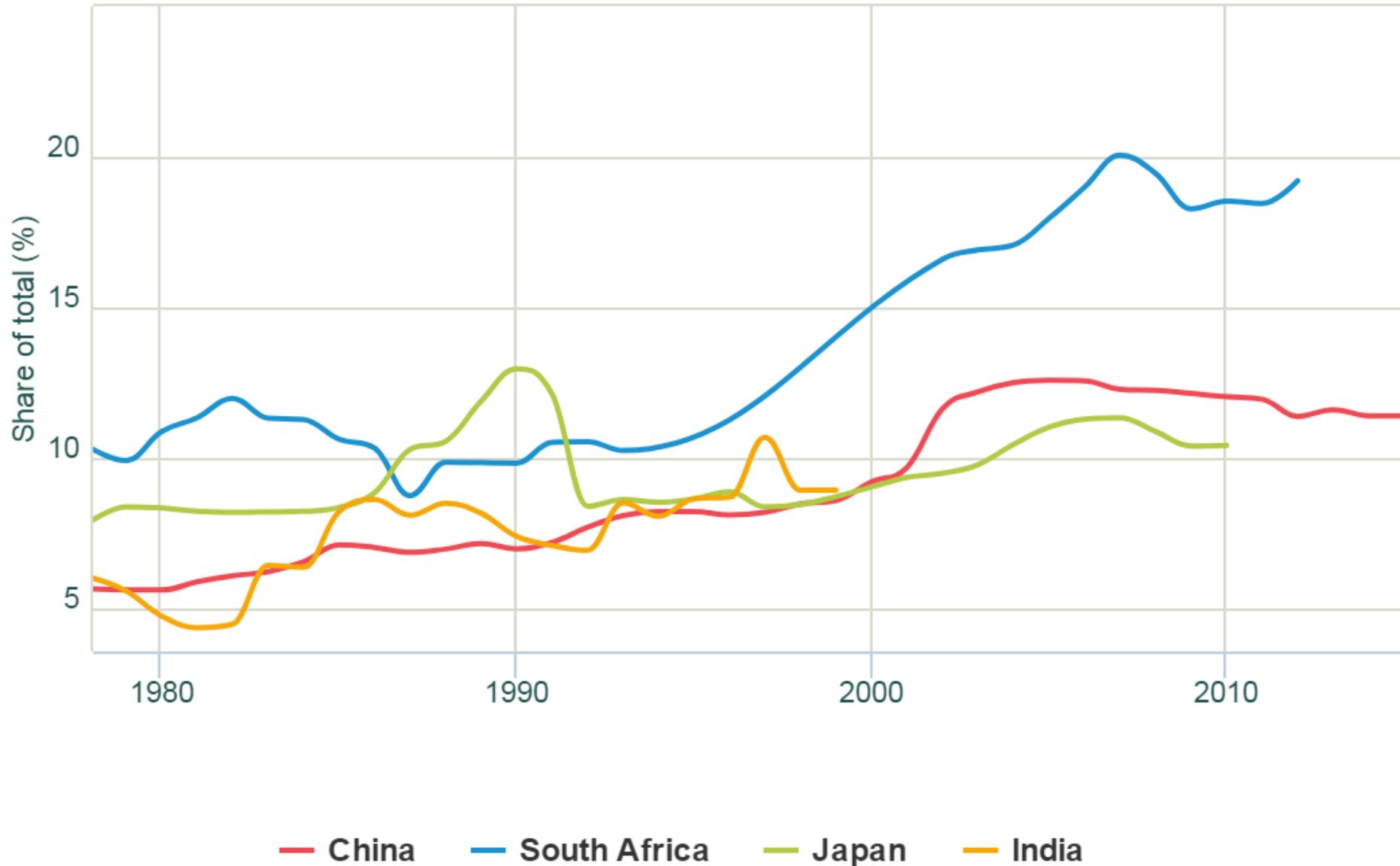
But, some developing nations are seeing big increases in income inequality

Top 1% fiscal income share



Top 1% fiscal income share

China and Japan had very low inequality in 1980 - has risen in recent years



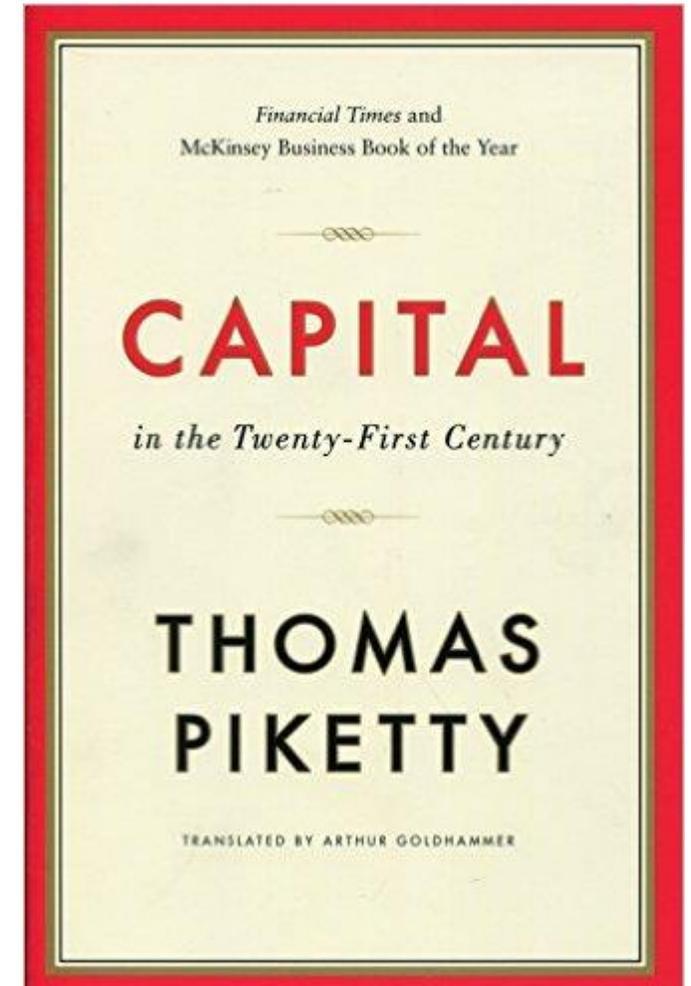
3: Wealth inequalities are accumulating and endemic



JUST
8 BILLIONAIRES OWN THE SAME
WEALTH AS THE POOREST
3.6 BILLION PEOPLE

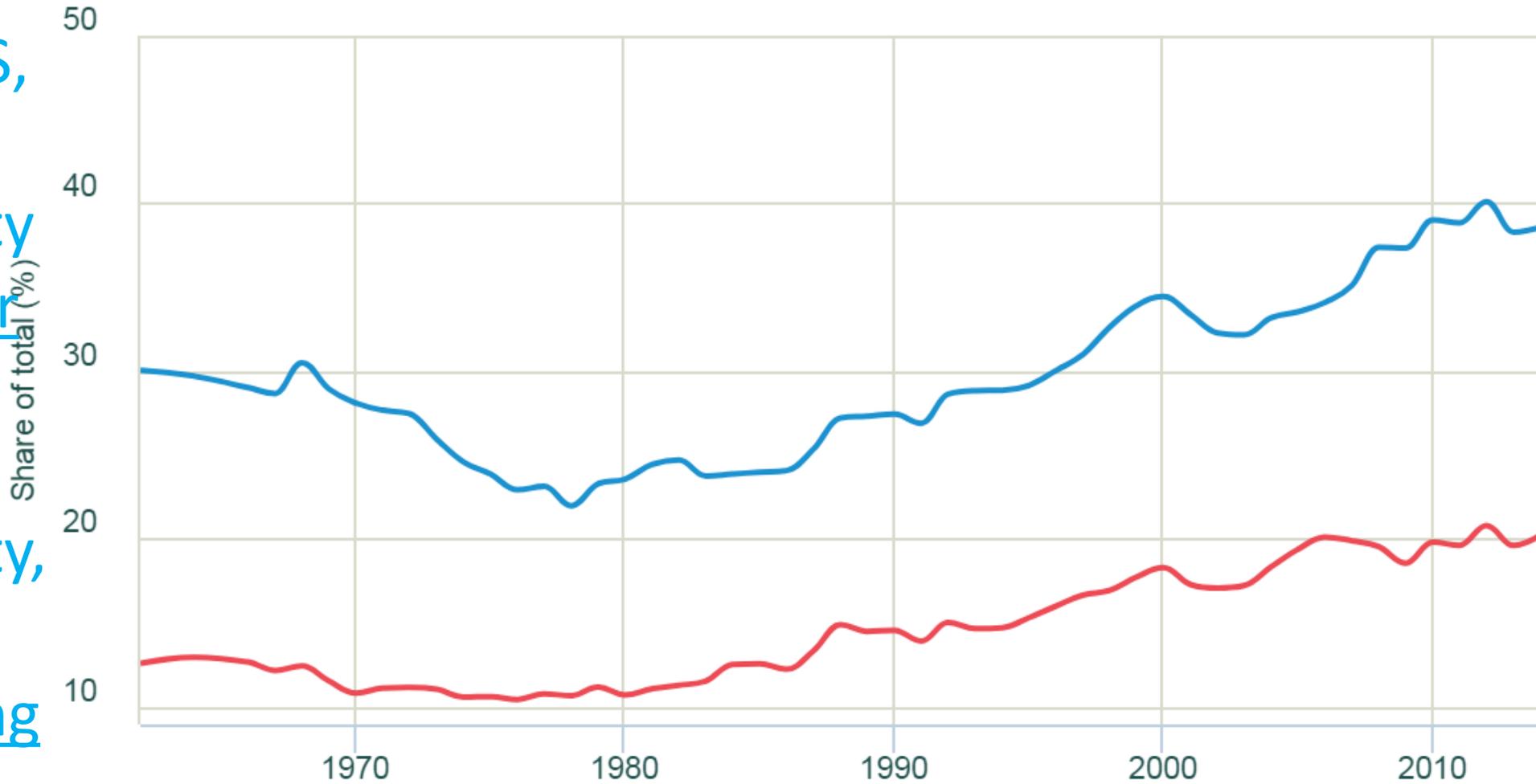
DEMAND AN ECONOMY THAT WORKS
FOR EVERYONE, NOT JUST THE FEW

**EVEN
IT UP** |  OXFAM



Income and wealth inequality, USA, 1962-2014

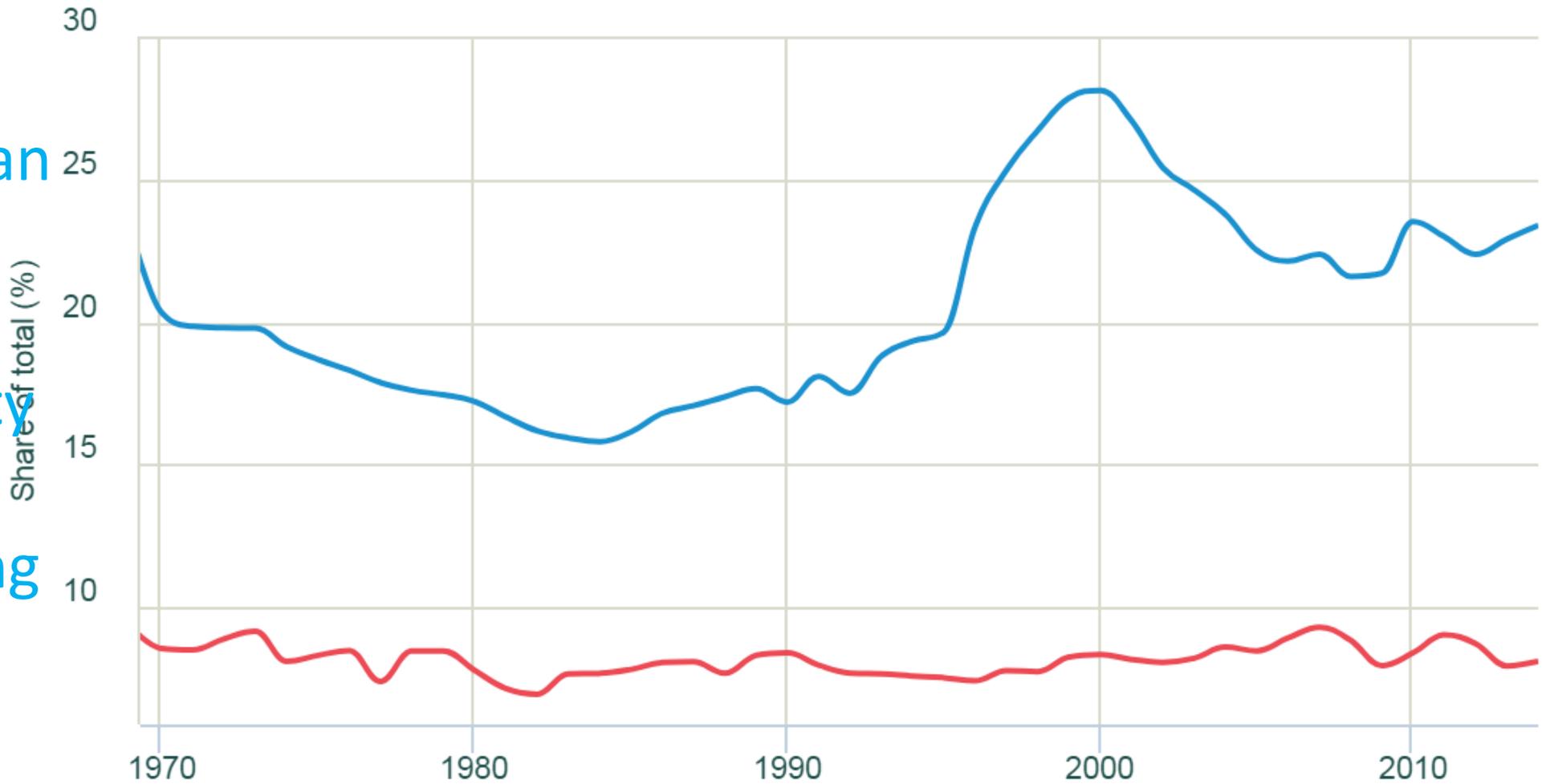
In the US, wealth inequality is greater than income inequality, and it is increasing faster



— Pre-tax national income | Top 1% | share | adults | equal split
— Net personal wealth | Top 1% | share | adults | equal split

Income and wealth inequality, France, 1970-2014

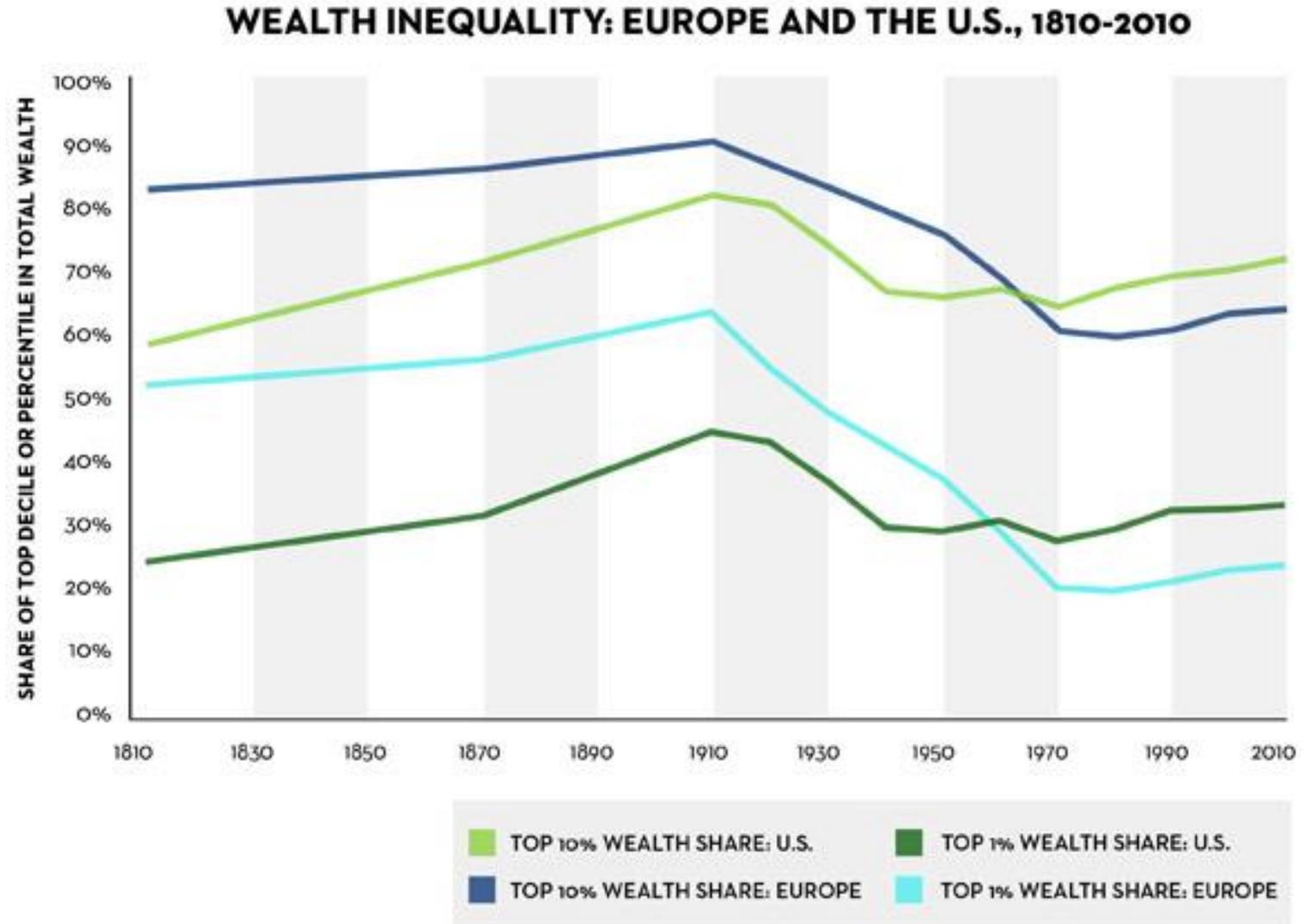
Even in
egalitarian
France,
wealth
inequality
is
increasing



— Fiscal income | Top 1% | share | adults | equal split

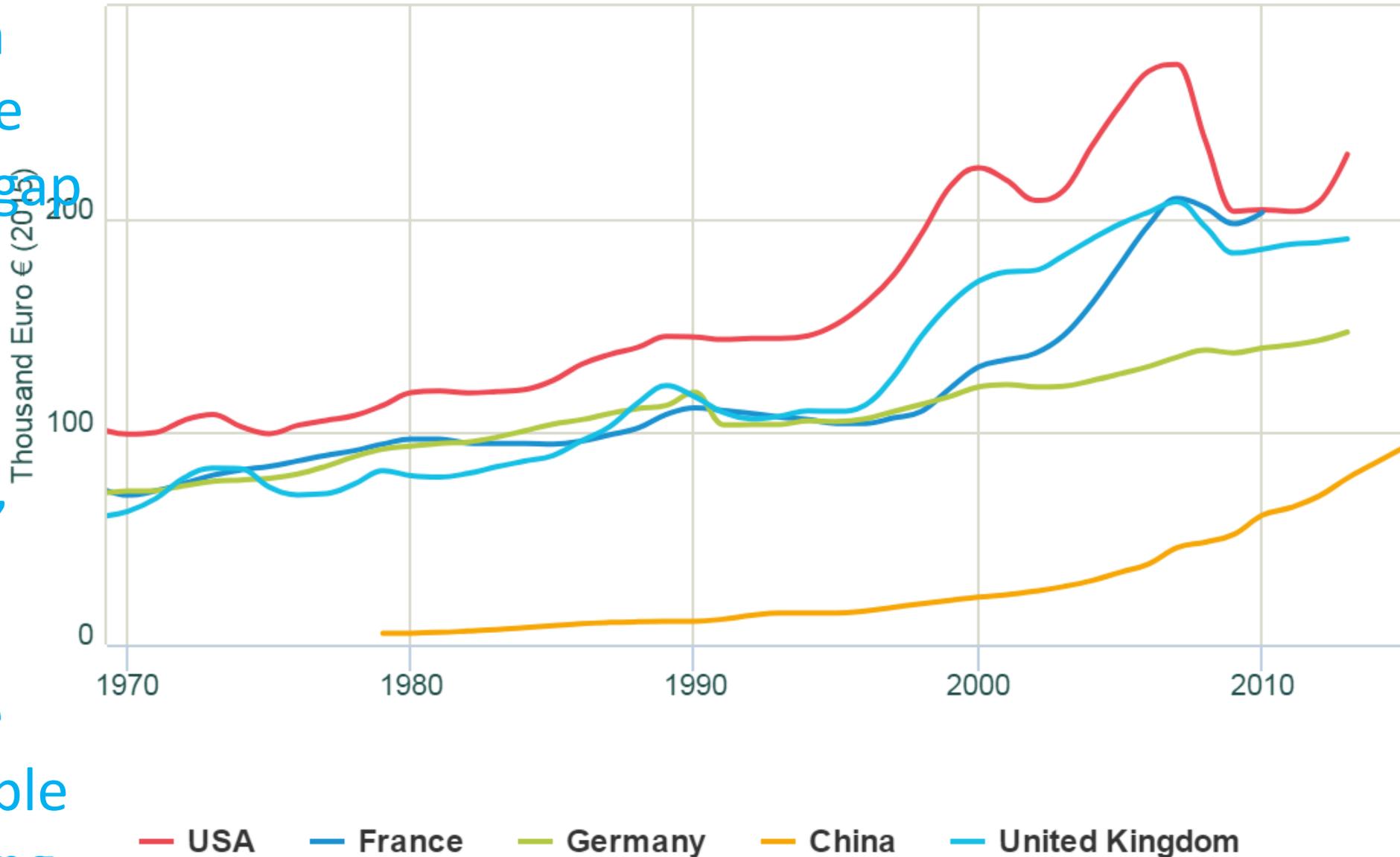
— Net personal wealth | Top 1% | share | adults | equal split

And the same is true generally in Europe.

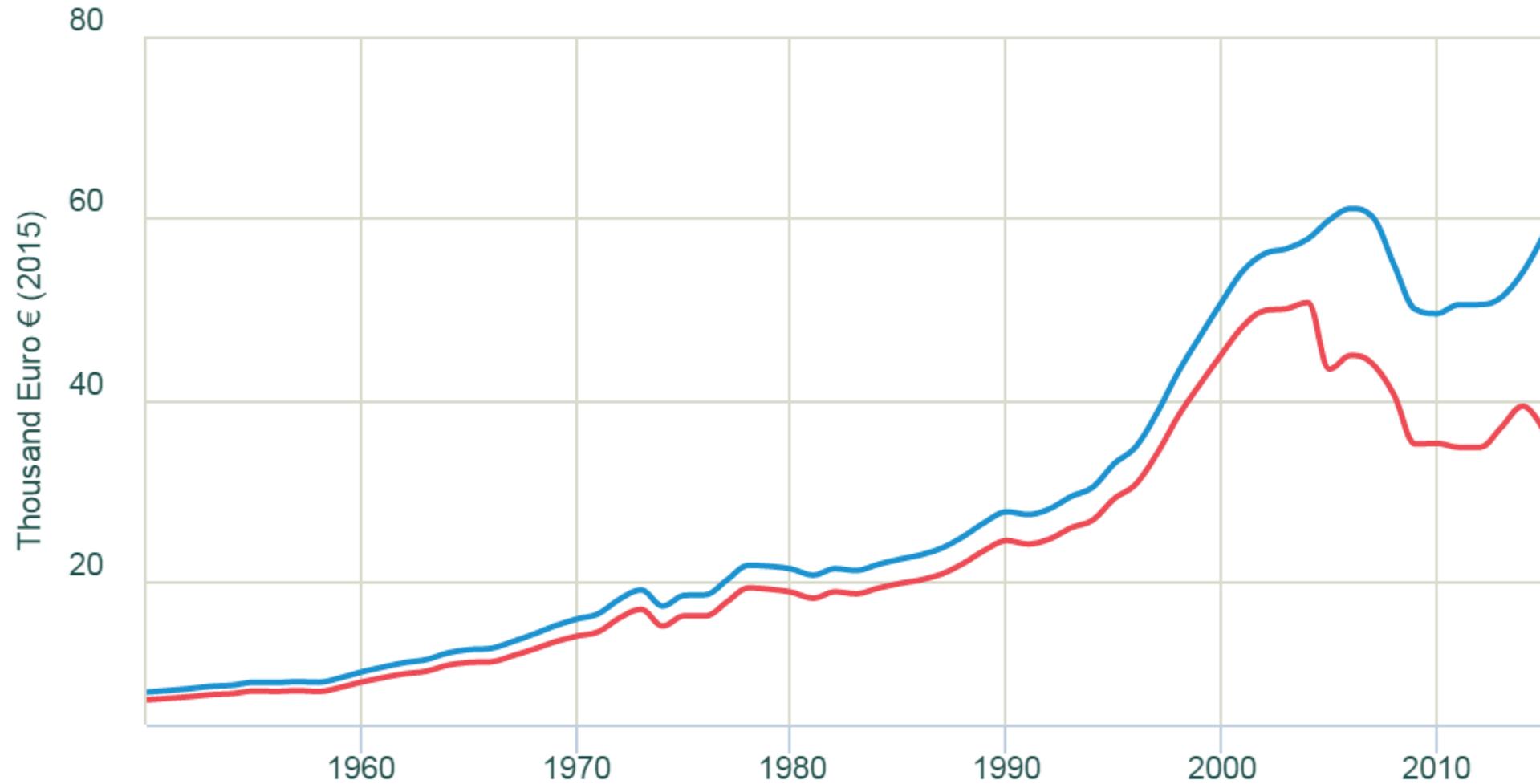


average market-value national wealth per adult

As wealth grows, the absolute gap between rich and poor increases, even if in relative terms the gap is stable or declining



Evolution of average income, Ireland, 1950-2015



— National income | Total population | average income or wealth | adults | individual
— Gross domestic product | Total population | average income or wealth | adults | individual

4: Inheritance – and housing - is central to capital accumulation

Countries which are more unequal have lower social mobility – it is harder to get from the bottom to the top....

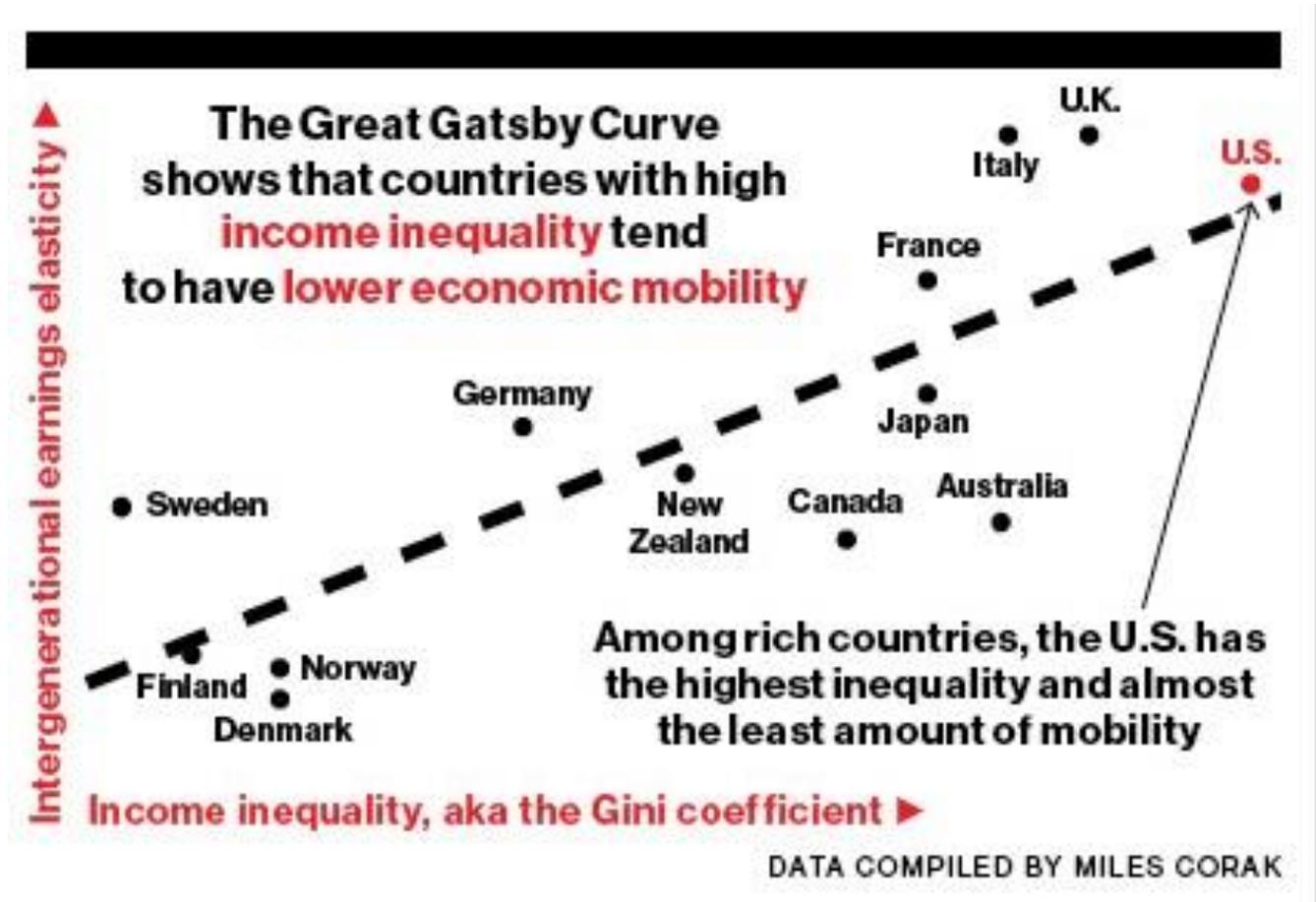
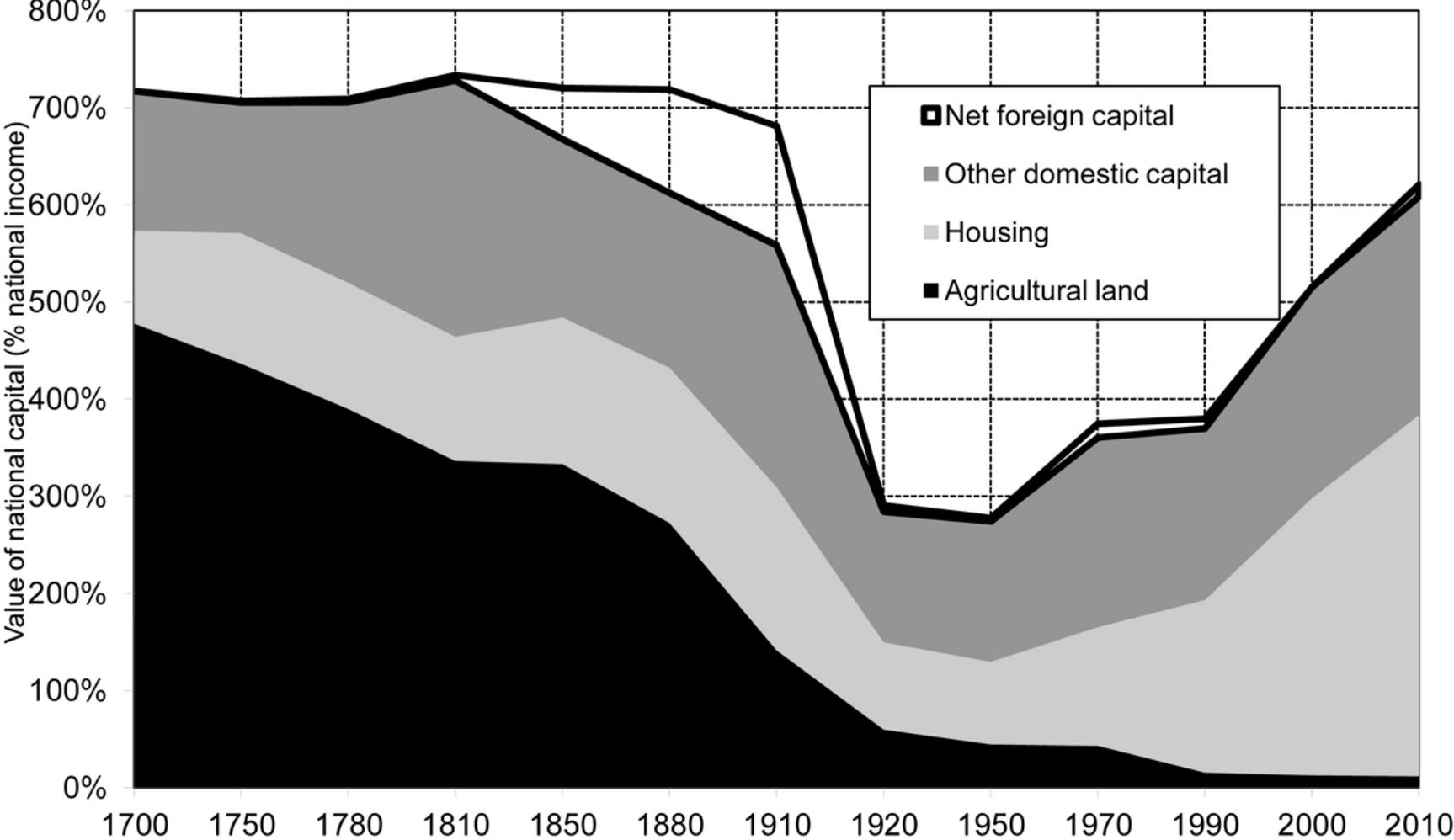


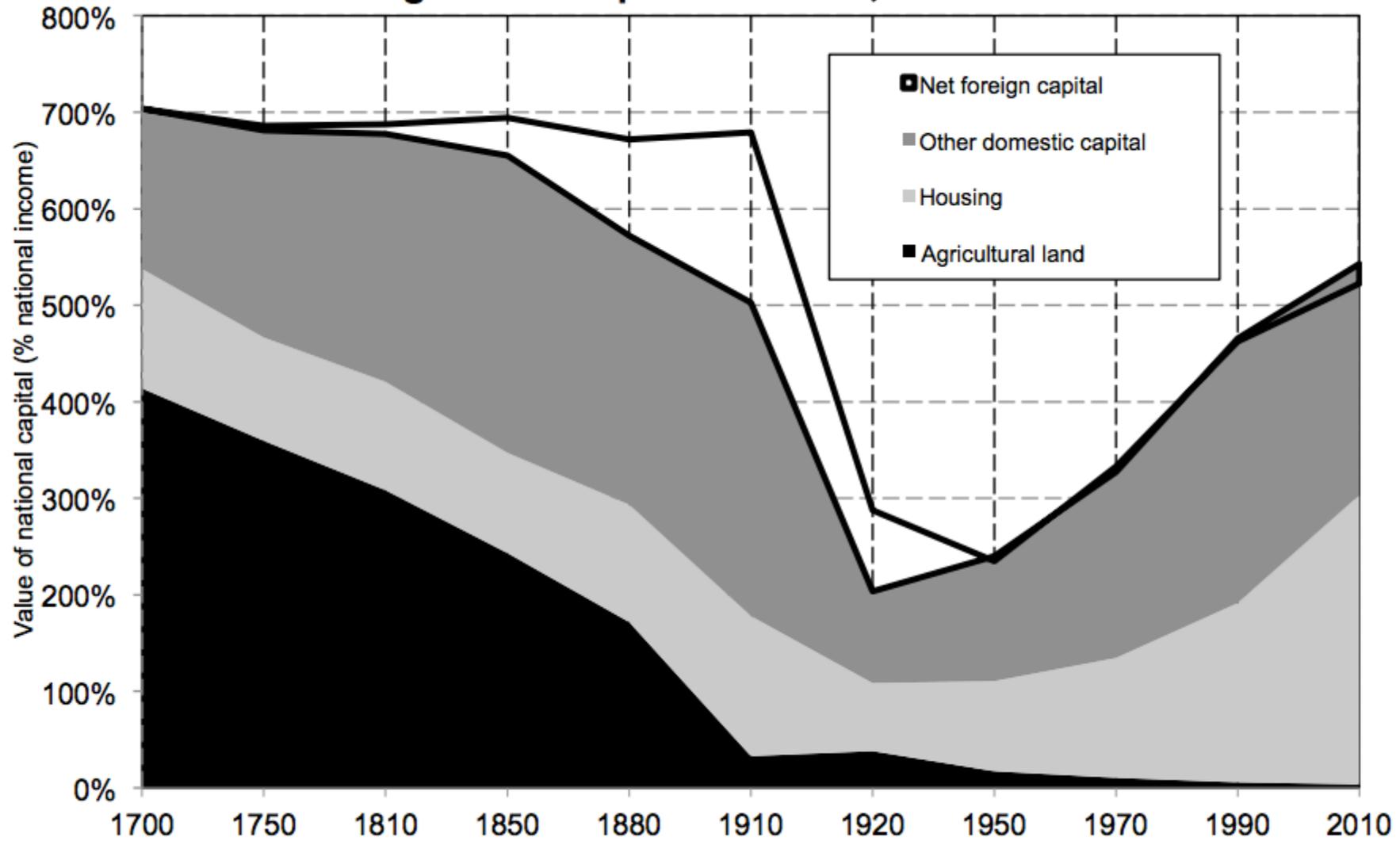
Figure 3.2. Capital in France, 1700-2010



National capital is worth almost 7 years of national income in France in 1910 (including 1 invested abroad).

Sources and series: see piketty.pse.ens.fr/capital21c.

Figure 3.1. Capital in Britain, 1700-2010

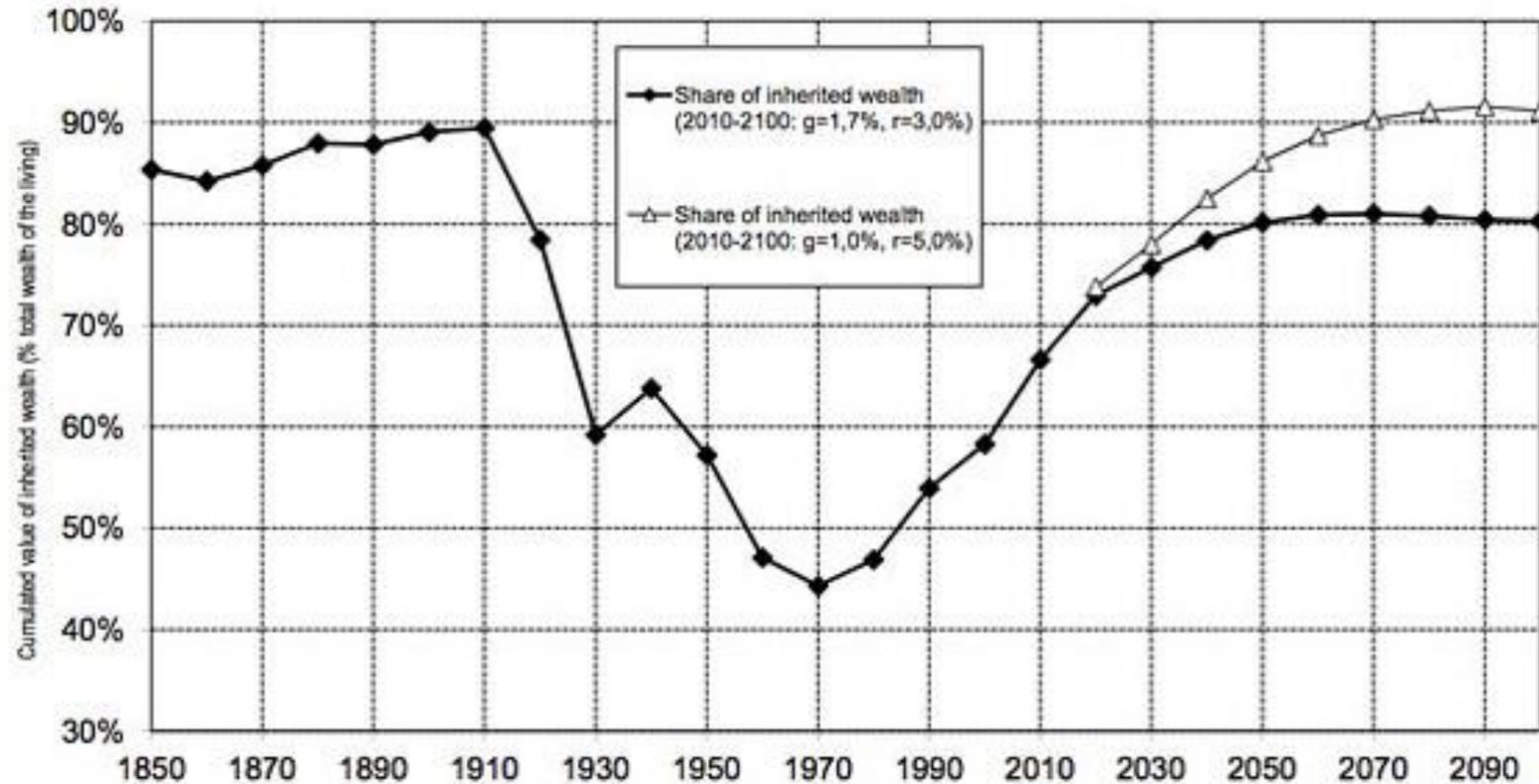


National capital is worth about 7 years of national income in Britain in 1700 (including 4 in agricultural land).

Sources and series: see piketty.pse.ens.fr/capital21c.

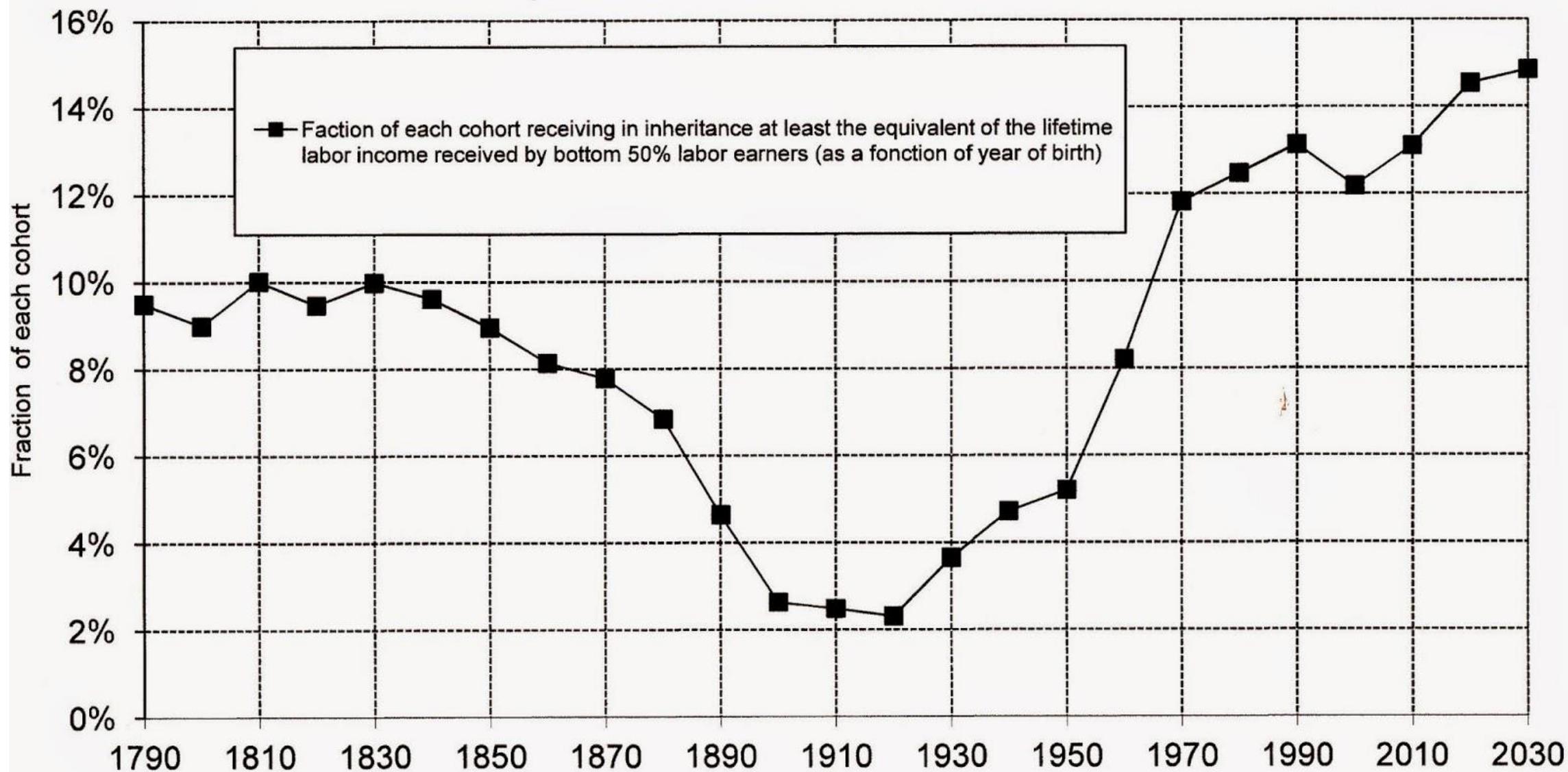
Growing
significance of
inheritance will
accentuate
inequalities

Figure 11.7. The share of inherited wealth in total wealth, France 1850-2100



Inherited wealth represents 80-90% of total wealth in France in the 19th century; this share fell to 40%-50% during the 20th century, and might return to 80%-90% during the 21st century. Sources and series: see piketty.pse.ens.fr/capital21c

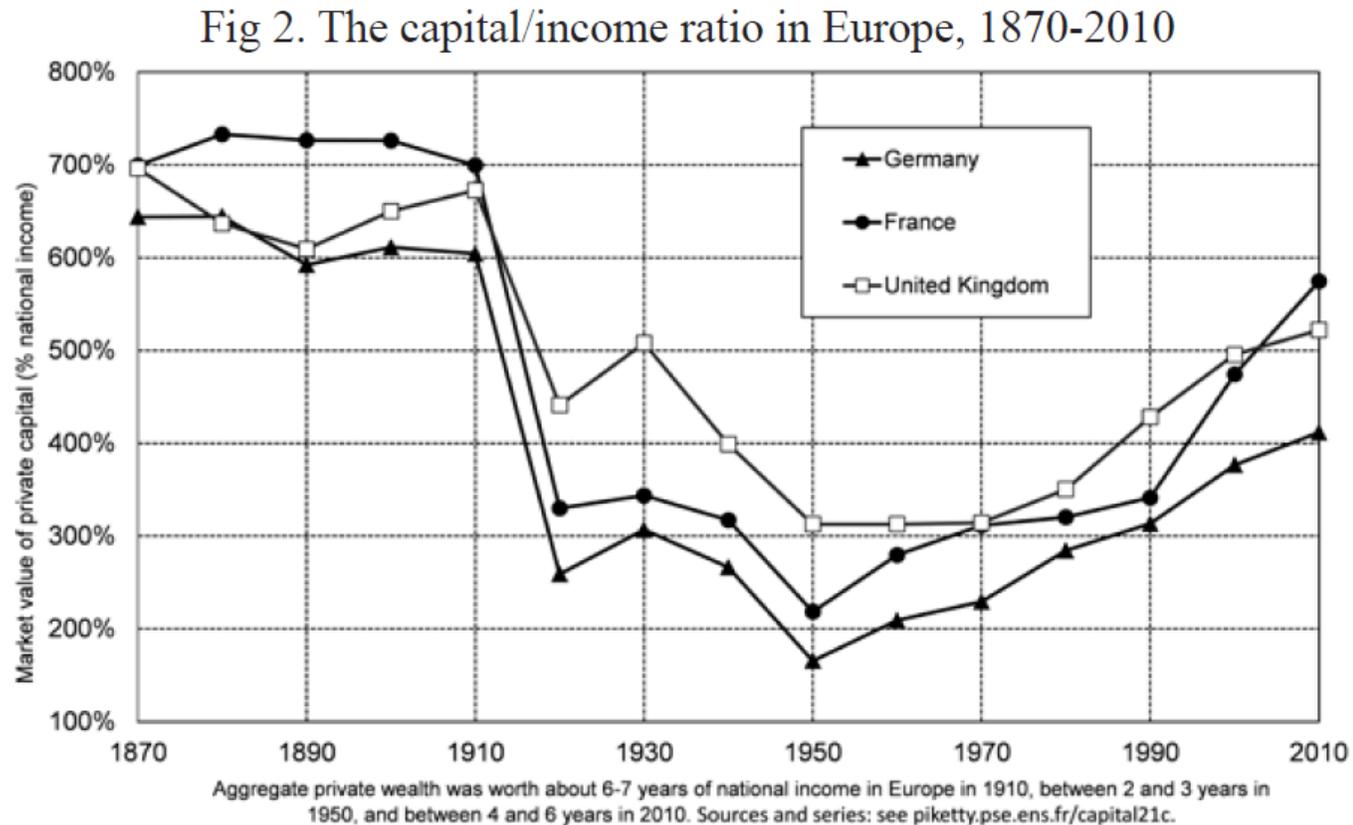
Figure 11.11. Which fraction of a cohort receives in inheritance the equivalent of a lifetime labor income?



Within the cohorts born around 1970-1980, 12-14% of individuals receive in inheritance the equivalent of the lifetime labor income received by the bottom 50% less well paid workers. Sources and series : see piketty.pse.ens.fr/capital21c

Implications

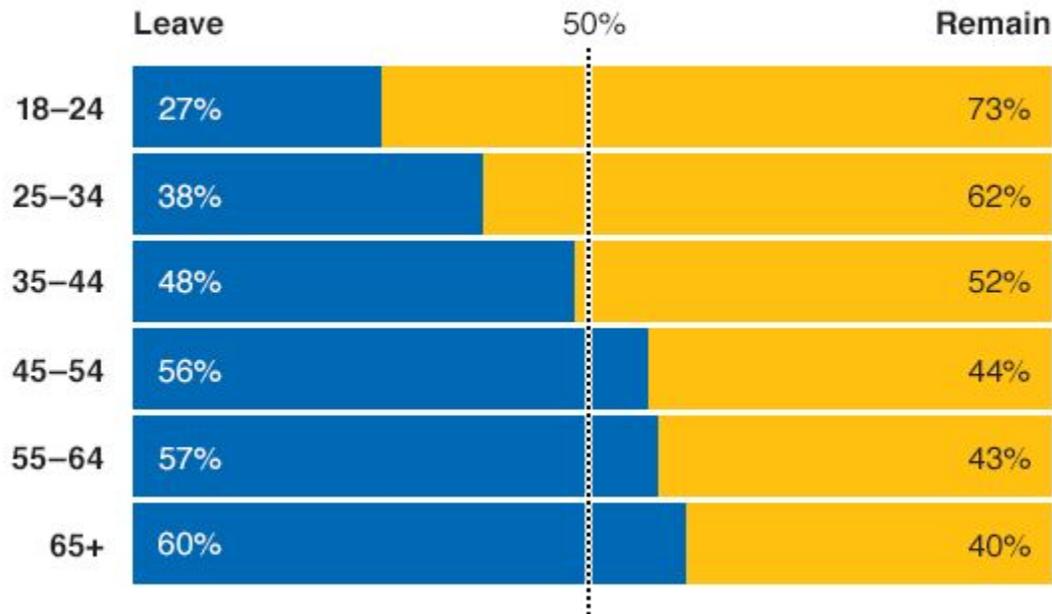
1. The politics of inequality is moving towards wealth accumulation rather than income shares



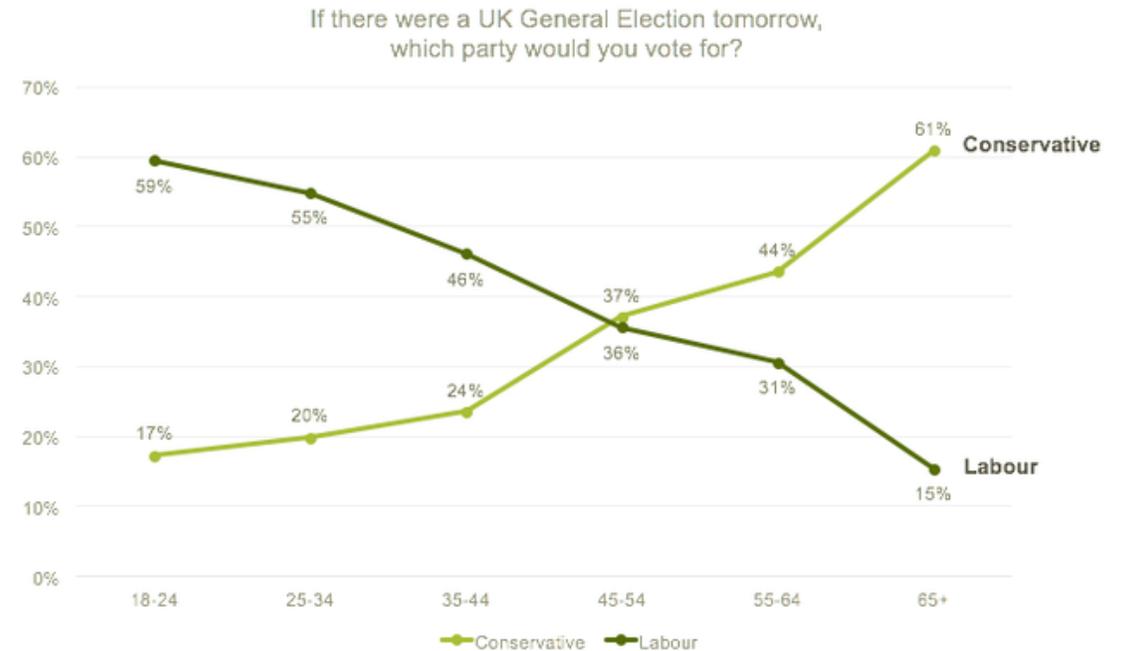
Implications

2. Age and generational divisions will intensify as wealth inequalities grow

How different age groups voted



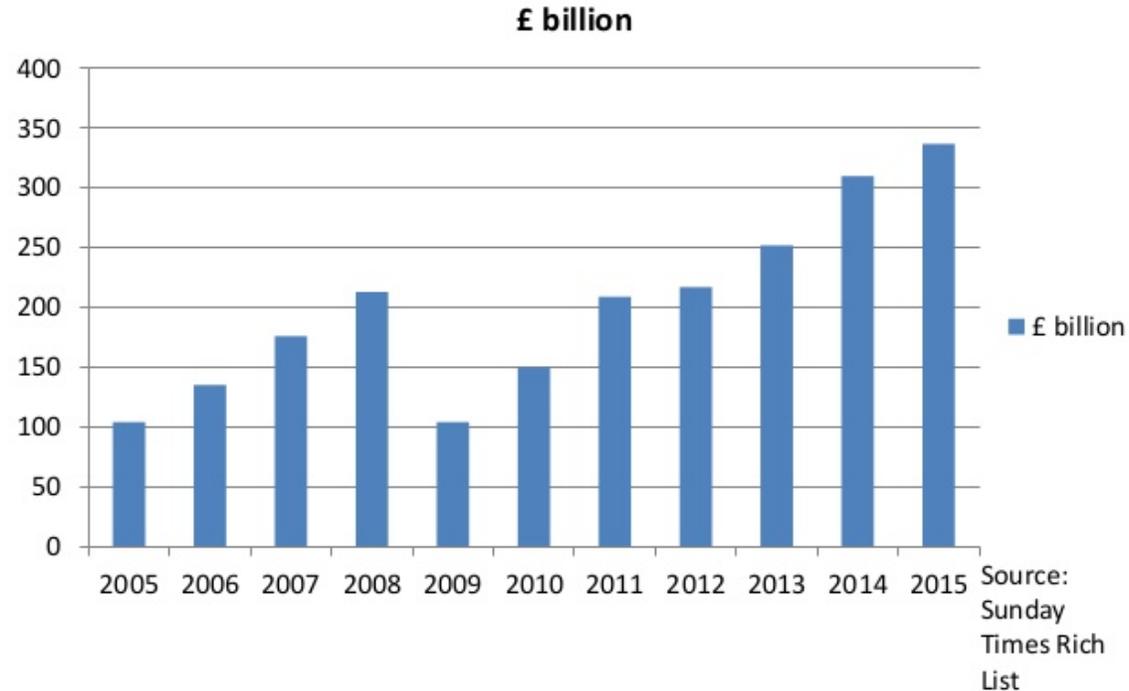
UK Vote: Huge Differences By Age



Implications

3. Political tensions between elites and the masses are bound to become the central dynamic of our time because elites disproportionately benefit from wealth accumulation

Wealth of UK billionaires



If you want to read more.....

