

UNEQUAL WEALTH

THE TOP TEN THOUSAND AND US

by
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Wealth is even more unequally distributed than income - both within countries and on a global scale. The strong concentration of wealth in the hands of a few endangers democracy.

Measurement of “the wealth of a nation” is complicated by intransparencies due to banking secrecy, the possibility of shifting assets into tax swamps and multinational ownership constructs.

Research on wealth inequality is challenging, not least because of data problems. For example, and by contrast to GDP or some income types, there are no commonly agreed (international) measurement standards and total wealth and its distribution are recorded neither regularly nor systematically. The measurement of “the wealth of a nation” is complicated by intransparencies due to banking secrecy, the possibility of shifting assets into tax swamps and multinational ownership constructs. Despite these problems, recent research was able to provide estimates of the global distribution of wealth using a combination of several data sources, such as tax statistics, household surveys and rich lists.

The wealthiest ten-thousandth of the world – that is roughly 500,000 adults – owns, on average, more than 50 million euros, according to a 2015 analysis by Thomas Piketty. Relatedly, the Swiss bank Crédit Suisse reported in 2018 that the top one percent of the global wealth distribution - that’s 50 million adults - collectively owns about half of the world’s wealth. These wealth holdings consist primarily of financial assets, but real estate also play an important role. Especially billionaires’ wealth has skyrocket since the outbreak of the COVID-19 pandemic, with growth rates as high as 300 percent or even higher. In the meantime, the bottom half of the global wealth distribution - that’s 50 times as many adults as the global top 1 percent - owns less than one percent of global wealth. The

excessive wealth inequality both within and across countries has important repercussions on all of us.

For instance, those at the very top of the wealth distribution can make use of their wealth to demonstrate and perpetuate social status, exercise power, or exert political influence. Large “fortunes” controlled by a single individual or family and implying social, political, and economic influence are usually based on inheritances, and hence the lottery of birth. And labor income is the dominant means to secure a certain standard of living for most part of the distribution, substantial incomes derived from the ownership of wealth add up to that for the wealthiest.

Those at the very top of the wealth distribution are excessively rich. Their interests are substantially different from those the majority of the world’s population. They live in segregated communities in global cities, send their children to exclusive private schools, have themselves treated in private clinics and may spend their vacation on private islands. Frequently, they symbolically donate minuscule fractions of their wealth to charities and foundations, to demonstrate to the public their devotions for a “better” world. At the same time, research also has shown that the wealthiest are neither interested in reducing wealth concentration, nor in improving working conditions of the majority, or in developing and strengthening welfare states. The lives of those who do not

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(possess) any or significant assets however depend on such social institutions. If the protection provided by the welfare state is only rudimentary, the loss of a job, a serious, protracted illness, the birth of a child or the failure of a crop due to climate change can turn into an existential threat.

The North-South divide in global wealth distribution

From a global perspective, the pronounced North-South divide in the distribution of wealth is important to understand the state of the world. 15 percent of the world's population lives in Europe or North America, but together these people own more than half of the world's wealth. By comparison, 20 percent of the world's population lives in Africa and Latin America, but together those being home there own less than 4 percent of total wealth. Again, it is not just wealth but relatedly decision-making power, for example with regard to strategies for economic and social development, climate protection,

taxation of corporations and wealth, that is concentrated in North America and Europe.

While inequality in the (global) distribution of wealth can only be understood when taking history into account, it also results from power imbalances and is more recent political disputes and policy failures. In turn, this implies that much can be done to address the unequal distribution of wealth: Inheritances must be taxed, as international institutions such as the OECD also emphasize. An increasing number of researchers also point to the effectiveness of equalizing taxes on labor and capital income, progressive wealth taxes or democratically negotiated caps on wealth ownership. Increased international cooperation on the recording of wealth and its distribution or the taxation of multinational corporations should also be on top of a policy agenda addressing wealth inequality.

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North – South Divide in the Global Wealth Distribution (2019)

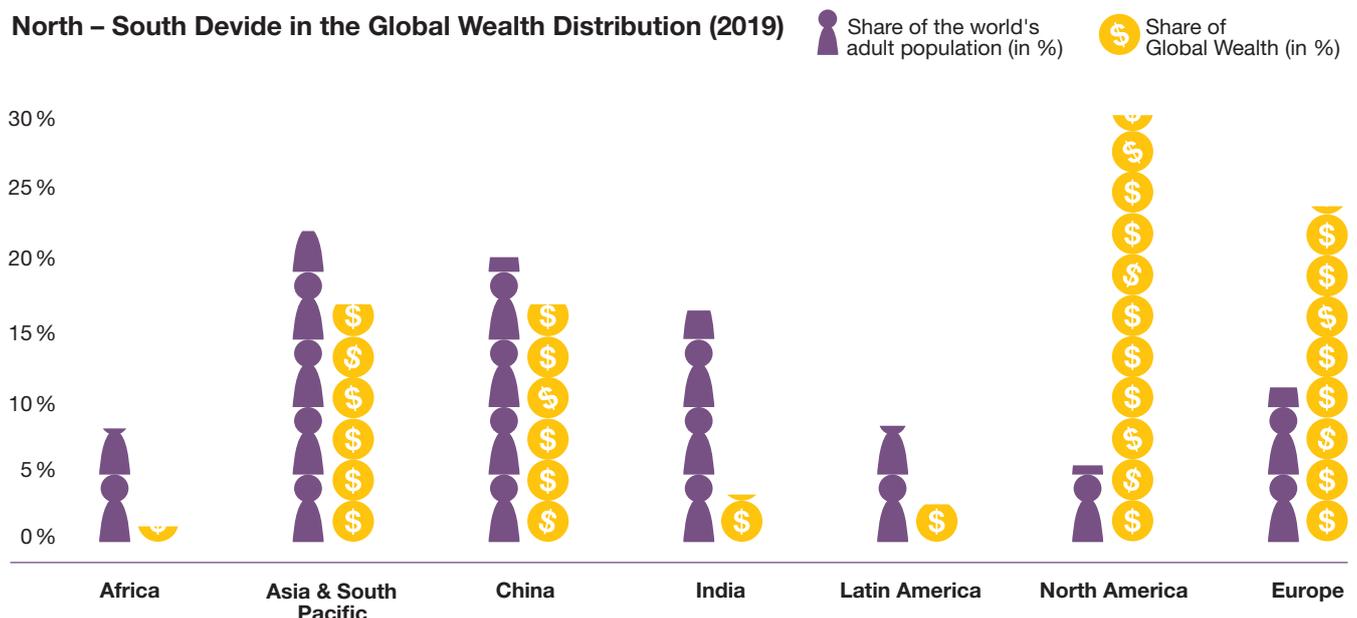


Chart based on: Credit Suisse Global Wealth Databook 2019