Comments on
“Global inequality: where do we stand?”
by François Bourguignon

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FB’s outline and my focus

1. **Historical evolution** of income inequality among world citizen: 1820-1980: an ascending trend

2. **Recent evolution** of global inequality (last three/four decades)
   1. A trend reversal (?)
   2. Inequality measures
   3. Growth incidence curves

3. **Some methodological issues** in global inequality estimation
   1. What mean income?
   2. Population weighting
   3. The weight of giant countries
   4. The role of within country inequality

4. What’s next?
‘Global inequality’: why is it an interesting or important concept (1)

1. **Normative** (FB: ‘global social justice’): concern for the ‘welfare’ of all individuals in the world, and how this distribution is evolving
   - Cosmopolitan approach consistent with SDG approach to world but is this contestable?
   - Cf. Deaton’s arguments against usefulness of global poverty estimates; more in favour of country-specific focuses
   - Whatever, not enough of Alvaredo & Gasparini (2015) type information is readily available (more PIP use?)

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**Figure 9.1** Gini coefficients for the distribution of household consumption per capita. Developing countries, 2010. Note: Countries sorted by their Gini coefficients. Source: Own calculations based on PovcalNet (2013).

**Figure 9.2** Gini coefficients for the distribution of household consumption per capita. Developing countries, 2010. Note: Each bar represents a country in a given geographic region of the developing world. Source: Own calculations based on PovcalNet (2013).
‘Global inequality’: why is it an interesting or important concept (2)

2. Analytic: provides an organisational framework
   - Milanovic’s 3 concepts of global inequality: (i) differences in country mean income between countries; (ii) differences in population-weighted mean income between countries; (iii) differences in ‘income’ across individuals within and between countries
   - For all $GE(\alpha)$ inequality indices:
     \[
     \text{Global inequality} = (\text{weighted sum of inequalities within countries}) + (\text{inequality between countries, } GE_B)
     \]
     where country weights depend on population and income shares in global total, and $GE_B$ is $GE(\alpha)$ calculated assuming all within a country receive the country mean
   - Fundamental building block info: $GE_c$, $pop_c$, $mean_c$ for all $c$
   - Links with country focus; Gini doesn’t aggregate thus
     - Side remark: beware of Eurostat-type unweighted (or pop-weighted) country Gini averages
Methodological checklist: which is most crucial?

1. Comparability of basic concepts
   - Income versus consumption (versus GDPpc)
   - Real values: price indices across countries (and regions), PPPs; across time, CPI or equivalent
   - Equivalence scales: per capita versus other? Same for all?

2. Data per se
   - Household surveys: coverage & representativeness of population, quality, *availability per se*, frequency and timeliness, length of time period covered
   - Top-income under-coverage adjustments?
   - Use of administrative data to adjust survey, supplement or replace survey data (cf. DiNA)
   - Population estimates (cf. ABA WB report)

3. Summarising distributions – which concept of interest?
   - Levels (incl. means versus medians), poverty, inequality …
   - Which inequality measure? Top income share(s) versus Gini versus some $GE(\alpha)$ for consistent decomposability. Relative versus absolute gaps

4. Estimation methods, e.g., from grouped versus unit record data

5. Treatment of errors: ‘total error’ (going beyond sampling variability)
Data ‘deprivation’ issues

- Case study: data for LMICs in World Bank’s WDI dataset (Serajuddin et al., 2015), with update in ‘Data deprivation: progress has stalled’ (2019 blog by Swanson and Noe)
  - 2002-2011: improvements in number of data points over time, but problems remain
  - 2002–2011: of 57 countries with 0 or 1 data point, 15 are from East Asia/Pacific, 12 from LAC, and 20 from SSA
- Update from blog:

Figure 2 Evidence of data deprivation

![Graph showing number of surveys in ten-year period ending in year shown]
“… the dominant view seems to be that global inequality has ever been increasing and keeps increasing” versus recent trend reversal

- SPJ already conditioned to ‘trend reversal’ idea
  - Influence of BM’s papers?!
- The role of China: very high economic growth rates combined with huge population (BM 2022: era of ‘the rise of Asia’)
  - Large impact on Between-Country inequality via $mean_c$ and $pop_c$
    - E.g., Lakner-BM (WBER 2016): 1998–2008, Global MLD declined 10.1 ppt of which 6.5 ppt accounted for by decline in between-country inequality
  - But is this now changing again as China’s growth slows: see PIP estimates (FB slide 10)
    - NB what happens in India now also crucial going forward
Surprising (worrying?) differences

- Why are the within-country inequality (Theil) trends so different between BM, Chancel & Piketty, PIP?
- Something intrinsic about DiNA approach?
- More detail if look at specific countries …
Surprising (worrying?) differences?

- Differences between WID (top) and PIP (bottom) estimates of evolution of top-10% share in China and UK (less so for USA), and poorest 50% in China
- Something about DiNA approach?
  - Greater use of tax data with greater impact at top of distribution relative to surveys
- Methods and concepts matter!

![Graphs showing income inequality trends in the UK and China](image)

b) PIP data
Envoi

• Although talking here about ‘global inequality’, virtually all the methodological issues are relevant to most cross-national comparative research on income distributions: LIS!
  ▪ Welcome cross-fertilisation of two literatures that have been largely separate but parallel in the past

• FB’s talk highlights important issues, including especially (for me) the difference in patterns revealed by a DiNA approach and a household survey-based approach
  ▪ Also relevant to LIS users of course
  ▪ The two approaches are different (complementary), not competitors for a single prize of being ‘right’
  ▪ Differences in concepts and differences in feasibility, which depend on context (research goals, country context and data, etc.)
  ▪ And remember that there’s more than one conceptual approach to implementing a DiNA approach
    – cf. WID, OECD, some national statistical offices