

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?)

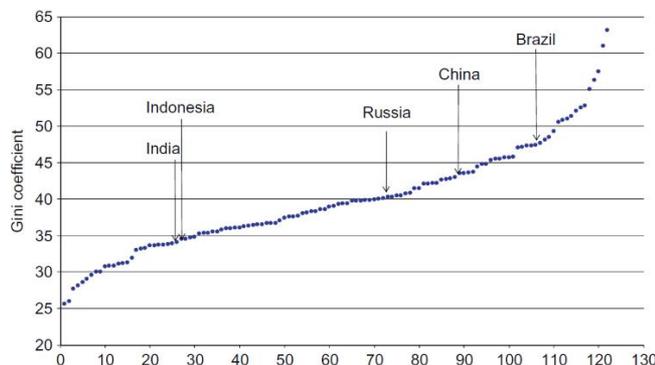


Figure 9.1 Gini coefficients for the distribution of household consumption per capita. Developing countries, 2010. Note: Countries sorted by their Gini coefficients. Source: Own calculations based on PovcalNet (2013).

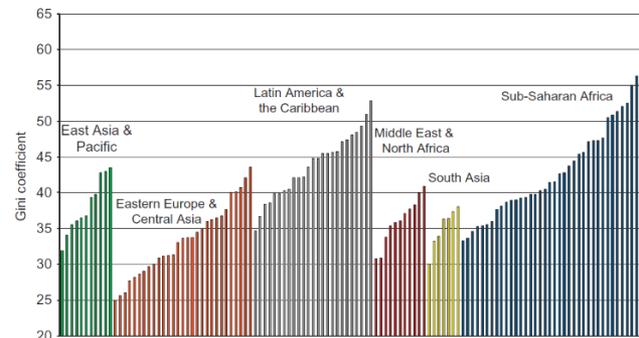


Figure 9.2 Gini coefficients for the distribution of household consumption per capita. Developing countries, 2010. Note: Each bar represents a country in a given geographic region of the developing world. Source: Own calculations based on PovcalNet (2013).

# ‘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

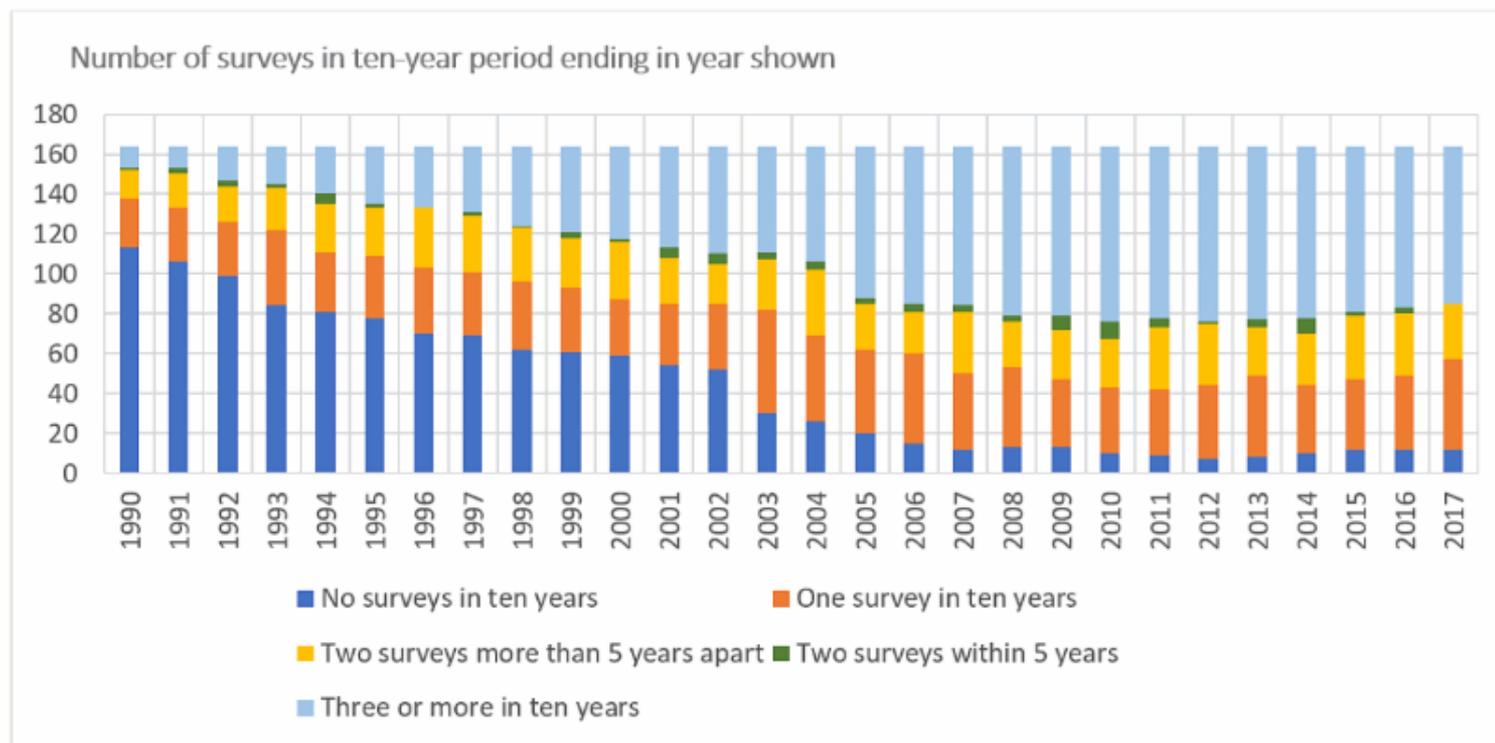
# Methodological checklist: which is most crucial?

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

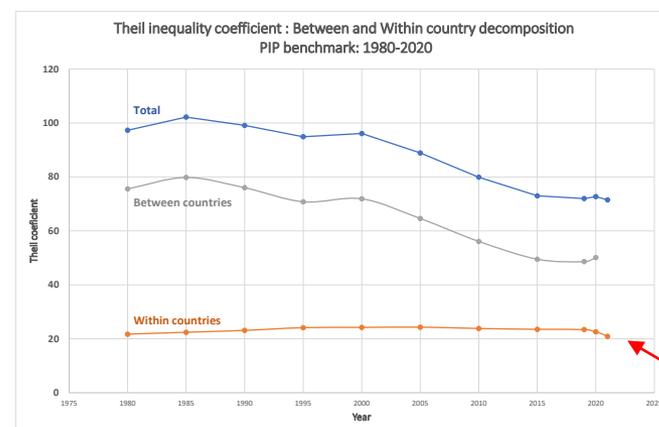
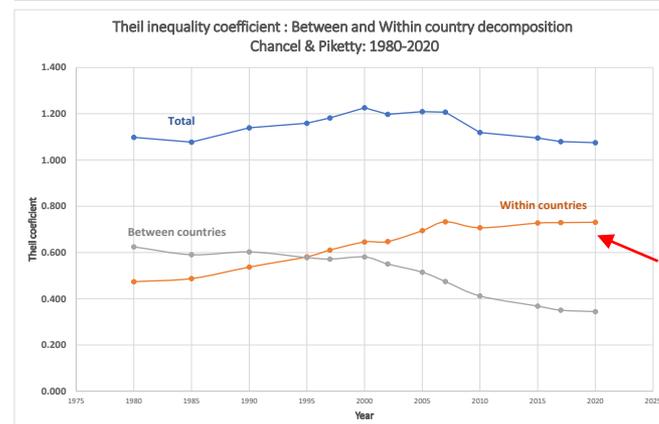
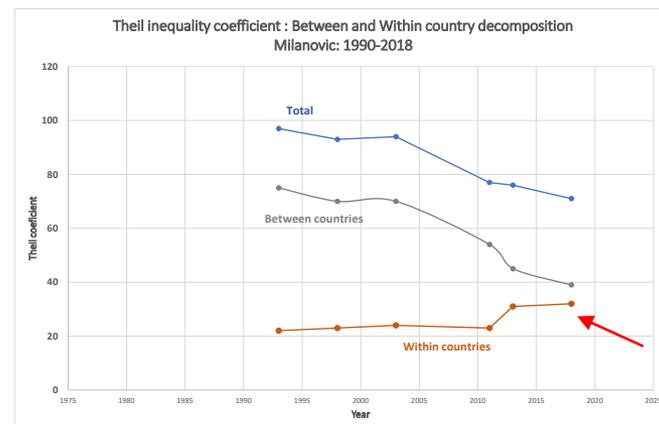


“... the dominant view seems to be that *global inequality has ever been increasing and keeps increasing*” versus recent trend reversal

- 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

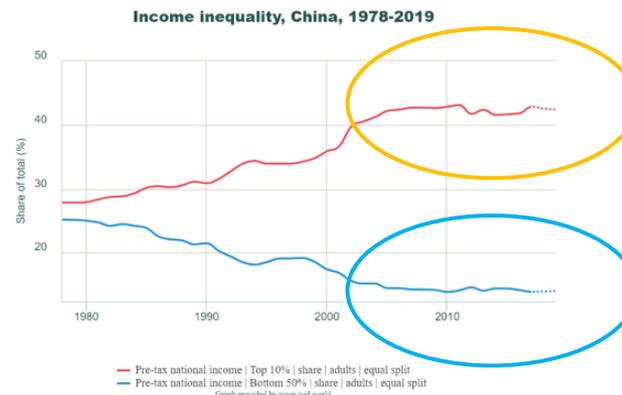
# Surprising (worrying?) differences

- 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 ...

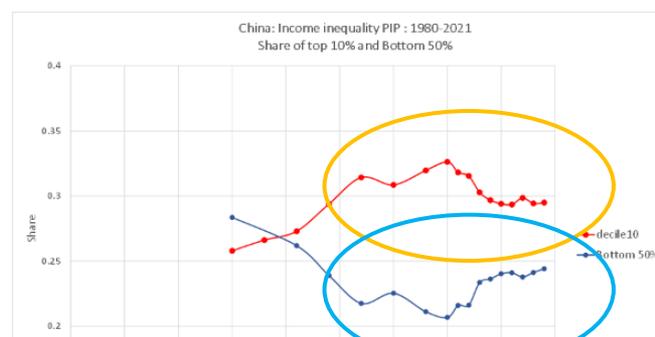


# Surprising (worrying?) differences?

- 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!



## 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