

Report details massive growth of inequality worldwide

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In December, researchers Thomas Piketty, Emmanuel Saez and Gabriel Zucman released the groundbreaking 300-page *World Inequality Report 2018* detailing the growth of social inequality on a world scale over recent decades. The authors “provide the first estimates of how the growth in global income since 1980 has been distributed across the totality of the world population.”

The growth of within-country inequality

The report shows that inequality is worsening in nearly every country and is therefore increasing on a world scale. As a result, the report warns: “Where rising inequality is not properly addressed, it leads to all manner of political and social catastrophes”—i.e., revolution.

The current share of total wealth controlled by the top 1 percent is 33 percent, up from 28 percent in 1980—a shift that reflects the transfer of trillions from the working class to the rich. The top 10 percent of the world now owns over 70 percent of total wealth. The bottom half of the world’s population—3.5 billion people—owns less than 2 percent of the wealth.

In terms of income, the top 1 percent captured 23 percent of world income from 1980 to 2016—equal to the total captured by the bottom 60 percent. The top 0.1 percent captured as much income as the bottom half of the world’s population.

After decreasing for most of the twentieth century, the income and wealth share of the top 10 and top 1 percent has increased dramatically since the 1980s:

If the world’s billionaires continue increasing their wealth at the present rate, they will eventually “own 100 percent of the world’s wealth.”

Growth of the international working class and homogenization of incomes across continents

Alongside the growth of inequality, the income levels for the poorest half of the world have increased substantially. This shows that billions of people have entered the working class in recent decades, leaving behind a rural existence as globalization has rapidly transformed social relations in the former colonial countries.

The greatest transformation has taken place in China, where the population took just 3 percent of global income in 1980, but now takes 19 percent—surpassing both North America (17 percent) and Europe (17 percent). Income distribution by region is much more even than in past decades, with India increasing its share of world income to 7 percent,

Japan declining to 4 percent, and the rest of Asia increasing to 18 percent. Africa and Latin America take only 5 and 8 percent of world income, respectively.

The industrialization of the former colonial countries (especially across Asia) coincides with a decline of income among the 60th to 90th percentiles, a group mostly comprised of the working class in the United States and Europe. Incomes between the 60th and 90th percentiles were stagnant, increasing less than 50 percent over a 36-year period. The conditions and incomes of workers across the world are becoming increasingly homogenized.

For example, from 1950 to 2016, the average income of a resident of Asia was 34 percent of the world average. By 2016, the average resident of Asia made 79 percent of the world average. For China alone, the figure increased from 15 percent in 1950 to 89 percent in 2016.

The same figure declined in Africa, where the average resident’s income was 64 percent of the world average in 1950 but just 41 percent in 2016. In Latin America, the figure also declined from 140 percent to 91 percent. The average income of a resident of Europe or the United States has declined substantially and is much closer to the world average than in previous decades.

This shows that as the working class grows numerically and becomes increasingly interconnected in the world process of production, the conditions and incomes of workers across the world become increasingly homogenized.

Impact of the Russian Revolution and dissolution of the Soviet Union on world inequality

The growth of inequality and divergent rates of income growth are the product not simply of abstract objective processes. They are the outcome of the development of the class struggle over the last century.

The report notes that the Russian Revolution of 1917 dramatically reduced social inequality on a world scale.

The revolution shook the world. The report notes, “In emerging economies, political and social shocks led to an even more radical reduction of income inequality. The abolition of private property in Russia, land redistribution, massive investments in public education, and strict government control over the economy via five-year plans effectively spread the benefits of growth from the early 1920s to the 1970s.” Further, “For most of the global population, the first three-quarters of the twentieth century corresponded to a very strong compression in the distribution of national incomes.”

In India, for example, “the top percentile income share decreased from around 20 percent at the end of the colonial period to 6 percent in the early 1980s, after four decades of socialist-inspired policies aimed at reducing

the economic power of the elite, including nationalizations, government control over prices, and extreme tax rates on top incomes.” In China, inequality was drastically reduced as a result of the expropriations and nationalizations that followed the 1949 Chinese Revolution.

But the dissolution of the Soviet Union by the imperialist powers and the Stalinist bureaucracy “contributed to strong increases in top percentile income shares” across the world. In Russia, the top 1 percent now controls 20 percent of income—equal to the distribution under the Tsar. In India, the top 1 percent controls 22 percent of income, worse than under English colonial rule.

In China, the pro-market reforms implemented by the Stalinist bureaucracy beginning in the late 1970s produced a more drawn-out growth in inequality. While the bottom 50 and top 10 percent took equal shares of national income in 1978, the top 10 percent now takes nearly three times that of the bottom 50 percent.

In Russia itself, the reintroduction of private property “resulted in massive redistribution and impoverishment for millions of Russian households, particularly among the retired populations. The share of national income accruing to the bottom 50 percent collapsed, dropping from about 30 percent of total income in 1990-1991 to less than 10 percent in 1996.”

Since the dissolution of the Soviet Union, inequality has risen to levels almost approaching the extreme inequality of the United States.

The rise of oligarchy in the US

In no country in the world does the ruling class possess as much wealth as in the United States, the center of world imperialism.

Europe’s top 1 percent increased its income share from 10 percent in 1980 to 12 percent in 2016. In the US, however, the top 1 percent increased from the same figure—10 percent in 1980—to 20 percent today.

The wealth share of the top 10 percent has increased from 63 percent in 1985 to 77 percent today. But even this masks the massive accumulation of wealth at the very top. The wealth share of the “next 9 percent” has declined relative to that of the top 1 percent.

High levels of inequality dominate even within the top 1 percent: “The rise in wealth share of the top 1 percent itself owes almost all of its increase to the growth of the top 0.1 percent share, which rose from 7 percent to 22 percent” from 1986 to 2012. The top 0.1 percent now owns as much wealth as the bottom 90 percent. “The average real wealth of the bottom 90 percent of families was no higher in 2012 than in 1986.”

The wealth and income of the “next 9 percent” below the top 1 percent has increased dramatically in absolute terms, from an average income of \$586,060 in 1980 to \$1.14 million in 2014, while the bottom 90 percent has seen its wealth stagnate or decline.

The inability of governments to respond to social grievances or economic crises

The report also charts the growth of private capital and the decline of public capital over the decades. The process of privatization has taken place across almost all countries and shows the domination of private transnational corporations over the world’s economic activity.

The report notes: “The domination of private wealth in national wealth represents a marked change from the situation which prevailed in the 1970s, when net public wealth was typically between 50 percent and 100

percent of national income in most developed countries (and over 100 percent in Germany).”

Private wealth to national income ratios are “returning to the high values observed in the late 19th century”—i.e., the gilded age of unregulated capitalist exploitation. The report’s authors conclude, “Today, with either small or negative net public wealth, the governments of developed countries are arguably limited in their ability to intervene in the economy, redistribute income, and mitigate rising inequality.”

This finding contradicts the study’s policy recommendations, which appeal to the governments to pare back austerity measures and increase spending on social programs. By the authors’ own admission, the governments have transferred so much of the state resources to the balance sheets of the billionaires and millionaires that they lack the resources to carry out the massive expenditures required to respond to future economic crises or improve the lives of billions of workers and poor people worldwide.

Conclusions

The report shows the objective basis for revolutionary optimism. The size of the working class has grown massively, especially in Asia. Globalization has brought the working class together into the same process of production, leading to a leveling in its conditions. Increasingly connected by social media and the Internet, there is every indication that the class struggle will be increasingly international not only in its content, but also in its form. For this reason, the capitalist governments of the world are seeking to censor the Internet and prevent workers from using social media as a platform for political organization.

The report is also proof of the necessity of social revolution. The governments are so dominated by the oligarchs in their respective countries that they are economically unable to respond to economic crisis or the needs of the working class. Only social revolution—with nationalizations, expropriation of the wealth of the world aristocracy, and the redistribution of the wealth to meet the needs of the human race—is capable of wiping inequality and poverty off the face of the earth.



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