

**GS SCORE**

**An Institute for Civil Services**

**GIST OF IMPORTANT  
REPORT**

**WORLD  
INEQUALITY  
REPORT 2022**

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**For Civil Services Examination**

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# GS SCORE

An Institute for Civil Services

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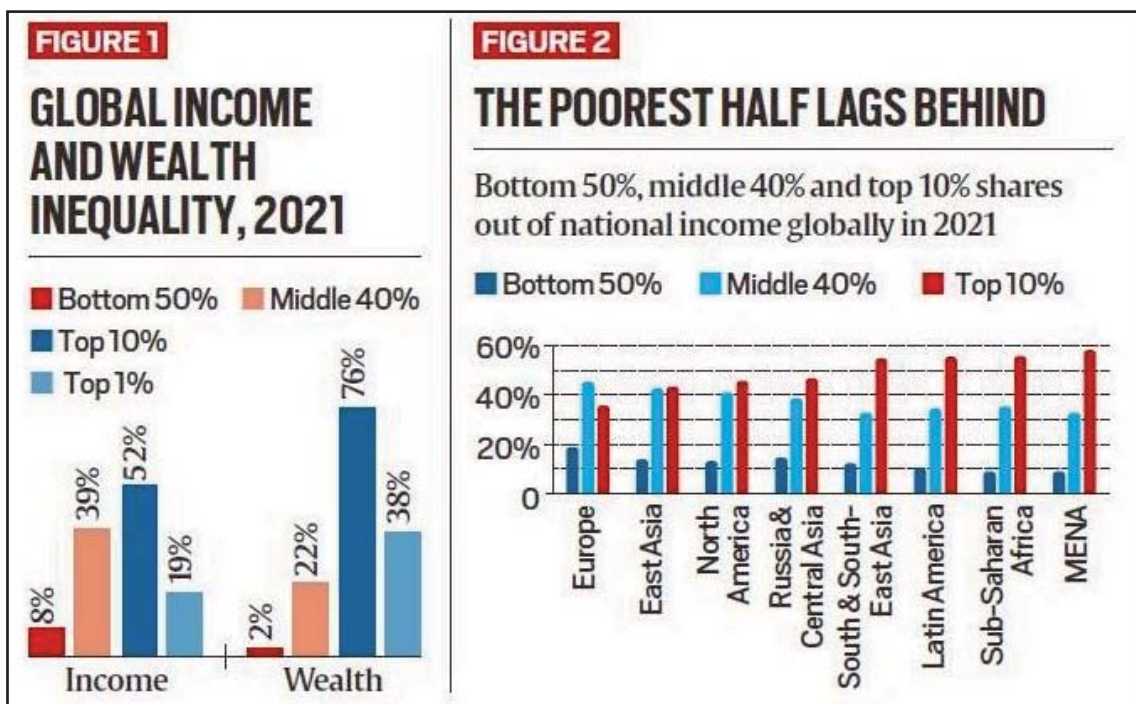
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# WORLD INEQUALITY REPORT 2022

- **Published by:** The report was released by the Paris-based World Inequality Lab, a global research initiative.
- **Aim:** The aim of the World Inequality Report 2022 is to present the latest and most complete data available on inequality to inform democratic debate worldwide.
- **WER 2022:** It provides estimates of global income and wealth inequality based on the most recent findings compiled by the World Inequality Database (WID). The last World Inequality Report was published in 2018.
- **India's scenario:** India is among the most unequal countries in the world, with rising poverty and an 'affluent elite.'

## World Scenario:

- According to the inequality report, global inequalities seem to be about as great today as they were at the peak of Western imperialism in the early 20th century.



- The poorest half of the global population “barely owns any wealth” possessing just 2 per cent of the total, whereas the richest 10 per cent of the global population own 76 per cent of all wealth.
- The Middle East and North Africa (MENA) are the most unequal regions in the world, whereas Europe has the lowest inequality levels.
- In Europe, the top 10 per cent income share is around 36 per cent, whereas in MENA it is 58 per cent.
- In East Asia, the top 10 per cent makes 43 per cent of total income and in Latin America the share is 55 per cent.

## Key Highlights:

### ■ Wealth Distribution:

- ▶ The average national income of the Indian adult population is Rs 2,04,200.
- ▶ The bottom 50% of earns Rs 53,610 while the top 10% earns Rs 11,66,520, over 20 times more.
- ▶ In India, the top 10% and top 1% hold 57% and 22% of the total national income respectively while the share of the bottom 50% has gone down to 13%.
- ▶ India stands out as a poor and very unequal country.
- ▶ Emerging economies like India and China experienced faster increases in private wealth than wealthy countries after they transitioned away from regulated economies. In India, particularly, private wealth went up from 290% in 1980 to 560% in 2020.

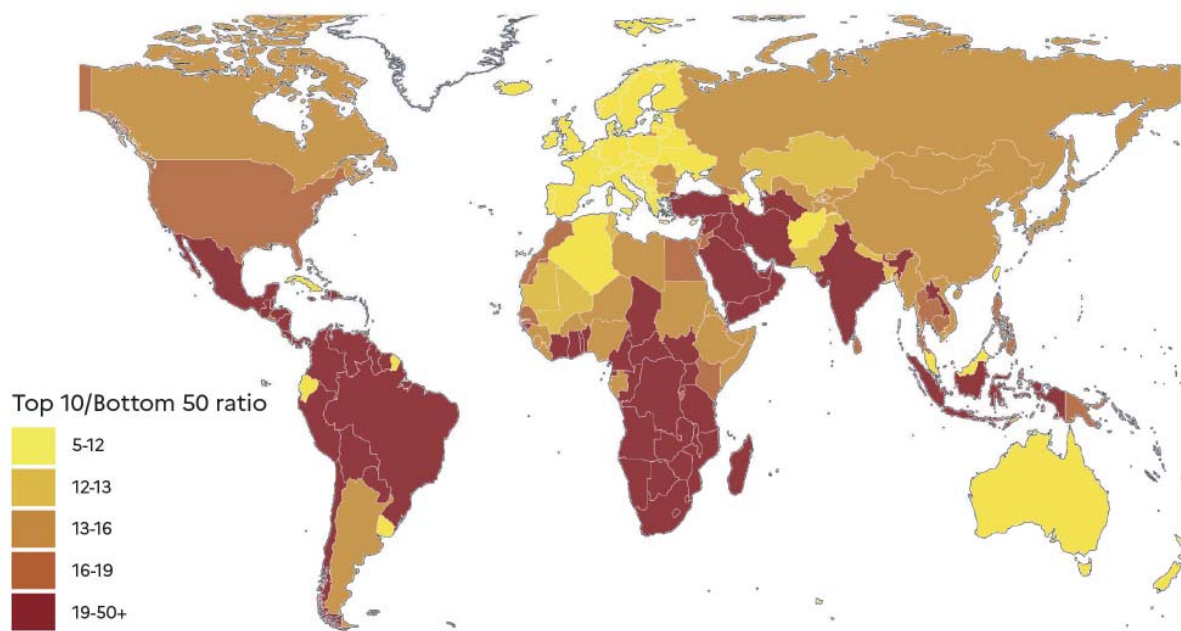
### Impact of COVID:

- The report notes that the share of public wealth across countries has been on a decline for decades now.
- Public assets typically include public buildings housing administrations, schools, universities, hospitals and other public services.
- The ‘secular decline’ in public wealth and rise in private wealth was exacerbated by the outbreak of the coronavirus pandemic.
- Following the outbreak of Covid-19 pandemic, governments borrowed the equivalent of 10-20% of GDP, essentially from the private sector. The relatively lower wealth status of the governments can have an impact in curbing inequality in the future.

### ■ Income Inequality:

- ▶ The report shows that the income inequality in India under the British colonial rule (1858-1947) was very high, with a top 10% income share around 50%.
- ▶ After independence, due to socialist-inspired five-year plans, this share was reduced to 35-40%.
- ▶ Owing to poor post-Independence economic conditions, India embarked upon deregulation and loosening controls in the form of liberalisation policies.
- ▶ The report argues that these policies have led to one of the most extreme increases in income and wealth inequality observed in the world.
- ▶ It says that while the top 1% has largely benefited from these economic reforms, the growth among low and middle-income groups has been relatively slow and poverty persists.

**Figure 3** Top 10/Bottom 50 income gaps across the world, 2021



**Interpretation:** In Brazil, the bottom 50% earns 29 times less than the top 10%. The value is 7 in France. Income is measured after pension and unemployment payments and benefits received by individuals but before other taxes they pay and transfers they receive.

**Source and series:** wir2022.wid.world/methodology.

### ■ Wealth Inequality:

- ▶ The average household wealth in India is around Rs 9,83,010.
- ▶ The bottom 50% of the nation can be seen to own almost nothing, with an average wealth of Rs 66,280 or 6% of the total pie.
- ▶ The middle class is relatively poor with an average wealth of Rs 7,23,930 or 29.5% of the total.
- ▶ The top 10% owns 65% of the total wealth, averaging Rs 63,54,070 and the top 1% owns 33%, averaging Rs 3,24,49,360.
- ▶ In 2021, the wealthiest 10% of the population own 65% of total household wealth in India.

### ■ Gender Inequality:

- Gender inequality in India is also considerably on the higher end of the spectrum.
- The share of female labour income share in India is equal to 18% which is significantly lower than the average in Asia (21%, excluding China) & is among the lowest in the world.
- Although, the number is slightly higher than the average share in Middle East (15%).
- However, a significant increase has been observed since 1990 (+8 p.p.) but it has been insufficient to lift women's labor income share to the regional average.

### ■ Wealthy countries, poorer governments:

- ▶ Countries across the world have become richer over the past 40 years, but their governments have become significantly poorer.
- ▶ The report shows that the share of wealth held by public actors is close to zero or negative in rich countries, meaning that the totality of wealth is in private hands.

■ **Global carbon inequality:**

- ▶ On average humans emit 6.6 tonnes of carbon dioxide equivalent (CO<sub>2</sub>) per capita and per year.
- ▶ The top 10% of emitters are responsible for close to 50% of all emissions, while the bottom 50% make 12% of the total.
- ▶ In 2021, humans released nearly 50 billion tonnes of CO<sub>2</sub> into the atmosphere. Of these 50 billion tonnes, about three quarters were produced in the burning of fossil fuels for energy purposes, 12% by the agricultural sector, 9% by industry (in cement production among other things) and 4% came from waste.
- ▶ In India, emissions per capita are projected to increase by 70% between now and 2030, and also in China, by 25%.
- ▶ In India, a person in the bottom 50% of the population is responsible for, on average, five times fewer emissions than the average person in the bottom 50% in the European Union and 10 times fewer than the average person in the bottom 50% in the US.

**Global carbon emissions, 1850-2019**

	<b>Global emissions (billion tonnes)</b>	<b>Emissions per capita (tonnes per person)</b>
1850	1.0	0.8
1880	2.5	1.8
1900	4.2	2.7
1920	6.6	3.5
1950	10.9	4.3
1980	30.2	6.8
2000	35.3	5.8
2019	50.1	6.6

**Multi-dimensional Poverty Index (MPI):**

- As per the recent Multi-Dimensional Poverty Index (MPI) prepared by Niti Aayog, one in every four people in India was multidimensional poor.
- Bihar has the highest proportion of people (51.91 per cent of the state’s population) who are multidimensional poor, followed by Jharkhand at 42.16 per cent and Uttar Pradesh at 37.79 per cent.

**Issues:**

- On gender terms, women’s share of total incomes from work (labour income) was about 30 per cent in 1990 and is less than 35 per cent now.
- The report also notes that inequalities within countries are now greater than those observed between countries.
- At the same time, the gap between the average incomes of the top 10 per cent and the bottom 50 per cent of individuals within countries has almost doubled.
- This sharp rise in within-country inequalities has meant that despite economic catch-up and strong growth in the emerging countries, the world remains particularly unequal today.

- Since the mid-1980s, deregulation and liberalisation policies have led to one of the most extreme increases in income and wealth inequality in the world.

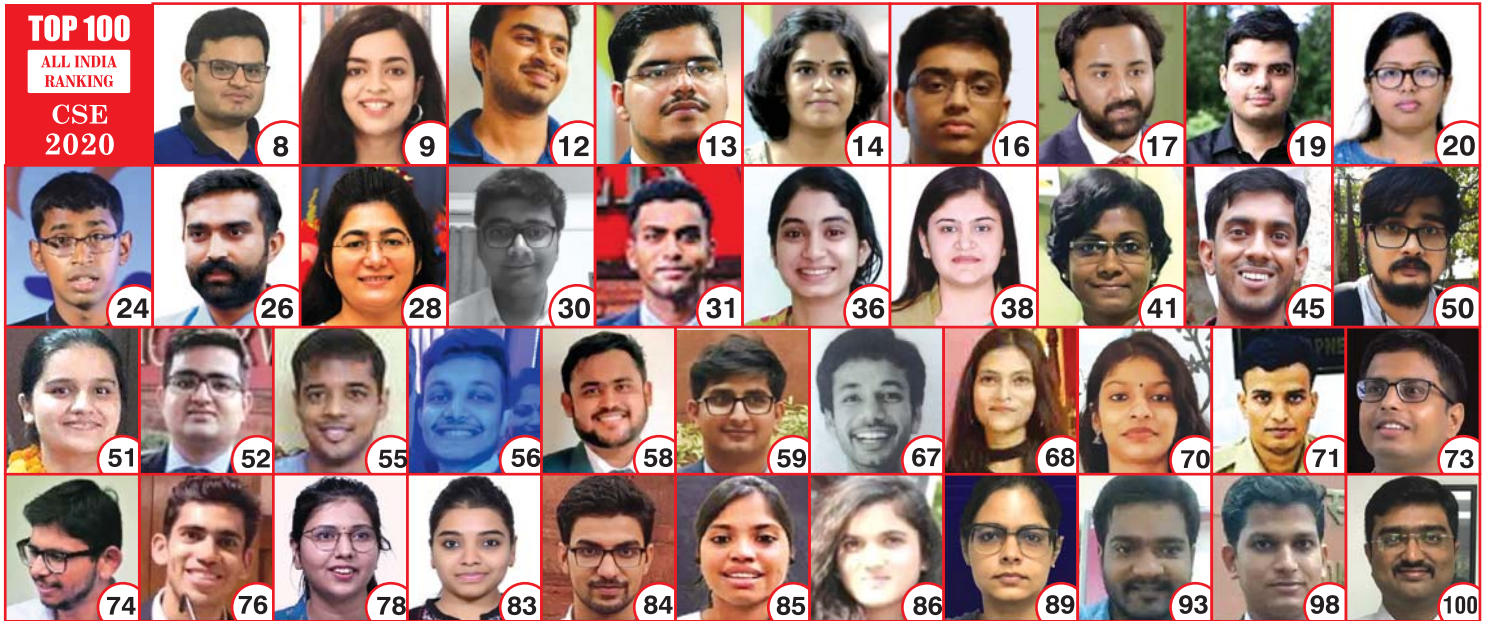
## Suggestions:

- The report has suggested levying a modest progressive wealth tax on multimillionaires. Given the large volume of wealth concentration, modest progressive taxes can generate significant revenues for governments.
- 1.6 per cent of global incomes could be generated and reinvested in education, health and the ecological transition.
- In 2021, there were 62.2 million people in the world owning more than \$1 million (measured at market exchange rates). Their average wealth was \$2.8 million, representing a total of \$174 trillion and a global effective wealth tax rate of 1.2 per cent could generate revenues of 2.1 per cent of global income.
- Progressive wealth taxes also contribute to containing the rise of extreme wealth inequality, and therefore help to mitigate the potentially negative impact of extreme wealth concentration, such as the rise of monopolies or the risks of political capture by financial interests.

### The World Inequality Lab:

- The World Inequality Lab aims to promote research on global inequality dynamics.
- **Its missions are:**
  - ▶ The intension of the World Inequality Database
  - ▶ The production of analysis on global inequality dynamics, and
  - ▶ The dissemination in the public debate.
- The Lab works in close coordination with a large international network of researchers (over one hundred researchers covering nearly seventy countries) contributing to the database, in a collaborative effort to extend the existing database, which provides data on both distribution of income and wealth, “as well as the distribution of different forms of capital assets, in the analyzed countries”

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