



EconoMag

The Show that demystifies Economics

Wealth Inequalities ©

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Welcome to another edition of EconoMag on EnglishWaves.

Half of the world's wealth is owned by only 1% of its population, according to the latest report by Credit Suisse. This top percentile of people possesses 50.4% of the overall household wealth in the world. The global population is approximately 7.35 billion people, according to the UN's latest estimates in July 2015. This means that 73.5 million people in the world control half of its wealth. These people live mostly in Europe, North America, and certain parts of Asia, particularly China and Japan.

Those 73.5 million people are not all millionaires: the amount of wealth one needs to accumulate in order to get into this exclusive club of the 1% is \$750,000. The Credit Suisse report actually shows that there are only 123,000 people globally who own over \$50 million in assets and holdings. It also shows that 3.4 billion people have accumulated wealth of \$10,000 or less, which represents 71% of the adult population in the world.

If we look deeper at individual countries, we see that this huge wealth gap is particularly significant in rich countries. For example, in the United States, the 20 richest families, such as the Zuckerbergs, Kochs, Waltons, Gates, etc., share a total wealth of \$732 billion, according to *Forbes Magazine*. This same amount of wealth is also attributed to over half of Americans put together, or 152 million people. Social barriers in the US are wide between different ethnic and socioeconomic communities, so it is interesting to see that many of the richest 20 families are either WASPs (White Anglo-Saxon Protestants) or Jews. Comparing these groups to other minorities also gives an idea of the social gap between communities. For instance, the 100 wealthiest households in the United States are richer than the entire African American population combined, which represents 39 million people, or 12.6% of the country's population. This phenomenon can be seen in other western countries, for example in Italy. 5% of the families in that country own more than 30% of the country's wealth.

This is not only a relevant issue in the rich OECD countries, but also in the highly populated emerging countries such as China, India, and Brazil. The inequality levels in these countries are often even more pronounced. The Gini index measures the equality levels of countries on a grade of 0 to 1, 0 being perfect equality.

Where is France in all of this? Its Gini score is 0.259 as of the late 2000s, making it the 12th “best” ranked country. While this sounds good, INSEE just published the latest inequality stats for the country, and these aren’t so good. Overall, inequality decreased in 2012 and 2013, before increasing again in 2014. According to INSEE, the main reasons for this rise are the absence of growth, the high unemployment level, and the gloomy long-term economic outlook. The other bad news for France is that this rise also means an increase in poverty. To be considered below the poverty line, one must earn less than 60% of the average salary. Due to the economic crisis, the average French person saw his or her earnings decrease, and the poverty line itself dropped. But now, as the economy is being kick-started, the poverty line is also starting to increase again.

The problem with this method of calculating inequalities and wealth is that it can be easy to manipulate to make it seem like there are very few poor people. This is not a good way of measuring, however, because if a huge portion of the population is poor, the poverty line will be very low and won’t appear to represent many people, while in reality the poverty level would be much higher. It is also important to note that these numbers are all based on the US dollar, a currency that does not necessarily accurately reflect the global economy as a whole.

Stay tuned to EconoMag on EnglishWaves.