Editorial

Economic inequality in the twenty-first century

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The recent global crisis caused by the Covid-19 pandemic has once again shown, on the one hand, that the market is not efficient in the allocation of resources and, on the other, that the States were not prepared to deal with the collateral effects of the pandemic on society and the economy. The pandemic not only took the lives of more than five million people in two years, but also deepened the global economic imbalance increased by the 2008 financial crisis. Despite measures promoted by the World Health Organization (WHO) and governments worldwide to control the spread of SARS-CoV-2 and develop fiscal efforts to counteract the negative impacts of the virus, the growth and development gaps between developed and developing countries are widening.

According to Stiglitz and Rosengard (2015), both market failures and state failures have created in the last century economies in which state regulation and private markets benefit only a reduced number of extraordinarily wealthy citizens at the expense of everyone else. To the detriment of equity, economic efficiency has been the most defended argument by most governments when developing public programs. Finally, inequality is a phenomena that weakens the efficiency of the economy and its productivity.

The World Inequality Report 2022, elaborated by the World Inequality Lab (WIL), has consolidated a world inequality database that has revealed worrying findings for most of the world's population (40% middle class and 50% poorer population) in terms of global income and wealth distribution. Nowadays, inequality in income distribution shows that while the poorest half of the population receives 8.5% of the world's income, the wealthiest 10% of the world's population absorbs 52%. While a person in the poorest half earns €2,800 per year on average, a person in the top 10% of the global income distribution earns €87,200 per year. It is noteworthy that the top wealth holders are not necessarily the top income earners. The world inequality report highlights that

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global wealth inequality is much greater than global income inequality. While the poorest half of the world's population owns barely 2% of the world's wealth, the richest 10% of the world's population owns 76% of the world's wealth. Thus, while the poorest half of the population has a net worth of €2,900 PPP per adult, the top 10% has a net worth of €550,900 on average (World Inequality Lab, 2022).

The world's most unequal region is the Middle East and North Africa (MENA), while the most egalitarian region is Europe. On this continent, the top 10% of the highest incomes are around 36%, while it reaches 58% in MENA. Between these two levels, there exists a diversity of patterns. In East Asia, the wealthiest 10% account for 43% of total income, while in Latin America, they account for 55%. Thus, during the last decades of the twentieth century and the first decades of the twenty-first century, it has become evident that the privatization and liberalization policies promoted in most Western mixed economies have been unable to reduce inequality, poverty, and indecent employment. Although inequality in most countries increased during this period, global inequality gaps between countries have decreased, while inequality gaps within countries increased significantly.

The World Inequality Lab (2022) report also shows that despite economic growth in developed and many emerging economies, inequality levels are on par with those registered at the beginning of the twentieth century, with the aggravating factor that the proportion of income currently captured by the poorest half of the world population is approximately half of the income received in 1820. Arguably, this worrying phenomenon is an effect of the inefficient process of organizing global production promoted since the mid-nineteenth century and the first half of the twentieth century by industrialized countries, which increases the imbalances derived from the asymmetric processes of interdependent international integration.

Another fundamental aspect of the report is that it shows how wealth in different countries is especially concentrated in the private sector, while the wealth of the public sector is close to zero or negative, a scenario aggravated by the fact that after the Covid-19 pandemic, many countries increased their private loans by 10% to 20%. In this sense, the insufficiency of resources to boost public spending and the inefficiency of many economies are problems that not only increase inequality but also weaken the productivity and competitiveness processes of countries and even the strategic objectives of the twenty-first century, such as reducing the negative impacts of climate change, global economic imbalance, and global security.

The report also highlights how wealth inequalities have increased even at the top of the distribution. While global billionaires, who make up the top 1%, have captured 38% of the wealth since the mid-nineties, the bottom 50% barely captured 2%. Since 1995, the wealth of the richest people has grown at twice the rate of average wealth, increasing at an exacerbated rate after the Covid-19 pandemic.

Gender-related inequalities continue to be of concern. The share of women in total labor income has increased from 30% in 1990 to 35% today. The progress in terms of income during the twenty-first century is insufficient in a world that promotes gender equality. Regarding the impact of inequality on the environment, it is evident that the bottom 50% of emitters generate 12% of total carbon dioxide ($CO2$), while the top 10% of emitters are responsible for 50% of emissions. At present, policies to control pollutant emissions, such as carbon taxes, affect the poor more than the wealthier groups, who do not change their consumption habits.

The report describes inequality in the distribution of wealth and income for different countries and regions while presenting a strategy of progressive taxation to collect resources from the world's billionaires and invest them in education, health, and technological transition. Nevertheless, it does not examine vital aspects such as inequality in the concentration of land or territories, which is a fundamental variable because a large part of inequities arises from concentrating extended areas in a few hands at a global level. These territories have not been redistributed through land tenure and agricultural reforms, which would allow using them productively and, consequently, reduce the abysmal gaps in terms of wealth and income distribution worldwide.

Other inequalities related to the bargaining power of high-, middle-, and low-income countries represent issues that must be carefully examined in the context of the contemporary process of international integration. The negotiations of commercial and political agreements reveal the existence of weak and abstract agreements and treaties, which adversely affect the less developed parties, increasing the existing inequality in the distribution of the benefits produced by international trade. Thus, resolving global inequality in the twenty-first century will require complex analyses that present practical and democratic solutions, given that inequality itself is a complex phenomenon that has not been adequately solved throughout the history of humanity but must be tackled as quickly as possible in a civilized global society.

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