

GLOBAL INEQUALITY AND AUSTRALIA'S ROLE

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OXFAM AUSTRALIA

GOVERNMENT HOUSE, HOBART, TASMANIA
29TH MAY 2017

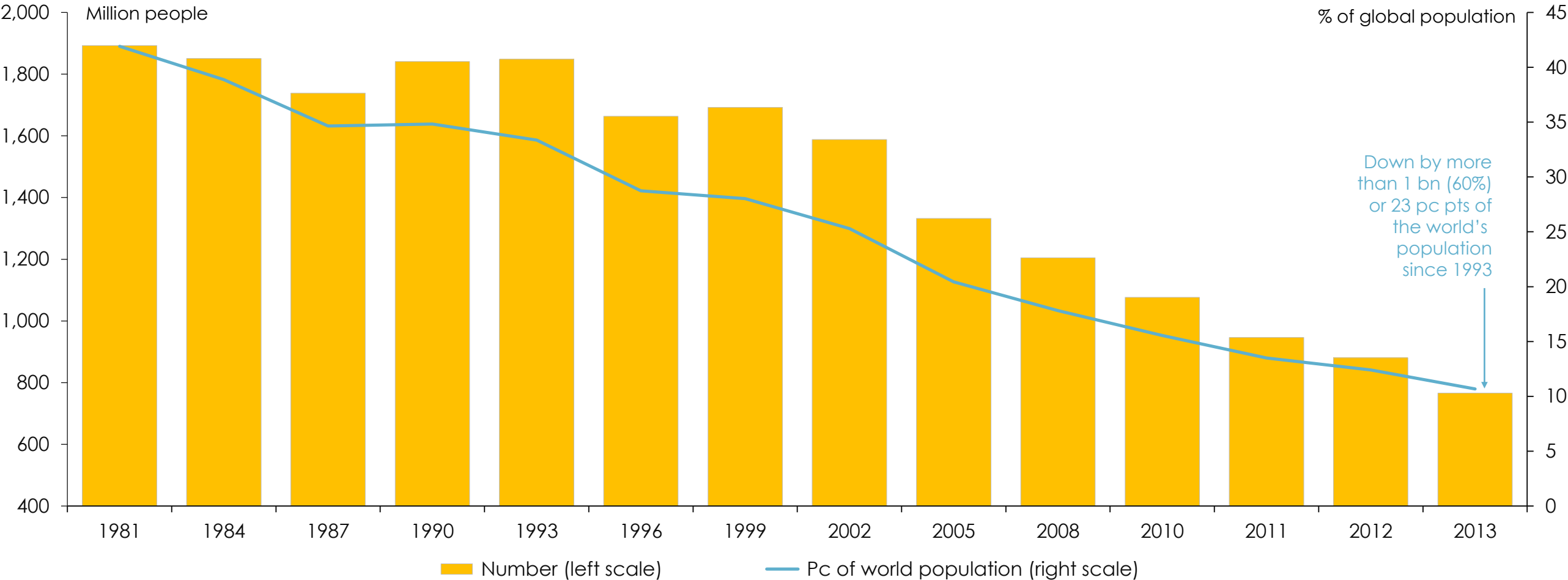


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SAUL ESLAKE

The good news: global poverty has fallen by almost 60% over the last twenty years

Total number of people living on less than US\$1.90 per day



Note: Global poverty line of US\$1.90 per day is at 2011 prices and converted from national currencies into US dollars at purchasing power parities. US\$1.90 per day is roughly equivalent to A\$10 per week.
 Source: The World Bank, PovcalNet.

Not so good news (unless you're Chinese): three-quarters of the decline in the number of people living in poverty has occurred in China

Total number of people living on less than US\$1.90 per day - China



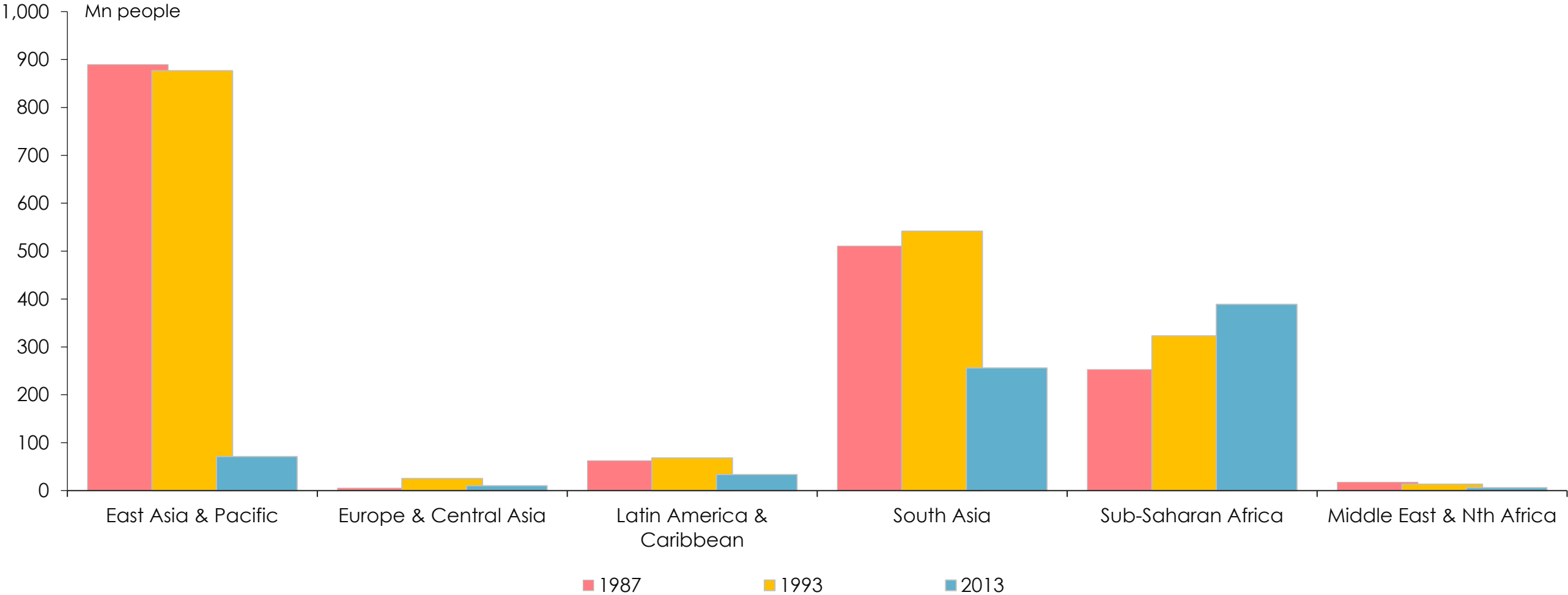
Total number of people living on less than US\$1.90 per day – rest of the world



Note: Global poverty line of US\$1.90 per day is at 2011 prices and converted from national currencies into US dollars at purchasing power parities.
 Source: The World Bank, PovcalNet.

The number of people living in extreme poverty in Africa is still rising

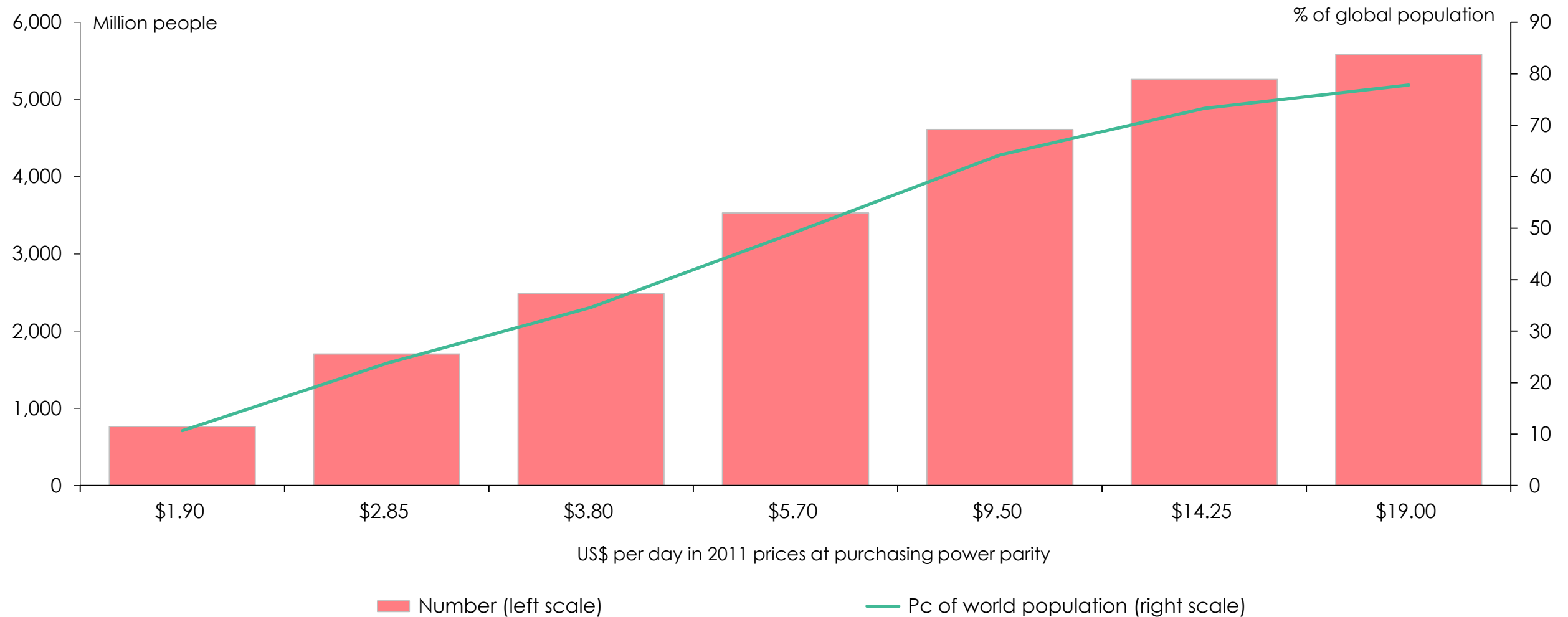
Total number of people living on less than US\$1.90 per day, by major region



Note: Global poverty line of US\$1.90 per day is at 2011 prices and converted from national currencies into US dollars at purchasing power parities. US\$1.90 per day is roughly equivalent to A\$10 per week.
Source: The World Bank, PovcalNet.

Also, most of the people who have escaped from 'extreme' poverty are still very poor by 'Western' standards

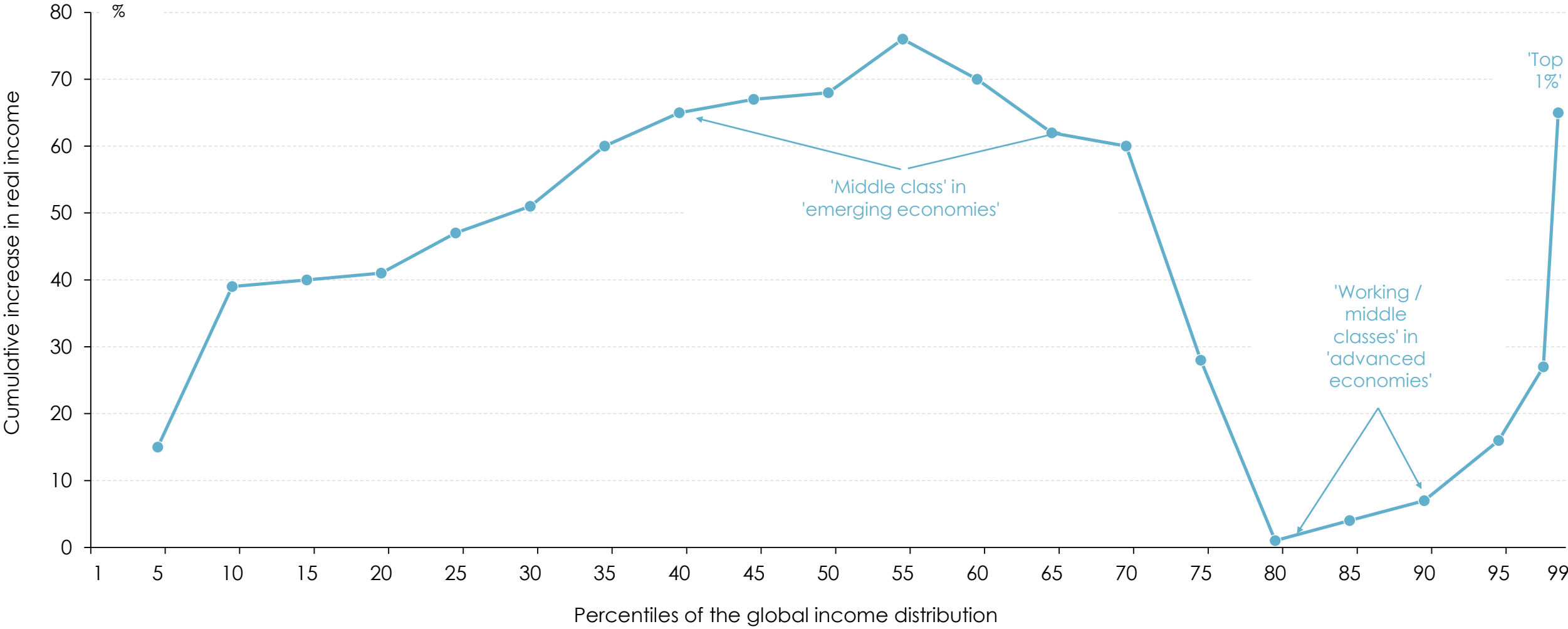
Total number of people living below alternative definitions of 'poverty' in 2013



Note: Global poverty line of US\$1.90 per day is at 2011 prices and converted from national currencies into US dollars at purchasing power parities. US\$1.90 per day is roughly equivalent to A\$10 per week.
Source: The World Bank, PovcalNet.

Growth in global real income since the late 1980s has been very unequally distributed

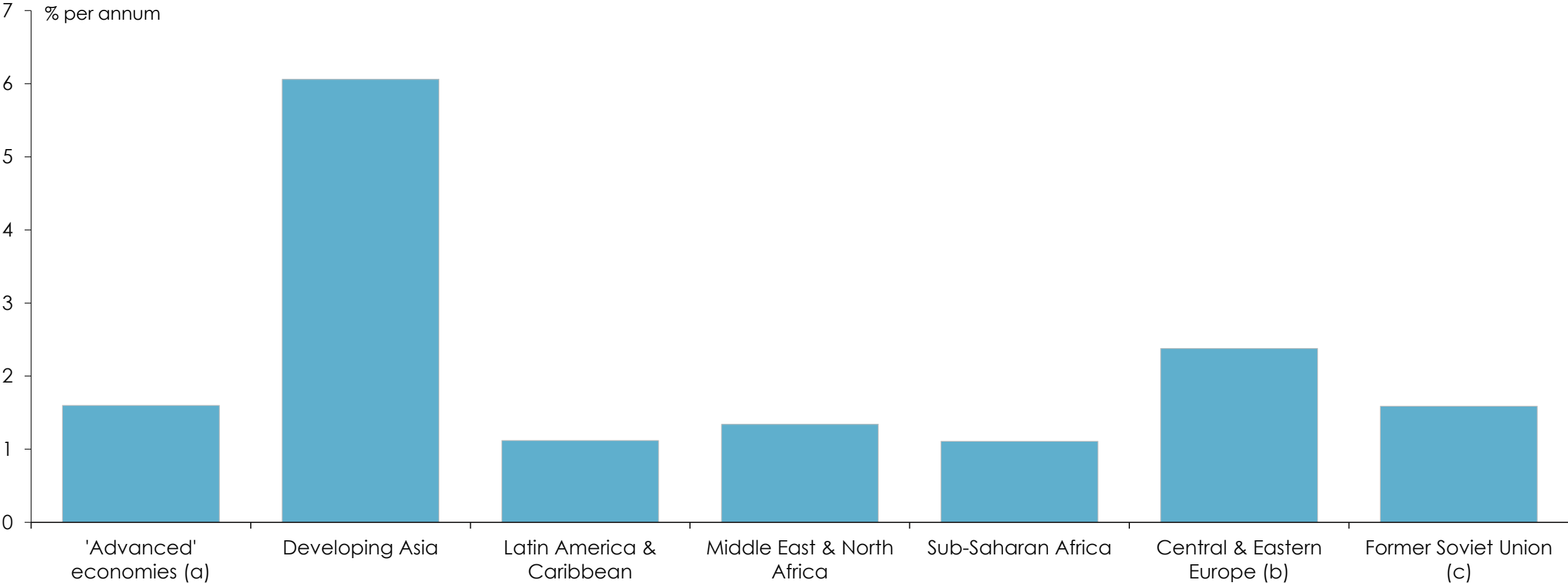
Growth in real income by percentiles of the global income distribution, 1988-2008



Note: Real income measured in 2005 US dollars (converted at purchasing power parities).
 Source: Christoph Lakner and Branko Milanović, *Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession*.

That's partly because income growth has been unequally distributed across the world's major regions ...

Growth in real per capita GDP, by major region, 1986-2016

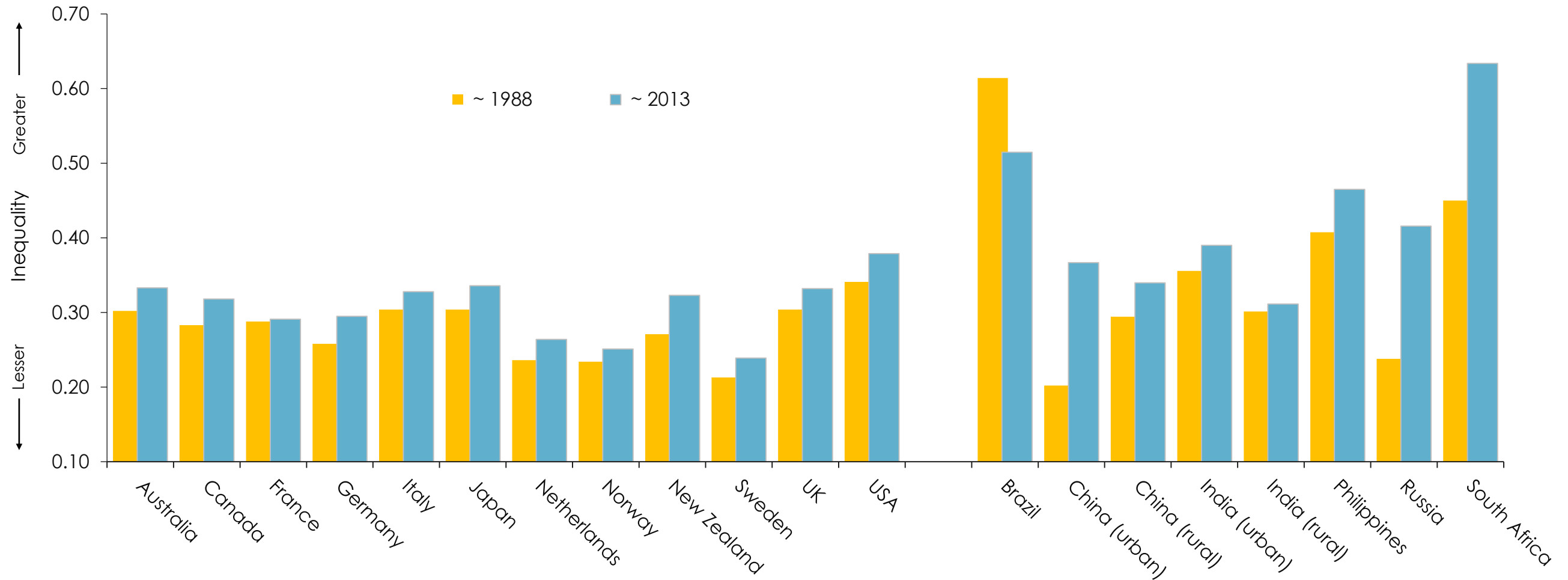


Note: (a) Includes USA, Japan, members of the euro area, UK, Canada, Sweden, Norway, Denmark, Switzerland, Czech Republic, Iceland, San Marino, Australia, New Zealand, Korea, Taiwan, Hong Kong, Macao, Singapore, Puerto Rico and Israel. (b) Includes Turkey, Poland, Hungary, Romania, Bulgaria, Serbia, Croatia, Macedonia, Montenegro, Bosnia & Herzegovina, and Albania. (c) Includes members of the former Soviet Union, other than the Baltic States.

Source: International Monetary Fund, *World Economic Outlook* database, April 2017.

... and because income has become more unequally distributed within most countries

Income inequality as measured by Gini co-efficients, selected 'advanced' and 'developing' economies, 1988 and 2013

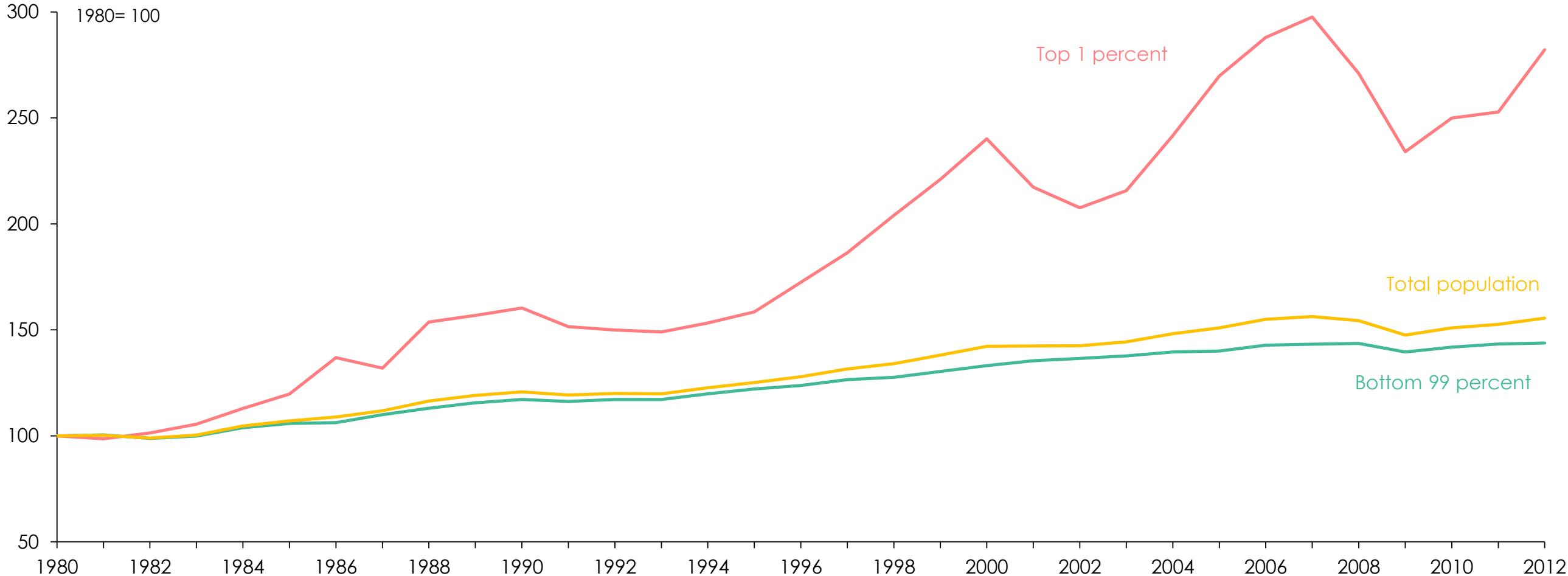


Note: The Gini co-efficient is a measure of income distribution ranging from 0 (where everyone in a population has exactly the same income) to 1 (where one person has 100% of total income).

Sources: LIS Cross-National Data Centre (previously known as Luxembourg Income Study); The World Bank; OECD.

In 'advanced' economies, incomes of the top 1% have grown three times faster than those of the rest of the population over the past three decades

Real market income per capita in 'advanced' economies, 1980-2012

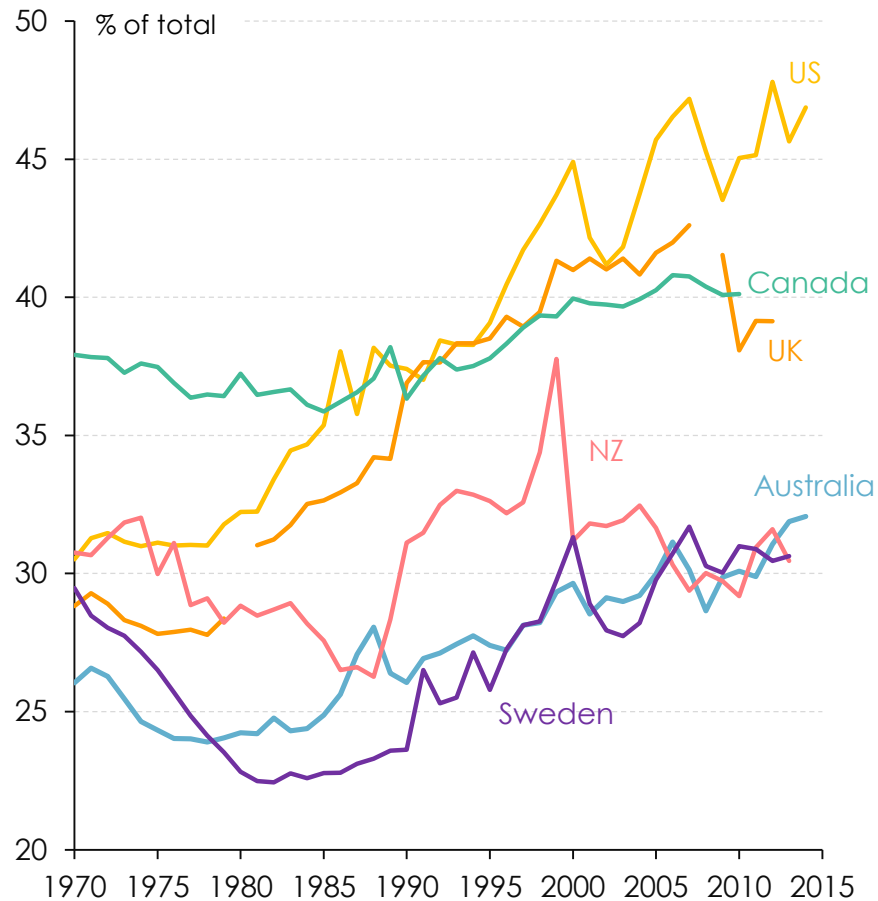


Note: 'Market' income means individuals' income before taxes and transfers. 'Advanced' economies includes Australia, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Korea, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.
Source: International Monetary Fund, *Fiscal Monitor*, April 2017; based on data from World Wealth and Income Database and IMF *World Economic Outlook* database.

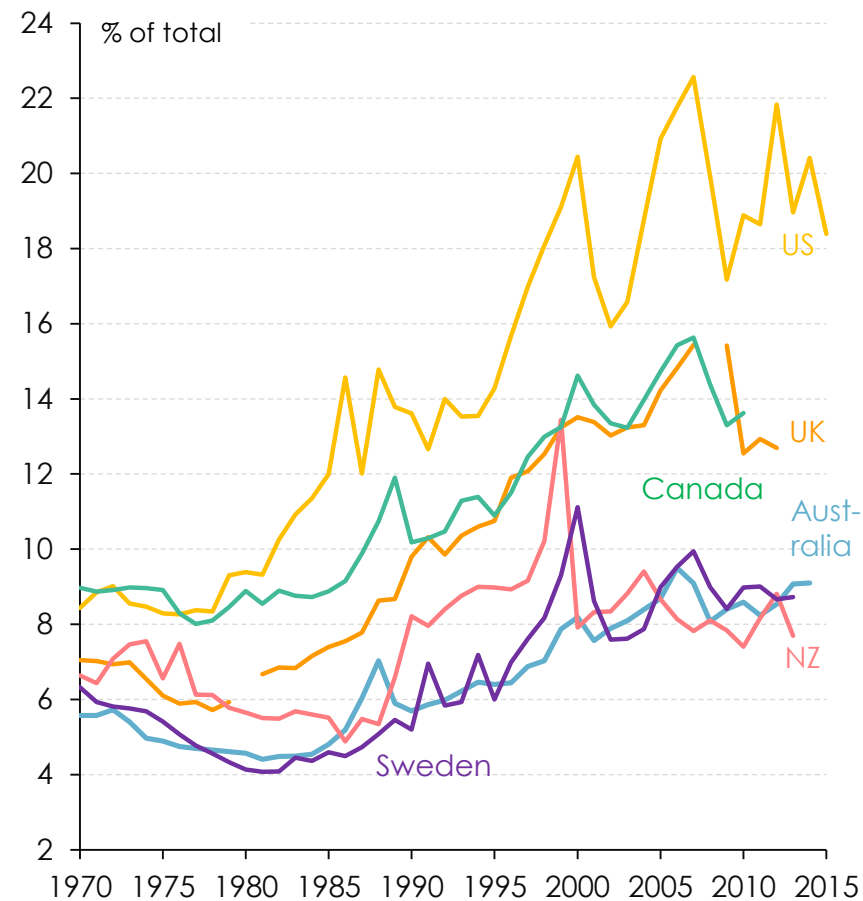
Australia is at the Swedish end of the spectrum of increases in incomes going to upper income groups

Upper income groups' share of total pre-tax income in selected 'advanced' economies

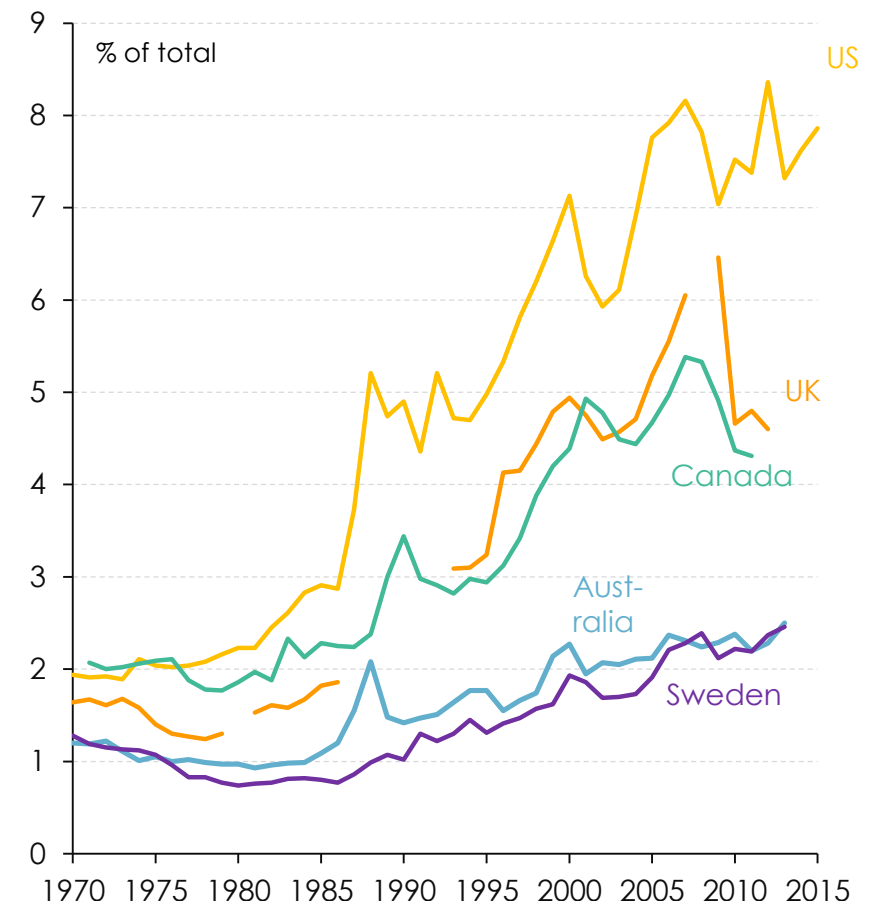
Top 10%



Top 1%



Top 0.1%



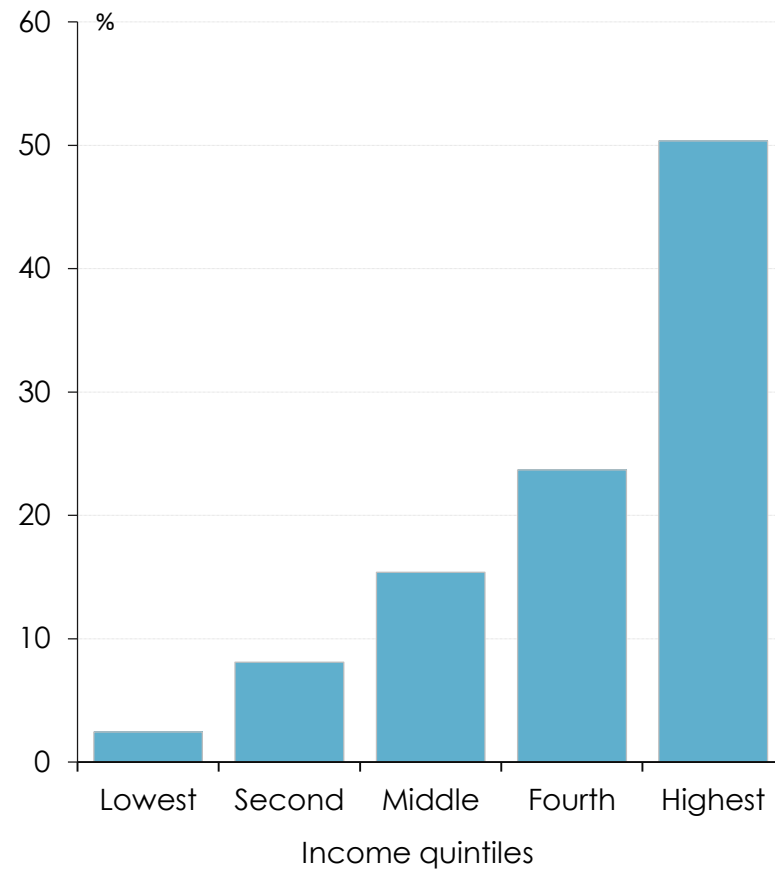
Note: Shares are of pre-tax taxable income as reported to and published by national tax collection agencies.

Source: Facundo Alvaredo, Tony Atkinson, Thomas Piketty, Emmanuel Saez and Gabriel Zucman, [The World Wealth and Income Database](#).

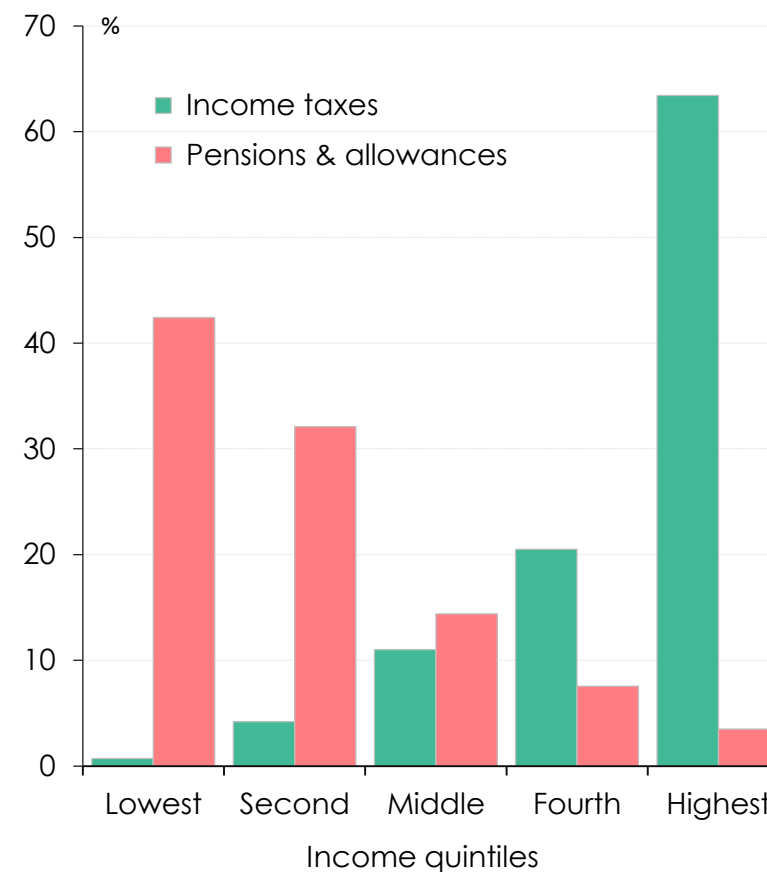
The Australian tax-transfer system does a reasonable job of moderating the effects of 'market forces' on the distribution of income

Income, transfer payments and income taxes by household income quintiles, 2013-14

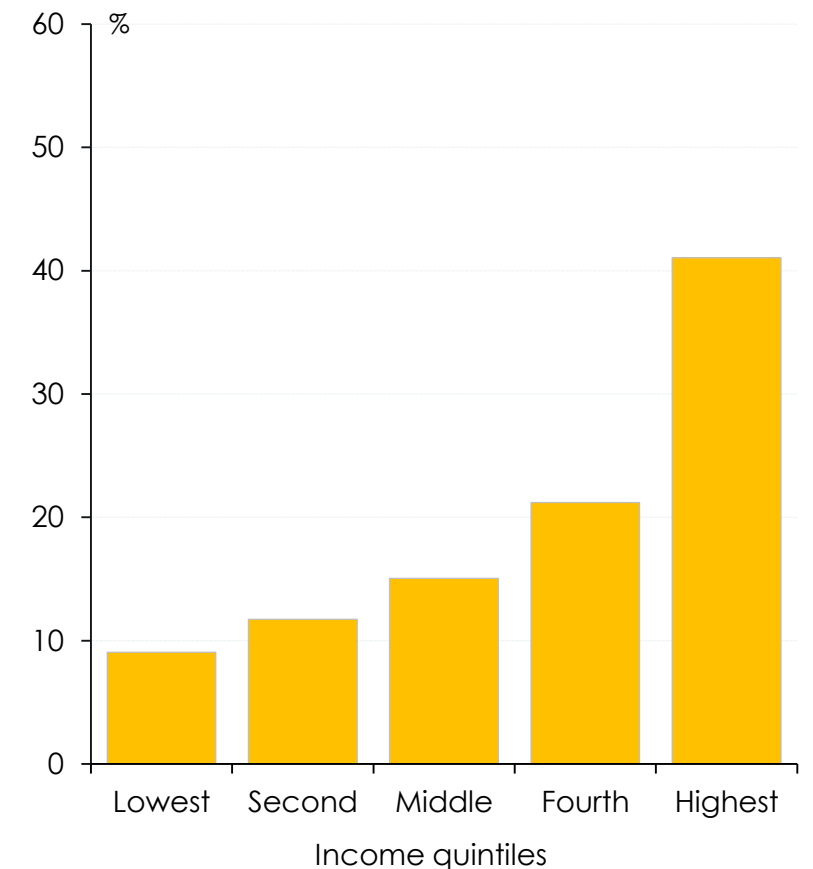
'Market income'



Transfers and income taxes



Disposable income

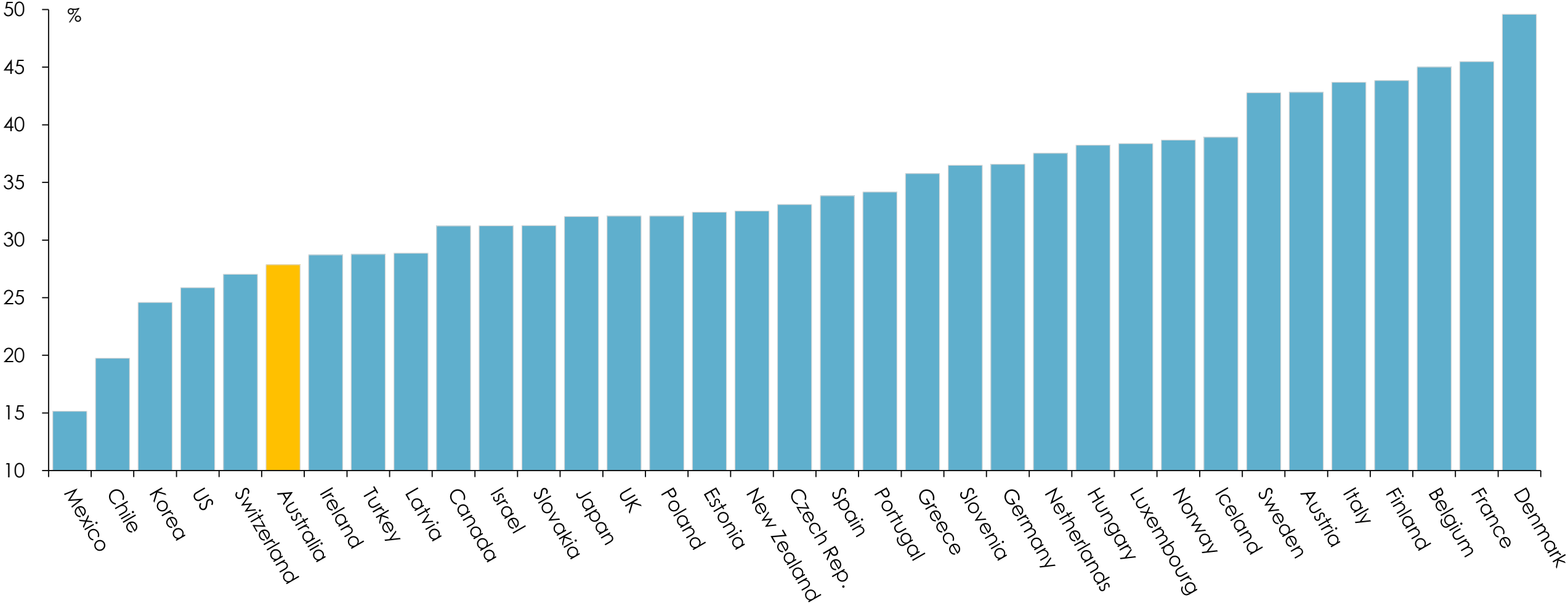


Note: 'Quintiles' are 20% shares of Australian households ranked in ascending order of disposable income. 'Market income' means income from wages and salaries, business, property and investment income, and income from overseas, before tax, and excluding government pensions, benefits and allowances.

Source: Australian Bureau of Statistics, *Household Income and Wealth 2013-14* (catalogue no. 6523.0).

Although Australia is a low-tax country by 'advanced' economy standards ...

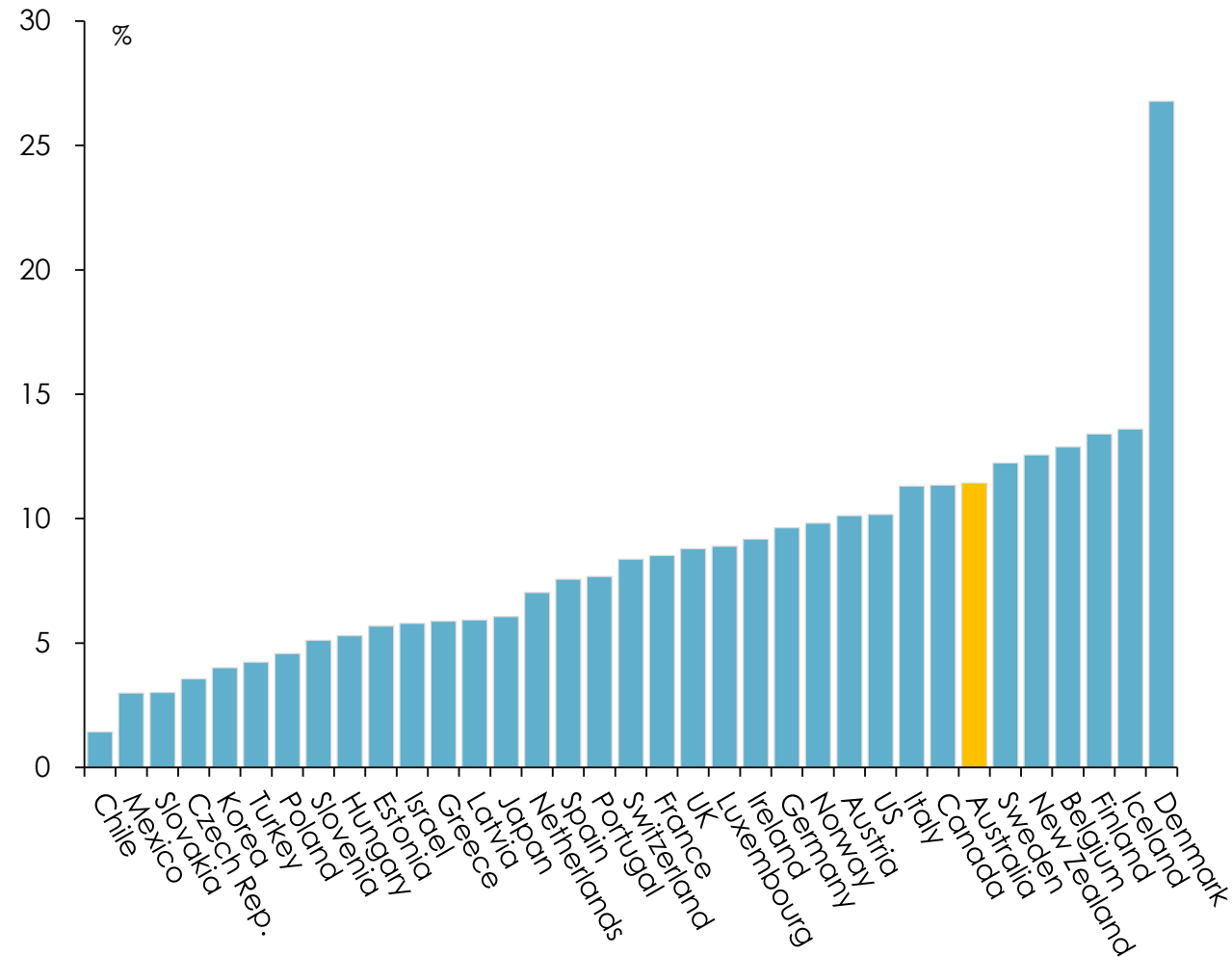
Taxation revenue as a share of GDP – OECD countries, 2014



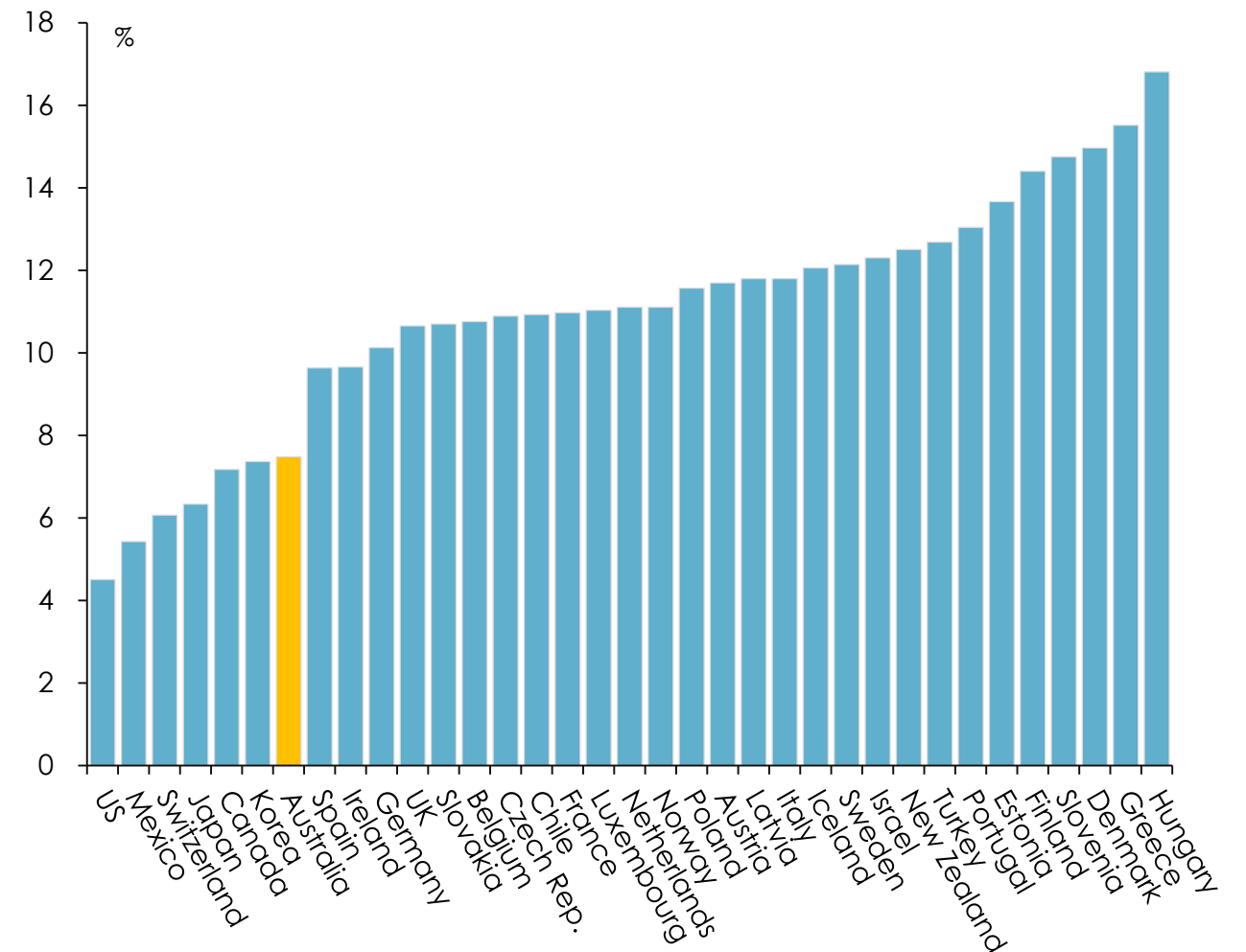
Source: Organization for Economic Co-operation and Development (OECD), Revenue Statistics – OECD Countries: Comparative Tables, 2017.

... Australia's tax system is in some important respects more 'progressive' than many of those which collect a bigger share of GDP in tax

Personal income taxation revenue as a share of GDP – OECD countries, 2014



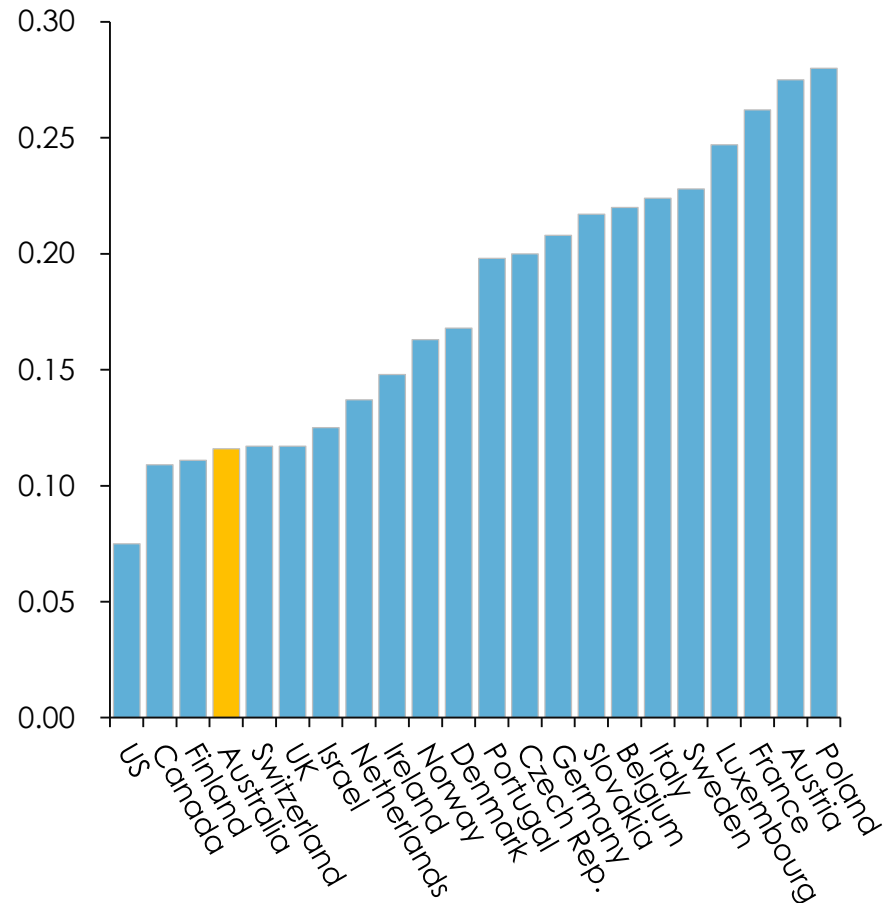
Goods & services taxation revenue as a share of GDP – OECD countries, 2014



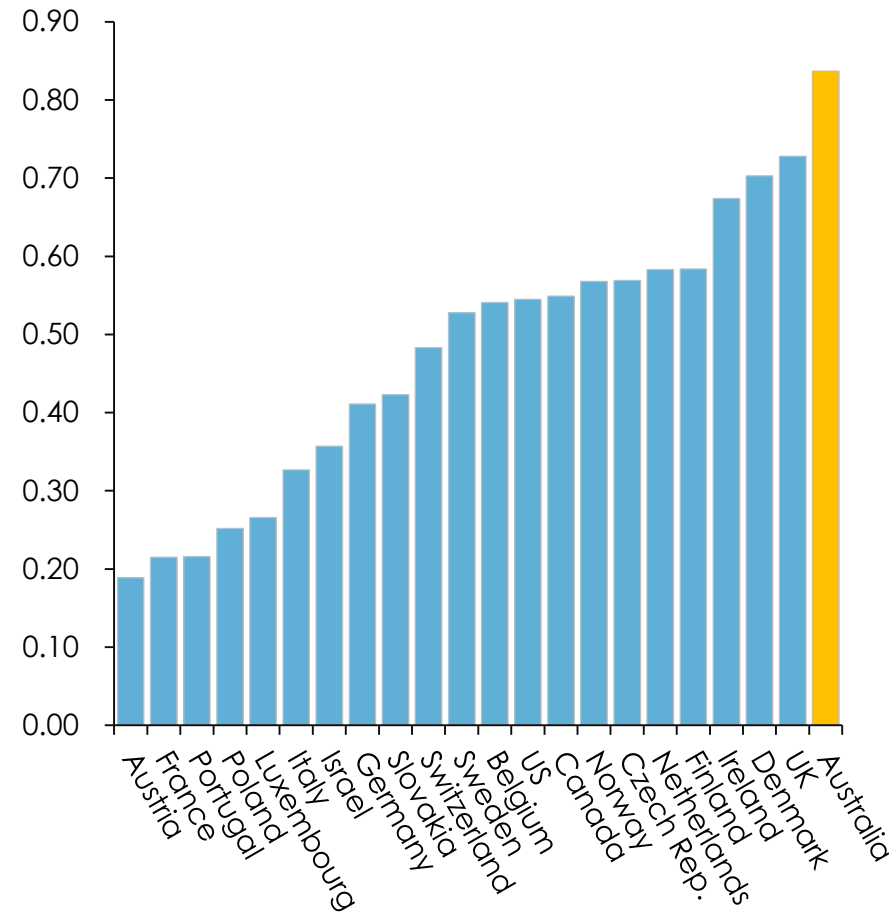
Source: Organization for Economic Co-operation and Development (OECD), Revenue Statistics – OECD Countries: Comparative Tables.

... and Australia's targeted transfer payments system is highly effective in redistributing income

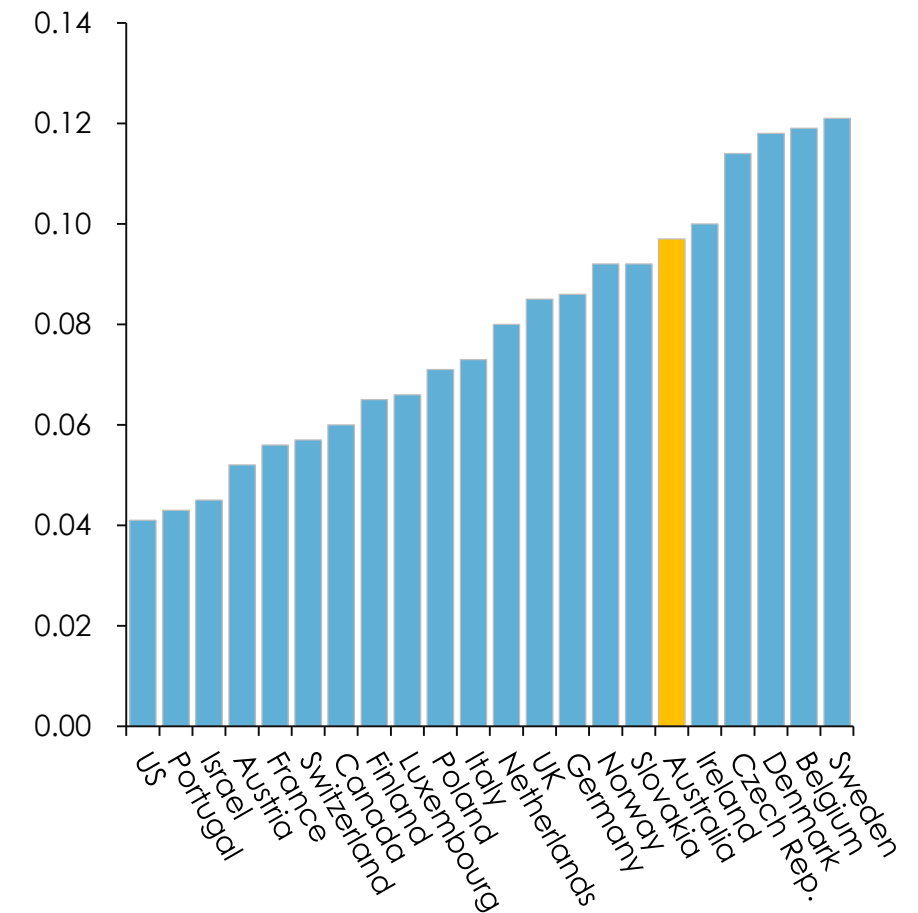
Size of cash transfers OECD countries, mid-2000s



Progressivity of cash transfers OECD countries, mid-2000s



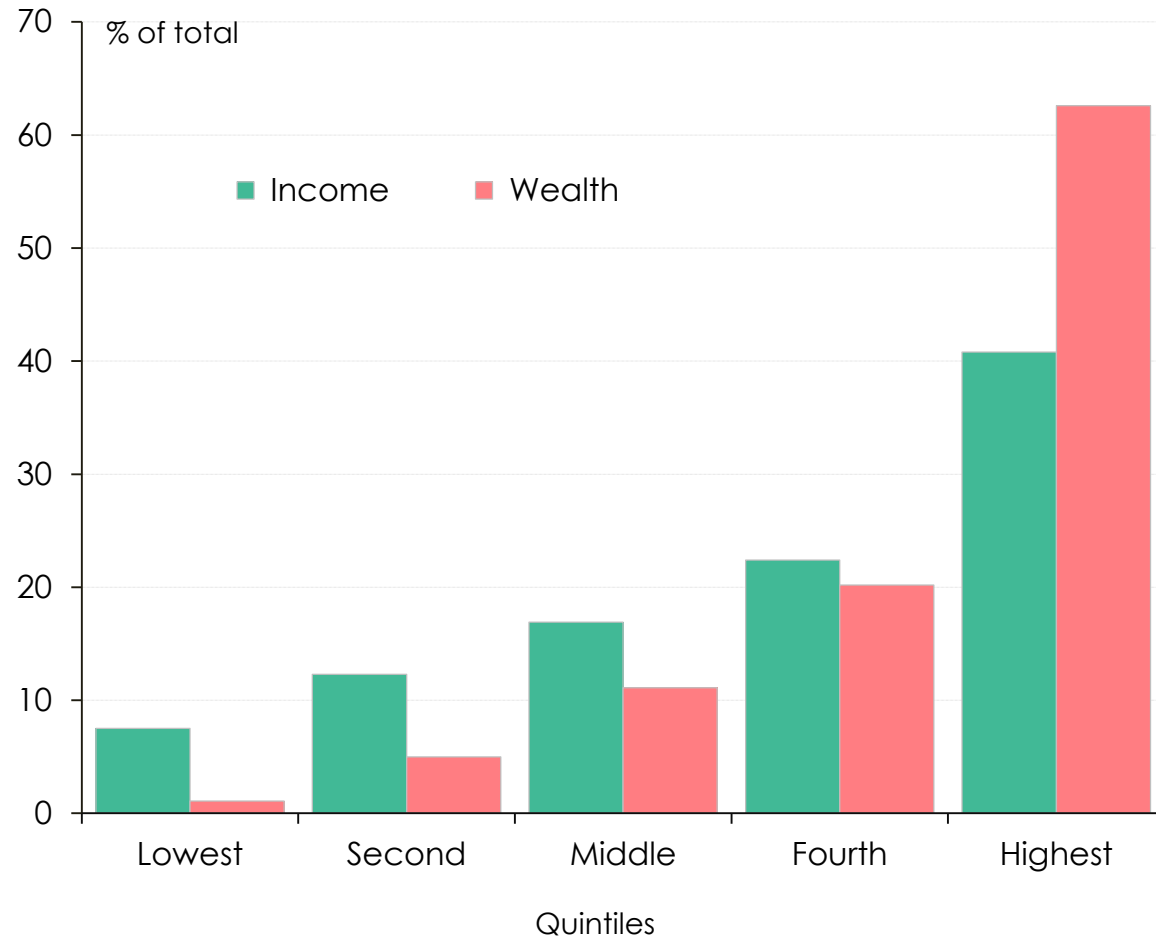
Redistributive impact of cash transfers



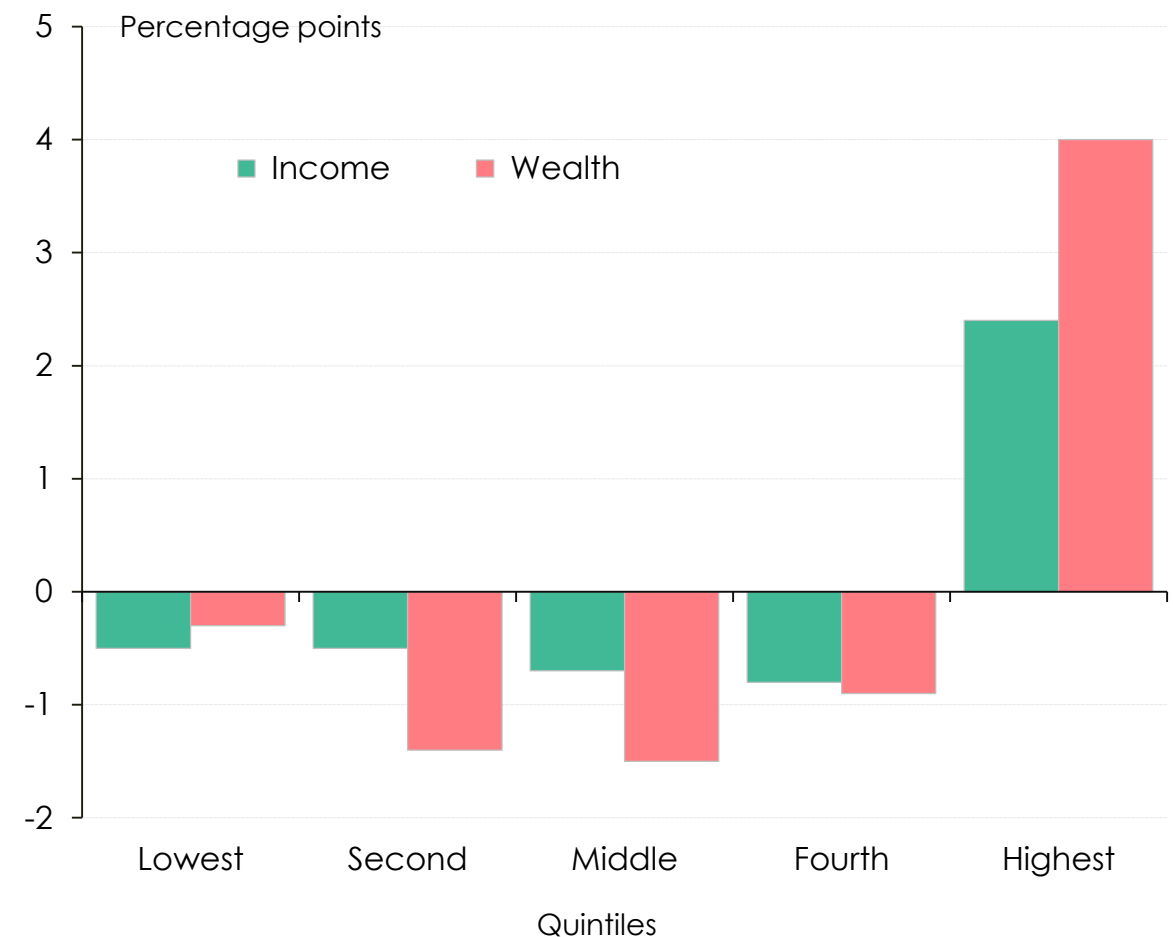
Note: Size of cash transfers measured by their share of market income plus transfers; progressivity is the difference between the concentration coefficient of transfers and the concentration coefficient of market income; the redistributive impact is the difference between the concentration coefficient of market income plus transfers and the concentration coefficient of market income alone. Cash transfers include age and disability pensions, cash benefits to families, unemployment benefits and housing benefits. Source: Isabelle Joumard, Mauro Pisu and Debra Bloch, *Less Income Inequality and More Growth: Are They Compatible? Part 3 – Income Redistribution via Taxes and Transfers Across OECD Countries*, OECD Economics Department Working Paper No. 926, OECD, 2012, Annex Table A2.1

Wealth is much more unequally distributed in Australia than income – and has become more so over the past decade

Shares of household income and wealth, 2013-14



Change in shares of household income and wealth, 2003-04 to 2013-14



Note: 'Quintiles' are 20% shares of Australian households ranked in ascending order of disposable income – and 'equivalized' for differences in the average number of people per household. Source: Australian Bureau of Statistics, *Household Income and Wealth 2013-14* (catalogue no. 6523.0).

What would help to reduce global inequality?

☐ Peace

- conflict within and between nations is a major, on-going cause of poverty
- and diverts resources from more productive uses

☐ Good government (and governance)

- competent and honest politicians and administrators
- an adequate and effective taxation system
- universal literacy and numeracy, and primary health care
- adequate infrastructure
- recognition of basic property rights (in particular land titles and contracts)

☐ Emancipation and empowerment of women

- equal access to education and health care
- control over fertility

☐ Inclusive finance

- widespread access to payments systems, savings vehicles and forms of credit
- but appropriate supervision and regulation to prevent violent swings in lending and asset prices

☐ Trade

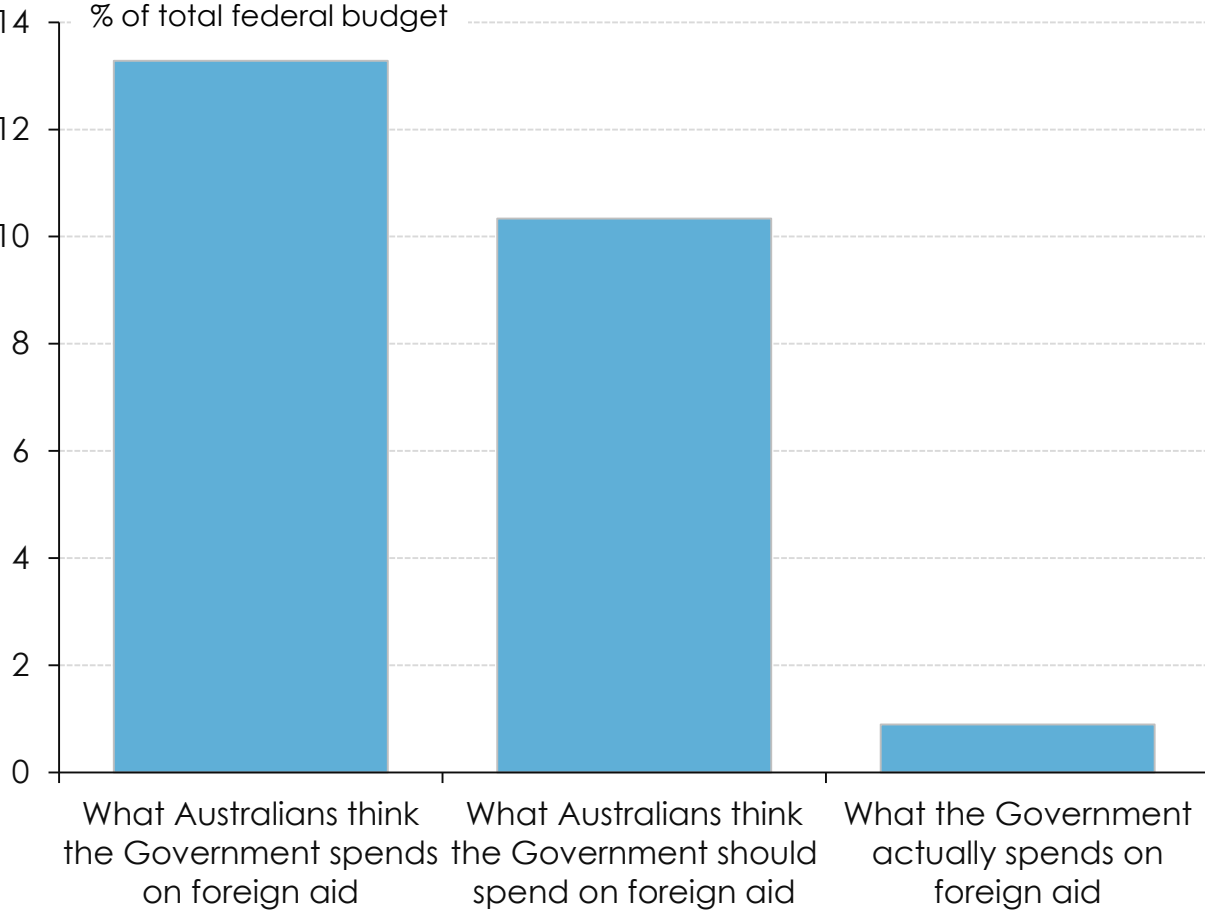
- access to foreign markets without discriminatory trade barriers

☐ Aid

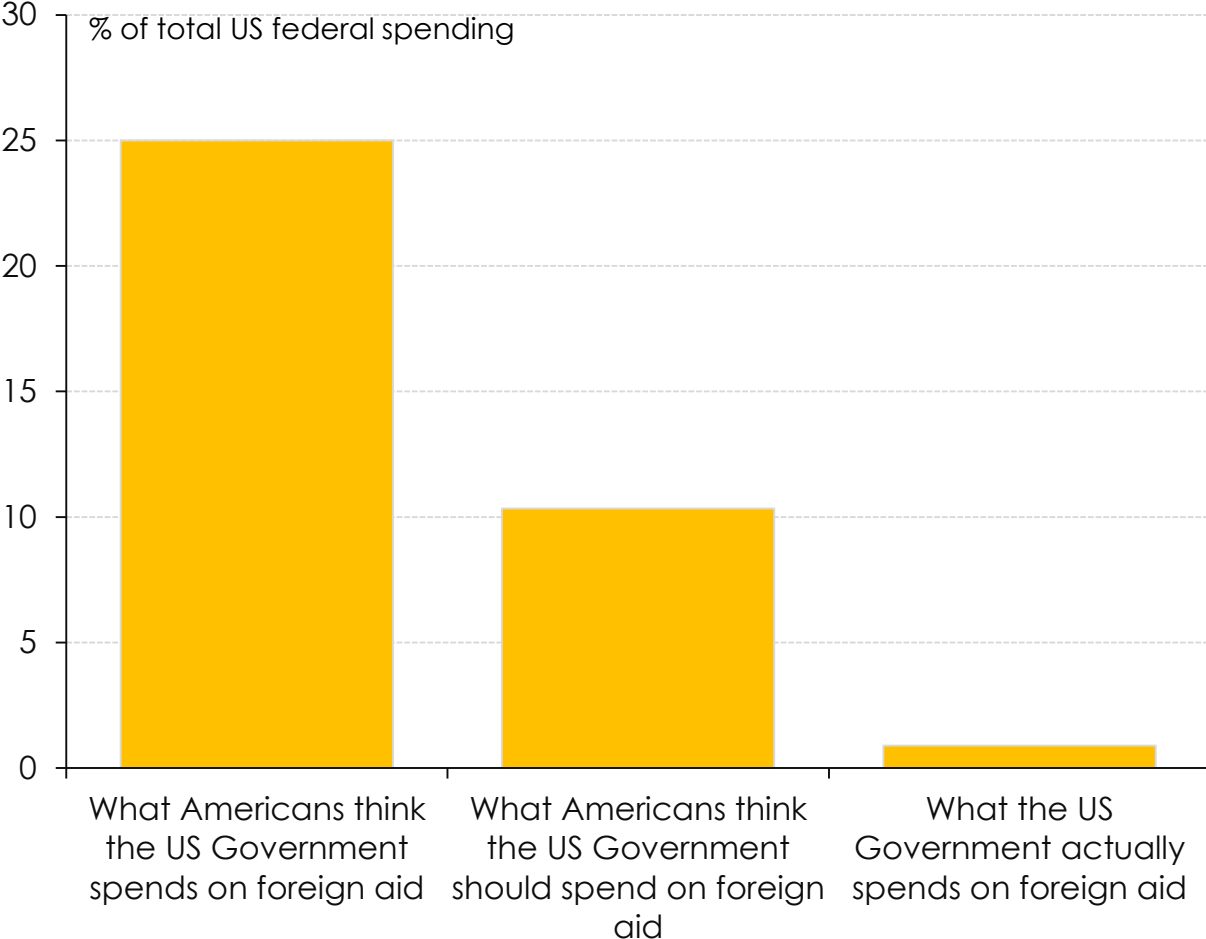
- of the sort that improves peoples' lives
- and doesn't come with political or commercial strings attached

Australians have a highly inflated perception of how much is spent on foreign aid – but they’re not Robinson Crusoe in that regard

Australians’ perceptions of government spending on foreign aid, 2016



Americans’ perceptions of US government spending on foreign aid, 2014



Sources: Paul Karp, 'Australians massively over-estimate level of foreign aid in budget, poll finds', *The Guardian (Australian edition)*, 29th April 2016; Kaiser Family Foundation, '[Data note: Americans' Views On The U.S. Role In Global Health](#)', 23rd January 2015.

Australia's spending on overseas aid is now lower as a proportion of our national income than at any time in the past 55 years

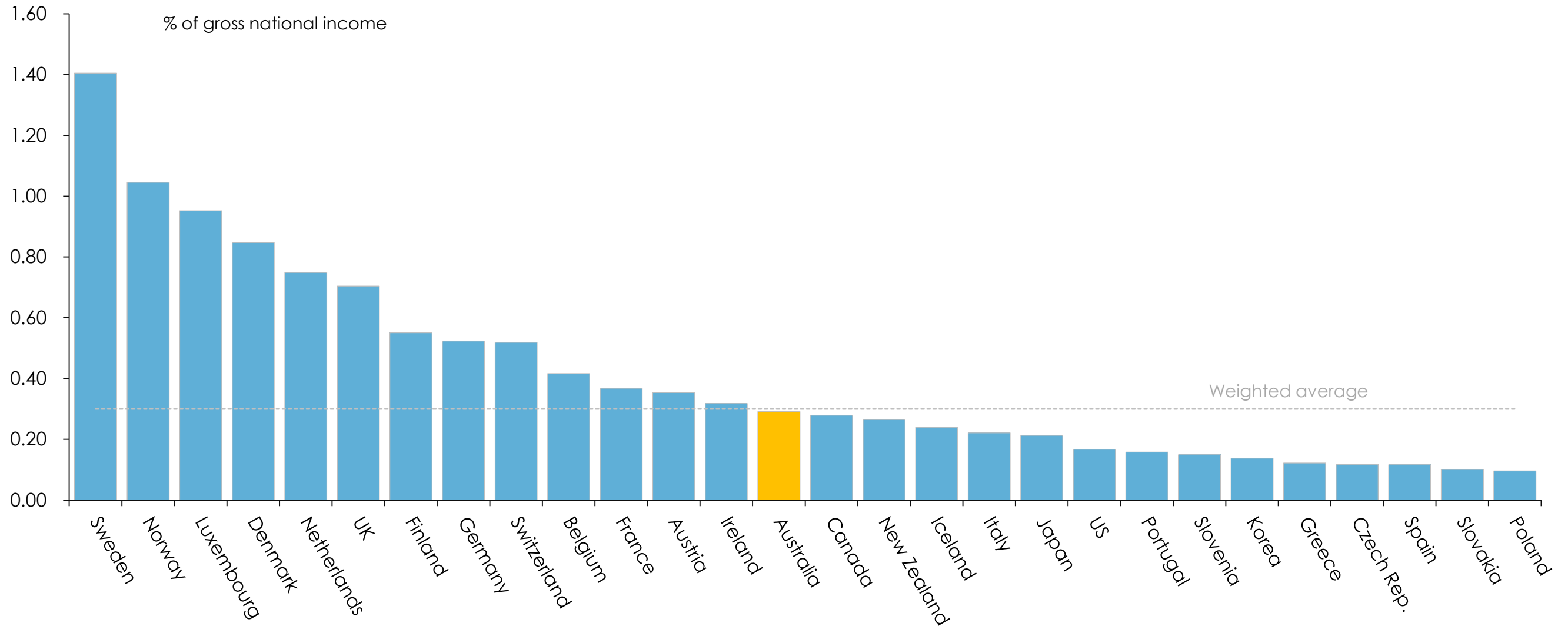
Australian official development assistance as a per cent of gross national income



Source: Robin Davies, 'What are the facts on Australia's foreign aid spending', [The Conversation](#), 31st January 2017.

Australia now devotes a lower proportion of national income to overseas aid than the OECD average

Official development assistance as a per cent of gross national income, OECD countries, 2015



Source: OECD, [Development finance data](#), April 2017.