

# Escaping the inequality-data Dark Ages

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**Even as perceptions of rising inequality undermine the foundations of democracy, data on wealth and income trends remain woefully inadequate.**

We are living in the Dark Ages of inequality statistics. More than a decade after the 'Great Recession', governments are still unable to track accurately the evolution of income and wealth. Statistical agencies produce income-growth statistics for the population as a whole (national accounts), but not for the 'middle class', the 'working class' or the richest 1 per cent and 0.1 per cent. At a time when Google, Facebook, Visa, Mastercard and other multinational corporations know intimate details about our private lives, governments still do not capture, let alone publish, the most basic statistics concerning the distribution of income and wealth



Facundo Alvaredo

This failure has huge costs for society. The perception that inequalities are reaching unjustifiable heights in many countries, combined with a lack of any possible informed choice for voters, is fodder for demagogues and critics of democracy.

Making matters worse, experts in the field of inequality are sometimes depicted as being overly reliant on specific methodological approaches, as illustrated in *The Economist's* recent cover story, 'Inequality illusions'. But, of course, data in the social sciences are by their very nature open to challenge, which makes methodological debates largely unavoidable. The question is where to draw the line between legitimate academic disagreement about inequality levels and trends and outright inequality denialism.



Lucas Chancel



Thomas Piketty

## Innovative methods

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Whether or not inequality is acceptable—and whether or not something should be done about it—is a matter of collective choice. To help inform the debate, more than 100 researchers from around the world have joined forces to develop innovative methods for compiling inequality statistics through the World Inequality Database, which now covers more than 100 countries. The WID includes the widest possible array of available data sources, from household surveys, tax-administration data, national accounts and wealth rankings published in the media, to the 'Panama Papers,' through which the International Consortium of Investigative Journalists exposed stockpiles of wealth stashed in various tax havens.

The WID's methodology is set up in a way that allows results to be reproduced and debated, while contributing to the expansion and improvement of the available data. When consistently applied to various regions and countries, divergent patterns appear, with inequality increasing in some countries and stagnating or declining in (a few) others. And the WID is just one of multiple institutions—including the LIS Cross-National Data Center, the Commitment to Equity Institute, the World Bank and the OECD—now fruitfully working to improve our understanding of these issues.



Emmanuel Saez

But progress in measuring inequality has been hampered by recent policy developments, which belie narratives about greater transparency. Many advanced economies have reduced the number of tax audits performed each year, making it harder to access and analyse this key source of information. Likewise, as progressive taxes on capital incomes have been phased out, and as wealth and inheritance taxes have been repealed, some of the most basic sources of data on wealth inequality have disappeared.



Gabriel Zucman

Owing to the lack of high-quality fiscal and administrative data on capital incomes and wealth, many observers will turn to other sources, such as billionaire rankings published by a number of magazines. But while these sources can provide valuable insights, they do not meet the standards of methodological rigour and conceptual clarity on which an informed public conversation should be based.

## Internationally recognised

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For these reasons, researchers, the media and civil-society organisations need to get more involved. It is critical that we develop an internationally recognised set of indicators and methods for tracking income and wealth. Government statistical agencies should be publishing the income and wealth levels of the top 1 per cent, 0.1 per cent and 0.001 per cent, as well as the effective taxes paid by these groups.

To that end, a particularly important milestone will come with a revision, due in the next three years, of the United Nations system of national accounts. (We are currently working with national statistical offices, the OECD and the UN on this effort.) Gross Domestic Product statistics were originally born of researchers' stubborn commitment to

provide evidence of national incomes during the Great Depression. It would be a pity to wait for the centennial of GDP—or for another recession—to craft distributional growth statistics.

All societies must start to engage more in the production and dissemination of transparent economic information. We call on all interested parties from civil society, the media, governments and the academic community to join the effort to bring inequality data into the 21st century.

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