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G20 EXTRAORDINARY COMMITTEE OF INDEPENDENT EXPERTS ON GLOBAL INEQUALITY

SUMMARY AND FULL REPORT

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Solidarity

Equality

Sustainability

This report is authored by the 2025 G20 Extraordinary Committee of Independent Experts on Global Inequality, led by Joseph E. Stiglitz, and joined by Adriana Abdenur, Winnie Byanyima, Jayati Ghosh, Imraan Valodia and Wanga Zembe-Mkabile.

The Extraordinary Committee expresses its gratitude to the President of South Africa, His Excellency Cyril Ramaphosa, for constituting the G20 Extraordinary Committee for the South African G20 Presidency in 2025, and for commissioning it to publish this report.

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SUMMARY REPORT

1. INTRODUCTION

Inequality is one of the most urgent concerns in the world today, generating many other problems in economies, societies, polities and the environment.

Inequality causes people's lives to be more fragile, leading to perceptions of unfairness that spark frustration and resentment. That, in turn, undermines social and political cohesion, eroding citizens' trust in authorities and institutions. The consequences are political instability, decreased confidence in democracy, enhanced conflicts and diminished appetite for international cooperation. Inequality also affects our ability to deal with planetary challenges.

Inequality is not a given; combating it is necessary and possible. Inequality results from policy choices that reflect ethical attitudes and morals, as well as economic trade-offs. It is not just a matter of concern for individual countries, but a global concern that should be on the international agenda – and therefore the G20's.

Inequality has important cross-border effects, and the global rules on trade, finance, investment and knowledge are key determinants of inequalities within and between countries. Some of these imbalances in income and wealth distribution within and between countries result from globalisation driven not only by the benefits of global economic integration, but also by large corporate and financial interests.

Concerted global action to reduce levels of inequality requires collective commitment and international coordination.

Our Committee was commissioned by the South African Presidency of the G20 to provide a report on the state of knowledge about global inequality. Our work covers inequality's inter-related dimensions, causes, consequences and recent trends. We also propose policies that might address its most adverse effects. This summary of our findings is based on discussions within the Committee and extensive consultations with other experts; more extensive discussion and evidence are presented in the full report. Both end with some recommendations, including a specific proposal for a new permanent international body to assess and monitor inequality globally.

Box: Some key facts on inequality

- Nationally, 83% of countries have high income inequality (using the World Bank definition of 'high inequality' as a Gini coefficient above 0.4). These countries account for 90% of the world's population.
- Globally, income inequality between all individuals in the world has fallen since 2000, due largely to economic development in China. However, it remains very high, at a Gini coefficient of 0.61.
- Wealth inequality is far higher than income inequality. Globally between 2000 and 2024, the richest 1% captured 41% of all new wealth, in contrast to just 1% being captured by the bottom half of humanity.
- The richest 1% have seen their average wealth increase by US$1.3m since 2000, while someone in the poorest half of humanity saw their wealth increase by an average of US$585 over the same period (in constant 2024 USD).
- One in four people globally (2.3 billion) face moderate or severe food insecurity, i.e., having to regularly skip meals, which is up by 335 million since 2019.

Inequality is a policy choice. The negative trends can be reversed.

An International Panel on Inequality (IPI), as we propose in Chapter 5, could track trends on inequality such as these, and assess the forces contributing to those trends.

2. TRENDS IN INEQUALITY

Conducting a comprehensive assessment of inequality globally is made more difficult by gaps in data, as well as differing definitions and measures. In addition, there are concerns about the quality and reliability of some of the available data. Adding to the complexity are the different experiences in different countries and regions over different time periods. Despite this, innovative work by researchers around the world using various databases enables us to identify some broad patterns and trends.

Intercountry inequality, broadly measured, appears to have reduced, because of the rise in per capita incomes in some very populous countries like China and India, which brought down the share of high-income countries in global GDP somewhat. There have been improvements in some of the worst aspects of poverty and deprivation, with hundreds of millions of people moved out of poverty, largely in China, but elsewhere as well. However, the COVID-19 pandemic interrupted this positive trend in many lower-income countries; recent years have also witnessed an absolute increase in hunger and food insecurity.

Nonetheless, divergences among countries remain large, especially between the richest and poorest. The divergence between some regions has grown, for example between much of Western Europe and sub-Saharan Africa.

Wealth inequality is much more concentrated than income inequality. Even where income inequality has not increased (and in some cases, actually decreased), wealth inequality remains high. By most measures, it has increased in most countries over the last forty years.

Wealth inequalities have a forward momentum, as compound interest increases fortunes and, in the absence of effective inheritance taxes, wealth is handed down from one generation to another, undermining social mobility and economic efficiency.

Across all major regions, private wealth has grown in the past two decades, sometimes quite sharply, while public wealth has stagnated or declined.

Of particular concern has been the global increase in incomes and wealth at the upper end of the scale, with those at the top getting an increasing share of national income and wealth, especially the very wealthiest (the top 0.01%). Data from the World Inequality Lab show that the richest 10% of people in the world account for 54% of total global income and 74% of total global wealth.

There has also been a weakening of the middle-income groups in many parts of the world, reflected in more insecure incomes and precarious material lives. In some countries, there is strong evidence of an evisceration of the middle, which can have significant consequences for economic and political stability.

Inequality exists across many dimensions. While economic inequality (in incomes and assets) tends to be strongly correlated with inequalities in other areas (health, education, employment, housing conditions, exposure to environmental hazards, voice in political processes, access to justice, and so on), the extent of this effect varies because much also depends on public policy. Further, within countries there are intersecting inequalities because of class, gender, race, and ethnicity. Location and resident/migrant status can generate multiple deprivations or, conversely, multidimensional privilege and power for a few. This is also evident at the global level: the global ultra-rich tend to be predominantly white, male and based in rich countries.

There is also a strong correlation between inequalities in opportunities and inequalities in outcomes. In most countries, the life prospects of young people depend heavily on the income and education of their parents, but this is much more the case in some countries. Here, as in many aspects of inequality, there are often large discrepancies between the evidence and people's perceptions, including as reflected in popular rhetoric. For instance, while the United States is often described as a 'land of opportunity', the evidence is that there is less mobility than in many other countries, and that the 'American Dream' is, to a large extent, a myth. Poverty traps, where chances to move out of the lower deciles of income and wealth distribution are limited, are part of the landscape in many, if not most, countries.

In Chapter 4, we assess some of the key drivers of inequality. Here, we note that there are both long-term structural forces (for instance, the shift from manufacturing to service-sector economies, changes in technology and globalisation) and short-term forces (for example, the COVID-19 pandemic, the war in

Ukraine, post-pandemic inflation, and the recent interruption to longstanding trade patterns) affecting economies. The structural forces led, for instance, to an increase in inequality within the advanced countries in the early stages of industrialisation, followed by a period of decreasing inequality, especially during World War II and the two decades after, followed, in turn, by an era of markedly increased inequality.

On the other hand, in the early years of this decade, highly varying short-term forces have often dominated. The massive and largely egalitarian support provided as a response to the COVID-19 pandemic lowered income inequality in countries like the United States, even as it increased educational and job inequalities. In many other countries, the pandemic and its outcomes both reflected and intensified existing inequalities. In many ways, COVID-19 was a high-water mark in global health inequalities. Governments of rich countries used international intellectual property (IP) rules and other strategies to ensure that they received the bulk of the vaccines, leaving many people in low- and middle-income countries to get sick, be hospitalised and, in too many cases, die.

3. THE CONSEQUENCES OF INEQUALITY

Inequality, particularly in the extremes, has many negative economic, political and societal outcomes, each interacting in ways that exacerbate the adverse effects.

A lack of income has obvious adverse effects on people. They experience hunger and may receive inadequate healthcare; their children may be malnourished and may not get the education they need to live up to their potential, which contributes to poverty traps and the intergenerational transmission of poverty.

There are also adverse consequences for the overall performance of the economy. It should be obvious that, if large portions of a population receive inadequate education, healthcare or nutrition, they will not be as productive, and the entire economy will not perform as well as it otherwise would.

Those on the lowest incomes or in the informal sector, especially in countries with weak systems of social security, are highly vulnerable to adverse shocks.

In countries with limited upward mobility, aspirations can also be limited, which can constrain productive investments. There are other social consequences of inequality with economic implications: there is evidence that, in many places, inequality is associated with increased personal or household debt, which has implications for economic stability.

Many of the sources of inequality themselves have large deleterious economic effects. For example, market power increases the incomes of corporate owners (who are largely among the rich), decreases the real incomes of workers, and distorts resource allocations, leading to inefficiencies. Wealth derived from under-regulated natural resource companies enriches the owners at the expense of the wellbeing of the rest of society, while extraction and production processes undermine environmental sustainability.

Wealth can undermine democracy because those with great wealth may have disproportionate influence on the economy and politics. Economic inequalities tend to get translated into political inequalities, including, for instance, in access to justice or having a say in the political process. In many countries, the media are controlled by the ultra-rich, giving them a dominant role in societal discourse. This problem has been exacerbated by the advent of social media and technology platforms, whereby control of the 21st-century town square has been put into the hands of a very few.

Global inequalities impair global economic performance as they give rise to cross-border effects. The most obvious are related to the environment and public health. The excessive carbon emissions generated by profligate consumption by the globally very rich contribute to climate change, with adverse effects on the global economy and the planet. Health deprivations in one country can allow pathogens to flourish and then be carried elsewhere, in the worst cases giving rise to a pandemic.

The new perspective on inequality and economic performance (in all its dimensions) that has emerged in the last 15 years is that reducing inequality can be good for economic performance. This is markedly different from the dominant view of earlier decades, which held that there was a trade-off: performance would have to be sacrificed to reduce inequality. The consensus of our Committee is in line with the consensus of the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), and much recent independent research. While direct evidence using aggregate macroeconomic data between various measures of economic performance and inequality is not completely conclusive, the Committee believes that the indirect evidence – representing the various channels through which inequality affects economic performance both in the short and long term – is sufficiently compelling to support the above conclusions.

As significant as the economic consequences are, our Committee agreed that the most worrisome effects may be on politics and democracy. Economic inequalities typically get translated into political inequalities, though the extent depends on the political rules of the game, e.g., the influence of political contributions; the role of revolving doors; regulations concerning transparency and conflicts of interest; and whether or the extent to which the very wealthy are allowed to dominate traditional and social media.

The political economy effects then reverberate, reinforcing economic inequalities due to the introduction of rules (described in more detail in Chapter 4) that favour the rich and powerful, but undermine national and global economic performance. Notably, for instance, financial deregulation accompanied by the removal of capital controls led to the 2008 financial crisis, with contagion effects for the entire world.

Moreover, many workers feel increasingly disaffected by economic conditions. They respond to socially and politically polarising forces, including by marginalising and excluding people like migrants. These actions create additional threats to democracy. (Similarly, while globalisation, as it has been managed, has contributed to some aspects of global inequalities and the economic stresses felt in some countries, recent attacks on it underplay the importance of complementary domestic policies and threaten the ability to garner potential benefits from global cooperation.)

The strength of democracies is often associated with those in the middle of the income distribution, so the evisceration of the middle in some countries, noted in Chapter 2, is almost certainly an important contributor to the weakening of democracy there.

4. DRIVERS OF INEQUALITY

There are two overall factors underlying most existing inequalities.

First is the distribution of market incomes. Policies which change this distribution are referred to as pre-distribution policies. Market incomes are determined by two parts:

- Distribution of asset ownership, not just financial assets but skills and social networks (social capital) that are critical in boosting workers' wages.
- Distribution of income among labor, capital, and rents (including market power and the laws and regulations that affect corporate power, the ability of firms to exploit workers, and corporate managers to extract rents from corporations). These rules and regulations that affect how market incomes are distributed are in turn affected by an interplay of political and economic power.

The second is public policies affecting the redistribution of income. This also concerns two parts:

- Taxes and transfers, for example progressive taxation of income that reduces inequalities of income in the labour market.
- Public expenditures, such as healthcare, which, when free or subsidised, reduce income inequality directly as families do not need to spend (or spend as much) money to pay for them, providing greater benefit to those with lower incomes.

Of course, several policies speak to both sets: tighter inheritance taxes can prevent the build-up of wealth inequality between generations.

Many existing inequalities emerge from historical, political, economic and social processes, which also affect institutions and policies. Together, these affect wages, profits and rents, both the distribution of market incomes and post-transfer and tax incomes.

Historically, the divergence between the rich countries of the 'Global North' and the rest of the world began during the colonial period, when many colonies' economies were structured so raw materials could be extracted at the lowest cost, the richest people had the best land, and racial and sexual discrimination were used to fuel the extraction process. It markedly accelerated with the Industrial Revolution, when per capita incomes in Europe and a few other countries began to increase rapidly after centuries of stagnation. Income disparities across countries have since moderated but remain very high, and colonialism and its inequalities have contributed to today's inequality. There are reforms in the international arena that could further reduce those gaps. Moreover, even though the gap between emerging markets and the advanced countries has narrowed, the gulf between the richest and poorest countries has been particularly persistent, so reforms in policies that prolong this inequality are crucial.

Within societies, policies and processes operate on inequalities in diverse ways. Equalising factors, such as increased access to education, can be at work alongside unbalancing (disequilibrating) factors, such as those associated with marriage and inheritance patterns that perpetuate elites. Both can be strongly influenced by public policy, but in the absence of strong public action, can give rise to vicious cycles perpetuating and increasing inequality, with disequilibrating forces reinforcing one another. Those with low incomes may, in the absence of public programmes, be unable to provide adequate healthcare, nutrition and education to their children, who will then be condemned to a life of poverty. Those with high incomes may save more and earn high returns on their investments, enabling them to pass on more wealth to their children (in the absence of progressive inheritance taxes), which perpetuates and enhances wealth inequality. Much of the increase in inequality observed in many countries in recent decades can be attributed to the weakening of equilibrating forces and the strengthening of disequilibrating forces.

Across the world, large corporations and rich elites wield influence and sometimes even determine laws, regulations and monetary and fiscal policies in ways that favour them. This has been reflected in a series of economic policies that have been implemented in most countries of the world over the last three decades, such as the liberalisation of financial markets and the weakening of competition policies.

Several of these policies have led directly to higher inequality. Deregulation of the labour market and legislation to restrict trade unions reduced the power of labour vis-a-vis capital. Rules regulating businesses changed in many countries, reducing states' ability to curb monopoly power, and tending to enforce the legal primacy of returns to shareholders above the rights of other stakeholders. Taxation became less progressive, with effective tax rates on corporations and the richest individuals in most countries falling dramatically, and an increasing reliance on regressive taxation, like value-added tax (VAT). The partial privatisation of education in some countries, especially within the context of low or falling inheritance taxes, led to greater intergenerational transmissions of inequality.

Deregulating financial markets compounded this by generating volatility that could result in crises, with especially adverse effects on those at the bottom of the distribution. In many places, finance did a poorer job in providing credit to small- and medium-sized enterprises, impeding upward mobility. Globalisation has enabled far greater levels of tax avoidance and evasion. Privatisation of state-owned enterprises and services in sectors like energy, water, transport, education and health drove up corporate profits and prices for consumers. This reduced access for the poor and lowered their living standards.

Macroeconomically and fiscally these structural policies, and the crises they often precipitated, were typically accompanied by significant austerity measures, with high interest rates and fiscal consolidation. These measures included cuts to public spending that affected ordinary people's access to essential goods and services. This drove further increases in inequality, with particularly adverse impacts for women and socially marginalised or less-empowered groups.

Institutions and policies reflect the wider culture and thinking of the people who play a dominant role in creating them. High levels of economic inequality get translated, as we have noted, into political inequalities when only an elite few shape the system. In turn, that economic system shapes its people and their perceptions, which may result in even more instability, as an elite few perpetuate and build on that system.

High levels of inequality undermine trust in others and in institutions, and this is even more so if inequalities result from rules set with the disproportionate voice of the wealthy. These problems are exacerbated if the economic system promotes selfishness and greed over cooperativeness, and maximising profits over other values, such as honesty. Matters are made still worse because the lack of opportunity at the bottom is associated with poverty traps and high levels of inequality lead to a lack of aspirations.

The international setting

The international economic and legal architecture developed over the past few decades has contributed to within-country and global inequality in important ways. We have noted how national rules affect inequalities within a country. In some areas, international rules are a major driver of those rules. International rules also directly affect the workings of market forces in ways that can directly affect both within- and between-country inequalities.

Globalisation in all its dimensions has affected the distribution of income within and between countries. Earlier studies, for instance, emphasised that trade in goods was a partial substitute for the movement of labour and capital, implying that, in competitive markets in advanced countries, workers' incomes would be reduced, especially those of less-skilled workers, exacerbating inequalities in market income.

More recent studies have recognised that the wage shares of national income – particularly for less-skilled workers – have fallen across almost all countries. One explanation is that more integrated trade, greater mobility of capital across borders and new technologies used in production have lowered the bargaining power of less-skilled workers everywhere, affecting both wages and working conditions. Higher variation in wages has gone hand-in-hand with higher job insecurity and informality for workers at the lower end of the spectrum.

Recent advances in technology, particularly in digitalisation and artificial intelligence, have the potential to increase inequalities within and between countries, even as they bring some benefits. While there is the potential to use tax policies to redistribute incomes from the winners to the losers within countries, the effects are more problematic when those who benefit live in different countries from those who do not.

Macroeconomic policies have exacerbated these internationally generated disparities in labour incomes. We previously noted how the expenditure cuts associated with austerity disproportionately affect those at the bottom and the middle of the income distribution; however, their macroeconomic effects on the labour market also disproportionately affect those at the bottom. Much of the volatility in developing countries has been associated with shocks from abroad. Financial and trade liberalisation has exposed especially small countries to more shocks, with greater macroeconomic impact.

IP agreements have enabled the private sector to create monopolies of knowledge and critical technologies, including those that are essential for dealing with public health crises, climate change and other environmental challenges. Today, these rules have led to large net transfers from developing countries to their developed counterparts. By depriving developing countries access to critical health products (such as vaccines during the COVID-19 pandemic, as noted in Chapter 2), they have contributed to the vicious health-inequality cycle, documented by the Global Council on Inequality, AIDS and Pandemics, whereby low-income individuals are more likely to face health risks, including through pandemics, with subsequent adverse effects on their abilities to earn income, which make them still more vulnerable.

The 'liberalisation' of financial flows was not so much about eliminating regulations as about having regulations and a legal system that favoured creditors and private holders of financial assets over the rights of debtors and other stakeholders. This has been associated with greater financial volatility as well as periodic sovereign debt crises. These have wreaked havoc on the lives of people in debtor countries, but often had only marginal impact on the incomes and wealth of rich creditors.

The current international tax system, widely recognised as being outdated, enables multinational corporations and the extremely wealthy to avoid equitable taxation, to the extent that they typically pay lower rates than others who are less well off. It also allows for the persistence and expansion of illicit financial flows, which have had a particularly adverse effect on the poorest region of the world, sub-Saharan Africa.

These are among the many features of the international economy that can be significantly affected by the decisions and actions of G20 governments. It is therefore critical for G20 leaders to be closely involved with this issue, to recognise the extent and urgency of the problem, to take account of both the drivers and the consequences of inequality, to pursue policies that address it and to remediate its most pernicious aspects.

5. PROPOSAL FOR AN INTERNATIONAL PANEL ON INEQUALITY

A key finding of our Committee is that policymakers often lack sufficient, dependable or accessible information on inequality trends and the impacts of proposed policies on inequality, in all its dimensions. We therefore recommend – as the immediate and priority request of this Committee to the G20 – the establishment of a new body, an 'International Panel on Inequality' (IPI), to support governments and multilateral agencies with authoritative assessments and analyses of inequality. These analyses would inform and empower policymaking.

The body could be inaugurated under the leadership of the South African G20 Presidency and supported voluntarily by champion countries (not limited to G20 members), with multilateral agencies as key stakeholders.

The Panel would be a technical body centred on data and policy-relevant analysis (not advocacy). It would not directly conduct research but monitor existing and new research, and assess gaps in knowledge and the availability of quality data. It would produce periodic, policy-relevant assessments on the drivers, measurement and impacts of income and wealth inequality, and their relationship with inequalities in other dimensions, such as health and opportunity. Of particular relevance to the G20, it would identify trends and processes with a special focus on the international architecture. On the basis of these assessments, it would make recommendations on needs for further research.

A geographically and disciplinarily diverse panel of experts could be selected to serve in an independent capacity, supported by a lean and agile secretariat. We envisage that the organisation could take the form of a distributed structure with working groups, including scholars not members of the panel as needed to increase expertise of the many dimensions of inequality or questions of inequality data and measurement. The working groups could use new technologies for interaction, consultation and dissemination. The IPI would take advantage of recent enormous advances in research on inequality, supported by institutions across the world devoted to the study of this subject.

The idea of the Panel is inspired in part by the success of the Intergovernmental Panel on Climate Change (the IPCC), through which many thousands of scientists have voluntarily contributed their time and efforts, synthesising and coordinating research, providing accurate and timely assessments of the state of knowledge in this crucial arena.

Like climate change, unrestrained and growing inequalities also represent a major threat to the global community. It is imperative that we have better knowledge about its evolution and how proposed policy changes might alleviate it—or make it worse.

In the full report, we describe in greater detail some suggestions for the organization and governance of the IPI. We emphasize that these are only suggestions, to guide the South African government as it enters consultations with others on the establishment of what could prove to be a landmark institution.

6. POLICIES TO TACKLE INEQUALITY

Within countries, there is considerable scope to develop strategies to change the ways in which national income is distributed and then redistributed through tax and expenditure policies, in order to mitigate the inequalities (in all dimensions) generated by market forces. Policies will obviously vary by national and regional context, but they must confront the drivers of inequality discussed in Chapter 4.

We note the significance of regulatory changes, such as policies to rein in excessive corporate power, minimum wage legislation, regulating investment and economic activity to protect the environment, etc. We also recognise the crucial role played by public provision in ensuring universal access to good quality essential goods and services (e.g., food, housing, health, education and social security) throughout people's lives. Due to intersecting multidimensional inequalities, such provisions must ensure access for those who are typically excluded or marginalised. Relatedly, policies must address social discrimination.

In this context, we note the misconception that presumes the private sector is more efficient than the public. This runs counter to evidence that public services, in many cases and contexts, are both necessary and superior.

Public investment is essential to meet social and developmental goals, and to ensure a just energy transition. It is also crucial that countries focus more on creating decent jobs with fair wages and protections, and work to regulate labour markets to ensure workers rights.

Strong social protection strategies that ensure access for everyone to essential goods and services are necessary because markets are volatile and unable to provide adequate and affordable insurance against the multiple risks that individuals face, in the context of large structural changes faced by economies.

Of course, higher public spending also requires more revenues. Since in many countries those at the top pay a lower tax rate than others, there needs to be a shift from regressive indirect taxes (such as VAT) in favour of more direct taxation of wealthy people and large corporations. Income taxes have to be more progressive.

International

In virtually every area there needs to be a rethinking of the effects of international agreements, with more attention paid to the distributive effects, both within and between countries.

In particular, the G20 should ask how much any provision within any agreement addresses some externality, helps resolve some global coordination problem of mutual interest, or assists in the provision of some global good; versus to what extent its specific provisions are designed to enhance the wellbeing (or income) of certain powerful actors (whether countries or companies) on the global scene.

An agreement among countries to have a minimum corporate income tax would, for instance, help prevent the destructive race to the bottom in corporate taxation. Investment agreements that restrict countries from imposing new regulations or taxes are more problematic. A country that engages in excessive regulatory or tax measures will itself pay the price, in terms of an inability to induce investors to enter, while certain regulations and tax measures are necessary and desirable for the wellbeing of those within the country.

Some areas in which we find reforms to existing systems are necessary and urgent follow (the full report includes a wider range and possible actions). We divide our discussion into reforms in the rules and institutions that govern the economy, and policies that affect the resources and capabilities of individuals and countries.

Reforming the rules and institutions that govern the economy, with special attention to global rules and institutions, by:

- Rewriting IP rules, particularly including waivers in the event of pandemics and compulsory licences/waivers for technologies related to climate change.
- Rewriting international trade rules to ensure a more equitable sharing of the gains from trade, in particular eliminating aspects that inhibit developing countries from moving up the value-added chain and keeps them producing primary commodities.
- Globally coordinating policies to enforce competition, rein in corporate concentration (including breaking up monopolies) and restrict anti-competitive practices, especially in the digital domain.
- Redesigning investment and bilateral taxation agreements, which are increasingly being used by private players to restrict taxation and regulation. This would include moving away from prevailing Investor–State Dispute Settlement (ISDS) mechanisms that do not conform to modern judicial standards,

which have strong rules on transparency and conflicts of interest. These are typically absent in ISDS.

- Reforming the governance of the international financial institutions (IFIs) to better reflect the contemporary global economy, for example in voting and veto rights.
- Increasing the IMF's liquidity tool, Special Drawing Rights (SDRs), annually along with increases in global GDP, and ideally distributing them according to need (established by clear criteria), rather than by today's IMF "quota". Any conditions should be centred around the provision of global public goods, like climate mitigation.
- Rethinking aspects of the macroeconomic and structural frameworks used by the IFIs – including the reliance on austerity rather than growth-enhancing policies in response to budgetary deficits, and presumptions in favour of private rather than public provisions of key services. Similarly, well-designed capital controls can be an important instrument in reducing macroeconomic instability, which exerts such a large toll, especially on the poor.

Expanding resources and capacities of developing countries and all citizens within them. With the diminution of development assistance, impacted countries will have to be more reliant on their own resources. What matters is the net of flows into the country minus the flows out. IP and competition reforms could lead to smaller outflows; fairer trade policies could lead to greater inflows. Below are listed some other critical reforms, especially in the international architecture, that are likely to reduce inequality.

- Reforming the international tax system to enable the fair and efficient taxation of multinational corporations and the very wealthy. The latter would require a global asset register to identify and track wealth; it might entail a global minimum tax on ultra-rich individuals. The former would require at the very least a global minimum corporation tax at a higher rate – and without the exceptions embedded in the current OECD initiative.
- Debt restructurings and liquidity support for the many developing countries and emerging markets with excess debt, whose enormous spending in servicing that debt has compromised their future development. The global financial architecture needs reforming to make it less likely that another debt-and-development crisis emerges in the future, and that any prospective debt restructuring could be conducted more quickly and equitably than under current arrangements.
- Cooperating internationally to control the large illicit financial flows that deprive developing countries of the resources they need.
- Ensuring that all countries have the necessary finance (for example, through new issuances of SDRs) to cope with the loss and damage from climate shocks, adapt better and further reduce emissions of greenhouse gases, in order to prevent climate-related increases in inequality.
- Expanding capacity to produce critical medical and climate-related products, in part through technology transfer.
- Improving access to food at stable prices by, for instance, assisting in the creation of national and regional reserves of grain and other foods, curbing speculation and investing more in local and regional production in places that rely excessively on food imports.
- Improving digital access for all.

Extreme inequality is a choice. It is not inevitable and can be reversed with political will. This can be greatly facilitated by global coordination, and in this regard, the G20 has a critical role. Addressing inequality in all of its dimensions in the most efficient and effective way requires greater fundamental knowledge of inequality than we currently have. The key proposal of this report, the creation of an International Panel on Inequality, would enhance our understanding of inequality in all of its dimensions, assessing magnitudes and trends, its drivers and consequences, and the impacts of on-going structural changes and of policies. It would be a permanent legacy of the South African Presidency of the G20, in helping the world address one of the major scourges of our time – moving the world towards our ideal of a globally shared common prosperity.

FULL REPORT

1 THE SCALE OF THE INEQUALITY EMERGENCY

A world that tolerates ever widening inequality cannot hope to achieve lasting peace, prosperity or sustainability. Inequality is one of the world's most urgent concerns, generating many other problems in economies, societies and polities, including humanity's ability to deal with planetary challenges. Given its seriousness, there is a strong need for an international response.

The concentration of incomes and wealth at the top has led to extreme concentrations of both economic and political power, with adverse consequences for society. On the other hand, the greater fragility in the lives of so many is driving a widespread sense of unfairness. This is causing frustration and resentment that undermines social and political cohesion, and reduces trust in authorities and institutions.

Inequality is not a given; it results from policy choices, and reversing it is possible. Further, it is not just a matter of concern for individual countries; it is a global concern that appropriately should be on the global agenda, and therefore on the agenda of the G20. There are important cross-border externalities – the global rules on trade, finance, investment and knowledge are key determinants of inequalities within and between countries. Globalisation and the 'rules of the game' that govern it are important determinants of income and wealth distributions within and between countries. Concerted action to reduce levels of inequality therefore requires collective commitment and international coordination.

There are many inequalities that divide our societies – in opportunities, education, health and access to justice. Class, gender, caste, race, location and ethnic status add further layers of intersecting inequalities. There are also huge inequalities between nations, not just in per capita incomes or average wages, but in other dimensions like educational outcomes or life expectancy. All of these inequalities relate to economic inequality – income and wealth – and are both consequences and causes. The focus of this report is on economic inequality.

1.1 Measuring the gap

Precise and timely data on the scale of inequality is absolutely vital for successful policy making and progress. There are many metrics of economic inequality, highlighting its many different aspects – extreme wealth at the top, deprivations at the bottom. The statistics that enable us to shine a light on different facets of wealth and income inequality[1] are far from perfect and are subject to debate,[2] and investment is needed to ensure greater accuracy and timeliness. Current data are particularly poor at capturing income and wealth at the very top of society, tending to underestimate the extent of inequality.[3] Nevertheless, they do enable an understanding of the state of inequality.

The most common measure[4] of economic inequality is the Gini coefficient.[5] A Gini coefficient of 0 shows perfect equality, while 1 reflects perfect inequality. The World Bank recently defined[6] high inequality as an income Gini greater than 0.4, moderate inequality as a Gini between 0.3 and 0.4, and low inequality as a Gini below 0.3.[7]

Standard inequality measures are based on household surveys, which have been shown empirically to systematically under-report and underestimate the income and wealth of the richest people.[8] For example, the top income in Mexico according to survey data was US$43,000; however, Mexico has over 173,000 US dollar millionaires according to other estimates.[9] Research by Anthony Atkinson and the team at the World Inequality Lab[10] augments household survey data with administrative and tax records, as well as national accounts. These methods have allowed revised estimates of the incomes and wealth of the richest percentiles, typically showing higher levels of inequality and often different trends.[11]

The World Bank, using primarily household survey data, puts the number of economies with high inequality at 49, equivalent to a fifth of the countries with available data.[12] Using data from the World Inequality Database (WID) – which combines data from different sources including national accounts, survey data, fiscal data, and wealth rankings and households surveys – some 83% of countries have an income Gini greater than 0.4, which we noted before is the World Bank threshold for high income inequality.

Only 6% of people in the world live in countries with low income inequality.[13] These new data also show that since 2000, the income share of the top 1% is has increased in 47 percent of countries, that are home to 68% of the world's population and is either lower or unchanged in 53 percent, home to 32% of the world's population.

However, while the Gini measure is good for providing an overview, it does not focus on the parts of the income or wealth distribution that might be most of concern, for example, low wages for people living in poverty, or the concentration of wealth for the richest people. Accordingly, the assessment of inequality may require multiple metrics.[14] In recent years, the use of income and wealth shares, for example bottom 50%, middle 40%, top 10% or top 1%, has also become more common, as has the related concept of the Palma ratio[15,16] and the Pareto coefficient for inequalities at the top[17].

While the extremes of the distribution – poverty at the bottom and unbounded wealth at the top – have drawn the most attention, there is also evidence of a weakening of the middle classes.[18]

Box 1: Key facts on income and wealth inequality

Scale of income inequality

- Nationally, 83% of countries have high income inequality (i.e., a Gini coefficient above 0.4), accounting for 90% of the world's population.[19]
- Globally, income inequality between every individual in the world has fallen since 2000, due largely to economic development in China, but remains very high, with a Gini coefficient of 0.61.[20]
- The bottom 50% of the world's population has seen their average real income increase by US$358 over the last 40 years, while the income of the richest 1% has increased by US$191,000 (in constant 2024 US$) over the same period.[21]

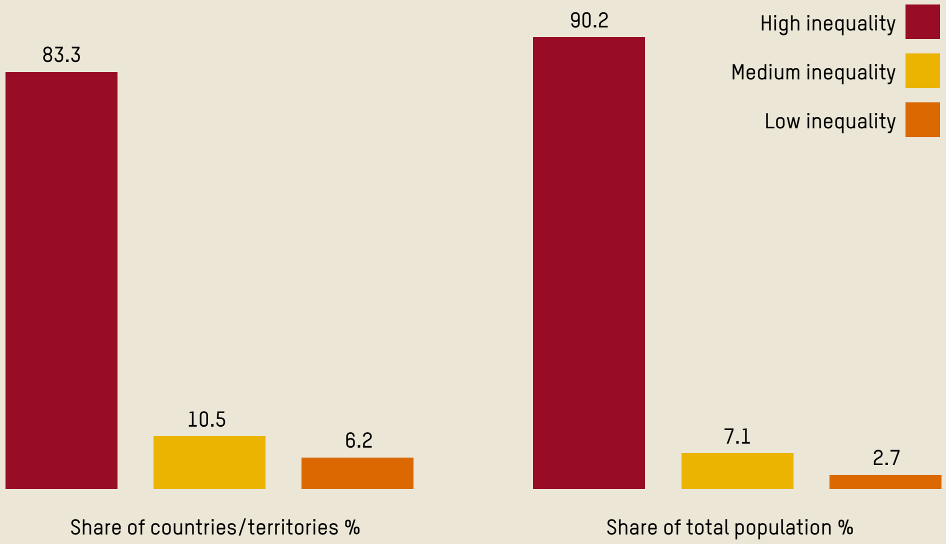
Scale of wealth inequality

- Wealth inequality is far higher than income inequality. Between 2000 and 2024, the richest 1% captured 41% of all new wealth, in contrast to just 1% being captured by the bottom 50%.[22] This means that the richest 1% have seen their average wealth increase by US$1.3m since 2000, while someone in the poorest half of humanity saw their wealth increase by an average of US$585 over the same period (in constant 2024 US$). The top 1% increased their average wealth 2,655 times as much as the bottom 50%.
- The wealth of the world's over 3000 billionaires is now the equivalent of 16% of global GDP, and the first trillionaire is expected within a decade.[23]

Some dimensions of inequality

- Countries with high inequality are seven times more likely to experience democratic decline than more equal countries.[24]
- Since 2020, global poverty reduction has slowed almost to a halt and reversed in some regions.[25]
- 2.3 billion people face moderate or severe food insecurity, up by 335 million since 2019.[26]
- Half the world's population is still not covered by essential health services, with 1.3 billion people impoverished by out-of-pocket health spending.[27]
- A woman in Kenya is 37 times more likely to die in pregnancy or childbirth than a woman in Sweden.[28]
- More billionaires have acquired their wealth through inheritance than through entrepreneurship. In the next 30 years, 1,000 billionaires will transfer more than US$5.2tn to their heirs, largely untaxed, perpetuating intergenerational inequality.[29] Overall, it is estimated that over $70 trillion will be passed down to heirs over the next decade, undermining social mobility and equality of opportunity.[30]

FIG 1.1: HIGH, MEDIUM AND LOW INEQUALITY COUNTRIES



Source: World Inequality Database and authors, calculations. High Gini >0.4, Medium 0.3-0.4, Low <0.3

Global income inequality – the income gaps between all the people on the planet – has fallen as some poorer countries catch up with richer ones, even as the income gaps *within* many countries have grown. Nevertheless, with a Gini of 0.61, global income inequality is still very high.[31] While incomes have risen for the bottom half of humanity, this was from a very low base. The average income in absolute terms of someone in the bottom 50% of the world's population has increased by only US$358 in 40 years, while that for the top 1% has increased by US$191,000 (in constant 2024 US$).[32]

The pace of inequality reduction has also slowed, and the various shocks experienced by low- and middle-income countries in recent years make a medium-term positive trend less likely.[33]

Regionally, there is considerable variation in income inequality (as measured by the Gini), with Latin America and sub-Saharan Africa having the highest, and Europe the lowest.[34] Nearly half (23) of the 50 most unequal countries are in Africa.[35] Inequality has been growing in Asia and the Pacific.[36]

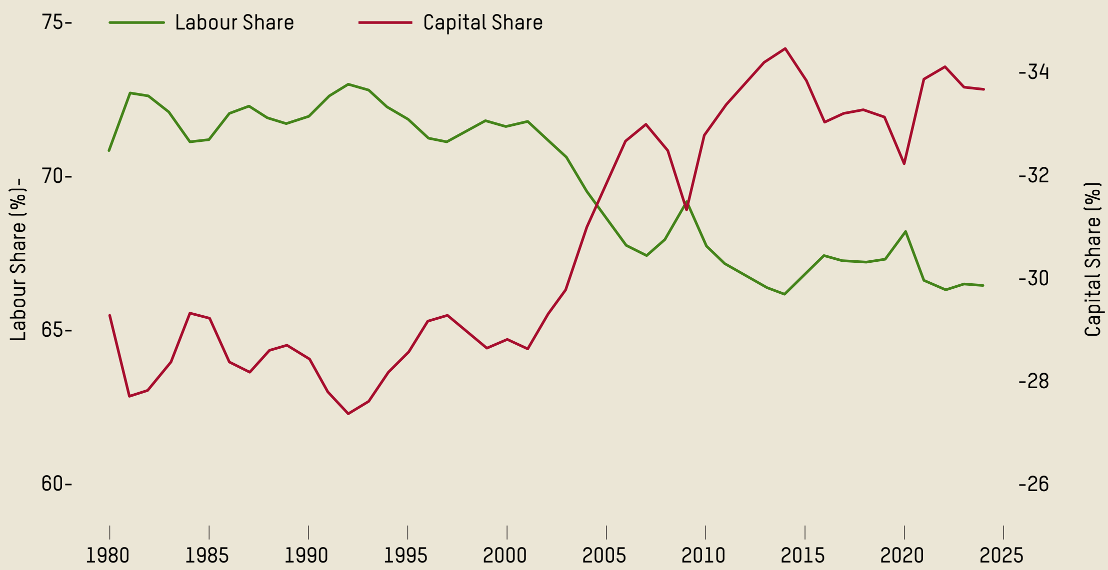
1.2 Rewarding wealth, not work

At the level of the economy as a whole, the share of national income going to capital as opposed to labour has risen in 56 percent of countries between 1990 and 2024 representing 74% of the global population. [37].

Even within incomes from capital, there has been increased concentration, with the largest corporations and richest taking growing shares. In recent decades, average markups for large companies have increased significantly; data from over 70,000 companies in 134 countries over four decades show that the global sales-weighted average markup rose from 15% above costs in 1980 to 60% in 2016, driven by dominant firms at the top, not the vast majority.[38] Large multinational corporations' share of global profits rose from 4% in 1975 to 18% in 2019.[39]

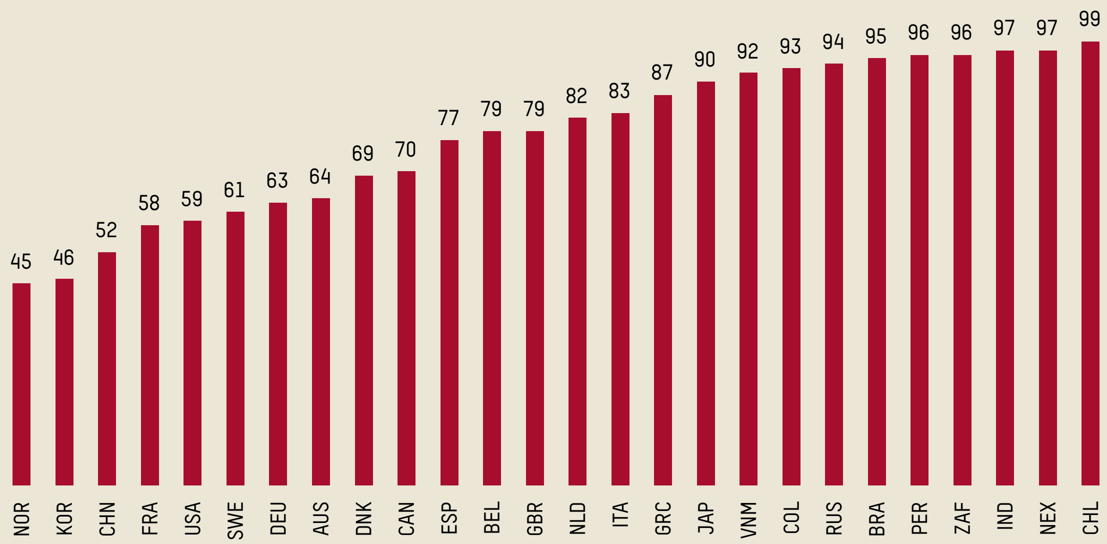
Capital ownership is extremely unequal. Using LIS data, Milanović has estimated that 85% of the world's population derive no income from capital. The world's financial and productive assets are owned by 15% of its inhabitants.[40]

FIG 1.2: CAPITAL AND LABOUR SHARE OF NATIONAL INCOME, 1980–2024



Source: World Inequality Database and authors. Note: Capital and labour share in total national income at factor price.

FIG 1.3: PERCENTAGE OF POPULATION LIVING IN HOUSEHOLDS WITH LESS THAN US$100 IN CAPITAL INCOME (INCLUDING PRIVATE PENSIONS) PER PERSON, ANNUALLY



Source: Milanović, B. (2025) *The new capitalism III: Capital*. Substack blog. https://branko2f7.substack.com/p/the-new-capitalism-iii-capital

Inequality of labour income is also very high, although it has recently been falling in the majority of countries and for the majority of the world's population.[41] Between 2019 and 2024, average global CEO pay increased by half, while average worker's pay rose by less than 1%.[42]

1.3 Wealth inequality is much higher than income inequality

Wealth – as opposed to income – inequality matters for a number of reasons:

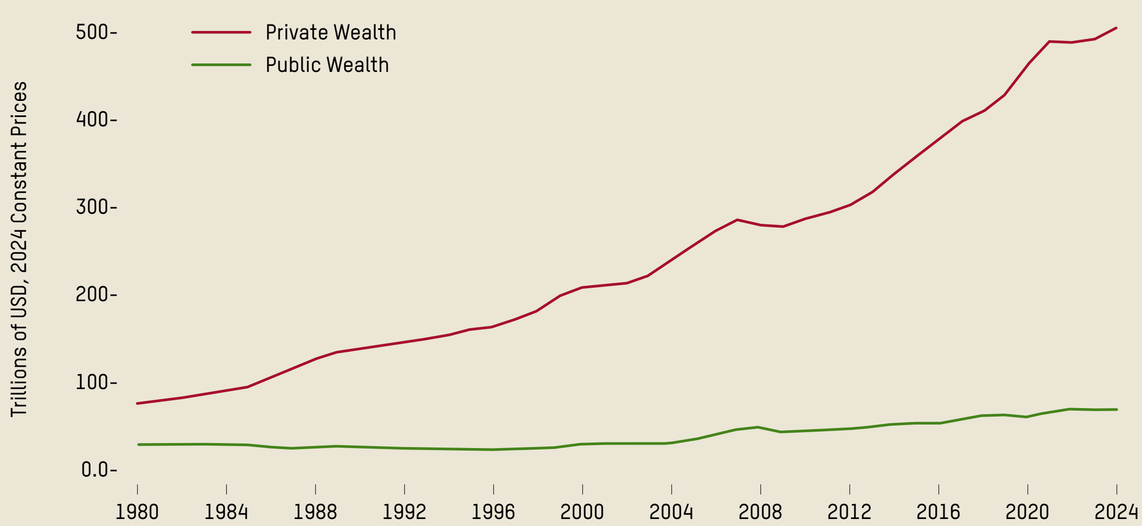
- Having a certain amount of wealth or savings gives security. Thus, a more equal distribution of wealth increases overall wellbeing.
- Wealth, more than income, gives power to actors in the economy, and often especially so in politics. Extremes of wealth inequality can therefore undermine democracy (see **Section 2.1**).
- Inequalities of wealth have forward momentum, as compound interest grows fortunes and wealth is handed down between generations, weakening the potential for social mobility and undermining social mobility. (see **Section 3.5**).

Wealth and wealth inequality are harder to measure than income because assets are often hidden in tax havens, under-reported in surveys, or difficult to value, especially for very rich people.[43] As a result, currently available data tend to underestimate the concentration of wealth even more than income, highlighting the need for better reporting and transparency systems. Nevertheless, new research using innovative methods provides a clearer picture of wealth inequality than we have had in the past.

Overall, the world has become much wealthier in the last 20 years. Total wealth has more than doubled since 2000 to stand at US$480tn in 2024.[44] If this were more equitably distributed and alternatively deployed, this would be enough to end world hunger, educate every child and ensure a rapid transition away from fossil fuels[45].

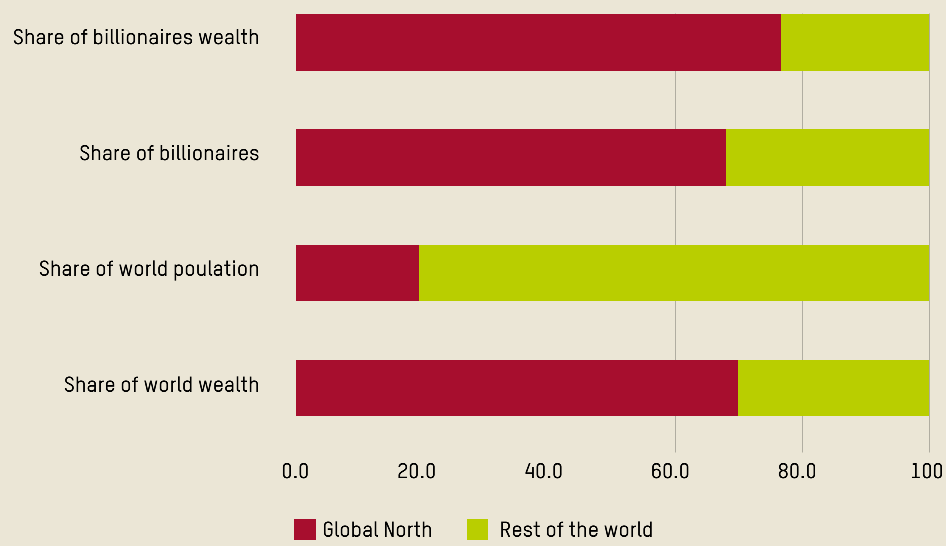
That wealth is now more concentrated, in two ways. First, the growth of private wealth has far outstripped that of public wealth, to the point that some governments, including in many of the richest countries, now face significant net debts.[46]

FIG 1.4: PUBLIC AND PRIVATE WEALTH, 1980–2024



Source: World Inequality Database

FIG 1.5: DISTRIBUTION OF WEALTH BETWEEN THE GLOBAL NORTH AND THE REST OF THE WORLD



Source: WID. https://wid.world/data/; Forbes. The World's Real-Time Billionaires. https://www.forbes.com/real-time-billionaires/#28d5418d3d78 (both last accessed 25 October 2025)

Second, private wealth is also more unequally held than it was in the past, with the greater part owned by a very small number of people. Every country has its wealthy elites, but the global ultra-rich are predominantly white, male and based in the rich countries of the Global North (see **Fig 1.5**).

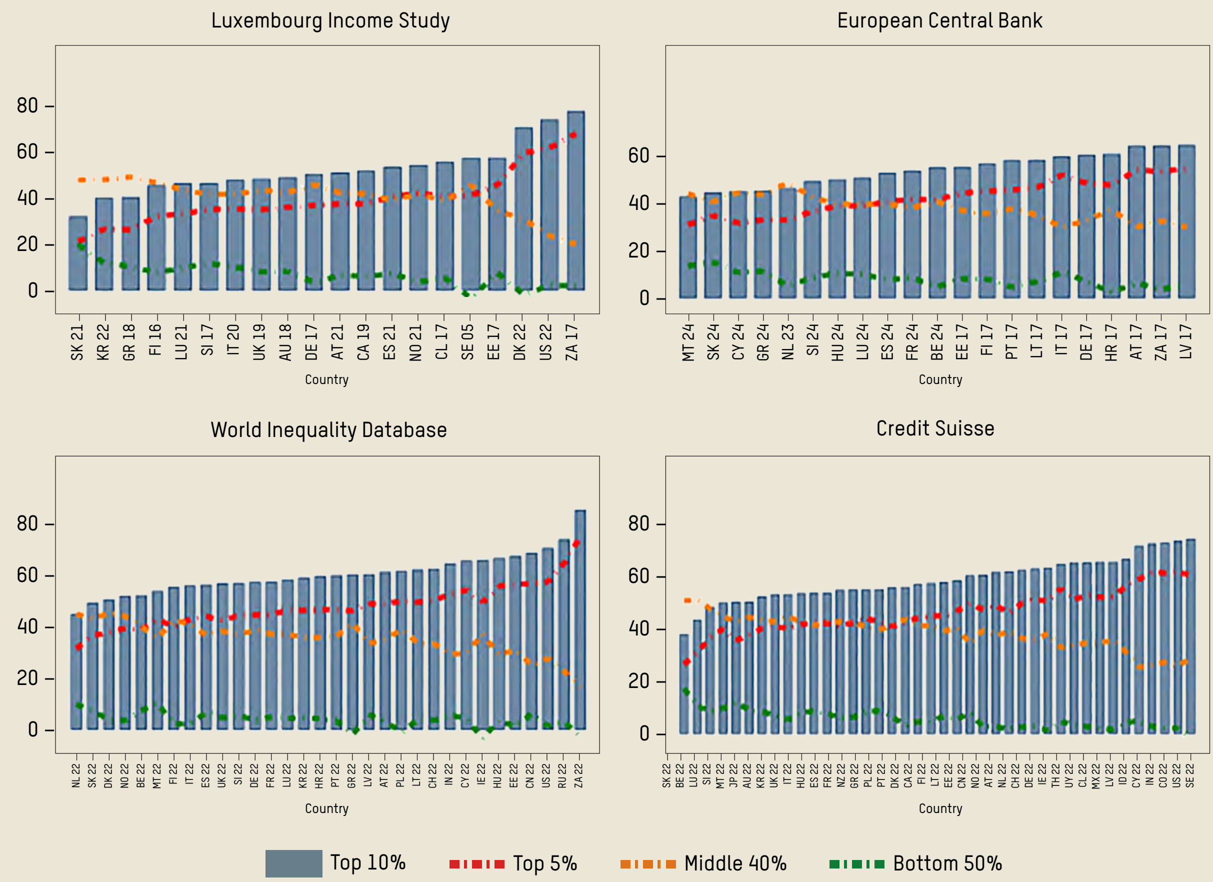
Across the globe, within countries, wealth is highly unequal[47] – wealth inequality is far greater than income inequality – but there is considerable national variation, with slight differences in estimates between different databases (see **Fig 1.6**). Across nations, the data from the WID suggest the median share of wealth for the top 1% across all countries is 27%, seven times that of the bottom 50%.[48]

Data from WID also show that the share of wealth held by the richest 1% has increased in more countries than it has reduced in the past two decades. Between 2000 and 2023, the richest 1% increased their share of the wealth in over half of all countries, which contain 74% of the global population.[49] In India, the top 1% have grown their share of wealth by 62% over this period; this figure is 54% in China. Sharp increases in the United States occurred earlier – in the period after 1980 – with a total 50% increase in the share of wealth belonging to the top 1% since then.[50]

This reflects an international pattern: globally, between 2000 and 2024, the top 1% captured 41% of new wealth, in contrast to just 1% being captured by the bottom 50%.[51] The richest 1% have seen their average wealth increase by US$1.3m over the period, while people in the poorest half of humanity saw their wealth increase by an average of US$585 over the same period (in constant 2024 US$). In other words, the top 1% increased their average wealth by 2,655 times as much as the bottom 50%.

Given this, it is no surprise that the number of US dollar billionaires in the world has risen sharply to over 3,000 people, who now have wealth equivalent to 14.1% of global GDP, up from 2.5% in 1990.[52] On current trends, the world can expect

FIG 1.6: COMPARING DATA SOURCES ON THE HIGH CONCENTRATION OF WEALTH

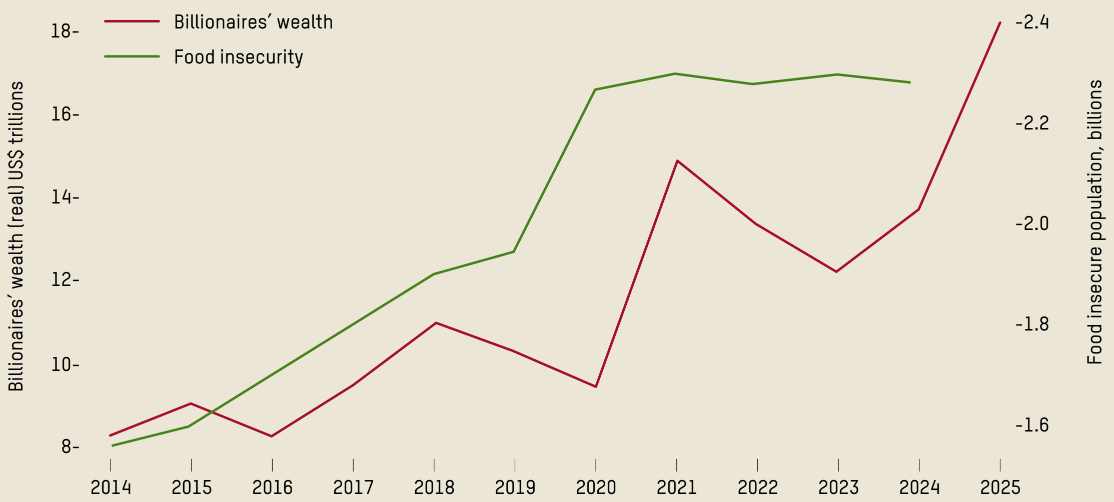


Source: Disslbacher, F., Morelli, S., & Targa, M. (2025). *Wealth Inequality Trends Around the World: A first view from the GC Wealth Project data*. Unpublished working paper. Data available at: https://wealthproject.gc.cuny.edu/ (Last accessed 25 October 2025).

its first trillionaire in less than a decade.[53] This trend presents a sharp contrast to the increased incidence of global food insecurity after 2019 (see **Fig 1.6** and **Section 3.6**).

The explosion in private wealth has been driven primarily by the increase in financial wealth, which is a result at least in part of policy choices by governments regarding the financial sector. The global financial crisis, with the interventions by central banks in the economy and the rapid expansion in government debts, accelerated the increase in private wealth and decrease in public wealth, as did the response to the COVID-19 pandemic, when governments acted to protect their citizens and keep the world economy afloat. These floods of money into the global economy drove up asset prices and private wealth – demonstrating that the main reason for the sharp expansion in private wealth is not individual endeavour, but government macroeconomic and fiscal action.[54] Furthermore, when unsustainable valuations have triggered corrections in asset values, states have intervened to prevent a collapse in financial markets, thereby preventing significant declines in private wealth over time (and expanding public debts). Importantly, the increase in private wealth has not been accompanied by a commensurate increase in productive capital.[55]

FIG 1.7: BILLIONAIRES' WEALTH AND FOOD INSECURITY, 2014–25



Source: FAOSTAT, Forbes Billionaires List and authors calculations. Food insecurity is severe or moderate insecurity. Billionaires' wealth is up to September 2025

2 WHY INEQUALITY MATTERS

Inequality has many negative economic, political, societal and environmental outcomes, each interacting with the other.

2.1 Inequality undermines democracy and corrodes politics

There is considerable empirical evidence connecting rising levels of economic inequality to the erosion of democracy and increasing authoritarianism. There are many channels through which this occurs. Inequality erodes trust in institutions,[56] fuels political polarisation,[57] can reduce participation among poorer citizens and residents,[58] and creates social tensions of different kinds.[59] These were the concerns highest in the minds of the Committee and many with whom the Committee consulted.

One comprehensive study that looked at 23 episodes of 'democratic erosion' in 22 countries[60] found that the most unequal countries are as much as seven times more likely to experience democratic erosion than more equal countries. Such democratic erosion included the undermining of checks and balances like the judiciary or legislature, the restriction of civil liberties, the manipulation of elections and the normalisation of authoritarian practices like concentrating power in the hands of the executive.

The extent to which economic inequality (in one or more of its manifestations) translates into political inequalities and contributes to the erosion of democracy depends on the political rules of the game. In countries where campaign contributions, for instance, play a more important role, the rich can, in effect, buy themselves into power, even if the formal institutions of democracy are maintained.[61] Similarly, in countries in which the media (and social media) are largely controlled by a few at the top, the media – and thus the rich – can have undue influence in determining political outcomes.[62]

Finally, extremes of inequality and lack of opportunity create a fertile field for authoritarian demagogues, who give voice to the resulting discontent, even if they are unable to put in place policies that remediate the underlying sources of that discontent.[63] There is a widespread perception that there has been a growth of authoritarian populism in recent years in jurisdictions marked by such inequalities.[64]

2.2 Inequality undermines economic activity and poverty reduction

Economists have struggled to establish strong direct links between particular measures of inequality and particular measures of economic performance using macroeconomic data. The processes that determine growth and stability are complex, and there is often a paucity of data, especially in developing countries. However, there is strong evidence linking key microeconomic channels – for example, inequality's impact on investment in human beings, and the impact of such investment on economic performance – to inequality. The discussion in this chapter is based on piecing together a number of such links.

In the last 15 years, a new perspective on inequality and economic performance (in all its dimensions) has emerged: that *reducing* inequality can be good for economic performance. This is markedly different from the dominant view in earlier decades: that there was a trade-off, such that one could only lower inequality by sacrificing performance.[65,66]

Inequality, and the forces that give rise to it, is bad for economic activity in several ways.[67] First, inequality results in lower aggregate demand, as those at the bottom spend a larger fraction of their income than those at the top. When aggregate demand is deficient, the economy will operate below its potential, resulting in unemployment and underutilisation of other resources.

Second, a lack of income has obvious adverse effects on those affected, with knock-on effects for overall economic performance: hunger or malnourishment, a lack of adequate healthcare, and children who may not get the education they need to live up to their potential. Both they and the economy will be less productive.[68]

Third, those at the bottom or in the informal sector, especially in countries with weak systems of social protection, are highly vulnerable to adverse shocks. The resulting anxiety both reduces productivity and makes it more difficult to make the long-term decisions that might improve it.[69]

Fourth, inequality of outcomes both reflects and further reinforces inequality of opportunity, wasting the potential of those at the bottom.[70] While the better off in society have access to the best education and healthcare, the poorest are constrained by much lower access, even as other conditions like insufficient access to nutritious food undermine their chances of progress. Aggregate public investments in education, particularly during formative years, consistently predict higher social mobility.[71] A 25-country OECD panel (2000–09) showed that an increase in health spending of 1% is associated with a 14% reduction in intergenerational inequality.[72] Similarly, stunting due to malnutrition in poor children has been directly linked to adult earnings and economic productivity because of its impact on cognition and educational achievement.[73]

Such intergenerational transmissions of advantage and disadvantage undermine social mobility, squander talent, and deepen and widen inequality (see **Section 3.5** for more on this).[74] Characteristics of one's parents – such as class, race, place of birth or family background – are the strongest predictor of income, and far outweigh the impact of personal effort.[75] Equality of opportunity remains unattained. One estimate of intergenerational income mobility for 87 countries, covering 84% of the world's population, shows a negative association between income mobility and income inequality.[76] Another influential study found that two thirds of a person's income is determined simply by the country in which they are born.[77,78]

Fifth, there is evidence that, in many places, inequality is associated with increased indebtedness, with implications for economic stability.[79]

Sixth, greater wealth at the top of society is increasingly associated with rent-seeking behaviour, rather than more productive investment. For example, the wealth derived from under-regulated natural resource extraction enriches the owners of those companies at the expense of the wellbeing of the rest of society and environmental sustainability, in the absence of adequate regulation.

Seventh, national inequalities can give rise to cross-border externalities. The most obvious relate to the environment and public health.

Health deprivations in one country can provide fertile ground for pathogens to flourish and then be transmitted elsewhere, in the worst cases giving rise to a pandemic. This possibility was one of the reasons for arguing that it was in the interests of advanced economies to share intellectual property (IP) associated with the control of COVID-19 during the pandemic. Similarly, profligate carbon consumption by the globally very rich is associated with climate change, with adverse global economic effects.[80]

Government actions can address most of the problems we have discussed, but the influence and power of the richest citizens and their general preference for reduced government spending and intervention impedes this.[81] Indeed, the translation of economic inequalities into political inequalities discussed in the previous section itself has further economic consequences. For instance, societies with higher inequality are less likely to make the public investments that drive up overall productivity, like those in public transportation, technology, education and health.[82]

Finally, we need to link together inequality, democracy and growth. In **Section 2.1**, we argued that inequality was bad for democracy. There is a substantial body of work that suggests, especially in the long run and for more advanced countries, democracy is good for growth. One factor in this is trust: we have already noted that more equal societies have been found to have greater levels of trust, both interpersonal and institutional, which in turn not only improves community life and is of value in its own right, but also is beneficial for economic performance.[83,84] In contrast, undemocratic governments without transparency undermine trust.[85] Moreover, undemocratic governments often make large mistakes because they lack the systems of checks and balances that work in more democratic governments. Such mistakes are particularly important when it comes to leaders – both in terms of choices of leaders and checks against their abuses of power.[86] Indeed, many of the most disastrous outcomes of the 20th and 21st centuries are associated with authoritarian figures.

Especially at the frontiers of knowledge, it is natural to associate the free thinking of democracies with the kind of thinking necessary for sustained growth – the Enlightenment, a key moment in the creation of liberal democracies, was also crucial in the advances in science and technology that lifted the world out of the stagnation in which it had been mired for centuries.[87]

However, while there are ample reasons for thinking that democracy is good for growth (and even more compelling reasons for thinking that reducing inequality is good for democracy), recent experiences raise questions: for example, among the most successful growth episodes ever have been those in the countries of East Asia (as described, for instance, in the World Bank's *The East Asia Miracle*),[88] which have not been in full-fledged democracies. Meanwhile, many democracies have not enjoyed sustained growth. Still, perhaps the only careful causal-based analysis, a widely cited study by Acemoglu et al., concludes, as its title says, '*Democracy Does Cause Growth*'.[89] This is an area of much-needed research.

2.3 Inequality undermines our ability to stop climate breakdown

This recent research has highlighted the gross inequalities in using up the planet's scarce carbon space, another of the many dimensions of inequality that are of global concern.

In recent years there has been a growing literature examining the main interactions between inequality and climate change,[90] suggesting that two-way causations are at work. It is widely accepted that, for reasons of geographical location, the consequences of climate change fall hardest on people in the Global South. At national level in every country, the impacts of extreme weather events and other changes to the climate are most keenly felt by the poorest, who have the least ability to cope.[91] Yet the poor have been far less responsible in creating the problem. Through history as well as currently, per capita emissions of the rich countries have been and remain significantly higher than in the rest of the world.[92] Recent research suggests that rich elites in all parts of the world are disproportionately responsible for carbon emissions through their patterns of consumption and investment because the carbon intensity of per capita consumption at the top end of the distribution is many multiples higher than of the bottom half of the global population.[93] The richest also have more carbon-intensive investment patterns: a study of 125 of the richest billionaires (those among the richest 225 people in the world whose investment carbon emissions through ownership in companies could be calculated) found that the share of their investments in carbon-emitting and polluting industries like fossil fuels or cement was double that of the average for the S&P 500.[94] One estimate suggests that the richest %1 of humanity emit as much carbon as the bottom %66, while the richest %10 of people across the world account for nearly half of total carbon emissions—and such emissions have been growing over the past two decades.[95]

The redistribution required to end extreme poverty would likely increase total carbon emissions, but current estimates suggests that these effects would be relatively small at around 2% increase.[96] However, these effects can also be mitigated or eliminated through curbs on the carbon emissions of the extremely wealthy, through various measures including taxation of luxury consumption like private jets and yachts, etc. Such actions would also raise significant revenues for public investment in climate mitigation (which will in turn reduce carbon emissions) and adaptation.[97]

Therefore, curbing excessive carbon emissions of the global rich that occur through both consumption and investment may be central to addressing the climate challenge.

2.4 Inequality undermines social progress

Empirical studies from across the world[98] have linked economic inequalities with a wide range of negative social outcomes:

- **A weakening of social cohesion**, e.g., an undermining of trust and democracy (as noted previously); an increase in gender and racial inequalities; and an increase in homicides, other crimes and imprisonment.
- **Decreased life chances of children of those less well off**, e.g., decreased social mobility, lower child wellbeing and educational attainment.
- **Worse health outcomes**, e.g., increased infant mortality; lower life expectancy; higher incidence of diabetes, asthma, obesity, drug abuse and mental illness; and increased levels of excess COVID-19 deaths.[99]
- **Greater environmental problems**, e.g., more air pollution (including carbon emissions) and worsening biodiversity.
- **Less progress towards achieving the sustainable development goals.**

The strong correlations between inequality and these social outcomes have been reviewed using an epidemiological causal framework,[100] including longitudinal, time series, multi-level, mediational and meta-analytic studies.[101] Nevertheless, further research on the nature of this causation – including on lag times and the factors that mediate and interact with inequality to affect individuals, communities and societies – is needed to further elucidate the complex impacts of inequality on social.

For many economists, some of the most convincing causal evidence is also based on microeconomic studies that identify and clearly expose the causal links, e.g., between inequalities in income and inequalities in education, on the one hand, and inequalities in education and adverse economic and social outcomes, on the other.

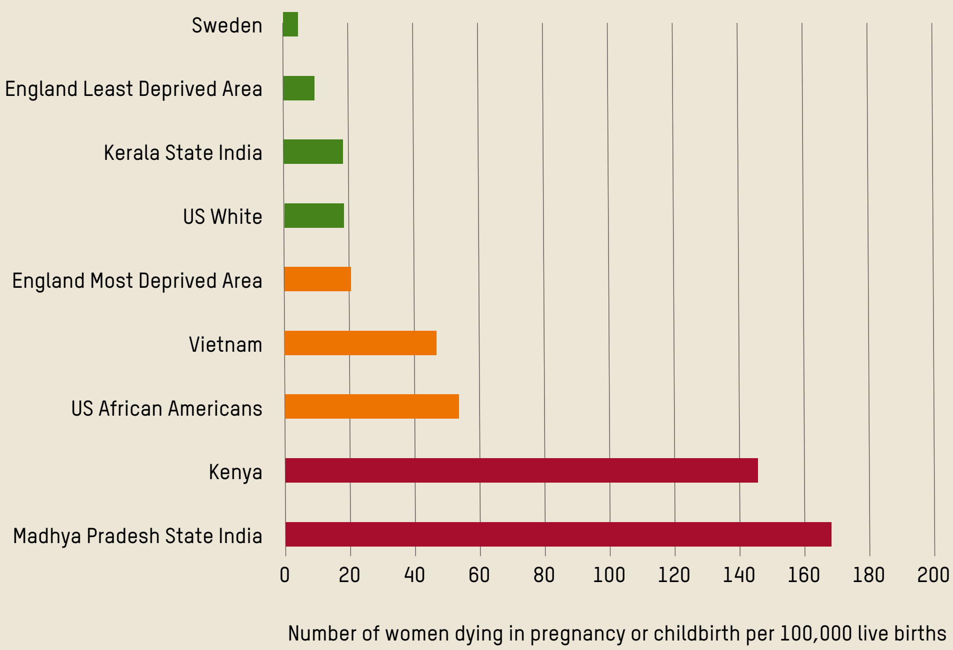
Economic inequality, inequalities of class, race, gender and inequalities of health, education and other social outcomes

Economic inequalities interact with and amplify group-based or geographical inequalities, such as those related to gender, class, caste, race, ethnicity and resident/migrant status. In Kenya, a child from a rich family has just over a one in two chance of continuing their studies beyond secondary school; a girl from a rich family has a slightly lower but very similar chance.[102] Yet a boy from a poor family has a 1 in 40 chance of continuing beyond secondary school, whereas a girl from a poor family has a one in 100 chance.[103]

The rural–urban divide and other spatial inequalities also matter greatly. These spatial and other divides play into societal polarisation, with adverse effects on social cohesion, economic performance and democracy.

Within and between countries, when people are classified by years of education, by income or wealth, or by level of regional deprivation, their position in the social hierarchy generally drives health outcomes.[104] Data on maternal mortality (i.e., the chance of dying during childbirth) illustrate this clearly (see **Fig 2.1**). In the United States, African American women are more than twice as likely to die in pregnancy or childbirth than white women, or women in the state of Kerala in India.

FIG 2.1: MATERNAL MORTALITY: ECONOMIC, RACIAL, REGIONAL, AND GLOBAL INEQUALITY

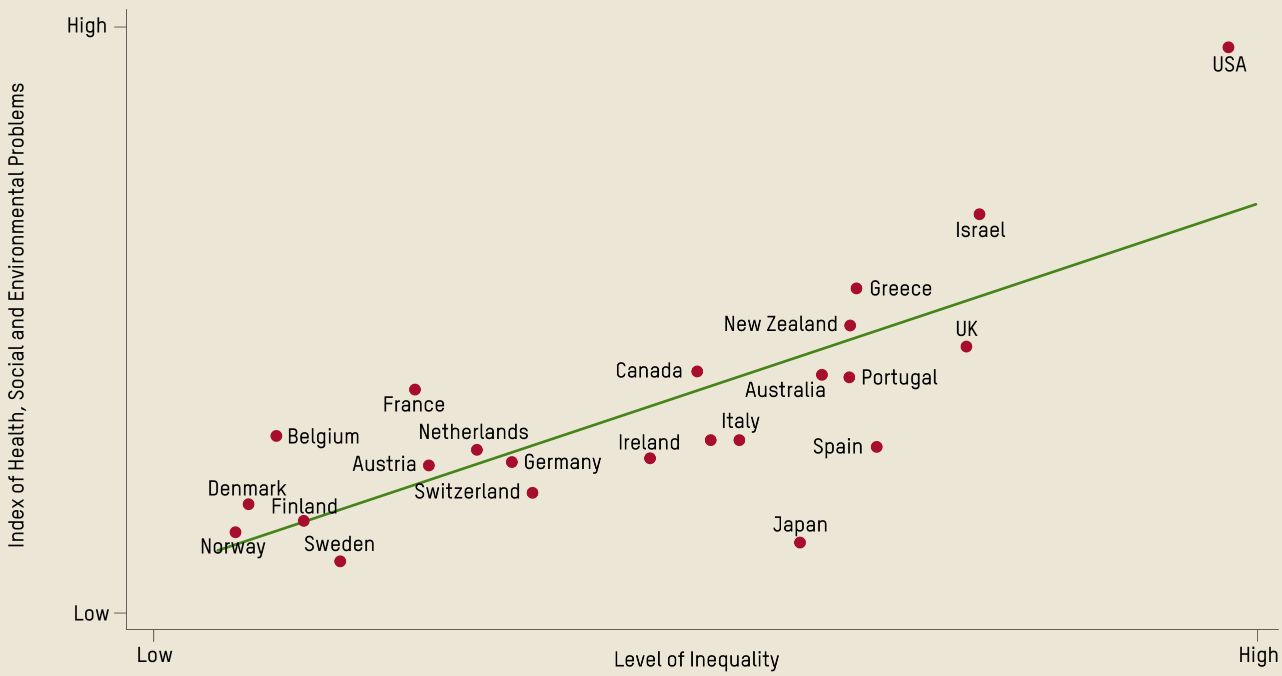


Sources: World Bank; US National Institutes of Health; National Perinatal Epidemiology Unit, University of Oxford; Data for India.[105]

Similarly, in more economically unequal societies, fewer women complete higher education or are represented in the legislature, and the pay gap between women and men is wider.[106] A study by the IMF found that gender inequality is strongly associated with income inequality.[107] In South Africa, the typical Black household owns 5% of the wealth held by the typical white household; in the US, the equivalent figure is 6%.[108]

This shows the importance of applying an intersectional lens to the drivers and solutions to inequality. Any attempt to reduce economic inequality must take inequalities in other dimensions into account.

FIG 2.2: INEQUALITY AND HEALTH, SOCIAL AND ENVIRONMENTAL OUTCOMES



Source: Wilkinson, R. G., & Pickett, K. E. (2024). 'Why the world cannot afford the rich'. *Nature* 627: 268–70. https://www.nature.com/articles/d41586-024-00723-3

3 THE DRIVERS OF HIGH LEVELS OF INEQUALITY

This chapter considers some of the broad historical, economic and political drivers of today's economic inequality. These forces, left unchecked, have a forward momentum that in turn can lead to even greater levels of inequality in the future.

These drivers include both long-term structural forces (e.g., the shift from a manufacturing economy to a service sector economy, technological changes and globalisation) and short-term forces (e.g., the COVID-19 pandemic, the war in Ukraine, post-pandemic inflation and the recent interruption to long-standing trade patterns) that are important factors in understanding today's inequality dynamics.

3.1 History matters: the origins of today's inequality

The Industrial Revolution in advanced countries

Nobel Prize-winning economist Simon Kuznets observed that national inequality increased early on in the Industrial Revolution (the first period of rapid increases in standards of living and longevity in the history of humanity) and then dropped.[109] This is commonly attributed to the fact that some economies took early advantage of the transformative changes in technology, pulling ahead of others, but eventually the latter caught up. However, even during the first 175 years of the modern technological era, it was evident that more than just structural forces were at play. The extremes of inequality in the United States at the end of the 19th century, its 'Gilded Age', were tamed by antitrust laws, labour legislation and eventually by progressive tax and expenditure policies, which were enacted and strengthened during the Great Depression and World War II. However, the marked reductions in inequality in this era were then followed by the large increases in the late 20th and early 21st centuries upon which this report focuses.

The historical legacy of high inequality in developing countries

Newly independent countries in Latin America, Africa and Asia typically inherited very high levels of inequality when they gained independence from colonial rule.[110] Many had economies constructed to enable the extraction of raw materials at the lowest cost for export to countries in the Global North for refinement and value addition.[111] Land was often unequally distributed, with the best agricultural land concentrated in the hands of a few very large landowners.[112] Discrimination based on race underpinned this process, with the widespread use of slavery, and forced and indentured labour.[113] Gender discrimination reinforced these, with excessive reliance on the unpaid labour of women evident in many countries[114].

The Industrial Revolution in Europe was the first period of rapid increases in standards of living and longevity in the history of mankind, came about at the same time as colonialism and imperialism.[115] Colonial extraction provided wealth and capital to in part support this take off.[116] Conversely, advances in technology and weaponry brought about by the Industrial Revolution enabled European powers to further expand their dominance over the rest of the world.[117] The Industrial Revolution subsequently led to the very sharp inequality between the rich countries of the Global North and the rest of the world evident in the mid-20th century. The divergence has since moderated to some extent, especially with the 'East Asian economic miracle' and subsequent processes of catching up in some parts of the rest of the world.[118]

Global institutions reflect this historical legacy, with the informal and formal power of rich nations still far greater than those of the countries of the Global South.[119] In some cases, these historical inequities continue, even as the economic imbalances have been partially redressed. For example, an average Belgian citizen has about 180 times more voting power in the World Bank than an average Ethiopian.[120] In short, voting rights in the international financial institutions (IFIs) do not accord with today's economic realities. In the next section, we will explain why this matters.

3.2 Economic drivers: the role of policies

The analysis of the drivers of today's inequality and what can be done about it can be approached by identifying:

- key equilibrating forces – those reducing inequality – and disequilibrating forces;[121]
- structural changes, e.g., those induced by technology or demography;
- policies and practices, and rules/regulations, both domestic and international, that lead to an equilibrium with less or more inequality, e.g., strengthen the equilibrating factors and weaken the disequilibrating factors.[122]

When an economy is in 'equilibrium', the equilibrating and disequilibrating forces are in balance. When the equilibrating forces are weaker than the disequilibrating forces, there will be a growth in inequality. Both structural change and policies affect the strength of the equilibrating and disequilibrating forces. Much of the increase in inequality observed in many countries in recent decades can be attributed to the weakening of centripetal (equilibrating) forces and the strengthening of centrifugal (disequilibrating) forces.

Equilibrating factors, such as increased access to education, work alongside disequilibrating factors, such as assortative mating (whereby individuals choose partners with similar educational or social economic backgrounds)[123] and inheritance patterns that perpetuate elites. The growth of monopoly power[124] – partly a result of competition policies not being enforced or keeping up with changes in the economy, and partly a result of underlying structural changes – has led to more inequality.[125]

The absence of strong public action can allow vicious cycles perpetuating and increasing inequality to play out. Without offsetting public programmes, those with low incomes may, for instance, be unable to access adequate healthcare, nutrition and education for their children, condemning them to a life of poverty. Conversely, those with high incomes can ensure better health and educational outcomes for their children. In addition, they may save more and get high returns on their investments, enabling them to pass on more to their children (in the absence of progressive inheritance taxes), thus perpetuating and enhancing wealth inequality and undermining equality of opportunity.

Neoliberalism and the growth of inequality in the modern era

A series of economic policies that found favour from the 1980s led to steep increases in economic inequality in many high-, middle- and low-income countries. These policies can be thought of as having strengthened the disequilibrating forces and simultaneously weakened the equilibrating forces.

Collectively, these policies have been described as 'neoliberal'.[126] They have been a common feature in most nations at different times over the last four decades, although in differing ways and to differing extents. Broadly they are based on the idea that unregulated markets are the most efficient way of allocating resources. They were adopted nationally and globally through globalisation.[127]

Several of these policies led directly to higher inequality.[128] Deregulation of the labour market and legislation to restrict trade unions reduced the power of labour versus capital.[129] Rules regulating businesses changed in many countries, reducing states' ability to curb monopoly power, and tending to enforce the legal primacy of returns to shareholders above the rights of all other stakeholders.[130] Taxation became less progressive, with effective tax rates on corporations and the richest individuals in most countries falling dramatically;[131] there was an increasing reliance on regressive taxes like VAT. The privatisation of education in a context of absent or falling inheritance taxes led to greater intergenerational transmissions of inequality.[132]

Financial and capital market liberalisation compounded this by generating volatility that could result in crises. It also forced governments to restrict spending or avoid countercyclical spending for fear of capital flight, while the ease of capital flowing across borders enabled far greater levels of tax avoidance and evasion.[133] Privatisation of state-owned enterprises and services in sectors like energy, water, transport, education and health drove up corporate profits and prices for consumers, reducing access for people living in poverty. In many countries, privatisation also led to greater wealth inequality, as it was used as an opportunity for 'looting' the state, i.e., transferring valuable state assets to private wealth owners at prices that did not fully reflect their value.[134]

Policies not only enabled the significant expansion of financial wealth but also protected it through financial crises (e.g., through financial sector bailouts), which themselves were caused to a large extent by deregulation.[135]

While fluctuations in financial asset values are common, there has been a long-term trend towards increasing financial asset values and an associated increase in wealth inequality because financial assets are very unevenly distributed.

At the same time, central banks have raised interest rates whenever they see wages increase – even when this is simply correcting a previous decrease in real wages resulting from inflation. The result has often been a ratcheting down of real wages over decades[136]. (This suggests that any effort to rein in inequality may require a break in the nexus between the state and finance capital. This is a subject that should be more fully discussed in **Chapter 5** on policy; however, because of limited space, it will have to be left for another occasion).

Neoliberal policies, and the crises they have often precipitated, have typically been accompanied by austerity measures, with fiscal consolidation, including cuts to public spending. These moves in turn have driven further increases in inequality.[137]

Both proponents and opponents of neoliberal policies generally agreed that they would increase inequality. The difference was that proponents thought it a price worth paying,[138] in that the predicted increase in overall economic growth would more than outweigh the growing share of income going to the top. This has largely not proved to be the case. Growth in advanced economies has been lower in the era of neoliberal policies than it was in the decades after World War II.[139] In the Global South, it is largely countries like China that have not followed the neoliberal economic policy playbook that have shown significant growth.[140] Conversely, growth collapsed in several developing regions that were required to implement these policies.[141]

The role of international rules and institutions
Over the past 80 years, international rules have increased disparities among and within countries, in part by limiting the range of national rules countries are able to enact.

At the international level, economically powerful countries have used their power to shape global rules and institutions in their image and to their benefit. In **Section 3.1**, we noted their disproportionate role – even measured by today's economics – in IFIs like the IMF and World Bank. The creation of new development institutions (like the New Development Bank) has only partially alleviated this problem. The same imbalances de facto occur elsewhere, for instance at the World Trade Organization (WTO) and the World Intellectual Property Organization, even though decisions there are made by consensus. Disparities in income between countries are as much related to disparities in knowledge as to disparities in resources. This means that rules around IP, especially the WTO's TRIPS Agreement, that restrict the free flow of ideas and technologies across borders have made it harder to close the large knowledge gap between developed and developed countries.

Developing countries have been particularly affected by the conditions imposed on them in return for the assistance provided by the IFIs. These have resulted in the deindustrialisation of Africa and a lost quarter century and repeated episodes of austerity across many countries of the Global South,[142] with each episode accompanied by high levels of unemployment, lower growth and increased within-country inequalities.

The global financial architecture is particularly problematic and associated with preserving and exacerbating inequalities. In a well-functioning global economy, money might be expected to flow from rich countries to poor. However, apart from funds provided by IFIs, money has been flowing the other way: there have been South–North transfers of hundreds of billions of dollars each year. For example, between 1970 and 2023, Global South governments paid US$3.3tn in interest to creditors in the Global North.[143] There are multiple factors contributing to this 'uphill' flow, including international rules on taxation and IP. Global IP rules result in a flow of US$1tn in cross-border royalty and license payments, which are often from the Global South to the North.[144] Global tax rules result in developing countries not being able to adequately tax incomes related to activities that occur within their jurisdiction. Moreover, it is estimated that US$89bn flows out of Africa each year in what have been labelled illicit financial flows (i.e., illegal cross-border transfers money from criminal activities or tax evasion) – a level that far outstrips levels of overseas development assistance coming in to the continent.[145]

Particularly painful for developing countries and emerging markets are the repeated financial crises. The international community have failed to provide an adequate framework for resolving these debt crises, which have afflicted many countries.

Last but not least, global trade rules allowing for escalating tariffs have played a role in sustaining neocolonial trade patterns, whereby developing countries continue to specialise in primary production, with limited ability to enter into higher value-added activities.[146]

3.3 Political drivers: elite capture

Once it is recognised that rules and policies matter, then attention has to shift to how the rules and policies are determined. The influence and interests of economically powerful elites on politics and policymaking both drives and reinforces economic inequality. Data from 136 countries suggest that, as economic resources become more unequally distributed, so too does political power, leading to policy outcomes reflecting upper-income preferences and interests more than those of lower-income groups.[147]

The links between economic and political inequality are complex and contested.[148] Some measures of inequality (such as the Gini) may not capture fully how inequality affects politics, since in some cases, it is not the overall level of inequality, but wealth and income concentration at the top that seems to matter (see **Section 1.1**). Clearly, the wealthy on their own do not dictate policies that are in their interests in most states. Moreover, the role of money differs markedly across polities, affected greatly by political rules. There are some countries where money matters more than others. Still, it is the sense of the Committee that, in most jurisdictions, economic inequalities get translated into political inequalities, with inequalities in 'voice' related to economic inequalities influencing outcomes, particularly in matters affecting economics.

Where they have influence, rich elites can use it to push for policy actions and decisions that favour them. It is estimated that at least one third of billionaire wealth is derived from crony connections to governments.[149] Individuals and corporations lobby, often successfully, for lower taxes on income or wealth, and other policies and regulatory changes that benefit them.[150] During the COVID-19 pandemic, drug corporations, whose owners made billions,[151] sought to maximise shareholder profits by spending millions lobbying successfully against proposals to waive their monopoly rights and allow Global South nations to produce their own generic vaccines (paying fair market royalties).[152] Corporations may also press for regulatory and policy changes that lower workers' protections and weaken their bargaining power.[153] They have also lobbied for trade and investment agreements that, while protecting and enhancing *their* property rights, have weakened workers' bargaining power and thus wages and working conditions.[154]

Legal systems play an important role in protecting ordinary citizens, especially those with fewer resources, against exploitation by the richest. But inequality in access to justice,[155] and impunity for rich and powerful people is a common experience in many countries – and one of the most pernicious aspects of inequality.

The media plays a critical role in shaping what we know and believe. With media ownership so concentrated among the very rich, and with so many of these owners willing to use their control to advance their political agendas, normal democratic processes are being undermined: the voices of wealthy people are heard more loudly in town squares than those of the rest of society.[156] The oligarchs who control social media and AI companies tend to have interests that are not well aligned with the rest of society, and are able to increase their profits through polarisation, ignoring the societal costs.[157]

Access to and control of data is a new facet of inequality – those able to get data from others are able to prosper in new sectors. Positions of control and exploitation around personal data intersect with other dimensions of inequality, as do the network externalities around digital access and skills.[158]

3.4 Uncertain ground: where more research is needed

While we know much about what gives rise to equality in both developed and developing countries, there is much we still do not fully understand. Even some of the observed data are subject to interpretation. For instance, in advanced economies, there have been increased disparities of incomes within firms – widely interpreted as top executives garnering for themselves more of the excess profits of the company – something that might be addressed by better corporate governance laws. There have also been wider dispersions across firms. The latter is interpreted variously that productive people like to work with other productive people (a better design of the production process); that some firms are earning monopoly rents and have constructed barriers to entry; or that some firms have knowledge that others do not, with the more productive firms or firms with more market power willing to share some of the corporate rents with top workers. There is evidence that the cross-firm effects may be more important than the within-firm effects in determining recent changes in the labour distribution of income. The policy responses for these different possible sources of increases in wage inequality could be markedly different, but so far there is no clarity on the matter.

3.5 The momentum of inequality: inheritance and social mobility

High levels of economic inequality develop a strong momentum of their own, leading to further increases in inequality. Wealth, once accumulated, is transmitted to the next generation through inheritance. In 2023, for the first time, more new billionaires were created through inheritance than through entrepreneurship.[159] The next three decades will see over 1,000 of today's billionaires transfer more than US$5.2tn to their heirs.[160] This will be largely untaxed, as two thirds of countries do not tax inheritance to direct descendants – and half of the world's billionaires live in one of these countries.[161] Overall, it is estimated that over $70 trillion will be passed down to heirs over the next decade, undermining social mobility and equality of opportunity.[162]

The links (noted in **Section 2.2)** between inequalities in outcomes and inequalities in opportunities are relevant here: a person's life chances are increasingly determined by inherited characteristics, such as a person's country of birth, social class and inherited wealth. Such privilege is transmitted across generations.

The forward momentum of economic inequality is powerful but not inevitable, as we have repeatedly emphasised. Inequality in outcomes is essentially a political choice, and so too is inequality in opportunity. We can change the momentum of transmission; we can change the level of income and wealth inequality. There is clear evidence that actions by governments can counteract the various inequalities discussed in this paper and build more equal societies. Multilateral institutions and global rules can be changed and reformed in ways that help reduce inequality.

3.6 Recent challenges and developments

Increases in income and wealth at the top coincide with increases in hunger and poverty since 2020

Between 2000 and 2020, the big increases in wealth and income at the top of the distribution were at least accompanied by reductions in the numbers of people living in poverty globally. Since 2020, the reduction in poverty has slowed almost to a halt and reversed in some regions of the world. According to the World Bank, 2020–30 looks set to be 'a lost decade' for poverty reduction.[163] The COVID-19 pandemic, the war in Ukraine and the policy responses to both have had major effects in some parts of the world.

The number of people facing either moderate or severe food insecurity[164] is now 2.3 billion, having risen by 335 million since 2019.[165] Half of the world's population is still not covered by essential health services,[166] with 1.3 billion people impoverished by out-of-pocket health spending.[167] Only around half of the global population has any access to social protection; 3.8 billion people remain entirely unprotected.[168]

Debt crises and aid cuts

Not only many households, but several countries are effectively bankrupt. Having been encouraged to borrow during the period of low global interest rates, many countries in the Global South are grappling with a debt crisis driven by external shocks like the COVID-19 pandemic and associated losses in foreign exchange revenues, the food and fuel price shocks of 2022, and rising interest rates in advanced economies. These led to capital outflows from developing countries, consequent currency depreciations, rising costs of borrowing, greater pressure on public finances and stresses in domestic financial markets affecting private activity.[169] The debt crises have morphed into a crisis in development, with 3.4 billion people living in countries that spend more on repaying debt than on education or health.[170]

On top of these shocks are the new threats to global aid and trade since the beginning of 2025 under the new US Administration. Governments in the Global North are cutting official development assistance (ODA) at unprecedented levels.[171] US foreign assistance cuts alone could cause more than 14 million additional deaths by 2030.[172] Sharp hikes in US tariffs are impacting countries in the Global South, leading to increases in unemployment, especially in export-oriented jobs, and poverty.[173,174]

This dramatic squeeze on government finances is in turn impacting on spending. As a proportion of budget revenue, total debt service has risen from an average 28% across the Global South in 2019 to 45% in 2025; and as a proportion of government spending, it has risen from 22% to 35% over the same period.[175] About 63% of countries, which are home to 52% of the world population in 2025, will cut their cumulative government spending over the next five years compared to 2025. The combined cumulative spending cuts for the five years are USD 2.55 trillion, equivalent to USD 509.64 billion annually.[176]

Artificial intelligence
Coming changes in economic structures are likely to pose even greater challenges, such that inequalities could even rise further from their currently high levels. AI has the potential to replace large fractions of the labour force.[177] When the beneficiaries of such changes live in the same countries as the losers, there is the possibility of making everyone better off through redistribution. However, the situation is more problematic when winners and losers live in different countries. These concerns have been heightened as the United States, one of the two countries leading in AI development, has pulled back in its assistance to those less well off.

The decline of export-led growth
Additionally, the model of export-led growth that was central to closing income gaps between rich and poor countries over the past half century will not likely work in coming decades because of the declining share of manufacturing in GDP, declining employment globally in manufacturing, and the pull back from trade globalisation. Advances in agriculture in advanced countries may lead to further deterioration of the terms of trade for agricultural exporters in developing countries. Climate change will pose further challenges to agriculture in developing countries.

Demographic shifts
Complex demographic patterns will also pose challenges for all countries, encompassing:

- the management of growth slowdowns in most;
- the funding of programmes for ageing populations in some; and
- the financing of education in those countries experiencing a youth bulge.

4 PROPOSAL FOR AN INTERNATIONAL PANEL ON INEQUALITY

A new body to inform policymaking by governments and multilateral agencies with comprehensive assessments and analyses of inequality
A key finding of the Committee is that policymakers often lack sufficient, dependable or accessible information on inequality trends and the impacts of proposed policies on inequality, in all its dimensions.

We therefore recommend – as the immediate and priority request of this Committee to the G20 – the establishment of a new body, an 'International Panel on Inequality' (IPI), to support governments and multilateral agencies with authoritative assessments and analyses of inequality, to inform and empower robust policymaking. The body could be inaugurated under the leadership of the South African G20 Presidency, and supported voluntarily by champion countries (not limited to G20 members), with multilateral agencies as key stakeholders.

The Panel would be a technical body centred on data and policy-relevant analysis (not advocacy). It would provide a global public good for knowledge on inequality, and its analysis would be held in the public domain. It would not directly conduct research, but monitor existing and new research, and assess gaps in knowledge and the availability of quality data. It would produce periodic, policy-relevant assessments on the drivers, measurement and impacts of income and wealth inequality, and their relationship with inequalities in other dimensions, such as health and opportunity. On the basis of these assessments, it would make recommendations on needs for further research and assessments of the impacts of various proposals, events and policies.

Of particular relevance to the G20, it could assess the inequality impacts of events (such as the shock of a pandemic) or policies discussed at the international level, as part of a special focus on the international architecture. It could also report into multilateral decision-making spaces, including the G20 and the UN High-Level Political Forum on Sustainable Development, and – in time – be able to support national authorities.

In terms of its structure, a geographically and disciplinarily diverse panel of experts would be selected to serve in an independent capacity, supported by a lean and agile secretariat. We envisage that the organisation could have a distributed structure, with working groups including scholars who are not members of the panel as needed to increase expertise on the many dimensions of inequality or on issues of inequality data and measurement. The working groups could use new technologies for interaction, consultation and dissemination.

The IPI would take advantage of the enormous advances in recent years in research on inequality, supported by institutions across the world devoted to the study of the subject.

The body would build bridges with national governments and multinational institutions as well as the existing network of research institutions and scholars of inequality – generating analysis that is useful for policymakers, as well as to civil society, the private sector, academia and the media.

In terms of its governance – for its effectiveness and legitimacy, the Committee feels strongly that the IPI should be independent and have academic freedom. It would be supported by a board of leading researchers in the field of inequality, partner governments and multilateral institutions.

The idea of the Panel is inspired in part by the success of the Intergovernmental Panel on Climate Change (the IPCC), where many thousands of scientists have voluntarily contributed their time and efforts, synthesising and coordinating research, providing accurate and timely assessments of the state of knowledge in this crucial arena. We also take inspiration from the recently established Independent International Scientific Panel on AI.

5 NEW BLUEPRINTS TO REDUCE INEQUALITY

There is no 'magic bullet' to reduce inequality. But there is a menu of prudent policies that have proven to be highly effective, and could even be seen as preconditions, for reducing various dimensions of inequality. In this section, we set some of those out. The list is not meant to be exhaustive, but suggestive of the wide range of actions that might be taken, with special emphasis on those entailing global cooperation.

The best way to think of what might be done to reduce inequalities both within and between countries is to return to the earlier discussion on drivers of inequality (in **Chapter 3**). If we could reverse the forces that are disequilibrating, and strengthen the equilibrating forces, we would have an agenda for equalising income and wealth. In this chapter, we explore some measures that could lead to improved equality at the national and international scales.

We can divide possible interventions into those, first, that rewrite the rules that affect market income distribution (policies that make market incomes more equal are sometimes called 'pre-distribution').[178] Pre-distribution, in turn, is divided into:

- policies that change the distribution of asset ownership, e.g., reforms to IP regimes and better public education; and
- policies that affect the returns on those assets, including those which impact workers' incomes (such as minimum wages).

Put another way, a pre-distributive agenda for policies, institutions and regulatory systems that curbs rent-seeking by a few, and fosters decent incomes for working people, is one conducive to more equality in market income.

The second set of policies, referred to as 'redistribution', seeks to improve the market distribution of the economy. These can include:

- progressive taxation of income that reduces inequalities of income in the labour market, and transfers, which raise the incomes of people at the bottom; and
- public services such as healthcare, which, when free or subsidised, reduce income inequality directly as families do not need to spend (or spend as much) money for them, providing greater benefit to those with lower incomes.

Of course, several policies deal with both pre- and redistribution. For example, tighter inheritance taxes can prevent the build-up of wealth inequality between generations.

Needless to say, within the many taxonomies available there are multiple policies, each of which can be designed in different ways. The fact that a policy failed in one instance does not mean it will not work in others: circumstances change, and the design of the instrument may be improved. This is more than a theoretical exercise. Some countries have managed to reduce significantly some key aspects of their inequality using a variety of these instruments.

However, even as governments and the international community seek to take stronger actions to rectify the current high level of inequality, they need to be cognisant of the 'headwinds'. In many parts of the world, there are ongoing increases in market power. New technologies like AI may reduce the 'asset value' of workers, especially those with limited skills – and even certain minerals. Countries whose main resources are oil and gas will shortly find themselves without a robust source of income, while innovation may reduce the demand for many minerals. Agriculture, the source of income of large parts of the population in developing countries, may face climate shocks and significant decreases in terms of trade, as modern agriculture in advanced countries rapidly increases its already robust productivity.

5.1 International policy responses and the role of the G20

While all governments have significant scope to reduce inequality through national policies, action to reduce inequality – within and between countries – also requires international cooperation. The G20 can play a decisive role in recrafting international cooperation.

The *international* rules of the game affect the distribution of income both across and within countries. They affect how the gains from trade are shared, how knowledge is accessed, and influence the magnitude of volatility in the global economy and who bears economic and societal risks. They affect domestic production and distribution and limit the policies and rules of national authorities (for example, through restricting capital controls and setting rules for intellectual property), and can aid or undermine a government's ability to redistribute (as tax havens do).

Distributional impacts have been notable in developing countries when assistance from multilateral institutions and bilateral donors has been made conditional on recipients following particular economic and social policies.[179] Accordingly, there are changes in the trade, finance, investment and IP rules that can reduce inequality.

The G20 has in the past demonstrated its ability to respond to crises that pose a severe risk to the global economy, for example in the wake of the 2008 global financial crisis or during the COVID-19 pandemic, when it mobilised a global liquidity injection of Special Drawing Rights (SDRs, the IMF's liquidity tool). Given the severity and urgency of the problems created by inequality, the G20 could consider reducing inequality to be part of its core role. Recent efforts, such as Brazil's leadership on the taxation of high-net-worth individuals in 2024 and the regional provision of vaccine production facilities, offer a precedent.[180]

In this chapter, we have a specific emphasis on the international approaches and strategies to reduce inequality, which would have an impact on both within-country and between-country inequality. In virtually every area, there should be a rethinking of the effects of international agreements and the policies of international institutions, with more attention paid to the distributive effects both within and between countries. The G20 may wish to consider the extent to which any provision within any agreement addresses some externality, or helps to resolve some global coordination problem of mutual interest, or assists in the provision of some global good; or, conversely, the extent to which specific provisions in any agreement are likely to enhance the power and income of some powerful actors on the global scene, and indeed, may have been designed to do so. An agreement among countries to have a minimum corporate income tax would, for instance, help prevent the destructive race to the bottom in corporate taxation, addressing a crucial externality. Investment agreements that restrict countries from imposing new regulations or taxes are problematic, with uncertain welfare effects. Overall, they have almost surely impeded actions to protect the environment, including reducing greenhouse gases, and have also contributed to global inequality.

Still, even with constraints imposed by current international agreements and institutions, there is much that countries can do to reduce inequality. Moreover, as we outline, newly introduced global volatility in the international rules of the game may also spur new forms of cooperation. We provide several examples below.

Box 2: Inequality Reduction Plans and Goals

An innovative proposal explored by the Committee relates to the setting of goals to reduce inequality. In the same way that governments have agreed to nationally determined contributions for greenhouse gas emissions, governments might also agree to establish 'National Inequality Reduction Plans', which would set clear goals to reduce both income and wealth inequality. Such an approach could eventually aim for the total income of the top 10% to be no more than the total income of the bottom 40%, known as a Palma ratio of 1. This would reinforce the commitments made as part of UN Sustainable Development Goal 10. The international community could also commit to a timebound goal that focuses efforts to reduce inequality between the Global North and the Global South.

5.2 Improving access to knowledge, foods, medicine and digital technology, especially by enhancing competition

Rewriting economic rules for knowledge, foods, medicine and digital technology – all best done with international cooperation – provide an important basis for reducing inequality. These measures can, at the same time, boost economic performance and innovation, and help to address concerns such as affordability of key products.[181]

At the centre are measures to counter the upsurge of monopolisation and privatisation of knowledge in recent decades – including through IP regimes – that has redistributed income upwards to the owners of these monopolies and their executives.[182] These regimes have enabled significant wealth growth for these rent-seeking entities, but have often not really boosted productive capacities. Their profits, generated by high prices, have often come at the expense of consumers and workers.[183,184]

One vivid recent example of this is access to COVID-19 vaccines.[185] Rapid vaccine development was powered by billions of dollars of public investment and public subsidies, as well as government capacity. Yet production and distribution were controlled by a few pharmaceutical firms focused on profit maximisation rather than public health,[186] and this monopolistic regime was protected by WTO rules. This fostered deep vaccine inequity, prolonged suffering and exacerbated risk worldwide. By one estimate, over 1.3 million lives could have been saved in the first year of the vaccine rollout alone had vaccines been shared more equitably.[187]

Similarly, heightening a trend of dominant firms driving up mark-ups in recent decades,[188] corporate concentration has enabled industries to push up profit margins against the backdrop of supply shocks triggered by the war in Ukraine and the COVID-19 pandemic. This has in turn reduced access to food and other basics, and heightened inequality through 'sellers' inflation'.[189] As corporate profits and the value of the assets owned by the rich grew in this period, poorer households worldwide faced the brunt of inflation.[190] Today, volatile US tariffs risk causing supply chain disruptions and market power increases that could exacerbate unequal access to basic goods, and further increase inequality.

Market power arises from several sources, each requiring its own measures. Below we illustrate some of the measures that might be undertaken.

1. Rein in corporate concentration, break up monopolies, restrict anticompetitive practices and provide public options. Competition laws have not kept up with changes in the economy (e.g., reflecting the emergence of the digital, networked economy in which data is increasingly important) and the innovativeness of large firms in enhancing, perpetuating, using and leveraging their market power. [191] Moreover, existing laws have often not been adequately enforced; in some countries, legal standards have been established that are themselves a barrier to effective enforcement.[192] Some countries, such as South Africa, have shown that competition policy can be directly used as an instrument for advancing inclusion.[193] Historically, antitrust, by spurring competition, has often fostered innovation.[194] Effective anti-monopoly action today can be instrumental in boosting entrepreneurship and innovation; supporting small businesses; making goods more affordable; raising workers' wages; increasing affordability of and access to critical goods and services; and addressing undue political influence.[195] There is major scope for cross-border collaboration, given the multinational nature of today's monopolists.[196] In some cases, public options for the provision of certain goods are a key mechanism to provide alternatives within markets, enhancing competition, bringing down prices and increasing access.

2. Rewrite international IP rules, particularly including waivers in the event of pandemics, and compulsory licences/waivers for technologies related to climate change. IP laws give firms a temporary monopoly power over their IP, with the objective of promoting innovation. However, it is widely recognised that the exercise of this monopoly should be curtailed in a variety of circumstances. Today, abuses of the monopoly power derived from IP are common, the most disconcerting recent example being the 'vaccine apartheid' during the COVID-19 pandemic noted earlier. Knowledge in this way separates developed from developing countries as much as resources, and inappropriately designed IP rules prevent developing countries from having access to knowledge that would enable them to close that gap. Such rules have often served the priorities of special corporate interests within advanced countries rather than the interests of advanced countries and their people as a whole.[197] Reforms would include easing compulsory licensing to make advanced technologies for climate and medicine widely available at affordable prices – and, given the urgency of making IP available in a pandemic, a waiver of pandemic-related IP whenever the World Health Organization declares a pandemic. (The pharmaceutical companies have become experts in delaying tactics; existing rules for the issuance of compulsory licenses are especially problematic when there are multiple patents associated with the production of any product.) Given that abuse of the IP system has created barriers for new entrants, invention and innovation, other major reforms would be impactful at the national level, e.g., limiting the exercise of market power even when it originates as a result of a patent. Today, the climate crisis makes a pressing case for overhauling outdated international IP rules, with technological diffusion and transfer needed for countries' mitigation and adaptation efforts.[198]

3. Improve access to food at stable prices. Food is obviously a basic necessity. Since people living in poverty spend a greater portion of their money on food, higher food prices translate into greater inequality. Today, global food production is sufficient to meet the world's nutritional needs, but hunger persists because of extremes of income inequality; the rich often have more food than is good for their health, while the poor suffer from a lack of nutrition.[199] There are several problematic aspects of the global food markets that result in episodic stress – as evidenced after the start of the war in Ukraine – and, overall, likely higher prices for consumers. A small number of firms dominate the trade of several key commodities, and a few firms and countries dominate the production of the most widely used fertilisers.[200] Improving the governance of food systems within and across countries through stronger competition policies and public options where appropriate, along with measures to reduce volatility in global commodity markets and curb speculation, would help to increase access, particularly for lower-income countries and people. Investing in local production, as well as regional efforts to reduce vulnerability to global market fluctuations, can be fruitful.[201] The creation of food buffer stocks (e.g., reserves of grain and other foods) nationally, regionally and even internationally, can help to stabilise prices.[202]

4. Stabilise pricing of essential goods and services through strategic and targeted interventions. There is scope to cushion the impacts of price shocks that are exacerbated by monopoly power. This can be considered a crucial part of the policy toolbox rather than relying on inequality-enhancing interest rate hikes. Indeed, such tools might be increasingly needed given the supply shocks that may arise from the climate crisis. When the source of the price shock is on the supply rather than the demand side, supply-side interventions may be more effective with less adverse distributive consequences than the standard interest rate hikes. Such interventions can take a variety of forms, depending on the source of the underlying shock. For instance, in the pandemic, providing childcare and better family leave might have relieved some of the shortages of labour. Price stabilisation measures can include better systems of price regulation for electricity, and prudent rent stabilisation policies. In response to economic shocks caused by the COVID-19 pandemic and the war in Ukraine, Spain prevented rent increases over 2% and capped gas prices used for power generation, paid by windfall profit taxes on solar and nuclear power companies.[203] Mexico has mitigated ongoing inflation by negotiating an agreed, affordable, fixed price for a basket of essential food and hygiene products.[204]

5. A digital transformation for the public good. Digital technologies contain much promise, but they can also reinforce and worsen existing divides in access and people's ability to benefit from change. They have also given rise to increased market power.[205] While disruptions can be expected, government action and global cooperation will determine the extent to which these have an impact on inequality. Policy action can involve cross-country coordination and antitrust laws.[206] It can also involve government-developed digital public options,[207] which ensure that government-funded IP is kept in the public domain,[208] as well as building institutional capacities to understand and steer AI, and prevent discrimination and abuses in data governance.[209] Finally, it can involve establishing 'algorithmic sovereignty'[210] (especially for Global South countries), including by eliminating 'digital trade' rules that constrain public oversight of digital platforms and technologies, and their exercise of market power.[211]

5.3 New models for trade cooperation and industrial strategies

Today's new geopolitics – and the volatility in global trade and finance recently introduced by the world's largest economy – risk increasing inequality within and between countries.[212] This new world, in which the powerful break rules with impunity and we move away from a rules-based international order towards a 'law of the jungle', could entrench unequal exchange, investment and technology patterns as large global corporations and powerful states seek to exert dominance over markets, value chains and digital infrastructure, and as the world's richest country attempts to use its market power to extract a larger share of the global value chain.

Recent volatility in trade has brought these issues into sharp focus. Amid a complex picture, tariffs are being leveraged to obtain duty-free access for US goods and special treatment for certain US corporations across sectors, including more restrictive IP rules and the removal of taxes and anti-monopoly, privacy and other regulations that apply to tech platforms.[213] This has global effects, impacting societies and their sovereignty in all countries.[214]

The presumptions and norms that have guided international commerce for several decades have been overturned. New rules and agreements will have to take into account the facts that a) borders matter; and b) it is hard, if not impossible, to enforce agreements against powerful countries if they do not care how they are viewed by others. There is likely to be a rewriting of the rules, and this should provide an opportunity to re-examine comprehensively the effects of various global rules, institutions and norms on inequality. For example, rules that lower and dismantle labour and environmental standards have undermined many countries' development paths. Tariff structures have locked in primary commodity production in developing countries. Advanced economies have, through a variety of trade and IP provisions, 'kicked away the ladder' on which they themselves once depended.[215]

Policy choices on trade have contributed to increases in inequality in recent decades at the expense of workers in higher- and lower-income countries.[216] It is worth noting that income growth in developing countries over the past 40 years was disproportionately concentrated in a handful of nations, particularly in East and Southeast Asia.[217] While such countries participated in global trade, they did so largely on their own developmentalist terms rather than being adherents to the neoliberal agenda pushed through by the Washington Consensus.[218]

New approaches to international trade are needed. Developing countries have long seen how the global trade agenda has evolved through the exercise of power – with the most powerful countries writing and enforcing the so-called free trade rules to the advantage of their own large companies.[219] In 2025, what is different is that the US is attempting to use its power and the leverage of its US$1tn global trade deficit against *all* others, including advanced economies.

While power inevitably plays a role in any global economic architecture, a rules-based system that recrafts markets to better meet development goals and human needs can deliver much more equitable outcomes than the law of the jungle; the rule of law can, moreover, provide an essential level of certainty that is absent in a world in which only power matters. As countries and firms realise that they can be preyed on by the more powerful, they shy away from working with them – and the long-heralded gains from trade diminish.

The current flux creates new avenues for international cooperation, borne out of the necessity to reduce the systemic risks posed by geopolitical disruption and the need for new alternative frameworks. This new trade framework could be of benefit to all countries, even, ironically, the United States. Approaches founded simply on the national interests of the great powers create new risks and undermine the potential for cooperative economic interaction. At the same time, it has long been clear that the international economic architecture has given short shrift to the concerns of labour and the protection of the environment. As a new international architecture emerges, these gaps will have to be addressed, and doing so would strengthen forces making for greater global equality.

It is too soon to tell what the new architecture will look like. Still, any reform that is attentive to ameliorating today's inequality will have to come to terms with several broad themes. State leadership (and investments) can play a central role in structural transformations that support national development and contribute to solving global challenges such as the climate crisis and the need to strengthen public health, and raise living, labour and environmental standards.[220] At the national level, placing employment and working conditions of both paid and unpaid workers at the centre of economic and social policies is worth restating. Areas to explore may include:

1. National sustainable industrial strategies and developmentalism, instead of narrow protectionism. Industrial and active labour market policies can play a crucial role in the structural transformation of all economies, both the developmental transition for poorer economies and emerging markets, and the green transition confronting all countries. Alongside manufacturing (which still plays a role, though diminishing as a share of GDP and even more so of global employment), investments in green sectors (such as renewable energy and sustainable transport), services, care economies (including healthcare, early childhood education, and eldercare) and other areas could be supported through innovation, public provision, extension services and small business finance.[221] Provisions of current agreements that restrict such policies need to be rethought. So too does the global architecture: rich countries have more resources for investing in such policies; without a new architecture, the disparities across countries could increase. Global partnerships that go beyond trade to include investment, technology and the development of research capacity could especially prove to be mutually beneficial.

2. Cooperation for new national and international coalitions and partnership arrangements. Cooperation is possible at regional as well as global levels, and there are real opportunities to cooperate on trade and other matters, e.g., taxes and the green transition. The export-led development model is increasingly threatened by the decrease in manufacturing as a share of global output and employment, as well as by the return of protectionism in at least one rich country.[222] For developing country governments to maintain a growth model reliant on exports, new consumer markets have to be developed and expanded, notably through more active South–South cooperation and the formation of new regional supply chains,[223] along the lines of recent trends.[224]

3.Redesigned global, regional and bilateral trade and investment agreements. This could involve co-ordinated efforts a) to eliminate special foreign investor rights and powers, such as those often included in investment agreements; b) to relax the constraints on public efforts to reduce concentration and prevent private monopolistic behaviour, as well as on public provision of essential goods and services; and c) to rebalance rules on industrial and agricultural subsidies and protection that privilege developed countries. Investment agreements were originally justified as a means to promote foreign investments by offering protection against expropriation, but this has not really been a problem for decades, if ever. There is, moreover, no evidence that such rules have any positive effect on investment; instead these rules are now used by private players to restrict regulation and taxation, and also to impede climate action.[225] The mechanism for adjudicating disputes, the investor–State dispute settlement (ISDS) mechanism, is flawed because of a lack of transparency, the rules governing conflicts of interest and pro-investor bias.[226] Their adverse rulings often lead to significant drains of resources from developing countries, adding to global inequality. A global agreement is needed to fundamentally restructure existing investment agreements, creating a better mechanism for adjudicating disputes that ensures that ISDS rulings cannot dominate over social or environmental regulations adopted by the countries in which investments are made.

4. Pro-worker regulation and better working conditions internationally. A pro-worker approach includes the guaranteeing of freedom of association and the right to collective bargaining,[227] and developing strategies to enable better conditions for informal and self-employed workers, together with minimum wages raised to living wages (as set out in 2024 by the ILO).[228] These reforms, alongside effective 'social dialogue' between governments, employers and workers' organisations,[229] remain cornerstones to address inequality.[230] Examples of recent action include Mexico's doubling of the minimum wage since 2018, lifting over 4 million people from poverty; Spain's repeated increases in the minimum wage;[231] and penalties on illegal anti-union tactics in Canada and Australia.[232] National jobs guarantee programmes – whereby governments shape labour markets through the provision of stable, beneficial and good-quality jobs – ensure an employment backstop, can raise wage floors and reduce gender wage gaps, and so have significant potential to reduce inequality.[233] It is important that countries not engage in a race to the bottom, i.e., compete with each other to lower wages and worsen labour condition in order to gain a competitive advantage (sometimes referred to as social dumping). It is also important for the IFIs to take a proactive role in promoting better working conditions, rather than the opposite, as was reflected in the long history of the now-discredited *Doing Business* report by the International Finance Corporation/World Bank.

5. A reconsideration of government's relationship with the private sector. As we noted earlier, there is little support for the long-standing neoliberal presumption that the private sector is more efficient and/or does a better job at service delivery than the public sector. Depending on the circumstances and countries, one or the other may have a competitive advantage, and often they can either work together or in competition with each other (as in the case of the 'public option'). When there are partnerships, it is important that they not be of the traditional form in which the government takes the downside and the private sector the upside. Evidence suggests that public–private partnerships need to be designed and implemented to ensure equal access and eliminate excess profits.[234] Similarly, it is imperative to ensure that the government does not sell public assets at below-competitive prices and does not procure goods and services from the private sector at above-competitive prices. Open and transparent competitive auctions can play an important role, both in ensuring that the public is not cheated and in curtailing corruption. When governments provide assistance to private enterprises, it is important that such subsidies be transparent and linked with desired performance indicators; when public investments are made in private companies or subsidies given to them, governments can impose conditions in favour of reducing inequality and ensuring public benefits.[235,236] There is scope for legislating corporate reforms, such as mandating human rights and environmental due diligence processes, giving corporations responsibilities as well as rights.[237]

We note there is also much scope for firms and other actors in the economy to take their own steps to reduce inequality: they can, for instance, decide (without being compelled by the government) to pay workers liveable wages and provide good working conditions. To the extent that such actions become the norm, inequality (and especially some of its most pernicious aspects) will be reduced. However, regrettably, evidence across countries suggests that this is unlikely to suffice.

5.4 Improving macro policies, rebuilding public wealth and expanding fiscal space

To reduce inequality and ensure the stability of the economic and political systems, people need decent jobs. Macroeconomic policies that ensure this are important. A pro-equality agenda would avoid austerity policies that circumscribe the ability of countries to achieve full employment, as well as the financial policies that have repeatedly put countries in a position in which austerity can be imposed on them.

We noted earlier the decrease in public wealth, and the consequences that that can have on shared prosperity. Rebuilding public wealth is thus another central element in the equality agenda. It can be achieved, for instance, through policies that protect and enhance the public provision of public goods.[238]

Well-designed progressive taxation reduces inequality even before revenues are redistributed. It can discourage rent-seeking, thereby encouraging productive investment. There are also progressive tax reforms that can reduce high carbon emissions of the richest, and raise revenues for the green transition.[239] Yet tax rates on corporations and high personal incomes and wealth have plummeted in recent decades. The statutory corporate income tax rate more than halved in OECD countries after 1980, to 21.1% in 2021.[240] In G20 countries, the top tax rates on the labour incomes of the top 1% fell by a third over the last four decades, even as their share of wealth increased by 45%.[241] Globally, billionaires pay an effective tax rate equivalent to only 0.3% of their wealth, contrasting markedly with the *minimum* 2% tax rate discussed by the G20 in 2024.[242,243]

International cooperation is also key. The many actions that could contribute to the reduction of inequalities within and between countries include:

1. Reforming the international tax system to enable the fair and efficient taxation of multinational corporations and the very wealthy. The OECD negotiations on the 'Base Erosion and Profit Shifting' process (an initiative of the G20) that created the 2021 Two-Pillar Solution failed to provide a sufficiently comprehensive solution – or one with sufficient global consensus that it would actually be ratified. Building on the lessons learned, the successes and failures of the OECD initiative, new negotiations at the UN towards a Framework Convention on International Tax Cooperation provide a historic opportunity to redesign the international tax architecture.[244] Minimum global tax rates on corporate incomes and extreme wealth could be vital elements of this,[245] which in turn would require the extension of country-by-country reporting and information sharing, and ideally the creation of a global asset register to identify and track wealth ownership, which too often remains secret.[246] The Sevilla Platform for Action for Effective Taxation of High-Net-Worth Individuals – led by Spain and Brazil – offers a strategic platform for cooperation,[247] building on the G20 governments' agreement in 2024 to cooperate to ensure that ultra-high-net-worth individuals are effectively taxed.[248]

2. At the national level, there is scope for countries to strengthen progressive taxation. In many countries, the tax structure has become more regressive, especially at the top, with capital gains often escaping taxation.[249] Some options that could be considered, dependent on the country context, include taxing personal income for large capital gains (or at least equalising the rate to that of income taxation), inheritance and very high wealth, and reducing exemptions and loopholes for corporate taxes.[250]

3. Address illicit financial flows. This would enable many countries to retain public revenues that are rightfully theirs. International cooperation is required to harmonise definitions of tax evasion, trade misinvoicing, capital flight and beneficial ownership, while providing centralised, secure data platforms to collect, analyse and share financial and trade information across jurisdictions. Mandatory and systematic country-by-country reporting of multinational and national corporations' trade transactions, and clear criteria for identifying shell companies and misuse of trusts could be greatly impactful.

Alongside these efforts, critical steps are required to create conducive macroeconomic environments to reduce inequality, create fiscal space and assert the sovereignty of nations, including:

1. Reforming the governance, policies and programmes of the IFIs. More than any other international group, the G20 is well placed to encourage such reforms. Reforms are needed in the IFIs' governance structures to better reflect the contemporary economy, as well as in fulfilling the IMF's role of providing a global financial safety net and the World Bank's role in enabling long-term investments for social and planetary goals.

Regular annual increases in SDRs in tandem with increases in global GDP could provide an important source of finance for development and the green transition, and this would be especially so if the SDRs were distributed according to need (established by clear criteria), rather than by quota; and if they are distributed by quota, if better mechanisms for recycling the SDRs of advanced countries are adopted. An inequality-reducing agenda for multilateral development banks (MDBs) would have lending going beyond advancing growth, poverty alleviation and providing global public goods like reducing greenhouse gases, to promoting and supporting access for all to essential services like healthcare and education, including through public provisioning. Given the historical adverse effects of conditionalities on inequality (especially through imposed austerity), an inequality-reducing MDBs agenda would limit conditionality at most to the provision of global public goods like climate mitigation.

2. Debt restructurings and liquidity support for the many developing countries and emerging markets with excess debt. In **Section 3.6**, we noted the large number of countries facing excessive debt burdens that are compromising their efforts to develop, and the associated cutbacks in public expenditures that are contributing to increases in inequality. G20 debt-suspension initiatives have so far proved inadequate, both because they have been too slow and because they have not provided adequate incentives for full and fast private sector participation. Without the latter, there cannot be full and fast participation of other creditors. The sets of policies, finance, and debt restructurings/reprofilings that would incentivise and deliver fast relief today, make it less likely that there would be such excesses of indebtedness in the future, and when they occur, there can be faster, fairer, and more effective debt relief, have been set out in several recent studies, including the Jubilee Report commissioned by the late Pope Francis.[251] For instance, having a 'no-private sector bailout' provision as a condition for IFI lending, and conditioning IMF bridge financing on private sector rate reductions, would incentivise private sector participation in debt standstills and debt restructurings. Legal reform in New York State and the UK, where over half of sovereign bonds from developing countries are issued, might end predatory litigation by vulture funds (i.e., the restoration of the Champerty provision), and encourage faster restructurings.[252,253]

No country leaves debt restructurings just to bargaining between creditors and debtors: bankruptcy courts play a central role. However, internationally, while the resolution of the problems of excessive indebtedness is more complicated, there is no comparable framework, though in 2014 and 2015, with wide but not universal support (support was especially lacking from key creditors), the UN adopted a set of guiding principles.[254] Since then, the inadequacy of approaches limited to improving contract design – as desirable as those reforms are – has become more apparent. A UN Framework Convention on Sovereign Debt could help ensure that arbitration on debt restructuring is done by a body independent from both creditors and debtors, and that debt restructurings are faster, fairer and more effective.[255]

Further important reforms in the global financial architecture have been put on the table at the 2025 Seville Finance for Development Meeting and incorporated into the Sevilla Action Plan. The proposed International Panel on Inequality (see **Chapter 4**) might assess the impact of each of the major proposals on within- and between-country inequality. Several appear to be promising instruments for reducing both aspects of inequality, including those for a debtors' club, for debt swaps, for new issuances of SDRs and for debt repurchases.

3. Capital account management. Well-designed capital controls to ensure macroeconomic stability have been shown to be an effective tool for economic stabilisation for many countries. The unchecked liberalisation of capital flows has enhanced volatility and made economies more fragile and vulnerable to spillover effects of macroeconomic policies in a few rich countries – destabilising lower-income countries in particular.[256,257] Capital controls are particularly relevant for dealing with inequality: the crises causes by unfettered capital flows have had a particularly adverse effect on the poor, and the booms associated with unmanaged excessive capital inflows have added to wealth at the top. The IFIs can promote and normalise these. Similarly, domestic regulation of finance to prevent volatility, as well as to encourage the flow of finance to socially desired and environmentally necessary activities, can enhance stability and growth.

4. Transformative public financing produced through new institutional mechanisms of coordination between central banks and fiscal authorities, and credit policy that redirects financial flows to where social returns are especially high and financial constraints (credit rationing) seem to be particularly binding. These are likely to vary across countries, but in most would include those engaged in the green transition, and in innovation and small businesses. An inequality-focused financial system would need to support the services that ordinary people depend on, as well as employment-generating activities including in the care economy.

5. Recommitting and reforming international development co-operation by advanced economies. International development cooperation remains a critical part of the policy toolbox to contribute to reductions in inequality, especially to provide support to the poorest countries. Recent large cuts to overseas development assistance necessitate increasing the efficiency and efficacy of foreign aid spending, and directing it to areas where, in the absence of such assistance, spending is likely to be particularly deficient.[258] While the private sector might pick up some of the decrease in infrastructure spending, this is much less so for healthcare and education for the poor. The cutbacks in ODA are thus likely to have a particularly adverse effect on inequality – the large number of increased deaths resulting from US cutbacks, noted in **Section 3.6**, are especially concentrated among the poor.[259] Almost surely, part of the reorientation will be to give more voice to the beneficiaries of assistance, both recipient countries and poorer populations within them. Another part of the reorientation will be global public investment in areas of shared concern, whether these relate to planetary warming, environmental hazards, public health or likely cross-border spillovers of increased poverty and economic crises within vulnerable countries and regions.[260] As such, the quantity of such cooperation and assistance – meeting at least the 0.7% ODA commitment of advanced economies – as well as how it is purposed matters.

5.5 Investment in public goods and services

The delivery of a range of universal public services can reduce inequality within countries,[261] and simultaneously unlock investment-led economic performance.[262]

We noted in our earlier discussion the decrease in public wealth, which in part is a result of the role of privatisation.[263,264] We also noted the misconception that presumes the private sector is more efficient; on the contrary, in a variety of areas, there is evidence that private-sector provision (including public–private partnerships) is less efficient and more costly.[265] This suggests that the presumption in favour of private provision – especially relevant in some MDBs and other public institutions that finance investments in healthcare and education – should be reversed.[266]

There are several measures that need consideration in light of a new focus on inequality and on new evidence, including:

1. Rethinking certain aspects of the macroeconomic and structural frameworks used by the IFIs | This includes moving away from the reliance on austerity and privatization, and moving towards growth-enhancing policies in response to budgetary deficits; moving toward favouring public provisions of key services and strengthening social infrastructure across countries; and ensuring that recommendations and conditionalities do not undermine macroeconomic performance, public services and access to basic needs.

2. The role of universal, publicly financed and delivered social services. Such approaches, especially in healthcare and education,[267] can be considered important and proven pathways to reduce inequality. Countries like Thailand show that universal public healthcare is achievable in low- and middle-income contexts.[268] The new Global Council on Inequality, AIDS and Pandemics report sets out how redressing current pandemics can avert future pandemics, or at least reduce their scale when they occur, and underscores the centrality of addressing the social determinants of health amid often widening health inequities.[269]

3. Reforms to prioritise equitable and last-mile access to quality public services. While taking a universal approach is key, it is not sufficient – governments can also support efforts for last-mile access for those typically excluded in society. This is vital particularly for poor and marginalised communities in light of intersecting multidimensional inequalities and the multiple barriers confronting these communities in availing themselves of services.

4. Consideration of publicly provided services in a range of areas beyond education and health – including public energy, transport and housing. Access to electricity at affordable prices is critical for people to lead decent lives and is especially essential as part of a just transition. It would require more infrastructure and better systems of regulating electricity pricing.[270] A public option for affordable social housing in Vienna, Austria – which has the lowest rents of all major Western European cities – is a helpful example.[271] In many places, a lack of affordable housing is increasingly recognised as an amplifier of wealth inequality. Public transport is not only important as a response to the green transition, but in enabling many to have access to employment opportunities, public services and community amenities.

5. The role of universal, adequately financed and well-designed social protection.[272] This includes both in-kind and cash-transfer programmes that protect individuals against income insecurity throughout their lives.[273] Of course, the standards to which such protection is provided depend on the income of the country. Protection against shocks such as unemployment, low earnings, caregiving needs, illness and disability is key. Small and conditional social protection instruments that target poorer populations with means testing are often ineffective, exclusionary and unable to garner broad societal support, and thus are inadequate to the tasks assigned to them.[274] Progressive examples from countries such as Denmark and Finland (in which much of the inequality reduction is achieved through generous universal transfers and social insurance, supplemented by targeted assistance),[275] and experiences from South Africa[276] and Nepal[277] are instructive.[278] While providing social protection is critical, benefits can go unused; it is important to ensure individuals are informed about, and able to access, benefits.[279]

5.6 CONCLUDING REMARKS

The world faces an inequality crisis: poverty amidst plenty; unbridled wealth at the top amidst hunger at the bottom. The past fifty years has been an epochal period: unprecedented poverty reductions in a few countries, with hundreds of millions moved out of poverty; but growing divides elsewhere and unrivalled riches in the richest country.

Abraham Lincoln famously said, "A house divided against itself cannot stand." The world today is a house divided against itself.

It is not a surprise that the G20 has returned, again, this year to consider the global consequences of inequality, and our Committee thanks the South African Presidency for this opportunity. We have discussed the magnitude and dimensions of this inequality, the drivers of the inequality, the explanations for the disturbing trends (as well as the few more favourable outcomes), and the consequences. Our evidence- and theory- based analysis, confirms and supports the widespread concerns. There are good grounds to be legitimately worried.

We take inspiration from Nelson Mandela, who famously said in 2003: "we proved the confident prophets of doom wrong. We were expected to destroy one another and ourselves collectively in the worst racial conflagration. Instead we as a people chose the path of negotiation, compromise and peaceful settlement."[280] We end by reiterating a key message, which can be a source of optimism.

Today's inequalities are not the result of the laws of nature. They are the result of what we, as nations and the global community, have done. Inequality is a choice. It is not inevitable and can be reversed with political will.

A very different set of feasible policy choices is not only possible but necessary if we are to address the inequality crisis. These choices would not only reduce inequality but would also promote economic resilience, inclusive development, and social justice. Many have already proved successful in certain countries, in the past and currently. As our report shows, efforts to reduce inequality can be greatly facilitated by global coordination, and in this, the G20 has a critical role.

Addressing inequality in all its dimensions in the most efficient and effective way requires greater fundamental knowledge of inequality than we currently have. The key proposal of this report, the creation of an International Panel on Inequality, would enhance our understanding of inequality in all its dimensions, assessing magnitudes and trends, its drivers and consequences, and the impacts of on-going structural changes and policies. It would be a permanent legacy of the South African Presidency of the G20, in helping the world address one of the major scourges of our time – moving the world towards our ideal of a globally shared common prosperity.

REFERENCES AND NOTES

We have included a mixture of primary research, secondary studies, policy briefs, and more accessible discussions of the topics at hand, recognising the diverse readership that we hope our report will receive.

All links last accessed 25 October 2025, unless otherwise specified. Endnotes

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15 The Palma ratio compares the income share of the top 10% to that of the bottom 40%; if these are equal, the Palma ratio is 1. If the incomes of the top 10% are twice those of the bottom 40%, the Palma ratio is 2. Changes in income, whether pre-tax or post-tax, are predominately at the top and bottom of the distribution, and the Palma ratio is better at capturing this than the Gini coefficient. The middle half captures roughly half of the income regardless of countries or time. The global Palma ratio has fallen from 29 in 1980 to 23 in 2023. Since 1980, the Palma has increased in 43.5% of countries, which as of 2024 accounted for 67.4% of the global population. A typical country has a Palma of 4.7, largely the same since 1980, so the incomes of the top 10% are 4.7 times that of the bottom 40%. The use of income shares and their ratio, like the Palma but also others like the top 10/ bottom 50 are much more readily understandable than the Gini coefficient, so are much more conducive to public debate and understanding. See for example Cobham, A. and Sumner, A., 2013. *Is It All About the Tails? The Palma Measure of Income Inequality*. Center for Global Development Working Paper 343. Available at: https://www.cgdev.org/sites/default/files/it-all-about-tails-palma-measure-income-inequality.pdf

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22 Calculations and sources are in the technical note, stat 5.

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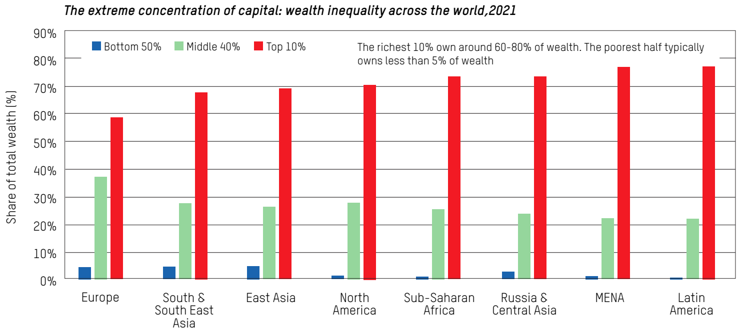

Interpretation: *The top 10% in Latin America captures 77% of total household wealth, compared with 1% captured by the bottom 50%. Net household wealth is equal to the sum of financial assets (e.g. equity or bonds) and non-financial assets (e.g. housing or land) owned by individuals, net of their debts.* ***Sources and series:*** *wir2022.wid.world/methodology.*

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As the COVID-19 pandemic and the war in Ukraine illustrate, over-reliance on dispersed global food value chains poses risks. Creating buffer stocks of essential foodstuffs that can be deployed countercyclically and used to stabilise prices in an emergency might help prevent increases in hunger. Where governments lack the fiscal space to create national buffer stocks, they could collaborate with partner countries to create regional arrangements. See: Weber, I.M., Ghosh, J., & Jain, S. (7 Oct 2024). *Building a Buffer Against Food-Price Shocks.* Project Syndicate. https://www.project-syndicate.org/commentary/g20-brazil-south-africa-must-help-protect-developing-countries-against-food-inflation-by-isabella-m-weber-et-al-2024-10

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205 Previous waves of disruptive technological innovation have led to upheaval, but ultimately did not depress overall employment. (See: Korinek, A. (2019). *Labor in the Age of Automation and Artificial Intelligence.* Economists for Inclusive Prosperity. https://econfip.org/wp-content/uploads/2019/02/6.Labor-in-the-Age-of-Automation-and-Artificial-Intelligence.pdf) While there is substantial debate over the threat posed by AI, it has been argued that there is a risk that increased adoption will break from this historical trend, replacing human labour to such an extent that it leads to net job losses across the economy. (See: Korinek, A., Schindler M., & Stiglitz, J.E. (2022). 'Technological Progress and Artificial Intelligence', in Cerra, V., Eichengreen, B., El-Ganainy, A., & Schindler, M. *How to Achieve Inclusive Growth*. IMF/Oxford University Press. Chapter available online: https://academic.oup.com/book/38949/chapter/338147774). These impacts would not be confined to developed economies – which would have to respond to increased unemployment – but would also undermine the export-led growth models that have increased incomes across a number of developing countries. Moreover, the market for the hardware AI requires is highly concentrated, and the vast amounts of processing power, combined with the benefits of iteration, make the AI sector as a whole tend toward monopoly. A monopolistic AI market risks further exacerbating wealth disparities by primarily enriching executives and large shareholders. (See: Narechania, T., & Sitaraman, G. (2024). 'An Antimonopoly Approach to Governing Artificial Intelligence'. *Yale Law and Policy Review* 43(1): 95–170. https://yalelawandpolicy.org/antimonopoly-approach-governing-artificial-intelligence

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Regional cooperation need not be a rigid process: many flexible institutional arrangements for regional and South–South cooperation exist, allowing for different scopes, levels of integration, binding commitments and number of participating countries. See: ibid. Even if narrower in inclusion of countries and scope, such cooperation can go far beyond a linear approach to trade integration, and can include coordination of investment, research and technology transfer. Underlying this, a re-consideration and assertion of values as a normative foundation for cooperation can be considered– one that can foster trust and solidarity. See Abdenur, A. (18 Jun 2025). *A New Economic Order Needs a Moral Compass*. Project Syndicate. https://www.project-syndicate.org/commentary/restoring-values-to-global-economic-governance-by-adriana-abdenur-2025-06

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227 The ITUC's 2025 Global Rights Index describes a '*sharp escalation in violations of fundamental rights, including access to justice, the right to free speech and assembly, and the right to collective bargaining*'. ITUC. (2025). *Global Rights Index Report 2025.* https://www.ituc-csi.org/global-rights-index-reports; World Benchmarking Alliance. (2 Jul 2024). *2024 Social Benchmark.* https://www.worldbenchmarkingalliance.org/publication/social/
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237 It has been argued that promoting democratic forms of company ownership and governance can help to address inequality and create longer-term economic and social value – including through supporting worker ownership models that share profits with workers and give workers a voice in decision-making, alongside cooperatives, social enterprises, worker representatives on boards, and requirements to participate in social dialogue. Financial support can be provided to more equitable forms of businesses, while public procurement and export incentives can be designed in workers' favour – and against companies that perform poorly on inequality criteria. There is space for mainstream businesses to voluntarily take steps, for example to improve employee representation on their boards, or transform their ownership structure. For example, Gipuzkoa – the Spanish province home to most of the world's largest cooperative network, Mondragon – has a Gini coefficient lower than Finland and Norway. See: Bloomberg. (30 Jun 2022). *How a Worker-Owned Business Model in Spain Is Keeping Inequality in Check*. https://www.bloomberg.com/news/features/2022-06-30/worker-owned-business-model-in-spain-is-keeping-inequality-in-check [paywall]

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240 OECD. (11 Jul 2024). *Corporate Tax Statistics 2024*. https://www.oecd.org/en/publications/corporate-tax-statistics-2024_9c27d6e8-en.html

241 There is almost surely a causal link between the two: the lower tax rates at the top have provided the resources for the further growth of wealth and its transmission across generations. Oxfam. (24 Jul 2024). *Top 1 percent bags over $40 trillion in new wealth during past decade as taxes on the rich reach historic lows*. Press release. https://www.oxfam.org/en/press-releases/top-1-percent-bags-over-40-trillion-new-wealth-during-past-decade-taxes-rich-reach

242 Note that a minimum 2% tax on capital represents only a 33% tax rate on the return to capital, assuming a moderate return to capital of 6%; or for some of the world's richest billionaires a 10% return is not uncommon, in this case this represents only a 20% tax rate. These rates are lower than those typically paid by workers earning comparable incomes.

243 Zucman, G. (25 Jun 2024). *A blueprint for a coordinated minimum effective taxation standard for ultra-high-net-worth individuals.* https://gabriel-zucman.eu/files/report-g20.pdf

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245 Pillar Two introduces a 15% global effective minimum tax on large multinationals, but due to large (and largely unjustified) carveouts, the effective minimum tax rate was substantially lower. This rate is too low, roughly half the rate imposed by many countries – with a real fear that the minimum rate over time would become the normal rates. Its global implementation was estimated to generate US$155–92bn additional revenue globally, while a 25% minimum rate such as that proposed by the ICRICT could generate more than $500bn a year globally. See: ICRICT. (2024). *Tax avoidance by MNEs and ICRICT assessment of Two-Pillar solution*. https://www.icrict.com/wp-content/uploads/2024/06/Tax_avoidance_by_MNEs_and_ICRICT_assessment_of_Two-Pillar_solution.pdf

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248 Government of Canada. (24 Nov 2024). *G20 Rio de Janeiro Leaders' Declaration*. https://www.international.gc.ca/world-monde/international_relations-relations_internationales/g20/2024-11-18-g20-rio-declaration.aspx?lang=eng

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251 Initiative for Policy Dialogue & the Pontifical Academy of Social Sciences. (2025). *The Jubilee Report: A Blueprint for Tackling the Debt and Development Crises and Creating the Financial Foundations for a Sustainable People-Centered Global Economy*. https://ipdcolumbia.org/publication/jubilee-debt-development-blueprint/

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255 Ibid.

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ID-19 pandemic. With investment flowing back into the Global North over recent years, the countries of the Global South have experienced worsening debt burdens, and have been forced to raise interest rates at the cost of their own domestic economic recovery. See: Ghosh, J. (19 Dec 2022). *Financial Deglobalization Must Come Next.* Project Syndicate. *https://www.project-syndicate.org/commentary/international-capital-markets-fragmentation-financial-deglobalization-by-jayati-ghosh-2022-12]*

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Many of these investments are associated with excessive exploitative pricing; decreased and highly unequal access; patient rights abuses; and unsafe practices. As one recent Bloomberg investigation of healthcare highlighted. of relevance to the G20, private equity investments in healthcare, with the support of advanced economies' development finance institutions and the World Bank's private sector arm, have harmed patient safety across lower-income countries. See: Bloomberg. (26 Aug 2025). *A Private Equity Giant Took Over African Hospitals. Then the Complaints Rolled In.* https://www.bloomberg.com/news/features/2025-08-25/private-equity-giant-tpg-s-african-hospital-push-sparks-safety-complaints [paywall]; Dooley, B., & Reddy, M. (15 Jul 2025). *The World Bank set out to transform health care for the poor in Africa. It drove patients deeper into poverty*. International Consortium of Investigative Journalists. https://www.icij.org/investigations/2025/07/the-world-bank-set-out-to-transform-health-care-for-the-poor-in-africa-it-drove-patients-deeper-into-poverty/; Marriott, A., & Bignell, H. (12 Jul 2023). *Sick Development: How funding to for-profit healthcare by Development Finance Institutions is causing harm and should be stopped*. Bond. https://www.bond.org.uk/news/2023/07/sick-development-how-funding-to-for-profit-healthcare-by-development-finance-institutions-is-causing-harm-and-should-be-stopped/

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278 Guaranteed income programmes – to the extent that they are well-funded, stable and universally accessible – can be part of the toolkit for redistribution, protecting against risks and vulnerability. It is important that these efforts be additional to, rather than a substitute for, high-quality and affordable public service provision.

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