

U N I V E R S I T Y O F

SOUTH CAROLINA

Link to Video: <https://vimeo.com/658167708>

The background is a dark blue topographic map with white contour lines. Teal-colored landmasses are visible on the right side. A white irregular shape is in the top left, and a white rectangle is in the bottom left.

WEALTH DESPARITY A GLOBAL ISSUE

December 19, 2021

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EXECUTIVE SUMMARY

“GLOBAL WEALTH HAS NEVER BEEN GREATER, BUT THE RISKS FACED HAVE ALSO NEVER BEEN GREATER” – *The Changing Wealth of Nations*, World Bank 2021

THE PROBLEM

Growing wealth inequality lowers social and political stability, limits opportunity for investment and individual mobility, and negatively impacts GDP growth

THE SOLUTION

- Implementing Sustainable Domestic Policy
- Revising Global Corporate Governance
- Developing Corporate Partnerships with Stakeholders

THE RESULTS

- Reducing inequality facilitates growth
- Limiting wealth concentration expands investment opportunities
- Adopting mitigation policies improves quality of life for billions

WEALTH VERSUS INCOME INEQUALITY

WEALTH: “The value of underlying ... assets and the prospects for maintaining and increasing those [assets] over the long term.” – **World Bank**

REFINING OUR FOCUS



QUESTION YOU ASKED

How do we perceive current trends in the global distribution of wealth, and what tactics should be taken to address the issue in order to mitigate risks to businesses and society?



CLARIFYING THE FACTS

Global wealth has grown significantly over the past few decades, but current policies have allowed disparity, particularly within countries, to increase at an unsustainable rate

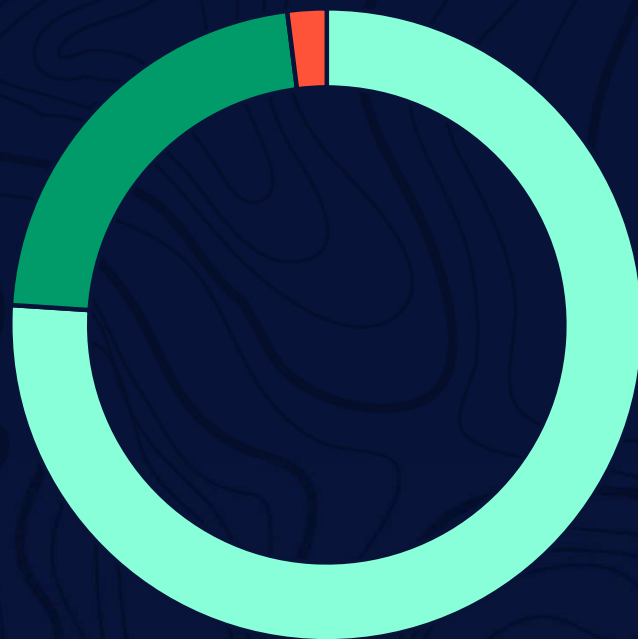


REFINED TASK

How do we balance sustainable business growth and government regulations to slow or reverse trends in global wealth consolidation?

THE PROBLEM

Percent of Global Wealth



■ Top 10% ■ Middle 40% ■ Bottom 50%

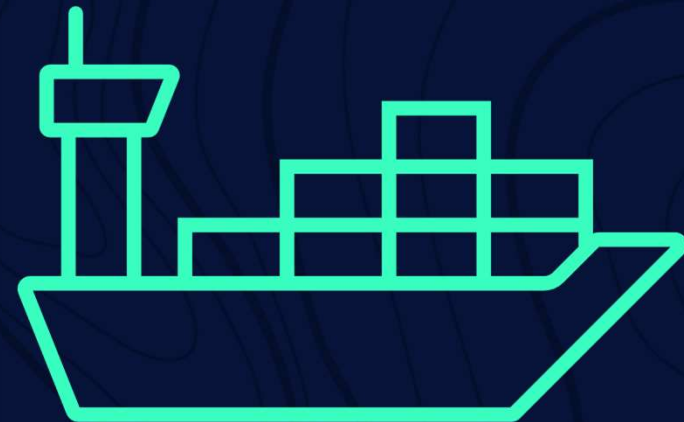
- 76% of global wealth is controlled by the top 10%, while the bottom 50% control only 2% (PPP)
- The share of global wealth owned by billionaires (2,755 individuals) has risen from 1% to almost 4% over the past two decades
- The COVID-19 Pandemic has further exacerbated global wealth disparity
- By 2100, the top 0.1% (5.2 million individuals) will hold 19% of total global wealth

*World Inequality Report 2021

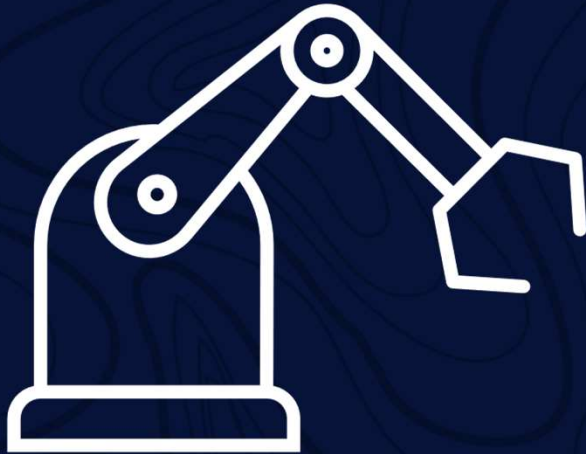
SHIFTS IN GLOBAL TRADE

In the past half-century innovation in shipping and transport logistics has dramatically **reduced** the amount of time required to move goods around the world allowing businesses to move manufacturing to **low-cost labor markets**

This shift dramatically reduced the price of many finished goods, but there was a dramatic **loss** of middle-income jobs in countries with highly developed economies



CHANGES IN LABOR



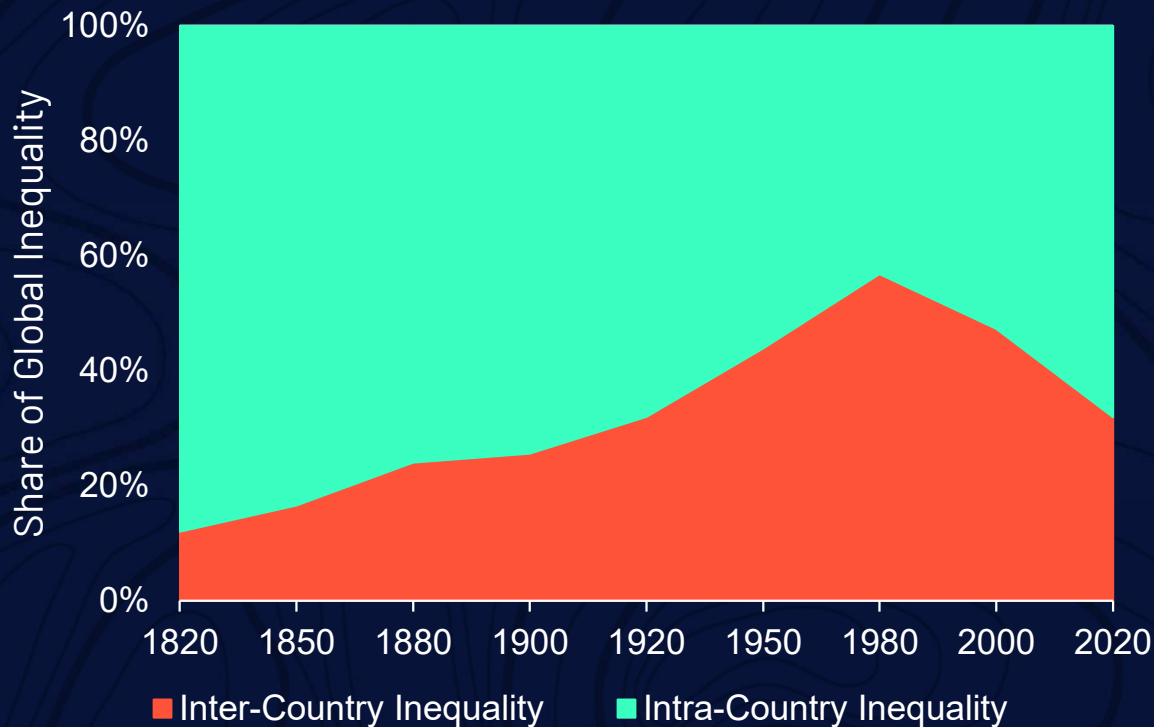
The **COVID-19 Pandemic** has dramatically shifted the operational landscape as millions of workers in developed markets have **quit** or begun strikes in response to **wage stagnation** and limited government support

Temporary and part-time work accounts for about **one third** of total employment in OECDs and **more than half of all job creation** since the mid-1990's has been in non-standard positions

Developing markets face increased risk as many jobs have moved toward automation. McKinsey Global Institute estimates that **nearly half of all jobs will be able to be automated by the year 2055**

INTRA- VERSUS INTER-COUNTRY INEQUALITY

Theil Index



- Inter-country inequality peaked at 57% in 1980
Intra-country inequality reached 68% in 2020
- Average gap between the top 10% and bottom 50% within countries has almost doubled
- National tax policies have a major effect on intra-country inequality

*World Inequality Report 2021

TAX RATE DECLINE AND PROFIT SHIFTING



Average corporate tax rate fell from 49% to 24% from 1985-2018

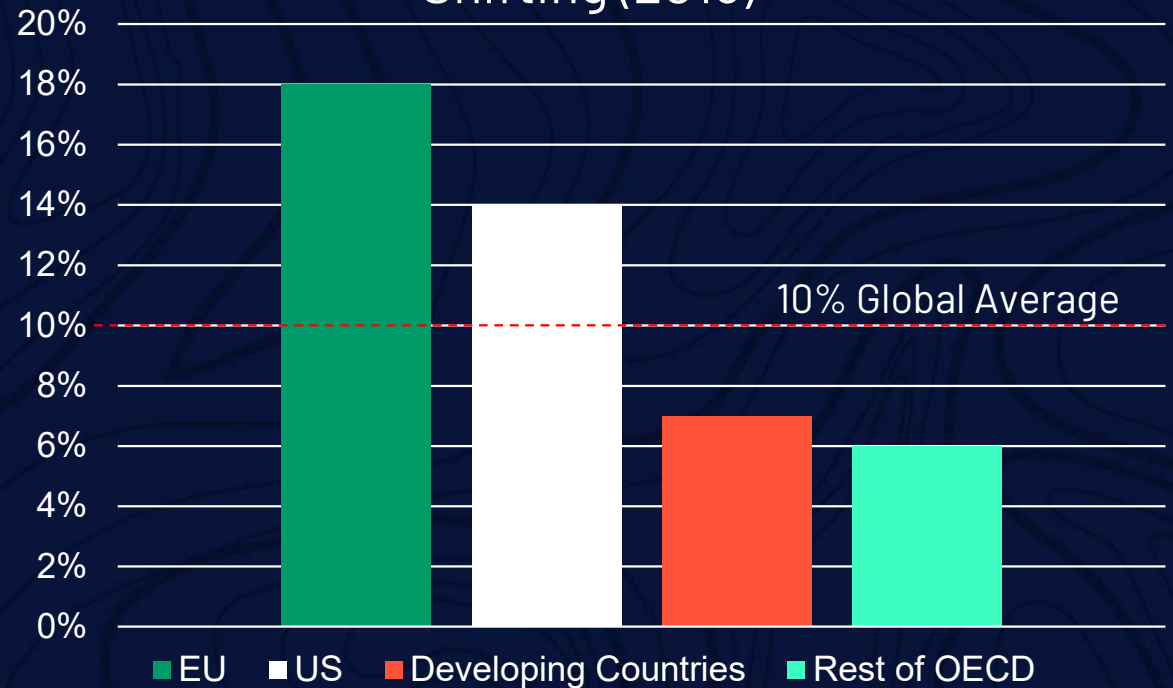


Effective tax rate fell from 25% to 18% from the 1980's to 2020



Estimated 36% of multinational profits are transferred to tax havens annually

Tax Revenue Loss Due to Profit Shifting (2015)



*World Inequality Report 2021 & NBER – The Missing Profits of Nations

STAKEHOLDER IDENTIFICATION



STRATEGIC OPTIONS

PLACING THE BURDEN ON BUSINESS

Increase taxation and enact regulations that strongarm businesses into spending more to address issues underpinning wealth disparity

PLACING THE BURDEN ON GOVERNMENTS

Divert a greater proportion of public funds to implement education reform, new subsidies, and aid programs to support individual growth

GOVERNMENT & BUSINESS PARTNERSHIP

Leverage the resources and strengths of governments and businesses to address wealth disparity at both the national and global level



A PARTNERED APPROACH

OUR RECOMMENDATION

OUR RECOMMENDATION

A DOMESTIC POLICY

Domestic agendas must include:

- Progressive taxation to address national inequality
- Aim to reduce disparity between public and private wealth
- Provide sufficient investment in physical and human capital

B GLOBAL GOVERNANCE

Global governance to:

- Increase asset transparency
- Address international tax havens
- Reduce cross-border flight of capital

C CORPORATE PARTNERSHIPS

Balancing business growth with equality

- Fair corporate taxation
- Credits for development of human capital
- Incentivizing the long-term view

DOMESTIC POLICY:

REDUCING INTRA-COUNTRY INEQUALITY

01

Address Inequality
through Reformed
Taxation Practices

02

Programming that
Builds Public Wealth

03

Capital Investment to
Grow Wealth in Low
Income Areas

BUILDING PUBLIC WEALTH

Tax Revenue as % of Total



Balancing Income Taxation



Progressive Wealth Taxation Beyond Physical Assets

Wealth-Income Ratio



Reversing Decline in Public Wealth

CAPITAL INVESTMENT

Physical Capital

Infrastructure

Improvement of physical infrastructure



Equipment

Increased investment in machinery and equipment to support parity in capability



Human Capital

Education

Increasing education to prepare for changing global economy



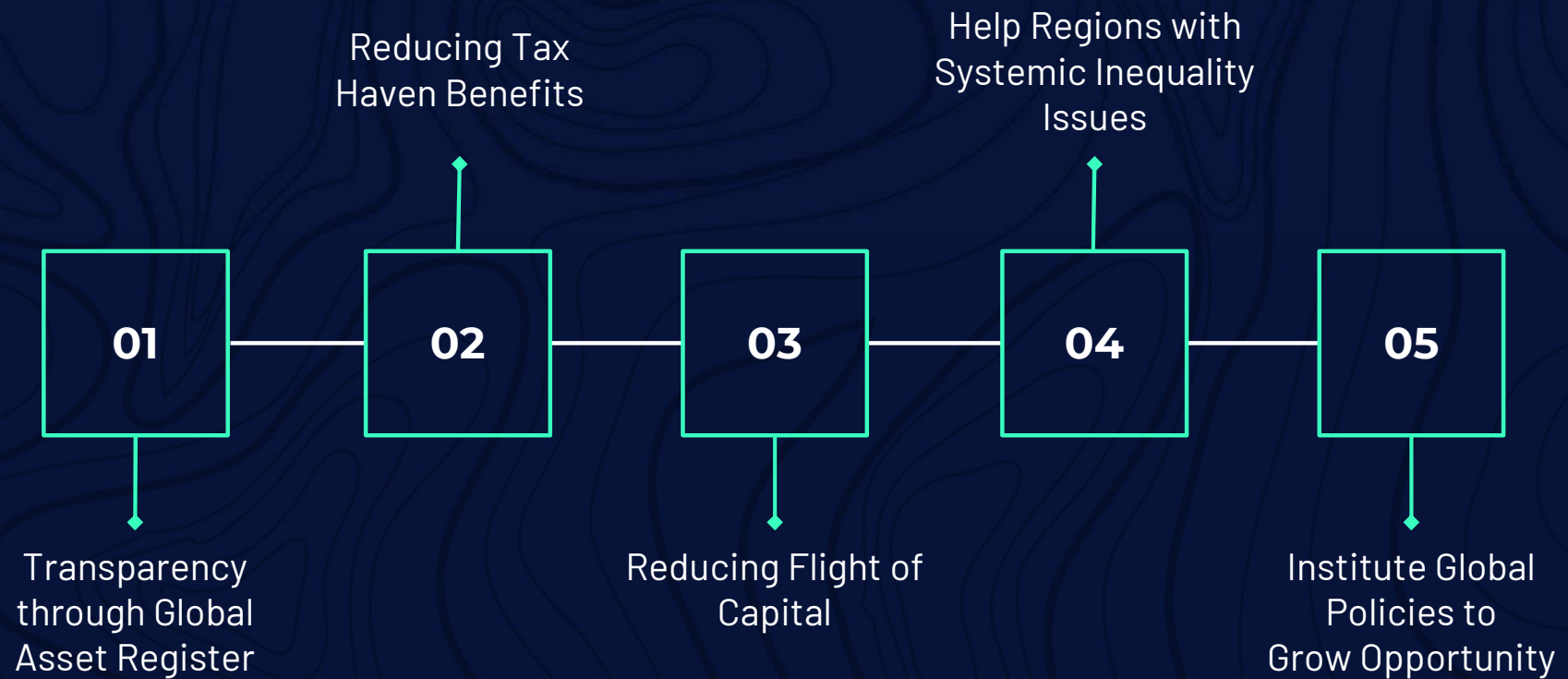
Health

Increasing access to medicine and reducing the cost of healthcare



GLOBAL GOVERNANCE

ADDRESSING INTER-COUNTRY INEQUITY



REDUCING WEALTH TRANSFER

TAX HAVENS

Collective work towards global minimum tax rates for high-earning individuals and corporations

REDUCING FLIGHT OF CAPITAL

Building systems that encourage in-country wealth accumulation and reduce flight of human capital

GOING FORWARD

Recent steps to implement the 15% minimum corporate tax rate is a start



CORPORATE PARTNERSHIP

Balancing Business Growth with Equality

01

Collaborative policy that balances governmental needs with access to resources businesses need to grow

- Policy
- Taxation

02

Incentivizing behavior that adds long term value to society

- Improving the Individual & Reducing Government Costs
Investment in Education, Technology, and Healthcare

THE LONG-TERM VIEW

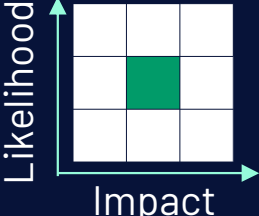
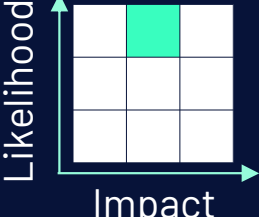
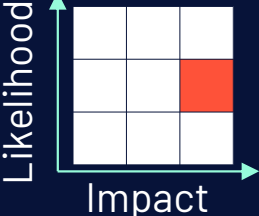
Incentivizing the Long-Term View

- Government investment in key global issues as part of a comprehensive business strategy
- Investment in both horizontal and vertical development

Opportunities in a Changing Market

- The growth of the socially conscious consumer
- Businesses that have traditionally focused on maximizing EPS have begun to derive higher profits by considering long-term planning

RISKS AND MITIGATION

RISK	CHART	MITIGATION
Perceptions		Awareness is present, messaging is necessary in framing problem to ensure awareness translates to action
Business Non-Compliance		Technology and transparency requirements can aid in regulation, consumer awareness can impact behavior
Government Non-Compliance		Supranational organizations and allied governments can help influence global behavior

MESSAGING



Bridging the gap between awareness and action



Marketing to businesses and marketing to consumers



Leveraging social media and data analytics



Equality as both a business and social issue

A Comprehensive Plan

Business

Messaging must be:

- Growth focused
- Highlight incentives
- Frame equality as a challenge to long term viability

Consumer

Messaging must be:


- Balance business and social concerns
- Leverage social media
- Frame as both problem and solution

THANK YOU

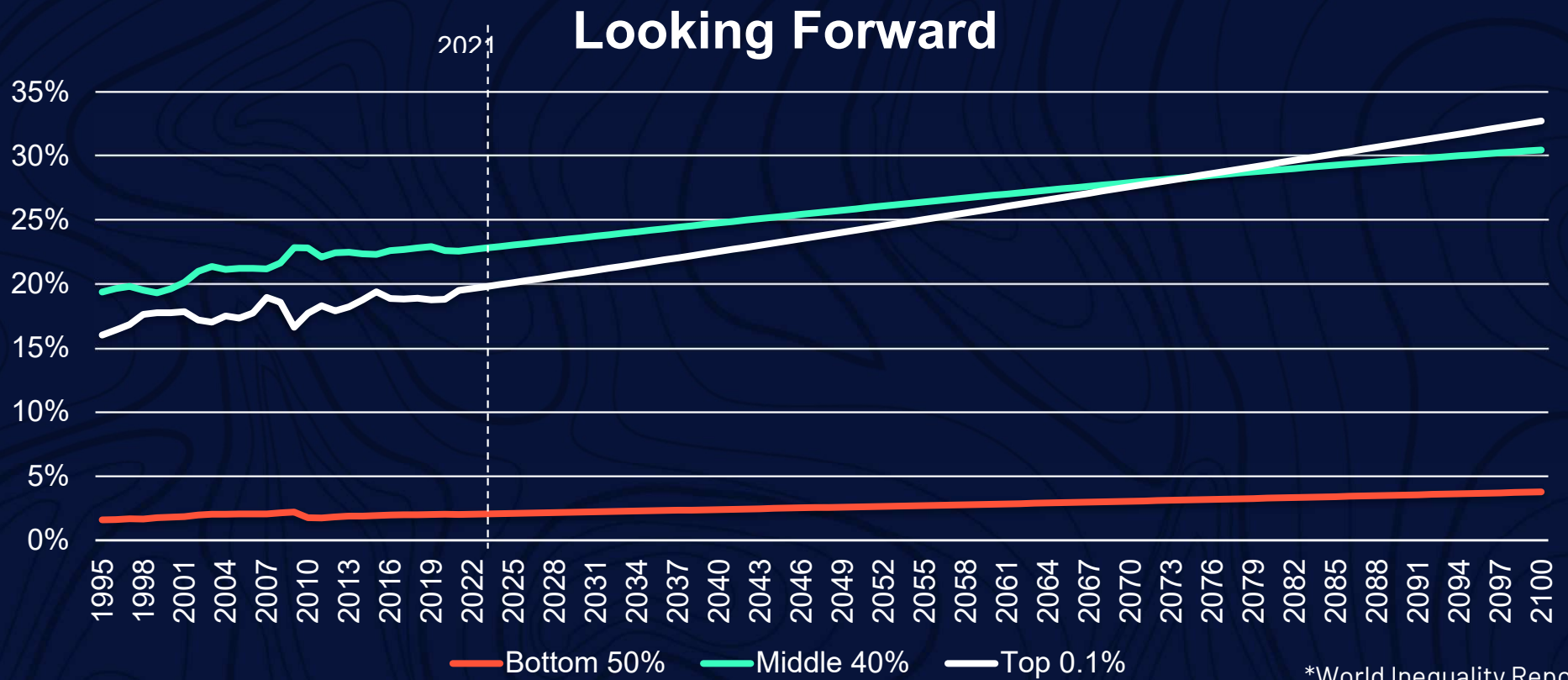


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APPENDIX A: WEALTH DISPARITY



*World Inequality Report 2021

APPENDIX B: INTRA-COUNTRY WEALTH

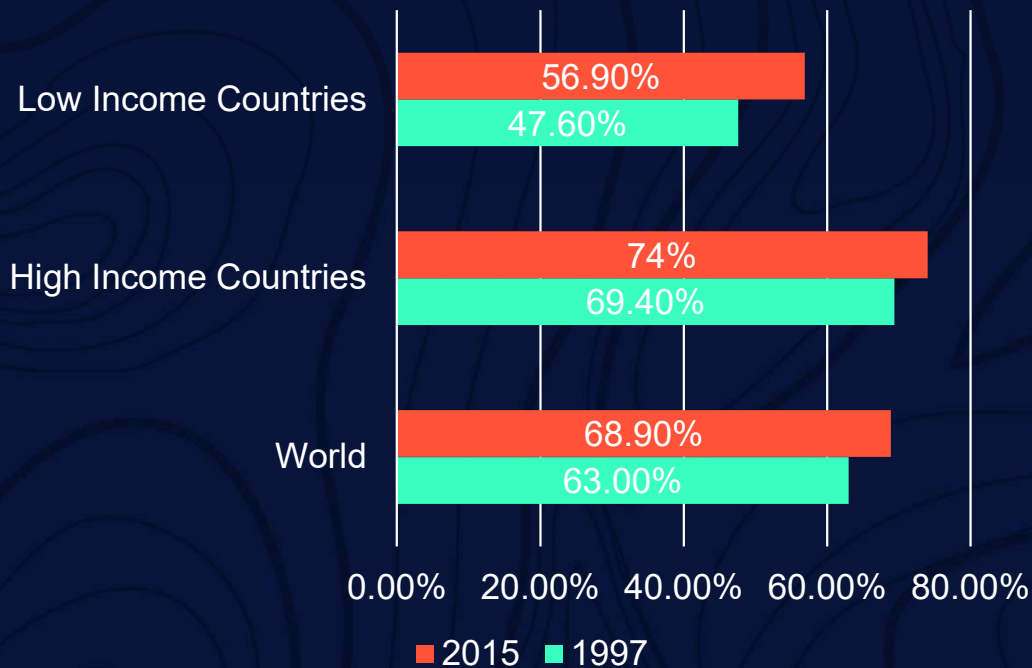
Change in Inequality Before/After Taxes



*World Inequality Report 2021

APPENDIX C: SERVICE SECTOR GROWTH

Service Share of GDP



Growth of world exports by type:



Manufacturing: **3.2%**



Commercial: **5.1%**



Agriculture: **5.3%**



Services: Share of Exports
1980: **17%**
2016: **24%**

* Deloitte Insights Report

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