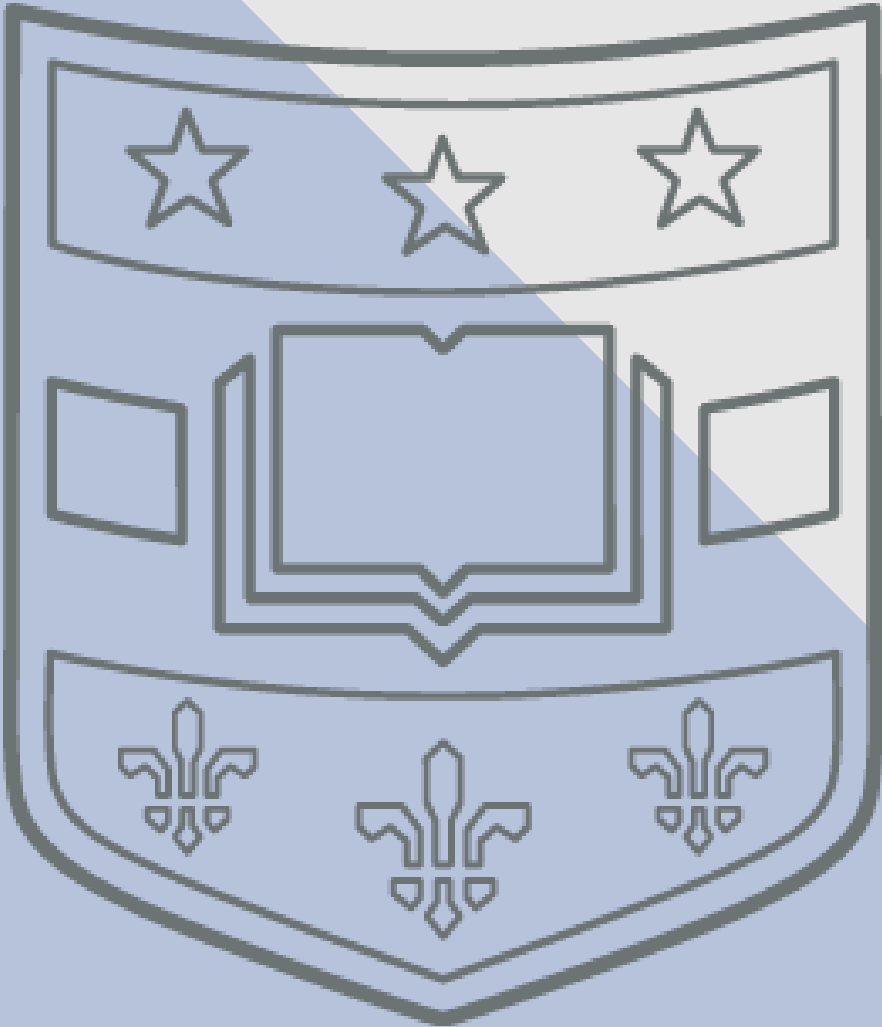


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CONCOURS INTERNATIONAL D'ÉTUDE DE  
**JOHN F. MOLSON**  
MBA INTERNATIONAL CASE COM



# Combating Global Wealth Disparity



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## OLIN BUSINESS SCHOOL



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# Dimensioning Economic Disparity

## 2-Levels of Economic Disparity

- ❖ Macroeconomic View

Global wealth disparity - country by country basis

- ❖ Microeconomic View

Demography - Race, Geography and Age  
Individuals

# AGENDA

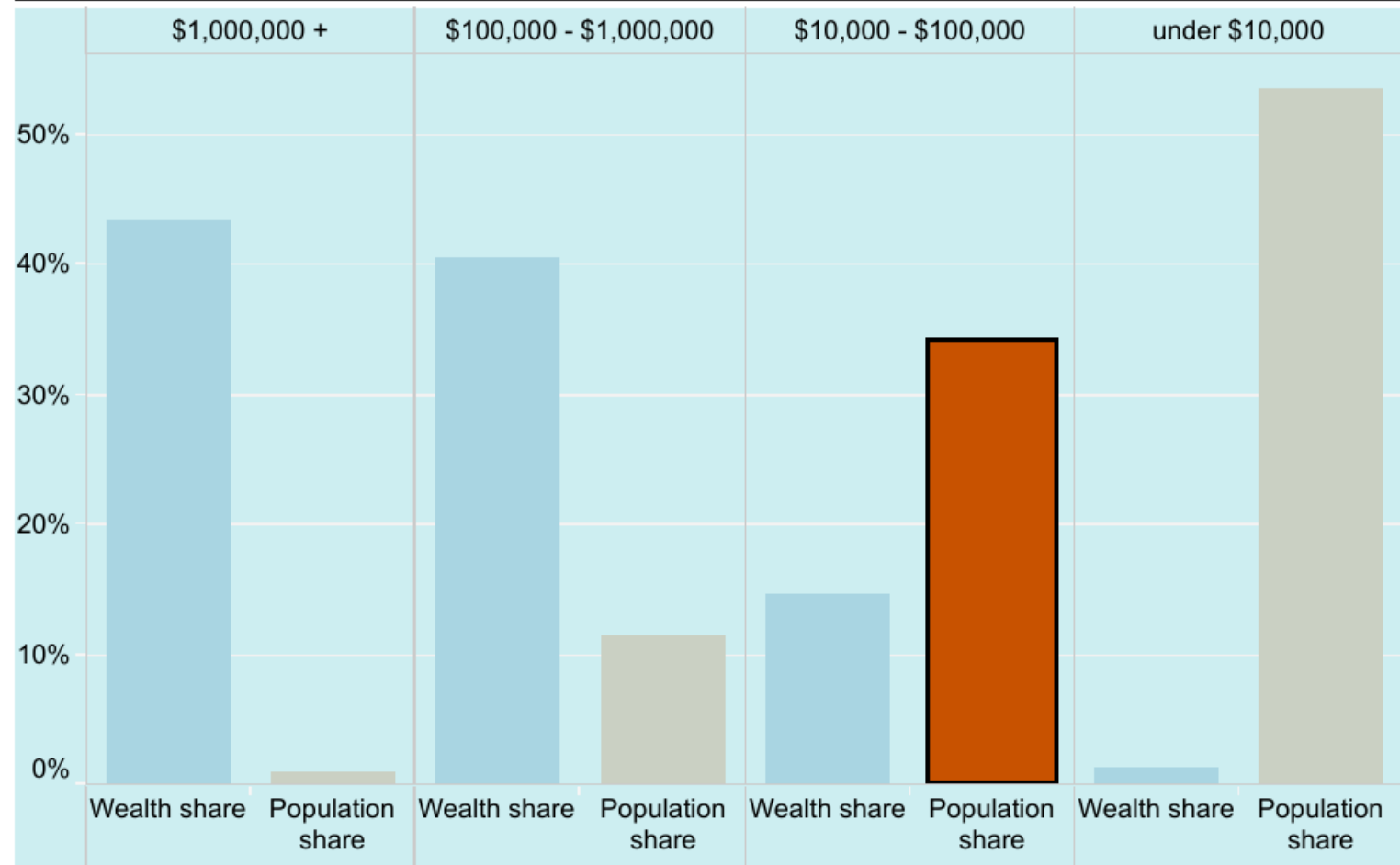


# Global Wealth Disparity

Wealth disparity has been on the rise across the globe for several decades. Despite the rise in global wealth, economic gaps have continued to grow amongst nations and individuals.

The wealth disparity in a country has significant implications on economic growth and stability.

**The Richest 1% Own 43% of the World's Wealth**  
*Global adult population and share of total wealth by wealth group, 2019*



Source: Credit Suisse Global Wealth Databook, 2020



# Macroeconomic Drivers of Wealth Disparity

Technological Advancement

Urbanization

Globalization

Government Policies

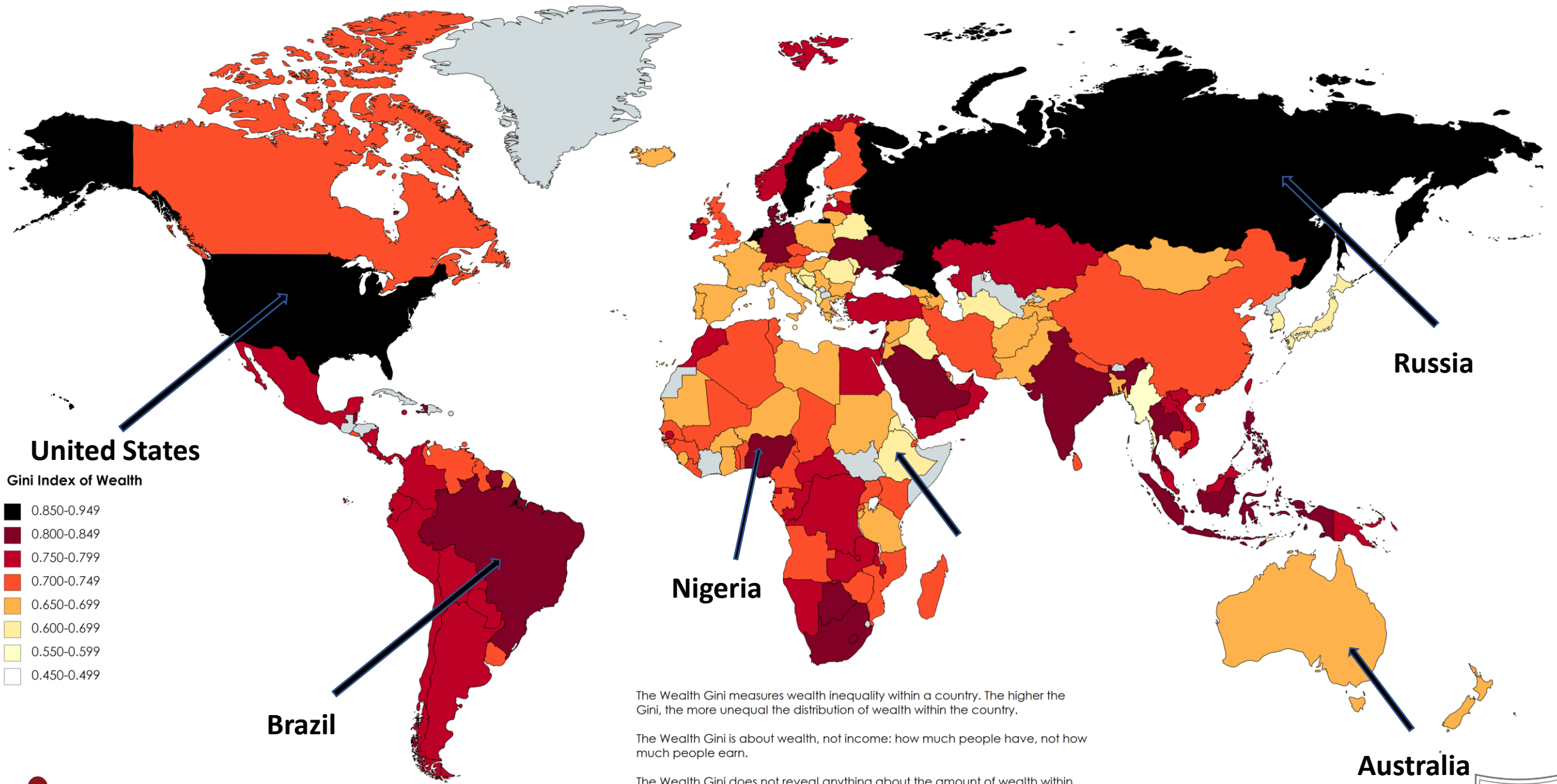
# Microeconomic Drivers of Wealth Disparity

Affordability of Health Care

Discrimination in Labour Markets

Cost and Availability of Secondary and  
Tertiary Institutions

High Interest Rates on Credit



The Wealth Gini measures wealth inequality within a country. The higher the Gini, the more unequal the distribution of wealth within the country.

The Wealth Gini is about wealth, not income: how much people have, not how much people earn.

The Wealth Gini does not reveal anything about the amount of wealth within the country (absolute or per capita), only how unequally distributed it is.

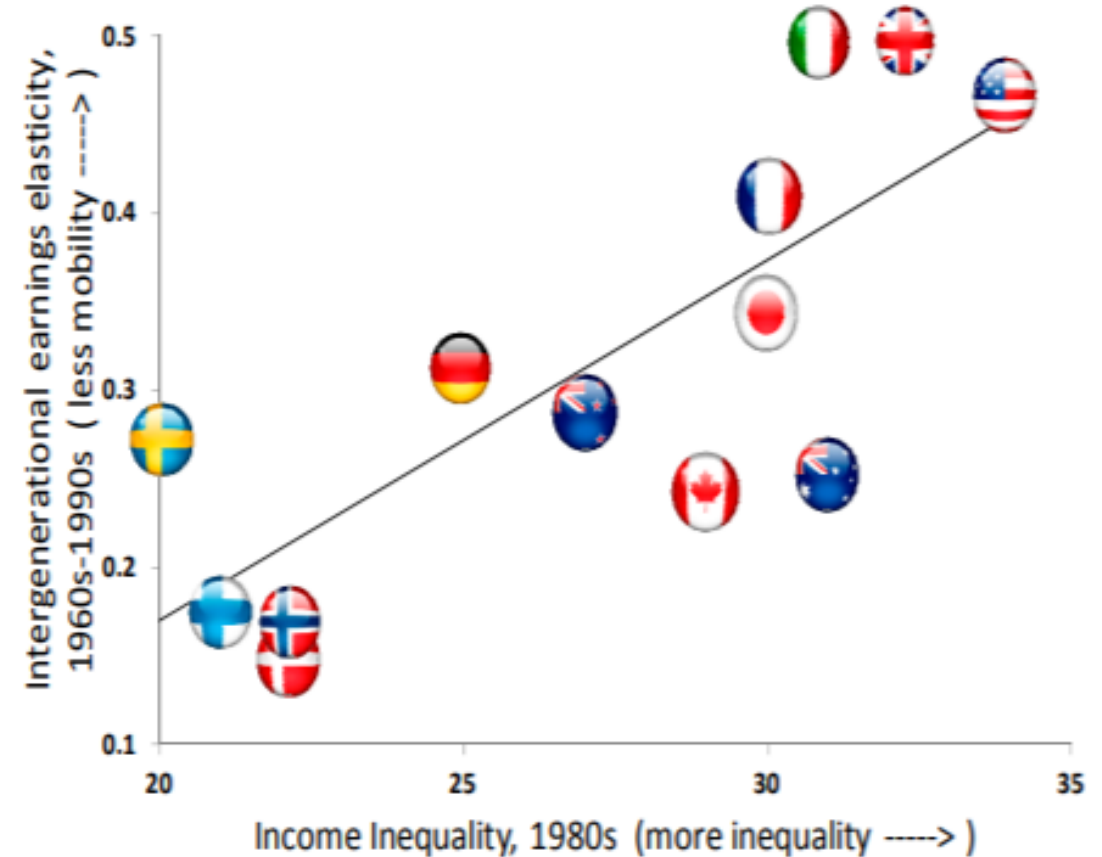




# Consequences of Wealth Disparity

- Global Labor Migration: Brain drain further deepens wealth disparity
- Reduces labor productivity: Low-income households invest in low quality education for their children
- Low Social Mobility: Countries with high income disparity have low mobility with parent's earnings determining their children's earnings (see Fig 1)

**Figure 1. Income Inequality and Social Mobility**



Sources: Corak (2013); Organisation of Economic Co-operation and Development; and IMF staff calculations.



## Consequences of Wealth Disparity

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Financial Crisis: Mostly in higher economies, income disparity forces society to push for financial deregulation, ultimately causing instability in the financial system.

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Insecurity & Crime: Wealth inequality damages trust and social cohesion.

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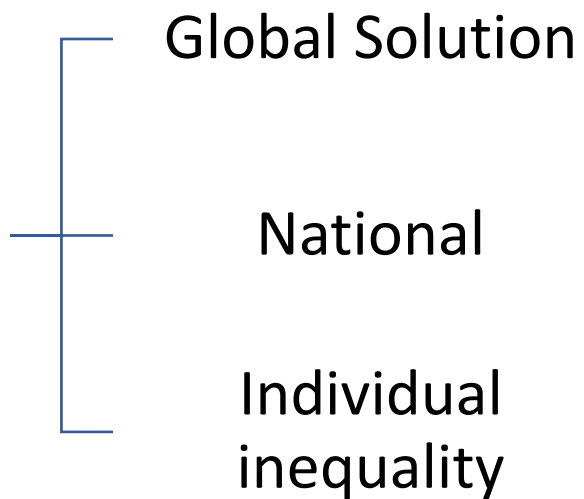
Slow responses to health crisis: Deprived countries are unable to contribute global pandemics

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## Strategies

Our Consensus is that Income differential should be Limited to minimize the catastrophe we see in largely disadvantaged society.

### Welfarist approach



# Global Solutions

A global enforcer of minimum acceptable level of disparity. To be enforced by a NGOs, International Organizations and Civil Society

25-year global rebalancing exercise periodically

Sustainability Initiatives

- Moratorium on facility to Indigent nations
- Debt Forgiveness
- A jubilee Season (Terms renegotiation)

Infrastructure Download

# National Solutions

National body among states legislating on minimum acceptable level of disparity. To be enforced by NGOs, International Organizations and Civil Society



25-year Global rebalancing exercise periodically



- Sustainability Initiatives
- Legislature (Taxation)
- Minimum Income and Living legislation



- Moratorium on facility to Indigent State
- Debt Forgiveness
- A jubilee Season (Terms renegotiation)



- Infrastructure Download

# Individual Inequality Solutions

A global Enforcer of minimum acceptable level of disparity To be enforced by a NGOs and International Org and Civil Society

25-year Global rebalancing exercise periodically

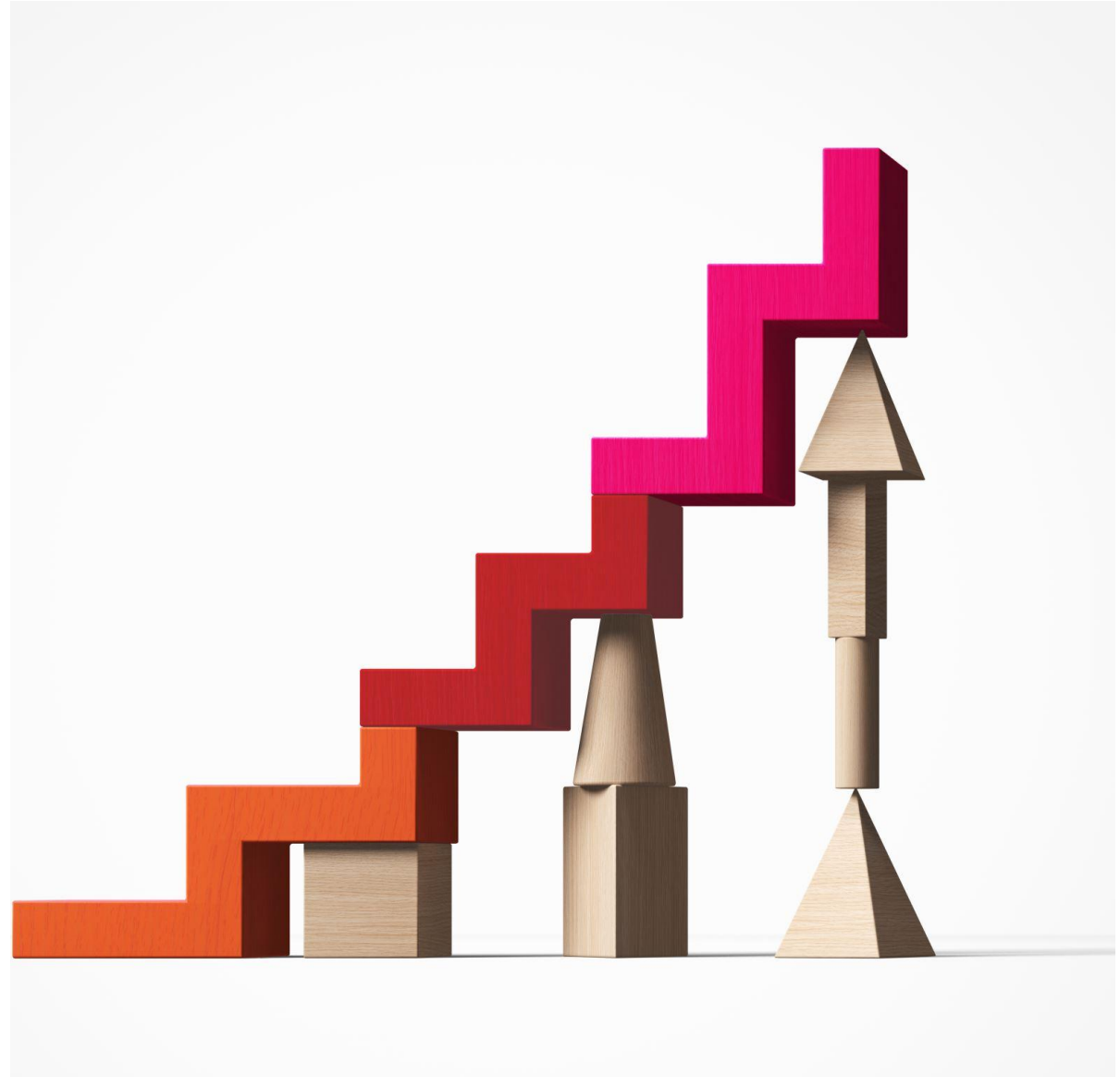
Sustainability Initiatives.

Moratorium on facility to Indigent persons  
Debt Forgiveness  
A jubilee Season (Terms renegotiation)

Property and living Condition  
Health and other Social Infrastructure  
Download

# RISKS

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# Risks – Strategy Implementation

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- Leakages from Cash Transfer Programs: Some project funds in poorer countries do not reach the poor. Weak institutions, inadequate payment infrastructure and poor accountability creates fund diversion
- Direct taxation vs Indirect Taxation: Indirect taxation benefits the wealthy because they save more than they consume (a caveat is that consumption baskets of households differ across countries)
- Direct Tax Avoidance: The wealthy hide behind nuances of the law and divert income for tax avoidance purposes
- Counter effect of minimum wage laws: Corporations react by employing less, further increasing the gap between the wealthy and less wealthy



<https://vimeo.com/manage/videos/658446499>

Thank You

