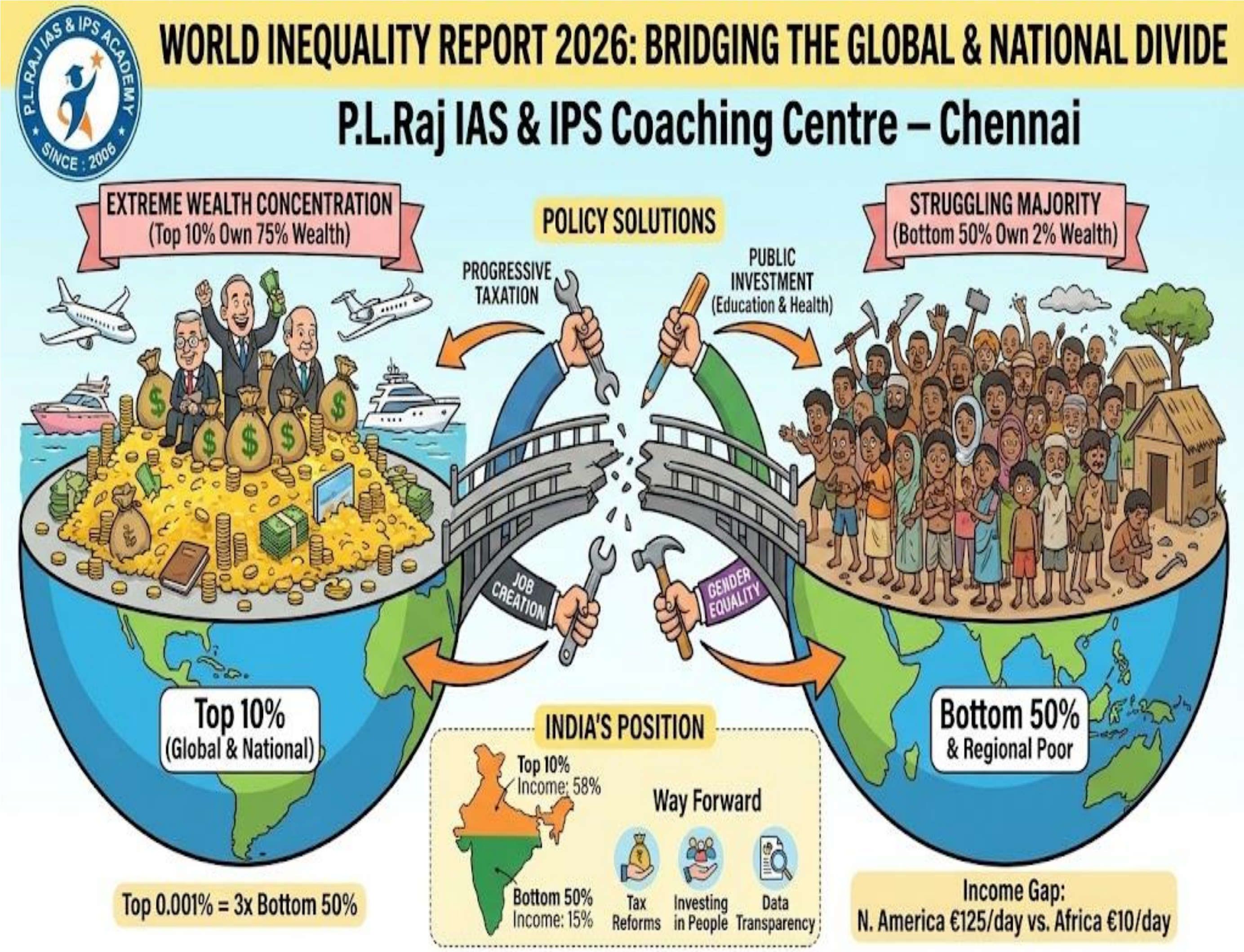
The World Inequality Report 2026

Introduction - The State of Global Inequality

The World Inequality Report 2026 (WIR 2026), released by the World Inequality Lab, presents a stark diagnosis of the global economy. It reveals that inequality has reached historic peaks, warning that such extreme disparities are no longer sustainable for social stability, democracy, or the climate. For Civil Services aspirants, this report serves as a critical document to understand the structural fissures in the global and Indian economy, moving beyond aggregate growth figures like GDP to the distributive reality of who actually benefits from growth.



Elicitations of the Report - Key Findings

The report elicits a disturbing picture of concentration -

Extreme Wealth Concentration - The global top 10% own 75% of all wealth, while the bottom 50% own just 2%.

The Ultra-Rich - The top 0.001% (fewer than 60,000 people) control wealth equivalent to three times that of the poorest half of humanity.

Multi-Dimensional Crisis - Inequality is not just about money; it intersects with gender (women earn 32% of men's labor income including unpaid work) and climate (the top 10% are responsible for 77% of emissions linked to capital ownership).

The Nature of the Divide

1. Global and Regional Divide

The report highlights a "Geography of Opportunity." Global averages hide massive regional disparities.

Income Gap - An average individual in North America & Oceania earns approximately €125 (PPP) per day, whereas someone in Sub-Saharan Africa earns just €10. This 13-fold difference indicates that where you are born largely determines your economic destiny.
The Educational Chasm - There is a 1 -40 gap in education spending. North America spends over €9,000 per child annually, compared to just €220 in Sub-Saharan Africa. This disparity in human capital investment ensures that inequality persists across generations.

2. The Position of India - "Poor Country with an Affluent Elite"

India is highlighted as one of the most unequal large economies in the world.
Income Inequality - The top 10% of the population captures 58% of the total national income. In stark contrast, the bottom 50% gets only 15%.
Wealth Inequality - The wealth gap is even wider, with the top 10% owning 65% of the nation's wealth, while the bottom 50% owns a negligible 6%.
Stagnation - Despite high GDP growth, the income share of the bottom 50% has barely budged over the last decade, suggesting a lack of "trickle-down" benefits.
Gender Gap - Female labor force participation remains stagnant at 15.7%, one of the lowest globally, reflecting deep structural barriers.

Policies to Reduce Inequalities

The WIR 2026 argues that inequality is a political choice, not an inevitability. It recommends -
Progressive Taxation - Implementing wealth taxes on the ultra-rich (centi-millionaires and billionaires) to fund public services. A modest tax could generate billions for development.
Global Financial Register - Creating a global registry of financial assets to curb tax evasion and illicit financial flows.
Redistribution - Direct cash transfers and stronger social safety nets for the bottom 50%.

The Role of Public Investments in Education & Health

The report identifies public investment in human capital as the most effective equalizer.
Education - Free, high-quality public education levels the playing field, allowing talent to rise regardless of family background. The current disparity in spending (the 1 -40 gap) must be closed to reduce future income inequality.
Health - Universal healthcare protects the poor from catastrophic expenditure, which is a leading cause of poverty in developing nations like India.

Government of India Measures (2025-26 Context)

The Government of India has recognized these challenges and initiated measures in the recent Budget (2025-26) and ongoing schemes -

1. **Rural Prosperity -** A comprehensive 'Rural Prosperity and Resilience' programme to boost agricultural incomes and reduce the urban-rural divide.
2. **MGNREGA -** Continued support for the rural employment guarantee scheme (recently proposed to be revamped) as a distress safety net.
3. **Gender Budgeting -** An increase in the Gender Budget to 8.86% of total outlay, with schemes like 'Lakhpati Didi' aiming to empower women financially.
4. **Social Security -** Initiatives like PM-JANMAN for vulnerable tribal groups and Ayushman Bharat for health coverage aim to protect the bottom tier.

Way Forward

To bridge the divide, India needs a strategic shift -

1. **Tax Reforms -** India's tax-to-GDP ratio is low. Increasing reliance on direct taxes (income/wealth) rather than indirect taxes (GST), which are regressive, is crucial.
2. **Job Creation -** Growth must be "employment-led." Moving labor from low-productivity agriculture to manufacturing and services is essential to raise the income of the bottom 50%.
3. **Investing in People -** Public spending on health should target 2.5% of GDP and education 6% of GDP (as per NEP 2020 targets) to build a productive workforce.

4. **Data Transparency -** Improving the availability of economic data to better track and target inequality.

Conclusion

The World Inequality Report 2026 serves as a mirror to the global and Indian economy. While India's growth story is compelling, the extreme concentration of wealth threatens to undermine social cohesion and economic sustainability. The path forward lies in recognizing that GDP growth is a means, not an end. The ultimate goal must be the equitable distribution of prosperity, achieved through robust public investment in education, health, and a fair taxation system. As the report concludes, "Inequality is not a law of nature; it is the product of laws and policies."

Main Practice Question

1. Critically analyze the World Inequality Report 2026's assertion that "inequality is a political choice," specifically in the context of India's widening human capital gap and the need for employment-led growth. (15 marks)

Answer Guidelines - The answer should connect the report's theoretical premise (policy choices drive inequality) with the specific Indian context of low social spending and jobless growth.

1. Introduction - The Policy-Inequality Nexus (Approx. 50 words)

Define the Assertion - Quote the World Inequality Report 2026's finding that inequality is not inevitable but stems from policy choices (e.g., regressive taxation, privatization).

Indian Context - State that India's "Billionaire Raj" (Top 10% holding 65% wealth) coexists with stagnant incomes for the bottom 50%, validating the report's claim of a policy-driven divide.

2. Body

1. The Human Capital Deficit (Approx. 120 words)

Education & Health Gap - Highlight the report's finding of a massive disparity in public investment (the global 1 -40 education spending gap). In India, public spending on health (<2.5% of GDP) and education (<6% of GDP) remains below targets.

Impact - Explain how this underinvestment locks the bottom 50% into low-productivity traps, perpetuating intergenerational inequality. It creates a "Geography of Opportunity" where talent is wasted due to a lack of resources.

2. Employment-Led Growth vs. Jobless Growth (Approx. 100 words)

Structural Flaw - Discuss the paradox of high GDP growth without commensurate job creation for the masses. The report notes stagnant female labor participation (15.7%) and the low income share of the bottom 50%.

Shift Required - Argue that India needs to shift from capital-intensive growth to employment-led growth (manufacturing, labor-intensive services) to redistribute the gains of development.

3. Conclusion - Political Will for Reform (Approx. 50 words)

Conclude that bridging the divide requires the political will to implement progressive taxation (wealth tax) and ring-fence those funds for human capital investment. Without this "political choice," India's demographic dividend risks becoming a demographic burden.