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The U.S. Is the Most Unequal Developed Economy Outside Southern Europe

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By Kasia Klimasinska 9 hours ago



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The developed world's most unequal economies are in struggling southern Europe, closely followed by the U.S.

That's according to a new [report](#) from Morgan Stanley, where analysts looked at indicators including the gender pay gap, involuntary part-time employment and Internet access. The bank also found that the rise of economies such as China and India has helped drive down inequality between countries, even though inequality within many individual has grown. Since the mid-1980s, income inequality has risen the most in Sweden when looking at developed economies. Even after that increase, Sweden (along with the rest of Scandinavia) still had the lowest levels of inequality.

Persistent inequality hurts economic growth over the long run, according to the bank. By hindering access to opportunity, it undermines incentives to work hard, get more education and improve skills. It may undermine trust in policy makers and social institutions, and lead to economic policy solutions such as increased market regulation, protectionism and anti-immigration measures.

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"Past generations of middle-class families, emerging from the post-WWII period, could aspire to improving living standards, with a reasonably sized house, a good education for their children" and dependable pensions, Morgan Stanley economists said in their report Tuesday. "In contrast, middle-class aspirations are now running up against the wall of job and retirement insecurity."

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	MS Inequality Indicator (MSII)	Gini Coefficients	Wage Dispersion	Workplace Inclusion	Health Status	Digital Access
Portugal	1	4	4	10	4	3
Italy	2	7	10	1	18	1
Greece	3	3	6	14	14	2
Spain	4	6	9	4	16	5
US	5	1	1	19	6	14
Germany	6	13	5	8	5	11
Australia	7	8	11	3	13	9
Austria	8	16	8	13	2	7
Ireland	9	11	14	2	17	6
Canada	10	9	7	7	15	13
Poland	11	12	18	5	12	4
UK	12	2	3	20	11	16
Japan	13	5	2	11	20	15
France	14	10	12	6	19	8
Switzerland	15	14	16	9	8	12
Belgium	16	18	19	16	1	10
Netherlands	17	15	13	12	9	19
Finland	18	19	15	17	3	17
Sweden	19	17	17	15	7	18
Norway	20	20	20	18	10	20

Note: 1 = most unequal. See Exhibit 3 for more information about the ranking methodology. Source: OECD, Morgan Stanley Research

Still, some investors are well-positioned to profit from the growing inequality gap.

Greater product differentiation, with more price and quality options at the top and the bottom, will probably continue, Morgan Stanley said. That will benefit companies such as Nestle SA, which is successful in catering to both higher- and lower-income customers by simultaneously offering luxury and affordable products, according to Morgan Stanley.

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