

# POL2012: Theories and Models in Political Economy Inequality

Marius Swane Wishman

Department of Sociology and Political Science



# Inequality of what?

- ▶ Gender?
- ▶ Opportunity?
- ▶ Social inequality
- ▶ Wealth?
- ▶ Income?

# Inequality of what?

- ▶ Gender?
- ▶ Opportunity?
- ▶ Social inequality
- ▶ Wealth?
- ▶ Income?

# Inequality of what?

- ▶ Gender?
- ▶ Opportunity?
- ▶ Social inequality
- ▶ Wealth?
- ▶ Income?

# Inequality of what?

- ▶ Gender?
- ▶ Opportunity?
- ▶ Social inequality
- ▶ Wealth?
- ▶ Income?

# Inequality of what?

- ▶ Gender?
- ▶ Opportunity?
- ▶ Social inequality
- ▶ Wealth?
- ▶ Income?

“The rich are getting richer, and the poor are getting poorer”

- ▶ The economy is not a zero sum game
- ▶ “Everyone” are getting richer, but the rich are getting richer faster and some started with more
- ▶ Inequality  $\neq$  Poverty



- ▶ The economy is not a zero sum game
- ▶ “Everyone” are getting richer, but the rich are getting richer faster and some started with more
- ▶ Inequality  $\neq$  Poverty

- ▶ The economy is not a zero sum game
- ▶ “Everyone” are getting richer, but the rich are getting richer faster and some started with more
- ▶ Inequality  $\neq$  Poverty

## Let's look at the data

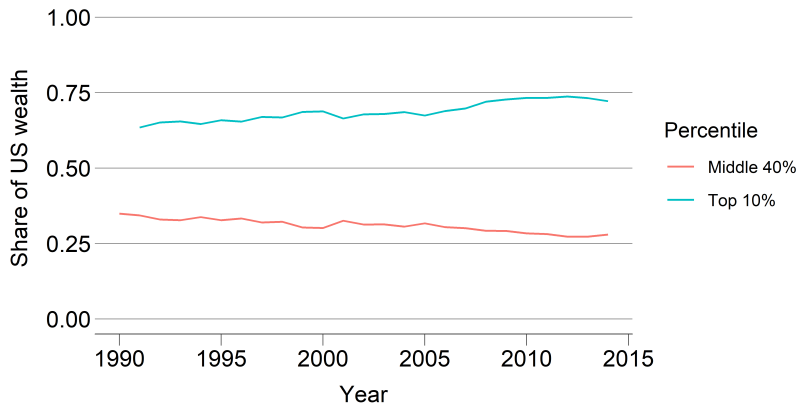


Figure: American Wealth inequality (Source: WID)

## Let's look at the data

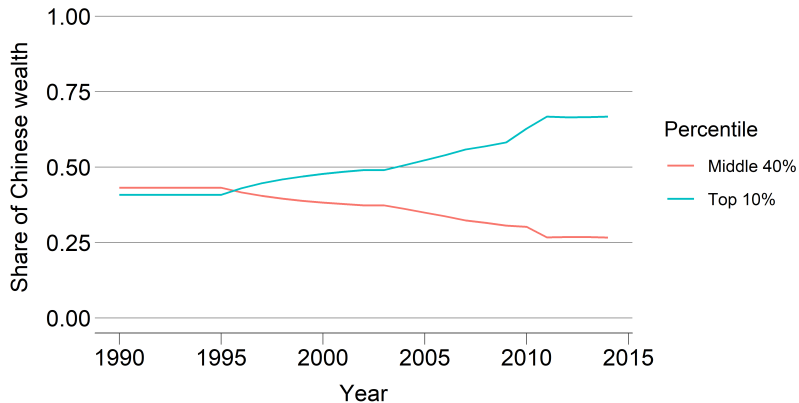


Figure: Chinese Wealth inequality(Source: WID)

# Top and bottom

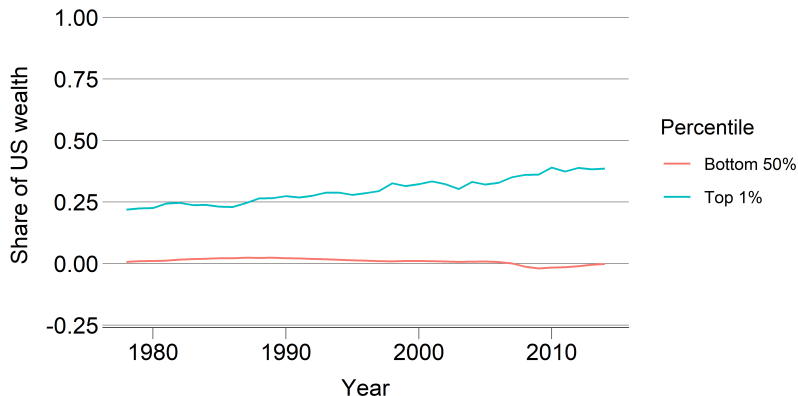


Figure: American Wealth inequality (Source: WID)

# Top and bottom

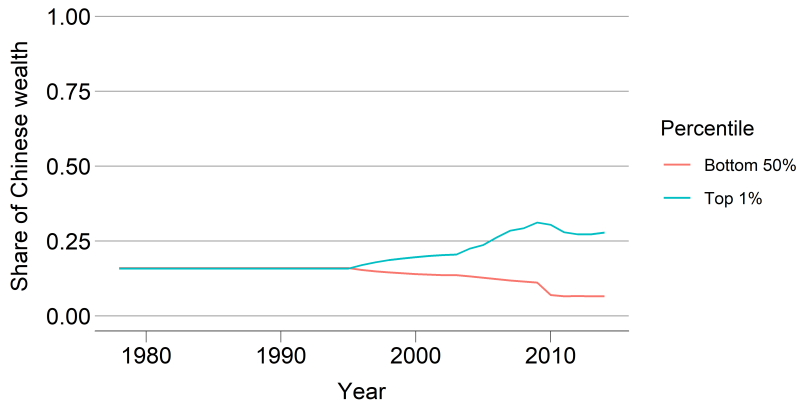


Figure: Chinese Wealth inequality (Source: WID)

# Top and bottom, Income

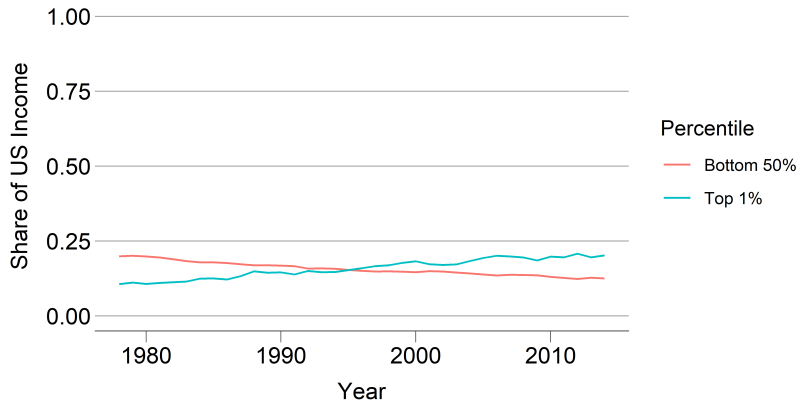


Figure: American Income inequality (Source: WID)

# Top and bottom, Income

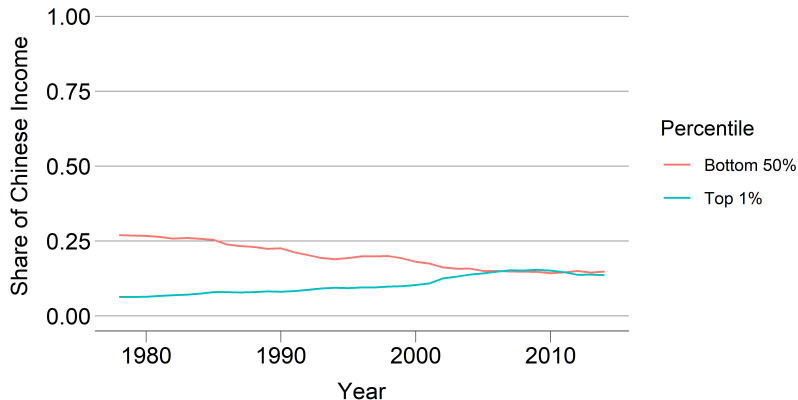


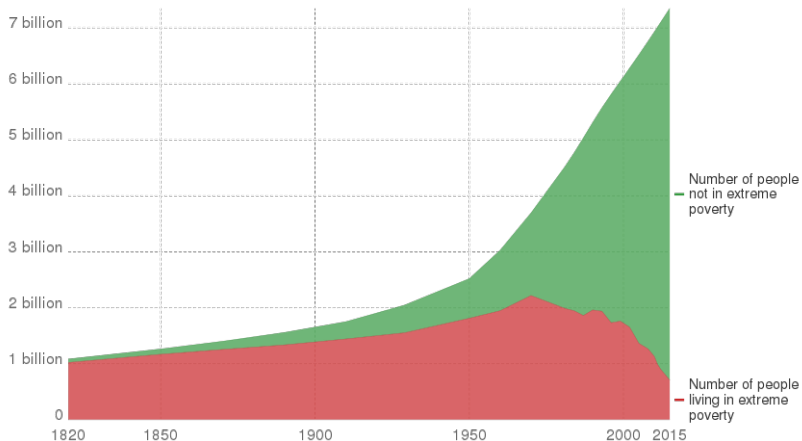
Figure: Chinese Income inequality (Source: WID)



# Poverty

## World population living in extreme poverty, 1820-2015

Extreme poverty is defined as living at a consumption (or income) level below 1.90 "international \$" per day. International \$ are adjusted for price differences between countries and for price changes over time (inflation).

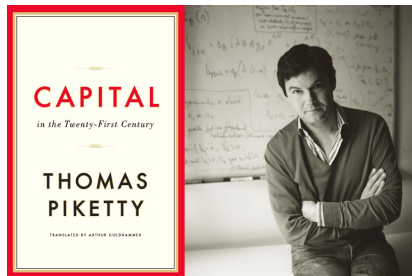


Source: World Poverty in absolute numbers - OWID based on World Bank (2016) and Bourguignon and Morrisson (2002)

What are the consequences of high/increasing economic inequality?

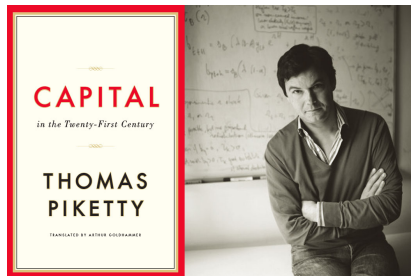
What are the causes?

- ▶  $r > g$ 
  - ▶ → income from rents increase more than income from wages (which depend on growth)
  - ▶ → wealth inequality over time

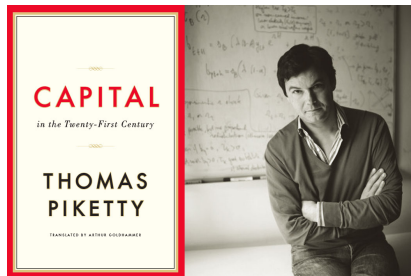


# Piketty

- ▶  $r > g$ 
  - ▶ → income from rents increase more than income from wages (which depend on growth)
  - ▶ → wealth inequality over time

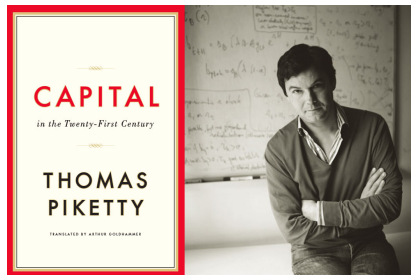


- ▶  $r > g$ 
  - ▶ → income from rents increase more than income from wages (which depend on growth)
  - ▶ → wealth inequality over time



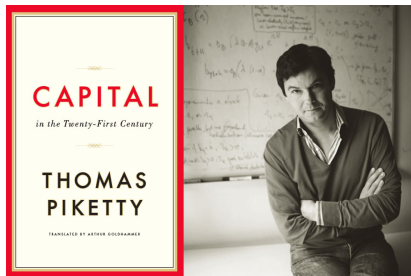
# Piketty

- ▶  $r > g$
- ▶ Goes(2016): Observed increases in income inequality largely uncorrelated with changes in  $r - g$ .
- ▶ Acemoglu & Robinson (2015): Institutions!  $r > g$  not unimportant (does lead to more inequality), but many other variables quantitatively more important
- ▶ Stiglitz: Two forms of capital



# Piketty

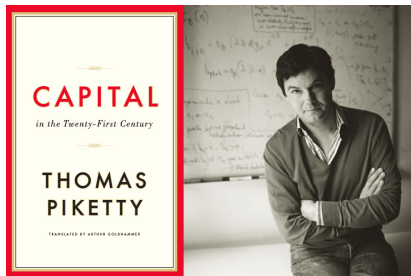
- ▶  $r > g$
- ▶ Goes(2016): Observed increases in income inequality largely uncorrelated with changes in  $r - g$ .
- ▶ Acemoglu & Robinson (2015): Institutions!  $r > g$  not unimportant (does lead to more inequality), but many other variables quantitatively more important
- ▶ Stiglitz: Two forms of capital





# Piketty

- ▶  $r > g$
- ▶ Goes(2016): Observed increases in income inequality largely uncorrelated with changes in  $r - g$ .
- ▶ Acemoglu & Robinson (2015): Institutions!  $r > g$  not unimportant (does lead to more inequality), but many other variables quantitatively more important
- ▶ Stiglitz: Two forms of capital



How do we solve it?

- ▶ Progressive taxation?

- ▶ Scheidel (2017): Only large scale violence and plague has ever worked
- ▶ Piketty: wars made the necessary policies politically viable

- ▶ Public tax records?

- ▶ Global cooperation

- ▶ Focus on reducing poverty instead?

- ▶ Progressive taxation?
  - ▶ Scheidel (2017): Only large scale violence and plague has ever worked
    - ▶ Piketty: wars made the necessary policies politically viable
- ▶ Public tax records?
- ▶ Global cooperation
- ▶ Focus on reducing poverty instead?

- ▶ Progressive taxation?
  - ▶ Scheidel (2017): Only large scale violence and plague has ever worked
  - ▶ Piketty: wars made the necessary policies politically viable
- ▶ Public tax records?
- ▶ Global cooperation
- ▶ Focus on reducing poverty instead?

- ▶ Progressive taxation?
  - ▶ Scheidel (2017): Only large scale violence and plague has ever worked
  - ▶ Piketty: wars made the necessary policies politically viable
- ▶ Public tax records?
- ▶ Global cooperation
- ▶ Focus on reducing poverty instead?

- ▶ Progressive taxation?
  - ▶ Scheidel (2017): Only large scale violence and plague has ever worked
  - ▶ Piketty: wars made the necessary policies politically viable
- ▶ Public tax records?
- ▶ Global cooperation
- ▶ Focus on reducing poverty instead?

- ▶ Progressive taxation?
  - ▶ Scheidel (2017): Only large scale violence and plague has ever worked
  - ▶ Piketty: wars made the necessary policies politically viable
- ▶ Public tax records?
- ▶ Global cooperation
- ▶ Focus on reducing poverty instead?