

March 3rd:

Why Britain?

- cheap coal
- Institutional changes
  - Limited Liability Corporation
  - Property rights
  - Patents
  - Interest rates fell
- Rising incomes
  - ↑ private savings
  - high wages → technology innovation

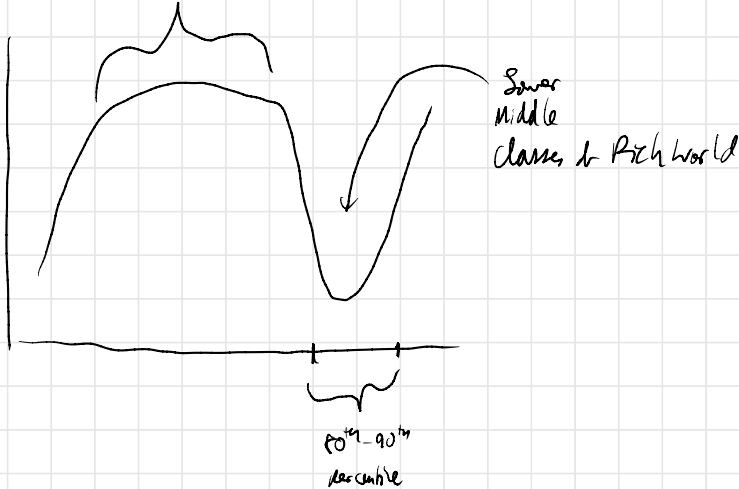
Inequality: is growth evenly distributed across society

- We want incentives to spur people to work
- Extreme levels of inequality → corrupt political institutions → no more growth (the story of Britain)
- Poverty trap: increases inequality of opportunity
- Structural barriers to competition

## Trends in inequality:

- inequality has been falling due to growth in lower income countries

Elephant graph: growth in China and India



- Inequality is increasing in the US (L-R trend)
  - why?
- Starts increasing in the 1980s
  - due to labor income:
    - declining labor mobility
    - education
    - health care
    - Superstar effect: if you become really good, you get much richer
      - Superstar firms!
  - Skill-biased technological change
  - Globalization & Automation