

Income and Wealth Inequality

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Introduction

We set the stage by examining trends in raw data:

- ▶ Income and wealth distribution over time
- ▶ and across countries

Table 2

Concentration and Skewness of the Distributions

	Earnings	Income	Wealth
Coefficient of variation	3.60	4.32	6.02
Variance of the logs	1.29	0.99	4.53
Gini index	0.64	0.58	0.82
Top 1% / lowest 40%	183	88	1,526
Location of mean (%)	69	74	80
Mean / median	1.72	1.77	4.61

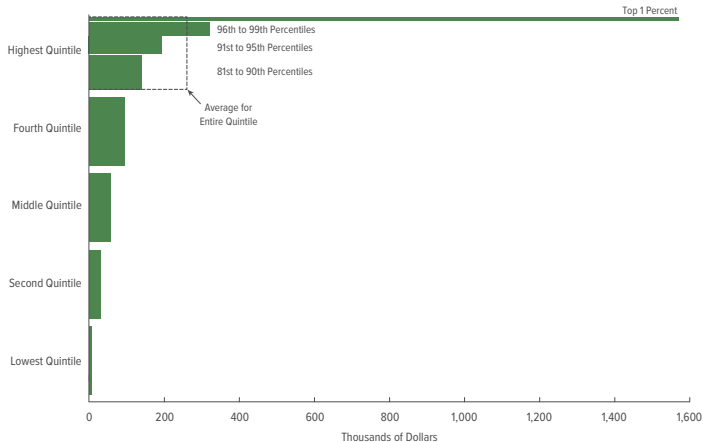
Diaz-Gimenez et al. (2011)

Income Levels

Figure 3.

[Return to Reference](#)

Average Market Income, by Market Income Group, 2013



Source: Congressional Budget Office.

Source: Congressional Budget Office (2016)

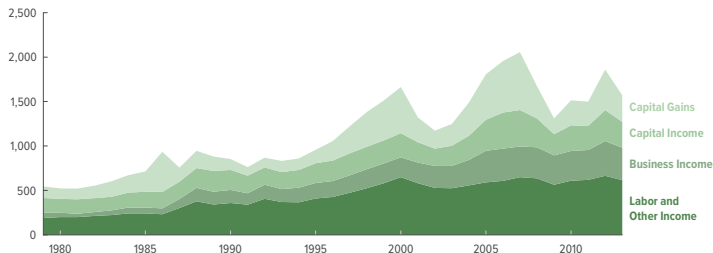
Income Components over Time

Figure 9.

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Components of Inflation-Adjusted Market Income for the Top 1 Percent of Households, 1979 to 2013

Thousands of 2013 Dollars



Source: Congressional Budget Office.

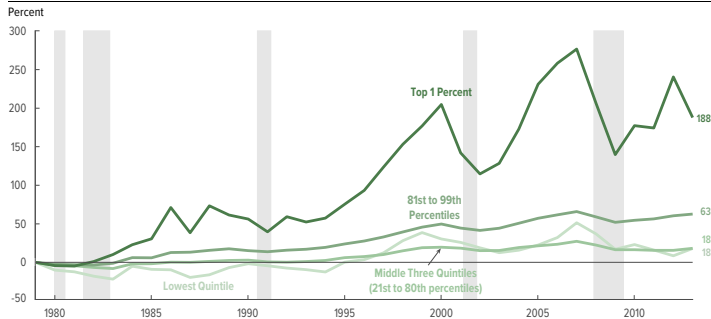
Source: Congressional Budget Office (2016)

Rising Dispersion

Figure 8.

[Return to Reference 1, 2, 3](#)

Cumulative Growth in Average Inflation-Adjusted Market Income, by Market Income Group, 1979 to 2013



Source: Congressional Budget Office.

Source: Congressional Budget Office (2016)

Rising Incomes at the Top

Figure 1

Top 1 Percent Income Share in the United States



Source: Source is Piketty and Saez (2003) and the World Top Incomes Database.

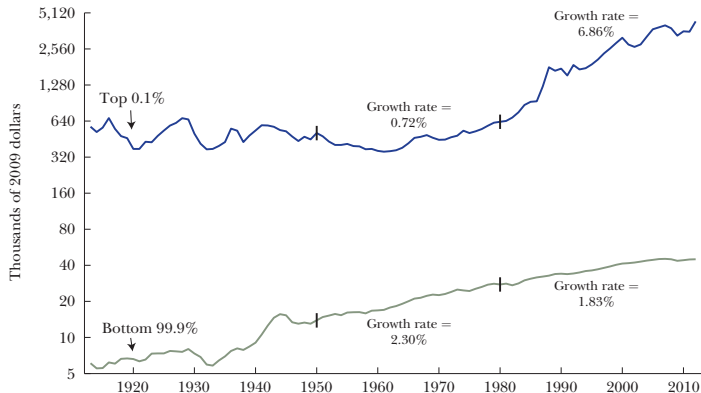
Notes: The figure reports the share of total income earned by top 1 percent families in the United States from 1913 to 2011. Income is defined as pre-tax market income; it excludes government transfers and nontaxable fringe benefits. The figure reports series including realized capital gains (solid squares) and series excluding realized capital gains (hollow squares).

Alvaredo et al. (2013)

The rich and the rest

Figure 1

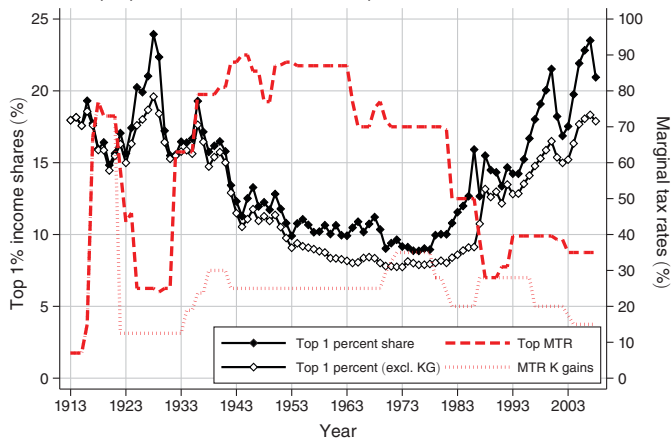
GDP per Person, Top 0.1 Percent and Bottom 99.9 Percent



Source: Jones (2015)

Top Tax Rates

Panel A. Top 1 percent income shares and Top MTR



Piketty et al. (2014)

Redistribution

Figure 14.

[Return to Reference](#)

Gini Indexes Based on Market, Before-Tax, and After-Tax Income, 1979 to 2013



Source: Congressional Budget Office.

Source: Congressional Budget Office (2016)

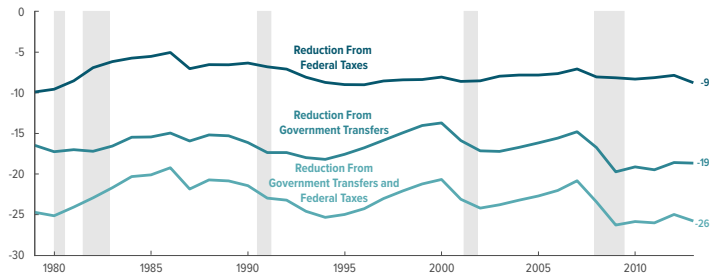
Redistribution

Figure 15.

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Reduction in Income Inequality From Government Transfers and Federal Taxes, 1979 to 2013

Percentage Change in Gini Index



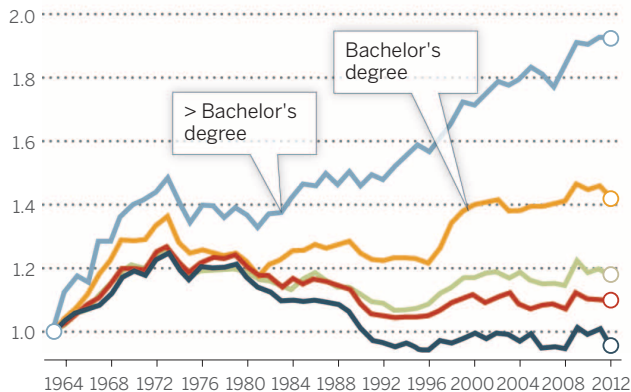
Source: Congressional Budget Office.

Source: Congressional Budget Office (2016)

Returns to Skill

Real weekly earnings relative to 1963 (men)

A

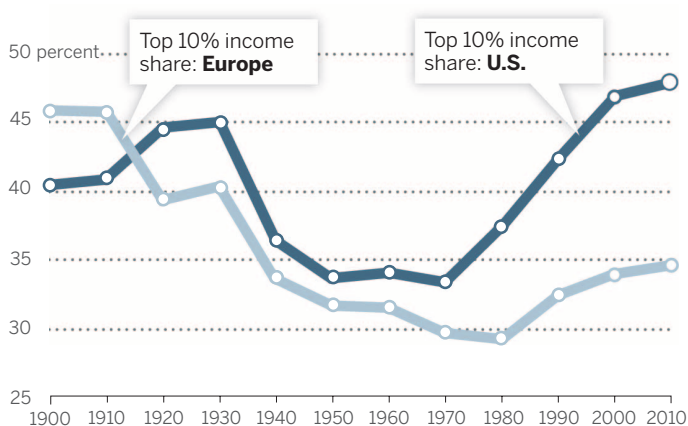


Source: Autor (2014)

Remarkable: No wage gains for high school grads since 1970

Long-run Perspective

Share of top income decile in total pretax income



Source: Piketty and Saez (2014)

Top Wealth Shares

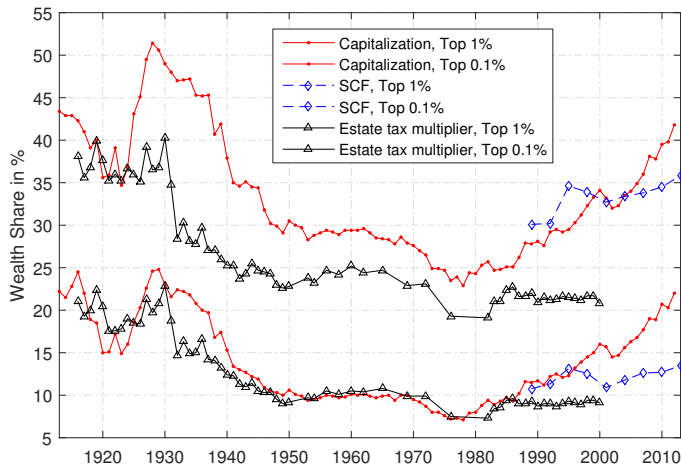


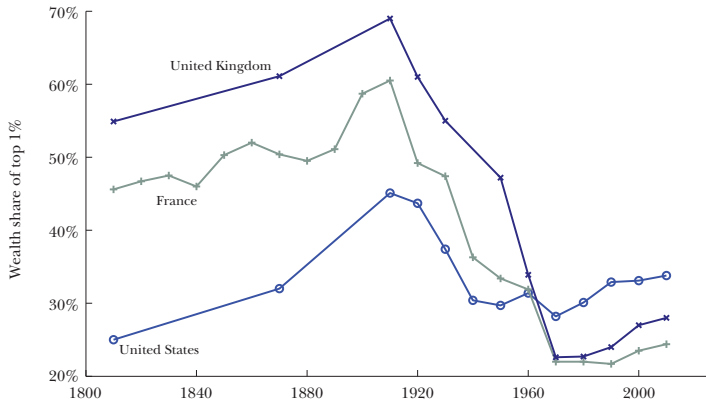
Figure 1: Top wealth share measurements over time

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Cross-country comparison

Figure 3

Wealth Shares of the Top 1% in Three Countries, 1800 to 2010



Source: Jones (2015)

Data Sources

Panel data:

- ▶ PSID, NLSY, SIPP, ...
- ▶ possible to see how wealth is accumulated
- ▶ possible to construct lifetime incomes and sources
- ▶ fail to sample the top 1%

Survey of Consumer Finances

Detailed income and wealth information

Oversamples the rich

Cross section data - cannot follow individuals over time

Small samples

Administrative data

Social security earnings histories

Benefits:

- ▶ no measurement error
- ▶ huge samples

Drawbacks:

- ▶ almost impossible to access
- ▶ limited background info

Guvenen et al. (2014), Guvenen et al. (2017)

World Top Incomes Database

- ▶ Based on tax returns (mostly).
- ▶ Multiple countries.
- ▶ Some imputations for wealth.
- ▶ Piketty and Saez (2003), Alvaredo et al. (2013)
- ▶ Fagereng et al. (2016):
 - ▶ question the accuracy of the Piketty and Saez (2014) inference from tax returns for top wealth holdings. u
 - ▶ uses administrative data from Norway.

References I

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