

Inequality: Facts

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Econ520

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Introduction

We study economic inequality within countries.

- ▶ income and wealth

We start with descriptive facts

- ▶ how much inequality is there? (a lot)
- ▶ has inequality been rising over time? (yes)
- ▶ how does it compare across countries?

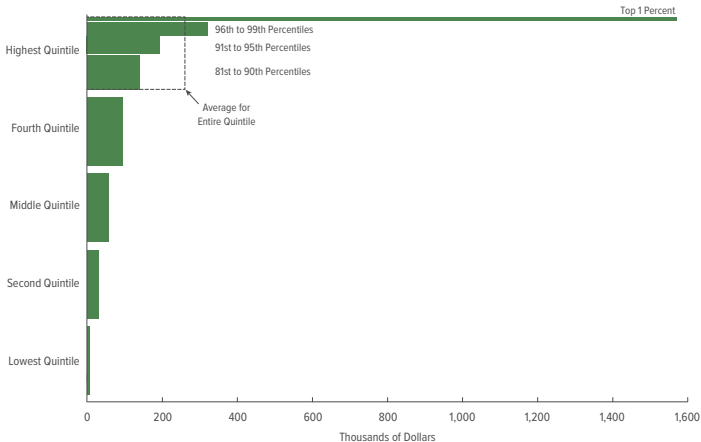
Then we look at potential causes and policy options.

Income Distribution

Figure 3.

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Average Market Income, by Market Income Group, 2013



Source: Congressional Budget Office.

Source: Congressional Budget Office (2016)

Wealth Distribution

Wealth is even more concentrated than income.

The top 1%

- ▶ income: 16%
- ▶ wealth: 35%

Gini:

- ▶ income: 0.58
- ▶ wealth: 0.85

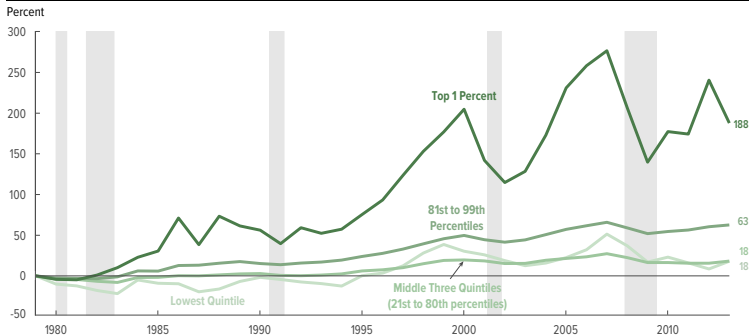
Source: Kuhn and Rios Rull (2016)

Rising Income Dispersion

Figure 8.

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



Source: Congressional Budget Office.

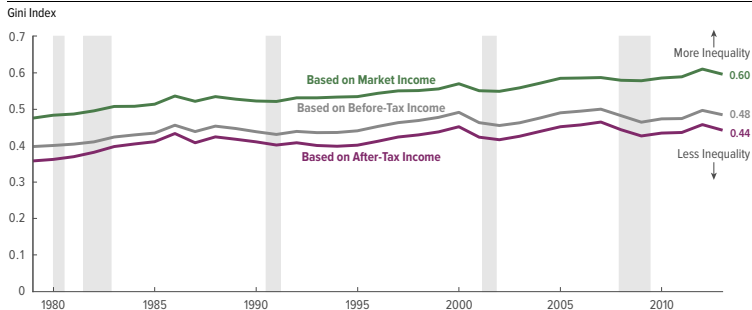
Source: Congressional Budget Office (2016)

Rising Inequality After Tax

Figure 14.

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



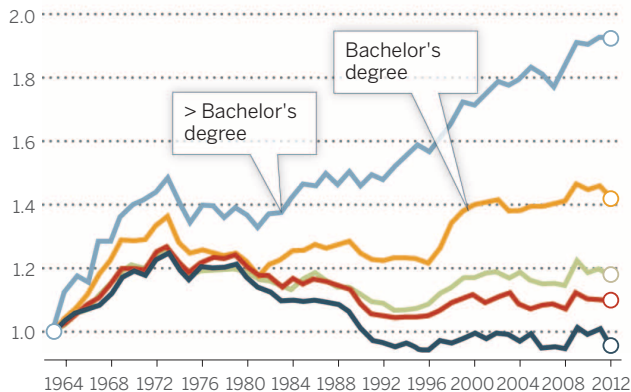
Source: Congressional Budget Office.

Source: Congressional Budget Office (2016)

Rising return to schooling

Real weekly earnings relative to 1963 (men)

A

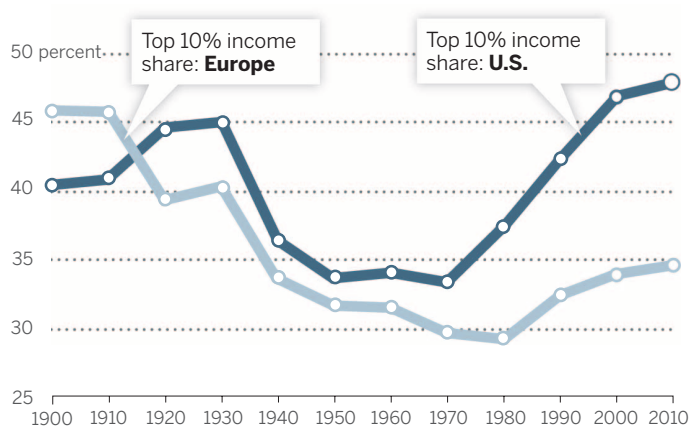


Source: Autor (2014)

Remarkable: No wage gains for high school grads since 1970

U.S. vs. Europe

Share of top income decile in total pretax income



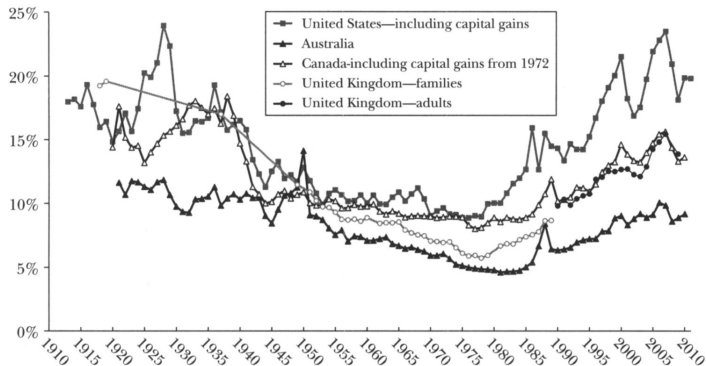
Source: Piketty and Saez (2014)

International comparison

Figure 2

The Evolution of the Shares of the Top 1 Percent in Different Countries

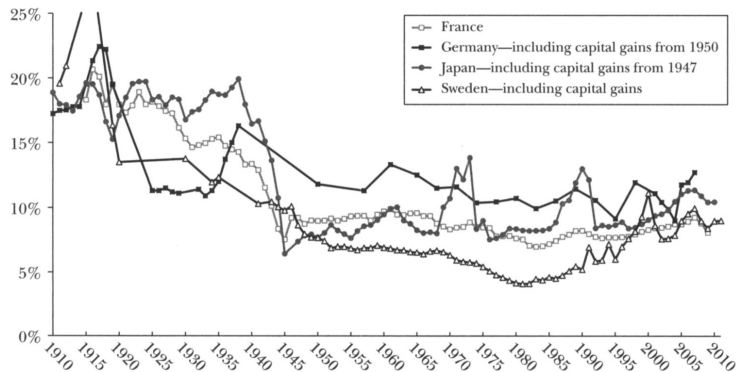
A: Top 1 Percent Income Shares in English-speaking Countries (U-Shape)



Alvaredo et al. (2013)

International comparison

B: Top 1 Percent Income Shares in Continental Europe and Japan (L-Shape)



Source: The World Top Incomes Database.

Alvaredo et al. (2013)

Summary

1. Inequality in wealth and incomes is “high” and rising over time.
2. U.S. inequality rose far more than European inequality.
3. More inequality is associated with less intergenerational mobility.

References I

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- Congressional Budget Office (2016): “The Distribution of Household Income and Federal Taxes, 2013,” Tech. rep., Washington, D.C.
- Kuhn, M. and J. V. Rios Rull (2016): “2013 Update on U.S. Earnings, Income, and Wealth Distributional Facts,” Quarterly Review, Federal Reserve Bank of Minneapolis.
- Piketty, T. and E. Saez (2014): “Inequality in the long run,” *Science*, 344, 838–843.