

# 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

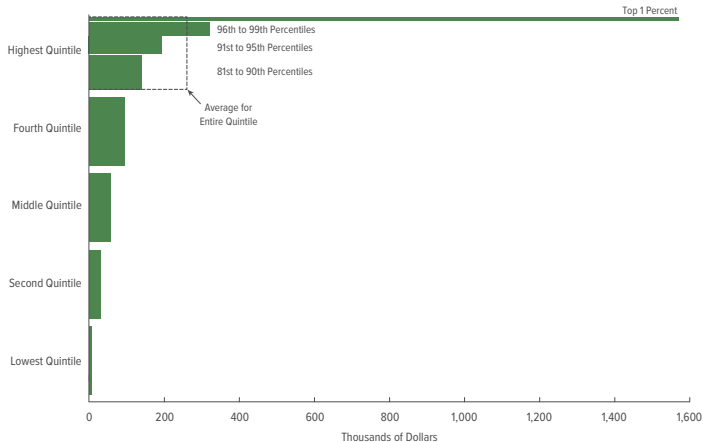
Diaz-Gimenez et al. (2011)

# Income Levels

Figure 3.

[Return to Reference](#)

## Average Market Income, by Market Income Group, 2013



Source: Congressional Budget Office.

Source: Congressional Budget Office (2016)

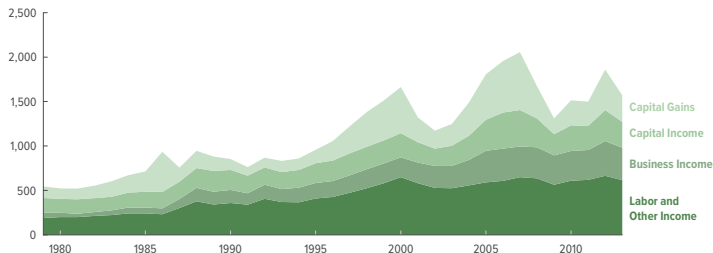
# Income Components over Time

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.

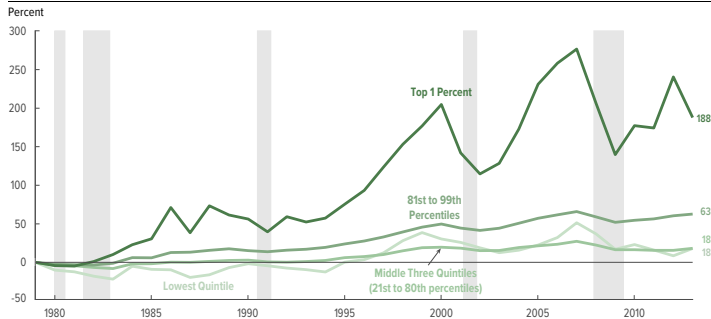
Source: Congressional Budget Office (2016)

# 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.

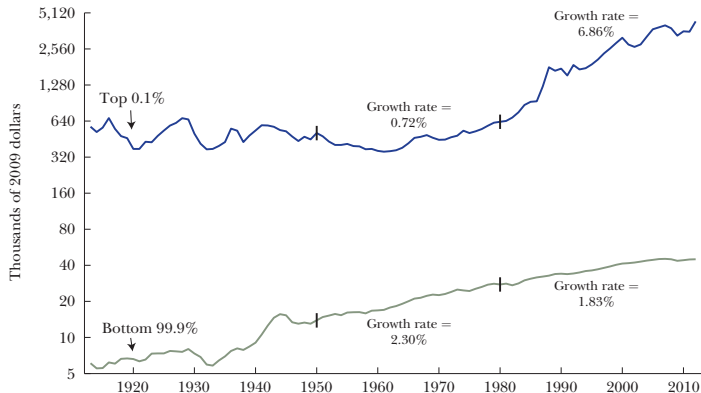
*Notes:* The figure reports the share of total income earned by top 1 percent families in the United States from 1913 to 2011. Income is defined as pre-tax market income; it excludes government transfers and nontaxable fringe benefits. The figure reports series including realized capital gains (solid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

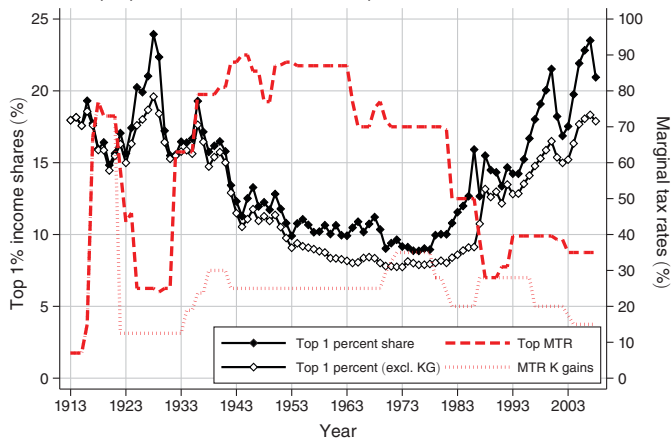


Source: Jones (2015)



# Top Tax Rates

Panel A. Top 1 percent income shares and Top MTR



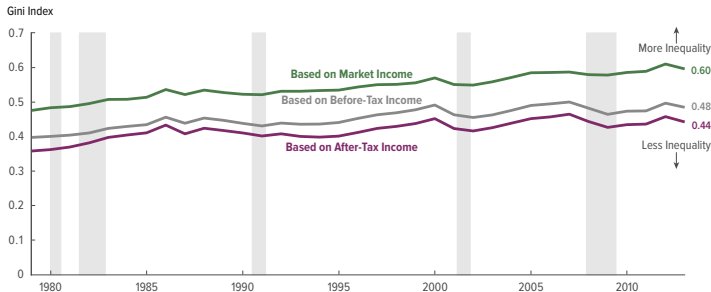
Piketty et al. (2014)

# 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)

Before tax income = market income + transfers.

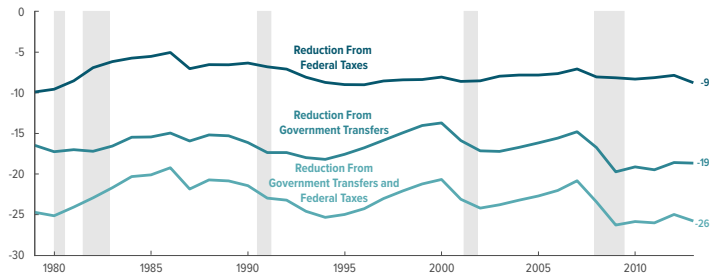
# Redistribution

Figure 15.

[Return to Reference](#)

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

Percentage Change in Gini Index



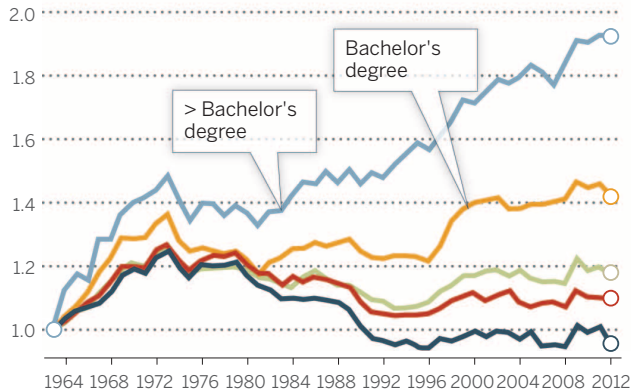
Source: Congressional Budget Office.

Source: Congressional Budget Office (2016)

# Returns to Skill

Real weekly earnings relative to 1963 (men)

**A**

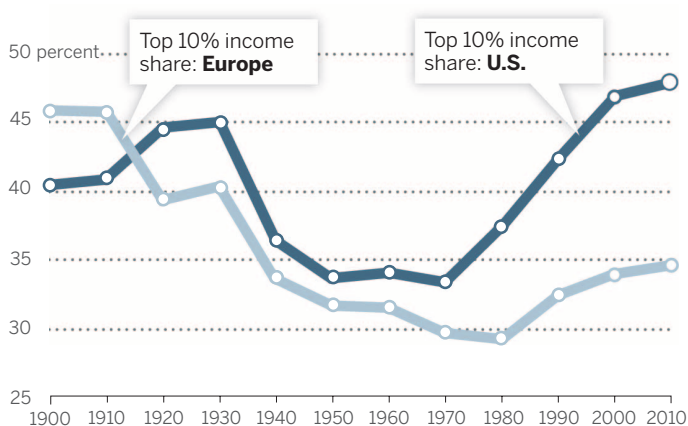


Source: Autor (2014)

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

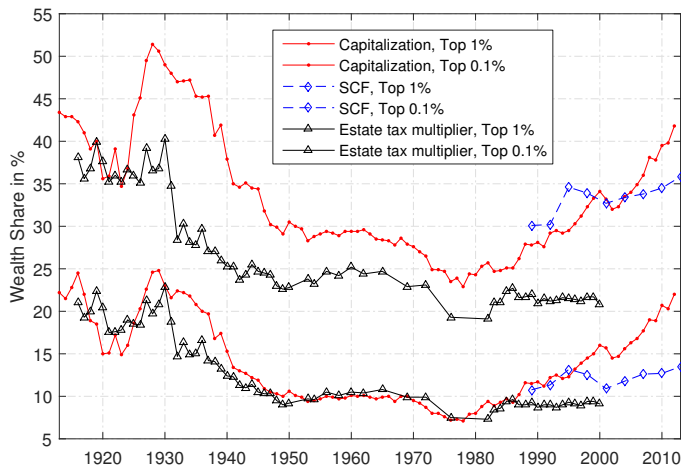


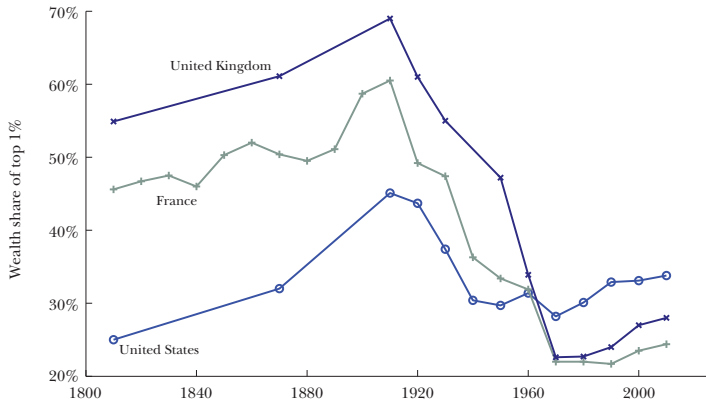
Figure 1: Top wealth share measurements over time

Hubmer et al. (2020)

# 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.
  - ▶ uses administrative data from Norway.

## References I

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