

# 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

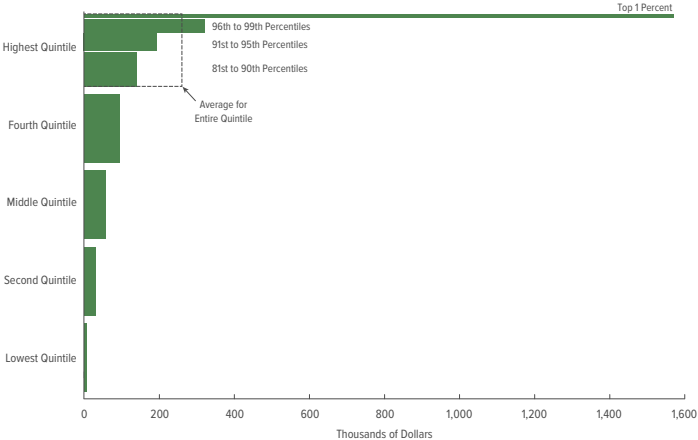
|                          | Earnings | Income | Wealth |
|--------------------------|----------|--------|--------|
| Coefficient of variation | 3.60     | 4.32   | 6.02   |
| Variance of the logs     | 1.29     | 0.99   | 4.53   |
| Gini index               | 0.64     | 0.58   | 0.82   |
| Top 1% / 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)

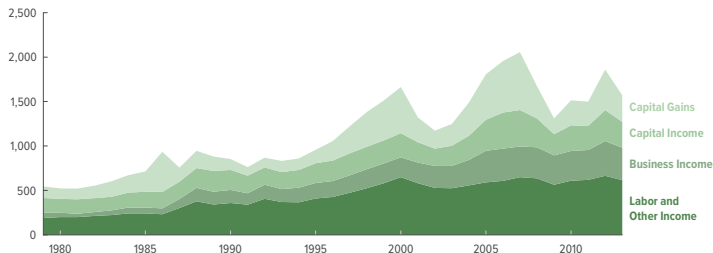
# Income Components over Time

Figure 9.

[Return to Reference](#)

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

Thousands of 2013 Dollars



Source: Congressional Budget Office.

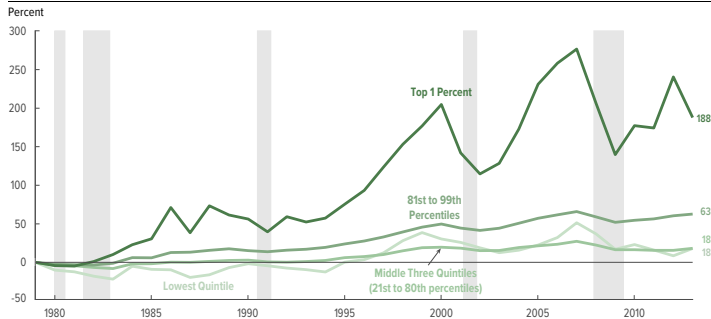
Source: Congressional Budget Office (2016)

# 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).

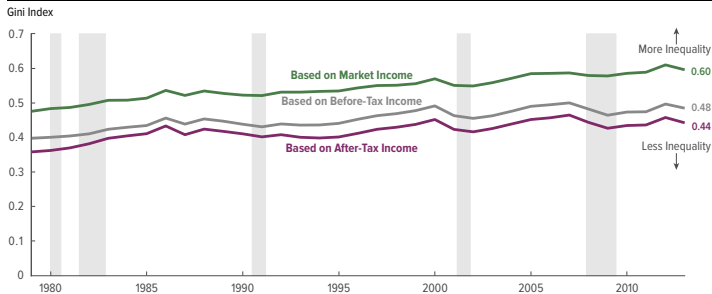
Alvaredo et al. (2013)

# 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)



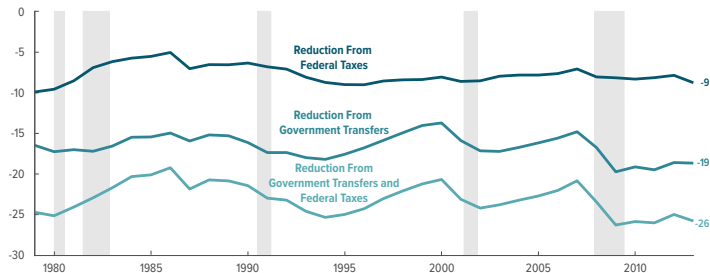
# Redistribution

Figure 15.

[Return to Reference](#)

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

Percentage Change in Gini Index



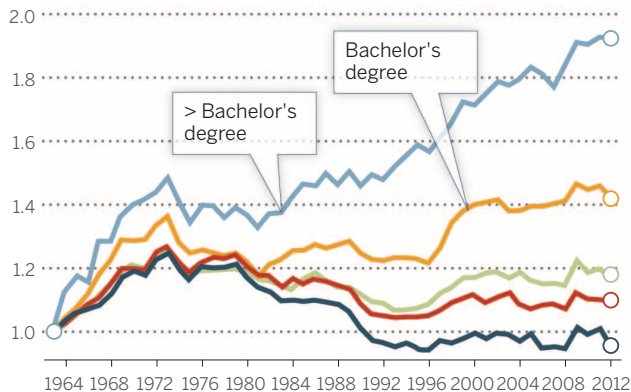
Source: Congressional Budget Office.

Source: Congressional Budget Office (2016)

# Returns to Skill

Real weekly earnings relative to 1963 (men)

**A**

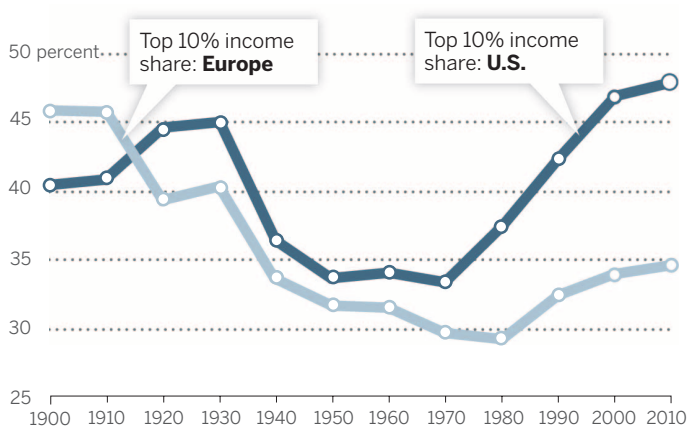


Source: Autor (2014)

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

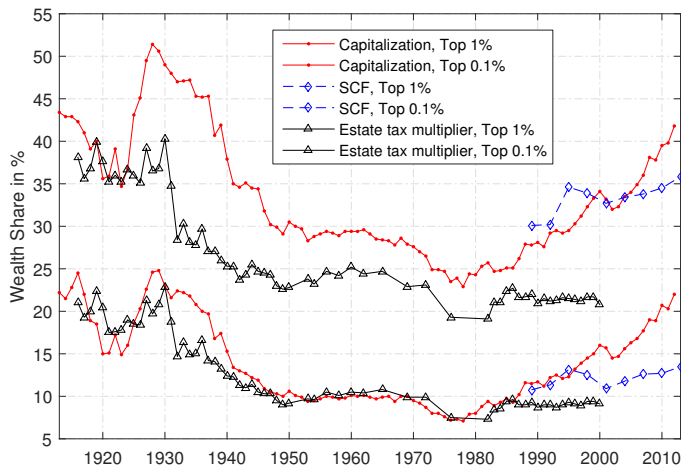


Figure 1: Top wealth share measurements over time

Hubmer et al. (2019)

# References I

- Alvaredo, F., A. B. Atkinson, T. Piketty, and E. Saez (2013): "The Top 1 Percent in International and Historical Perspective," *The Journal of Economic Perspectives*, 27, 3–20.
- Autor, D. H. (2014): "Skills, education, and the rise of earnings inequality among the " other 99 percent", " *Science*, 344, 843–851.
- Congressional Budget Office (2016): "The Distribution of Household Income and Federal Taxes, 2013," Tech. rep., Washington, D.C.
- Diaz-Gimenez, J., A. Glover, and J. V. Rios-Rull (2011): "Facts on the Distributions of Earnings, Income, and Wealth in the United States: 2007 Update," *Federal Reserve Bank of Minneapolis Quarterly Review*, 34, 2–31.
- Hubmer, J., P. Krusell, and A. A. Smith (2019): "Sources of U.S. Wealth Inequality: Past, Present, and Future," 50.

## References II

Piketty, T. and E. Saez (2014): “Inequality in the long run,”  
*Science*, 344, 838–843.