### 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

#### **Basic Statistics**

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

Components of Inflation-Adjusted Market Income for the Top 1 Percent of Households, 1979 to 2013 Thousands of 2013 Dollars 2.500 2.000 1,500 Capital Income 1,000 Business Income 500 Labor and Other Income 0 1980 1985 1990 1995 2000 2005 2010

Source: Congressional Budget Office.

Figure 9.

Source: Congressional Budget Office (2016)

Return to Reference

# **Rising Dispersion**

Figure 8.

Return to Reference 1, 2, 3



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



Source: Congressional Budget Office (2016)

Before tax income = market income + transfers.

# Redistribution



Source: Congressional Budget Office.

Source: Congressional Budget Office (2016)

# Returns to Skill



#### 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)

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.

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