INEQUALITY: CHALLENGE OF THE CENTURY?

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Bard College
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OUTLINE

Top 10 charts on U.S. evidence …and recent research

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1. LABOR SHARE

Source: Giovannoni (2014) based on NIPA and WTID data
2. INEQUALITY MEASURES

P10/P90 average incomes ratio

—inverted Pareto-Lorenz coefficient

Source: Giovannoni (2014) based on WTID data
2. INEQUALITY MEASURES

Source: Giovannoni (2014) based on WTID data
3. TOP AND BOTTOM REAL INCOMES

- output per hour (average productivity)
- bottom 90% average real income (with capital gains)
- top 1% average real income (with capital gains)

Source: Giovannoni (2014) based on WTID and BLS data
Source: Tcherneva (2014) extended back to 1917 and decomposed by top income
4. TCHERNEVA-GIOVANNONI

Share of growth/productivity captured by...
(by economic expansion)

Source: Tcherneva (2014) extended back to 1917 and decomposed by top income
5. REAL MEDIAN INCOMES OF PEOPLE

Source: Census Bureau, Historical Table P-2, CPI adjusted
6. POST-TAX

Percentage gains at different parts of US income distribution 2010-13

Source: Branko Milanovic, via Twitter, based on LIS data
7. WEALTH

The share of total U.S. wealth owned by the top 0.1 percent of families, 1913-2012

Notes: Wealth is total assets (including real estate and funded pension wealth) net of all debts. Wealth excludes the present value of future government transfers (such as Social Security or Medicare benefits).


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The share of total U.S. wealth owned by the bottom 90 percent of families, 1917-2012

Notes: Wealth is total assets (including real estate and funded pension wealth) net of all debts. Wealth excludes the present value of future government transfers (such as Social Security or Medicare benefits).


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8. STOCK MARKET WEALTH

Shares of Stock Market Wealth Holdings by Wealth Group, 1983-2010

10. Household Balance Sheets

Figure 1: Inequality and households’ balance sheets

Sources: Savings rate from NIPA table 2.1, Indebtedness ratio from Flow of Funds table D.3. Inequality is proxied by the property share, including top 1% wages (see Giovannoni 2014).
QUESTIONS
Why care about inequality?

1. Because the trends are worrisome

2. To understand the causes: Trade, finance, rents, technology (SBTC), policy shift, or…?
   - How to integrate in our models?

3. To analyze the implications: instability?

4. Policies?
   - Education as a cure?
   - Full employment?
   - Tax and redistribute?
   - Minimum wage?

(EPI estimates: $18 min wage to keep pace with productivity, +$18K /yr)
“Inequality and the balance sheet channel of instability”
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- James K. Galbraith (moderator)
- Branko Milanovic
- Stephen Rose
- Joseph E. Stiglitz