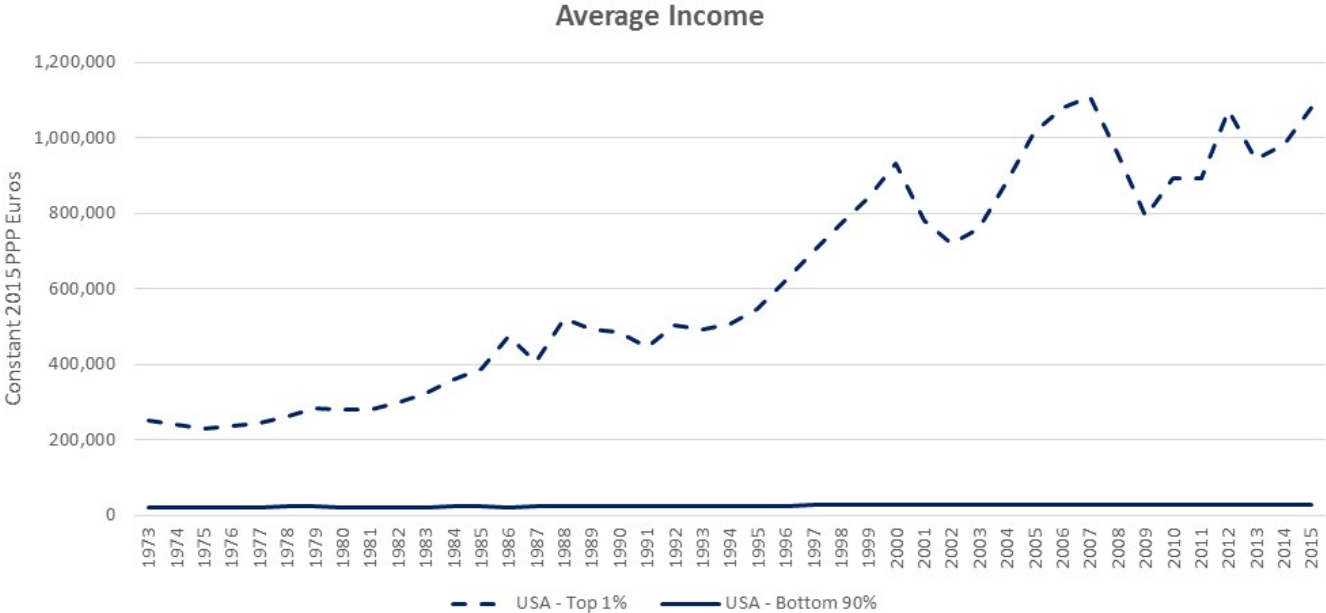


# Inequality

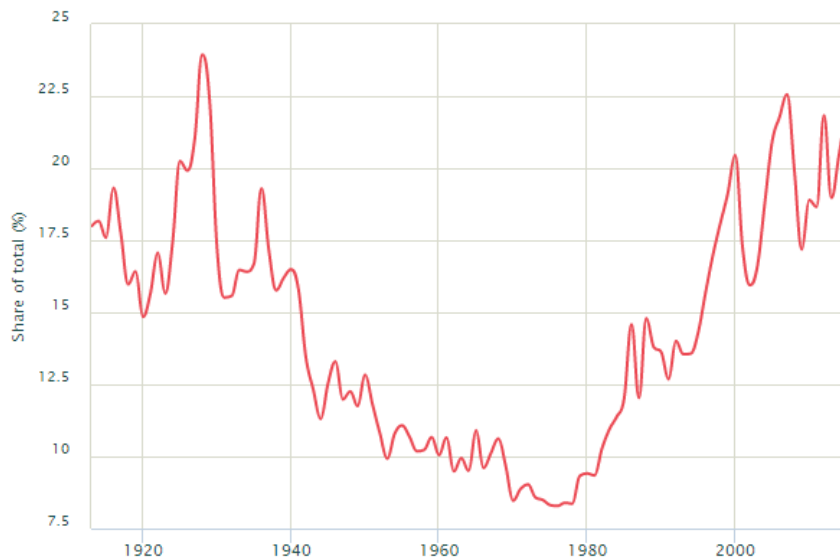
J. E. Stiglitz  
Tsinghua University  
Beijing, China  
March 21<sup>st</sup> 2018

# US: bottom 90% have seen little increase in income over last third of a century



Source: World Wealth and Income Database

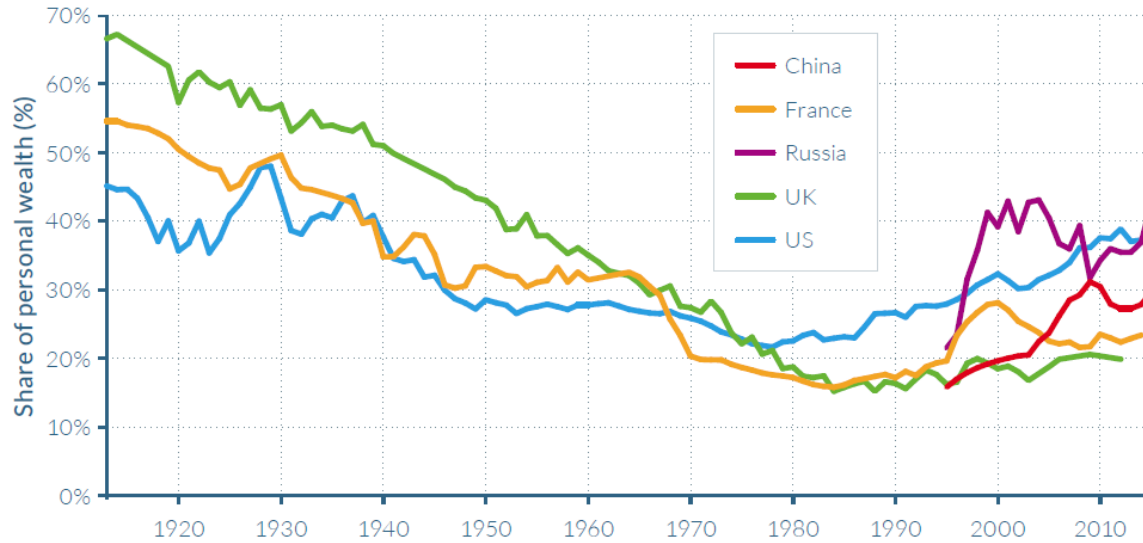
# Top 1% income share in the United States 1913-2015



**Note:** Fiscal income is defined as the sum of all income items reported on income tax returns, before any deduction. It includes labour income, capital income and mixed income. The concept of fiscal income varies with national tax legislations, so in order to make international comparisons it is preferable to use the concept of national income. The population is comprised of individuals over age 20. The base unit is the individual (rather than the household) but resources are split equally within couples.

Source: World Wealth and Income Database.

## Top 1% wealth shares across the world, 1913–2015: the fall and rise of personal wealth inequality

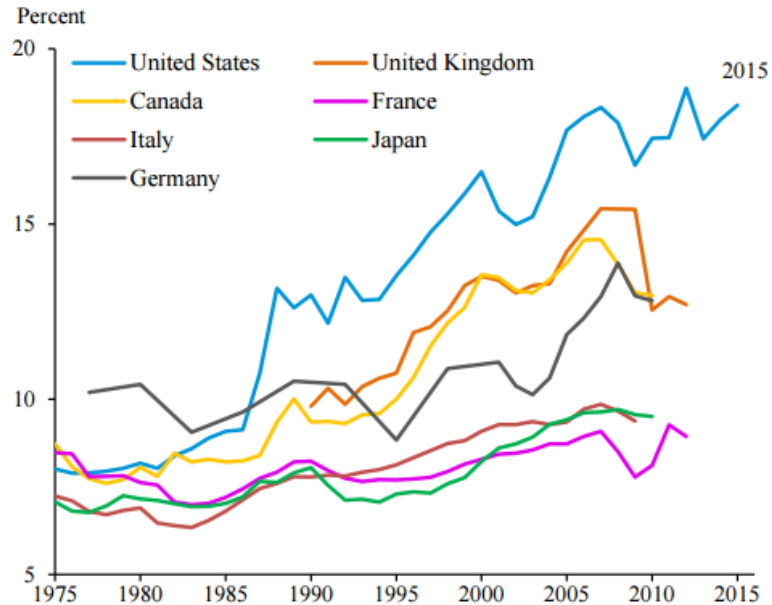


Source: WID.world (2017). See [wir2018.wid.world](#) for data series and notes.

In 2015, the Top 1% wealth share was 43% in Russia against 22% in 1995.

Source: World Inequality Report 2018.

# Global Inequality: Share of Income Earned by Top 1%, 1975-2015



Source: World Wealth and Income Database.

Chart from: US Economic Report of the President, January 2017.

# Inequality even at the top 0.1%

## CEO compensation has grown faster than the wages of the top 0.1 percent and the stock market

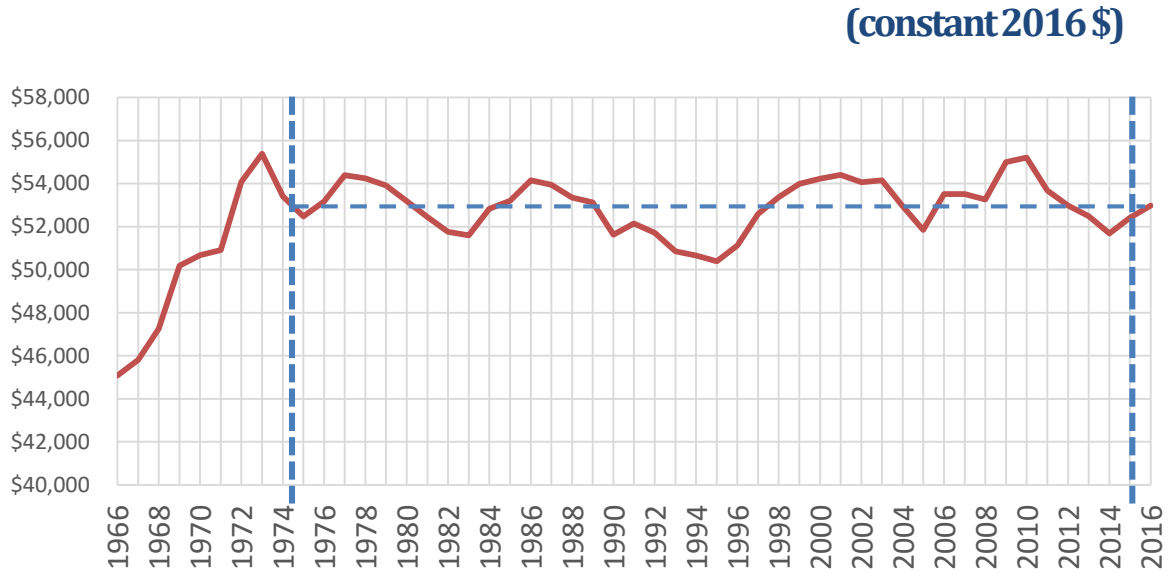
Cumulative percentage change in CEO compensation, wages of the top 0.1 percent, and the S&P 500, 1978–2015



**Notes:** Wage data for the top 0.1 percent is not yet available for 2015.

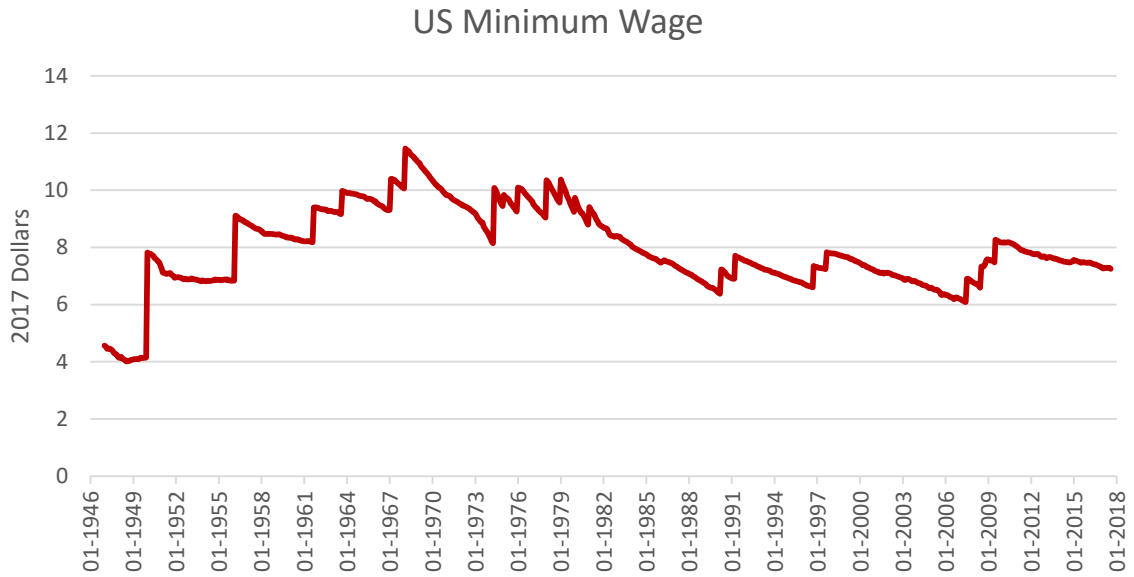
**Source:** EPI analysis of Compustat Execucomp, Social Security Administration, and Federal Reserve Bank of St. Louis databases.

# US: Median income of a full time male worker is at the level that it was more than 4 decades ago



Note: Data is adjusted for the methodological change of 2013.  
Source: U.S. Census Bureau.

# US: Real wages at the bottom are at the level that they were roughly sixty years ago



Source: Federal Reserve



**The Walton Family and The Koch Brothers have a net worth of \$212 billion in 2016**

**That's the net worth of 115 million Americans or 35% of the country.**

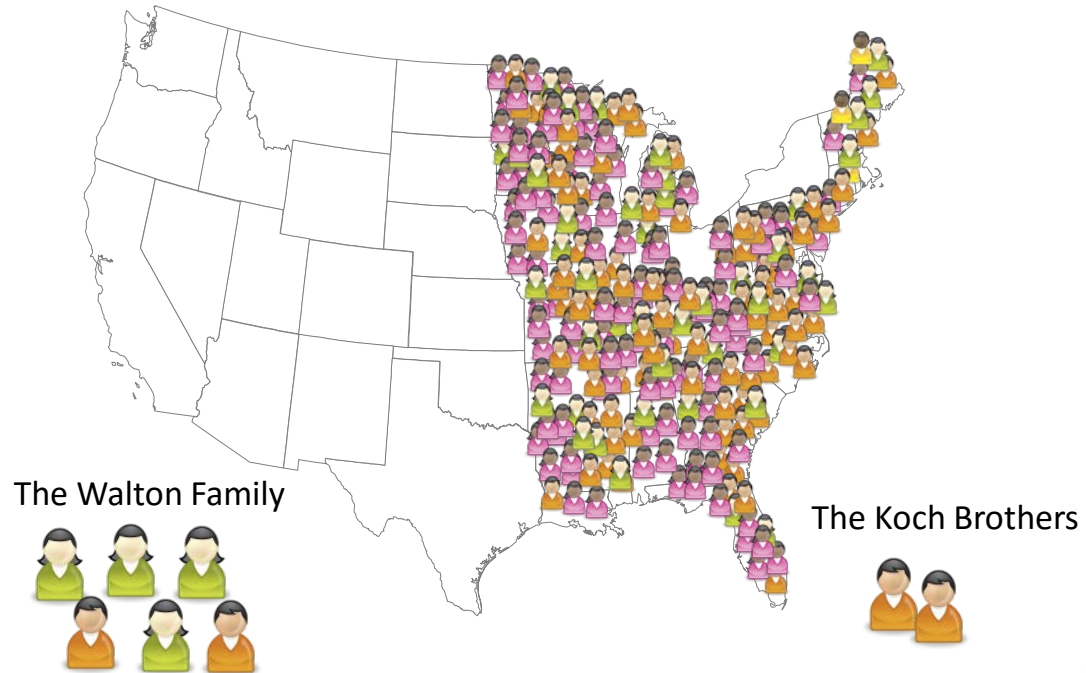
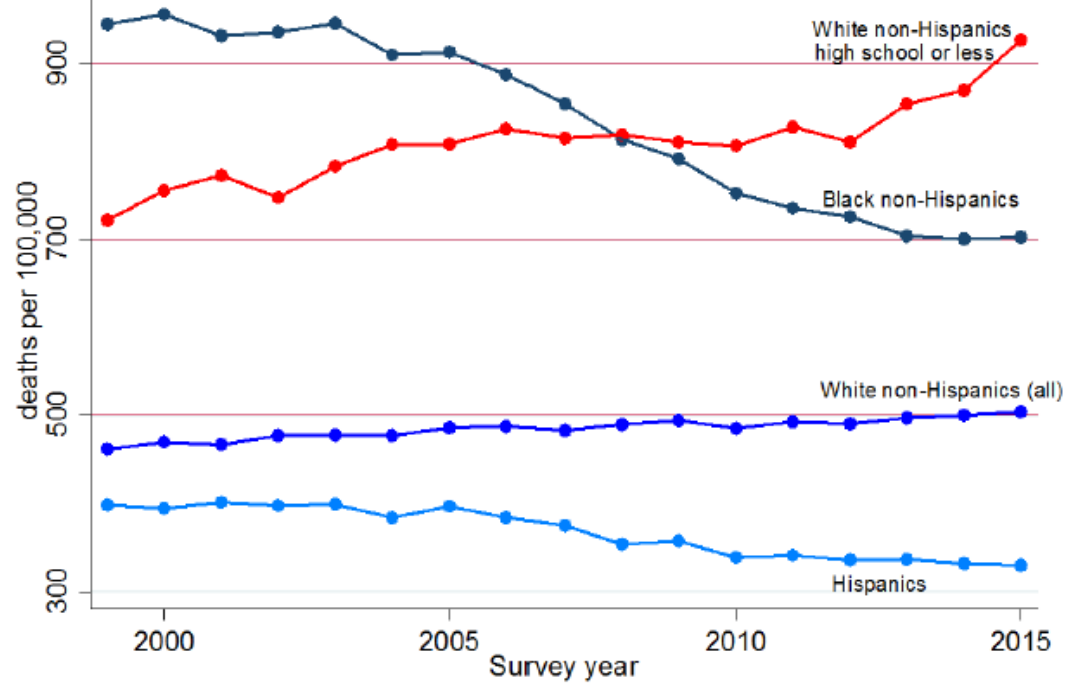
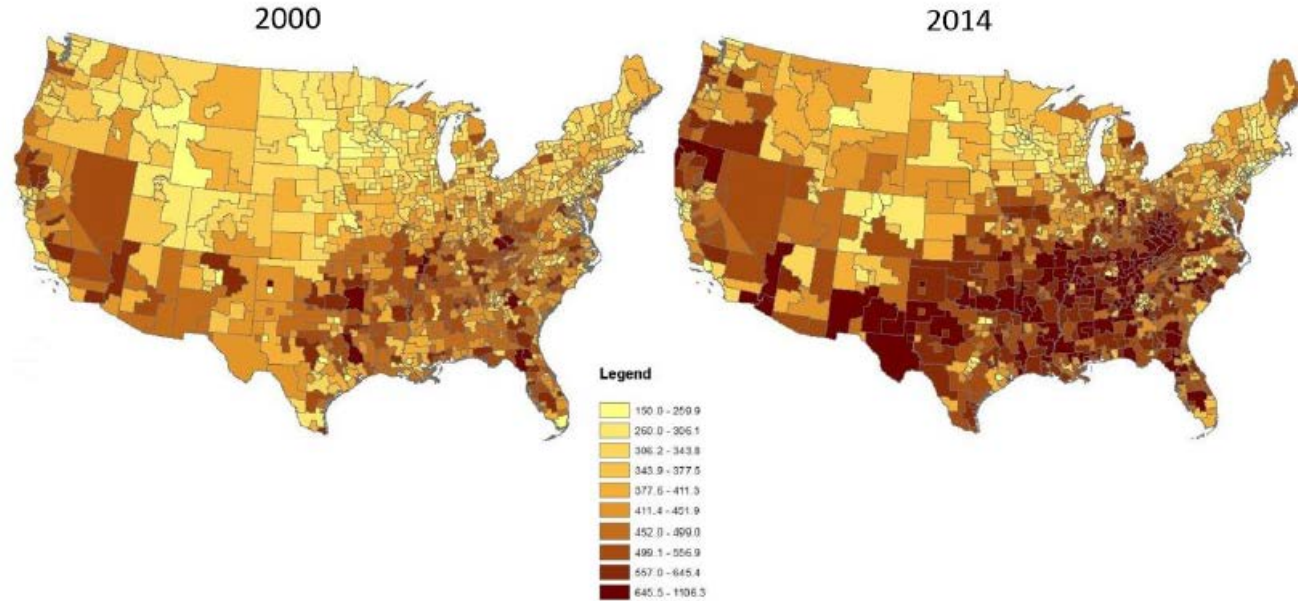


Figure 1.1 All-cause mortality by race and ethnicity, ages 50-54



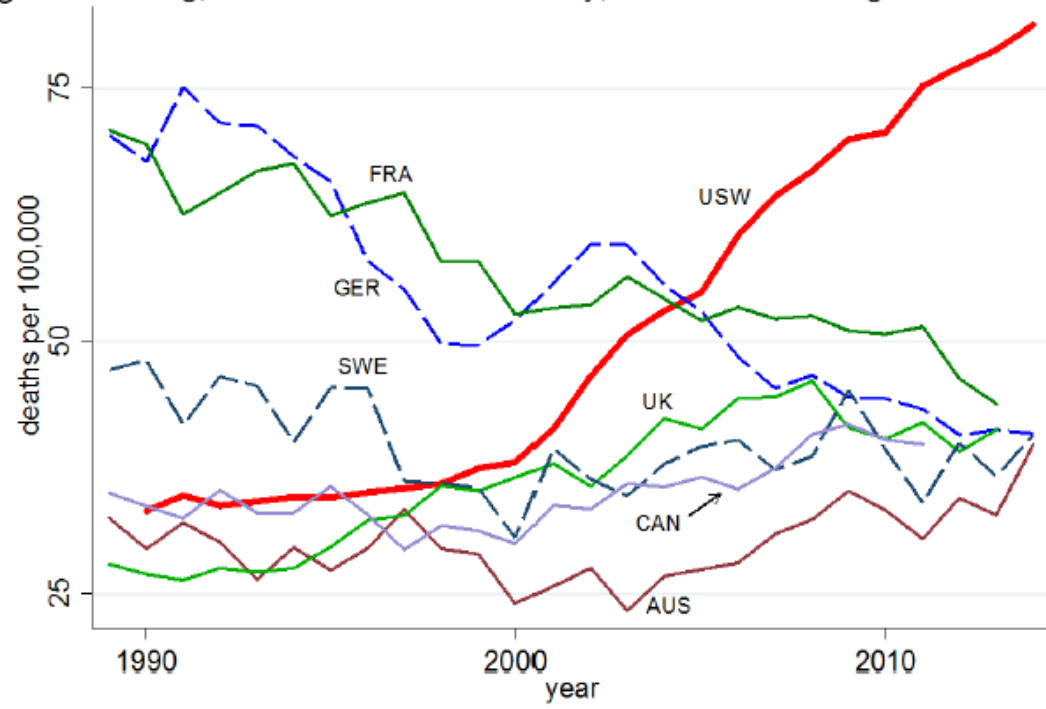
Source: "Mortality and Morbidity in the 21<sup>st</sup> Century", Anne Case and Angus Deaton, Brookings Papers on Economic Activity, March 17, 2017.

Figure 1.9 All-cause mortality, white non-Hispanics, ages 45-54



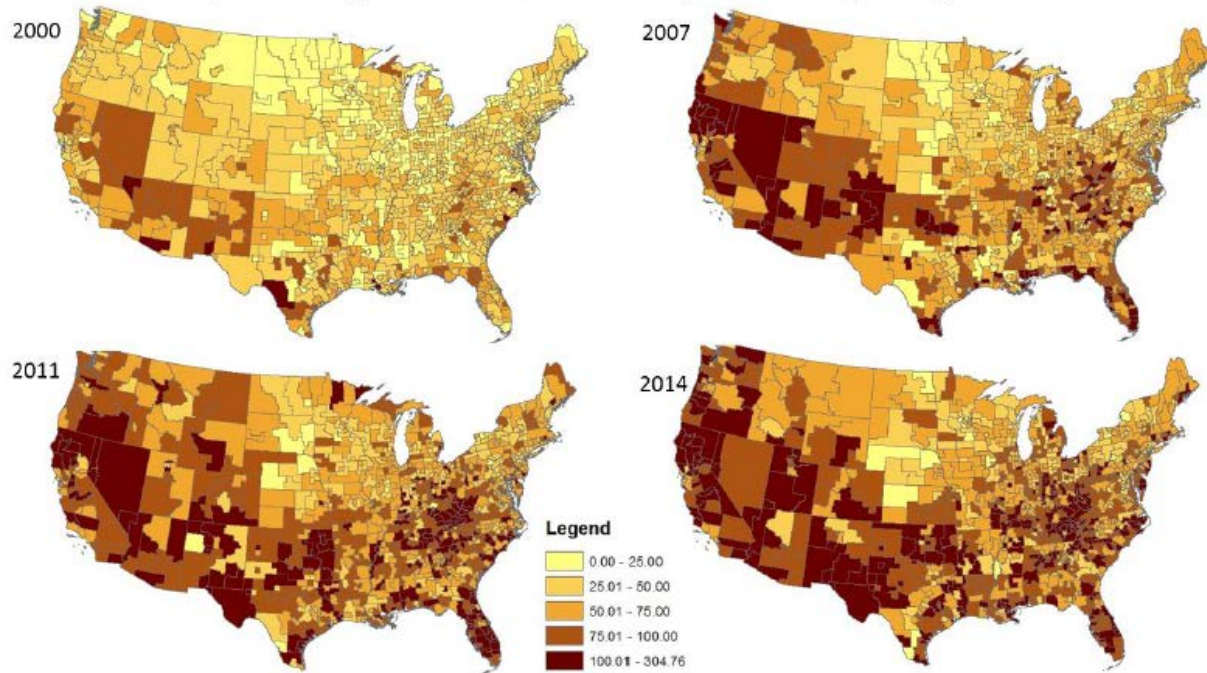
Source: "Mortality and Morbidity in the 21<sup>st</sup> Century", Anne Case and Angus Deaton, Brookings Papers on Economic Activity, March 17, 2017.

Figure 1.5 Drug, alcohol and suicide mortality, men and women ages 50-54



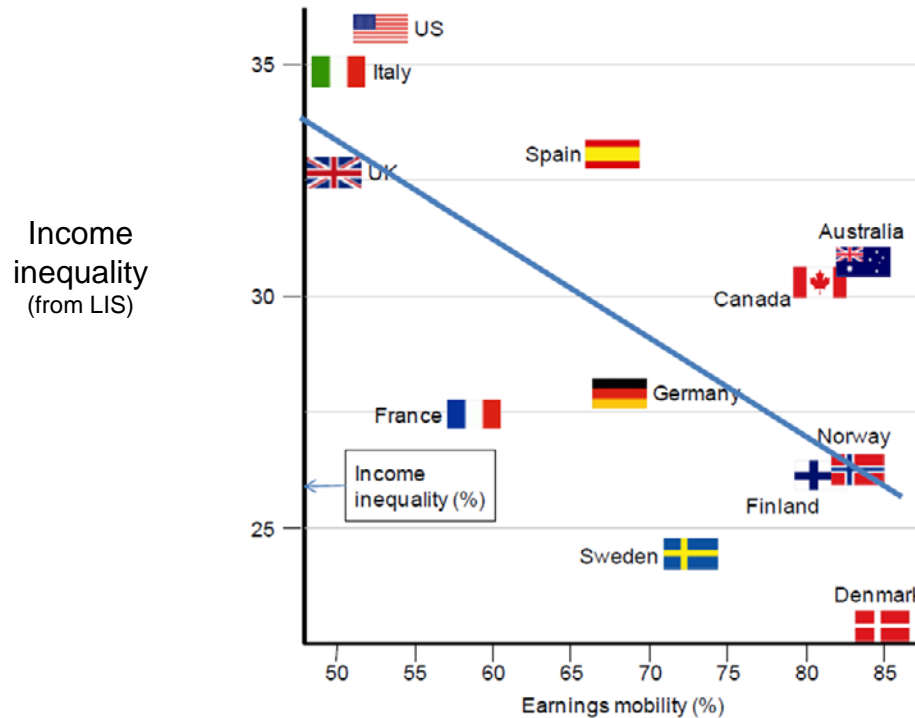
Source: "Mortality and Morbidity in the 21<sup>st</sup> Century", Anne Case and Angus Deaton, Brookings Papers on Economic Activity, March 17, 2017.

Figure 1.6 Drug, alcohol and suicide mortality, white non-Hispanics ages 45-54



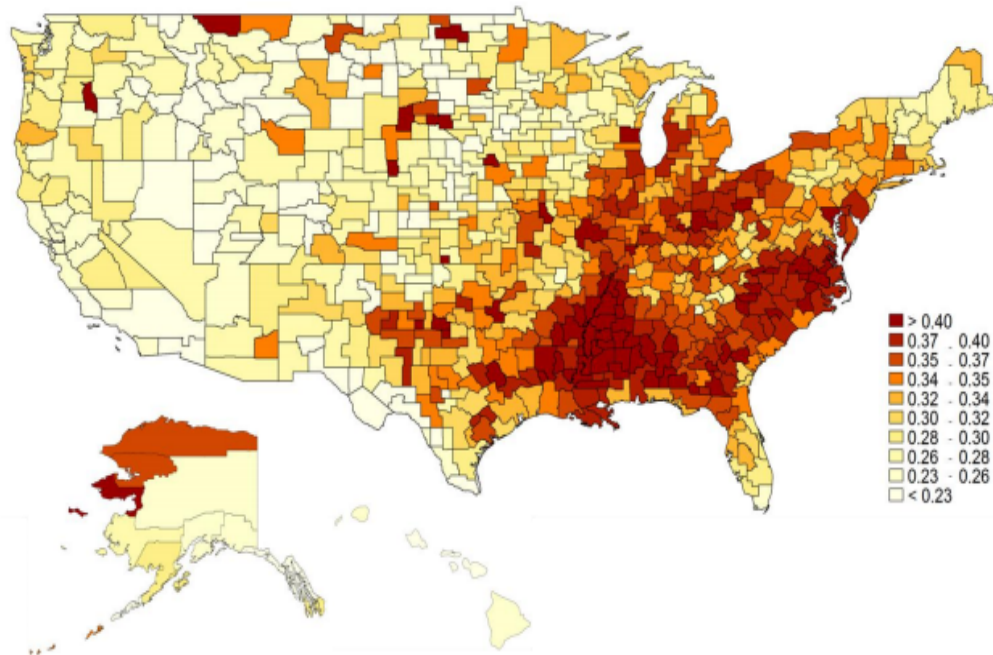
Source: "Mortality and Morbidity in the 21<sup>st</sup> Century", Anne Case and Angus Deaton, Brookings Papers on Economic Activity, March 17, 2017.

# Income inequality and earnings mobility



Source; Janet Gornick; OECD 2008. *Growing Unequal: Income Distribution and Poverty in OECD Countries*. Paris: OECD.

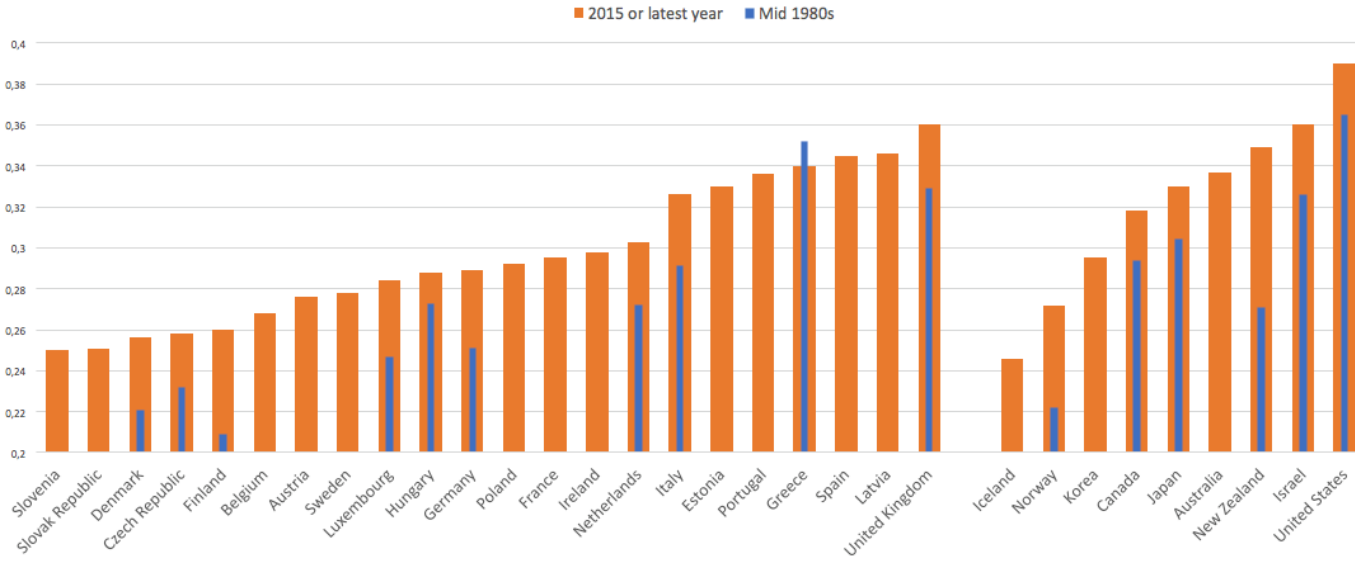
FIGURE 3  
Intergenerational Mobility (Parent-Rank and Child-Rank Income Correlation)



*Notes:* This figure maps CZ coefficients from OLS regressions of adult children's income rank on their parents' income rank, with rank defined by income centiles within each CZ. Darker areas represent lower intergenerational mobility. See Section 2.2 for details on the construction of local IGE measures.

Source: Chetty, Hendren, Kline, and Saez, 2013. "The Economic Impacts of Tax Expenditures." Harvard.

Gini Coefficient of disposable income in 2015 (or latest year) and mid-1980s (when available)



Source: OECD Income Distribution Database.



# Global inequality: Ginis worse in many countries, late 2000s vs. 1980s

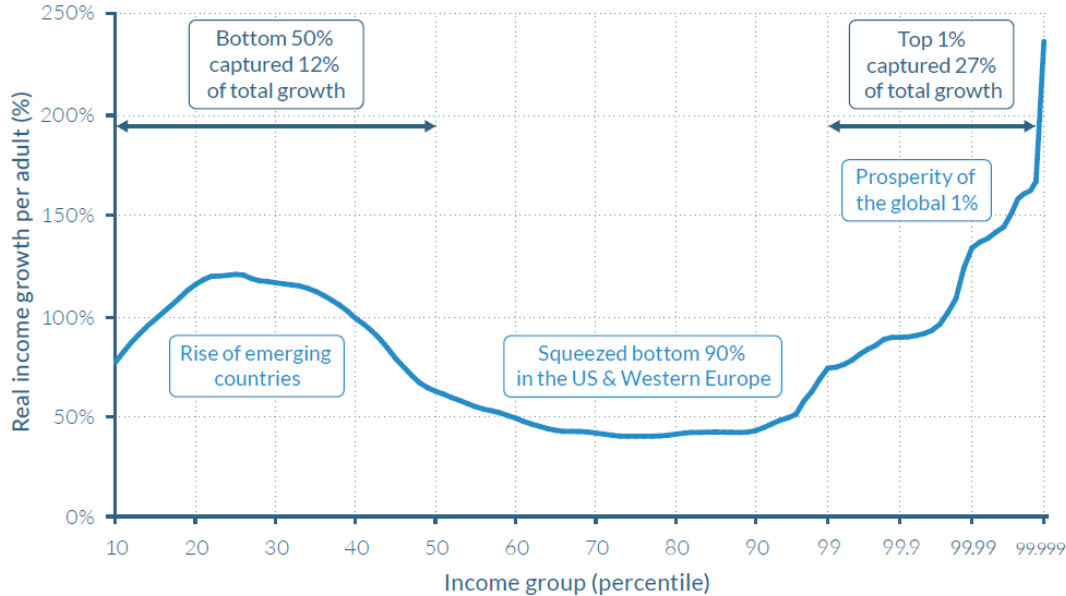
	1985-90	After 2008	Change
Average Gini	36.3	38.8	+2.5
Pop-weighted Gini	33.9	37.3	+3.4
GDP-weighted Gini	32.2	36.4	+4.2
Countries with higher Ginis	32.0	36.2	+4.5
Countries with lower Ginis	42.8	39.5	-3.3

Branko Milanovic

Source: Branko Milanovic, <http://glineq.blogspot.co.ke/2015/02/trends-in-global-income-inequality-and.html>

# Global Income Growth by Percentile

The elephant curve of global inequality and growth, 1980–2016

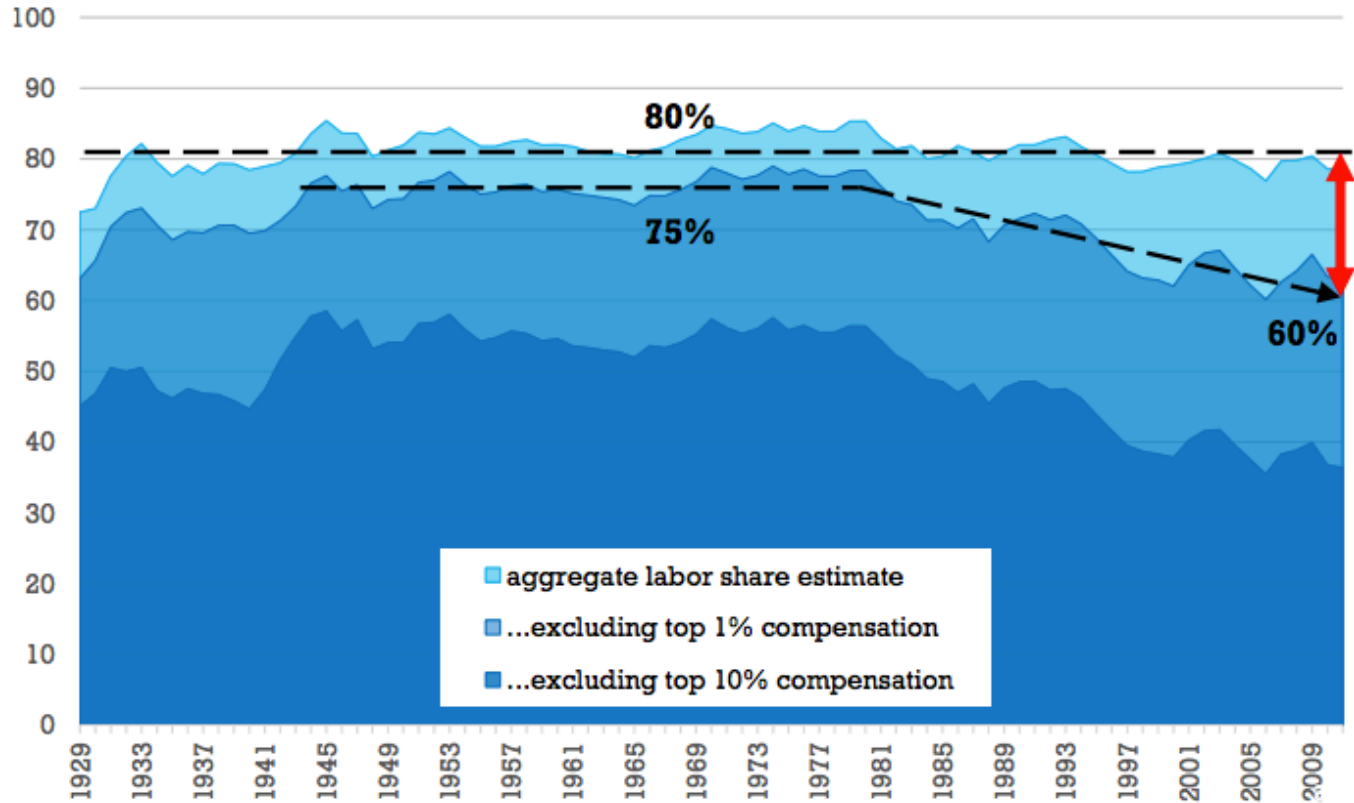


Source: WID.world (2017). See [wir2018.wid.world](#) for more details.

On the horizontal axis, the world population is divided into a hundred groups of equal population size and sorted in ascending order from left to right, according to each group's income level. The Top 1% group is divided into ten groups, the richest of these groups is also divided into ten groups, and the very top group is again divided into ten groups of equal population size. The vertical axis shows the total income growth of an average individual in each group between 1980 and 2016. For percentile group p99p99.1 (the poorest 10% among the world's richest 1%), growth was 74% between 1980 and 2016. The Top 1% captured 27% of total growth over this period. Income estimates account for differences in the cost of living between countries. Values are net of inflation.

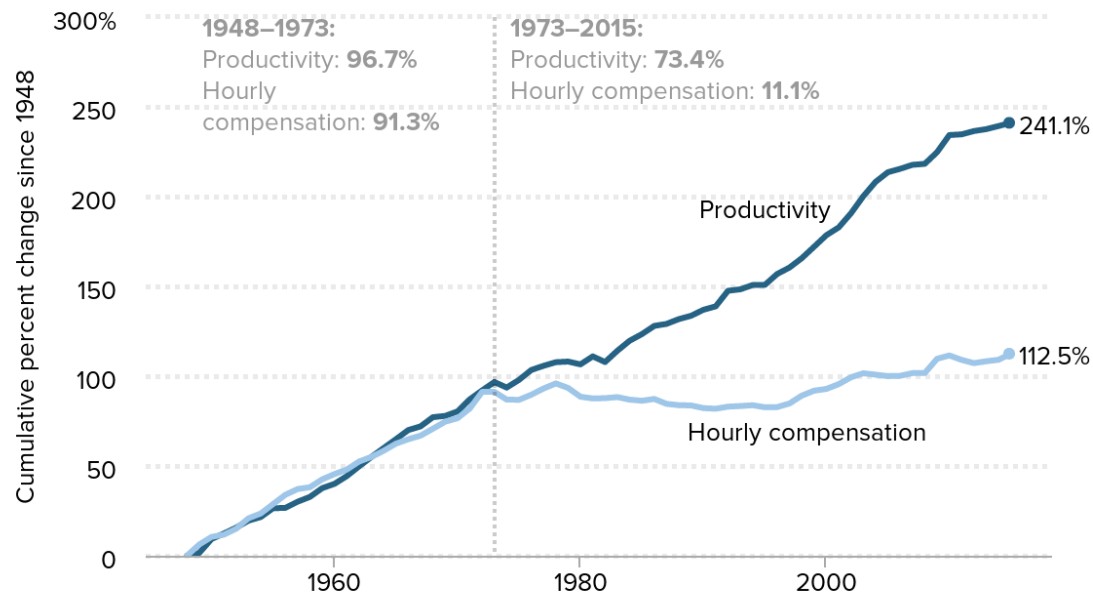
Source: World Inequality Report 2018, Branko Milanovic.

# LABOR SHARE



Source: Giovannoni (2014) based on NIPA and WTID data

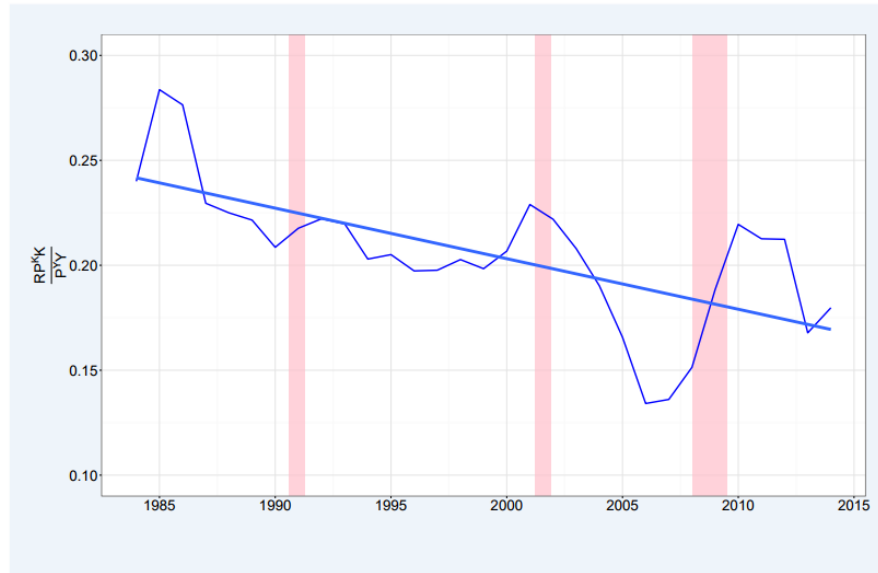
# US: Disconnect Between Productivity and a Typical Worker's Compensation, 1948-2015



**Note:** Data are for average hourly compensation of production/nonsupervisory workers in the private sector and net productivity of the total economy. "Net productivity" is the growth of output of goods and services minus depreciation per hour worked.

**Source:** EPI analysis of data from the BEA and BLS (see technical appendix of *Understanding the Historic Divergence Between Productivity and a Typical Worker's Pay* for more detailed information)

# The capital share of gross value added is declining



The figure shows the capital share of gross value added for the U.S. non-financial corporate sector over the period 1984–2014. Capital payments are the product of the required rate of return on capital and the value of the capital stock. The capital share is the ratio of capital payments to gross value added. The required rate of return on capital is calculated as  $R = (i - \mathbb{E}[\pi] + \delta)$ . Capital includes both physical capital and intangible capital. The cost of borrowing is set to Moody's Aaa and expected inflation is calculated as a three-year moving average.

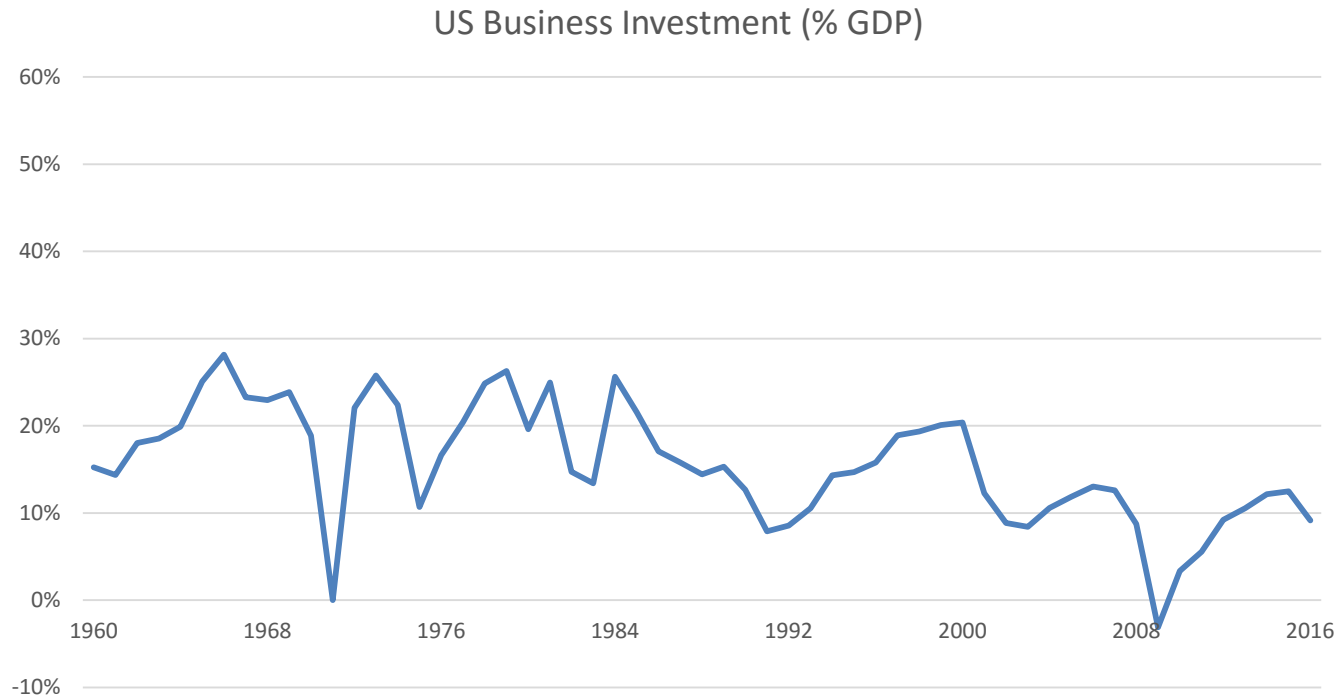
Source: Simcha Barkai, University of Chicago

# Growing profits and low business investment



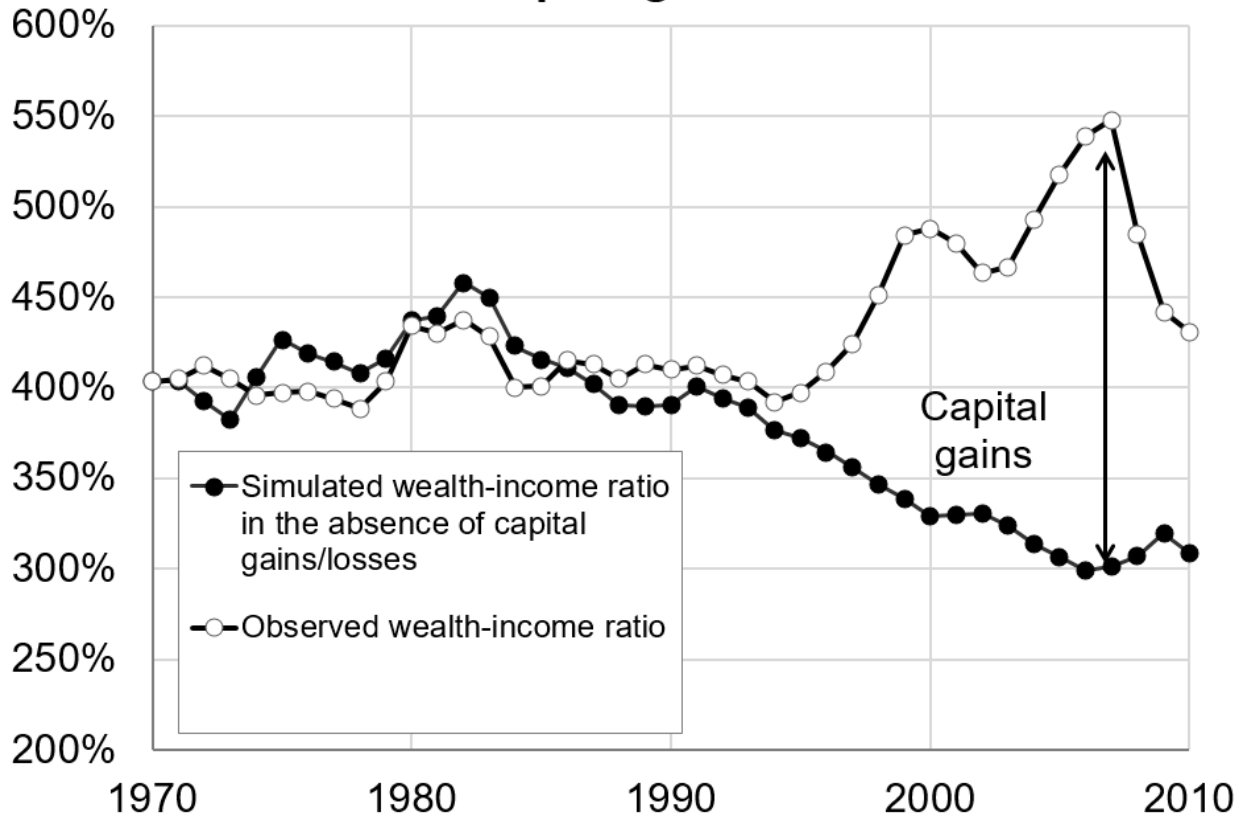
Source: Federal Reserve Bank of St. Louis

# Growing profits and low business investment



Source: Federal Reserve Bank of St. Louis

## Simulated national wealth-income ratios in the absence of capital gains: U.S. 1970-2010



Authors' computations based on 1970 wealth-income ratios, 1970-2010 national saving flows (including other volume changes) and real income growth rates.  
 Source: *Capital in the Twenty-First Century*, Thomas Piketty.