

# **Econ 133 – Global Inequality and Growth**

## **Trends in inequality within countries**

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## Roadmap

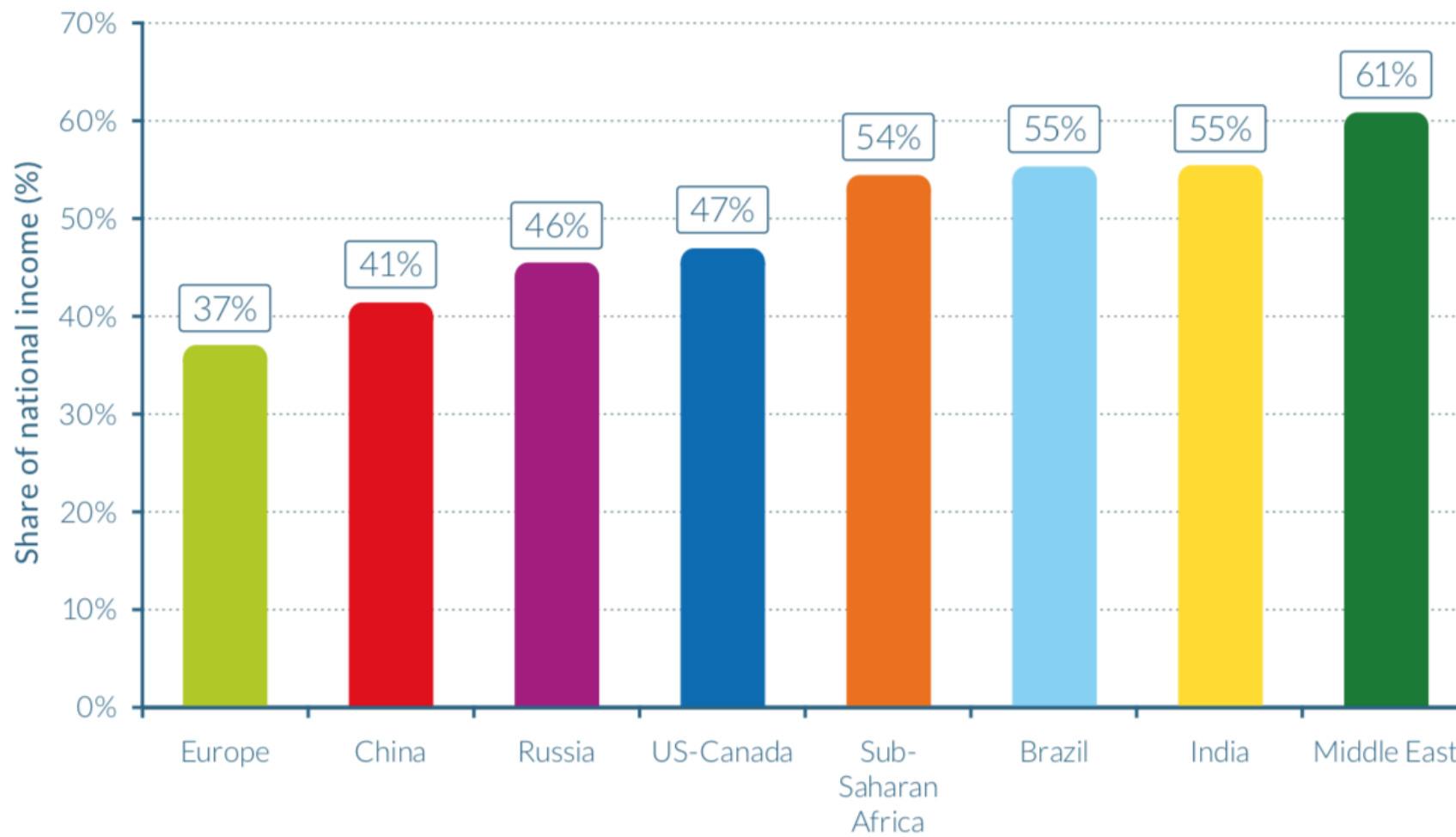
1. Orders of magnitude
2. Trends since 1980s
3. A long-run perspective

# 1 Orders of magnitude

## 1.1 Inequality today

- Most unequal countries: Middle-East, sub-Saharan Africa, Brazil, India = top 10% share 55%–60%
- Legacy of status-based inequality systems (slavery, castes, colonial system)
- Less unequal countries: Continental Europe = top 10%  $\approx$  35%

**Top 10% national income share across the world, 2016**



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

## 1.2 Labor vs. capital income inequality

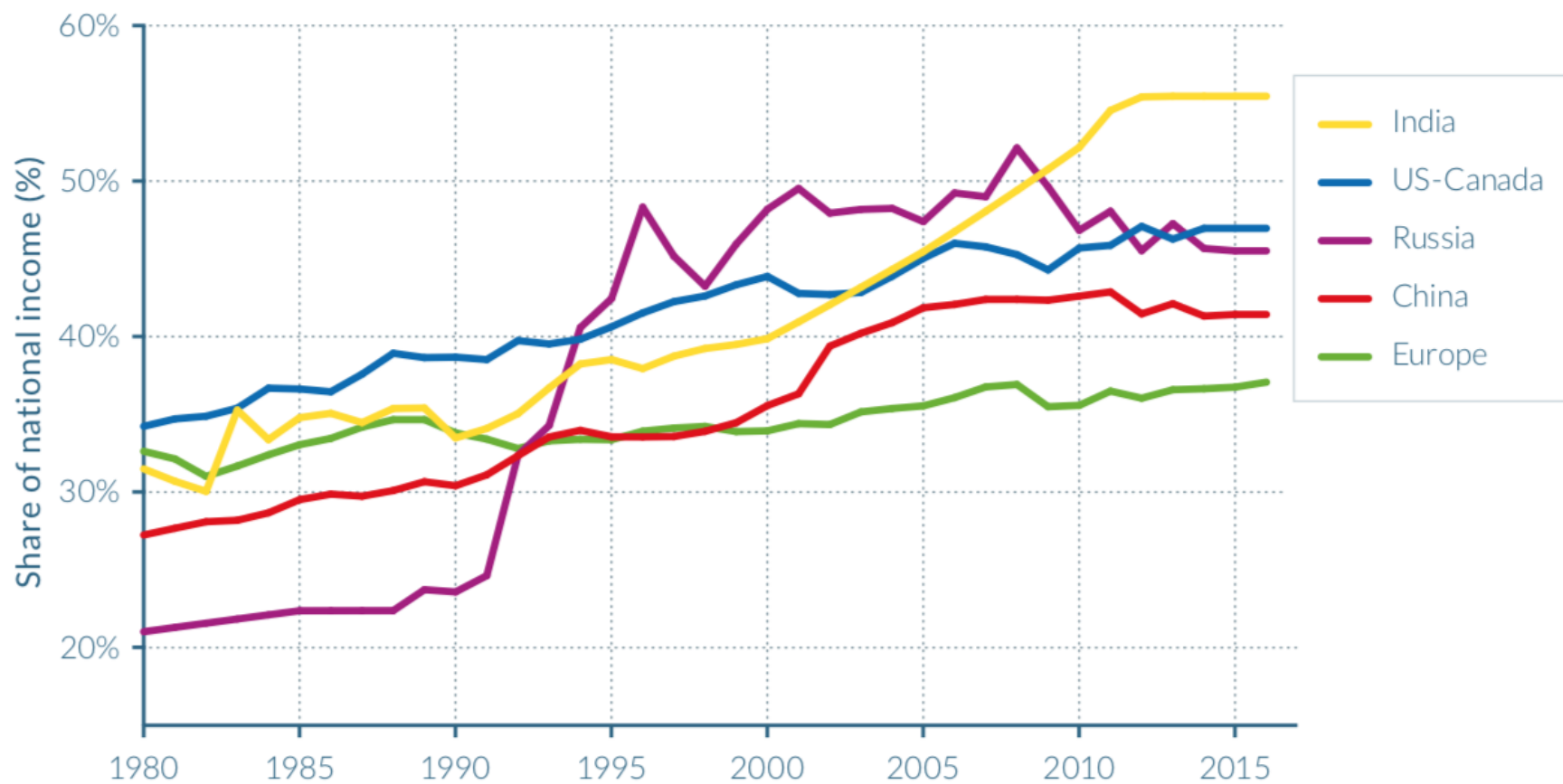
Labor income  $Y_L$  always less concentrated than capital income  $Y_K$ :

- Top 10% share is 20-30% for labor income, 50-90% for capital
- Bottom 50% share is 20-30% for labor income, 0-10% for capital
- Gini coefficients: 0.2 – 0.4 for labor income, 0.6 – 0.8 for capital

## 2 Evolution since the 1980s

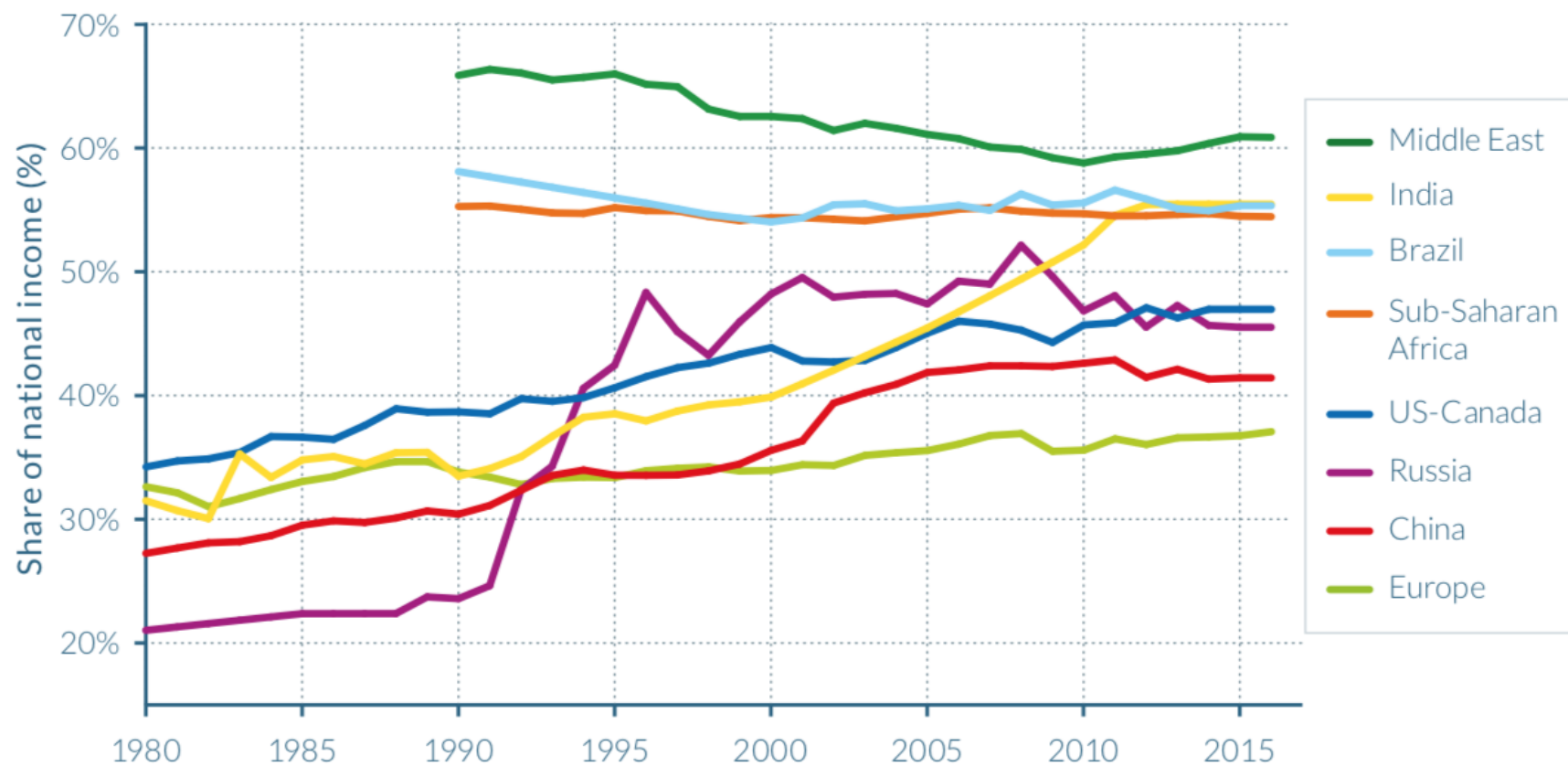
- Rising inequality is a global phenomenon
- But increase at different speeds, reflecting diversity of national institutions and policies
- Among developed countries: faster rise in English-speaking countries
- Among emerging countries: strongest rise in Russia

**Top 10% income shares across the world, 1980-2016: Rising inequality almost everywhere, but at different speeds**



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

### Top 10% income shares across the world, 1980–2016: Is world inequality moving towards the high-inequality frontier?



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



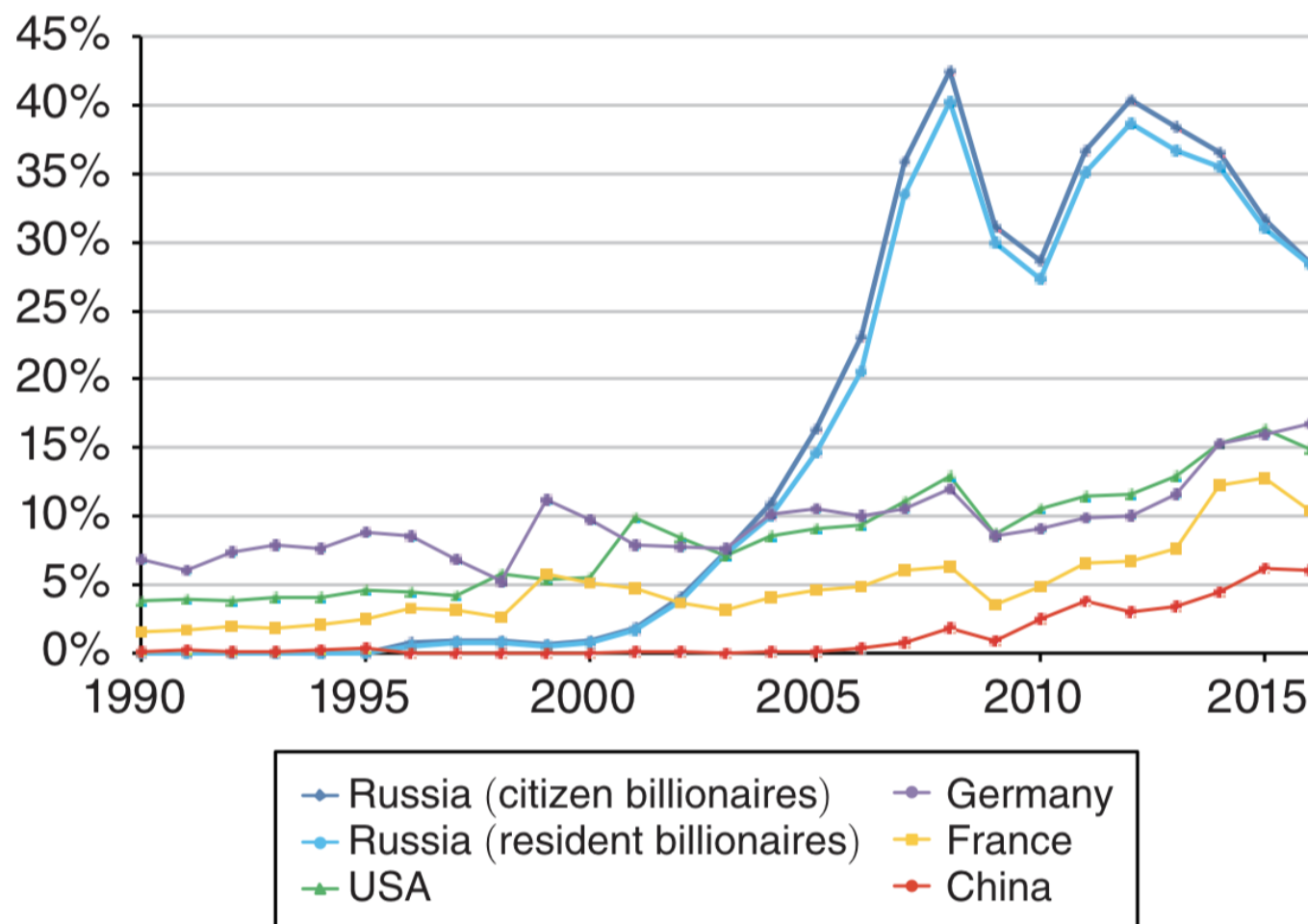
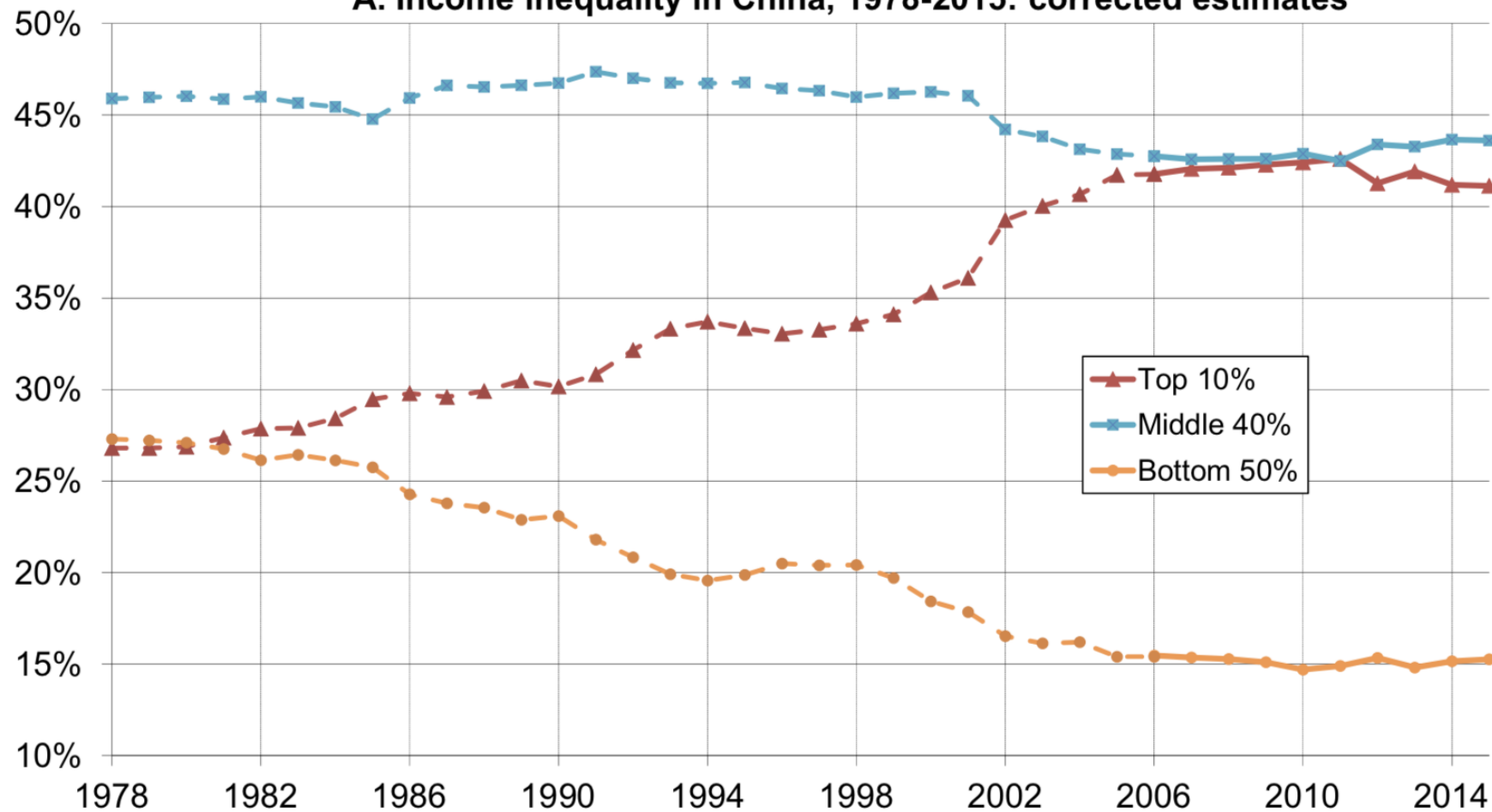


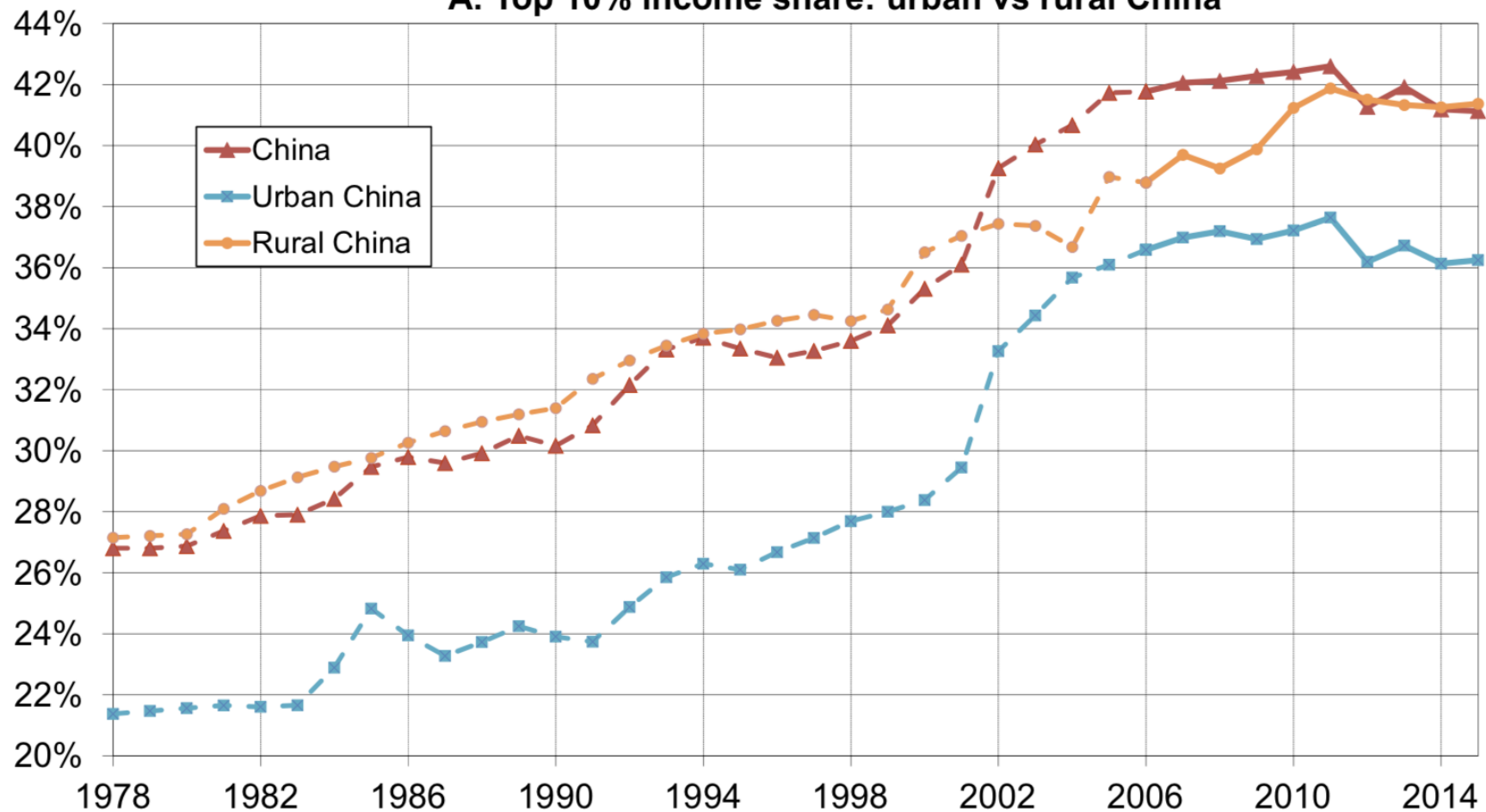
FIGURE 5. TOTAL FORBES BILLIONAIRE WEALTH:  
 RUSSIA VERSUS OTHER COUNTRIES, 1990–2016  
 (*Percent national income*)

### A. Income inequality in China, 1978-2015: corrected estimates

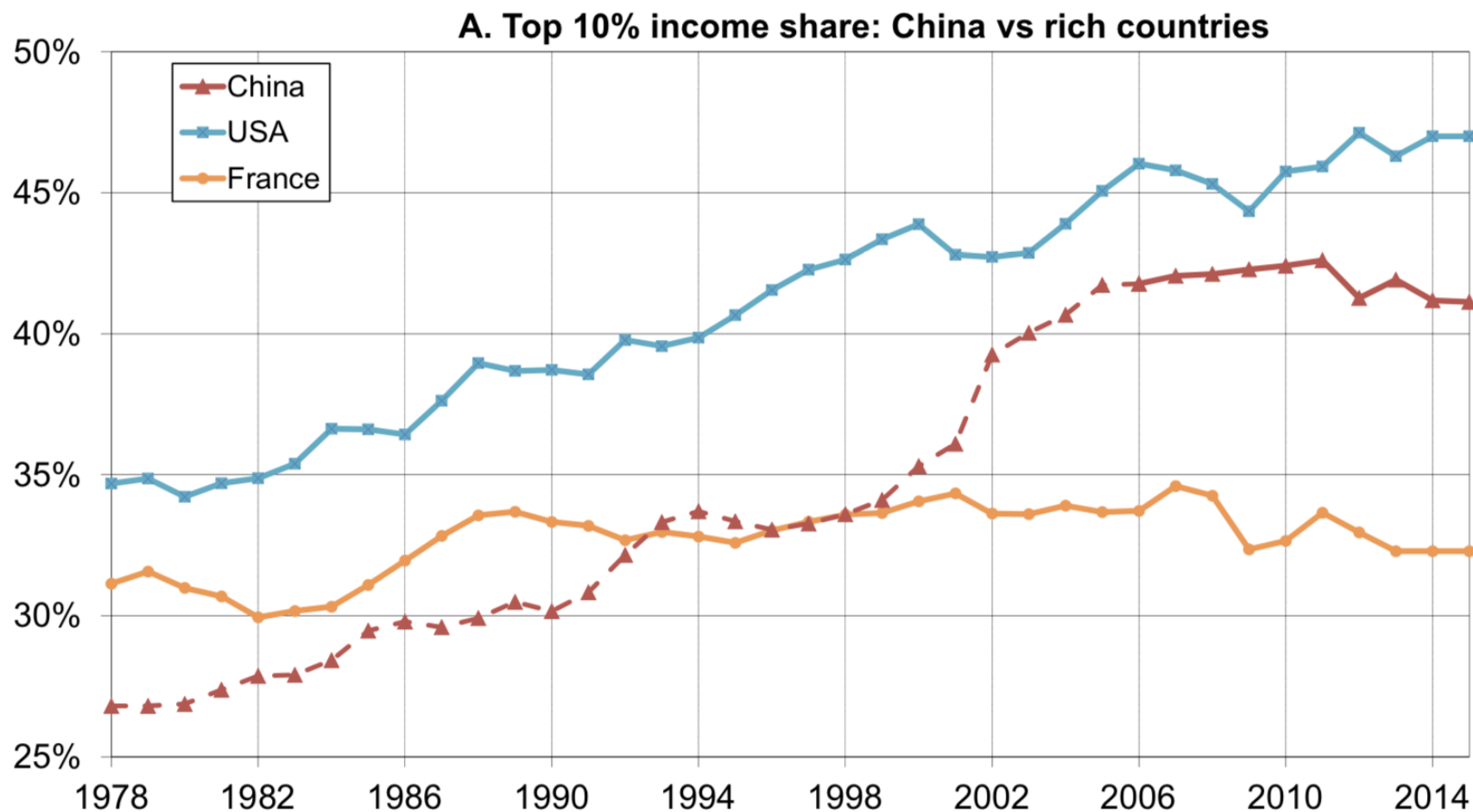


Distribution of pretax national income (before taxes and transfers, except pensions and unempl. insurance) among adults. Corrected estimates (combining survey, fiscal, wealth and national accounts data). Equal-split-adults series (income of married couples divided by two). Pre-2006 series assume that the tax/survey upgrade factor is the same as the one observed on average over the 2006-2010 period when national-level tax data exist.

### A. Top 10% income share: urban vs rural China

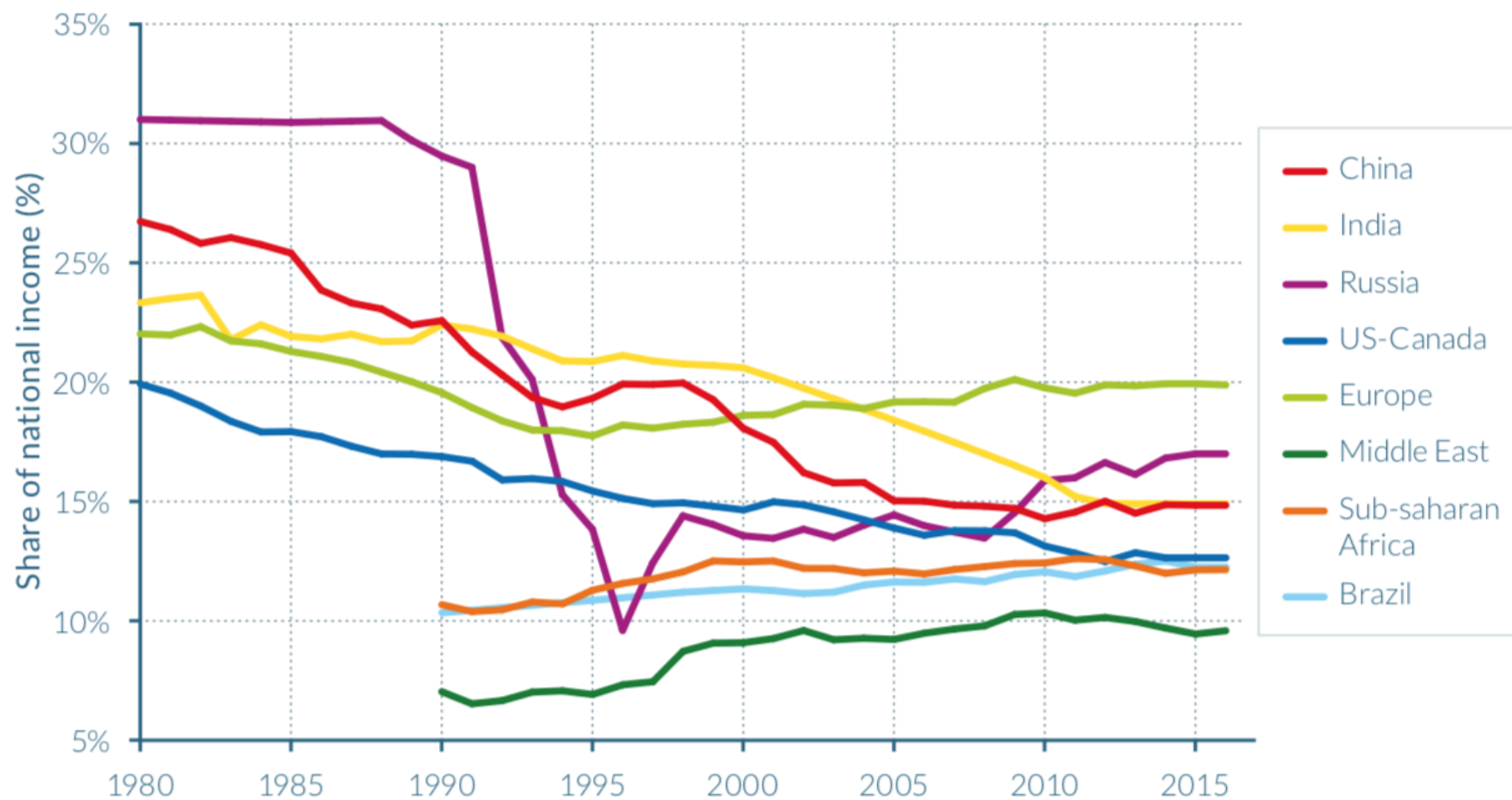


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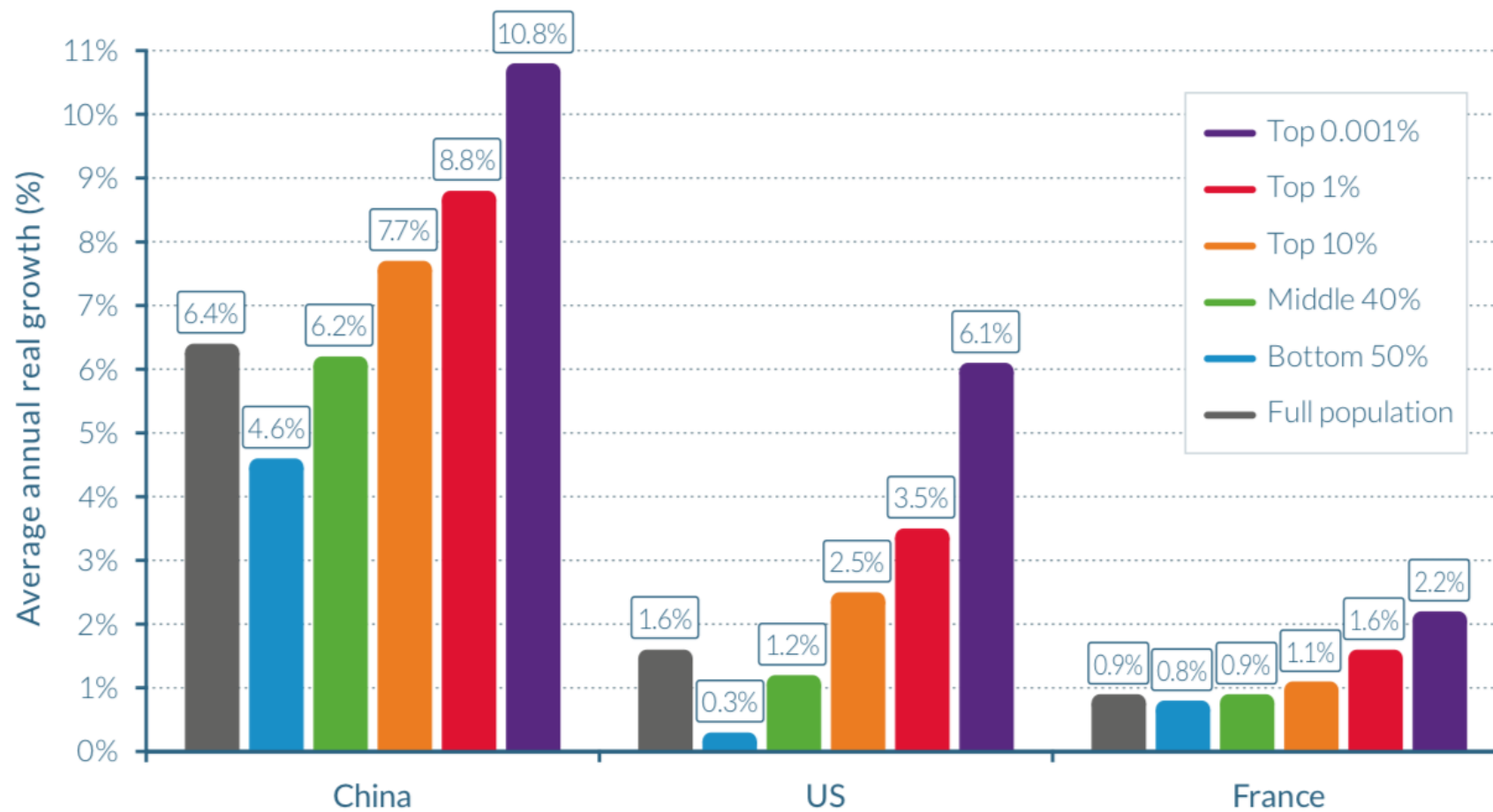
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### Bottom 50% income shares across the world, 1980-2016



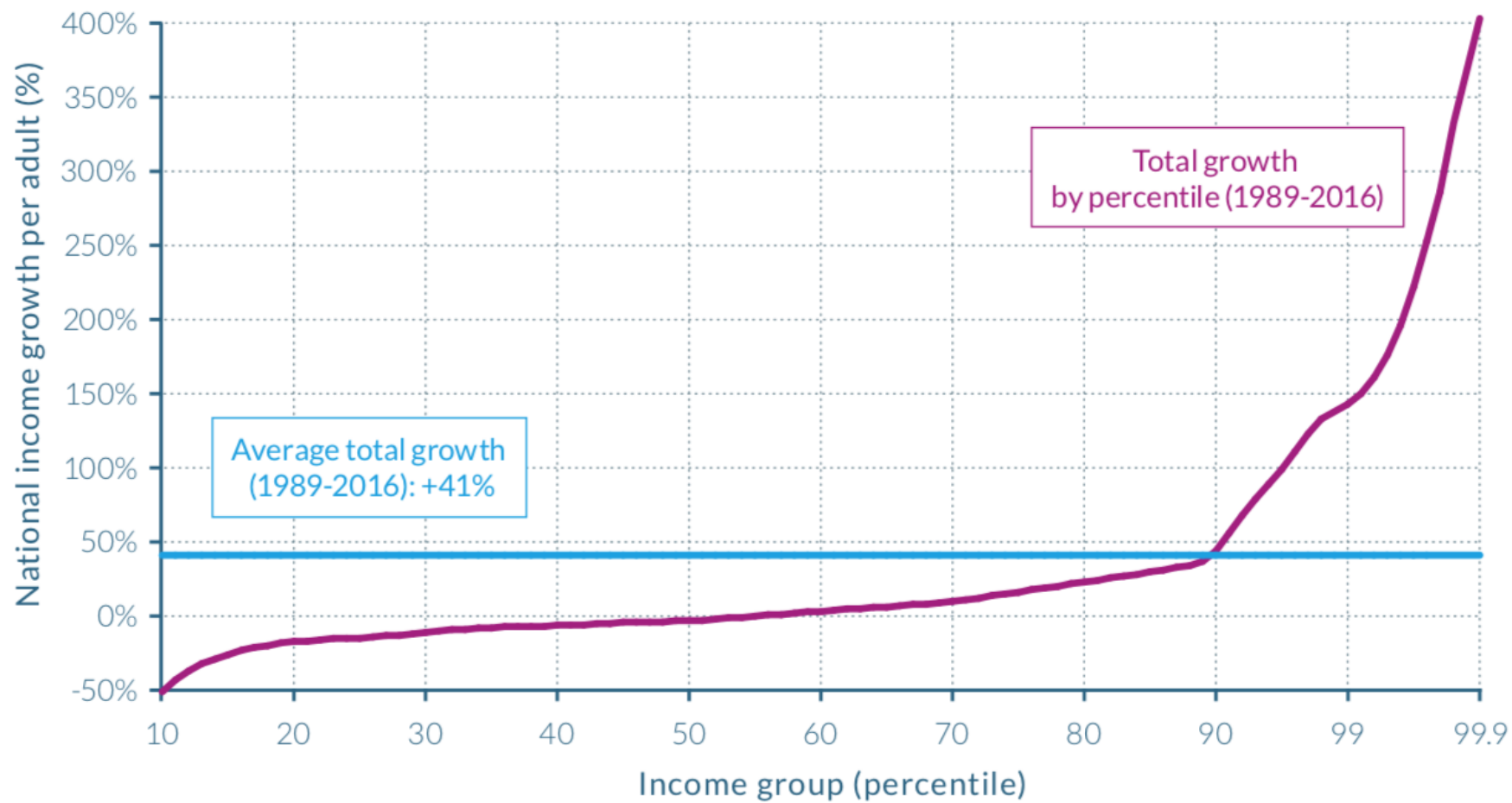
Source: WID.world (2017). See [wir2018.wid.world](http://wir2018.wid.world) for data series and notes.

### Average annual national income growth by income group in China, France and the US, 1980-2015




Source: Piketty, Yang and Zucman (2017). See [wir2018.wid.world](#) for data series and notes.

### Total income growth by percentile in Russia, 1989-2016



Source: Novokmet, Piketty and Zucman (2017). See [wir2018.wid.world](http://wir2018.wid.world) for data series and notes.

### 3 The decline of income inequality 1920s–1970s

Rise in inequality since 1980 contrast sharply with general  in inequality between 1920s and 1970s

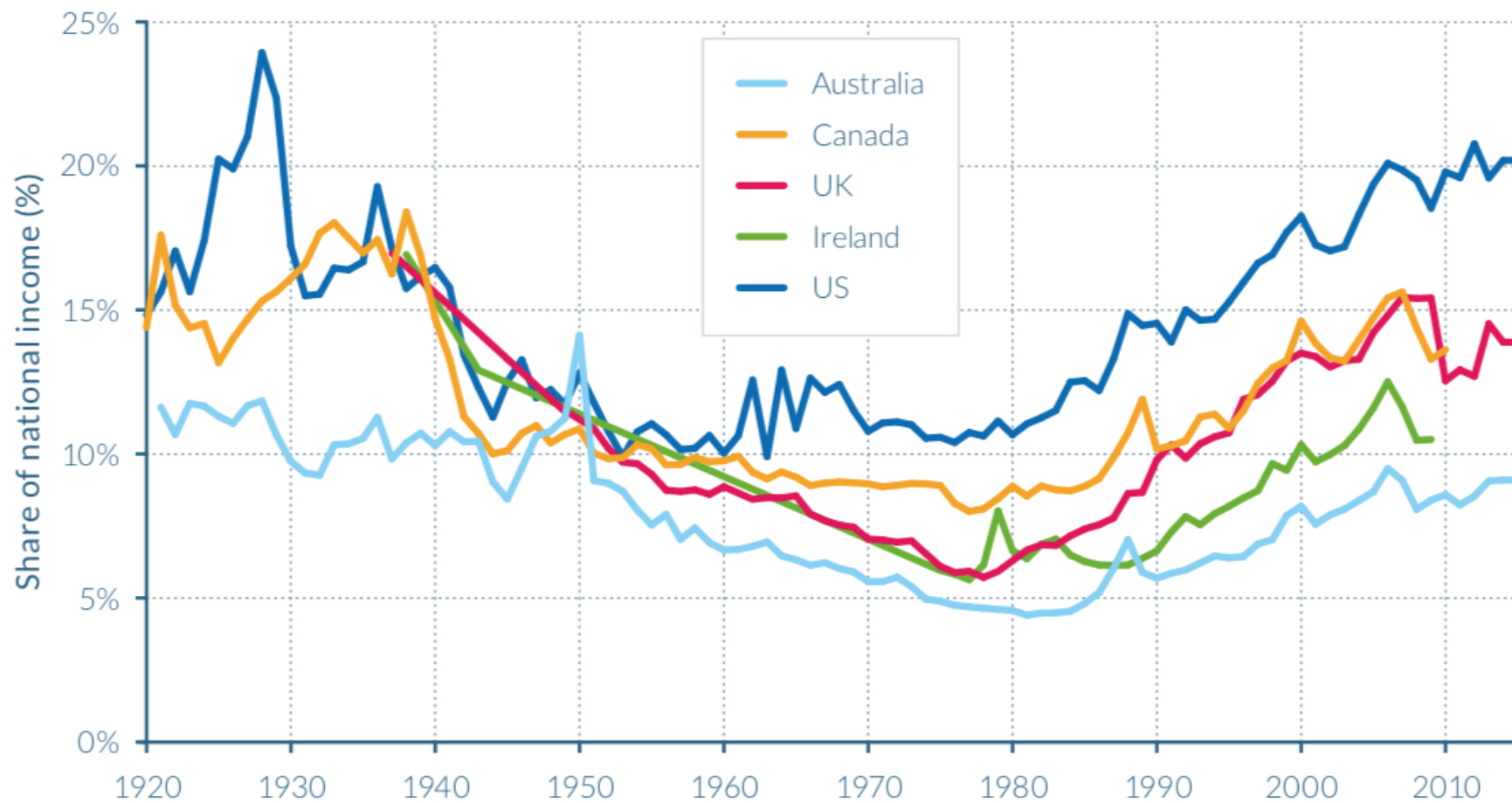
#### 3.1 In developed countries

- 1920s-1970s combination of political, social, and economic shocks
- Followed by egalitarian policies: Social Security, public education, pro-labor policies, progressive taxation



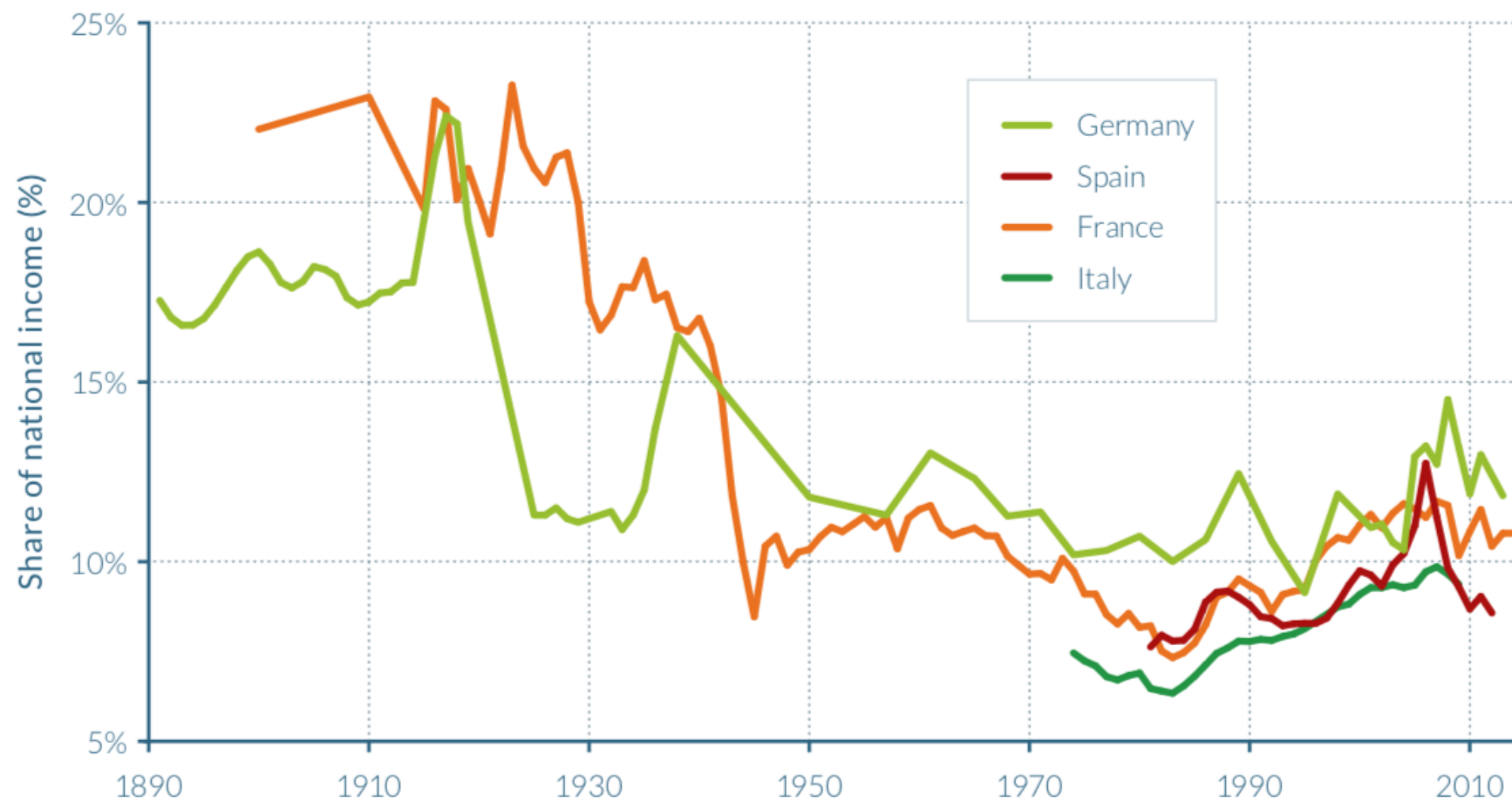
- Decline in inequality largely a capital phenomenon
  - Large shocks to top fortunes 1913-1945
  - Rise of patrimonial middle-class

### Top 1% national income share in Anglophone countries, 1920-2015



Source: Novokmet, Piketty & Zucman (2017). See [wir2018.wid.world](http://wir2018.wid.world) for data series and notes.

### Top 1% national income share in European countries, 1890-2014



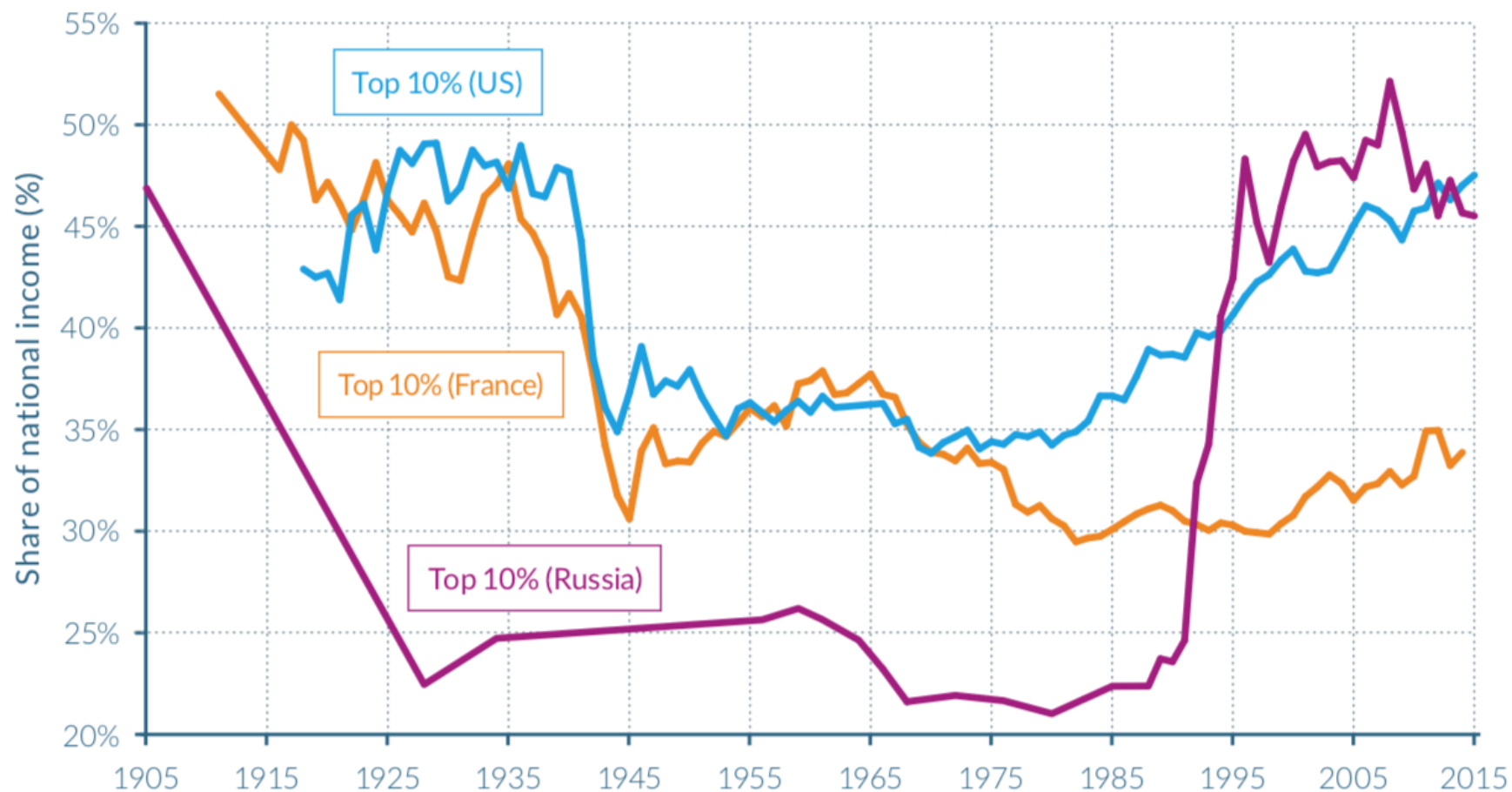
Source: WID.world (2017). See [wir2018.wid.world](#) for data series and notes.

## 3.2 In emerging countries

Political and social shocks led to even more radical reduction of inequality:

- Abolition of private property in Russia, plans, education, land redistribution
- Socialist policies in India post-independence

### Top 10% income share in France, Russia and the US, 1905-2015



Source: Novokmet, Piketty and Zucman (2017). See [wir2018.wid.world](http://wir2018.wid.world) for data series and notes.

## 4 Summary

- After historical decline in most parts of the world from 1920s to 1970s, income inequality is on the rise in nearly all countries.
- But variety of national pathways, highlighting key role of political and institutional factors
- Among rich countries, Anglo-Saxon countries have experienced a sharp rise in inequality since the 1980s.

- In China, India, and Russia, three formerly communist or highly regulated economies, inequality surged with opening and liberalization policies.
- Steepest rise occurred in Russia, where the transition to a market economy was particularly abrupt.
- Too little is known of long-run dynamics of income inequality in many low-income countries.

## References

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