

WID.world & The World Inequality Lab Newsletter – November 2018

Welcome to the fifth World Inequality Lab newsletter, which covers our main developments over the past months.

Editorial - Towards Distributional Measures of Growth

Earlier this year, US Senate Democratic leader Chuck Schumer and Democrat Senator Martin Heinrich introduced an Act which would require the US Bureau of Economic Analysis (BEA) to report how economic growth is distributed across income groups, alongside official GDP publications.

At WID.world, we welcomed the “*Measuring Real Income Growth Act of 2018*” as a very positive development. The proposed Act can indeed be seen as the direct translation of our work in the realm of policymaking. The Act is also based on a conviction we share at WID.world: the availability of transparent, systematic and up-to-date statistics on the evolution of income and wealth is a necessary condition for peaceful democratic debates on inequality and growth.

Interestingly, the Act also refers to the recent article published by Thomas Piketty, Emmanuel Saez and Gabriel Zucman on Distributional National Accounts in the United States (see the QJE paper [here](#)), which distributes pretax and post tax national income to different income groups in the USA and which provides a potential reference method for the BEA.

After the publication of our first Distributional National Accounts (DINA) series on the USA, France and China, WID.world researchers are working relentlessly to produce new series in Europe, Asia, Latin America and Africa – latest developments are presented below in this newsletter and the set of DINA guidelines are available [here](#). We should stress however that alone, the WID.world team and its academic partners cannot produce DINA for all countries in the world on an annual basis. To reach this objective, statistical institutions and governments will have to step in in the near future. This is precisely the objective of the Schumer and Heinrich proposal in the US context.

The history of national accounts and GDP statistics follow a trajectory that is interesting from our perspective. National income was conceptualized by researchers (including C. Clark, S. Kuznets, J. M. Keynes and J. Meade) in the 1930s, before national statisticians got into the production of standardized annual GDP statistics. Indeed, this move was facilitated by the adoption of the United Nations (UN) System of National Accounts in 1953.

A similar move should now be made for inequality statistics. In a way, the transition has already started at the level of the UN, since the UN Assembly adopted in 2015 a list of Sustainable Development Goals which includes an inequality reduction target - the objective stresses that the bottom 40% of the population should grow faster than average. Assessing countries’ performance on this target is only possible if countries develop distributional measures of growth. In addition, the next revision of the System of National Accounts (SNA) is also expected to include methods to distribute income and wealth.

In order to fasten the adoption of international standards on inequality measurement and foster exchanges between the research community as well as national statisticians, the World Inequality Lab recently hosted a [methodological workshop](#) at the Paris School of Economics. The event was co-organized with the Commitment of Equity Institute, the CUNY Stone Center on socio-economic inequality and regrouped more than 70 participants including many WID.world fellows as well as other inequality experts, national accountants and statisticians from international organizations such as the OECD or the World Bank. The two days of presentations and discussions revealed a lot of similarities in the approaches and objectives set out by different communities.

Discussions and debates on methodological points persist but we see this as the normal process of economic research. We are also convinced that it is already possible produce annual distributional statistics in several countries and that it is not too early for statistical institutions to engage in this enterprise. Let us remember that several methodological controversies still persist among national accountants when it comes to measuring GDP growth and this does not prevent national statistical institutions to publish GDP statistics, to revise them every year and to continually improve methodological and conceptual frameworks with the regular revisions of the System of National Accounts.

The multi-year partnership between the World Inequality Lab and the United Nations Development Programme, which we are delighted to announce in this newsletter, is another sign that International Organizations are committed to support the development of transparent, systematic, open access data on income and wealth across the world. In the coming months and years, we plan to strengthen our collaborations with partner research institutions, national accountants and policymakers, in order to make decisive progress towards the publication of Distributional National accounts across countries.



The workshop on inequality measurement at the Paris School of Economics, co-organized in May 2018 by the World Inequality Lab, the Commitment for Equity Institute and the Stone Center for Socio-Economic inequality (more info [here](#)).

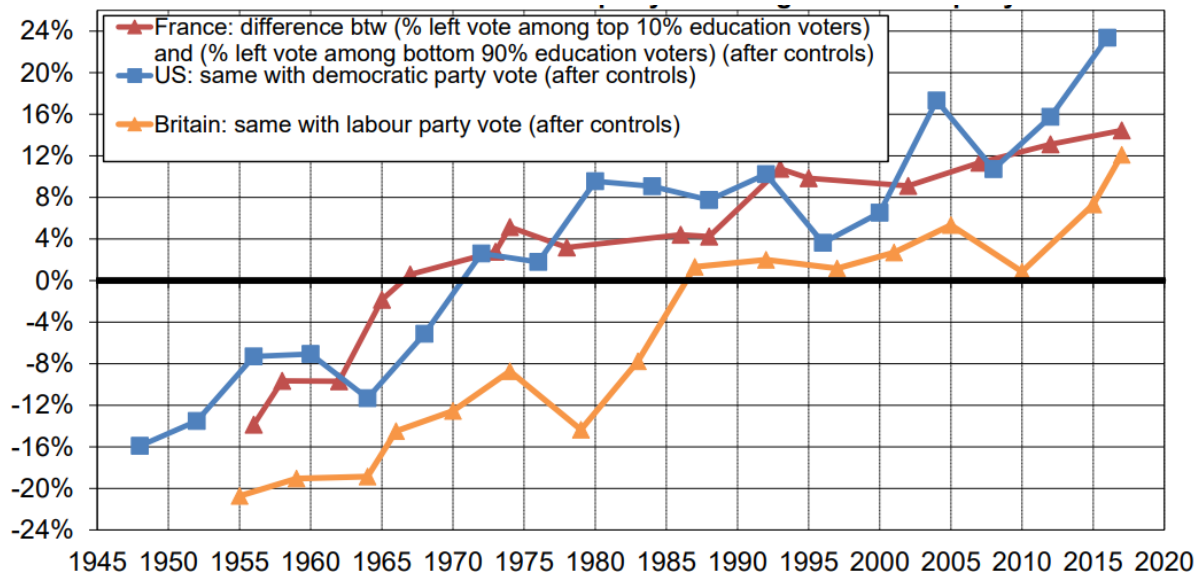
New World Inequality Lab working papers

Several working papers and technical notes have been published over the past months on WID.world.

“Brahmin Left vs Merchant Right: Rising Inequality & the Changing Structure of Political Conflict (Evidence from France, Britain and the US, 1948-2017)” by Thomas Piketty (WID.world Working Paper 2018/7)

In this paper, Thomas Piketty documents a striking long-run evolution in the structure of political cleavages. In the 1950s-1960s, the vote for left-wing (socialist-labour-democratic) parties was associated with lower education and lower income voters. It has gradually become associated with higher education voters, giving rise to a “multiple-elite” party system in the 2000s-2010s: high-education elites now vote for the “left”, while high-income/high-wealth elites still vote for the “right” (though less and less so). [[news](#)]

Voting for left-wing & democratic parties in France, Britain, US 1948-2017: from the worker party to the high-education party



Source: author's computations using French, US and British post-electoral surveys 1948-2017 (see piketty.pse.ens.fr/conflict)
Reading: in 1956, left parties (SFIO-PS, PC, Rad., etc.) obtain a score that is 14 points lower among top 10% education voters than among bottom 90% education voters in France; in 2012, their score is 13 points higher among top 10% educ.voters (after controls for age, sex, income, wealth, father's occupation). The evolution is similar for democratic vote in the US and labour vote in Britain.

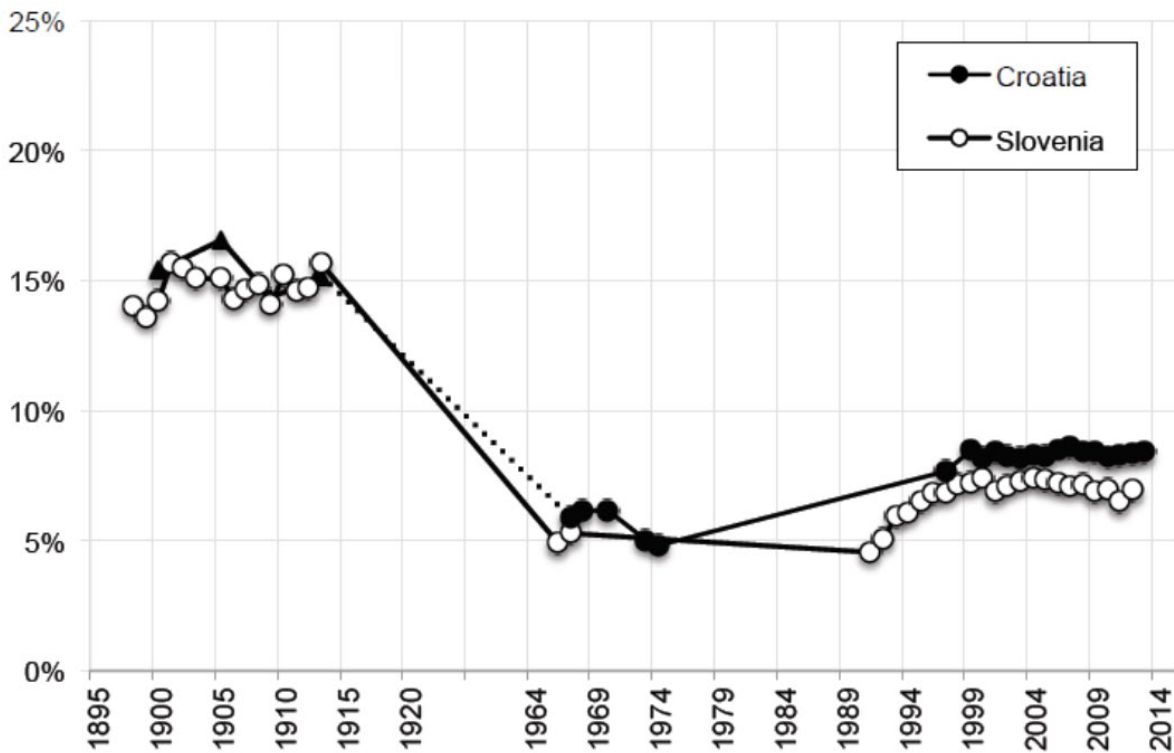
"Top incomes in Croatia and Slovenia, from 1960s until today" by Filip Novokmet and Nataša Kump (WID.world Working Paper 2018/8)

In this paper, Filip Novokmet and Nataša Kump present findings on the long-run dynamics of income inequality in Croatia and Slovenia. The transition to the market economy in these two countries has led to a moderate increase in income inequality. Inequality increased in the 1990s and stabilized afterwards, with the increase in inequality being mainly driven by the rising shares of top income groups. At the turn of the 20th century, top 1% were receiving about 15% of total income, a share that fell drastically to just above 5% in the 1960s. The transition of the 1990s, however, did not go with a very strong rise of inequality at the top. Today, the top 1% income share in Croatia and Slovenia is remarkably low compared to countries like Germany, France or the UK, reaching only about 7 and 8% respectively.

This development can be explained by the 'gradualist' transition course. In both Slovenia and Croatia, the slow privatization and the large public sector have contributed to the emergence of labour market institutions that procured a social equilibrium with low inequality. Furthermore, the substantial importance of the state ownership of the corporate sector in Slovenia and the foreign and state ownership in Croatia has made the concentration of private capital income less pronounced at the top of the income distribution. New inequality series for Croatia and Slovenia are a valuable contribution in assessing the role and showing the importance of policies and institutions in shaping inequality.

[\[news\]](#)

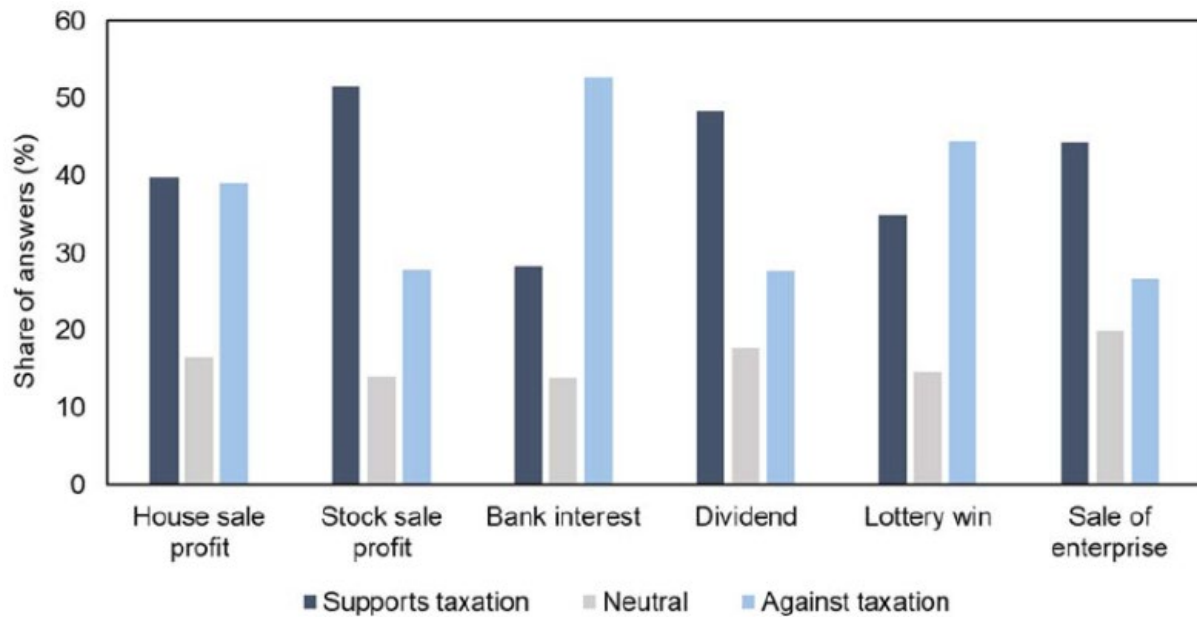
The long-run evolution of the top 1% income shares in Slovenia and Croatia



[“How Should Capital Be Taxed? Theory and Evidence from Sweden”](#) by Spencer Bastani and Daniel Waldenström (WID.world Working Paper 2018/9)

In this paper, Spencer Bastani and Daniel Waldenström present a comprehensive analysis of the role of capital taxation in advanced economies, with a focus on the Swedish experience. The authors synthesize the existing theoretical literature, present facts about the capital stock and its distribution, and review current capital tax practices and empirical findings regarding their effects on economic activity. The paper also examines the political feasibility of capital taxation by presenting results from a unique attitude survey targeted to a large representative sample of the Swedish population. Finally, the authors tie together their findings and discuss their implications for tax policy. [\[news\]](#)

Attitudes towards capital income taxes in Sweden



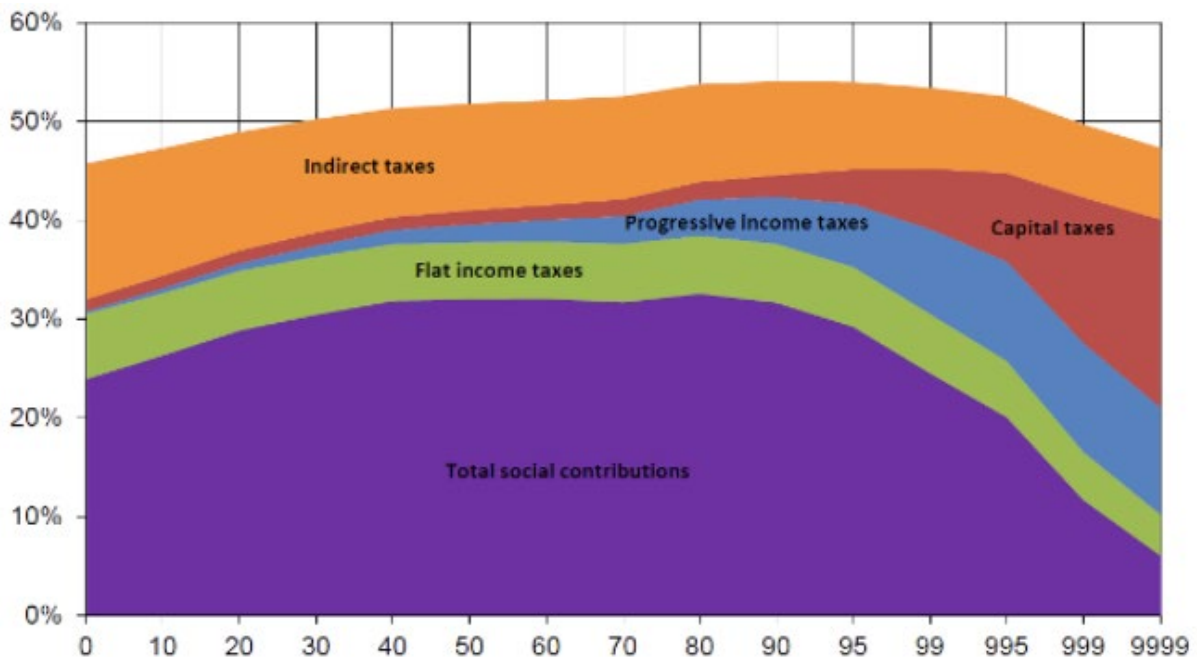
[“Inequality and Redistribution in France, 1990-2018: Evidence from Post-Tax Distributional National Accounts \(DINA\)”](#), by A. Bozio, B. Garbinti, J. Goupille-Lebret, M. Guillot and T. Piketty (WID.world Working Paper 2018/10)

In this paper, the authors combine French national accounts, tax and survey data in a comprehensive and consistent manner to build homogenous annual series on the post-tax, post-transfer distribution of national income by percentiles over the 1990- 2018 period, with detailed breakdown by age, tax and transfer categories.

They come with three main findings. First, taxes and transfers reduce total income inequality (as measured by the ratio between average incomes of the top 10% and bottom 50% groups) by 23% on average in France over this period. This is significant, but less than in the US (34%). The reason why overall inequality is much smaller in France than in the US (more than twice as small, according to this indicator) is entirely due to differences in pretax inequality (themselves due to a complex combination of factors: access to education, wage formation, etc.) rather than in fiscal redistribution. Next, due to the large role of indirect taxes, social contributions, and income capital exemptions, the overall profile of taxation is structurally regressive in France (i.e. very top groups pay lower effective tax rates than groups just below them), a feature that has been reinforced in 2017-2018. Third, monetary transfers benefit mostly older age groups in France, and leave unaffected the low relative position of younger age groups. These series are currently being extended to cover the entire 1900-2018 period and to better take into account in-kind transfers. [[news](#)] [[issue brief](#)]

Taxes paid by factor income percentile in France, 2018

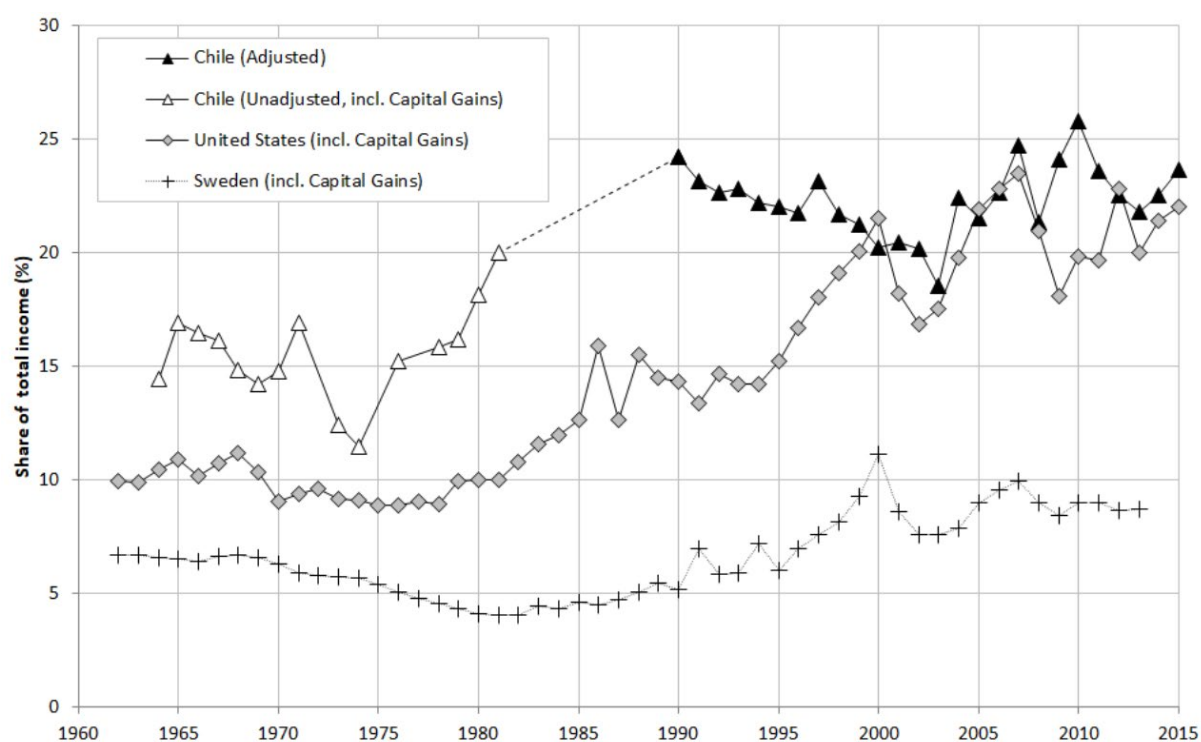
Distribution of factor national income among working population, i.e. adults aged 25-60 working at least part-time



Top Incomes in Chile: A Historical Perspective of Income Inequality (1964-2015) by Jorge Atria, Ignacio Flores, Claudia Sanhueza and Ricardo Mayer (WID.world Working Paper 2018/11)

In this paper Jorge Atria, Ignacio Flores, Claudia Sanhueza and Ricardo Mayer present new findings on the long-run evolution of top income inequality in Chile between 1964 and 2015. The authors distinguish between adjusted (1990-2015) and unadjusted (1964-2015) series. The latter only includes personal income, while the former includes the imputation of corporate undistributed profits, which results in higher inequality levels. Unadjusted estimates follow a decreasing trend over the course of the 1960s, followed by an inverted U-shape that reaches a peak during the dictatorship (1980s). By contrast, the adjusted series contradicts the evidence based on survey data, according to which inequality has fallen constantly over the past 25 years. Rather, it changes direction, increasing from around the year 2000. Finally, Chile ranks as one of the most unequal countries among both OECD and Latin American countries over the whole period of study. [\[news\]](#)

Top 1% share in Chile compared to the United States and Sweden



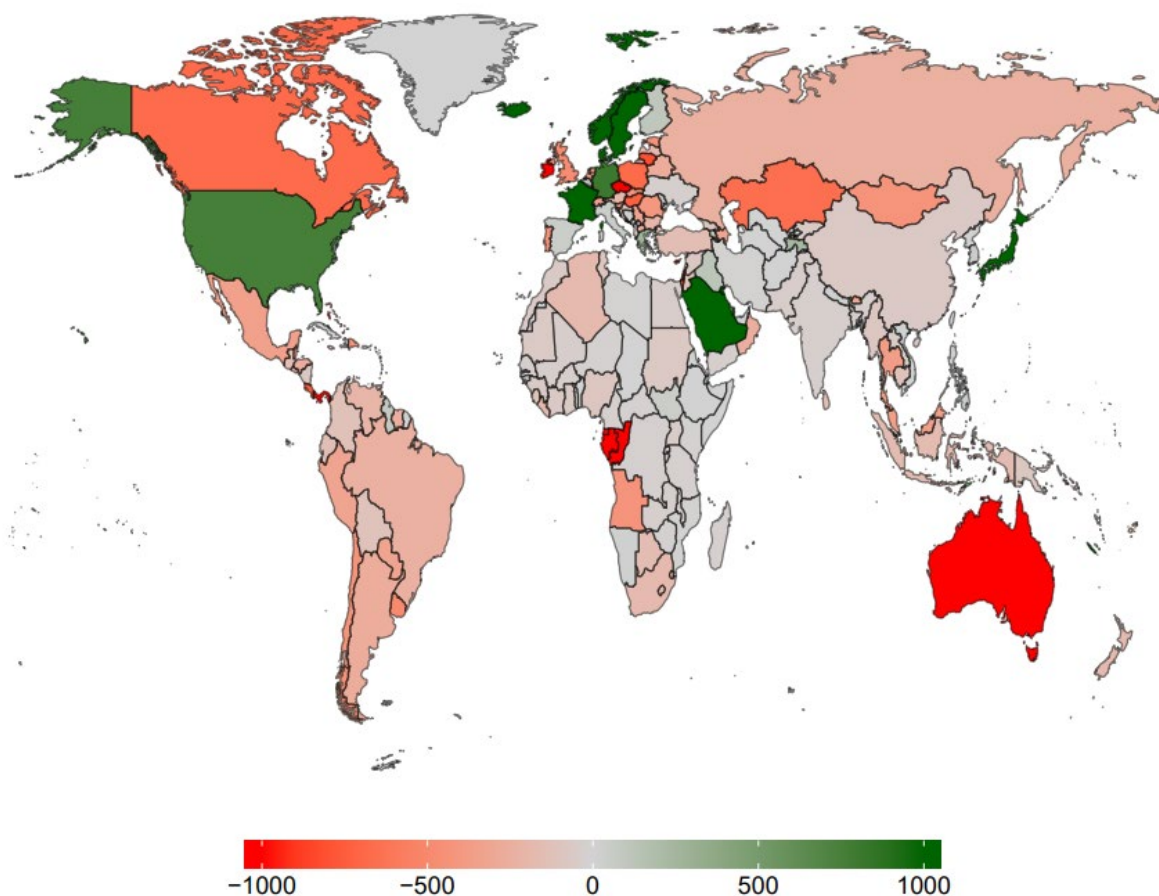
WID.world Issue Briefs

The World Inequality Lab recently launched its Issue briefs, which are short documents analyzing a current economic or political issue through the lens of data series available from the World Inequality Database.

[Foreign income and assets in comparative perspective: highlights from the World Inequality Database](#), by Amory Gethin (WID.world Issue Brief 2018/1)

In this Issue Brief, Amory Gethin analyses the evolution of net foreign assets and net foreign income positions around the world. Due to important differences in returns from foreign holdings, net foreign income positions (income received from abroad minus income paid to foreign countries) and net foreign asset positions (assets owned abroad minus domestic assets held by foreigners) reveal very different pictures. In spite of the United States owing the equivalent of 10% of global income to the rest of world today, US adult citizens receive on average €750 per year from abroad. The situation is the opposite in China: while the world's biggest developing economy has been accumulating reserves sufficient to buy the entire wealth of Denmark and the Czech Republic combined, its net foreign income position remains significantly negative.

Average net foreign incomes per adult across the world, 2016 €



[“Trois décennies d’inégalités et de redistribution en France \(1990-2018\)”](#), by A. Bozio, B. Garbinti, J. Goupille-Lebret, M. Guillot and T. Piketty (WID.world Issue Brief 2018/2)

In this issue brief, A. Bozio, B. Garbinti, J. Goupille-Lebret, M. Guillot and T. Piketty draw on their [new paper on income inequality and redistribution in France](#) and present homogenous annual series on the post-tax, post-transfer distribution of national income by percentiles over the 1990- 2018 period, with detailed breakdown by age, tax and transfer categories (see section “New WID.world papers”).

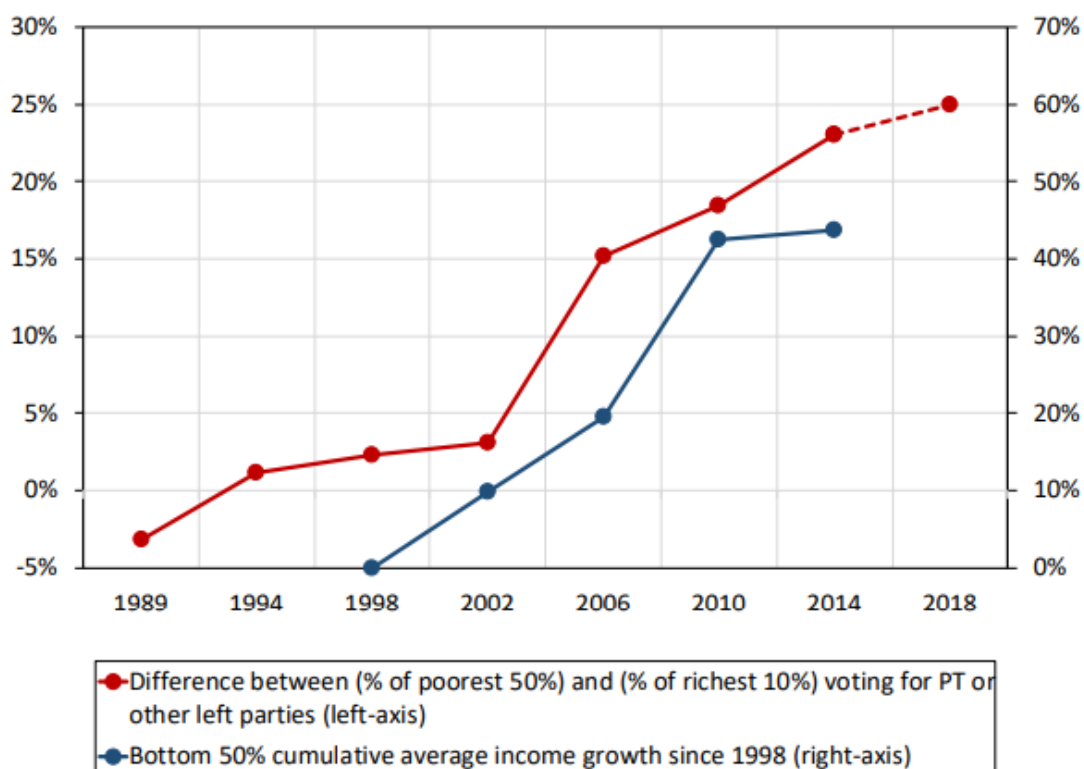
[“Divided Brazil: Hintsights on the Growing Politicization of Inequality”](#) by Amory Gethin and Marc Morgan (WID.world Issue Brief 2018/3)

In this issue brief, the authors argue that the political polarisation surrounding the 2018 Brazilian presidential election can be associated to class cleavages linked to the Workers’ Party’s policies in directly improving the living conditions of the poor, and indirectly benefiting elites, largely to the neglect of the middle class. The poorest 50% in the income distribution have been increasingly more likely to vote for the PT and other left-of-centre parties since 2002 compared to the richest 10%. This striking evolution occurred in a context of strong income growth for the bottom deciles (almost twice the national average), compared to the lower-than-average-growth for the upper-middle class. The

richest percentiles also benefited from stronger-than average growth during the high-growth phase of the 2000s.

The difference between the rich and the poor is that the former's recent voting intentions seem to be more motivated by concerns about corruption, security and education, than employment or health issues, which are more often cited by members of the Bottom 50%. The Bolsonaro vote has gathered those who are disappointed with the political system's corruption and complacency for security issues, as well as those who are appeased by the candidate's liberal economic program. In Europe or the United States, the increasing support for "populist" far-right movements has often been attributed to individuals with lower levels of education and income. In Brazil, on the contrary, Bolsonaro has attracted greater proportional approval from the country's high-education and business elites.

The Rise of Class Cleavages in Brazil, 1989-2018



Launch of regular “Debates on equality” at the Paris School of Economics

The World Inequality Lab is happy to announce the organization of monthly conferences, the [Debates on Equality](#). Each conference is dedicated to the presentation and discussion of a newly published book in social sciences, in the presence of the author. They are held at the Paris School of Economics (48 boulevard Jourdan 75014 Paris) and organized jointly by Lucas Chancel, Amory Gethin and Thomas Piketty.

The first debate on equality will be dedicated to the presentation of [Insoutenables Inégalités](#), by [Lucas Chancel](#). It will be held in the amphitheatre of the Paris School of Economics (48 boulevard Jourdan 7014 Paris) on October 18 2018, between 6pm and 7:30pm. The book will be introduced by Aurore Lalucq, co-director of the Veblen Institute. The conference will be in French.

The second debate on equality will be dedicated to the presentation of [Une histoire populaire de la France, by Gérard Noiriel](#). It will be held in the amphitheatre of the Paris School of Economics (48 boulevard Jourdan 7014 Paris) on October 18 2018, between 6pm and 7:30pm. The book will be introduced by Aurore Lalucq, co-director of the Veblen Institute. The conference will be in French.

The third debate on equality will be dedicated to the presentation of [Résistances à l'impôt, attachement à l'État, by Alexis Spire](#). It will be held in the amphitheatre of the Paris School of Economics (48 boulevard Jourdan 7014 Paris) on December 6, 2018, between 6pm and 7:30pm.

The fourth debate on equality will be dedicated to the presentation of [Le prix de la démocratie, by Julia Cagé](#). It will be held in the amphitheatre of the Paris School of Economics (48 boulevard Jourdan 7014 Paris) on January 10, 2019, between 6pm and 7:30pm.

The fifth debate on equality will be dedicated to the presentation of *Global Inequality: A new approach for the Age of Globalization* and its forthcoming French translation, *Les Inégalités Mondiales au 21e siècle, et Après*, by Branko Milanovic.

Data updates

[WID.world has updated its external data on macroeconomic aggregates to 2017](#): national accounts and price data, as well as population indicators, are now available. WID.world has national income aggregates for about 99% of the world population. The national income of a country corresponds to its gross domestic product (GDP) minus its consumption of fixed capital (CFC) added to its national foreign income (NFI), which makes it a more relevant measure of its total income than the GDP.

In 2017, total global income was of €83,800 billion, with an average of €16,800 per adult and per year. Global national income per adult grew faster in 2017 than in 2016: it increased by 2.9% in 2017, compared to 1.6 % in 2016 and to an average annual growth rate of 2.4% since 2010. Based on the World Inequality Report 2018's findings, we estimate the average income of the bottom 50% of the global income distribution (the poorest half of the world population) at €3,260 per year and per adult in 2017, while it was of €342,500 for the top 1%.

[The series of top fiscal income shares for Switzerland have been extended to 2014 by Isabel Martínez](#).

In 2014, the top 1% fiscal income share reached 11.3%. [\[news\]](#) [\[research paper\]](#)

New partnerships

We are delighted to announce a new 3-year partnership with the **United Nations Development Program**, centered on the production and analysis of inequality data in developing countries, in the context of UN Sustainable Development goals. The World Inequality Lab will also contribute to the next Human Development Report.

The World Inequality Lab is also delighted to announce a research partnership with Harvard **Kennedy School Inequality and Social Policy Center**. The partnership will promote research collaboration between Kennedy School and World Inequality Lab doctoral students, post-docs and researchers.

Life at the World Inequality Lab

The World Inequality Lab is happy to announce that Alix Myczkowski, Thanasak Jenmana and Amory Gethin have joined the lab as full-time economists after completing their graduate studies at the Paris School of Economics.

Alix Myczkowski has worked on the [long-run evolution of labor income inequality in France](#) by combining fiscal data and surveys with generalized Pareto techniques. She is currently participating to the extension of the World Inequality Database to African countries.

Thanasak Jenmana dedicated his master thesis to estimating [income inequality in Thailand](#) and its historical link to the country's repeated periods of political instability. He is now focusing on extending his work to other dimensions of Thai economic inequality and to other countries in Southeast Asia.

Amory Gethin has worked on the [link between political cleavages and economic inequality](#) in Brazil, South Africa, Australia, Canada and Japan. He is now working on extending the World Inequality Database to European and African countries.

WID.world in the Media

WID.world data series, working papers and issue briefs have given rise to several press articles in local and international media.

In France, the research done by A. Bozio, B. Garbinti, J. Goupille-Lebret, M. Guillot and T. Piketty on redistribution in France has led to articles in multiple newspapers, such as l'Obs ([Surprise, les impôts sont moins inégalitaires aux Etats-Unis qu'en France](#)), Le Monde ([Emmanuel Macron est-il le président des riches ?](#)) or Franceinfo ([La redistribution fiscale a permis de contrecarrer l'augmentation des inégalités en France](#)).

In the United States, Gabriel Zucman has written in the New York Times on tax evasion and its potential solutions ([How Corporations and the Wealthy Avoid Taxes \(and How to Stop Them\)](#)). Joseph E. Stiglitz has recently written in the Scientific American about income inequality in the US and in the world, using data from the World Inequality Database ([The American Economy Is Rigged](#)).

In Brazil, Amory Gethin and Marc Morgan's study on cleavage politics in Brazil has given rise to an interview in Valor Econômico ([Classe média espremida pesou na eleição](#)).

We look forward to seeing you soon on WID.world !

Warm regards,

Facundo Alvaredo, Lucas Chancel, Thomas Piketty, Emmanuel Saez, Gabriel Zucman

WID.World & The World Inequality Lab

The World Wealth and Income Database ([WID.world](#)) aims to provide open and convenient access to the most extensive available database on the historical evolution of the world distribution of income and wealth, both within and between countries. WID.world was initiated in 2011 and is administered by the [World Inequality Lab](#). It regroups more than a hundred researchers located over five continents. [Read more about us here.](#)

The World Inequality Lab aims to promote research on global inequality dynamics. Its core mission is to maintain and expand the World Wealth and Income Database. It also produces inequality reports and working papers addressing substantive and methodological issues. It is located at the [Paris School of Economics](#), and comprises a small team of about ten permanent staff members and research assistants. The World Inequality Lab works in close coordination with a large international network (over one hundred researchers covering nearly seventy countries) that contributes to the WID.world database, and is supervised and coordinated by the same executive committee as WID.world.

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