

Wealth and Income Inequality

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2024-12-17

Introduction

- Inequality of what?
- Inequality between whom?
- Why does it matter?
- What is to be done?

Unequal Scenes Project: Mumbai



Unequal Scenes Project: Brazil



Unequal Scenes Project: South Africa



Unequal Scenes Project: Jakarta



Unequal Scenes Project

ABOUT



Photo: Felipe Meireles

Johnny Miller is a photographer and multimedia storyteller based in South Africa and the USA. He is interested in exploring social justice issues from the ground and from the air.

His photographic project Unequal Scenes has garnered widespread praise and been featured in many of the world's top publications.

He is currently a Senior Fellow at Code For Africa, a Senior [Atlantic Fellow](#) for Social and Economic Equity at the London School of Economics, and a BMW Foundation Responsible Leader.

Johnny is also the co-founder of [africanDRONE](#), a pan-African organization committed to using drones for good. He attended Dickinson College in Pennsylvania, USA, and the University of Cape Town in South Africa.

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UNEQUAL SCENES

LOCATIONS

South Africa
Manila
Brazil
Bogotá
Mumbai
Lagos
Mexico
Jakarta
Guatemala City
Pakistan
Peru
Nairobi
Buenos Aires
Cape Town
Panama City
Detroit

Inequality of what?

- Income
- Consumption
- Wealth or Net worth
- Opportunity (circumstances vs efforts)
- Access

Measuring Inequality

- Sampling error
- Under-reporting
- Unit non-response
- Difficulty in capturing income

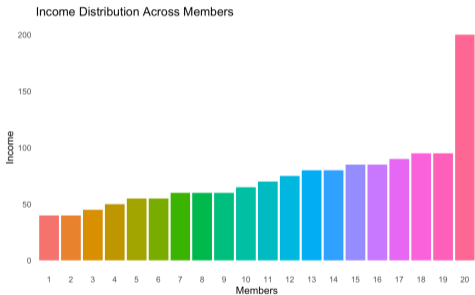
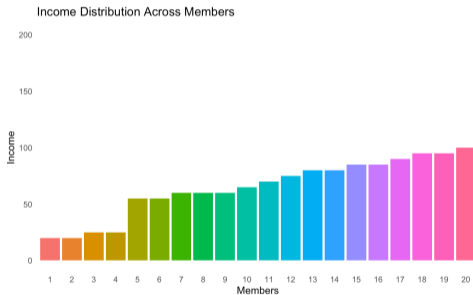
Measuring Inequality

- Partial measures
 - P10/P90
 - Palma ratio: share of top 10 / share of bottom 40
 - Share of top 10, 5, 1, 0.1 percent
- Gini coefficient

Measuring Inequality

- India's official survey (INR 244 million) vs Forbes (INR 2500 billion)
- Using rich lists
- Important: context and judgement
- The politics of statistics

Measuring Inequality



Axes of inequality

- Functional distribution
- Within the 99 percent
 - Rural/Urban
 - Formal/Informal
- Between countries
- Categorical inequalities

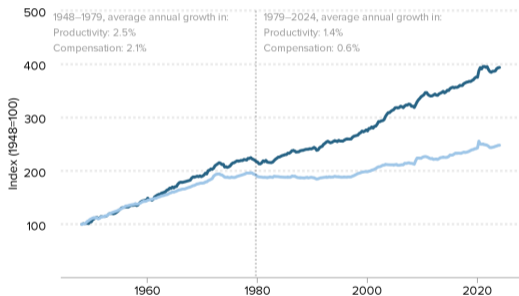
Functional distribution

- 'Factors of production': land, labour, capital
- What determines the factor share?
- Wage = MP_l ; Profits = MP_k ?

Functional distribution

The gap between productivity and a typical worker's compensation has increased dramatically since 1979

Productivity growth and hourly compensation growth, 1948–2024



Notes: Data are for compensation (wages and benefits) 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 less depreciation per hour worked.

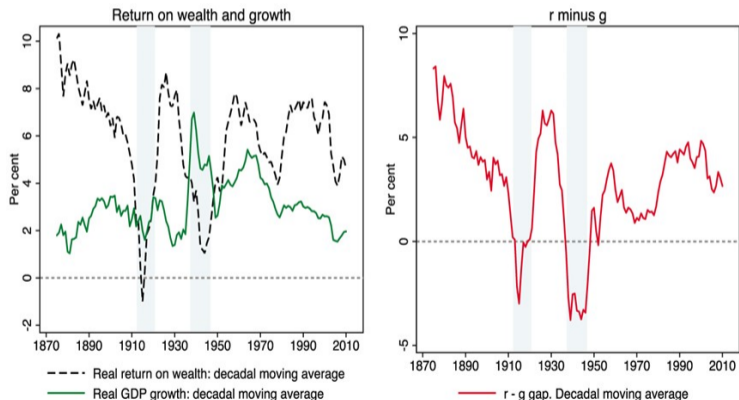
Source: EPI analysis of unpublished Total Economy Productivity data from Bureau of Labor Statistics (BLS) Labor Productivity and Costs program, wage data from the BLS Current Employment Statistics, BLS Employment Cost Trends, BLS Consumer Price Index, and Bureau of Economic Analysis National

Functional distribution

- Primitive accumulation/ accumulation by dispossession
- Historically and socially determined wages and profits
- Role of institutions and bargaining power
- Role of group processes (eg. caste and land ownership)
- Does ownership matter?

Does ownership matter?

Figure XV The Real Return on Wealth and Real GDP Growth
Mean returns and real GDP growth for 16 countries, weighted by real GDP

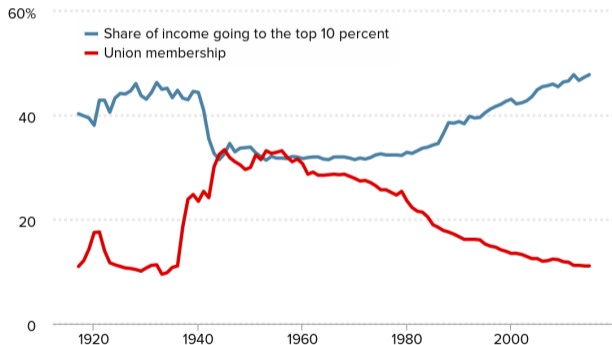


Inequality within workers

- Sectoral inequalities (agriculture vs FIRE)
- Institutions (unions) and policies (minimum wages)
- Formal vs informal sectors

Role of unions

Union membership and share of income going to the top 10 percent, 1917–2015



Sources: Data on union density follows the composite series found in Historical Statistics of the United States; updated to 2015 from unionstats.com. Income inequality (share of income to top 10 percent) data are from Thomas Piketty and Emmanuel Saez, "Income Inequality in the United States, 1913–1992" (2003) and "Income Inequality in the United States, 1993–2002" (2003).

Informality and agrarian

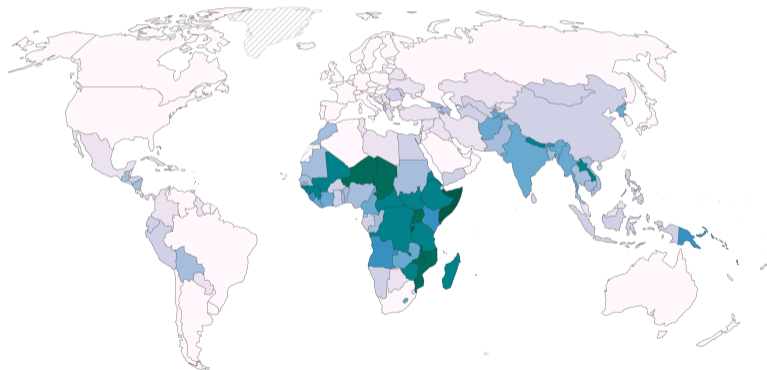
- 'Petty commodity production': driven by subsistence; family based enterprises
- Lack of regulation or support
- Informal work and unorganized sector
- Agrarian distress

Agrarian economy

Share of the labor force employed in agriculture, 2019

Agriculture includes the cultivation of crops and livestock production, as well as forestry, hunting, and fishing. Employment includes anyone engaged in any activity to produce goods or services for pay or profit.

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in Data



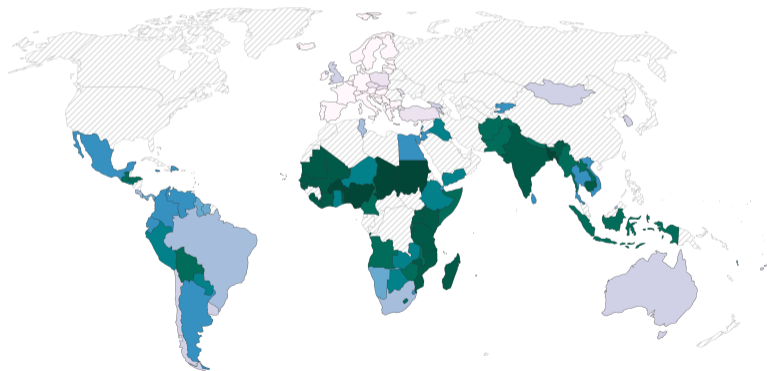
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Informality

Share of workers informally employed in non-agricultural workplaces, 2023

Our World
in Data

This includes all jobs in unregistered and/or small-scale private unincorporated enterprises that produce goods or services meant for sale or barter. Self-employed street vendors, taxi drivers and home-base workers, regardless of size, are all considered enterprises.



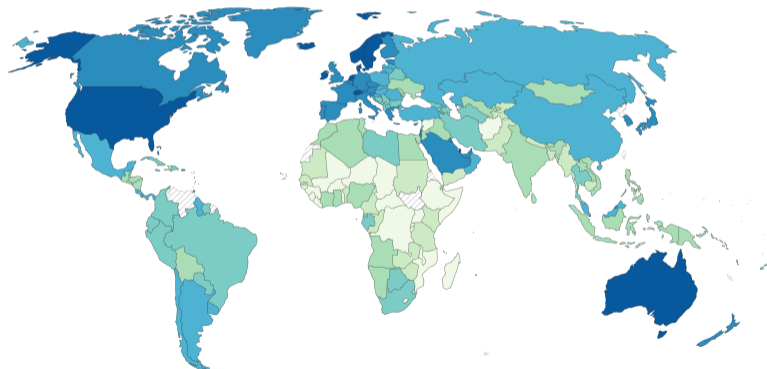
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Inequality between countries: GDP per capita

GDP per capita, 2022

This data is expressed in US dollars. It is adjusted for inflation but does not account for differences in the cost of living between countries.

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in Data



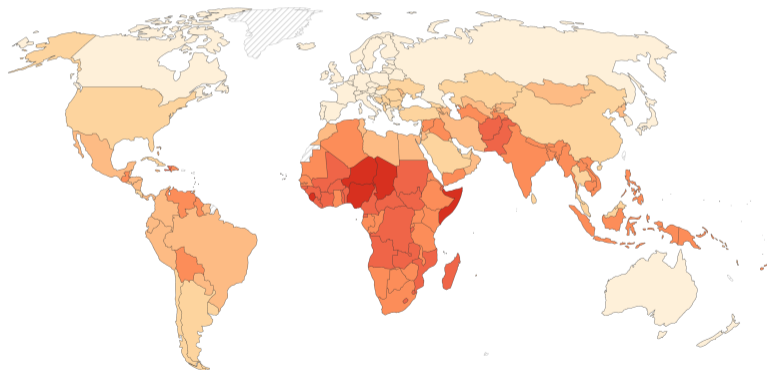
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Inequality between countries: Child mortality

Child mortality rate, 2022

The estimated share of newborns who die before reaching the age of five.

Our World
in Data



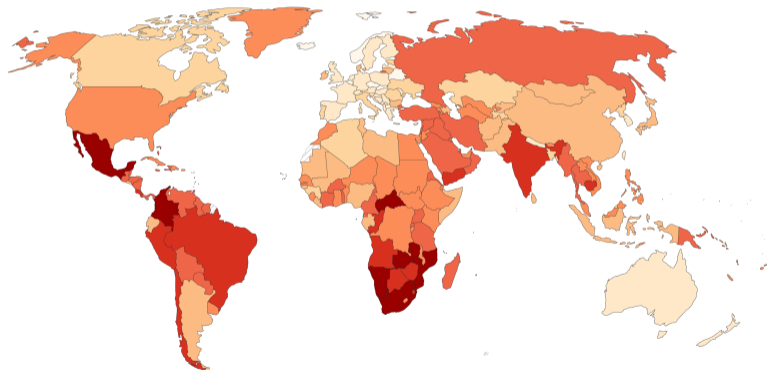
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Inequality within countries

Income share of the richest 10% (before tax), 2022

The share of income received by the richest 10% of the population. Income here is measured before taxes and benefits.

Our World
in Data



No data

30%

35%

40%

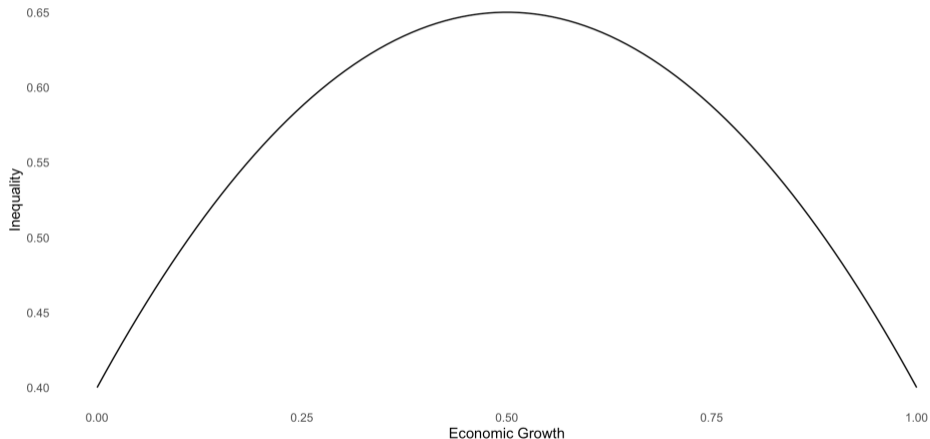
45%

50%

55%

60%

Economic growth and income inequality



Phase 1: industrialisation and urbanisation; Phase 2: lower sectoral productivity differentials; RoR on capital; policies

Economic growth and income inequality

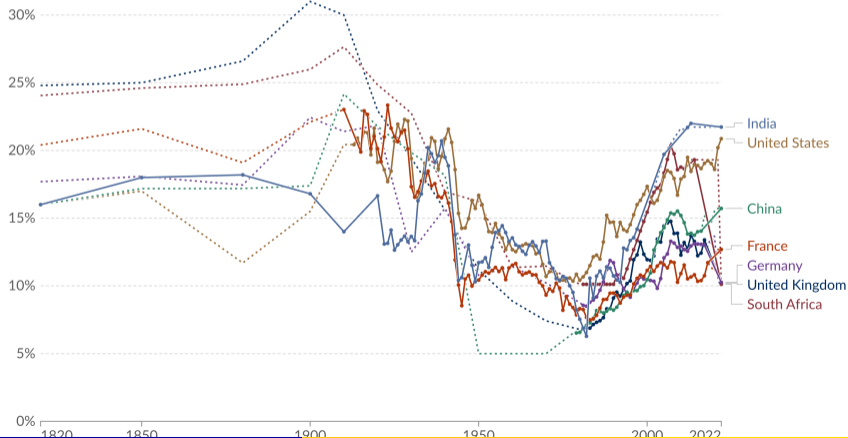
- Underdeveloped countries more unequal; Inequality associated with much lower levels of per capita income
- “...if and when industrialization begins, the dislocating effects on these societies...are likely to be quite sharp-so sharp as to destroy the positions of some of the lower groups more rapidly than opportunities elsewhere in the economy may be created for them”
- “Can the political framework of the underdeveloped societies withstand the strain which further widening of income inequality is likely to generate?”

Economic growth and income inequality

Income share of the richest 1% (before tax), 1820 to 2022

Our World in Data

The share of income received by the richest 1% of the population. Income here is measured before taxes and benefits. The dotted lines represent extrapolations due to limited data availability.



Categorical Inequality

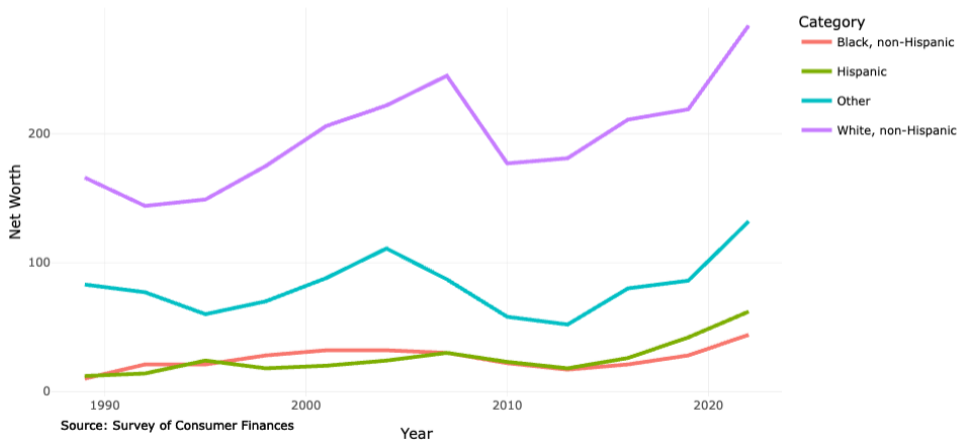
- Group inequality
- Gender; ethnicity; religious belief; sexuality; caste; race; language
- Social and legal codes; norms; institutions
- Coercion and violence

Categorical Inequality: The case of India

- “Caste System is not merely a division of labourers which is quite different from division of labour—it is an hierarchy in which the divisions of labourers are graded one above the other...This division of labour is not spontaneous, it is not based on natural aptitudes.” (Ambedkar,1979, p. 47)
- “The touchables or untouchables are in no sense individuals because all or nearly all of his relationship are fixed when he is born in a certain group. His occupation, his dwelling, his gods and his politics are all determined for him by the group to which he belongs” (Ambedkar, 1989, p. 63)

Racial wealth gap: The US

Net Worth (Thousands of 2022 dollars)

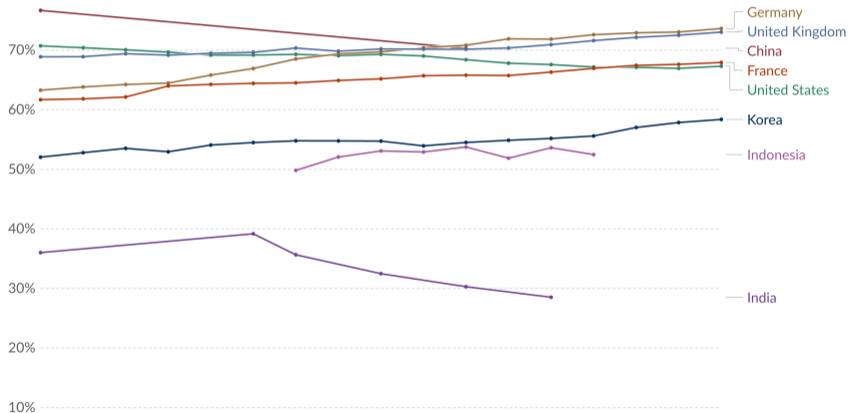


Categorical Inequality: FLFPR

Female labor force participation rate (15-64), 2000 to 2016

Our World in Data

Proportion of the female population ages 15-64 that is economically active.

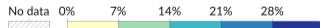
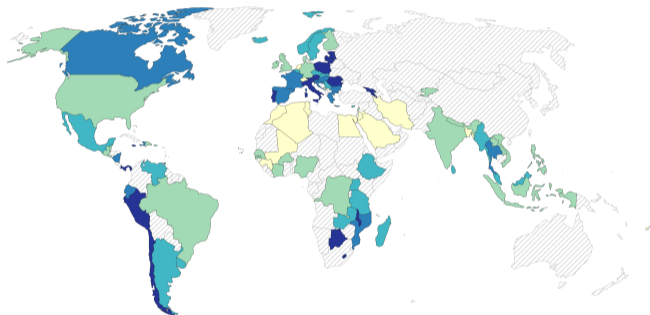


Categorical Inequality: Female land ownership

Share of agricultural landowners who are female

Landowners¹ are defined as those that own land solely or jointly with someone inside or outside the household.

Our World
in Data



Data source: Food and Agriculture Organization of the United Nations - Gender and Land Rights Database

Note: Due to poor data availability, the year of measurement varies between countries.

OurWorldinData.org/employment-in-agriculture | CC BY

Mainstream: inequality is a distraction

- “Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion, the most poisonous, is to focus on questions of distribution” (Lucas 2003).
- “Policies that penalize the successful and reward the unsuccessful reduce the incentive to succeed. Thus, policymakers face a trade-off between equality and efficiency. The more equally the pie is divided, the smaller the pie becomes. This is the one lesson concerning the distribution of income about which almost everyone agrees.” (Mankiw, 2019)

Mainstream: inequality is a distraction

- “Americans like to think that all men and women are quite literally created equal and that education can therefore solve the problem of low human capital and low earnings. Unfortunately, however, very low cognitive ability is likely to be a serious cause of poverty that cannot be remedied by education and training. Only when this is accepted will it be possible to develop appropriate new policies” (Feldstein, 1999)

Mainstream: inequality is a distraction

- Rising tide will lift all boats/ trickle down
- Individual-centric explanations (human capital, skills, ability, effort)
- Reward for innovation
- 'Envy'; 'Spiteful egalitarian' (thought experiment)

Why should we worry about inequality

- Moral arguments
- To correct the historical injustice
- Political and civil participation
- Economic arguments (crisis)
- The fate of the world depends on it!



"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."

What is to be done: Pluralism in Economics

“Today we are walking out of your class, Economics 10, in order to express our discontent with the bias inherent in this introductory economics course. We are deeply concerned about the way that this bias affects students, the University, and our greater society...Instead, we found a course that espouses a specific—and limited—view of economics that we believe perpetuates problematic and inefficient systems of economic inequality in our society today...A legitimate academic study of economics must include a critical discussion of both the benefits and flaws of different economic simplifying models.”

What is to be done: Pluralism in Economics

- “Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses” (Robbins 1935)
- Scarcity - a product of policy and practice
- Alternatives to the scarcity principle: inequality

What is to be done: People over profits

- Taxation (wealth and inheritance; corporate tax; progressive income tax)
- Social investment (universal basic services; social security)
- Harness the power of the state (and not just the markets)
- Checks and balances!

Wealth and inheritance tax - proposals (2022)

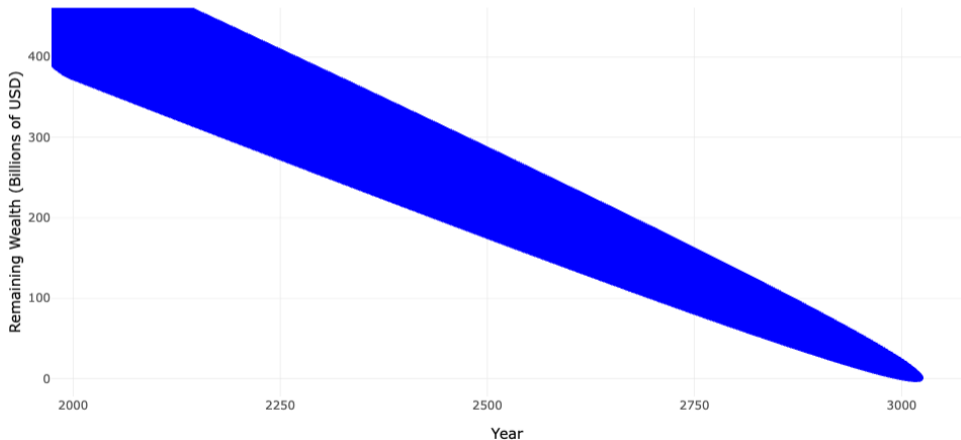
- 2 percent tax on top 1000 families ~ 0.6 percent of GDP
- Progressive wealth tax (2-6 percent) on top 1000 families ~ 1 percent of the GDP (greater than the budgetary allocation on health, education, MGNREGA, and old age, widow, and disability pensions)
- 2 percent tax on top 1 percent ~ 3 percent of GDP

What is to be done: Social justice

- Affirmative action
- Group sensitive redistribution
- Reparations

A million dollar question

EM's Wealth Over Time (Starting from 2024)



Conclusion

- Thank you!