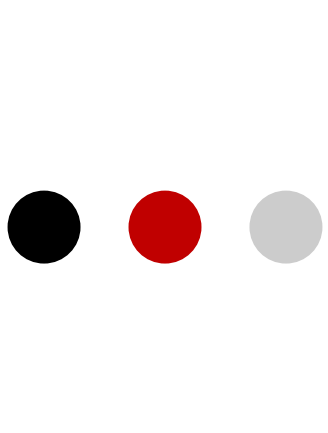


Inequality and the very rich: what do we know?

Broadway House, London

5 November 2019



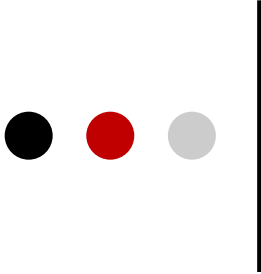
Inequality and the very rich: what do we know?

Mike Brewer, University of Essex



Motivation

- Increasing concern about impact of inequality on our economies, our society and our politics, including a concern about a super-elite
- The most-used measure of inequality in the UK misses out on a lot of income at the top

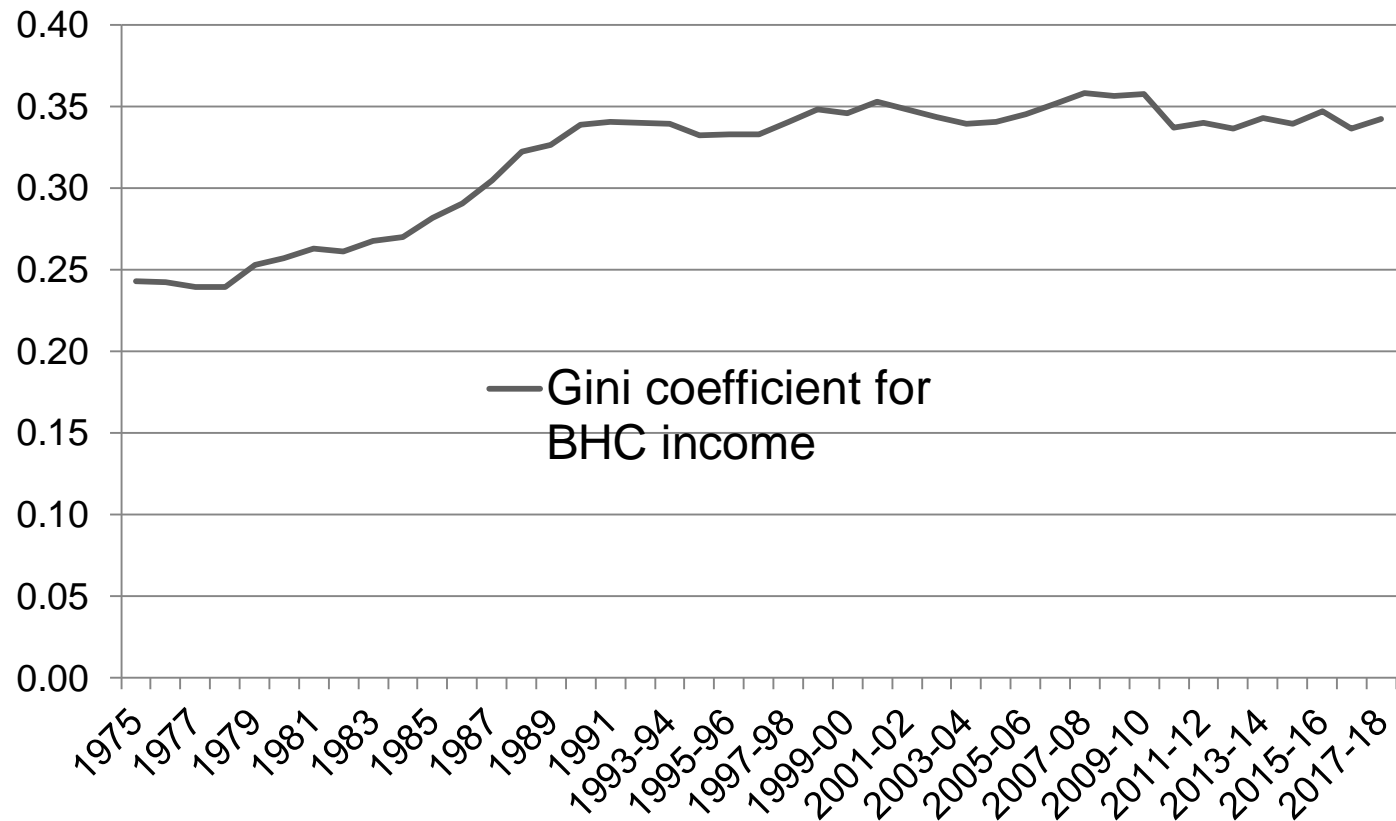
- 
- “Inequality is bad and getting worse”
Angel Gurría, OECD
 - “Reducing excessive inequality ... is not just morally and politically correct, but it is good economics”.
Christine Lagarde, IMF
 - “Inclusive capitalism is fundamentally about delivering a basic social contract comprised of relative equality of outcomes; equality of opportunity; and fairness across generations... [There is] a sense that this basic social contract is breaking down. That unease is backed up by hard data”
Mark Carney, Bank of England



Inequality...

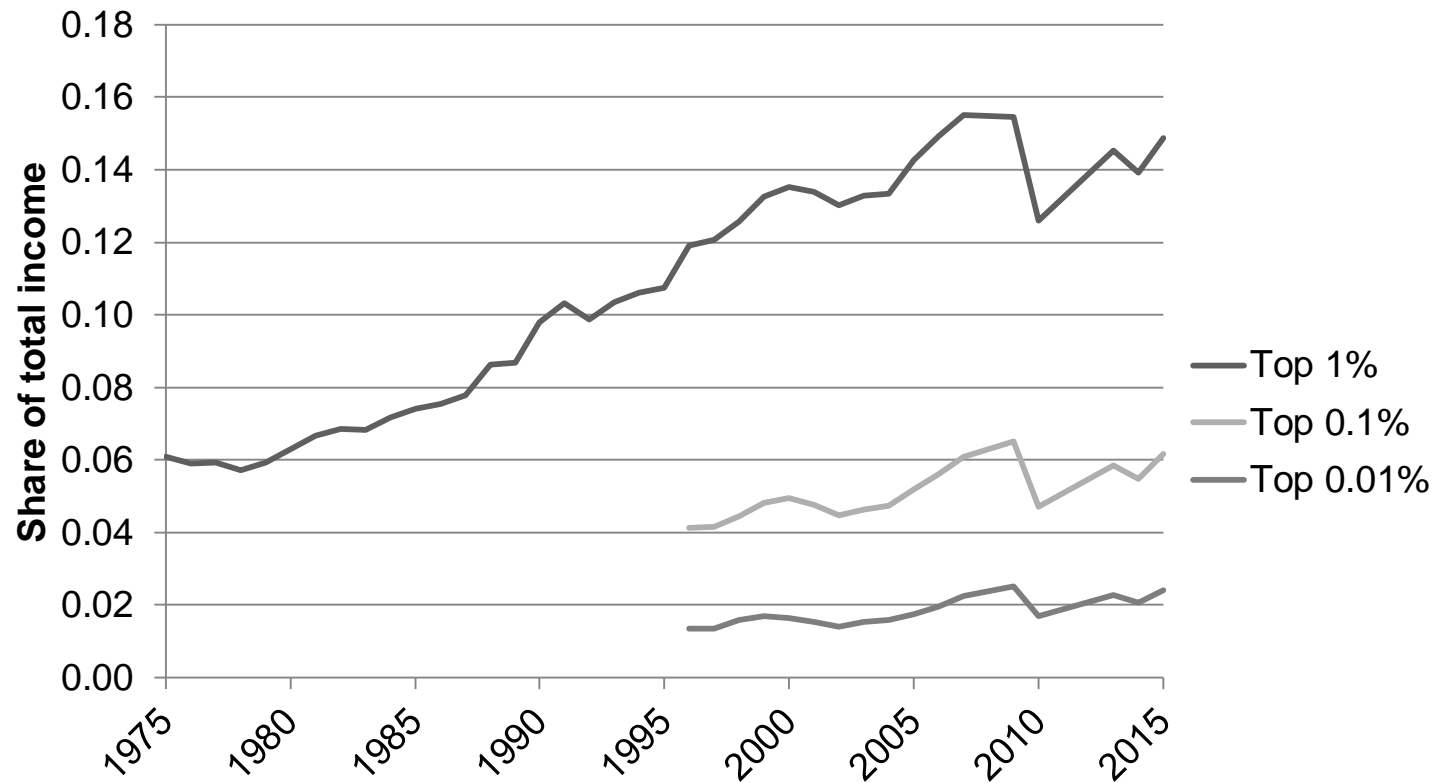
1. is bad for our health and well-being,
and bad for social outcomes
(Wilkinson & Pickett; Marmott; Mijs)
2. is bad for our economy
(Stiglitz; Krugman; OECD; IMF)
3. reduces social mobility
(Corak; Krueger; Machin; Macmillan)
4. leads to a wealthy, powerful elite
(Picketty; Saez; Zucman; Stiglitz)

The usual UK inequality story: up in 1980s, unchanged since



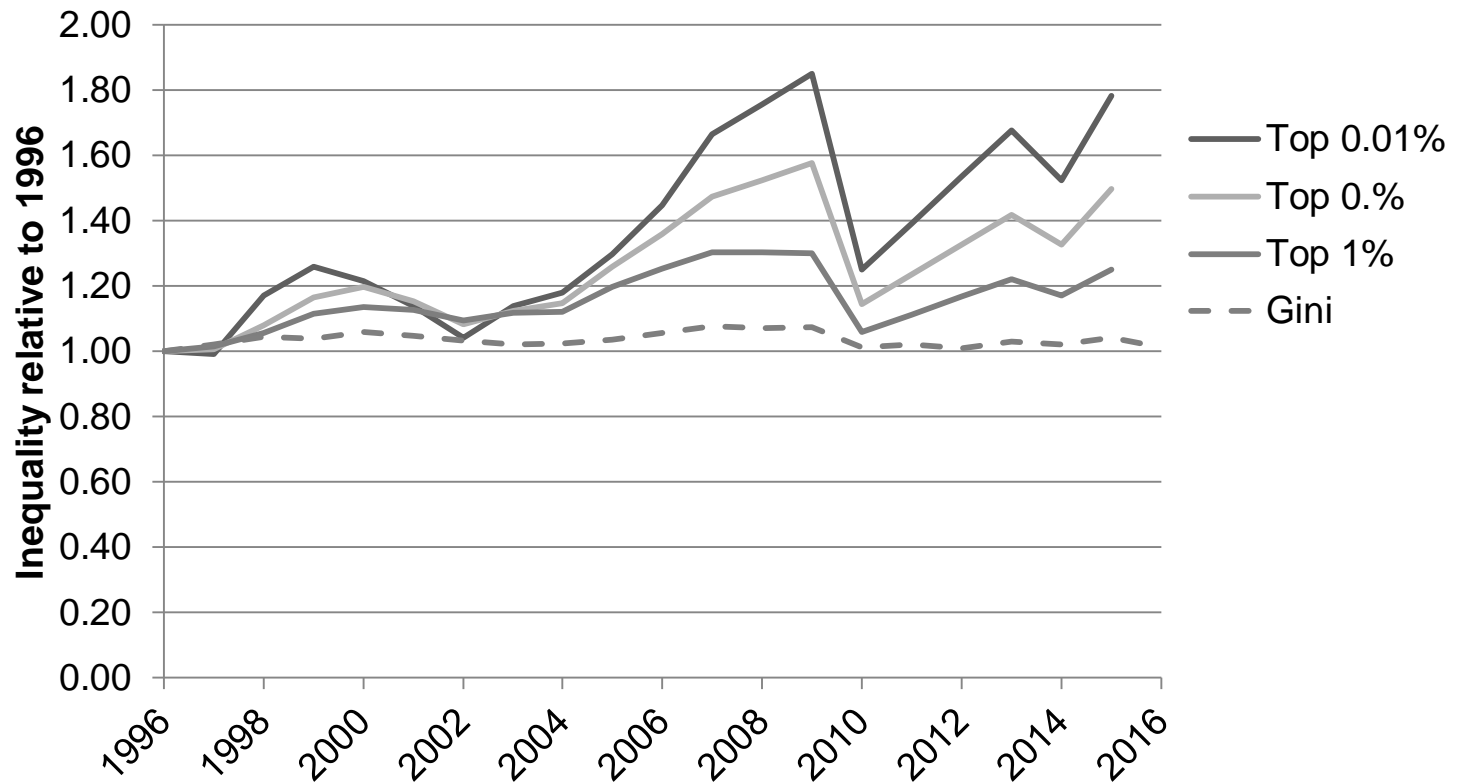
Source: IFS & DWP ("HBAI")

But “top income shares” carried on growing until 2008



Source: WID and Brewer & Samano Robles (2019) based on SPI data from HMRC. “Income” means “taxable income reported to HMRC”.

But “top income shares” carried on growing until 2008





Why the difference?

- HBAI and SPI measure different concepts of income
- The Gini and top income shares are different measures of inequality
 - Incomes for most of distribution are equalising, but the top is racing away
- Survey design & errors means HBAI understates inequality at the top



However:

- Both HBAI and SPI miss out on income sources that are important for the very well-off
 - capital gains
 - income that is held within a company
- Ultimate goal: allocate all national income to individuals to see how unequally distributed (see Saez and Zucman)

UK income inequality is high internationally

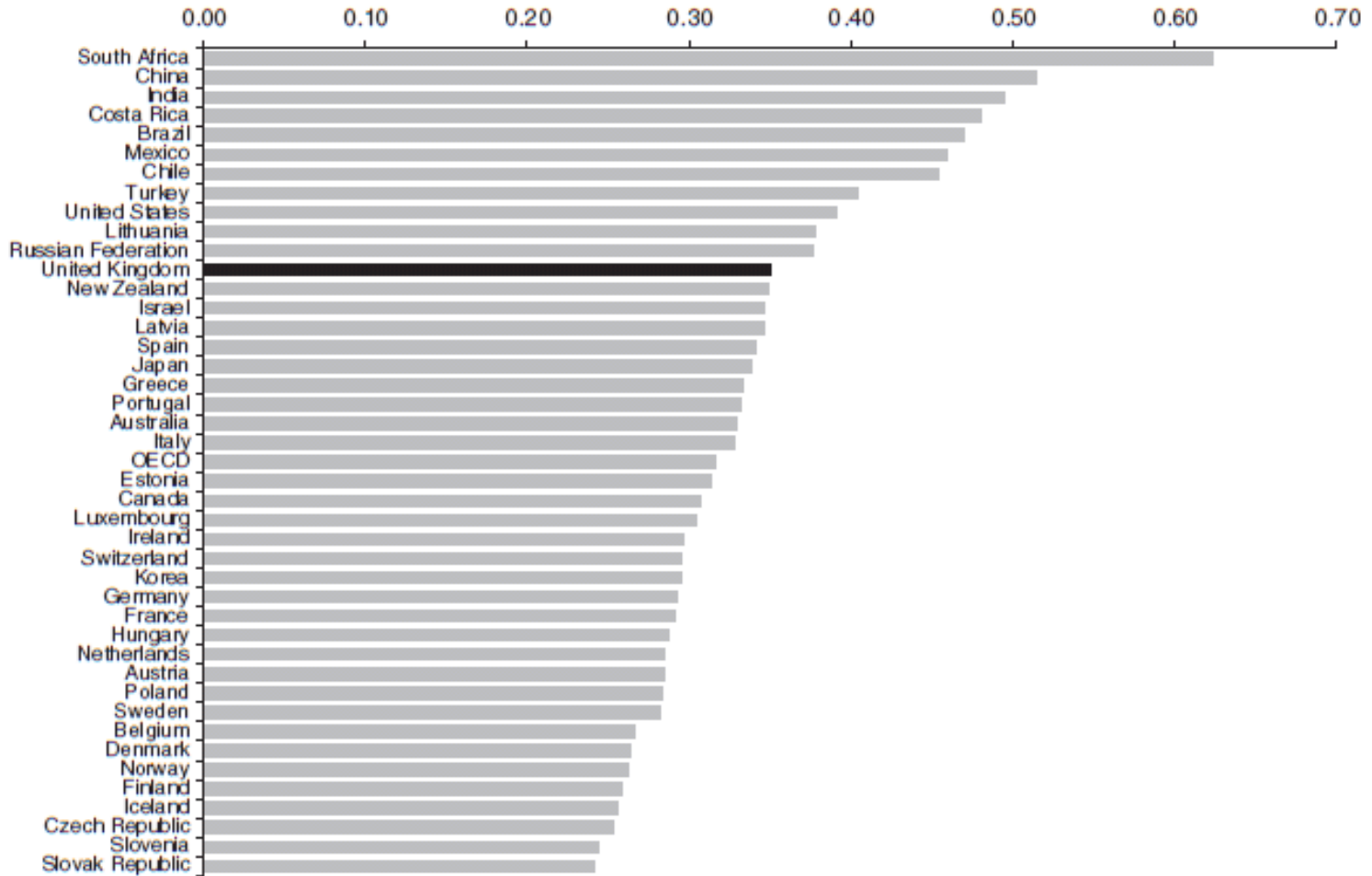
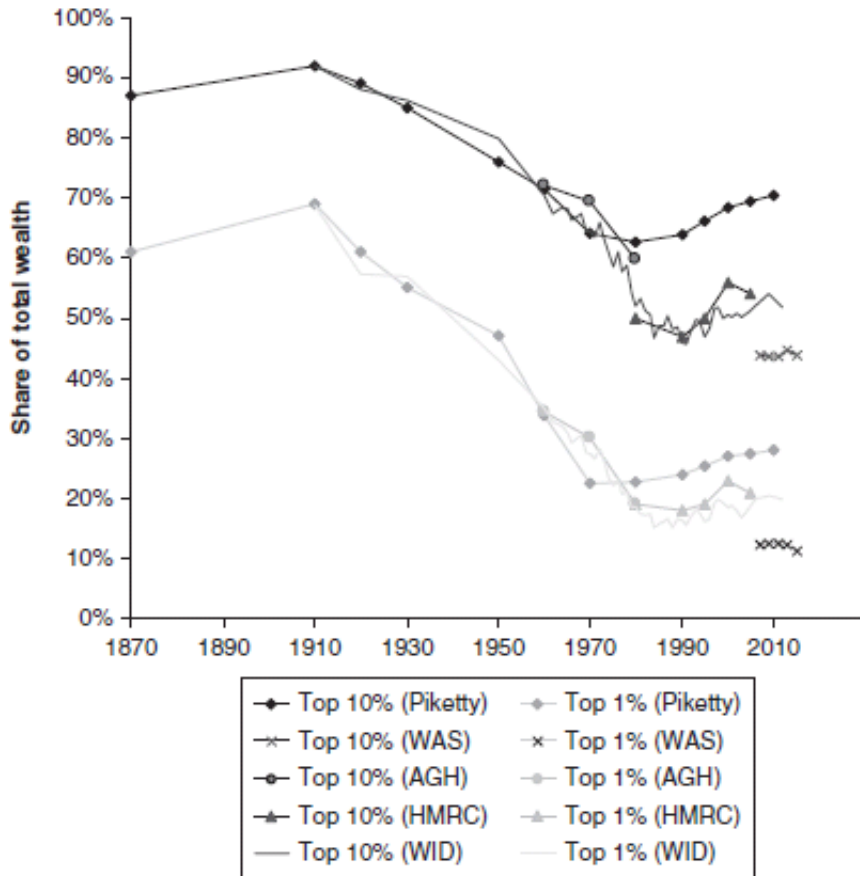


Figure 1.7 The Gini coefficient across OECD and selected other countries, 2016 or latest year

Source: www.oecd.org/social/soc/IDD-Key-Indicators.xlsx

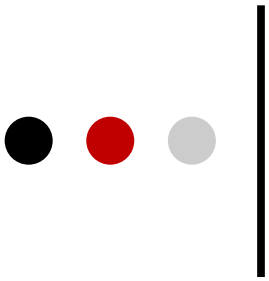
...and wealth is getting more unequal



- Wealth getting more unequal
- Growing in importance, from about 3x income (1970s) to 6x income (2010s)

Figure 3.11 Top wealth shares in the UK, 1870 to present

Sources: Piketty: Figure 10.3 In Piketty (2014); WAS: Table 2.7 of ONS (2018a); AGH and HMRC: Figure 2.5 In Hills et al. (2013); WID: downloaded from wid.world. Some data points have been interpolated



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