

METRICS OF INEQUALITY AND REDISTRIBUTION

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RIGOROUS IMPACT EVALUATION IN EUROPE
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TRAPPINGS OF WEALTH



© Provided by Zillow Dallas, A 5-bedroom, 4.5-bathroom brick home — with an extravagant iron staircase, soaring ceilings, and landscaped backyard complete with a pool and spa



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A 3-bedroom, 2.5-bathroom home has a private courtyard entrance that leads to a completely remodeled interior with an open floor plan, with updates such as a large gourmet kitchen with high-end appliances.

<http://www.msn.com/en-us/money/realestate/what-dollar1m-buys-around-the-country/ar-BBkjzqu#page=10>

What Do We Mean By Income?

Population quintiles	Change in income 1979-2007 Based on tax unit, unadjusted, market income *	Change in income 1979-2007 Based on Household size adjusted post- tax, post- cash and in- kind transfer *	Change in income 1979-2010 CBO Measure Column (2) plus realized capital gains **
Poorest 20%	-33.0	31.8	49
Next 20%	0.7	31.3	40
Middle 20%	2.2	34.4	40
Next 20%	12.3	38.8	40
Richest 20%	32.7	54.0	71

Source: * Philip Armour, Richard V. Burkhauser, and Jeff Larrimore “Deconstructing Income and Income Inequality Measures: A Crosswalk from Market Income to Comprehensive Income” American Economic Review 103 (May, 2013), Table 1.

** Congressional Budget Office, The Distribution of Household Income and Federal Taxes, 2010 (Government Printing Office: Washington D.C., December, 2013).

REDISTRIBUTION

In 2010, one estimate suggests that more than 50 percent of households between the ages of 50 and 64 made cash transfers to their children and grandchildren, which averaged about \$8000 a year over the previous two years. Neither earned income nor public benefits, these private transfers are excluded from the standard accounting.

Potential developments for expanding the picture of income inequality

- control for regional cost of living
- include capital gains
- incorporate private transfers

MISPERCEPTIONS OF INEQUALITY

PERCENT OF THOSE WITH A SECOND HOME WHO PLACED
THEMSELVES IN THE BOTTOM HALF OF THE INCOME
DISTRIBUTION

France	43
Georgia	86
Germany	28
Great Britain	40
Hungary	64
Italy	42

Vladimir Gimpelson and Daniel Treisman, "Misperceiving Inequality," National Bureau of Economic Research Working Paper No. 21174 (May 2015), <http://www.nber.org/papers/w21174>, accessed on July 1, 2015.