Discussion: Accounting for Wealth Inequality Dynamics: Methods, Estimates and Simulations for France (1800-2014)

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  3) major historical events are related to (caused by ?) wealth inequality: French Revolution 1789-1799
- to understand link between growth and inequality you need long time series
- long time series on wealth inequality are rare

This paper makes an important contribution to the wealth literature

- very detailed wealth distribution estimates for France for a long period (1800 to 2014)
- it contains a wealth of information: top shares, bottom shares, age and gender splits, asset category shares
- The authors have constructed the best source of data to study wealth dynamics in France

Other contributions of this paper

- Shows how to combine multiple sources of data to "reconstruct" the wealth distribution
- period 1800-1970: estate multiplier method: wealth at death
- period 1970-2014: mixed capitalization method: income capitalization method (individual tax returns) + survey based method
- this allows: age, gender and asset splits

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- I agree with the authors: combining the different methods

An explanation of the wealth inequality evolution

- W(t+1)=(1+q)(W(t)+s(Y+rW))
- the role of three factors: unequal savings rates s , rates of return r , labor earnings Y
- main takeaway: small changes in parameters over a long time have big effects on wealth inequality

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- W(t+1)=(1+q)(W(t)+s(Y+rW))
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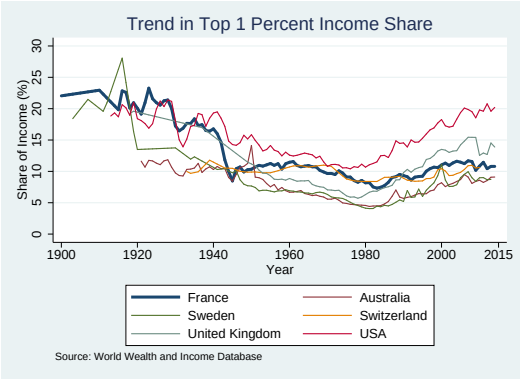
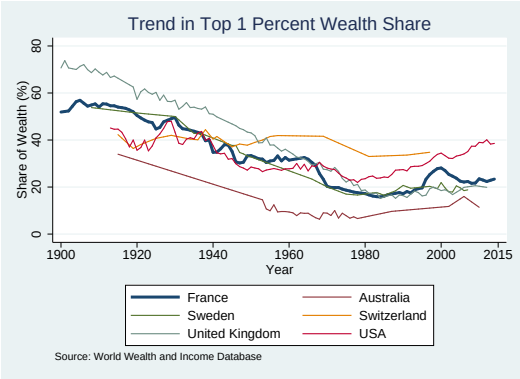
- main takeaway: small changes in parameters over a long time have big effects on wealth inequality
- But this model is highly stylized. These are all market factors.
- What are the equilibrating forces?
- What is the role of taxes: labor income taxes, capital income taxes, inheritance and wealth taxes?
- Political process: Institutions 'react' to inequality so steady state is never reached. But differences across countries are likely.

Income and wealth inequality across countries





Income and wealth inequality across countries

TABLE: Change in Income and Wealth Top 1 shares

	Income		Wealth	
	1920-1980	Since 1980	1920-1980	Since 1980
US	-7.8	9.5	-12.1	15.0
FR	-11.9	2.6	-33.3	6.2
AU	-7.1	4.5	-24.1	4.1
SE	-9.4	4.6	-34.5	1.8
GB	-13.1	7.6	-38.6	1.1
CH	-1.6	2.2	-3.5	1.1

Source: Word Wealth and Income Database

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- Why is US wealth inequality rising so much more than in other countries since 1980? 15pp versus 6.2 pp in France and only 1.1 pp in UK? Rising income inequality seems only part of the story.
- Why is French wealth inequality rising so much more (6.2 pp) than wealth inequality in the UK (1.1pp) since 1980? Note income inequality rises more in the UK 7.6 pp versus 2.6 pp in France (and France has a wealth tax!)

Ingredient list to model wealth inequality

- OLG model with finitely lived heterogeneous agents
- match the income distribution
- idiosyncratic income risk
- inheritance + inheritance taxation
- progressive taxation of income
- risky entrepreneurs with high-return-high risk (to explain the top wealth shares)
- different discount rates, rates of return on capital, saving rates
- What do we want to match: steady state level of wealth or historical evolution?

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- Two questions going forward:
- What explains the historical evolution of inequality?
- How does inequality interact with the economy? (growth, risk taking, capital accumulation, consumption, financial stability, monetary policy, fiscal policy, political developments, ...)