



An Uneven Planet

Globalization, Capital, & Inequality in the 21st Century

Today's Discussion

- Brief Review
- The Problem of Inequality
- Picketty & the Politics of Redistribution



Brief Review

Jim Gerber

- Dr. James Gerber holds a PhD in Economics from the University of California, Davis, and has taught at San Diego State University since 1985. He served as the Director of the Center for Latin American Studies at SDSU (2002-2009), and as the Director of the International Business Program (2009-2012).



SDSU Professor Emeritus James Gerber, International Economist

Jim Gerber

- Income vs. Wealth
- GDP / GDP per capita
- 5 Phases of Modern Economic Growth
 - 1820 Industrial rev.
 - 1870 Globalization 1.0
 - 1913 WWI & WWII
 - 1950 Post-WWII
 - 1973 Globalization 2.0



SDSU Professor Emeritus James Gerber, International Economist

Jim Gerber

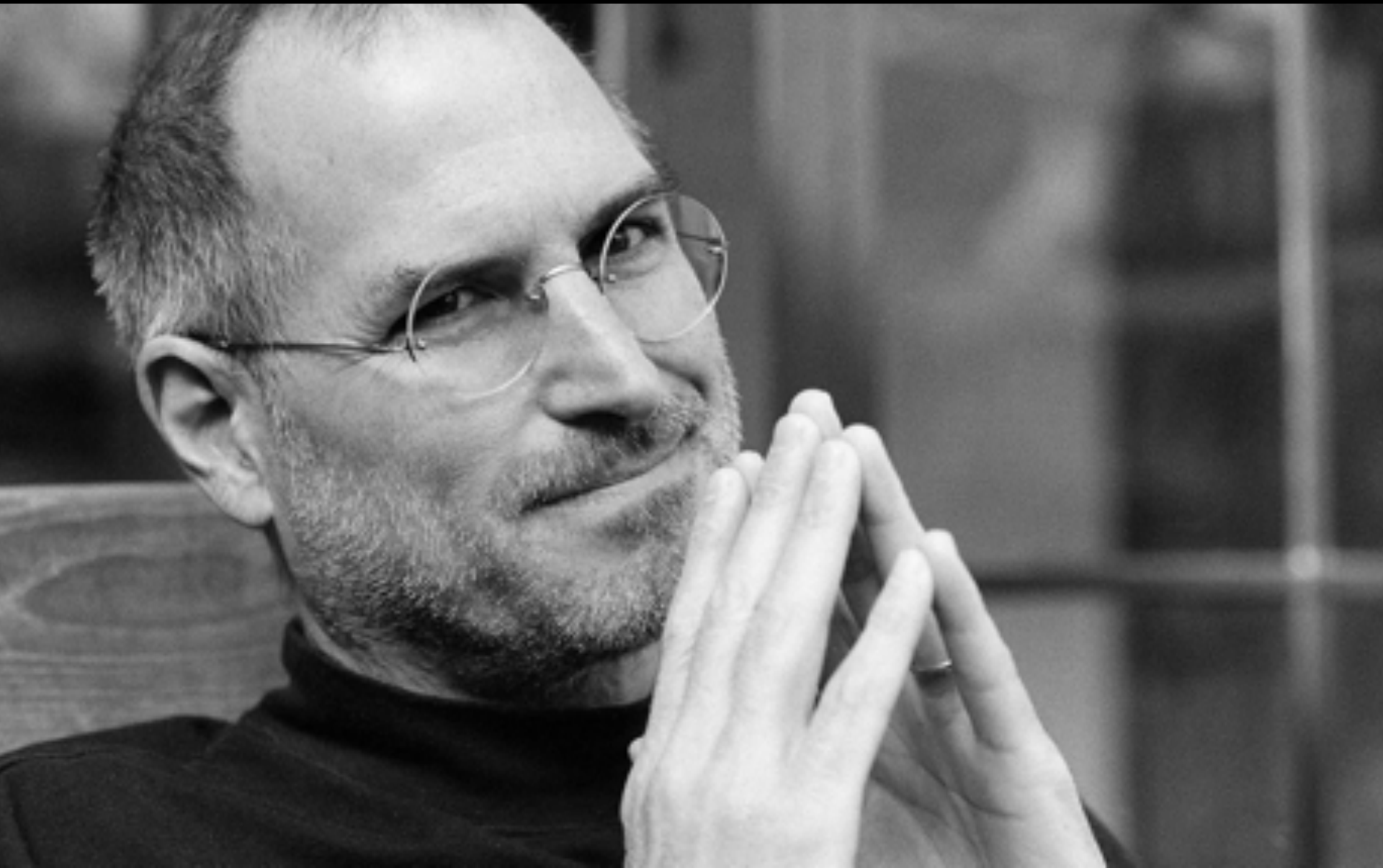
- Income & Social Norms (CEO pay grew from 30x to 300x average worker)
- Pros and cons of income inequality (for incentives, social exclusion, democracy, and growth)
- Social mobility



SDSU Professor Emeritus James Gerber, International Economist

Case Studies in Inequality: Apple, Inc.

Globalization & St. Jobs



iPod Employment

In 2006, the iPod employed nearly twice as many people outside the United States as it did in the country where it was invented — 13,920 in the United States, and 27,250 abroad.



iPod Employment

In 2006, about half of the foreign iPod jobs — 12,270 — were in China. Other jobs were found in countries like the Philippines.



Foreign iPod Worker Salaries

The 13,920 U.S. workers earned nearly \$750 million, while the 27,250 non-American employees earned less than \$320 million.



U.S. iPod Worker Salaries

More than half the U.S. jobs — 7,789 — went to retail and other nonprofessional workers, like office support staff and freight and distribution workers, who collectively earned \$220 million.

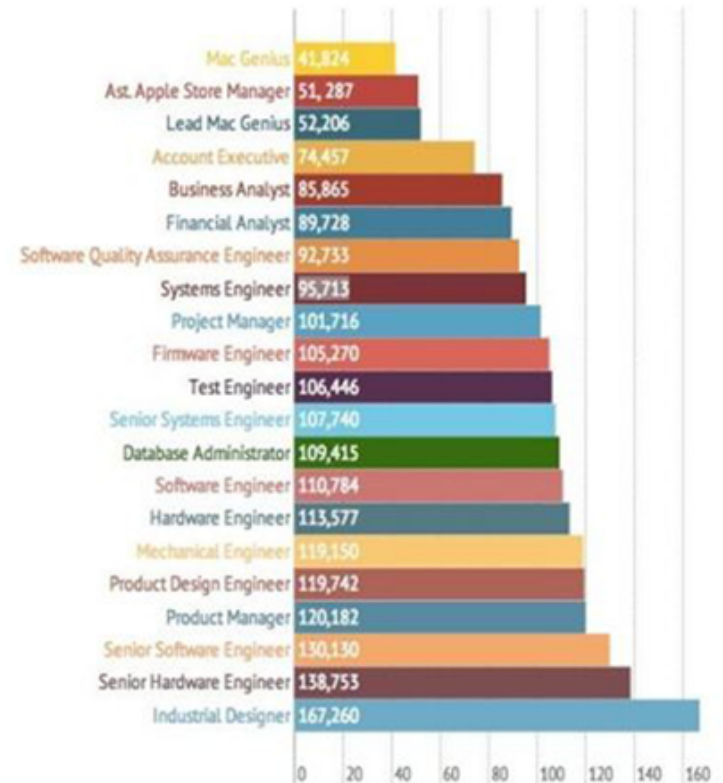


U.S. iPod Worker Salaries

More than half the U.S. jobs — 7,789 — went to retail and other nonprofessional workers, like office support staff and freight and distribution workers, who collectively earned \$220 million.



Apple Employee Salaries (USD)



U.S. iPod Worker Salaries

The big winners from Apple's innovation were the 6,101 engineers and other professional workers in the United States, who made more than \$525 million in 2006.



Revenge of the Nerds

iPod CEO Compensation

Despite a \$1 annual salary, Steve Jobs still topped Forbes' list of highest paid CEOs for 2006, with \$646+ million in stock-based compensation (more than twice the next most paid CEO).



Case Studies in Inequality: USD, Inc.

USD 2007 Tax Return

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0-.)	(D) Contributions to employee benefit plans & deferred compensation plans	(E) Expense account and other allowances
MARY E LYONS 5998 ALCALA PARK SAN DIEGO, CA 92110	PRESIDENT & TRUSTEE 40 0	352,800	44,067	26,302
PAUL E BISSONNETTE 5998 ALCALA PARK SAN DIEGO, CA 92110	VICE PRESIDENT 40 0	256,950	39,940	20,346
REV MSGR DANIEL J DILLABOUGH 5998 ALCALA PARK SAN DIEGO, CA 92110	VICE PRESIDENT 40 0	195,750	37,121	23,913
JULIE H SULLIVAN 5998 ALCALA PARK SAN DIEGO, CA 92110	VICE PRESIDENT/PROVOST 40 0	265,950	44,448	80,711
CARMEN VAZQUEZ 5998 ALCALA PARK SAN DIEGO, CA 92110	VICE PRESIDENT 40 0	185,950	41,130	33,691
TIMOTHY L O'MALLEY 5998 ALCALA PARK SAN DIEGO, CA 92110	VICE PRESIDENT 40 0	171,750	20,610	22,639

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See page 2 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
MOHSEN ANVARI 5998 ALCALA PARK SAN DIEGO, CA 92110	FORMER DEAN BUSINESS 40 0	292,917	35,972	987
BRAD HOLLAND 5998 ALCALA PARK SAN DIEGO, CA 92110	FORMER HEAD BB COACH 40 0	365,232	38,740	760
SAIKRISHNA PRAKASH 5998 ALCALA PARK SAN DIEGO, CA 92110	LAW PROFESSOR 40 0	271,810	52,208	416

USD 2011 Tax Return

(A) Name and title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
MARY E. LYONS PRESIDENT & TRUSTEE	40.00	X		X				456,751.	0.	43,691.
JULIE H. SULLIVAN EXECUTIVE VP/PROVOST	40.00			X				564,555.	0.	32,642.
TIMOTHY L. O'MALLEY VICE PRESIDENT	40.00			X				238,142.	0.	45,550.
KEV MGR D. DILLABOUGH VICE PRESIDENT	40.00			X				211,058.	0.	41,850.
CARMEN M. VAZQUEZ VICE PRESIDENT	40.00			X				267,417.	0.	26,672.
LEENDERT R. HERING VICE PRESIDENT	40.00			X				224,534.	0.	28,673.
KEVIN L. COLE DEAN, SCHOOL OF LAW	40.00				X			275,761.	0.	47,293.
DAVID F. PYKE DEAN, SCHOOL OF BUSINESS	40.00				X			334,433.	0.	75,732.
SALLY B. KARDIN DEAN, SCHOOL OF NURSING	40.00				X			184,814.	0.	39,922.
PAULA A. CORDEIRO DEAN, SOLES	40.00				X			181,783.	0.	36,634.
MARY BOYD DEAN, ARTS & SCIENCES	40.00				X			210,478.	0.	42,199.
WILLIAM T. GRIER HEAD COACH, BASKETBALL	40.00					X		564,014.	0.	48,790.

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

USD 2013 Tax Return

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
MARY E LYONS PHD PRESIDENT AND TRUSTEE	40 00	X		X				572,711	0	32,712
ANDREW T ALLEN VICE PRESIDENT AND PROVOST	40 00			X				249,513	0	36,386
CARMEN M VAZQUEZ VICE PRESIDENT	40 00			X				275,930	0	27,420
REV MSGR D DILLABOUGH VICE PRESIDENT	40 00			X				227,888	0	39,530
RUSSELL C THACKSTON VICE PRESIDENT, BUSINESS AND ADMINISTRATION	40 00			X				230,923	0	26,302
TERRY KALFAYAN VICE PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICE	40 00			X				201,519	0	32,532
TIMOTHY L O'MALLEY VICE PRESIDENT	40 00			X				262,108	0	39,885
CHELL A ROBERTS DEAN, SHILEY-MARCOS SCHOOL OF ENGINEERING	40 00				X			153,349	0	18,027
DAVID F PYKE DEAN, SCHOOL OF BUSINESS	40 00				X			367,495	0	41,581
EDWARD LUCK DEAN, SCHOOL OF PEACE STUD	40 00				X			302,984	0	41,451
JASON LEMON DEAN, CONTINUING EDUCATION	40 00				X			222,562	0	27,517
NOELLE NORTON DEAN, COLLEGE OF ARTS AND SCIENCES	40 00				X			216,732	0	26,460

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

USD 2015 Tax Return

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(12) JAMES T HARRIS III PRESIDENT AND TRUSTEE	40.00	X		X				222,541	0	97,148
(33) ANDREW T ALLEN VICE PRESIDENT AND PROVOST	40.00			X				396,147	0	40,780
(34) CARMEN M VAZQUEZ VICE PRESIDENT, STUDENT AFFAIRS	40.00			X				290,741	0	30,757
(35) KY SNYDER VICE PRESIDENT, ATHLETICS AND FACILITIES MANAGEMENT	40.00			X				356,871	0	80,996
(36) REV MSGR DANIEL DILLABOUGH VICE PRESIDENT, MISSION AND MINISTRY	40.00			X				225,760	0	36,779
(37) TERRY KALFAYAN VICE PRESIDENT, FINANCE AND CFO	40.00			X				299,322	0	40,782
(38) TIMOTHY L O'MALLEY VICE PRESIDENT, UNIVERSITY RELATIONS	40.00			X				329,147	0	44,490
(39) CHELL A ROBERTS DEAN, SCHOOL OF ENGINEERING	40.00				X			280,188	0	89,408
(40) JAIME ALONSO GOMEZ DEAN, SCHOOL OF BUSINESS	40.00				X			255,652	0	27,362
(49) MARY E LYONS FORMER PRESIDENT AND TRUSTEE	40.00					X		701,369	0	116,727
(42) NOELLE NORTON	40.00				X			228,608	0	49,754

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

USD 2016 Tax Return

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)							(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former				
(12) JAMES T HARRIS III PRESIDENT AND TRUSTEE	40.00	X		X					583,165	0	222,829
(31) ANDREW T ALLEN VICE PRESIDENT AND PROVOST	40.00			X					387,878	0	41,017
(32) CARMEN M VAZQUEZ VICE PRESIDENT, STUDENT AFFAIRS	40.00			X					281,572	0	33,172
(33) KY SNYDER VICE PRESIDENT, ATHLETICS AND FACILITIES MANAGEMEN	40.00			X					330,523	0	53,808
(34) REV MSGR DANIEL DILLABOUGH VICE PRESIDENT, MISSION AND MINISTRY	40.00			X					214,649	0	41,564
(35) TERRY KALFAYAN VICE PRESIDENT, FINANCE AND CFO	40.00			X					303,341	0	40,358
(46) ALLEN LAMONT SMITH HEAD COACH, MEN'S BASKETBALL	40.00						X		449,946	0	53,214
(47) DONALD DRIPPS FACULTY, SCHOOL OF LAW	40.00						X		307,762	0	40,606
(48) MARKO SVETINA FACULTY, SCHOOL OF BUSINESS	40.00						X		338,764	0	44,831
(49) MARY E LYONS FORMER PRESIDENT AND TRUSTEE	40.00						X		454,688	0	33,585
(50) STEVEN SMITH FACULTY, SCHOOL OF LAW	40.00						X		323,203	0	40,308
(51) DAVID PYKE FORMER DEAN, SCHOOL OF BUSINESS	40.00							X	246,416	0	44,122
(52) PAULA CORDEIRO FORMER DEAN, SOLES	40.00							X	220,149	0	34,368

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

USD 2016 Tax Return

Dean Alley...

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(37) CHELL A ROBERTS DEAN, SCHOOL OF ENGINEERING	40.00				X		387,328	0	40,183	
(38) JAIME ALONSO GOMEZ DEAN, SCHOOL OF BUSINESS	40.00				X		369,005	0	36,075	
(39) JASON LEMON DEAN, PROFESSIONAL AND CONTINUING EDUCATION	40.00				X		222,427	0	25,203	
(40) NICHOLAS LADANY DEAN, SCHOOL OF LEADERSHIP AND EDUCATIONAL SCIENCE	40.00				X		275,982	0	34,958	
(41) NOELLE NORTON DEAN, COLLEGE OF ARTS AND SCIENCES	40.00				X		237,266	0	51,659	
(42) PATRICIA MARQUEZ DEAN, SCHOOL OF PEACE STUDIES	40.00				X		254,779	0	42,860	
(43) SALLY BROSZ HARDIN DEAN, SCHOOL OF NURSING AND HEALTH SCIENCE	40.00				X		229,209	0	40,693	
(44) STEPHEN C FERRUOLO DEAN, SCHOOL OF LAW	40.00				X		377,433	0	33,186	
(45) THERESA BYRD DEAN, UNIVERSITY LIBRARY	40.00				X		171,554	0	29,124	

FISCAL YEAR
ENDING JUNE

2017

PDF

Audit

Full Text

Form 990

Raw XML

990

Total Revenue **\$462,953,143**

Total Functional Expenses **\$432,579,966**

Net income **\$30,373,177**

Notable sources of revenue

		Percent of total revenue
Contributions	\$36,012,952	7.8%
Program services	\$398,692,056	86.1%
Investment income	\$8,412,941	1.8%
Bond proceeds	\$0	
Royalties	\$0	
Rental property income	\$104,390	0.0%
Net fundraising	-\$86,567	
Sales of assets	\$14,281,164	3.1%
Net inventory sales	\$0	
Other revenue	\$5,536,207	1.2%

Notable expenses

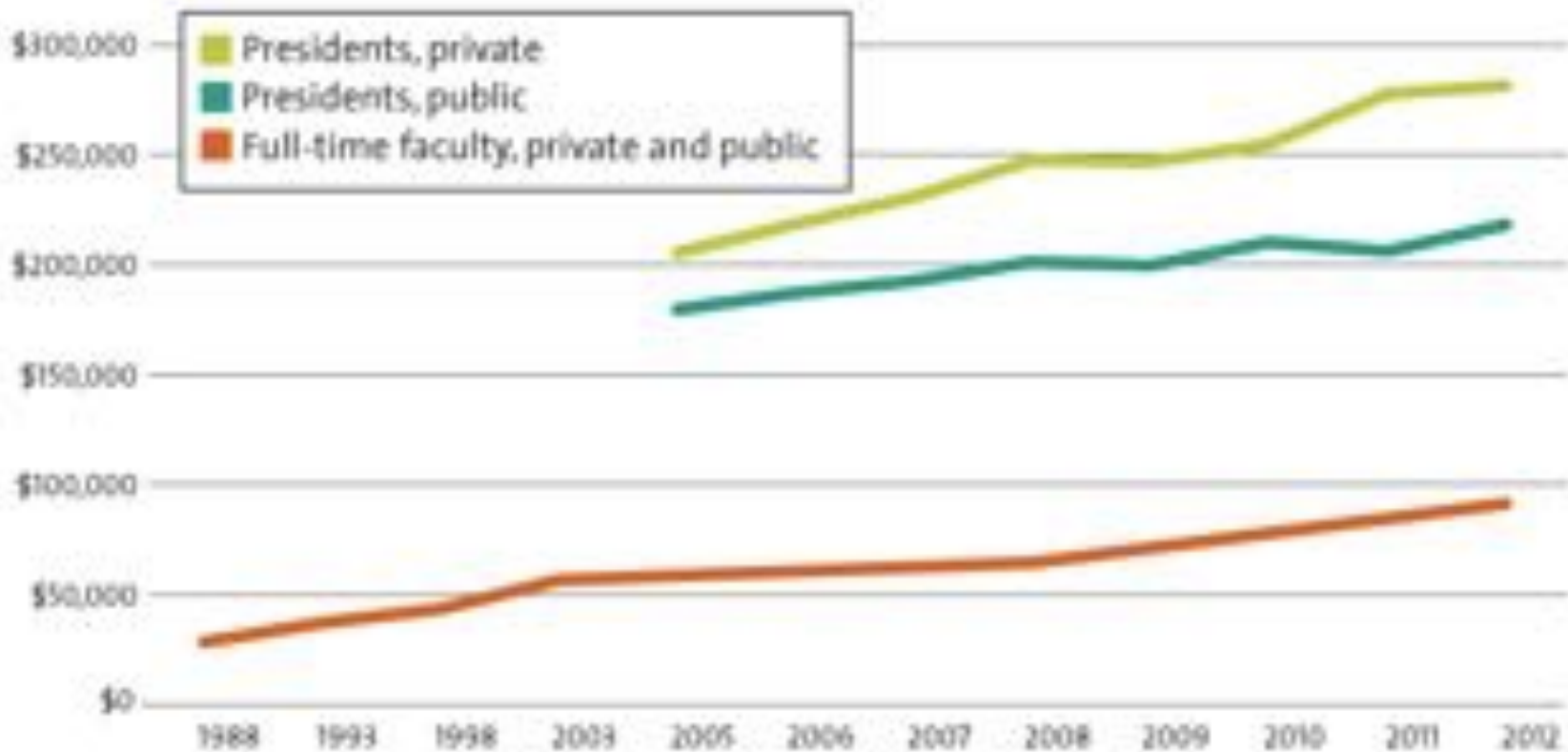
		Percent of total expenses
Executive compensation	\$6,763,670	1.6%
Professional fundraising fees	\$0	
Other salaries and wages	\$158,638,518	36.7%

Other

Total Assets	\$1,286,591,480
Total Liabilities	\$270,253,144
Net Assets	\$1,016,338,336

Presidents vs. Professors

Average salaries at baccalaureate institutions, 1988-2012



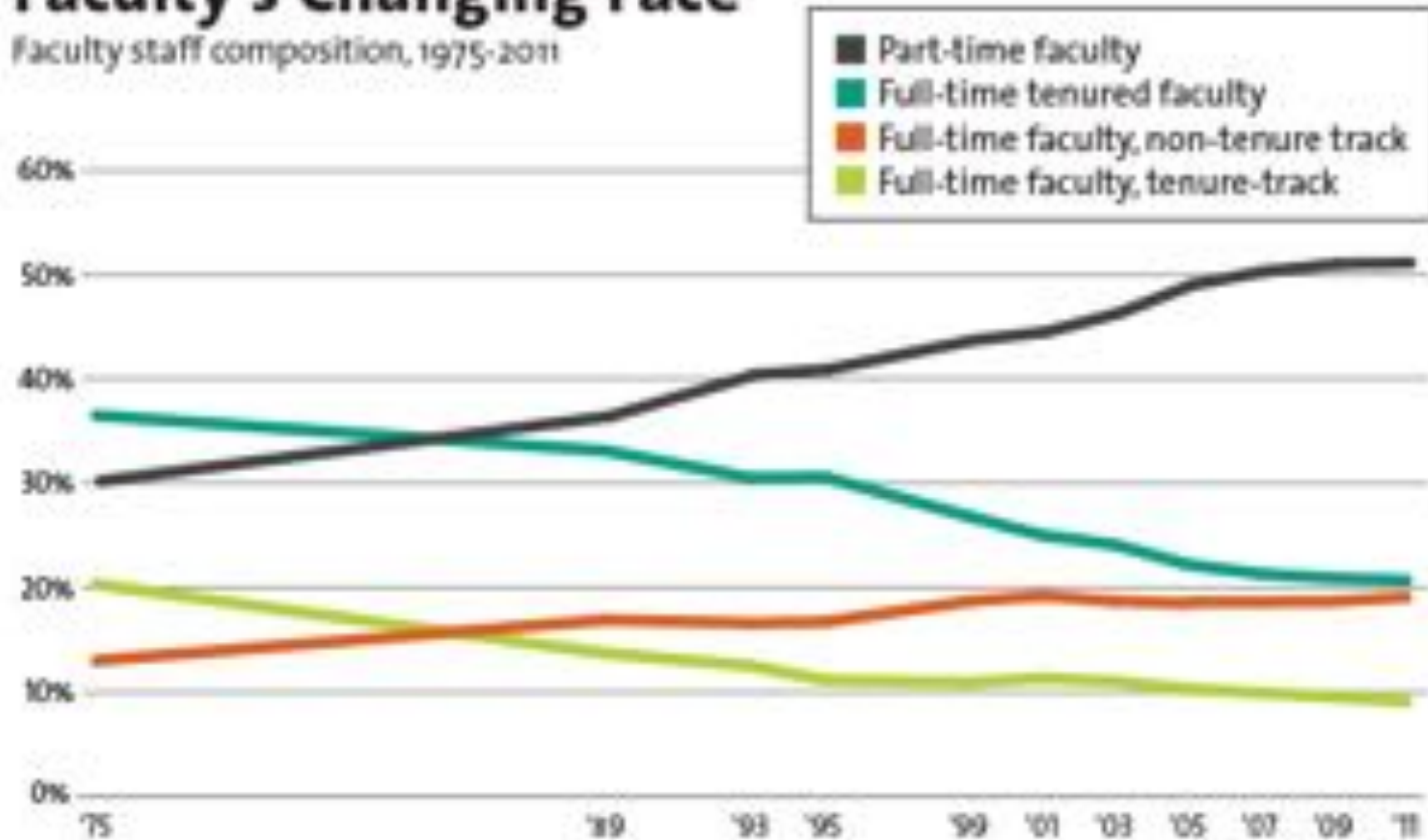
Includes full-time instructional faculty only; excludes medical school faculty; figures are for all faculty ranks combined.

Source: American Association of University Professors

Mother Jones

Faculty's Changing Face

Faculty staff composition, 1975-2011



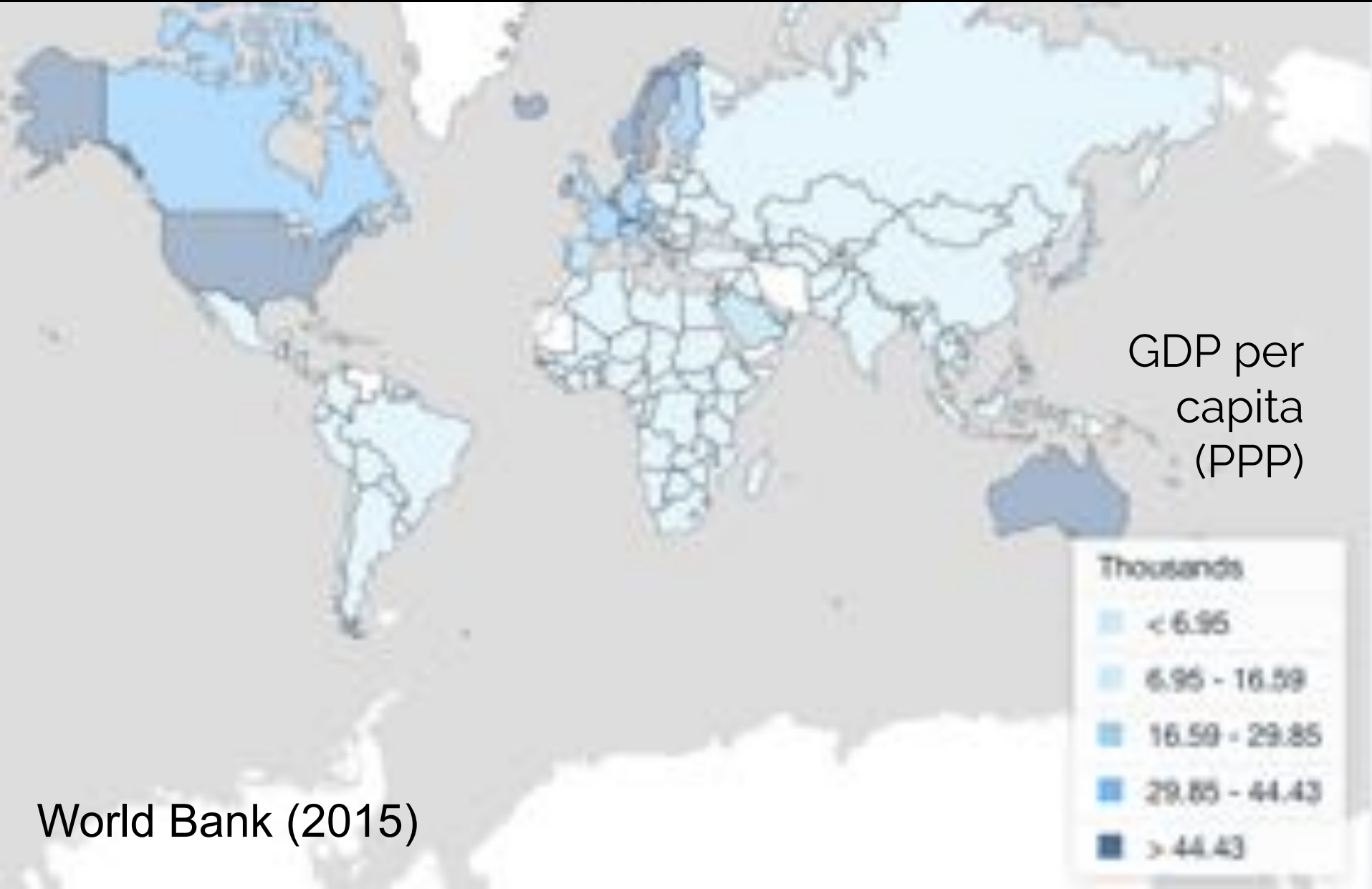
Figures for 2011 are estimated. Percentages may not add to 100 due to rounding.
Source: American Association of University Professors

Mother Jones

Global Inequality

An Overview

Wealth of Nations in the Global Era



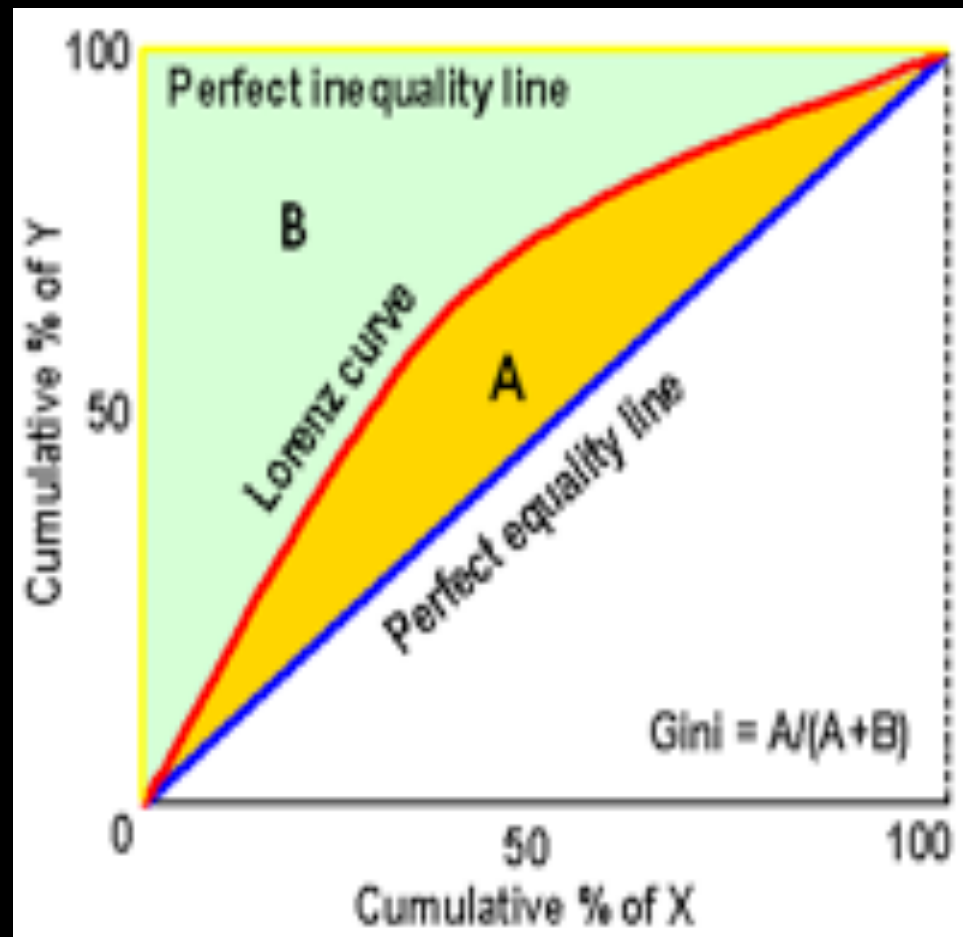
World Bank (2015)

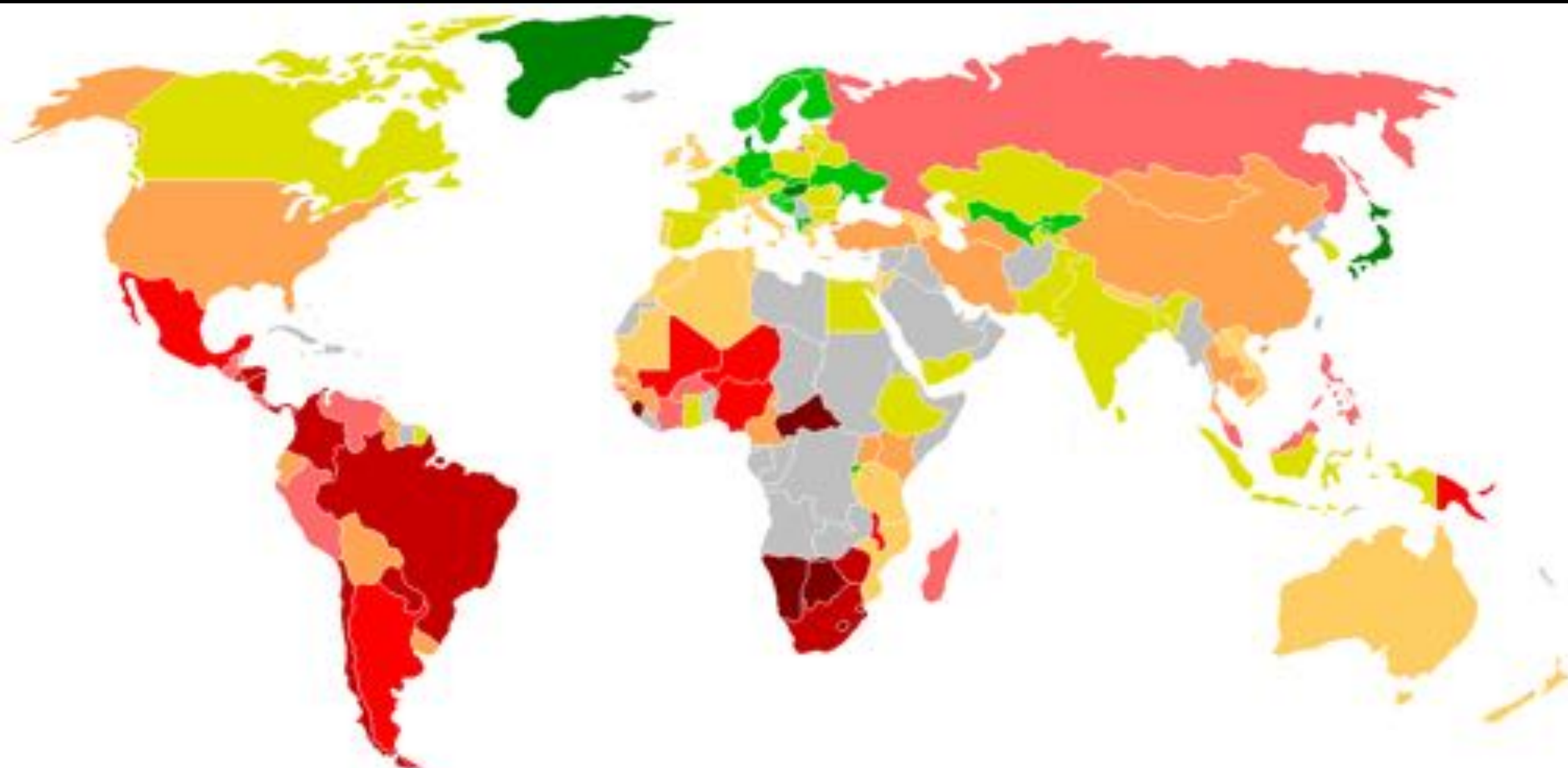
Global North vs. Global South













Measuring Income Inequality

- A **Gini coefficient** provides an indication of the degree of income inequality in an economy (0-100 scale; lower is better).
- Gini coefficients in many developing countries have held relatively steady or worsened in recent years.





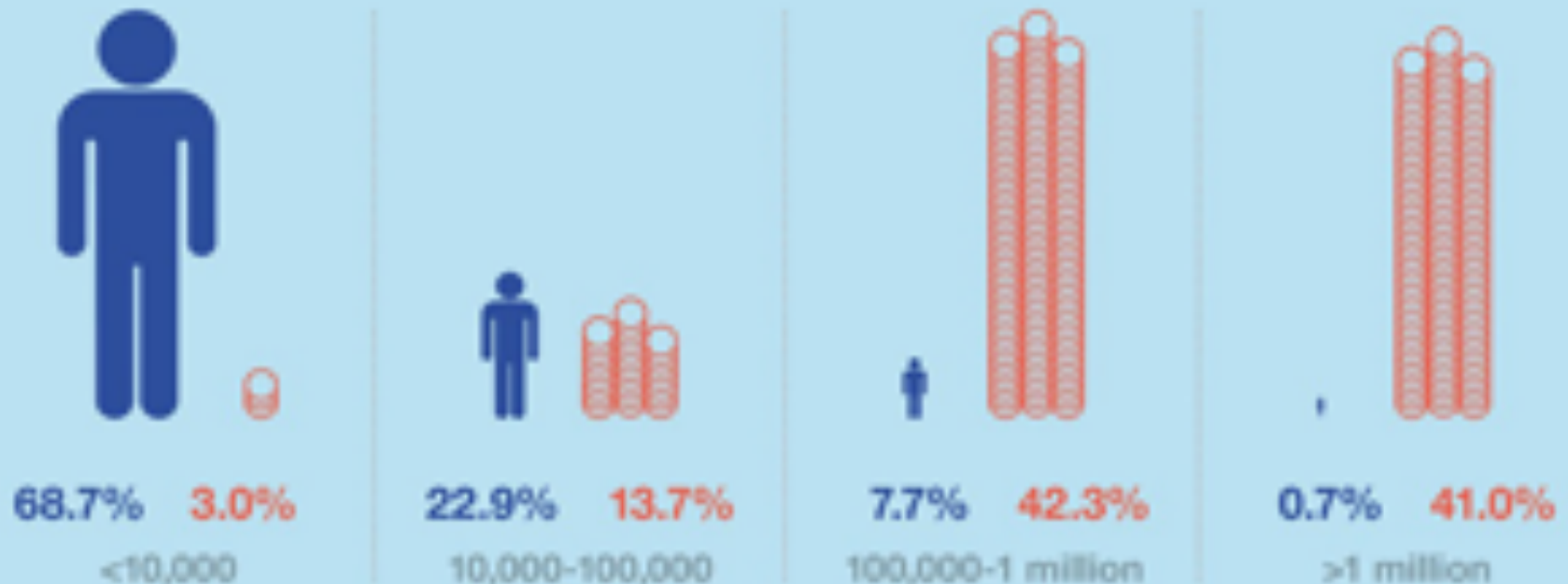


Color	Gini coefficient		0,35 - 0,39		0,55 - 0,59
	< 0,25		0,40 - 0,44		> 0,60
	0,25 - 0,29		0,45 - 0,49		NA
	0,30 - 0,34		0,50 - 0,54		

Global Distribution of Wealth

How is the **world's wealth** shared amongst its population?

 % of the world's population  % of the world's wealth



"Wealth" is defined as the marketable value of financial assets plus non-financial assets (principally housing and land) owned by an adult, less debts.
Source: Global Wealth Report 2013, Zurich Credit Suisse

Wealth (USD)

Global Distribution

The 62 richest people in the world are worth more than the poorest 50%

Total wealth \$bn



The Top .00000000885714285%



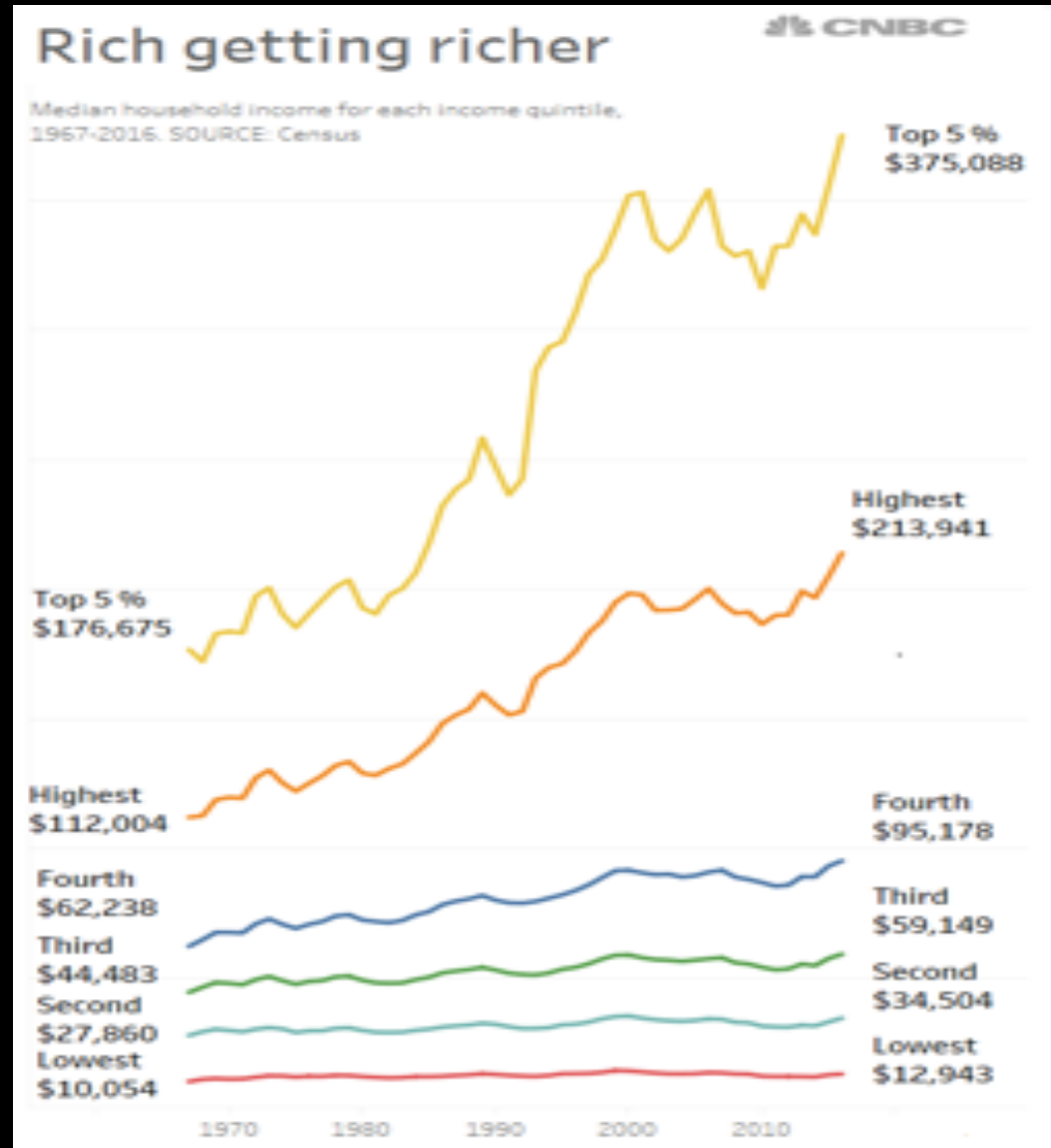
**62 REALLY
RICH PEOPLE**



**3.5 BILLION
PEOPLE**

U.S. Incomes and Shares of Income

Incomes in the United States, as well, have tended to grow at a disproportionate rate at the top.

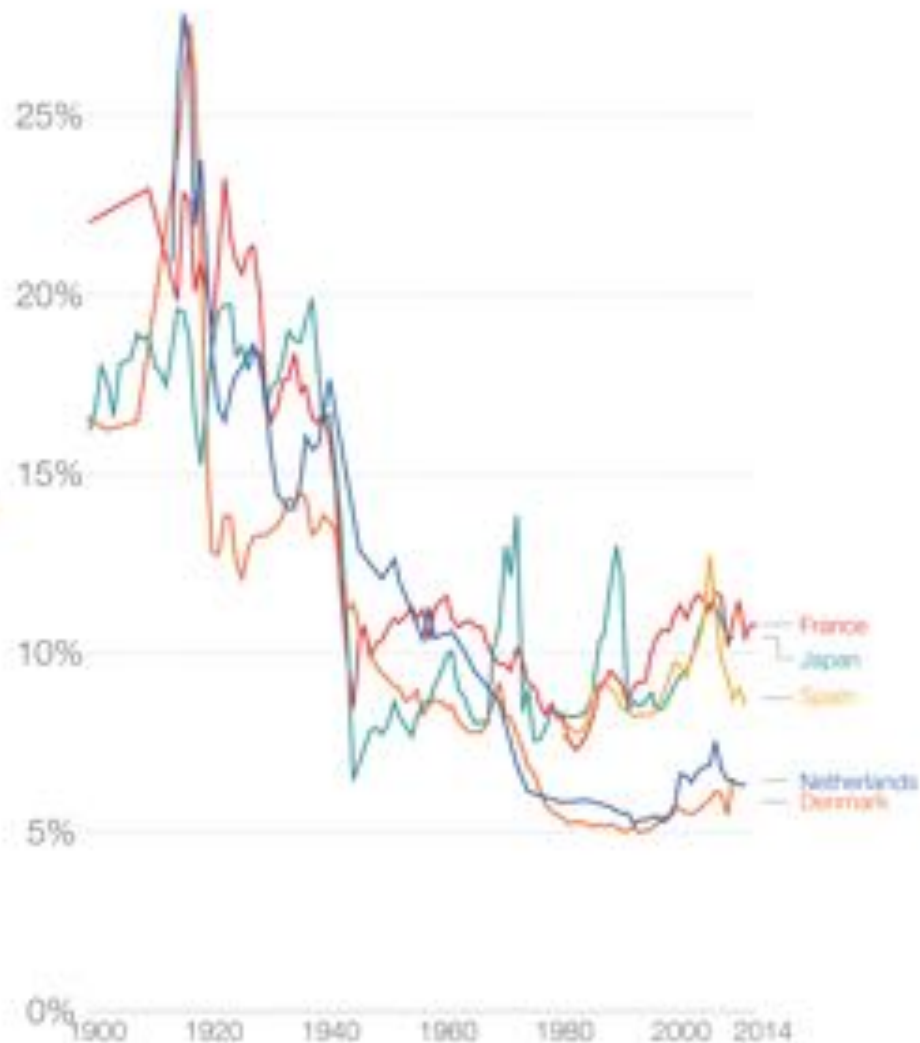


Share of Total Income going to the Top 1% since 1900


The evolution of inequality in English speaking countries followed a U-shape



The evolution of inequality in continental Europe and Japan followed an L-shape



But is inequality a problem?



INEQUALITY
HURTS
ALL OF US

A photograph of a protest sign made from a flattened cardboard box. The sign is propped up against a metal pole on a city street at night. The background is blurred, showing warm streetlights and the silhouettes of people walking. The sign's message is written in large, bold, green capital letters.



Inequality and Redistribution

Piketty and Capital in the 21st Century

Piketty: *Capital in the 21st Century*

- Introduction
- Ch. 1. Income and Output
- Ch. 2. Illusions and Realities
- Ch. 8—Two Worlds
- Ch. 11—Merit and Inheritance
- Ch. 12—Global Inequality & Wealth



Chapter 1: Income and Output

Income & Output: Marikana Strike

South African police intervened in a labor conflict between workers... and the mine's owners... Thirty-four miners were killed." The miners wanted to double their wages from 500 euros to 1,000 euros a month.



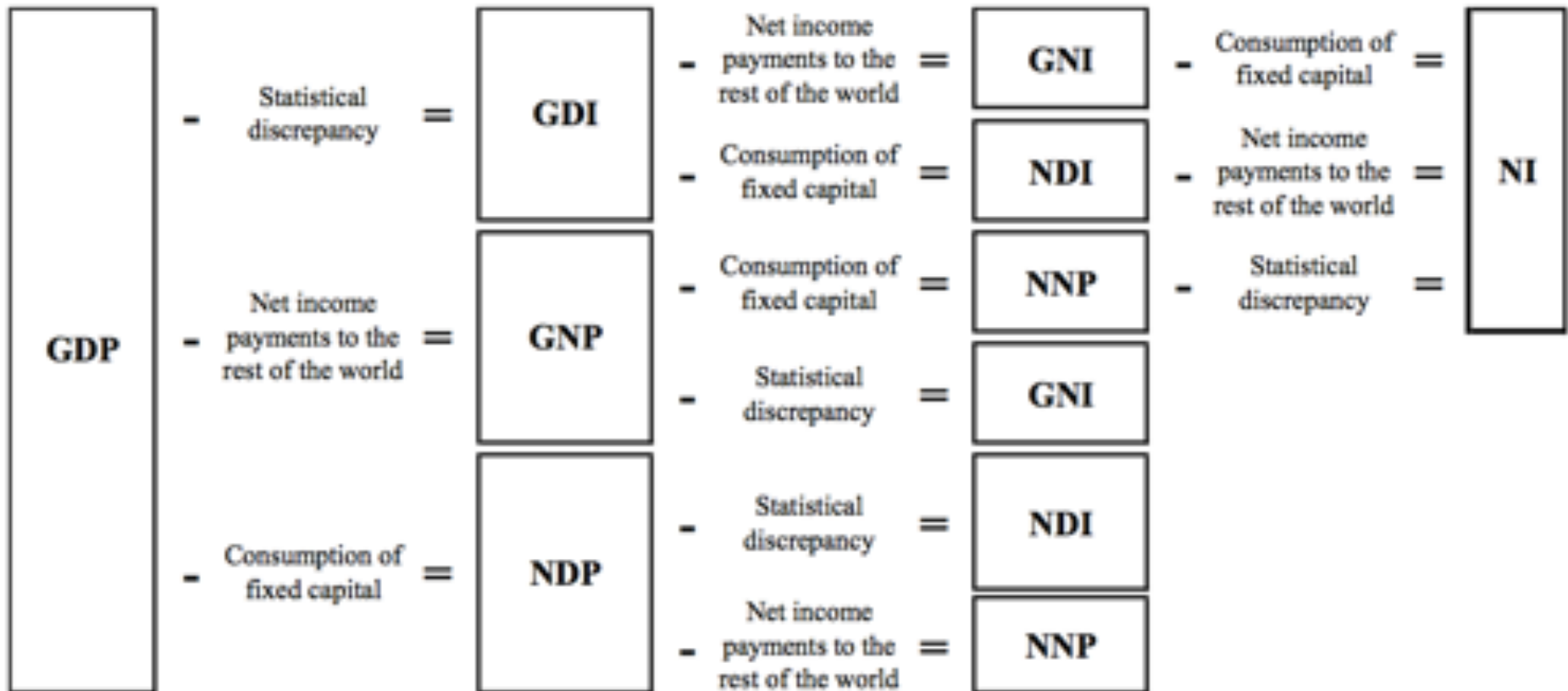
Defining Capital

Capital is defined as the sum total of nonhuman assets that can be owned and exchanged on the market, excluding human capital based on an individual's labor power, skills, training and abilities



Measures of Income & Output

Capital is defined as the sum total of nonhuman assets that can be owned and exchanged on the market, excluding human capital based on an individual's labor power, skills, training and abilities



First Fundamental Law of Capitalism

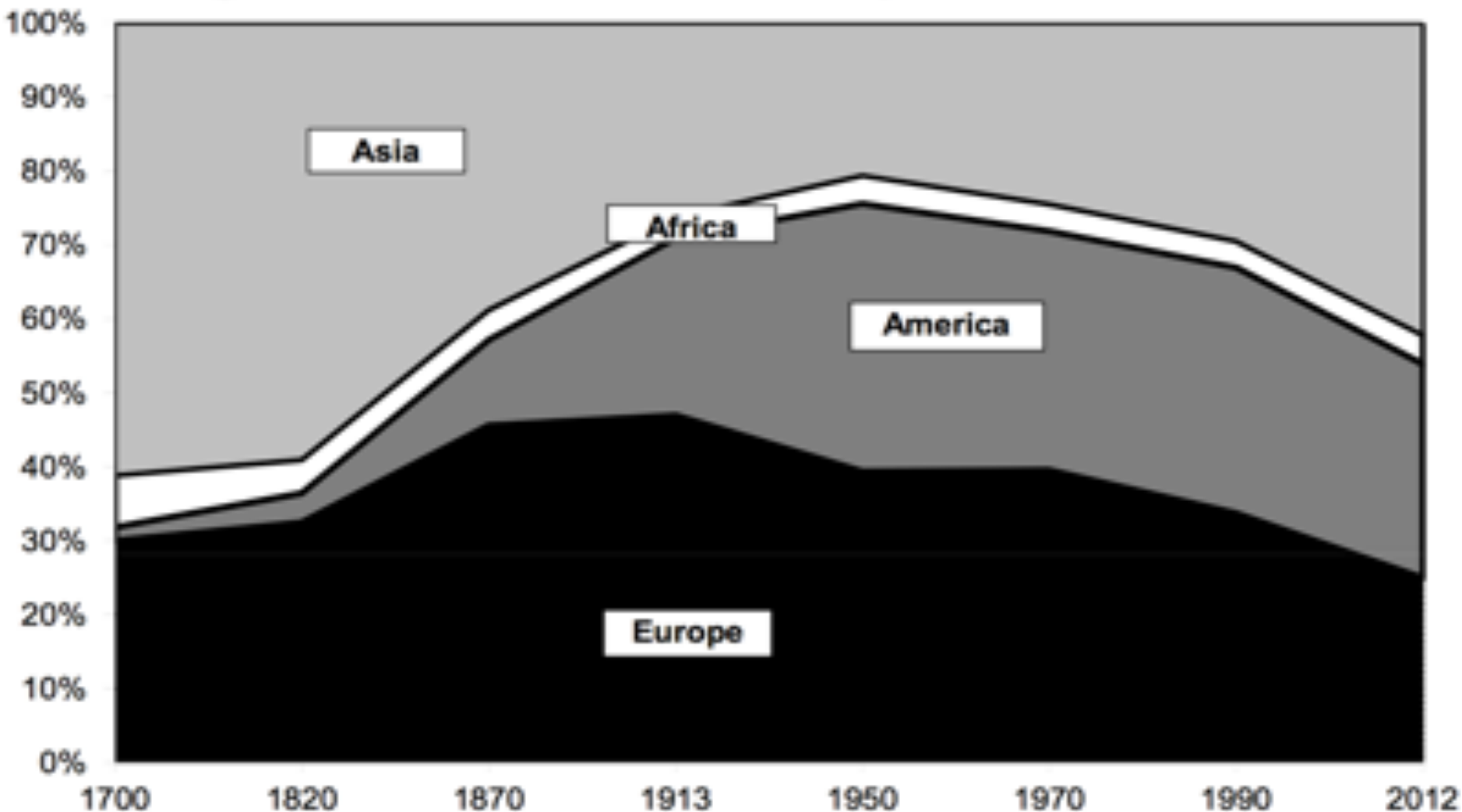
$ALPHA = r * BETA$ (the share of income that is investment rather than labor is determined entirely by how much capital there is and its average return).

KEY TERMS

- **National Capital**: All things of value owned in nation that can be sold or exchanged. Also called *national wealth*.
- **National Income** : all the money made in nation by anybody and anything (there are two kinds see next two definitions)
- **Labor Income** : money made from work
- **Capital Income** : money made from investment
- **Capital Income Ratio** : a number, **BETA**
= $(National\ Capital) / (National\ Income)$
- **Rate of Return on Capital** : an average number r (for example 0.05 if you get a 5% savings account)
- **Capital Share of National Income** : a number, **ALPHA** = $(Capital\ Income) / (National\ Income)$

Distribution of World Output

Figure 1.1. The distribution of world output 1700-2012

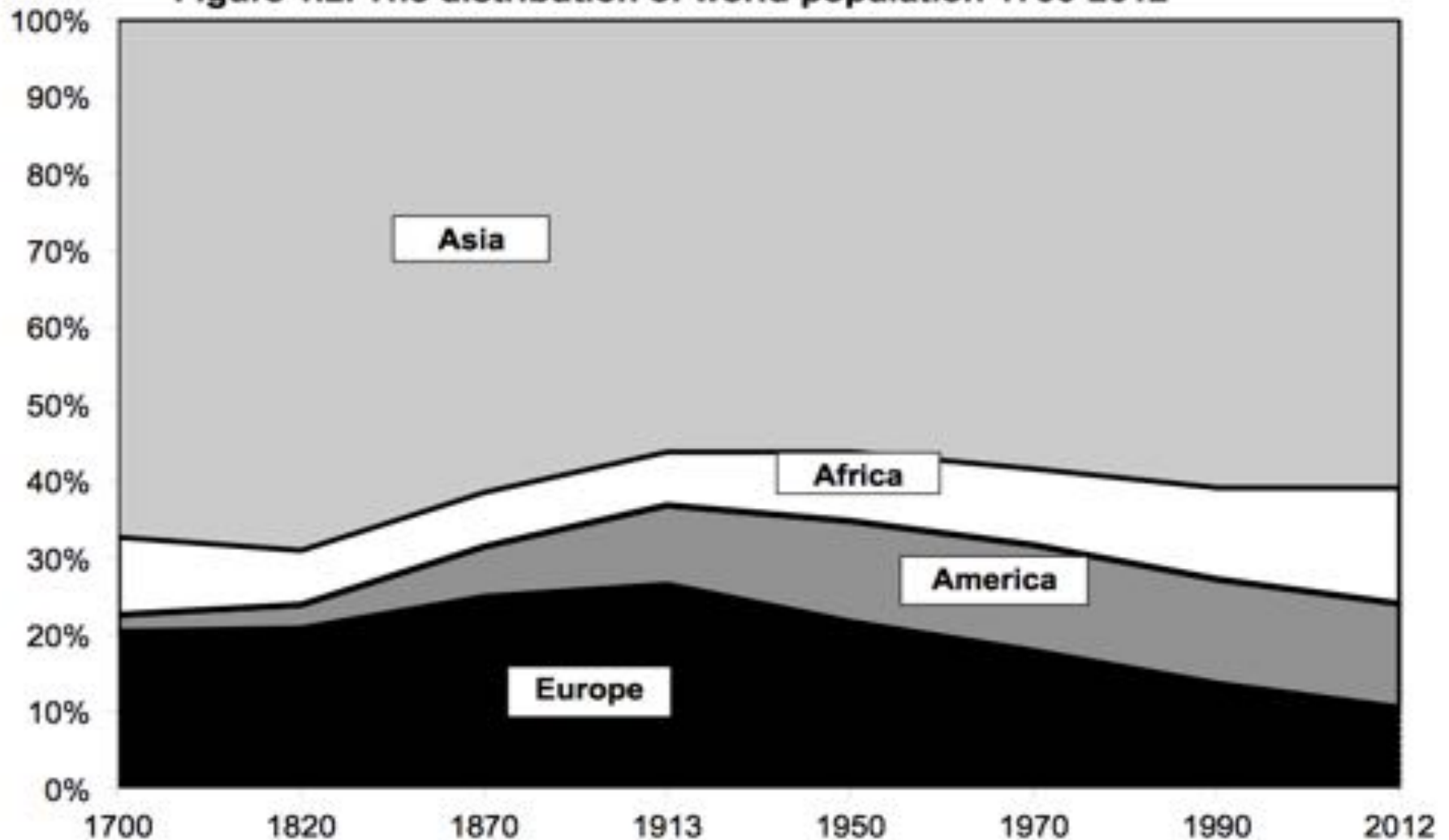


Europe's GDP made 47% of world GDP in 1913, down to 25% in 2012.

Sources and series: see piketty.pse.ens.fr/capital21c.

Distribution of World Output

Figure 1.2. The distribution of world population 1700-2012

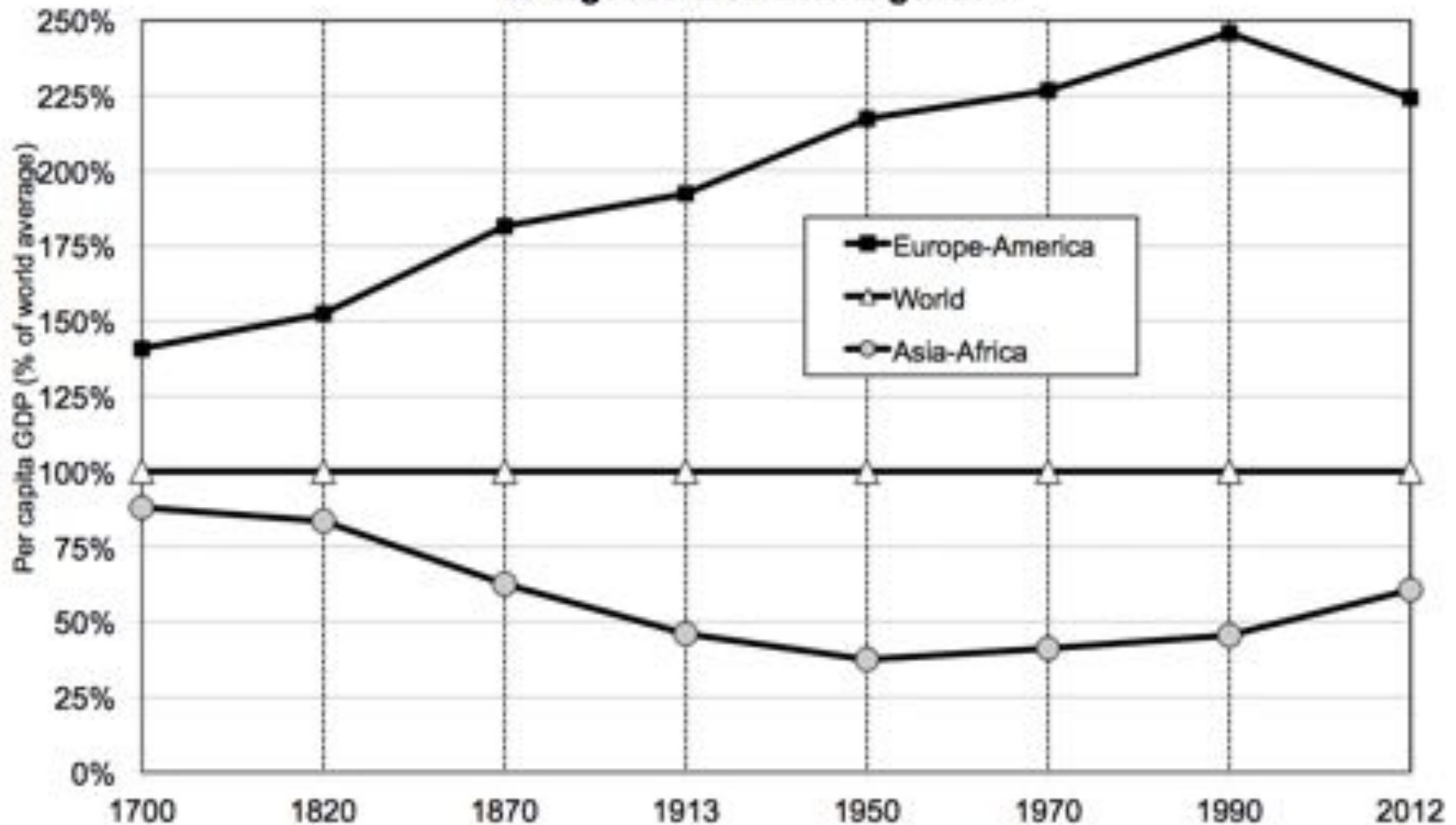


Europe's population made 26% of world population in 1913, down to 10% in 2012.

Sources and series: see piketty.pse.ens.fr/capital21c.

Global Inequality

Figure 1.3. Global inequality 1700-2012:
divergence then convergence?



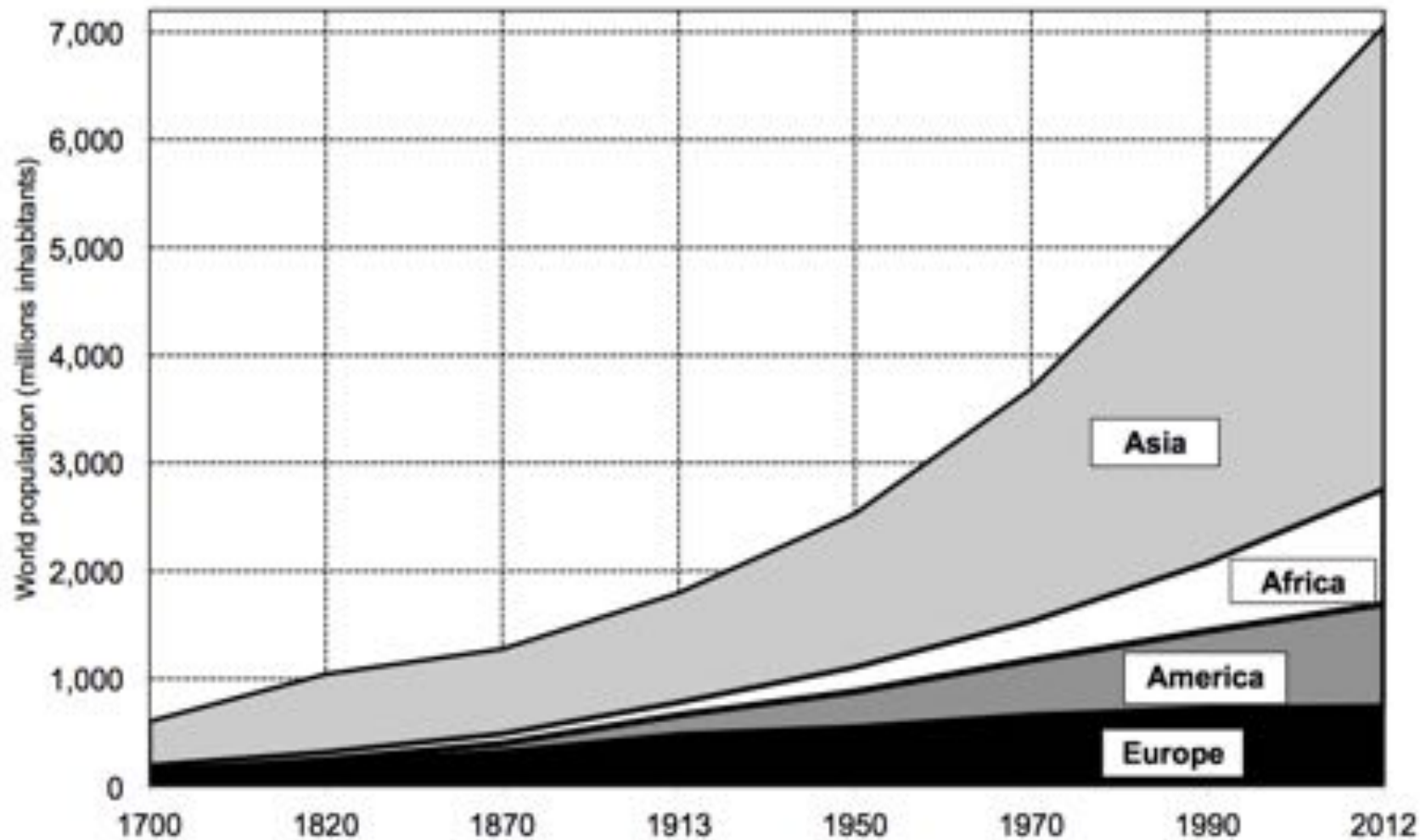
Per capita GDP in Asia-Africa went from 37% of world average in 1950 to 61% in 2012.

Sources and series: see piketty.pse.ens.fr/capital21c.

Chapter 2: Growth, Illusions, and Realities

Population Growth

Figure 2.1. The growth of world population 1700-2012

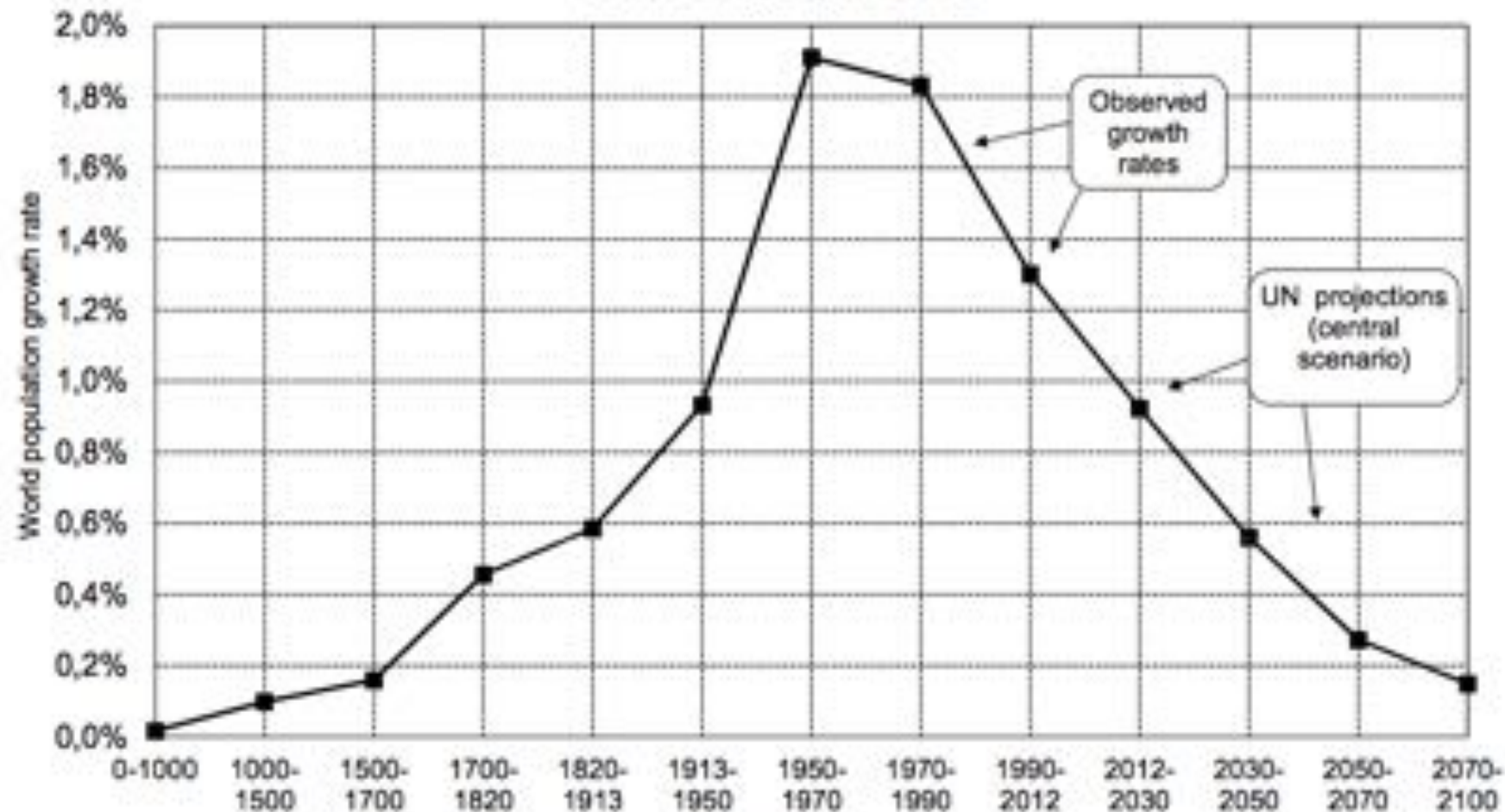


World population rose from 600 million inhabitants in 1700 to 7 billion in 2012.

Sources and series: see piketty.pse.ens.fr/capital21c.

Population Growth

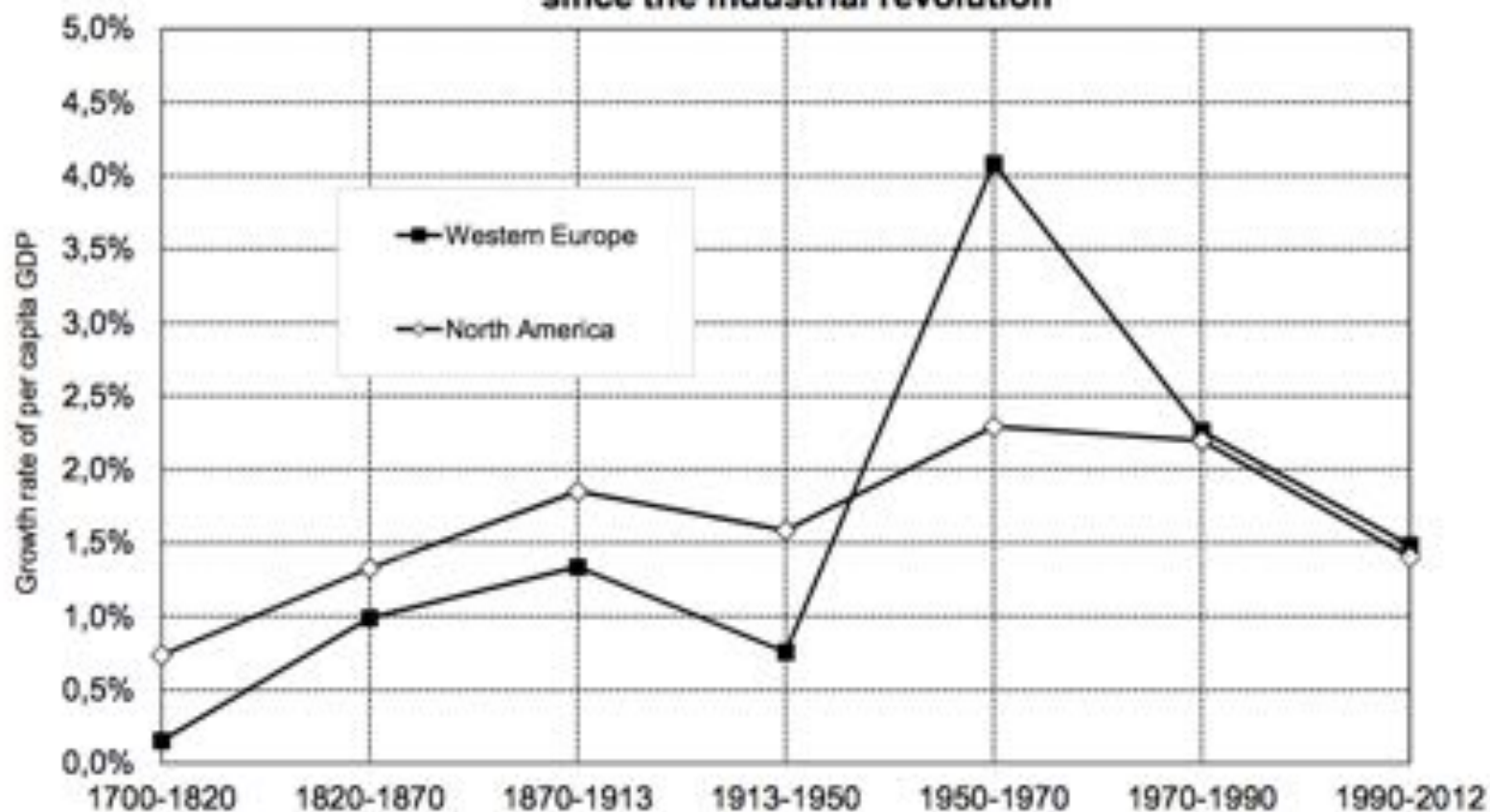
Figure 2.2. The growth rate of world population from Antiquity to 2100



The growth rate of world population was above 1% per year from 1950 to 2012 and should return toward 0% by the end of the 21st century. Sources and series: see piketty.pse.ens.fr/capital21c.

Population Growth

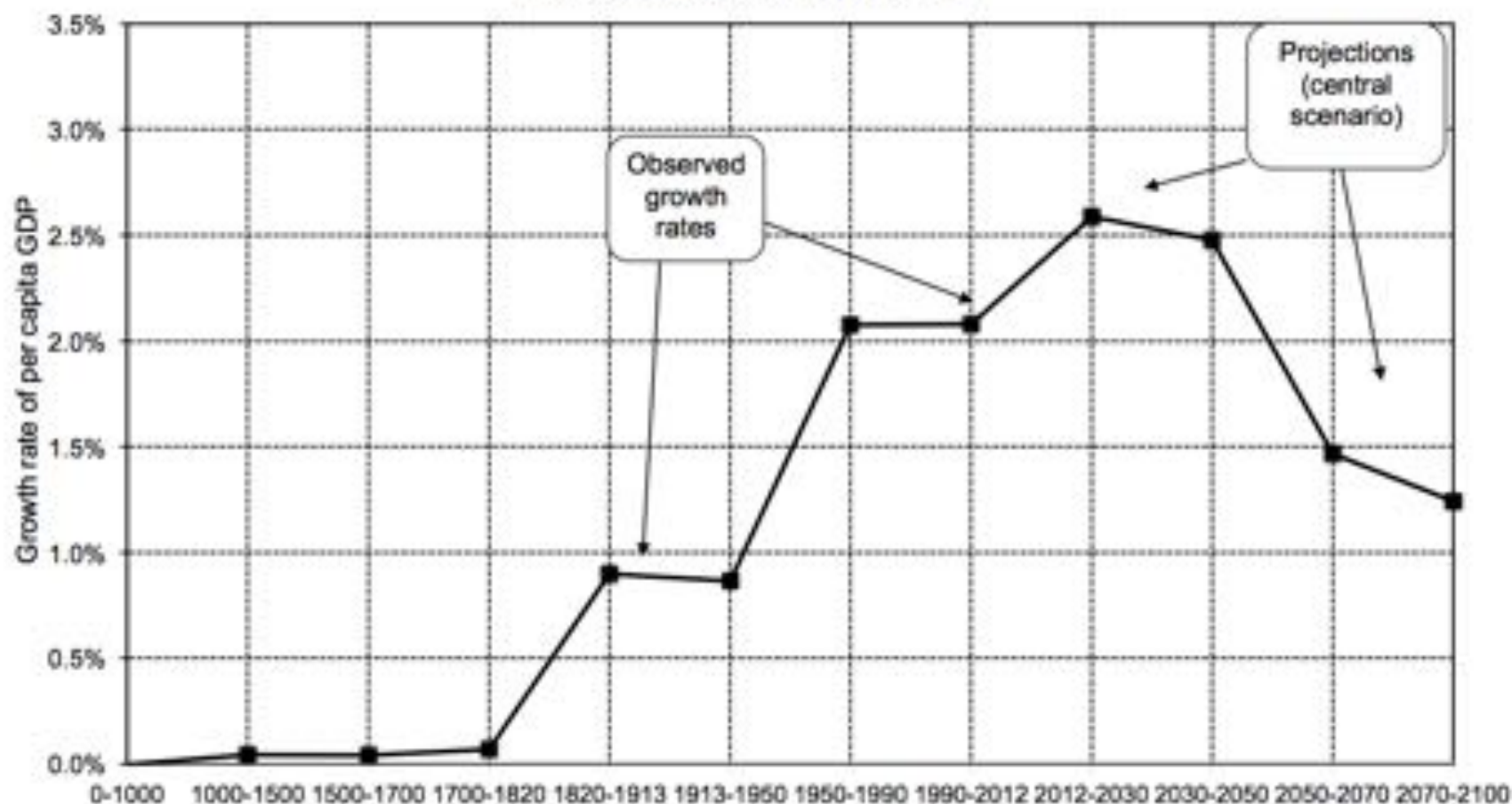
Figure 2.3. The growth rate of per capita output since the industrial revolution



The growth rate of per capita output surpassed 4% per year in Europe between 1950 and 1970, before returning to American levels. Sources and series: see piketty.pse.ens.fr/capital21c

Population Growth

Figure 2.4. The growth rate of world per capita output since Antiquity until 2100

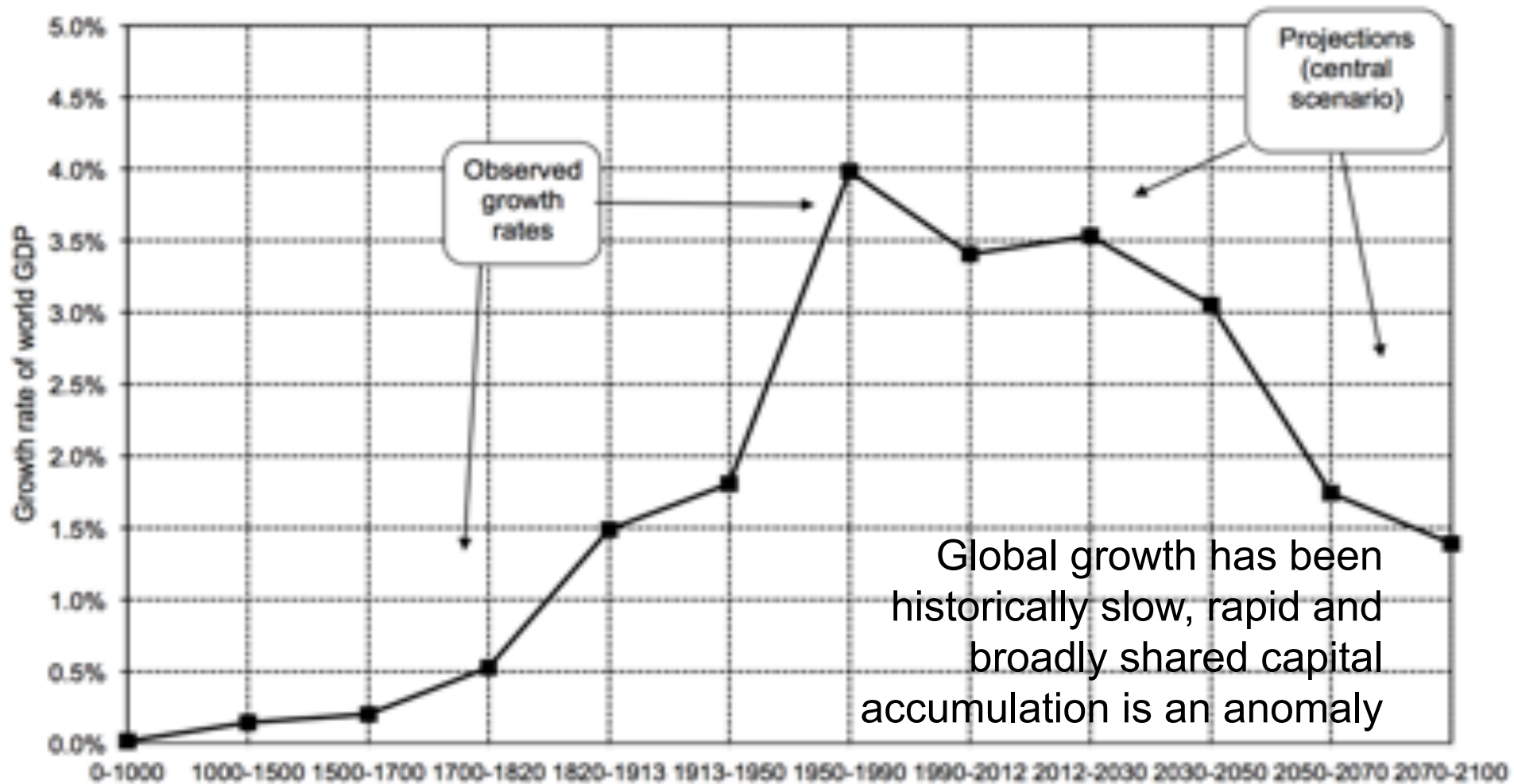


The growth rate of per capita output surpassed 2% from 1950 to 2012. If the convergence process goes on, it will surpass 2.5% from 2012 to 2050, and then will drop below 1.5%.

Sources and series : see piketty.pse.ens.fr/capital21c.

Growth in World Output

Figure 2.5. The growth rate of world output from Antiquity until 2100



Global growth has been historically slow, rapid and broadly shared capital accumulation is an anomaly

The growth rate of world output surpassed 4% from 1950 to 1990. If the convergence process goes on it will drop below 2% by 2050. Sources and series: see piketty.pse.ens.fr/capital21c.

Key Points: Prices

- **Purchasing power** has increased dramatically since before the industrial revolution, though average price indices fail to give an accurate picture of the changes that have taken place.



Key Points: Productivity

- **Productivity** has increased dramatically, so (for example) a much larger population is now fed by far fewer hands.
- The **price of services** has increased at a much greater rate than the **price of goods**.



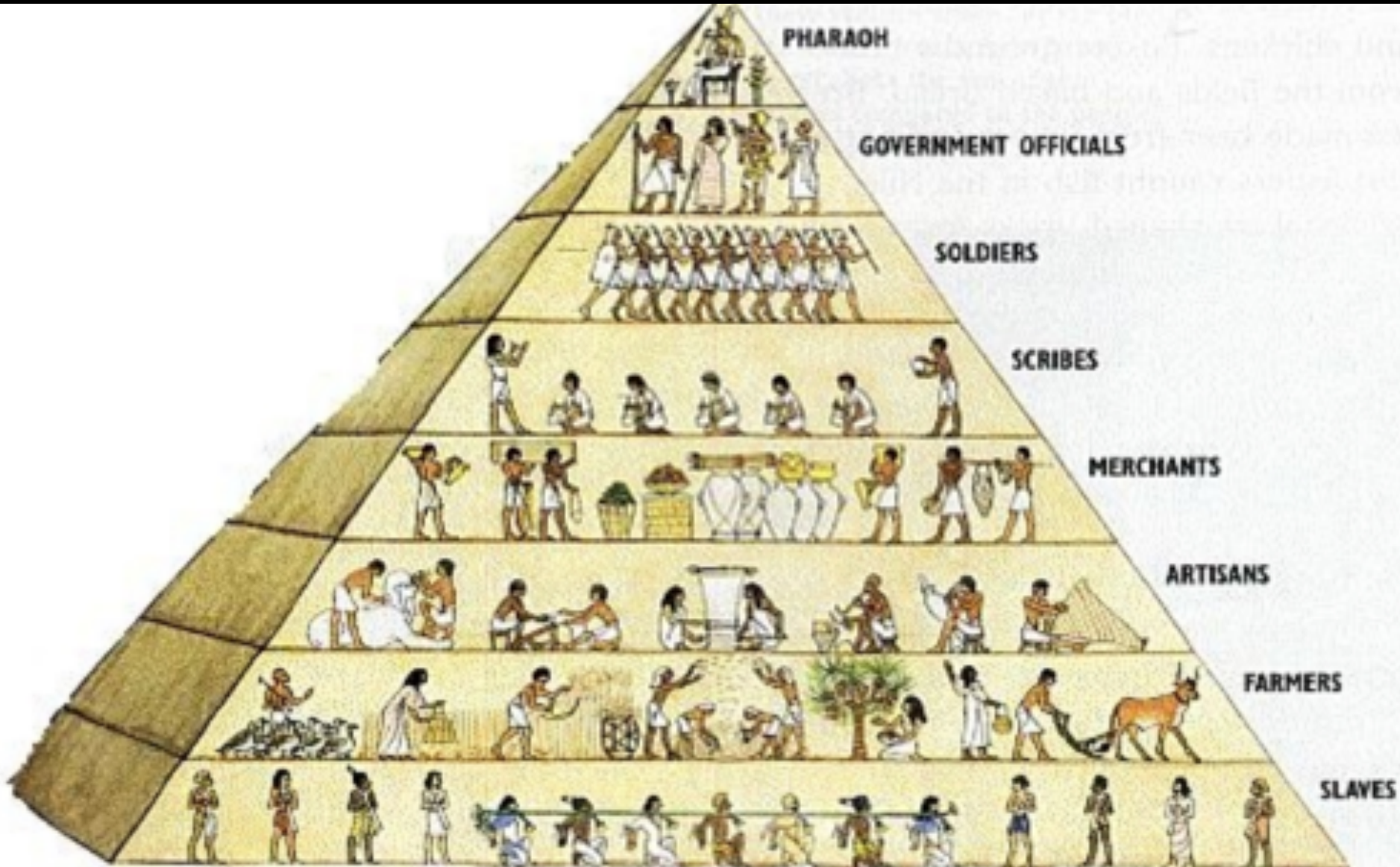
Key Points: Example

- Imagine having to dedicate **6 months wages** to buy a very basic bicycle, as was the case in France in the 1880s.
- This cost decreased to **1 month's wages** by 1910 thanks to technological advances.
- By the 1960s, you could get a fully tricked out bicycle for **less than a week's wages** .

How much
would a
bicycle
cost you
today?

Chapter 8-11: Inequality in Comparative Perspective

Classical Social Order



Medieval Social Order



18th and 19th Century

- In the 18th and 19th centuries, socioeconomic **inequality** was extremely high in Europe.
- **Private wealth** was much greater than national income.
- The **rigid class structure** ensured that wealth remained concentrated in a few interconnected families.



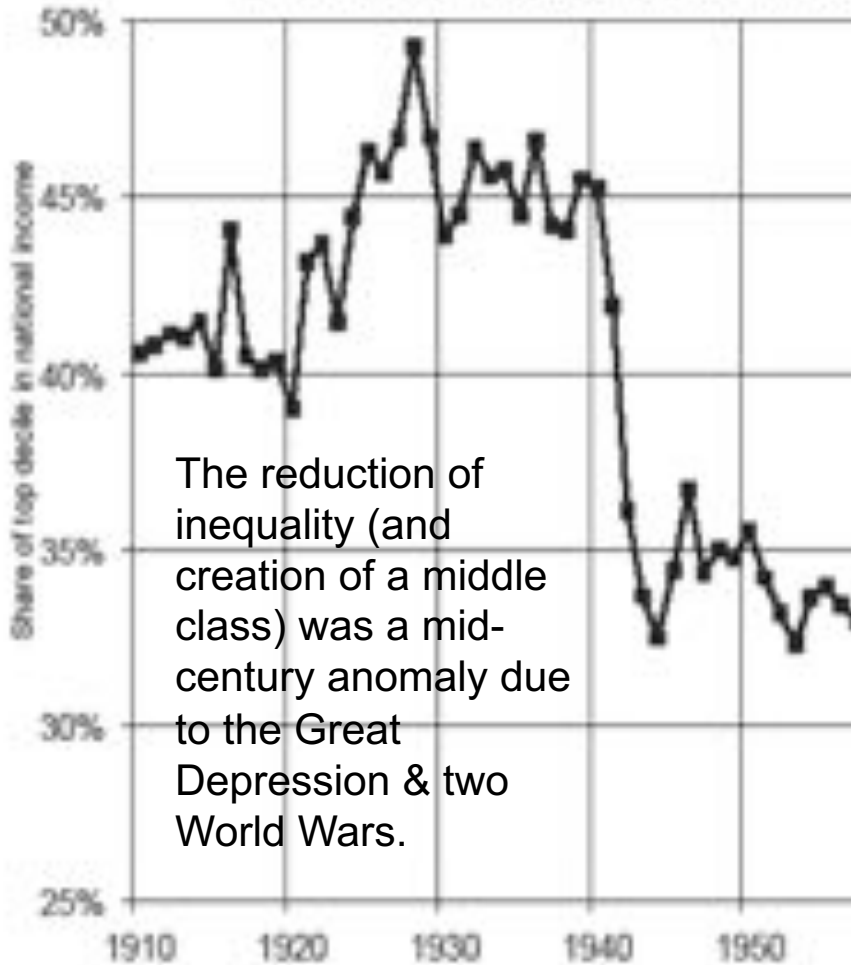
The Gilded Age

- By the Gilded Age, Marxists criticized that the global capitalist system was structured to favor the owners of capital at the expense of the working classes.



The End of the Gilded Age

Figure I.1. Income inequality in the U.S.



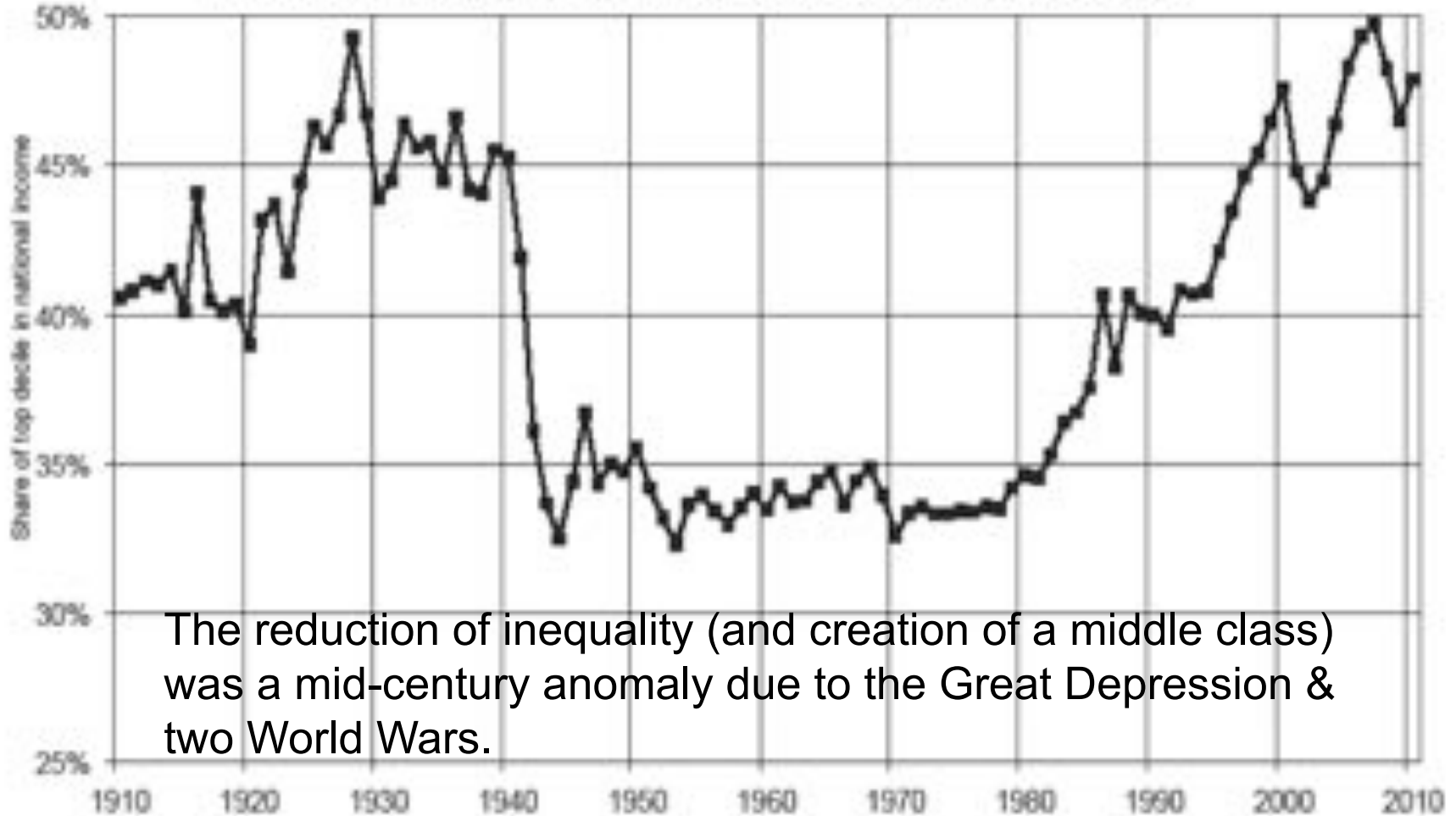
The reduction of inequality (and creation of a middle class) was a mid-century anomaly due to the Great Depression & two World Wars.

The top decile share in U.S. national income dropped from 45-50% in the 1920s to less than 35% in the 1940s (Kuznets); it then rose from less than 35% in the 1970s to 45-50% in the 1990s.



A New American Gilded Age?

Figure I.1. Income inequality in the United States, 1910-2010

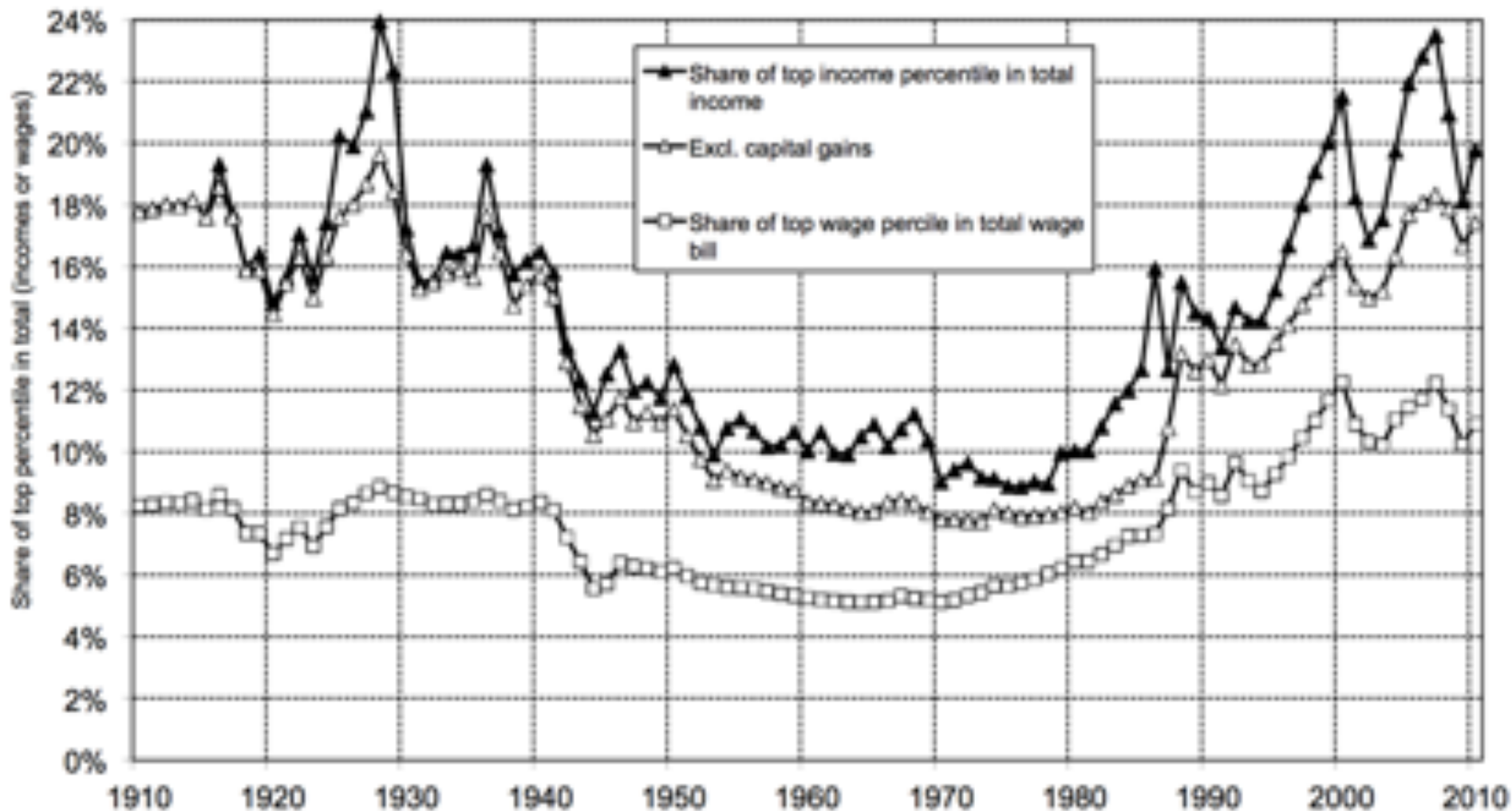


The reduction of inequality (and creation of a middle class) was a mid-century anomaly due to the Great Depression & two World Wars.

The top decile share in U.S. national income dropped from 45-50% in the 1910s-1920s to less than 35% in the 1950s (this is the fall documented by Kuznets); it then rose from less than 35% in the 1970s to 45-50% in the 2000s-2010s. Sources and series: see piketty.gse.harvard.edu.

The Top 1% in the United States

Figure 8.8. The transformation of the top 1% in the United States

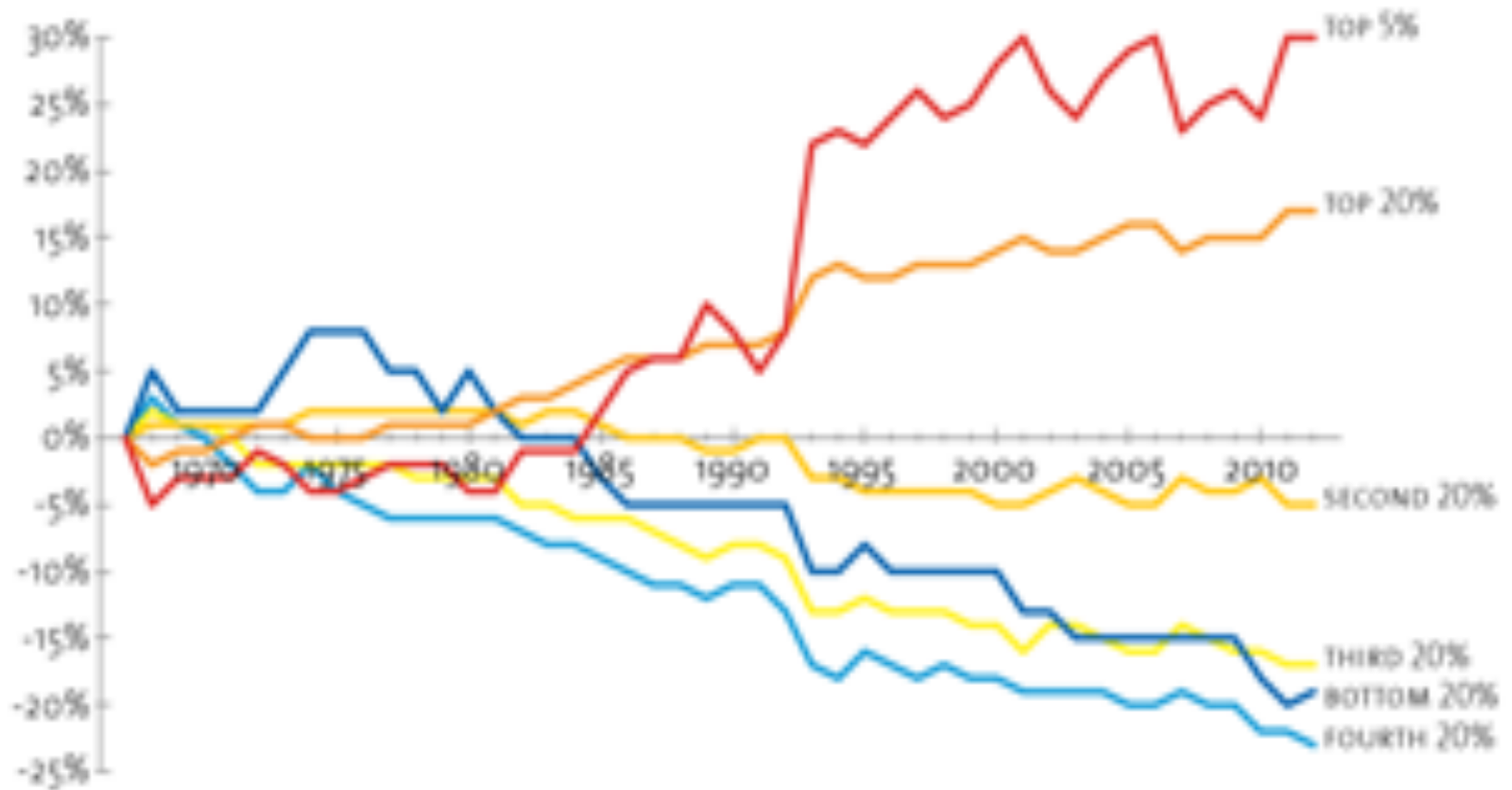


The rise in the top 1% highest incomes since the 1970s is largely due to the rise in the top 1% highest wages. Sources and series: see piketty.pse.ens.fr/capital21c.

U.S. Incomes and Shares of Income

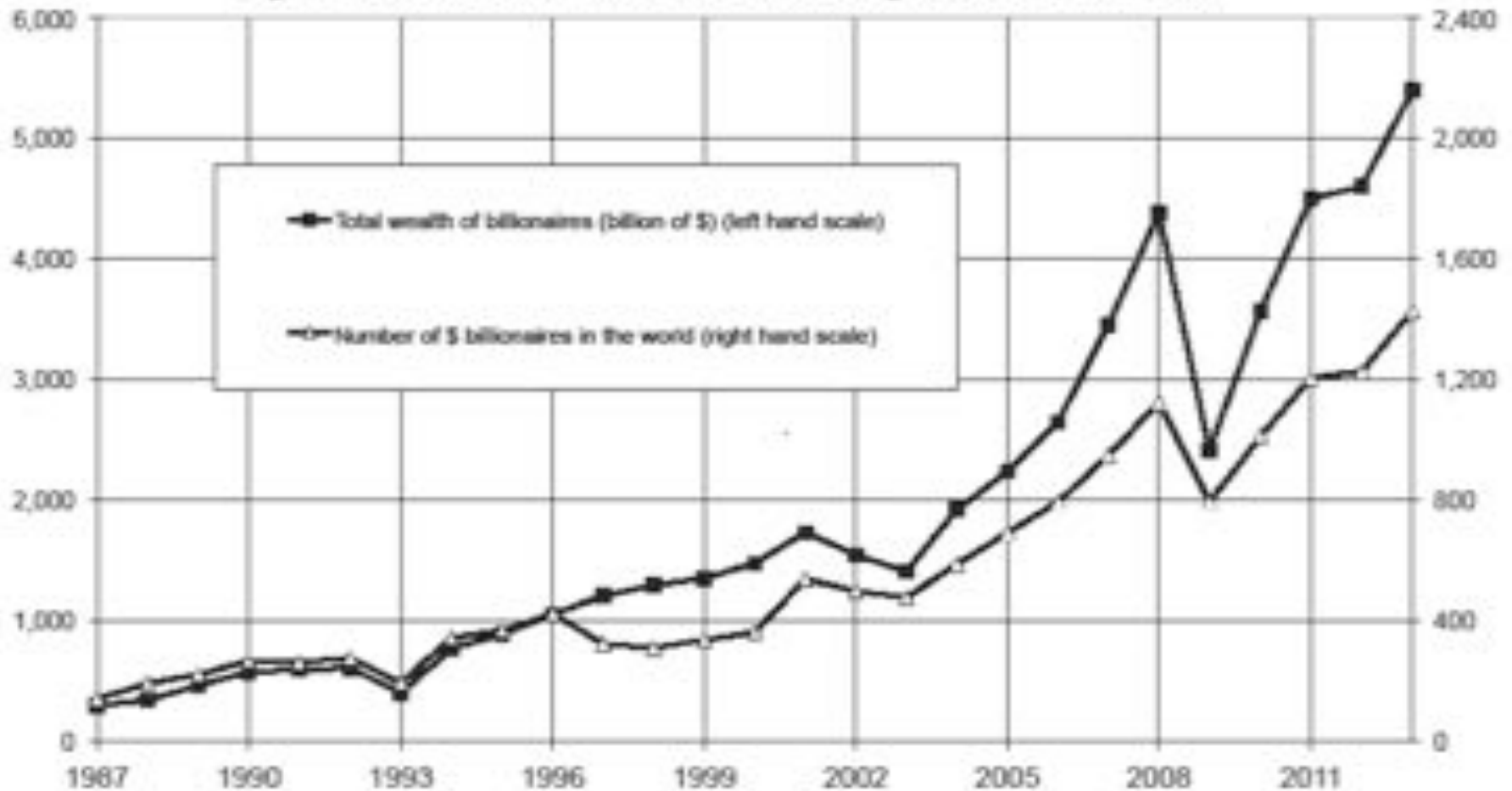
Change in Share of Total Income, 1967-2012

relative to 1967, by percentile



The New Billionaires

Figure 12.1. The world billionaires according to Forbes, 1987-2013



Between 1987 and 2013, the number of \$ billionaires rose according to Forbes from 140 to 1400, and their total wealth rose from 300 to 5 400 billion dollars. Sources and series: see piketty.pse.ens.fr/capital21c.

Just the Beginning?

“Given the strong, steady increase of the capital/income ratio since the 1950s , moreover, it is natural to ask whether this increase will continue in the decades to come and whether the capital/income ratio will regain or even surpass past levels before the end of the twenty-first century.”



Why so much inequality?

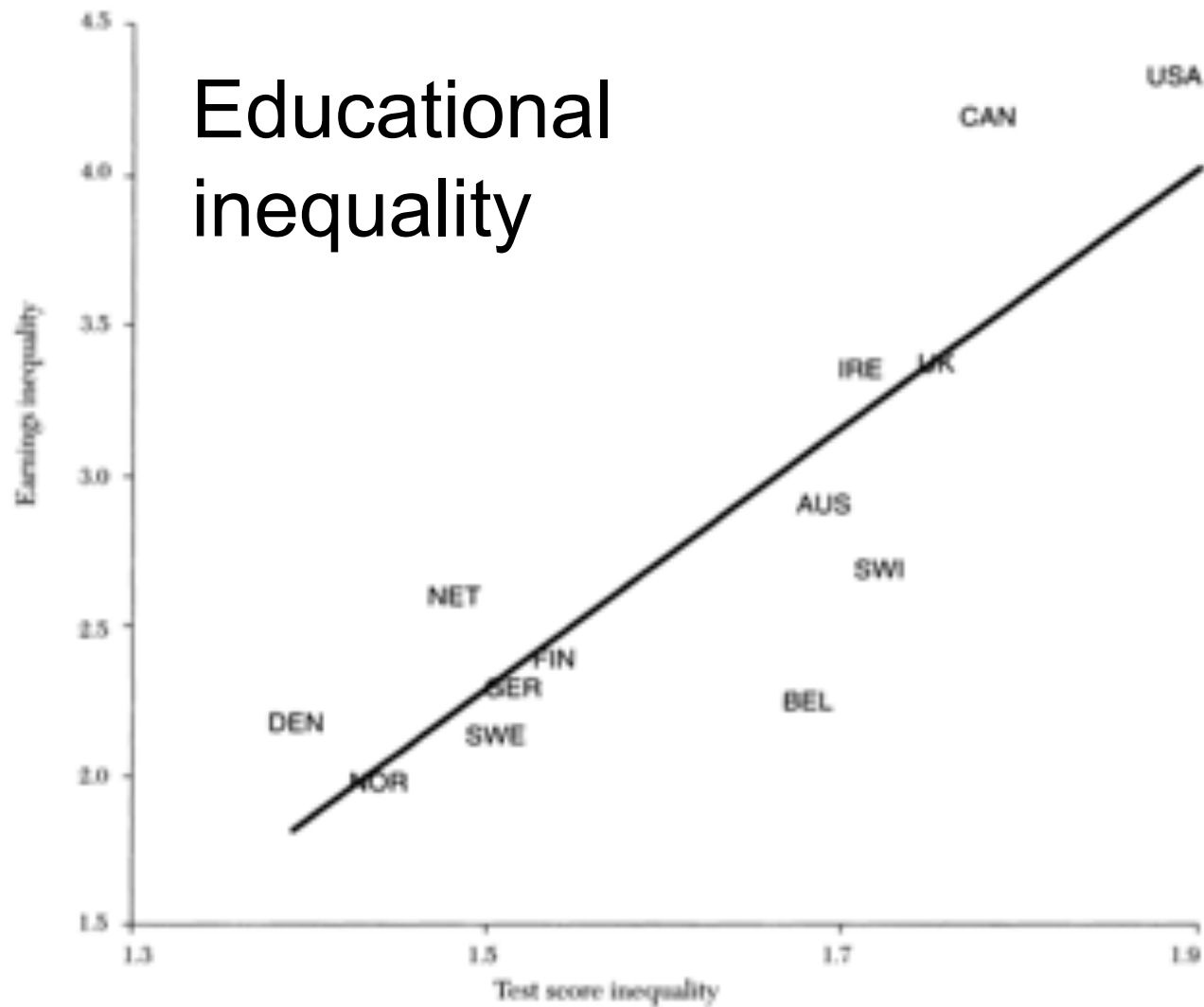
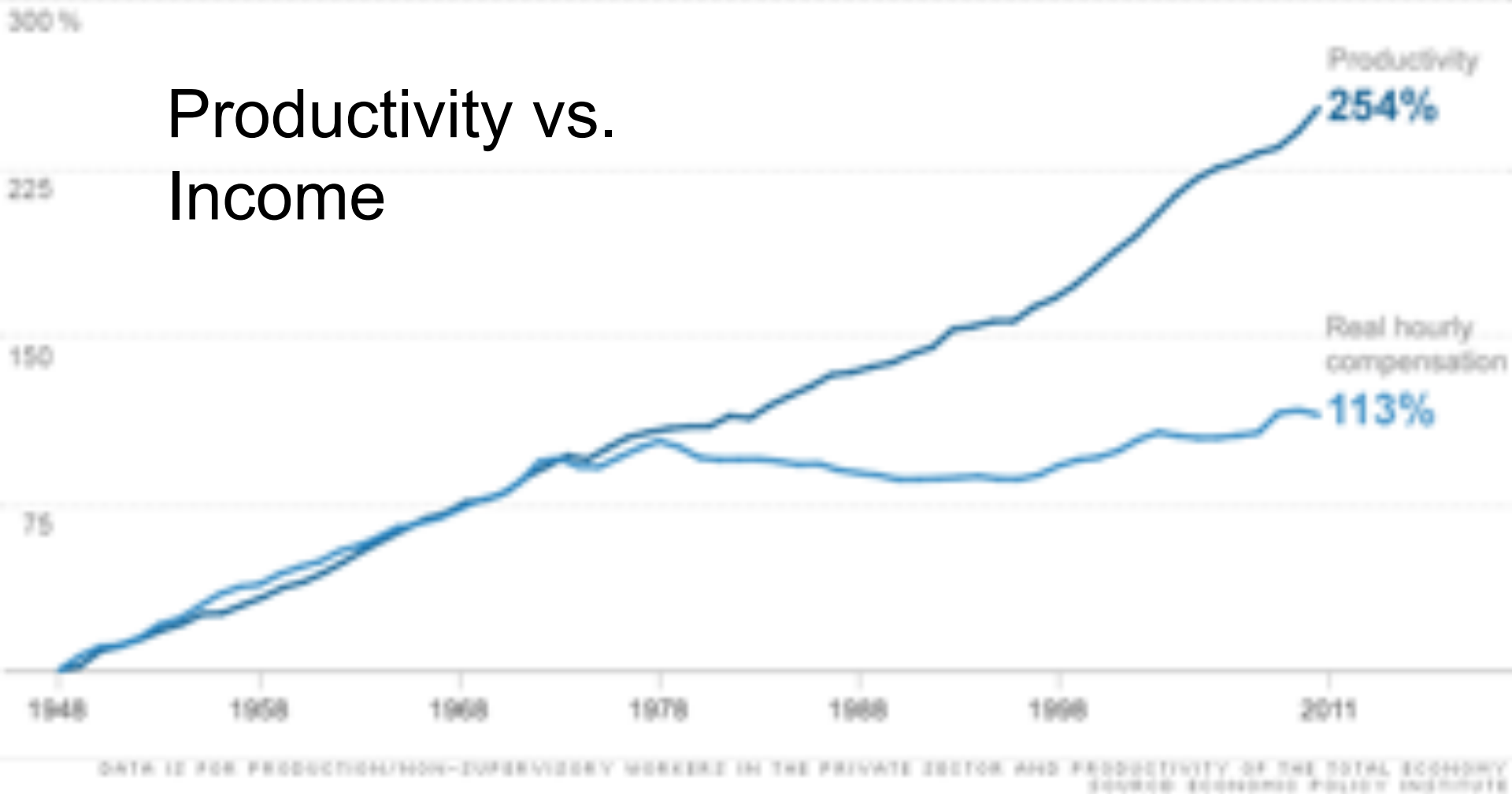


Figure 4. Inequality of Test Scores and Earnings

Notes: Measure of inequality is the ratio of ninth decile to the first decile in both cases; test performance refers to prose literacy in the International Adult Literacy Survey.

Source: Based on Nickell (2004).

Productivity vs. Income



Comparison of CEO compensation to top incomes and wages, 1947-2010



Note: "Top wages" are annual wages of the top 0.1% of wage-earners. "Top income" is average annual income of the top 0.1% of households.

Source: Authors' analysis of Kaplan (2012b) and Mishel et al. (2012, Table 4.8)

THE TOP 8 OF 2008 CEO COMPENSATION

\$46,770,492

John R. Channer
Chief Executive Officer
New Capital Holdings Ltd.

\$51,229,341

Robert A. Iger
Chief Executive Officer
Walt Disney Company

\$53,482,631

Bob R. Sengston
Chief Executive Officer
XTO Energy Inc.

\$77,085,387

Richard C. Aderson
Chief Executive Officer
Parsippany-Holliston Cooper
& Good Inc.

\$84,598,700

Lawrence J. Ellison
Chief Executive Officer
Oracle Corporation

\$102,464,517

Aubrey K. McClelland
Chief Executive Officer
Transpacific Energy Corp.

\$116,652,816

Eugene H. Ivanberg
Chief Executive Officer
Nabors Industries Ltd.

\$133,708,650

Bruce W. Waberstein
Chief Executive Officer
Lakeland Ltd.

Source:
APL/CDO - 100 Highest Paid CEOs, CEO Pay Database

*Minimum wage estimate. This salary could represent



1,372
hours



421
hours



693
hours



580
hours



528
hours

**The number of hours full-time minimum wage
employees would need to work to equal
A SINGLE HOUR of these CEOs' pay:**

Michael
T. Duke
WALMART

Clarence
Otis Jr.
DARDEN
RESTAURANTS

Daniel
M. Delen
REYNOLDS
AMERICAN

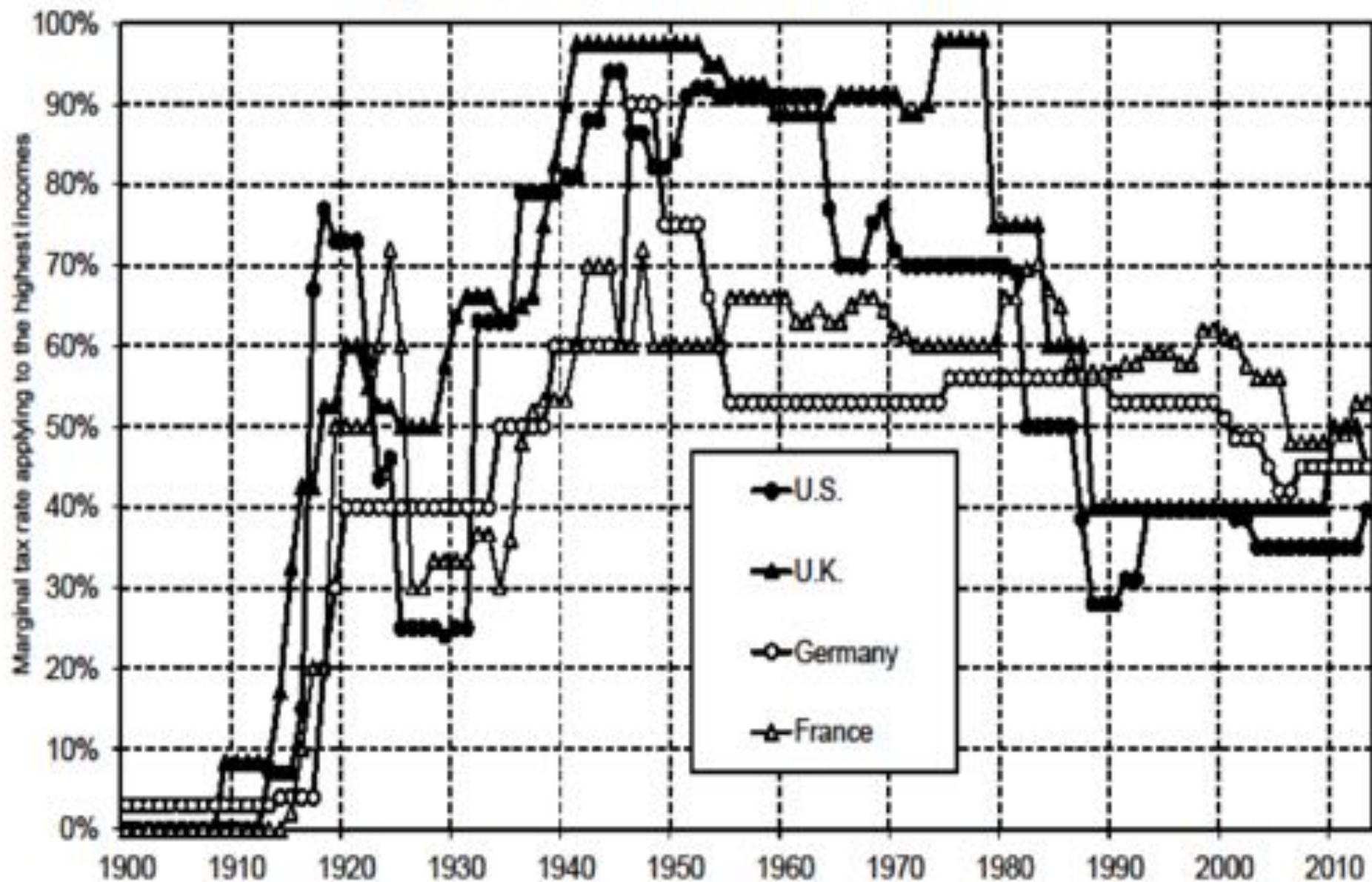
John
Legere
T-MOBILE

John
Bryant
KELLOGG

What should be done
about income inequality?

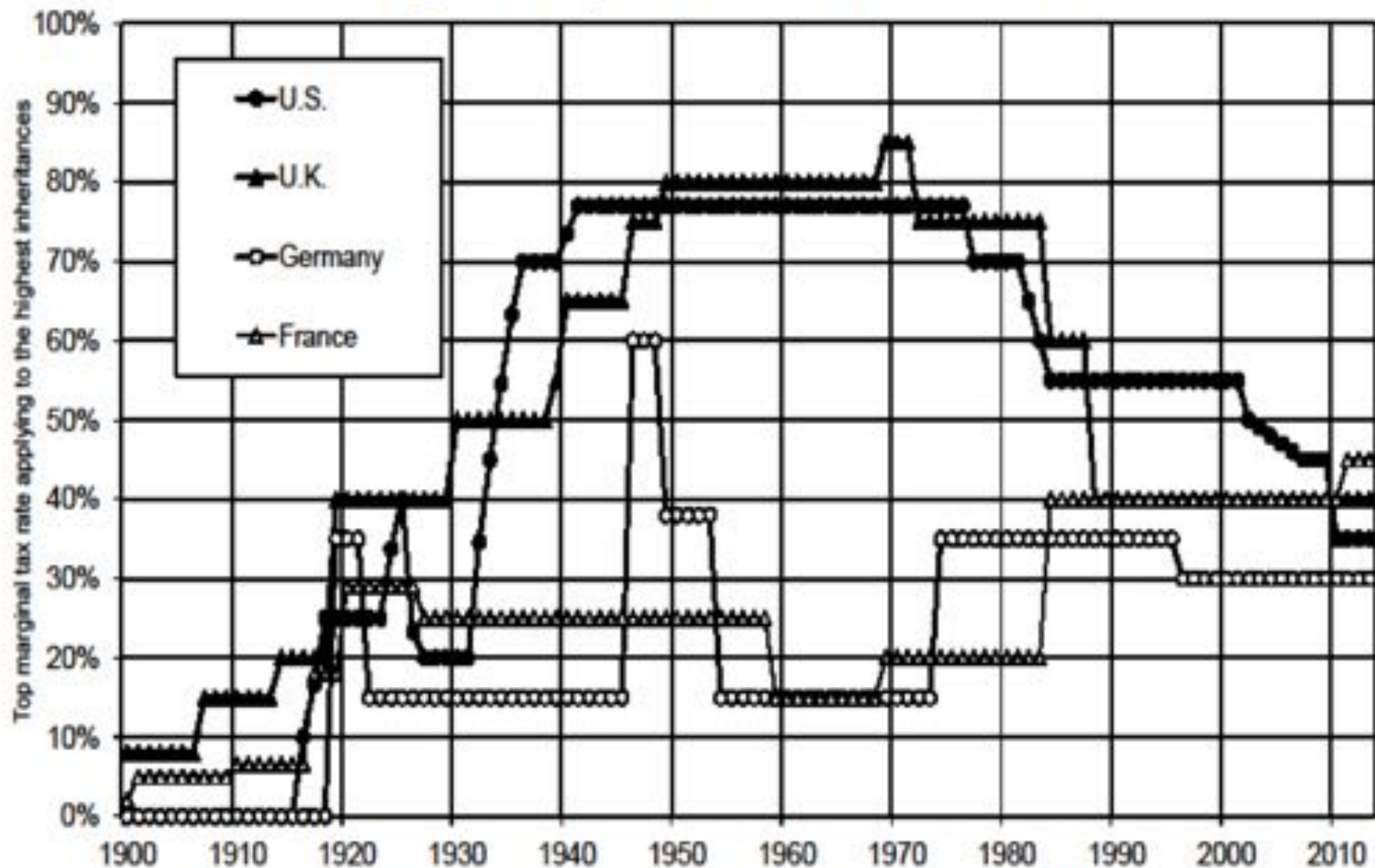
In particular, if wealth
inequality is growing,
how should we tax
wealth?

Figure 14.1. Top income tax rates, 1900-2013



The top marginal tax rate of the income tax (applying to the highest incomes) in the U.S. dropped from 70% in 1980 to 28% in 1988. Sources and series: see piketty.pse.ens.fr/capital21c.

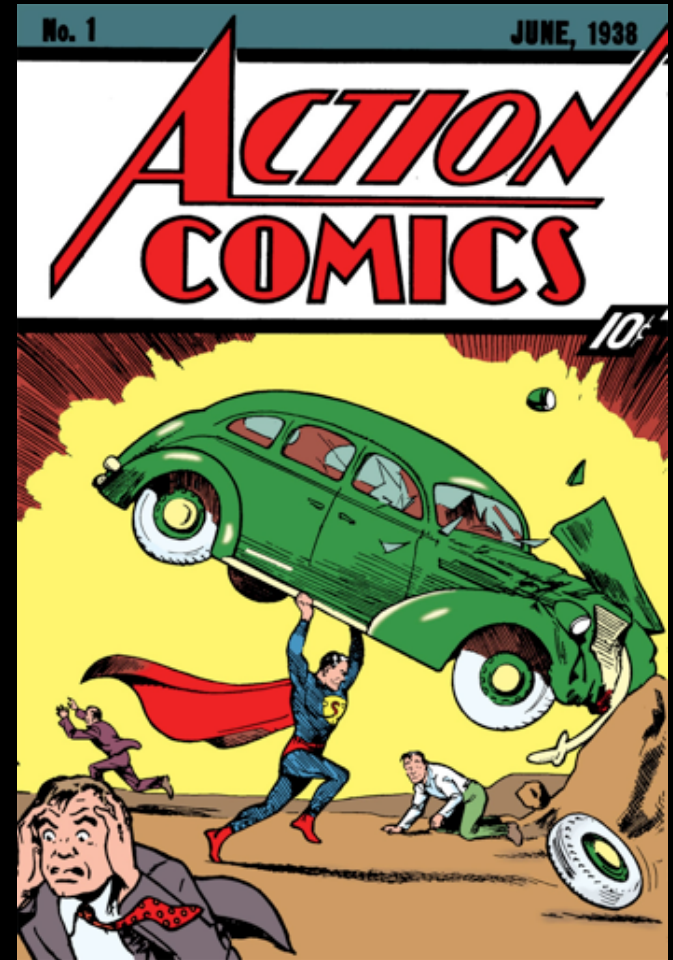
Figure 14.2. Top inheritance tax rates, 1900-2013



The top marginal tax rate of the inheritance tax (applying to the highest inheritances) in the U.S. dropped from 70% in 1980 to 35% in 2013. Sources and series: see piketty.pse.ens.fr/capital21c.

What are Capital Gains Taxes?

- Tax law is often designed to collect a share of the revenues from investments that appreciate in value, also known as “**capital gains**.”
- Capital gains taxes help to account for the fact that some people obtain some or all of their income from capital investments.



In Feb. 2010, a copy of the very first Action Comics (featuring Superman) sold for a record \$1 million.

U.S. Capital Gains Taxes

The 2017 Tax Cut & Jobs Act retained the 0%, 15%, and 20% rates on LTCGs from assets that you've owned for more than one year and for qualified dividends. The capital tax rate in 2019 is as follows:

	Single	Joint	HOH*
0% tax bracket	\$0-\$39,375	0-\$78,750	0-\$52,750
Beginning of 15% bracket	\$39,376	\$78,751	\$52,751
Beginning of 20% bracket	\$434,551	\$488,851	\$461,701

*Head of household

NOTE: Short-term capital gains recognized by individual taxpayers are taxed at the regular ordinary income rates. <https://www.marketwatch.com/story/what-is-your-capital-gains-tax-rate-good-question-it-can-get-confusing-2019-11-15>

U.S. Capital Gains Taxes

The 2017 Tax Cut & Jobs Act retained the 0%, 15%, and 20% rates on LTCGs from assets that you've owned for more than one year and for qualified dividends. The capital tax rate in 2020 is as follows:

	Single	Joint	HOH*
0% tax bracket	0-\$40,000	0-\$80,000	0-\$53,600
Beginning of 15% bracket	\$40,001	\$80,001	\$53,601
Beginning of 20% bracket	\$441,451	\$496,601	\$469,051
*Head of household			

NOTE: Short-term capital gains recognized by individual taxpayers are taxed at the regular ordinary income rates. <https://www.marketwatch.com/story/what-is-your-capital-gains-tax-rate-good-question-it-can-get-confusing-2019-11-15>

U.S. Income Taxes

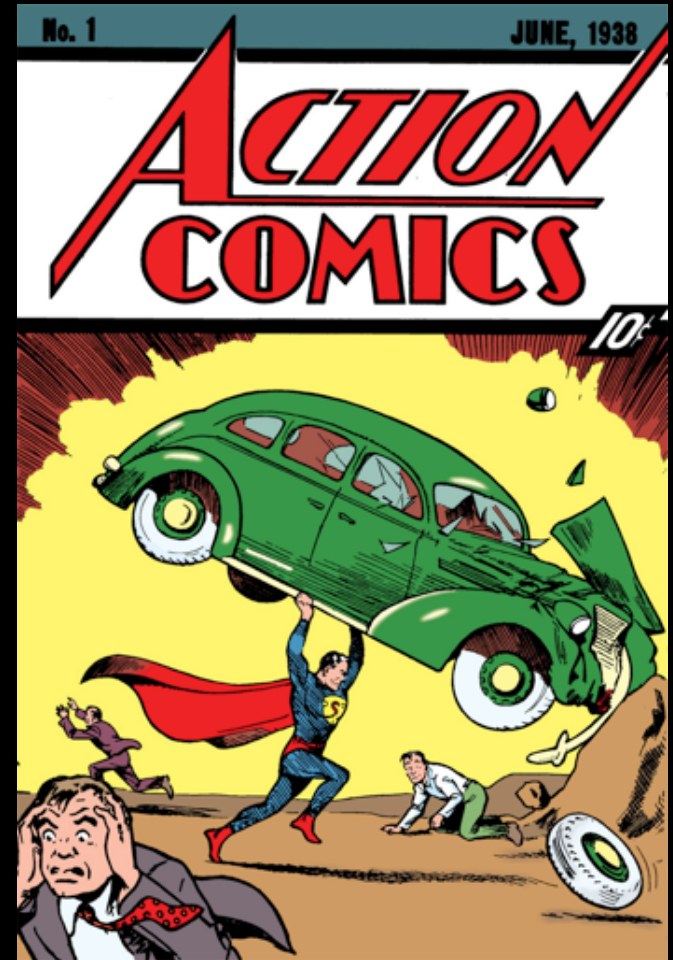
Note that U.S. Capital Gains Taxes are considerably lower than income taxes for persons earning more than about \$40,000 per year. Is this fair?

	Single	Joint	HOH*
10% tax bracket	0-\$9,700	0-\$19,400	0-\$13,850
Beginning of 12% bracket	\$9,701	\$19,401	\$13,851
Beginning of 22% bracket	\$39,476	\$78,951	\$52,851
Beginning of 24% bracket	\$84,201	\$168,401	\$84,201
Beginning of 32% bracket	\$160,726	\$321,451	\$160,701
Beginning of 35% bracket	\$204,101	\$408,201	\$204,101
Beginning of 37% bracket	\$510,301	\$612,351	\$510,301

*Head of household

What is the Estate Tax?

- In addition to income, tax law often targets “**transfers of assets/value**” (like property).
- While tax law also targets appreciation in value through “**capital gains**” taxes, taxes on transfers of assets can help to account for untaxed appreciation in value.



In Feb. 2010, a copy of the very first Action Comics (featuring Superman) sold for a record \$1 million.

What is the Estate Tax?

- The **federal government** has a tax on transfers of assets upon death, called the **Estate Tax**.
- While other states have such taxes, **California has zero** tax on transfers of assets upon death, and **no capital gains tax**.



Setting the Threshold: Bush

- In 1999, the federal government's **threshold for exemption from estate taxes** (transfers at death) was \$600,000.
- In 2000, the government raised the the estate tax exemption threshold to \$1 million and triggered increases to \$5 million by 2009.



Setting the Threshold: Obama

- In 2010, there was a built in sunset (no tax), after which it would go back to \$1 million in 2011.
- In 2011, the Obama administration negotiated a return to the \$5 million threshold with an annual inflation adjustment.



Setting the Threshold: Trump

- The 2017 Tax Cut & Jobs Act **raised the estate tax exemption** from \$5.5 to \$11 million person.
- The fewer than **1 in 1,000 estates** eligible nationwide received a tax cut of \$4.4 million per couple.



Death of the Federal Estate Tax

Under 2017 Tax Law, Number of Estates Facing Estate Tax Will Continue to Plummet

Taxable estates in thousands



Note: In 2001, 2.2 percent of estates faced the estate tax. In 2016, 0.2 percent of estates faced the estate tax. In 2019, fewer than 0.1 percent of estates will face the estate tax.

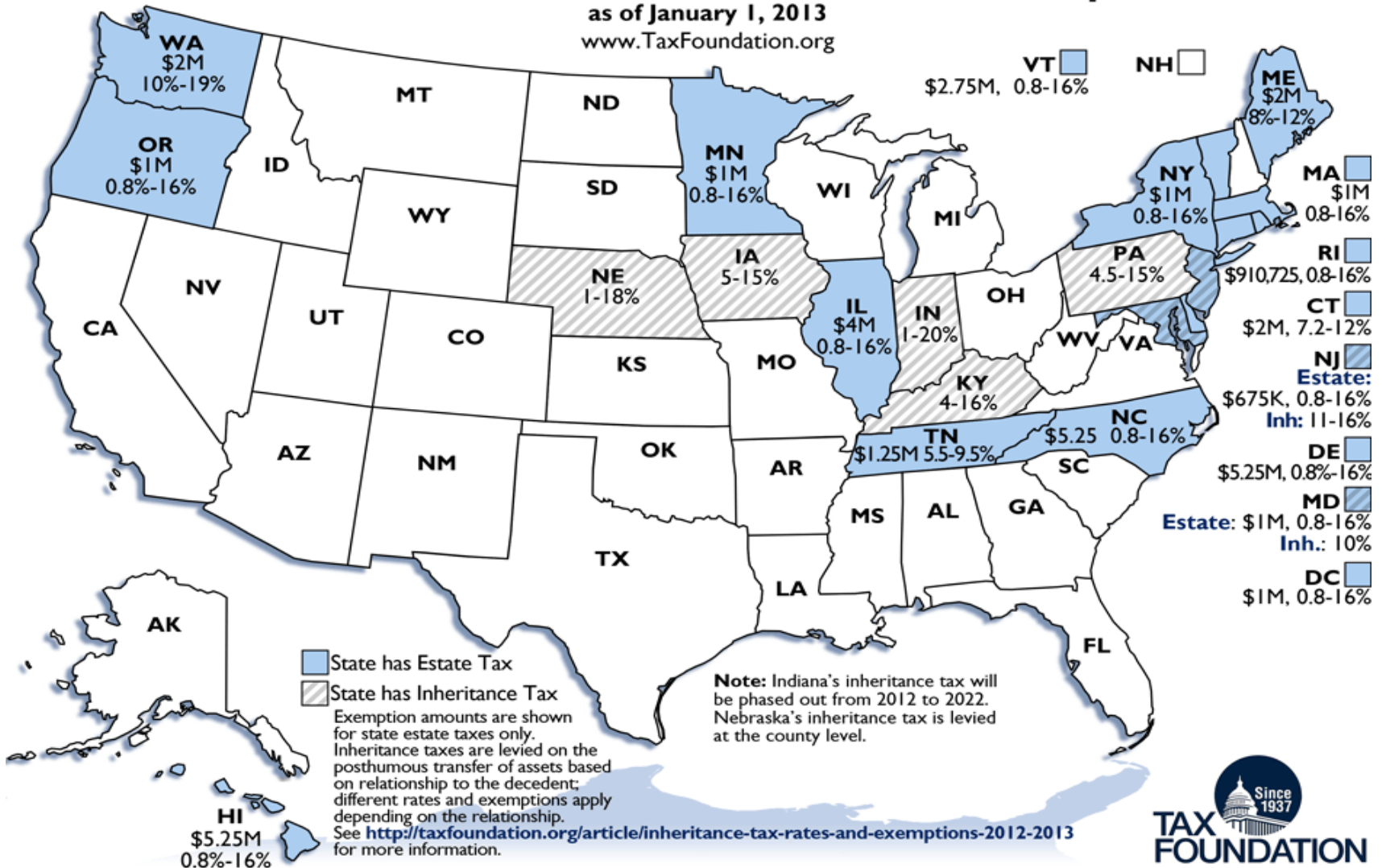
Source: CBPP analysis of Tax Policy Center and IRS data

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Death of the State Estate Tax

Inheritance and Estate Tax Rates and Exemptions

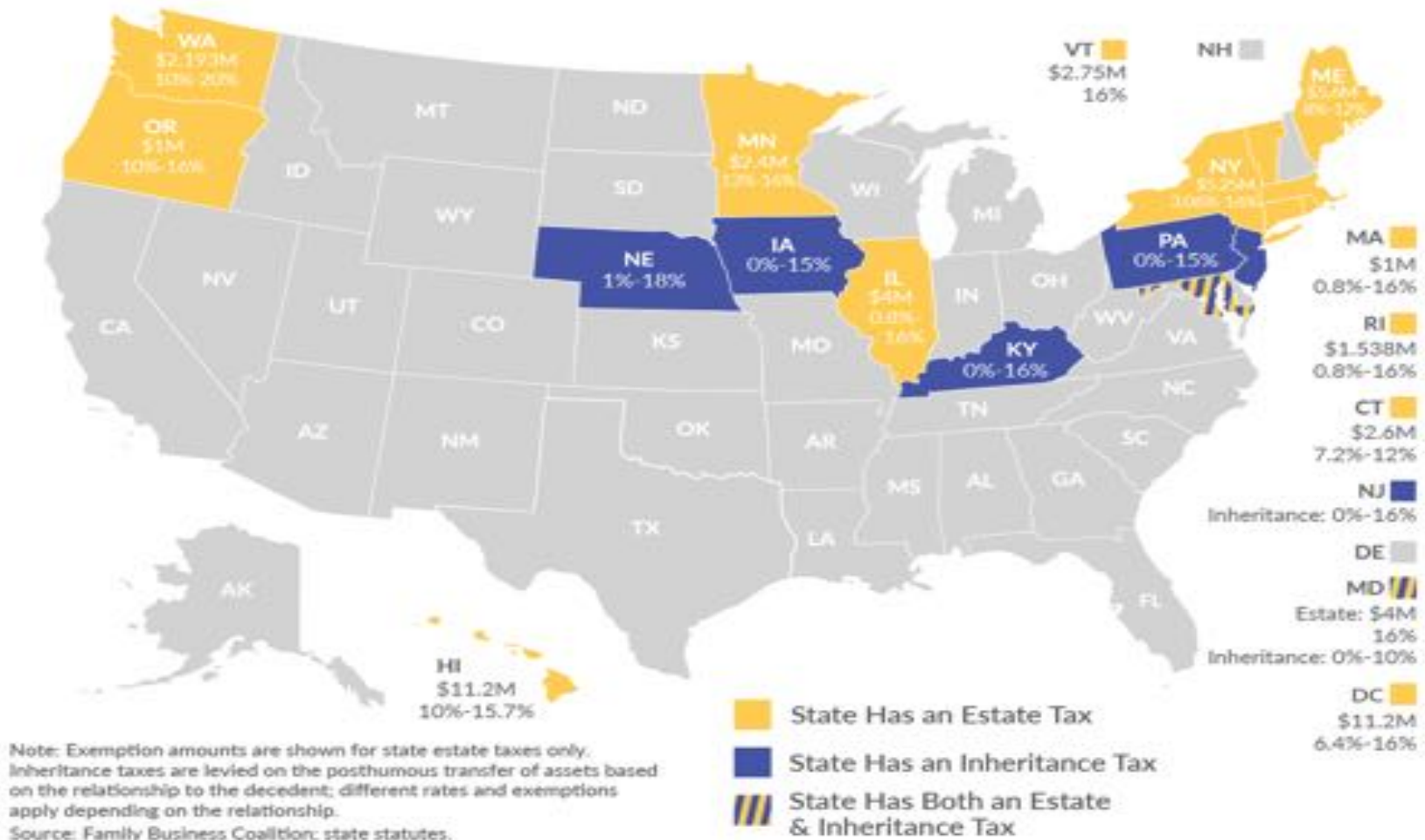
as of January 1, 2013
www.TaxFoundation.org



Death of the State Estate Tax

Does Your State Have An Estate or Inheritance Tax?

State Estate & Inheritance Tax Rates & Exemptions in 2018



What Do You Think?

- **Opponents** to estate taxes consider it unfair to tax assets that may have already been taxed.
- **Proponents** note that there are often overlapping taxes (e.g., sales tax + income taxes), and estate taxes can help address untaxed appreciation in value.



2020 Democratic Candidates

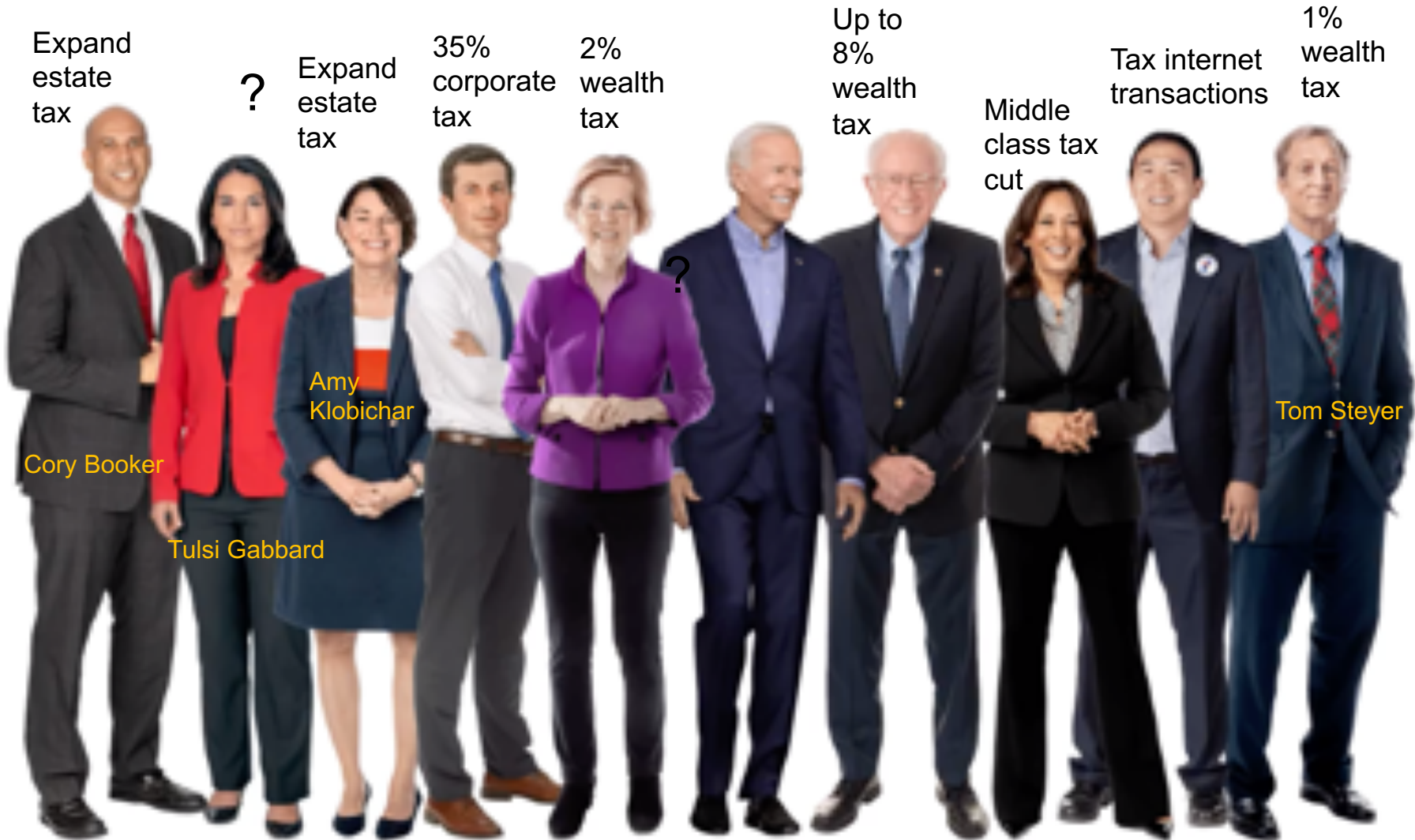
Do these candidates differ from President Trump on their plans for socioeconomic redistribution?

Do they differ from one another?



2020 Democratic Candidates

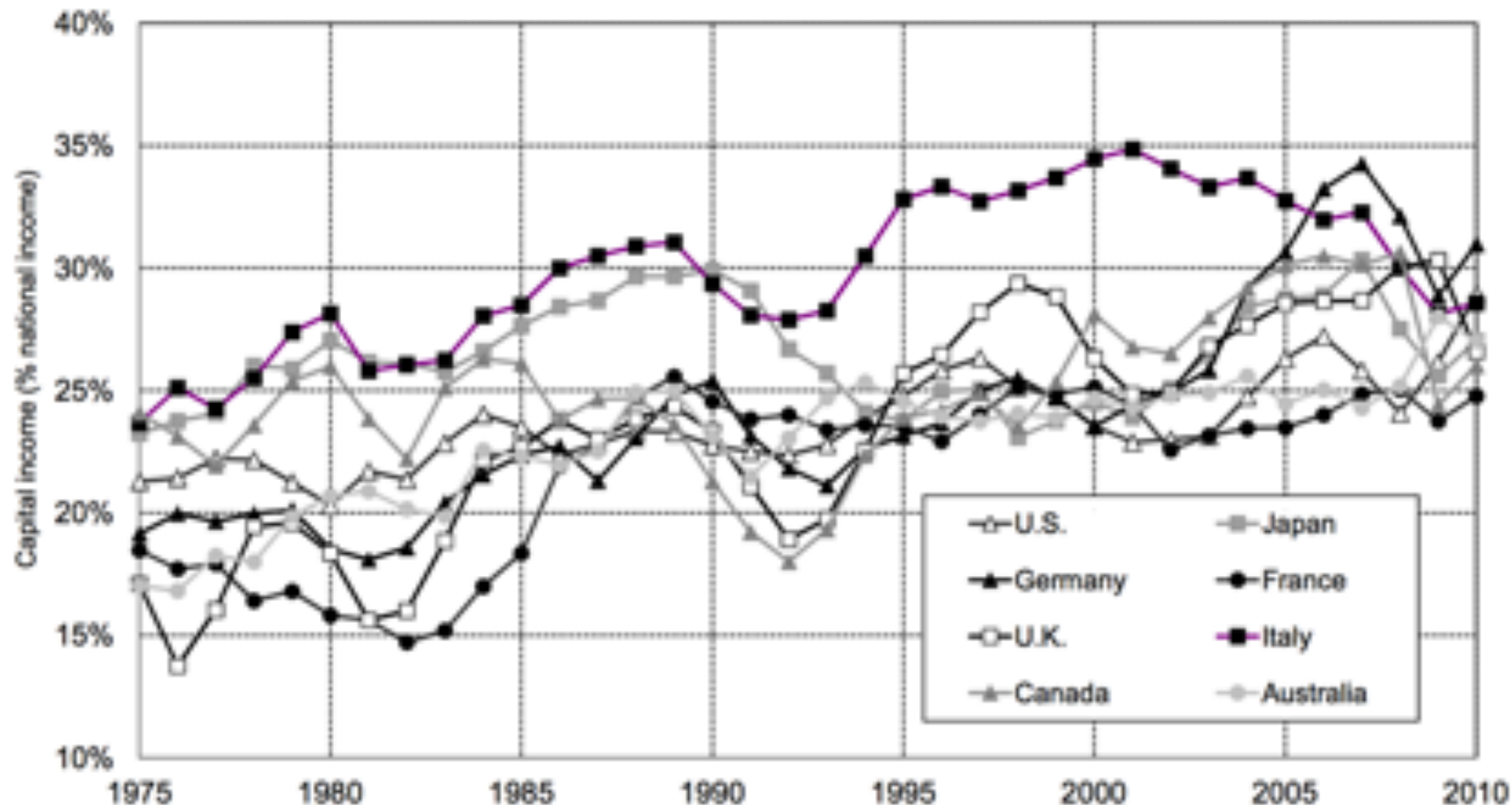
While there is some variation, several candidates are targeting capital gains as a source of additional federal revenue.



Final Thoughts

National Shares of Capital

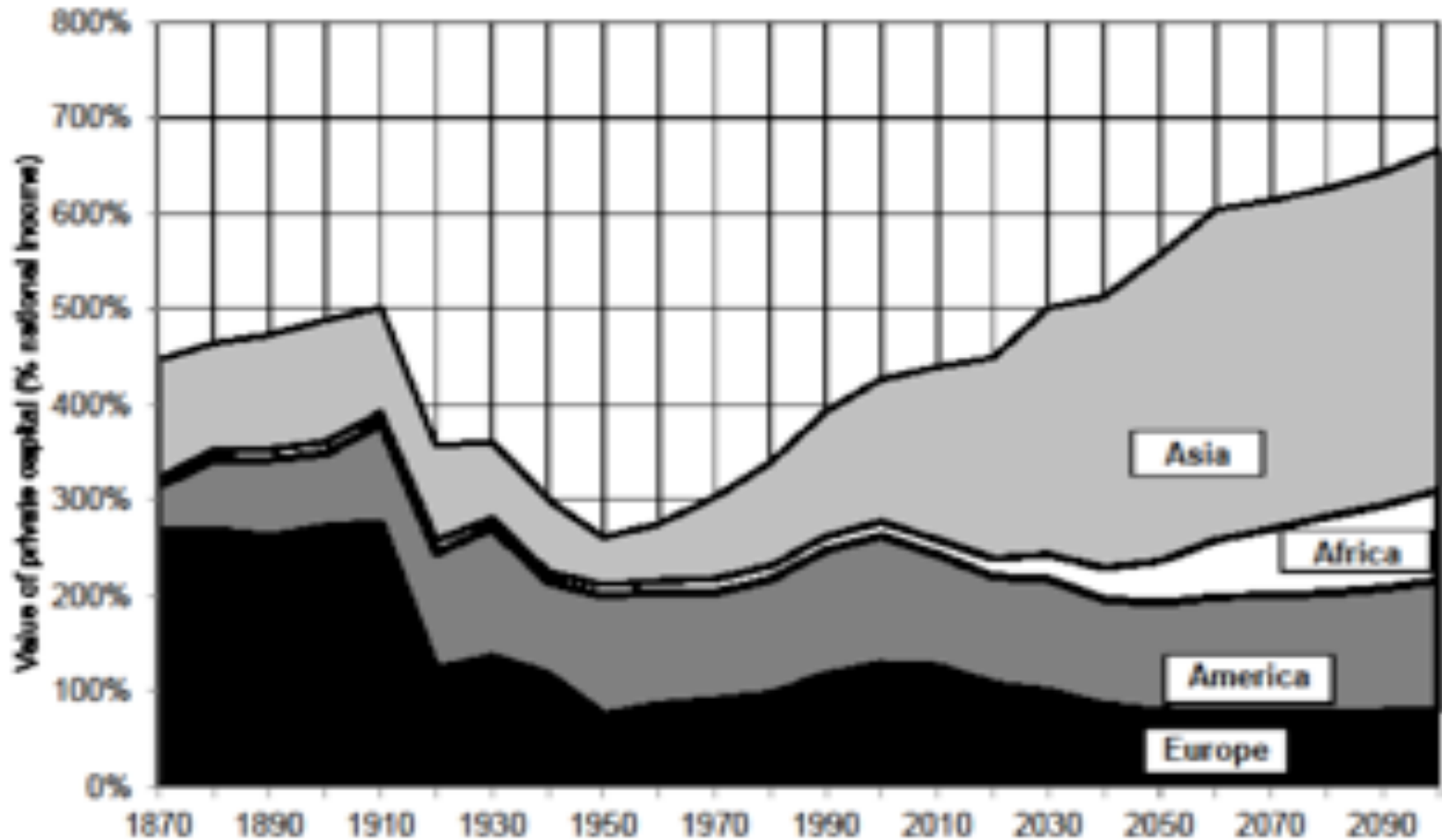
Figure 6.5. The capital share in rich countries, 1975-2010



Capital income absorbs between 15% and 25% of national income in rich countries in 1970, and between 25% and 30% in 2000-2010. Sources and series: see piketty.pse.ens.fr/capital21c

The Future of Capital: Asia

Figure 12.5. The distribution of world capital 1870-2100



According to the central scenario, Asian countries should own about half of world capital by the end of the 21st century. Sources and series: see piketty.pse.ens.fr/capital21c.

Concluding Thoughts

- **Office Hours**

- M 2-4, T 4-5, Th 10-12

- **Concluding Quote:**

- “A man can’t ride your back unless it is bent.”

—Martin Luther King, Jr., *1960*

