ECON4902 Theory and Reality
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Great Thinker of Public Finance

Emmanuel Saez

2009
John Bates
Clark Medalist

Research Field

Field

Public Economics

Research Interests

- Dynamics of income inequality
- Retirement plan decisions
- Capital income taxation

1999
PhD in Economics,
Massachusetts Institute of Technology (MIT)

1999 - 2002
Assistant Professor of Economics,
Harvard University

2002 - Present
Professor of Economics,
University of California, Berkeley

Director,
Center for Equitable Growth

Saez's Research on Inequailty

Methodology

Saez was insipired by Simon Kuzents!

Simon Kuznets' research conclusion:
Income shares of high income group is in inverted-U shape as a country develops

Drawbacks of Kuznets' research:

- The absence of the smaller division of high income group
- Incomprehensive information to fully indentify labour income and capital income

Saez and his team first collected tax returns data and large micro-files of tax returns published by Internal Revenue Service (IRS)

1. Top shares of total income
2. Top shares of salaries
3. Top estates

Divided the top decile into 6 different groups
90%-100%, 95%-100, 99%-100%, 99.5%-100%
99.9%-100% and 99.99%-100%

What is inequality?

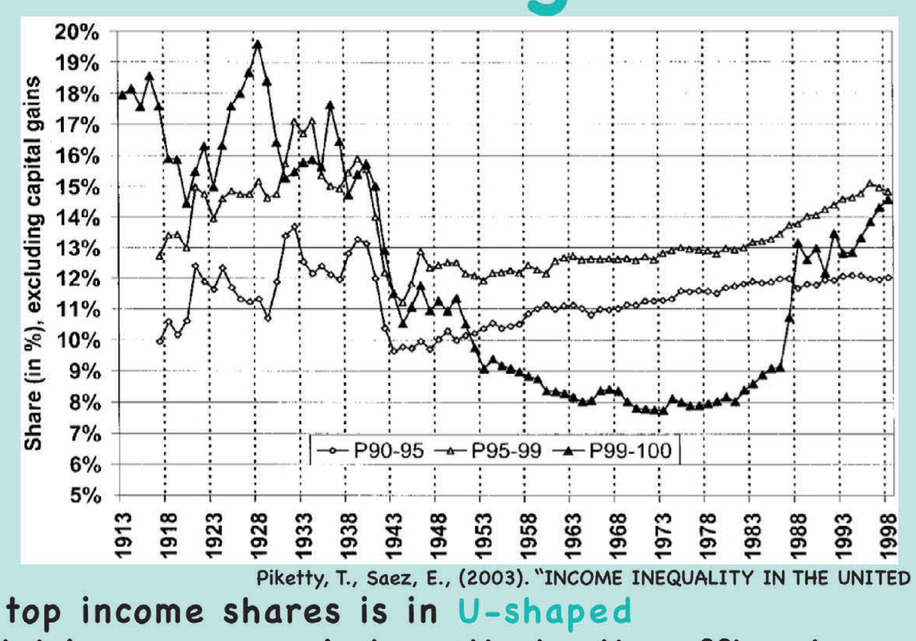
Definition

Economic inequality is the unequal distribution of income and opportunity between different groups in society

Difficulties of measuring inequality

1. Different countries use diverse methods to measure inequality
It will understate the level of inequality in countries where consumption data are used because of varied consumption pattern
2. Esimtation of the incomes or consumption at the top
Gini index misses important changes in the top tail, because it is derived from a household survey which is not a measure that focuses on the top tail
The coefficient can be the same for countries with different income distributions but equal levels of income

Findings



Piketty, T., Saez, E., (2003). "INCOME INEQUALITY IN THE UNITED STATES"

- The top income shares is in U-shaped
- Capital income, occupied mostly by the affluent, plummeted during The Great Depression and World War II throughout 1920s and 1930s
- Income distribution became more even and stable between 1950s and 1970s until the U.S government slackened the progressive tax policy in 1980s

Policy Recommendation

1. Progressive Tax
2. Establishment of a Global Financial Register Record
3. More access to education and well-paying jobs
4. Governments' investment in the future to address inequality levels

WID.WORLD

The World Inequality Database

- Saez is one of the Executive Committees of WID.WORLD
- An online database provides historical world distribution of income and wealth data
- A file library in the website that users can access to research papers, book chapters, and raw datasets
- The database publishes the World Inequality Report every two years incorporating new findings, analysis and implications for the inequality debate globally)

For more Information

Audio Narration

Website