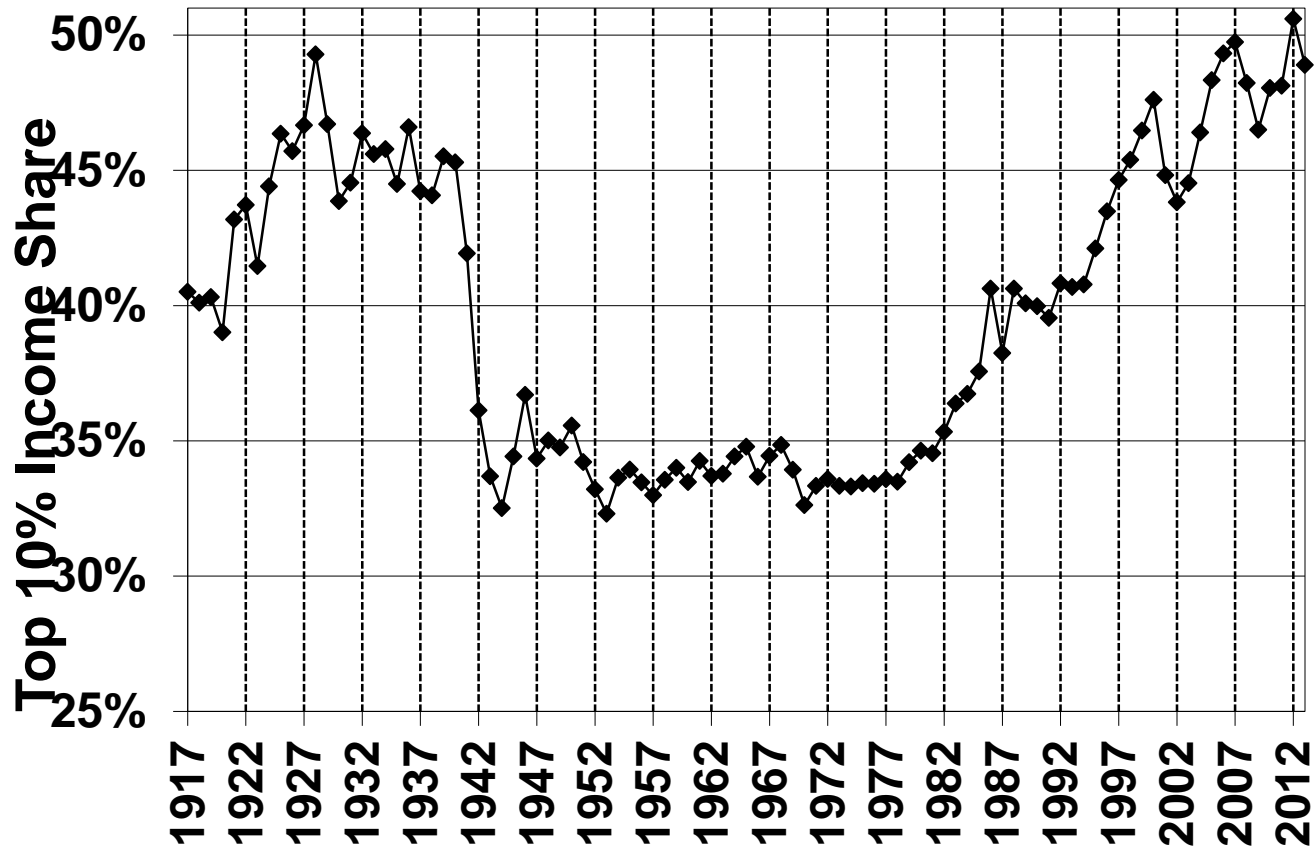


Inequality and crisis

Paul Krugman

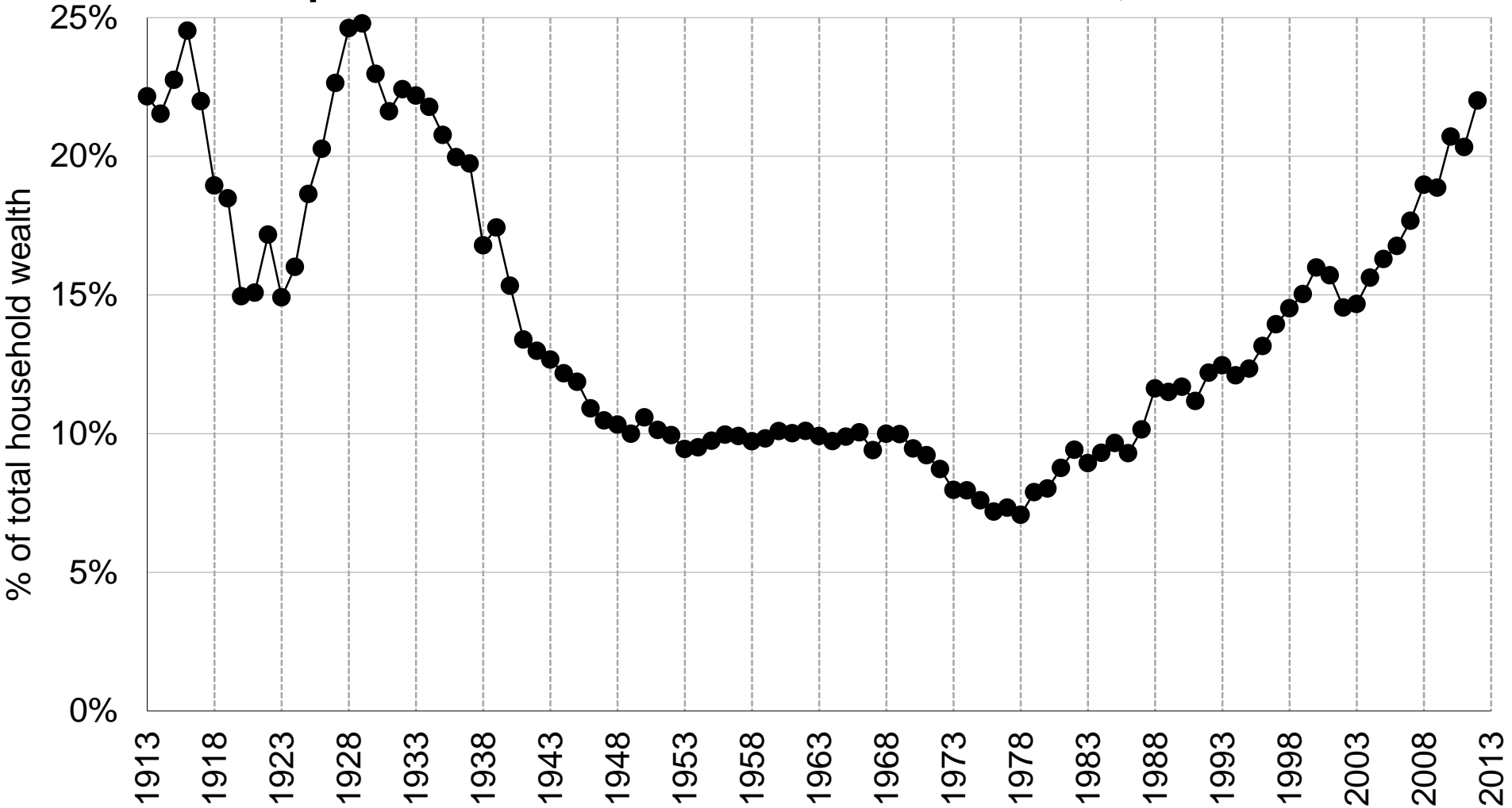
Historical correlation between inequality and crisis

Top 10% Pre-tax Income Share in the US, 1917-2013



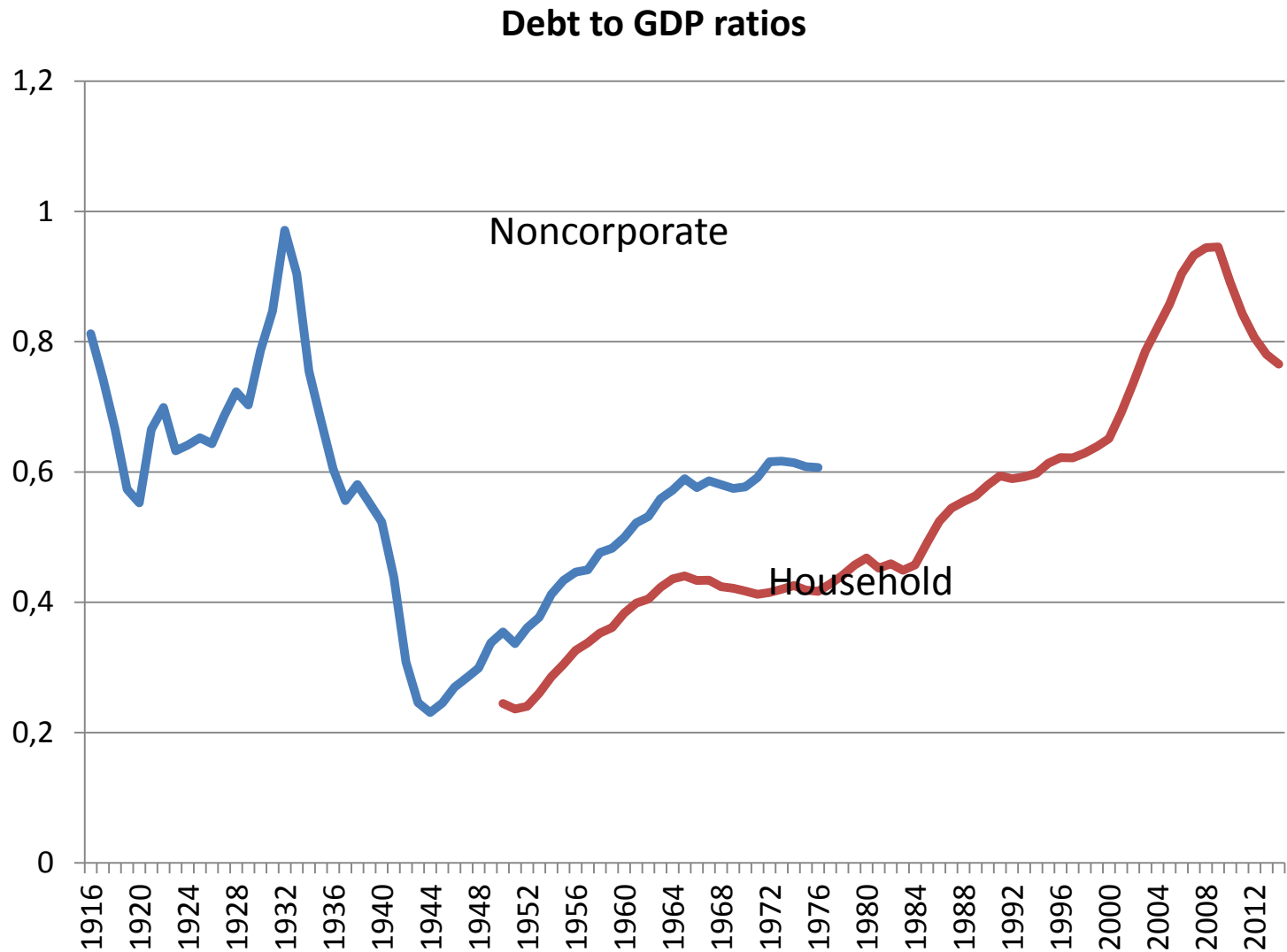
Source: Piketty and Saez, 2003 updated to 2013. Series based on pre-tax cash market income including realized capital gains and excluding government transfers.

Top 0.1% wealth share in the United States, 1913-2012

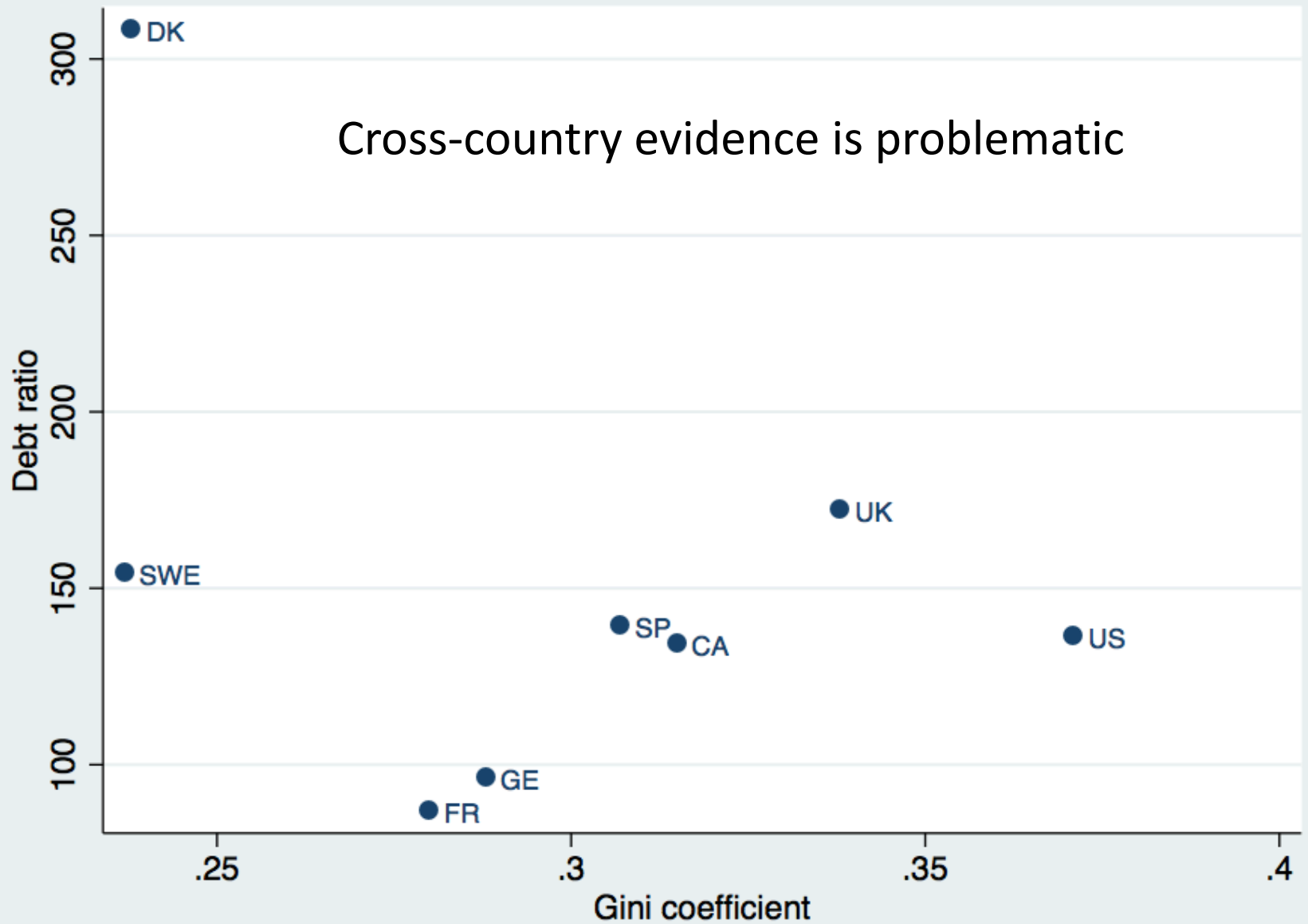


This figure depicts the share of total household wealth held by the 0.1% richest families, as estimated by capitalizing income tax returns. In 2012, the top 0.1% includes about 160,000 families with net wealth above \$20.6 million. Source: Appendix Table B1.

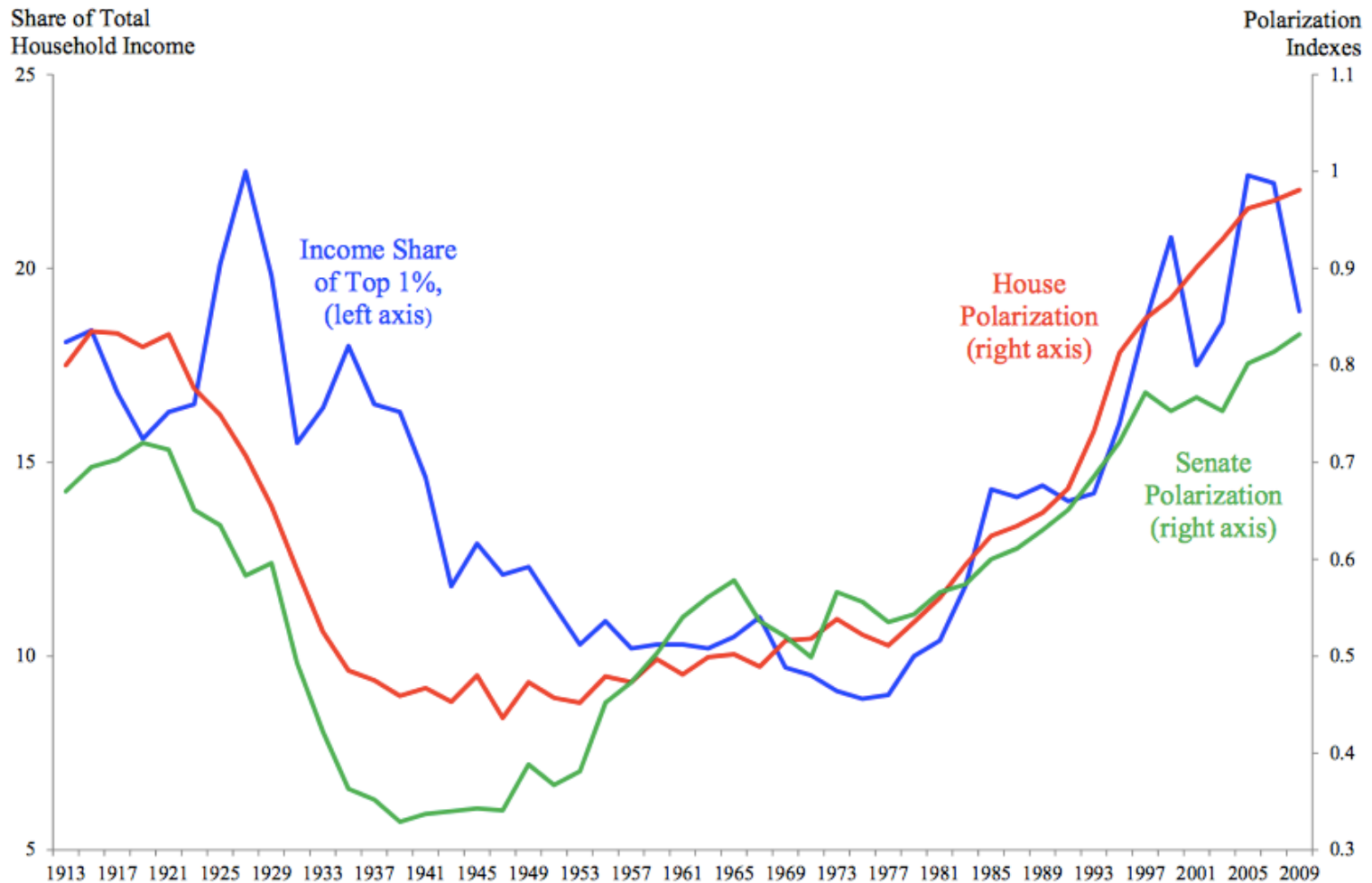
Does inequality foster excessive debt?



Cross-country evidence is problematic



Maybe a political economy channel?



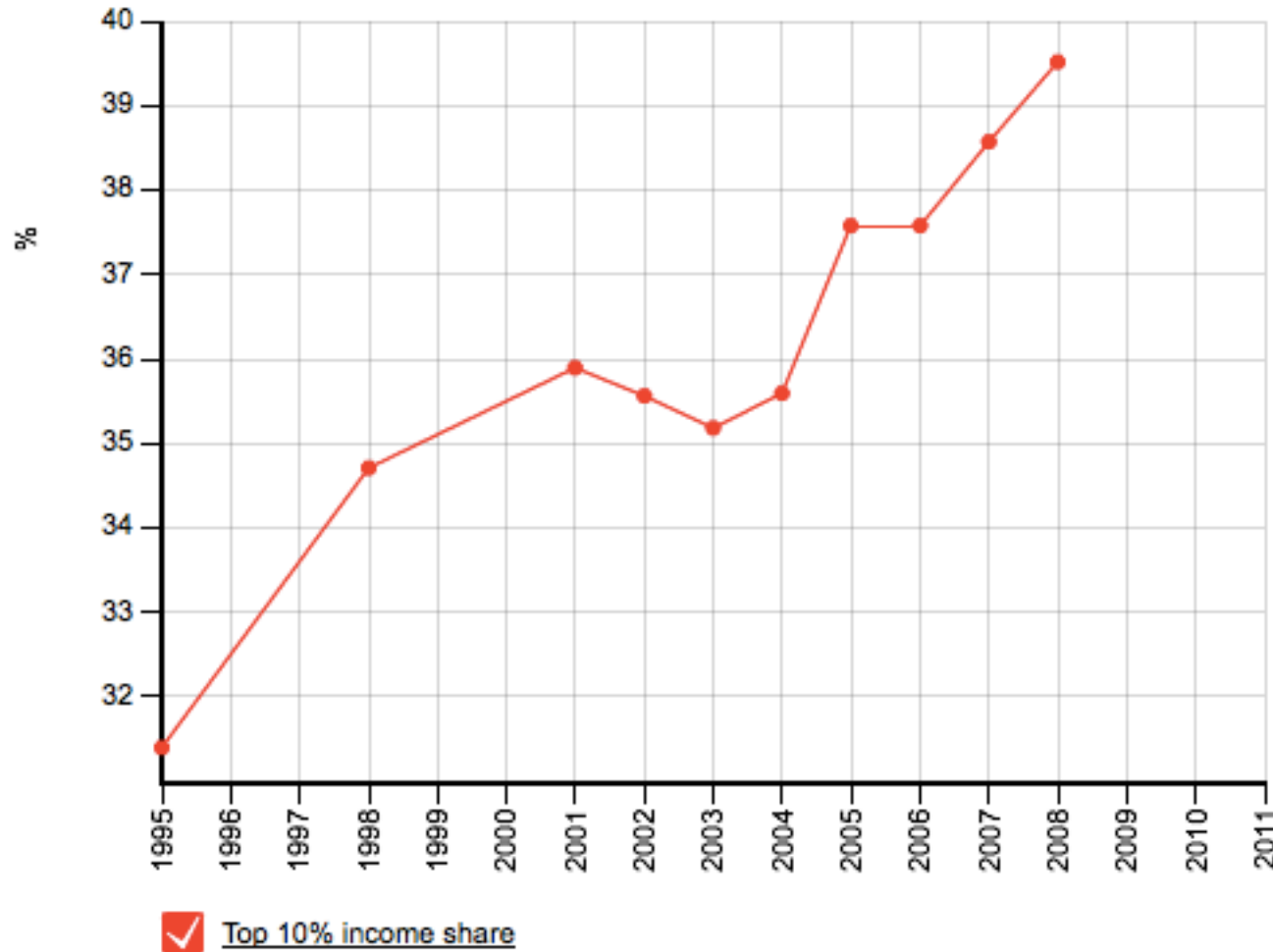
Sources: Updates of Poole and Rosenthal's (1997, 2007) DWNominate Scores and inequality data of Piketty and Saez (2006), and authors' calculations converting the latter into corresponding biennial values from "Making Sense of the Time Series Links Between Political Polarization and Income Inequality," by John V. Duca and Jason Saving, Dallas Fed Working Paper No. 1206, December 2012.

Figure 1: Political Polarization and the Income Share of the Top 1%

Europe isn't immune from income concentration

Top income shares. Germany. 1995-2010

Sources: The World Top Incomes Database. <http://topincomes.g-mond.parisschoolofeconomics.eu/>
Dell (2007); Bartels & Jenderny (2015)



The country level is probably the wrong metric



Y-axis displays the growth rate of the fractile average income (in 2005 PPP USD). Weighted by population.
Growth incidence evaluated at ventile groups (e.g. bottom 5%); top ventile is split into top 1% and 4% between P95 and P99.
The horizontal line shows the growth rate in the mean of 24.34% (1.1% p.a.).