

Sir Tony Atkinson Gives 14th Global Economy Lecture at the OeNB

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“The Global Distribution of Income: Past Trends and Future Prospects” was the title of the lecture Sir Tony Atkinson, Professor of Economics and Fellow of Nuffield College, Oxford, gave at the Oesterreichische Nationalbank (OeNB) on May 7, 2009. Doris Ritzberger-Grünwald, Head of the OeNB’s Foreign Research Division, and Michael Landesmann, Director of the Vienna Institute for International Economic Studies (wiiw), provided the opening remarks to this 14th installment of the OeNB’s and the wiiw’s joint Global Economy Lecture series.

Atkinson analyzed the distribution of income between countries and within countries. To analyze the distribution between countries, Atkinson compared GDP per capita across countries and described the evolution of the share in the 12 richest countries in total world income; to analyze the distribution within countries, he used Lorenz curves and Gini coefficients as well as the share in total income earned by a country’s top earners.

The above measures yield a clear picture of the international distribution of income. Following the Industrial Revolution, international incomes diverged until the middle of the 20th century, with inequality declining in the second half of the past century. This was largely due to large countries becoming middle-income countries. However, the richest countries kept attaining a larger share of global income, and the poorest countries were left further behind during this period.

Within-country inequality substantially declined in industrialized countries until the last quarter of the 20th century. During the past 30 years, we have seen an increase in both overall inequality (as measured by the Gini coefficient) and the shares of top-income earners in Anglo-Saxon countries. The Nordic countries and Germany have experienced a somewhat later rise in income inequality. Hence, there is some evidence of a U-shaped evolution of inequality. This is explained with top capital and wage incomes first declining, and in particular top wage incomes increasing again in recent years.

Finally, Atkinson discussed the likely impact of the current crisis on income distribution. Evidence from past banking crisis-induced recessions shows an increase in income inequality. Atkinson argued that a similar effect must be expected as a result of the current crisis.

The ensuing discussion focused on the role of policy – in particular tax reforms – in the evolution of the observed trends. In light of the current financial crisis, it was pointed out, one needs to look carefully at both wealth and income. The question of who lost how much is difficult to answer as most available wealth statistics do not mark to market.