

Improving the Distribution of Wealth: Lecture in Memory of Anthony Atkinson

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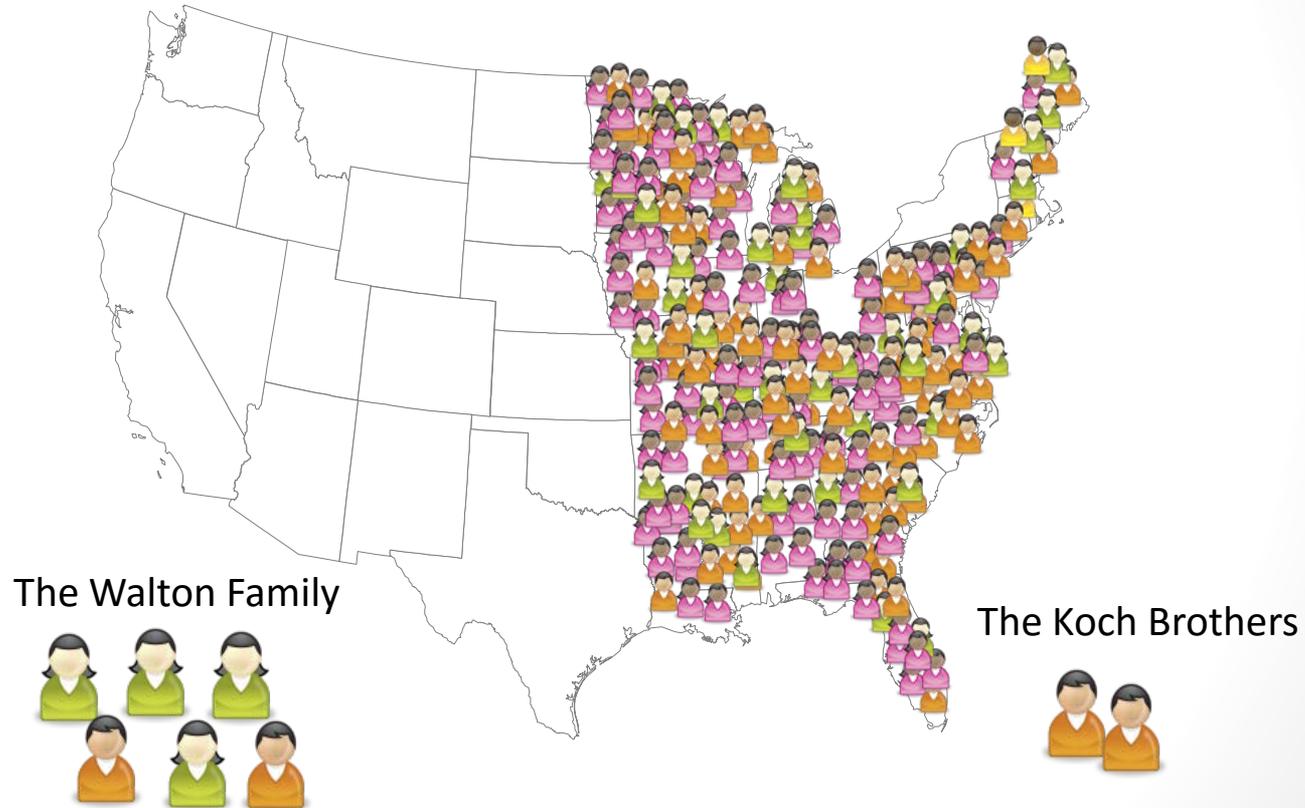
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Inequality in wealth holdings—even greater than Tony emphasized

- Oxfam reports on wealth concentration at the top: how many of the richest people have as much wealth as bottom 50% (3.6 billion people!)
 - In 2010: 388
 - In 2017: just 42
- The richest 1% continue to own more wealth than the whole rest of humanity.
- Increasing share of wealth held at the very top
- Wealth perhaps more important than income—which can fluctuate from year to year, more related to power

The Walton Family and The Koch Brothers have a net worth of \$212 billion in 2016

That's the net worth of 115 million Americans or 35% of the country.



Tony provides excellent analysis of some of sources of wealth inequality

- Disparity in returns to capital
- Disparity in interest rates paid
- Dysfunctional and exploitive capital markets
 - Phishing for phools
 - Pay day loans

Public policy may worsen matters

- Through our education system, which gives the more talented huge “capital” – human capital
 - We don’t “recover” due to a less than ideally progressive tax system
 - The rich even get better elementary and secondary education
- In US and many other countries:
 - Savings of middle and upper classes is encouraged
 - We have a regressive income tax system
 - We have an inadequate inheritance tax

Worse in US

- Exploitive private, for profit, educational institutions—supported by government loans, without regulation
- Bankruptcy law that makes it impossible to discharge debts—creating partial indenture servants
- Absence of national health insurance
- Wealth management industry without fiduciary obligations
- A tax system that is particularly regressive, an ineffective inheritance system
- An absence of an adequate system of social protection

Tony's proposal: universal capital endowment

- Mixed evidence on effects
 - RCT on giving assets to poor in developing countries—changing behavior, aspirations
 - Grameen Bank champions that as part of its longer run development strategy—raising not just incomes of those in the village
 - History of land reform—without accompanying societal changes, distribution of wealth little changed
 - One natural experiment—giving a tribe of native Americans a large compensation for land that had been taken away from them

A more conservative agenda

Begins with addressing sources of problem at the bottom and top

- Health care as a basic right
- Better systems of social protection—including unemployment insurance
 - Income contingent unemployment loans
- Better regulation of financial institutions, including usury laws, predatory lending, abusive credit card practices, pay day loans, interchange fees
- Better regulation of for profit education institutions
- Inheritance taxes
- Restoring progressivity, including taxation of capital
- Tax havens
- Fiduciary responsibilities on wealth managers
- Reform bankruptcy laws
- Sources of extreme incomes, leading to wealth—abuses in corporate governance, leading to excessive pay

Restoring balance in our assistance for the rich and poor

- National elementary and secondary education systems
- Income contingent loans for education
- Matching savings accounts for low income individuals—encouraging savings
- Better loan programs for young people starting up new businesses

Large role of government in correcting dysfunctional financial markets

Public option for retirement—adding to retirement account (social security)

- Expanding options in retirement accounts—equity elements
 - To reduce gaps in returns

Public option for mortgages—using economies of scope in government information and collection/enforcement

- Rules based system, based on income, age, and other objective, verifiable data

Current level of inequality in wealth has large economic and political consequences

- There is much that can be done to reduce that inequality
- Major achievement of Tony was not only to document the level of inequality but to show us how that could be done.