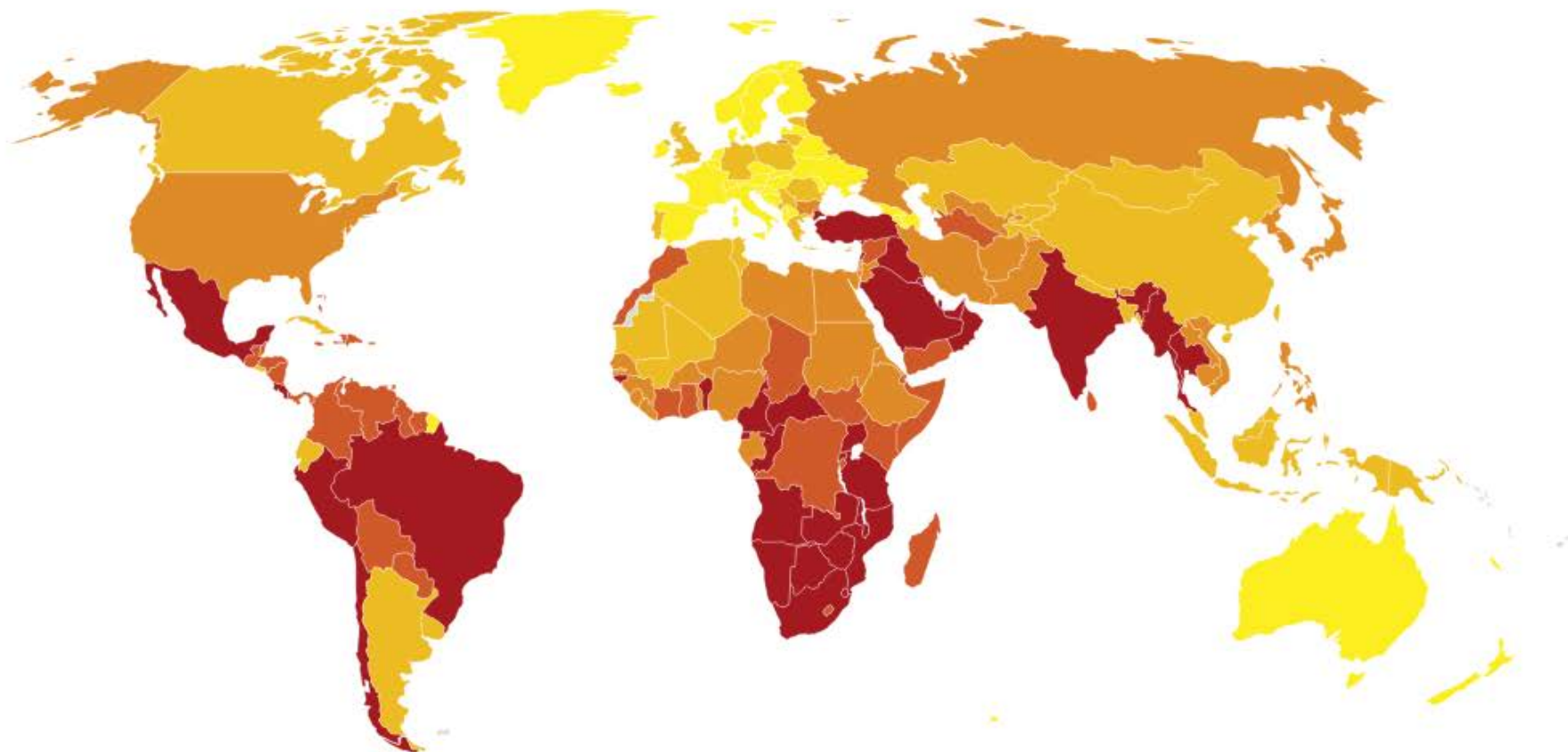


Inequality in Europe and the World

Thomas Piketty

IFO, September 20 2021

Top 10% national income share



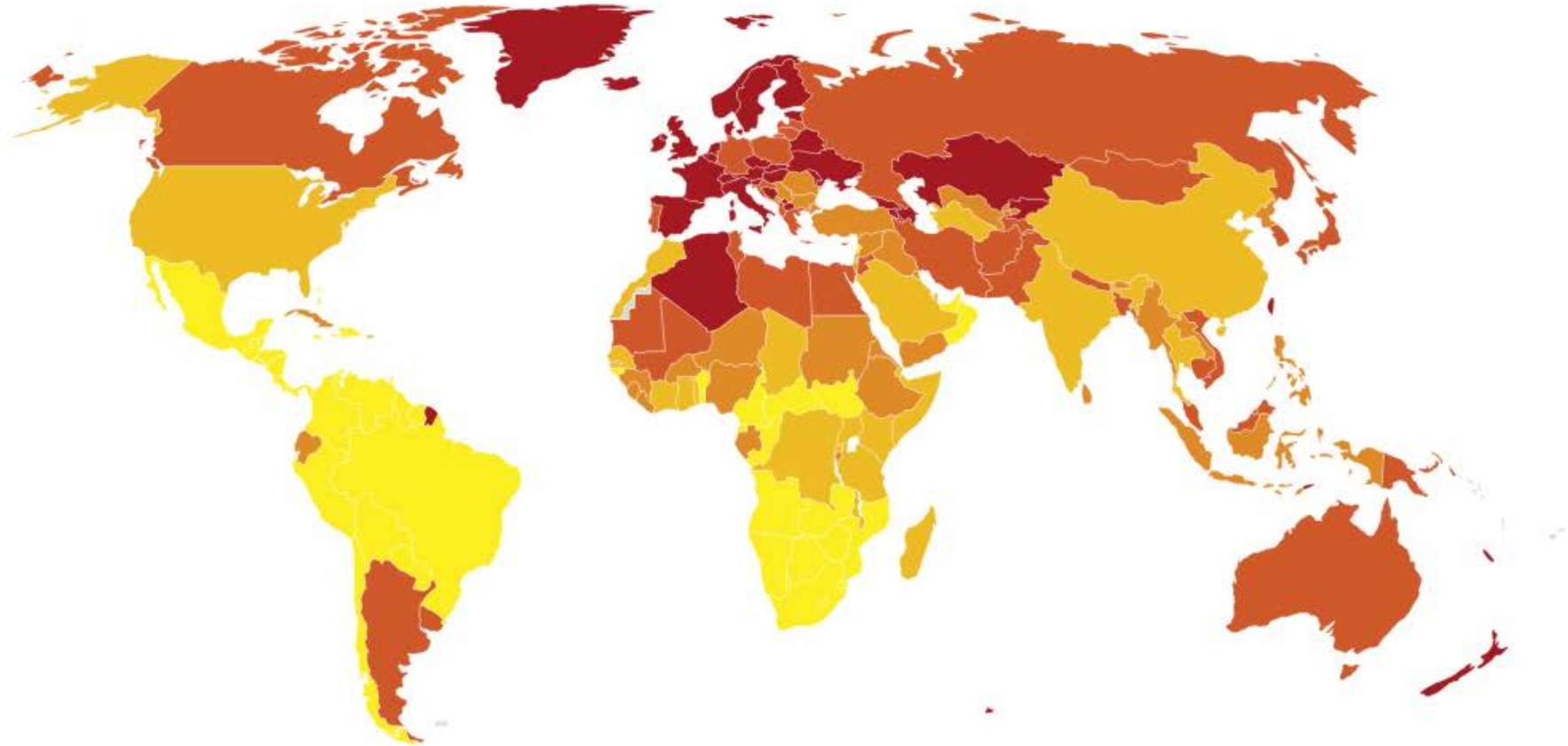
Share of total (%)



Graph provided by www.wid.world

Source: WID.world

Bottom 50% national income share



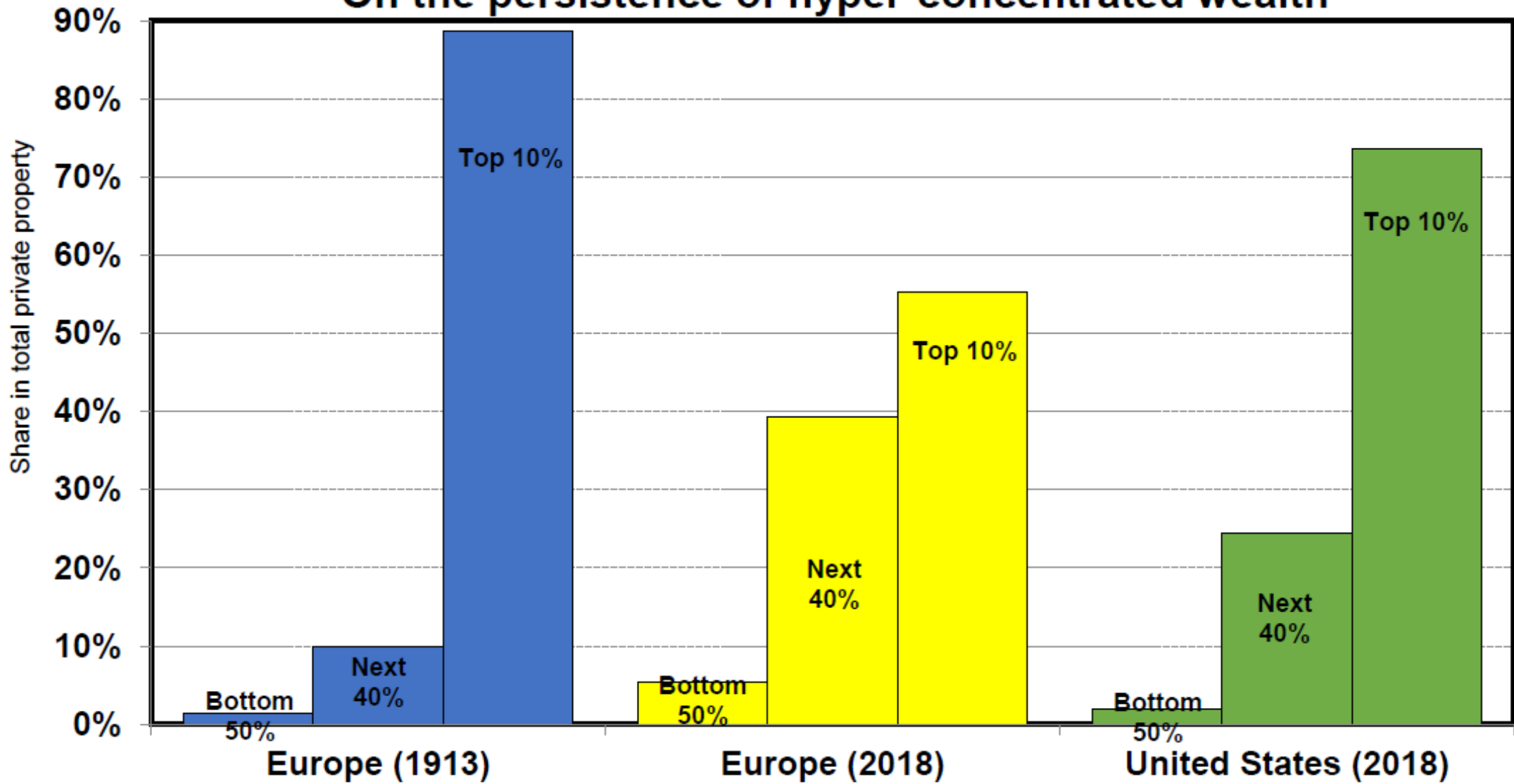
Share of total (%)



Graph provided by www.wid.world

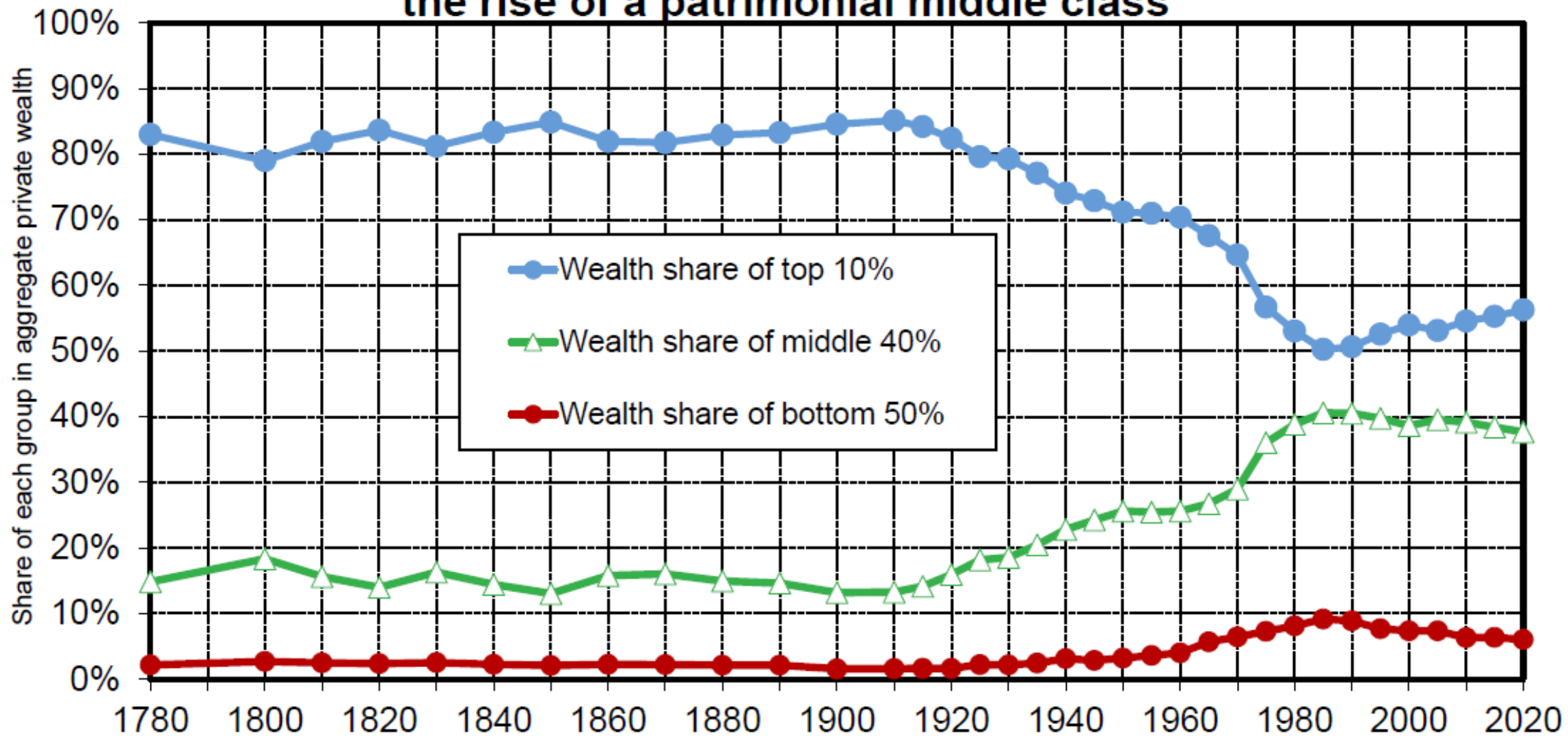
Source: WID.world

On the persistence of hyper-concentrated wealth



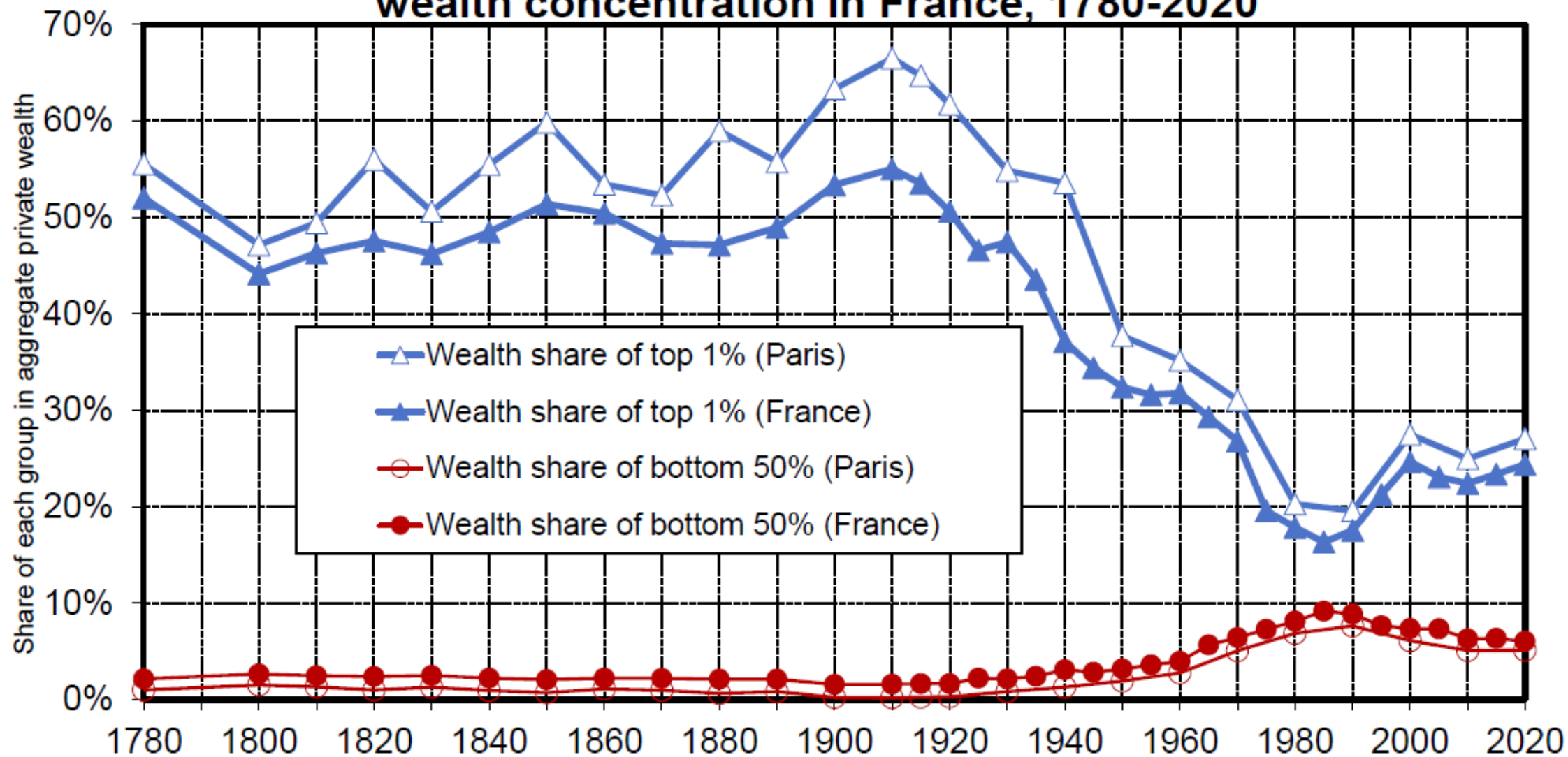
Reading. The share of the richest 10% in total private property was 89% in Europe (average of Britain, France and Sweden) in 1913 (compared with 1% for the bottom 50%), 55% in Europe in 2018 (compared to 5% for the bottom 50%) and 74% in the United States in 2018 (compared to 2% for the bottom 50%). **Sources and series:** see piketty.pse.ens.fr/ideology (figure 13.10).

Wealth distribution in France, 1780-2020: the rise of a patrimonial middle class



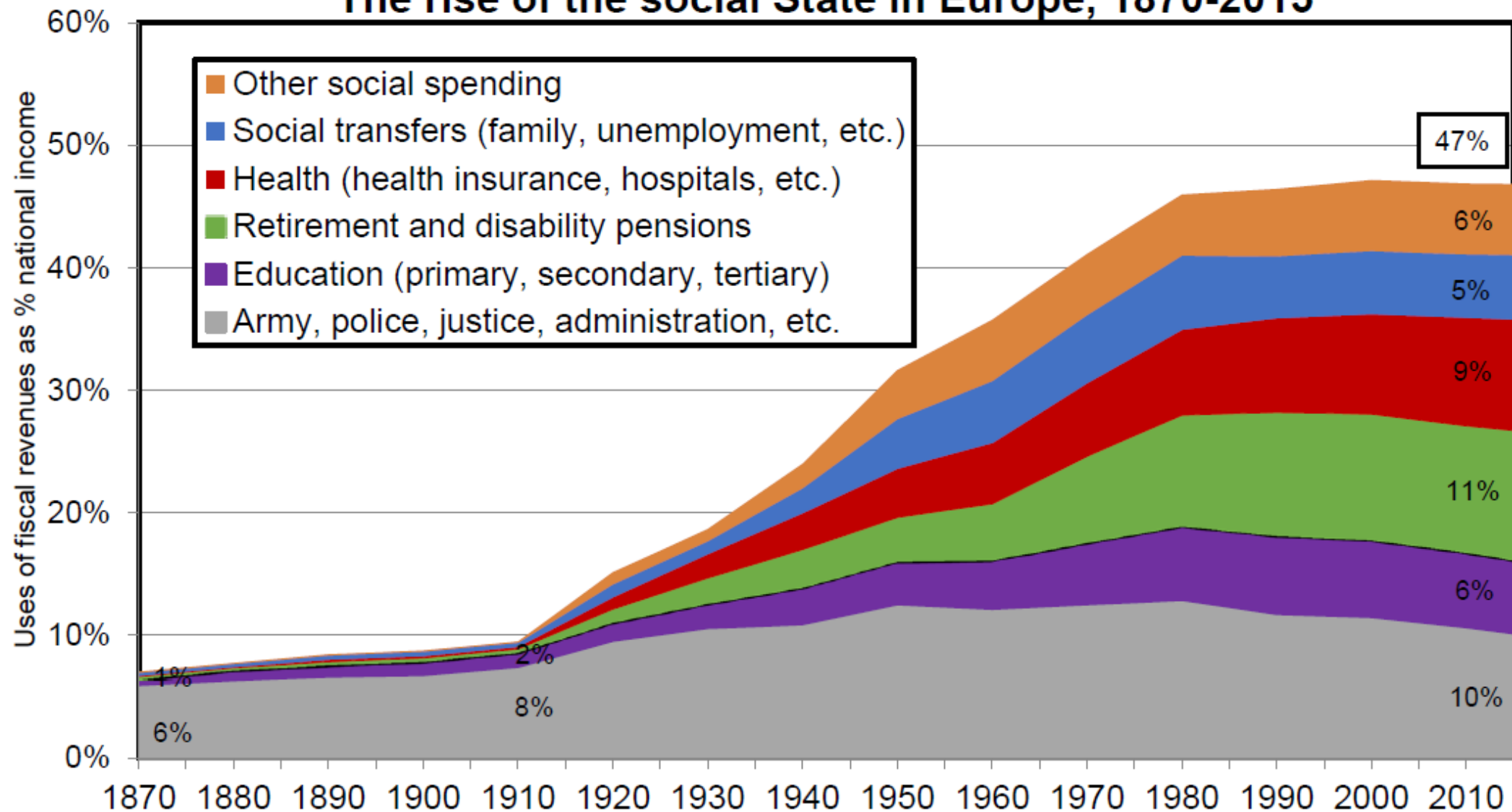
Interpretation. The share of top 10% wealth holders in aggregate private wealth (real estate, business and financial assets, net of debt) was around 80%-90% in France between 1780 and 1910. The decline in wealth concentration begins with World War I and stops in the 1980s. It benefited mostly to the "patrimonial middle class" (the middle 40%), which is defined here as the intermediate group between the top 10% and the bottom 50% of the wealth distribution. **Sources and series:** see piketty.pse.ens.fr/equality (figure 6)

The (limited) rise of equality: wealth concentration in France, 1780-2020



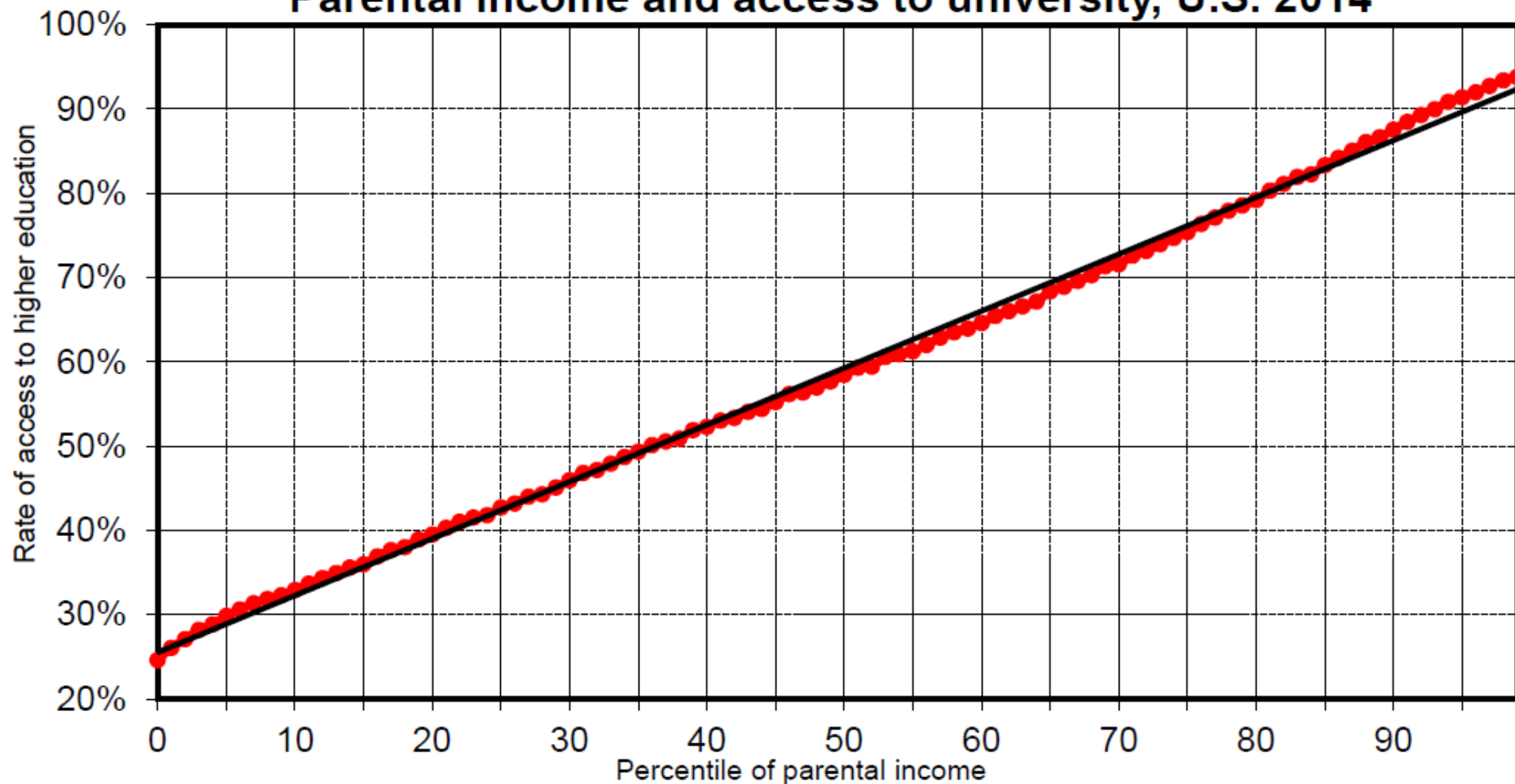
Interpretation. After a small decline during the Revolution, the concentration of wealth (real estate, business and financial assets, net of debt) rose in France in the 19th century and until World War I, before steeply declining following the wars and until the 1980s. Overall, the share of total wealth held by top 1% wealth holders dropped from 55% in 1910 to 25% in 2020, but this had little impact on the bottom 50% wealth share, which rose from 2% in 1910 to 6% in 2020. **Sources and series:** see piketty.pse.ens.fr/equality (figure 4)

The rise of the social State in Europe, 1870-2015



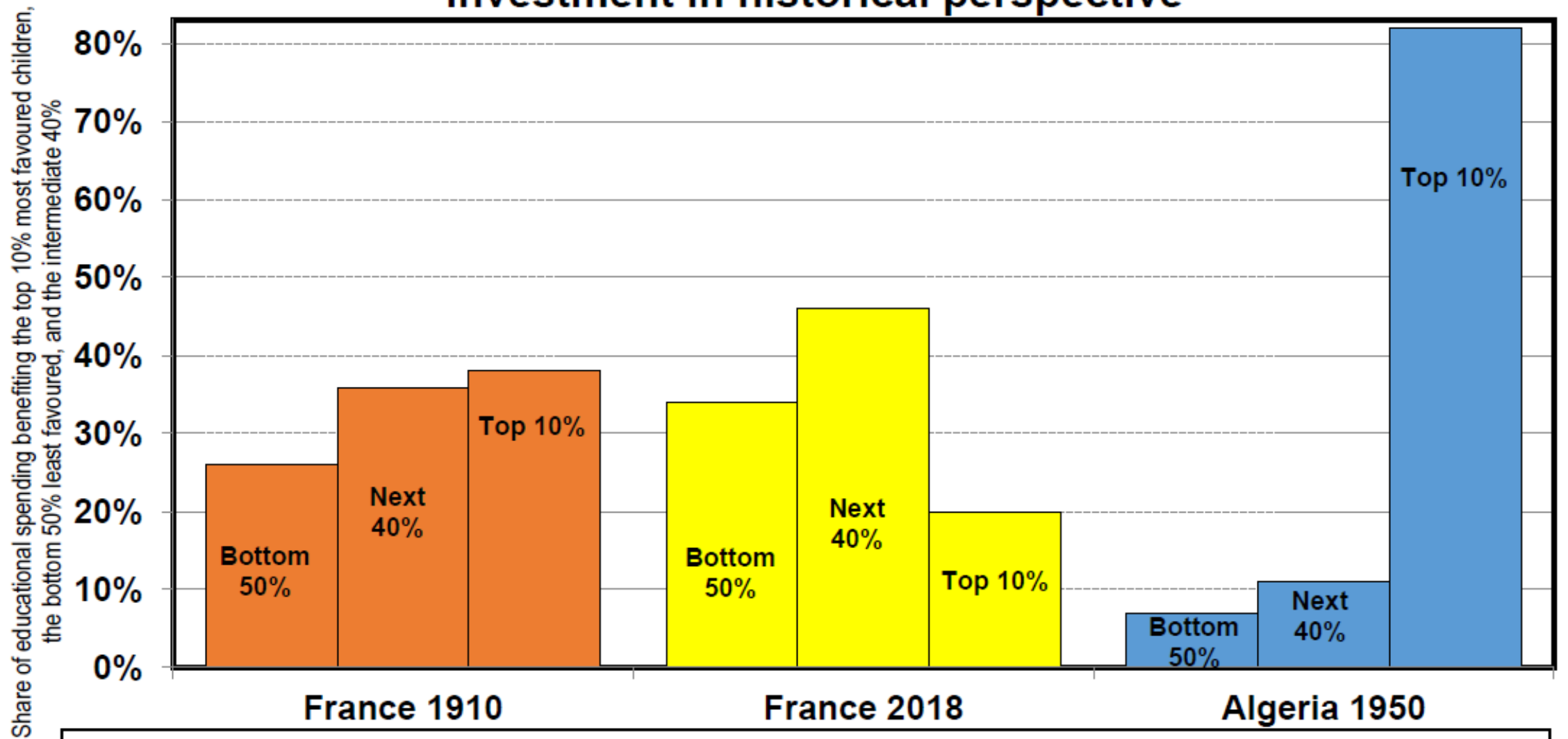
Interpretation. In 2015, fiscal revenues represented 47% of national income on average in Western Europe et were used as follows: 10% of national income for regalian expenditure (army, police, justice, general administration, basic infrastructure: roads, etc.); 6% for education; 11% for pensions; 9% for health; 5% for social transfers (other than pensions); 6% for other social spending (housing, etc.). Before 1914, regalian expenditure absorbed almost all fiscal revenues. **Note.** The evolution depicted here is the average of Germany, France, Britain and Sweden (see figure 10.14). **Sources and séries:** see piketty.pse.ens.fr/ideology (figure 10.15).

Parental income and access to university, U.S. 2014



Interpretation. In 2014, the rate of access to higher education (percentage of individuals aged 19-21 enrolled in a university, college or any other institution of higher education) was barely 30% among the bottom 10% poorest children in the United States, and over 90% among the top 10% richest children. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 0.8).

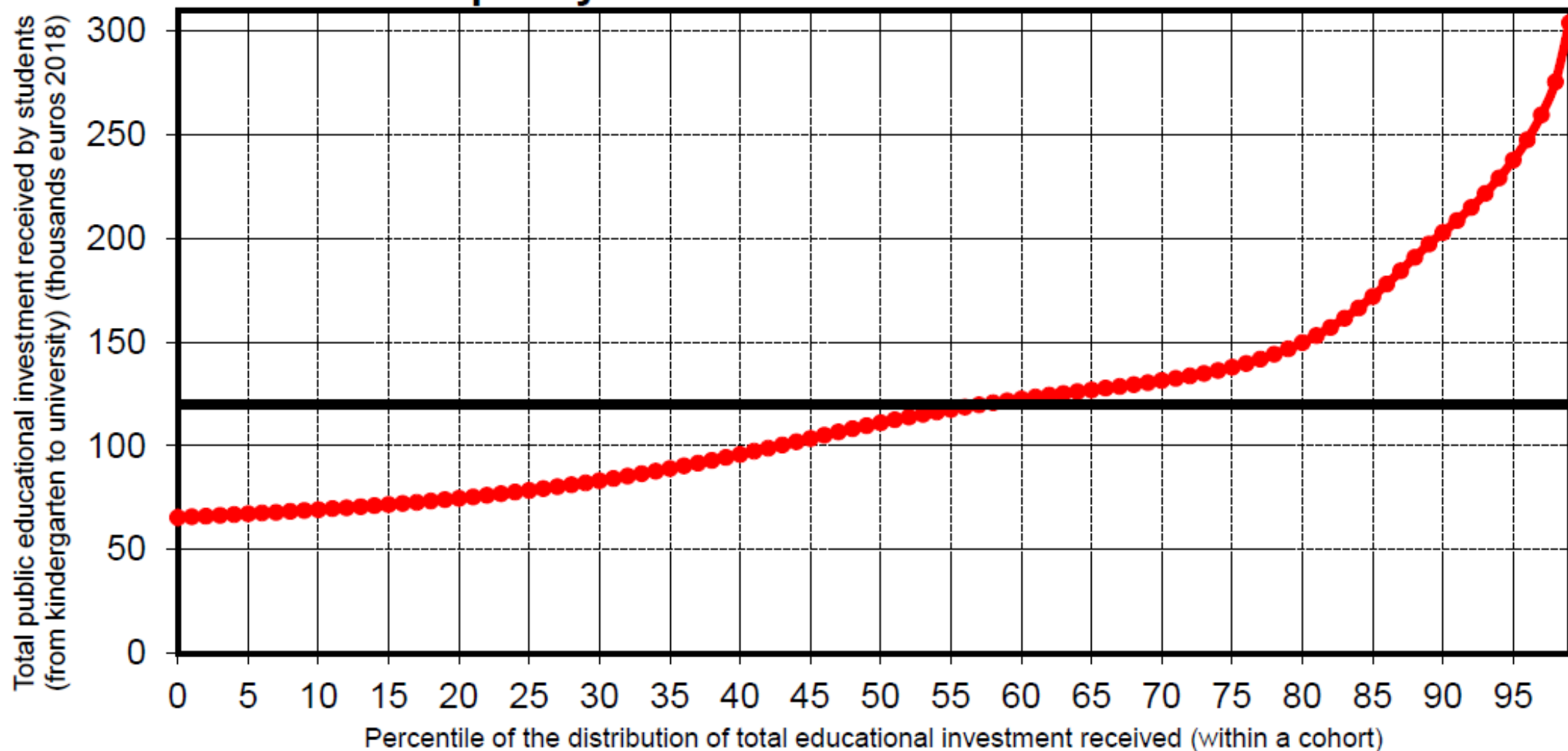
Colonies for the colonizers: inequality of educational investment in historical perspective



Interpretation. In Algeria in 1950, the 10% the most favoured (the settlers) benefited from 82% of total educational spending. By comparison, the share of total educational spending benefiting the top 10% of the population which benefited from the highest educational investment (i.e. those children which did the longest and most expensive studies) was 38% in France in 1930 and 20% in 2018.

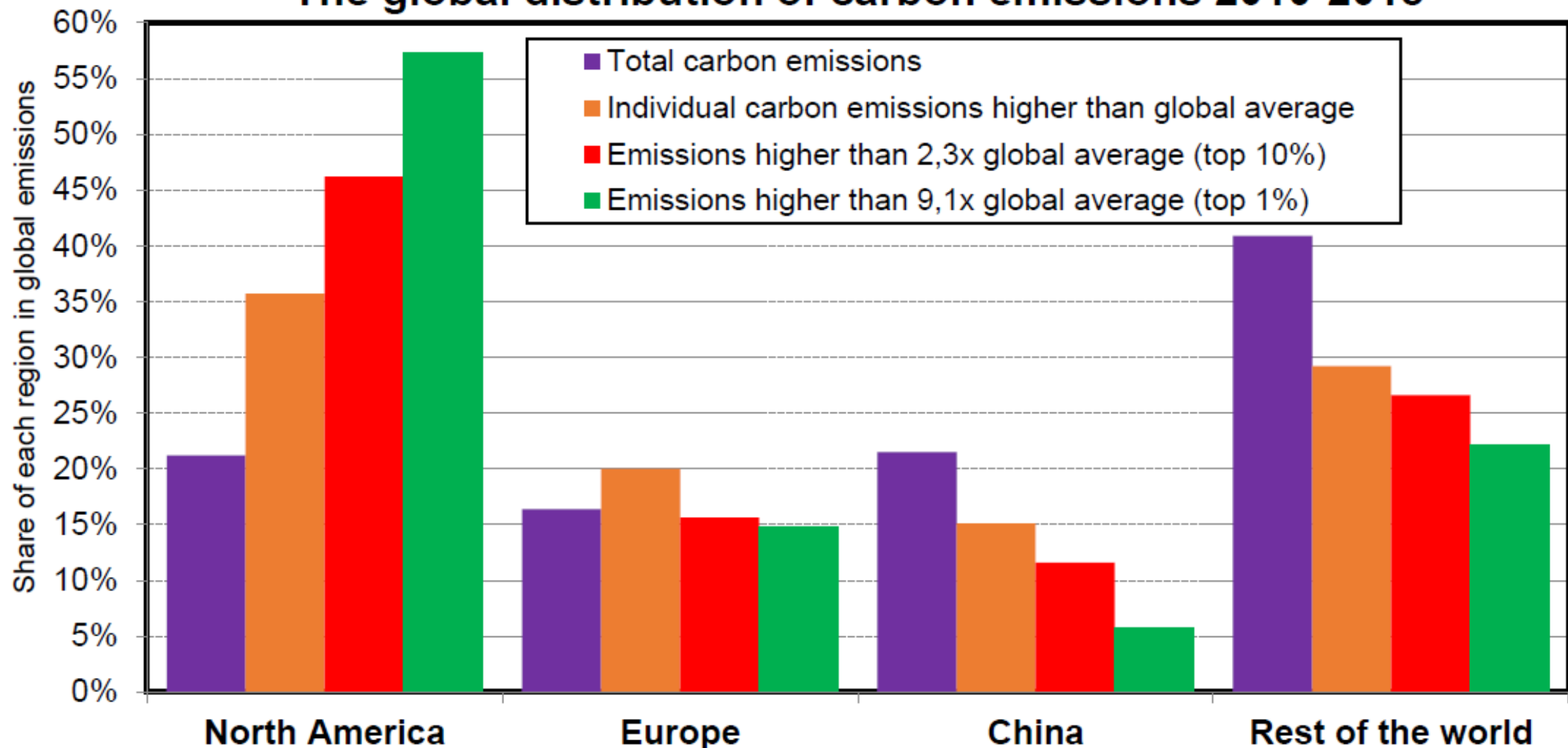
Sources and series: see piketty.pse.ens.fr/ideology (figure 7.8).

The inequality of educational investment: France 2018



Interpretation. Total public educational investment received during their studies (from kindergarten to university) by students of the cohort reaching 18 in 2018 will be about 120 k€ (i.e. about 15 years of studies for an average cost of 8000€ per year). Within this generation, the 10% of students receiving the smallest educational investment receive about 65-70 k€, while the 10% receiving the most receive between 200 k€ and 300 k€. **Note:** average costs per year of study in the French educational system in 2015-2018 rank from 5-6 k€ in kindergarten-primary to 8-10 k€ in secondary, 9-10 k€ in universities and 15-16 k€ in preparatory classes to *grandes écoles* (elite tracks). **Sources and series:** see piketty.pse.ens.fr/ideology (figure 17.1).

The global distribution of carbon emissions 2010-2018



Interpretation. The share of North America (U.S.-Canada) in total global emissions (direct and indirect) was 21% on average in 2010-2018; this share rises to 36% if one looks at emissions greater than global average (6,2t CO₂e per year), 46% for emissions above 2,3 times the global average (i.e. the top 10% of world emitters, accounting for 45% of total emissions, compared to 13% for the bottom 50% of world emitters), and 57% of those emitting over 9,1 times the global average (i.e. the top 1% of world emitters, accounting for 14% of total emissions).

Sources and series: see piketty.pse.ens.fr/ideology (figure 13.7).

Manifesto for the **DEMOCRATIZATION OF EUROPE**

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MANIFESTO

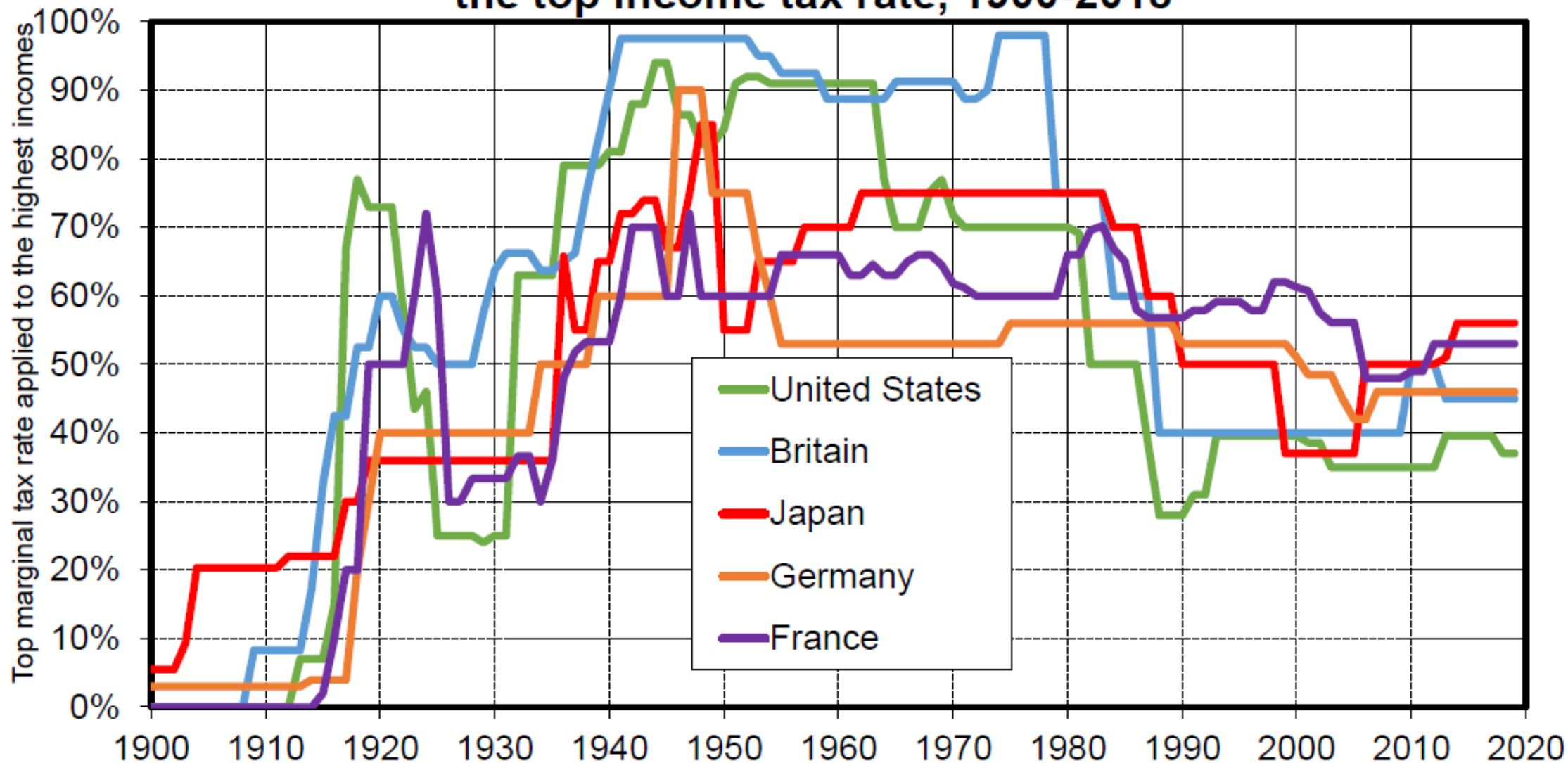
We, European citizens, from different backgrounds and countries, are today launching this appeal for the in-depth transformation of the European institutions and policies. This Manifesto contains **concrete proposals**, in particular **a project for a Democratization Treaty and a Budget Project** which can be **adopted and applied as it stands by the countries who so wish**, with no single country being able to block those who want to advance. It can be **signed on-line** (www.tdem.eu) by all European citizens who identify with it. It can be **amended and improved by any political movement.**

Join the
117334 signatories

Sign

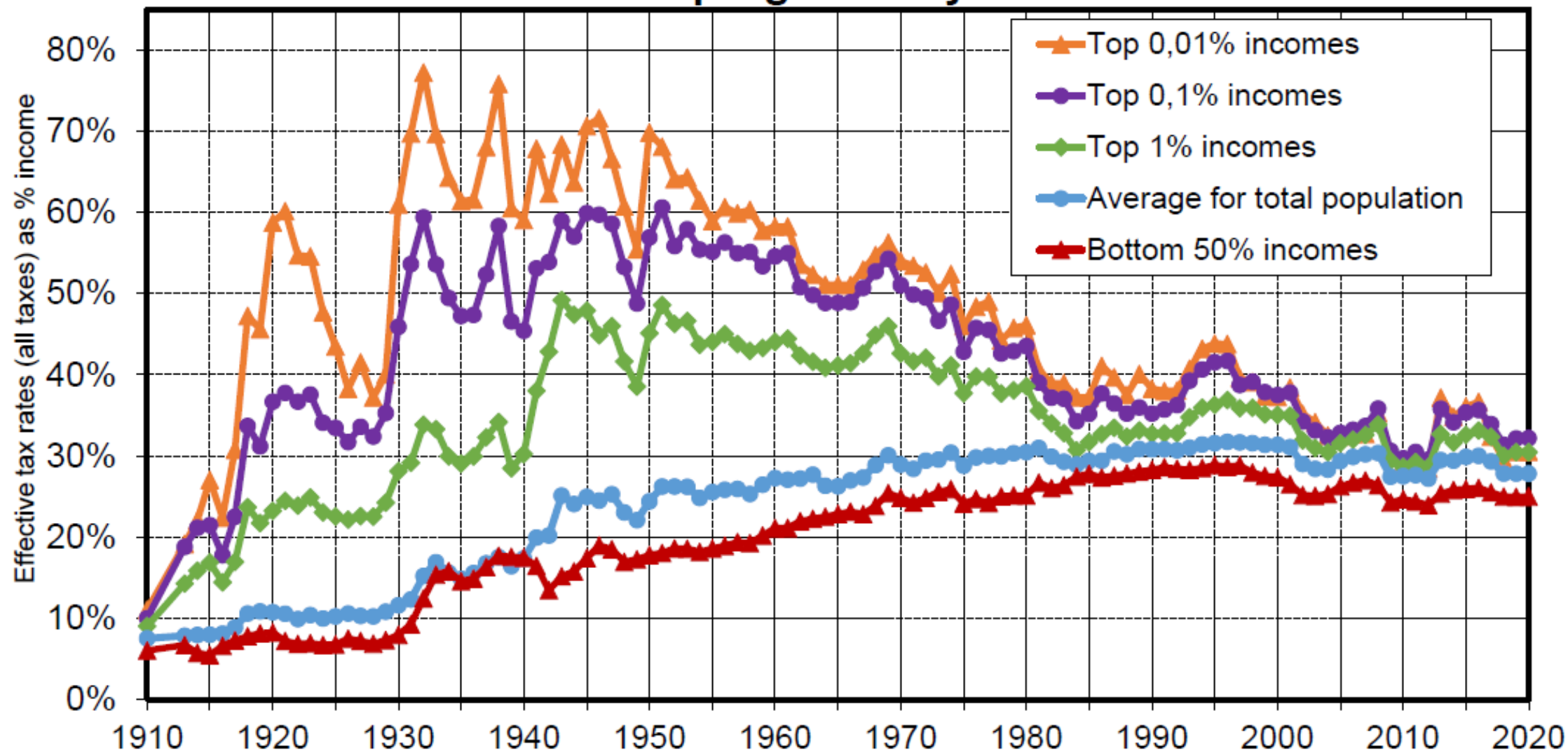
Supplementary slides

The invention of progressive taxation: the top income tax rate, 1900-2018



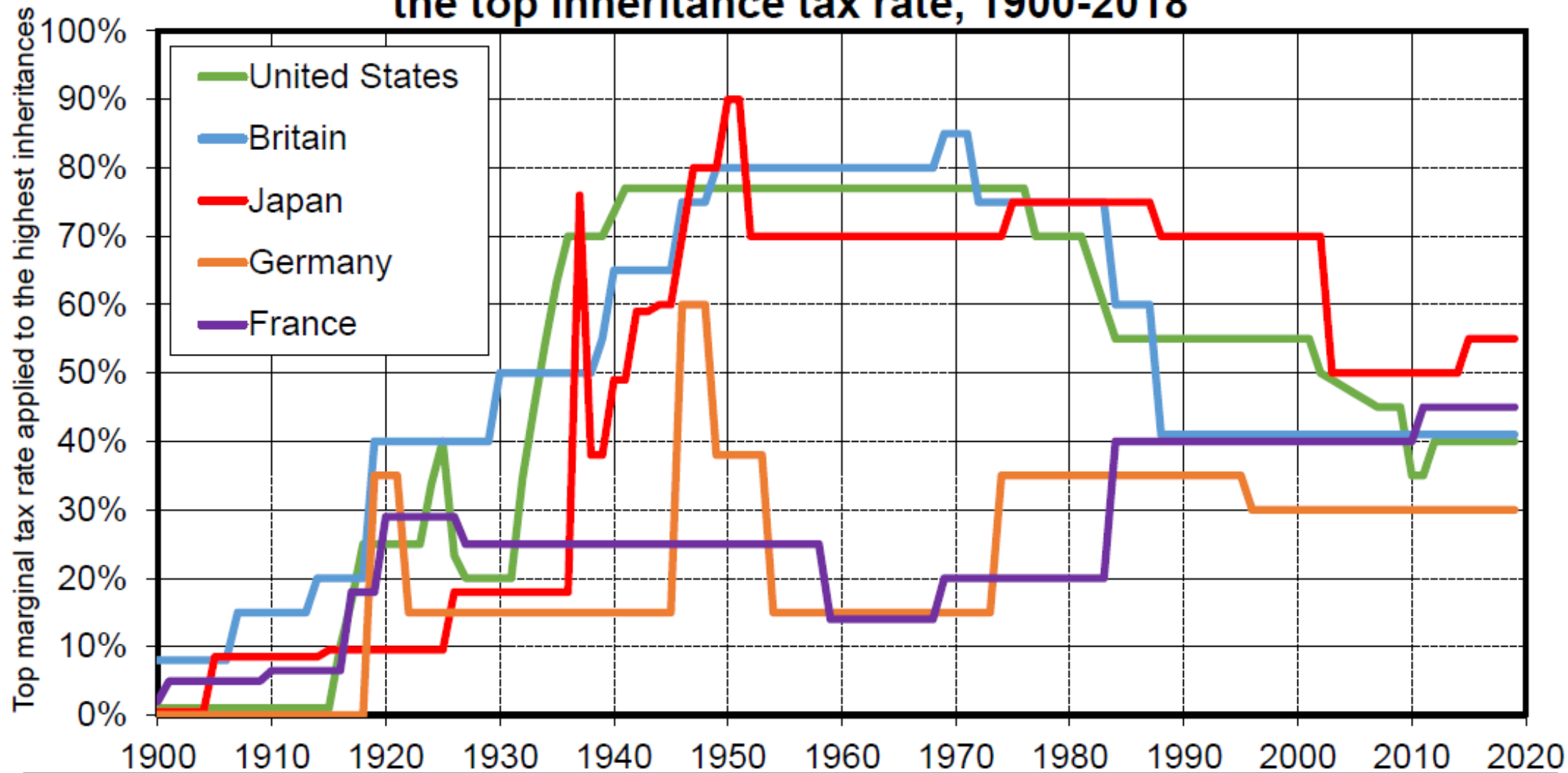
Interpretation. The marginal income tax rate applied to the highest incomes was on average 23% in the U.S. from 1900 to 1932, 81% from 1932 to 1980 and 39% from 1980 to 2018. Over these same periods, the top rate was equal to 30%, 89% and 46% in Britain, 26%, 68% and 53% in Japan, 18%, 58% and 50% in Germany, and 23%, 60% and 57% in France. Progressive taxation peaked in mid-century, especially in the U.S. and in Britain. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 10.11).

Effective rates and progressivity in the U.S. 1910-2020



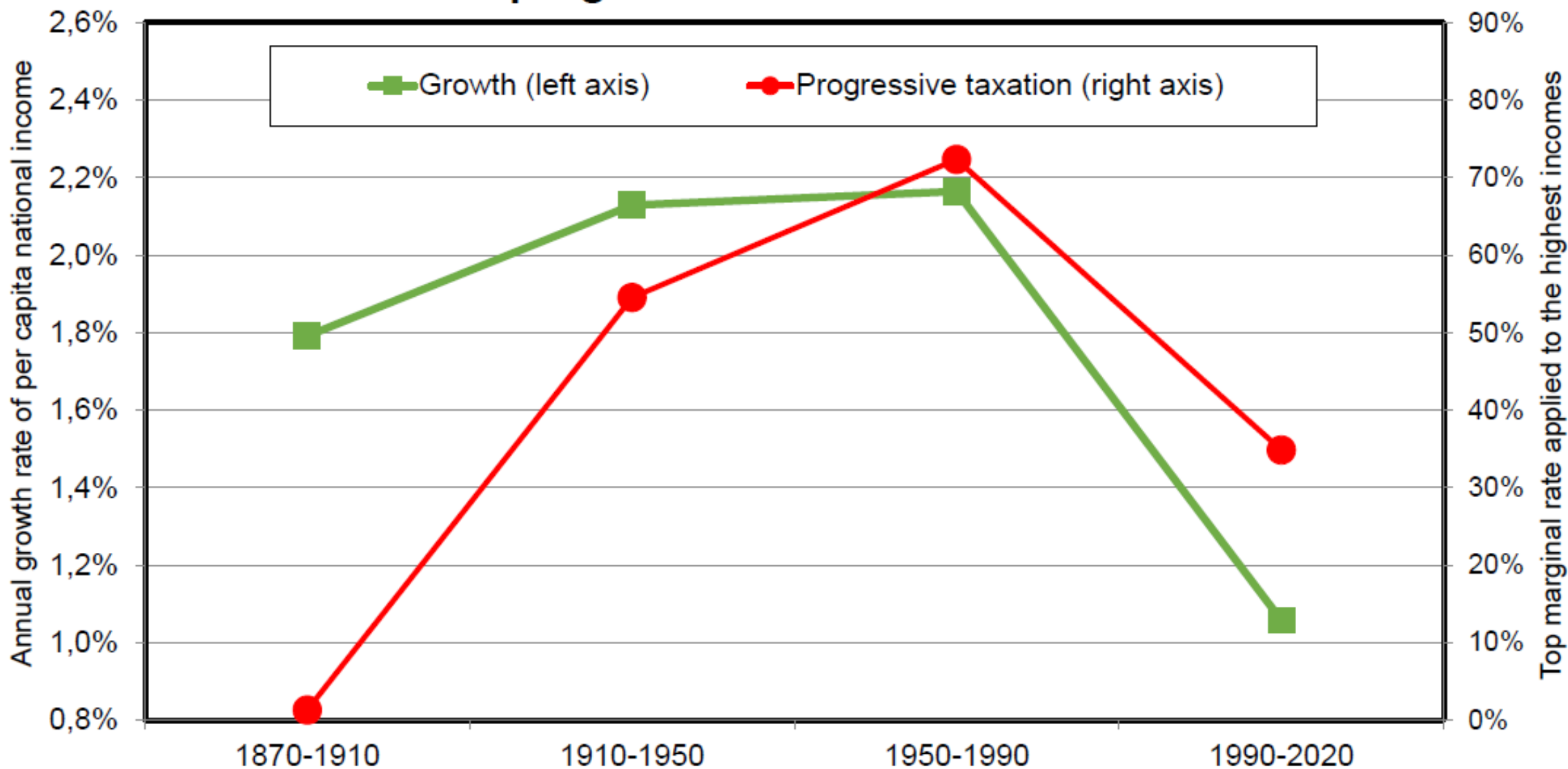
Interpretation. From 1915 to 1980, the tax system was highly progressive in the U.S., in the sense that effective tax rates paid by the highest income groups (all taxes included, and as % of pretax income) was significantly larger than the average effective tax rate paid by the the total population (and particularly by the bottom 50% incomes). Since 1980, the tax system has not been very progressive, with little differences in effective tax rates across groups. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 10.13).

The invention of progressive taxation: the top inheritance tax rate, 1900-2018



Interpretation. The marginal inheritance tax rate applied to the highest inheritances was on average 12% in the U.S. from 1900 to 1932, 75% from 1932 to 1980 and 50% from 1980 to 2018. Over these same periods, the top rate was equal to 25%, 72% and 46% in Britain, 9%, 64% and 63% in Japan, 8%, 23% and 32% in Germany, and 15%, 22% and 39% in France. Progressivity was maximal in mid-century, especially in the U.S. and in Britain. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 10.12).

Growth and progressive taxation in the U.S. 1870-2020



Interpretation. in the U.S., the growth rate of per capita national income dropped from 2,2% per year between 1950 and 1990 to 1,1% between 1990 and 2020, while the top marginal tax rate applied to the highest incomes dropped from 72% to 35% over the same period.

Sources and series: see piketty.pse.ens.fr/ideology (figure 11.13).

The circulation of property and progressive taxation

Progressive tax on property (funding of the capital endowment allocated to each young adult)

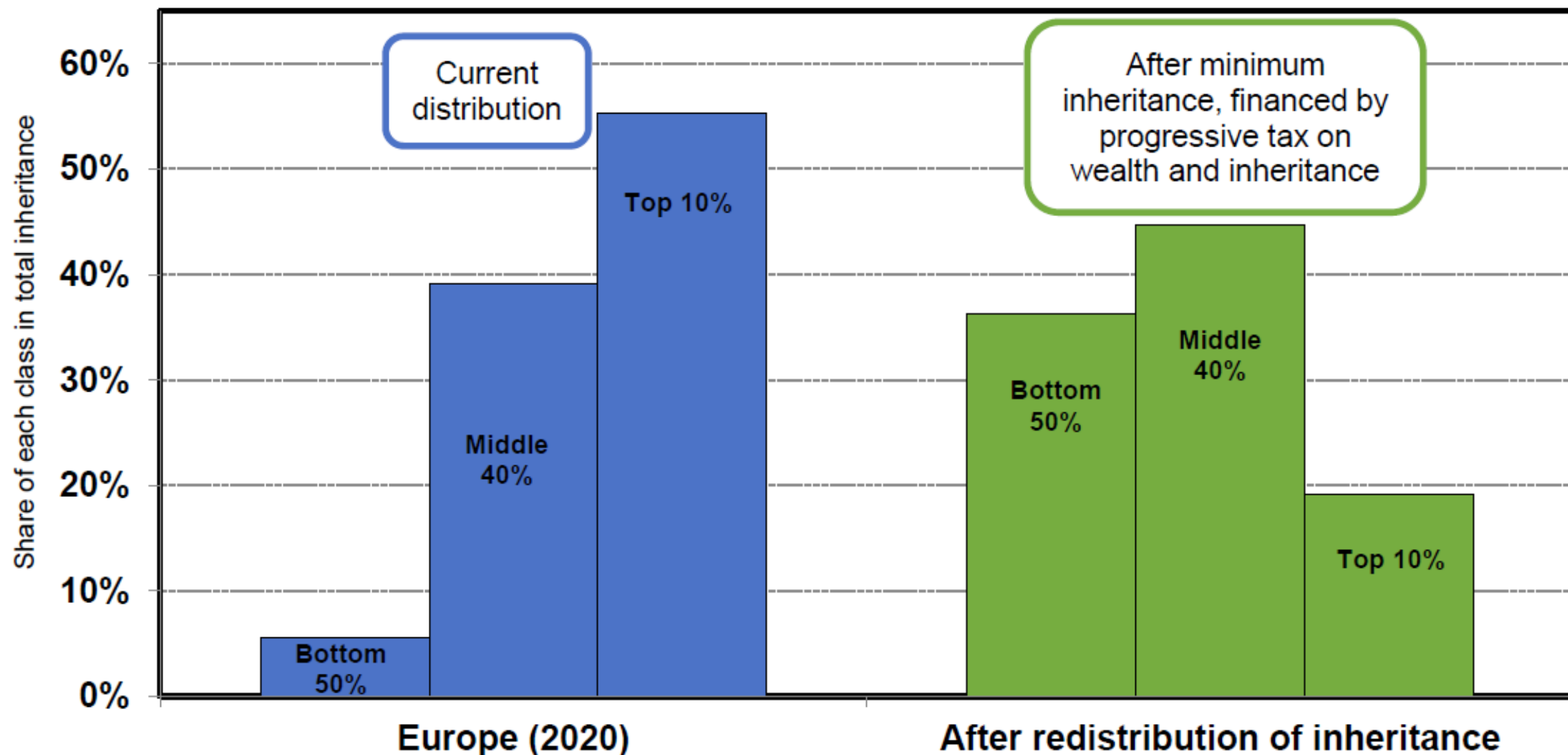
Multiple of average wealth	Annual tax on property (effective tax rate)	Tax on inheritances (effective tax rate)
0,5	0,1%	5%
2	1%	20%
5	2%	50%
10	5%	60%
100	10%	70%
1000	60%	80%
10000	90%	90%

Progressive tax on income (funding of basic income and social and ecological State)

Multiple of average income	Effective tax rate (including social contributions and carbon tax)
0,5	10%
2	40%
5	50%
10	60%
100	70%
1000	80%
10000	90%

Interpretation. The proposed tax system includes a progressive tax on property (annual tax and inheritance tax) funding a capital endowment for all young adults and a progressive tax on income (including social contributions and progressive tax on carbon emissions) funding the basic income and the social and ecological State (health, education, pensions, unemployment, energy, etc.). This system favouring the circulation of property is one of the constituting elements of participatory socialism, together with a 50-50 split of voting rights among workers representatives and shareholders in corporations. **Note:** in the exemple given here, the progressive property tax raises about 5% of national income (allowing to fund a capital endowment of about 60% of average net wealth, to be allocated to each young adult at 25-year of age) and the progressive income tax about 45% of national income (allowing to fund an annual basic income of about 60% of after-tax income, costing about 5% of national income, and the social and ecological State for about 40% of national income). **Sources:** see piketty.pse.ens.fr/ideology (table 17.1).

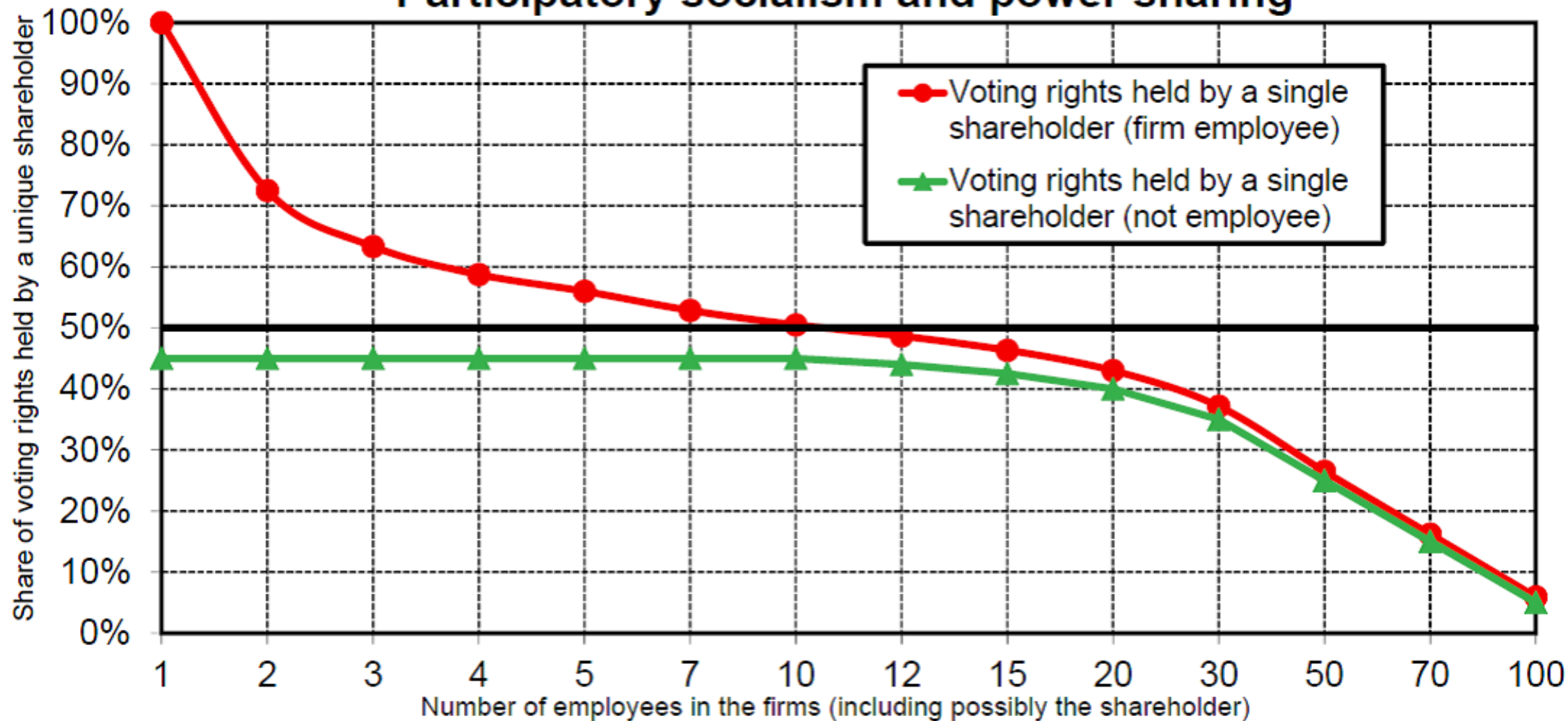
The redistribution of inheritance



Interpretation. The share of the poorest 50% in total inheritance is 6% in Europe in 2020, vs 39% for the next 40% and 55% for the richest 55%. After implementation of inheritance for all (minimum inheritance equal to 60% of average wealth, allocated at 25-year-old), financed by a progressive tax on wealth and inheritance, this share would be equal to 36% (vs 45% and 19%).

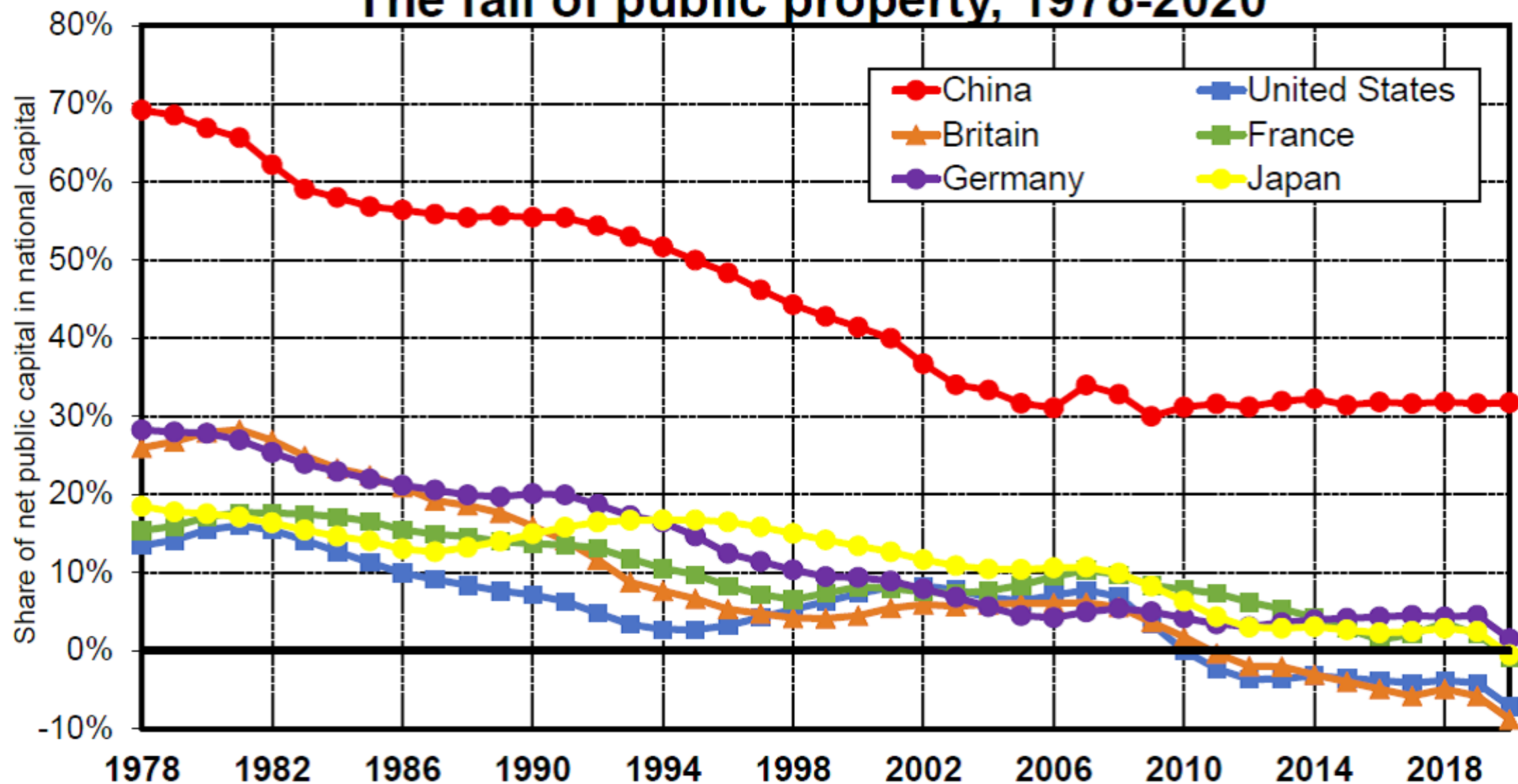
Note: Europe: average Britain-France-Sweden. **Sources and series:** see piketty.pse.ens.fr/equality

Participatory socialism and power sharing



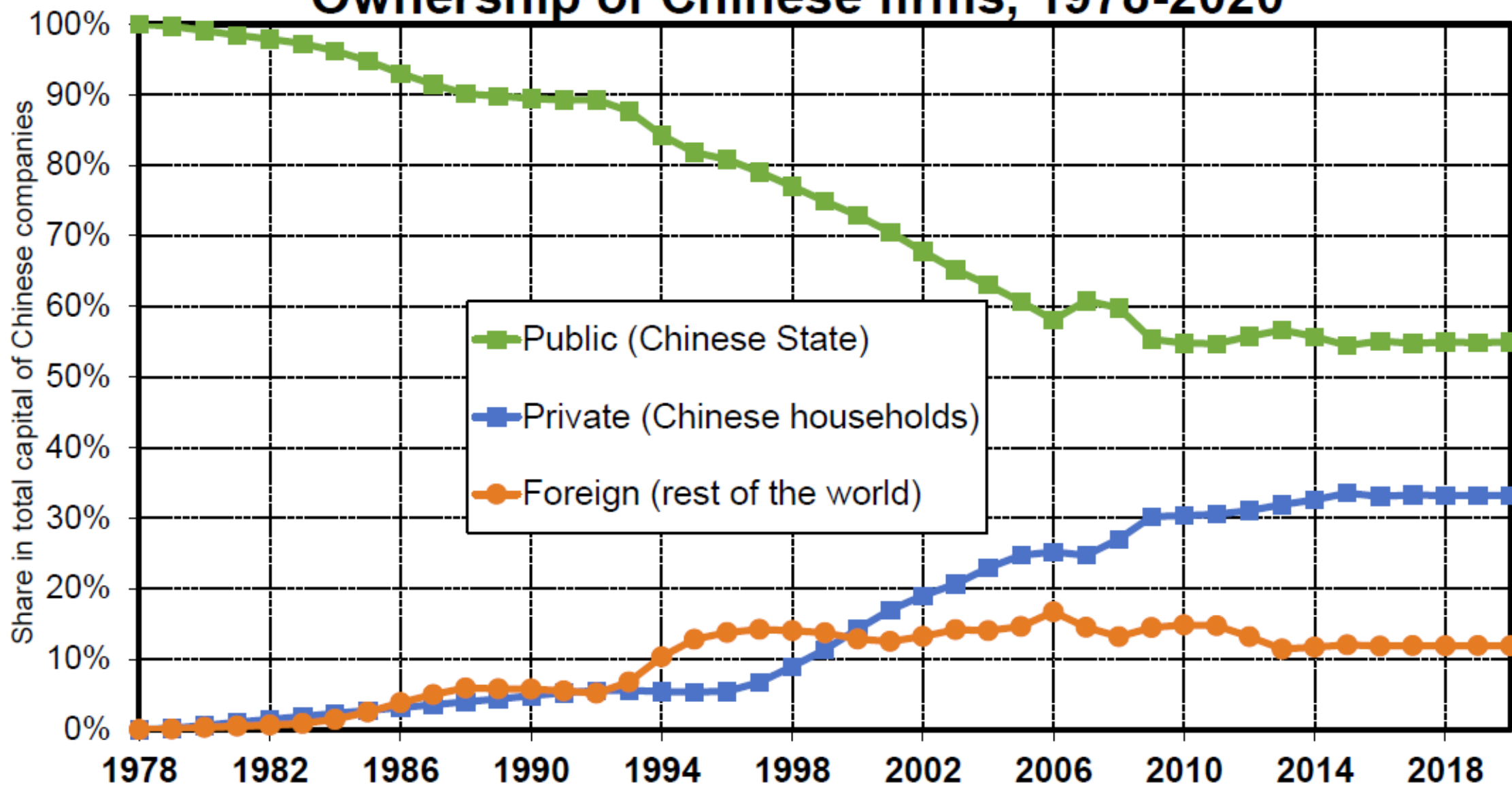
Reading. In the system of participatory socialism, a single shareholder holding 100% of the firm's capital stock holds 73% of voting rights if the firm has 2 employees (including himself), 51% if the firm has 10 employees (including himself), and loses the majority beyond 10 employees (including himself). A single shareholder who is not a firm employee holds 45% of the voting rights if the firm has less than 10 employees; this share then declines linearly and reaches 5% with 100 employees. **Note:** The parameters used here are the following: (i) employees (whether or not they are also shareholders) hold 50% of voting rights; (ii) within the 50% of voting rights going to shareholders, no single shareholder can hold more than 90% of them (i.e. 45% of voting rights) in a firm with less than 10 employees; this fraction declines linearly to 10% (i.e. 5% of voting rights) in firms with more than 90 employees (shareholder voting rights that are not allocated are reallocated to employees). **Sources and series:** see piketty.pse.ens.fr/equality

The fall of public property, 1978-2020



Interpretation. The share of public capital (public assets net of debt, all government levels and asset categories combined: companies, buildings, land, financial assets, etc.) in national capital (i.e. the sum of public and private capital) was about 70% in China in 1978, and it has stabilized around 30% since the mid-2000s. This share was around 15%-30% in capitalist countries in the 1970s and is near zero or negative in 2020. **Sources and series:** see piketty.pse.ens.fr/equality (figure 39)

Ownership of Chinese firms, 1978-2020



Interpretation. The Chinese State (all government levels combined) owned in 2017 about 55% of total capital of Chinese firms (both listed and unlisted, of all sizes and all sectors), vs 33% for Chinese households and 12% for foreign investors. The foreign share has diminished since 2003, and that of Chinese households increased, while that of the Chinese State stabilized around 55%.

Sources and series: see piketty.pse.ens.fr/equality (figure 40)