

ESOn4022: Inequality and Society

Inequality and capital



Inequality of Wealth

- Individual level (organizations, states)
- Artificial phenomenon, not „natural“, not moral
- Consists of income from labour + capital (+ their interaction)
- Legitimization – personal effort vs. Inheritance, meritocracy vs. Plutocracy
- What is the relative importance of inequality of income from labour vs. from capital? How has it changed?

Logic of Inequality

- Traditional societies – negative correlation between capital and income from labour
- Modern societies - positive correlation between capital and income from labour
- Income from labour more important ($\frac{2}{3}$ – $\frac{3}{4}$ of national income)
- Rise of patrimonial middle class/fell of the share of top class – transformation of the distribution conflict (decline of the society based on inheritance of capital)

Evolution of inequality

- Inequality of income from capital always bigger
- May be reduced via public policies (two world wars)
- Rise since 1970's and 1980's
- What mechanisms are in play? Inherited wealth – cumulative effects / different effects on wage in different settings
- Which social class is dominant? Which one is lower, middle, upper?
- Top centile – large groups with power

Income inequalities

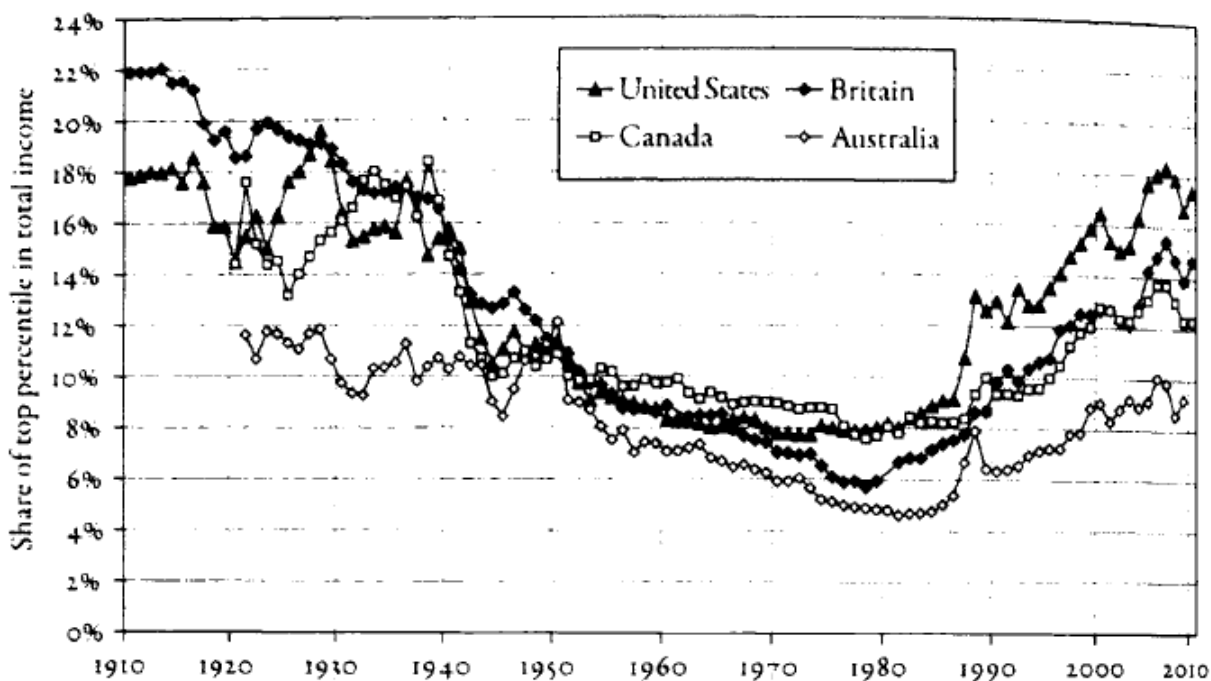


FIGURE 9.2. Income inequality in Anglo-Saxon countries, 1910–2010

The share of top percentile in total income rose since the 1970s in all Anglo-Saxon countries, but with different magnitudes.

Sources and series: see piketty.pse.ens.fr/capital21c.

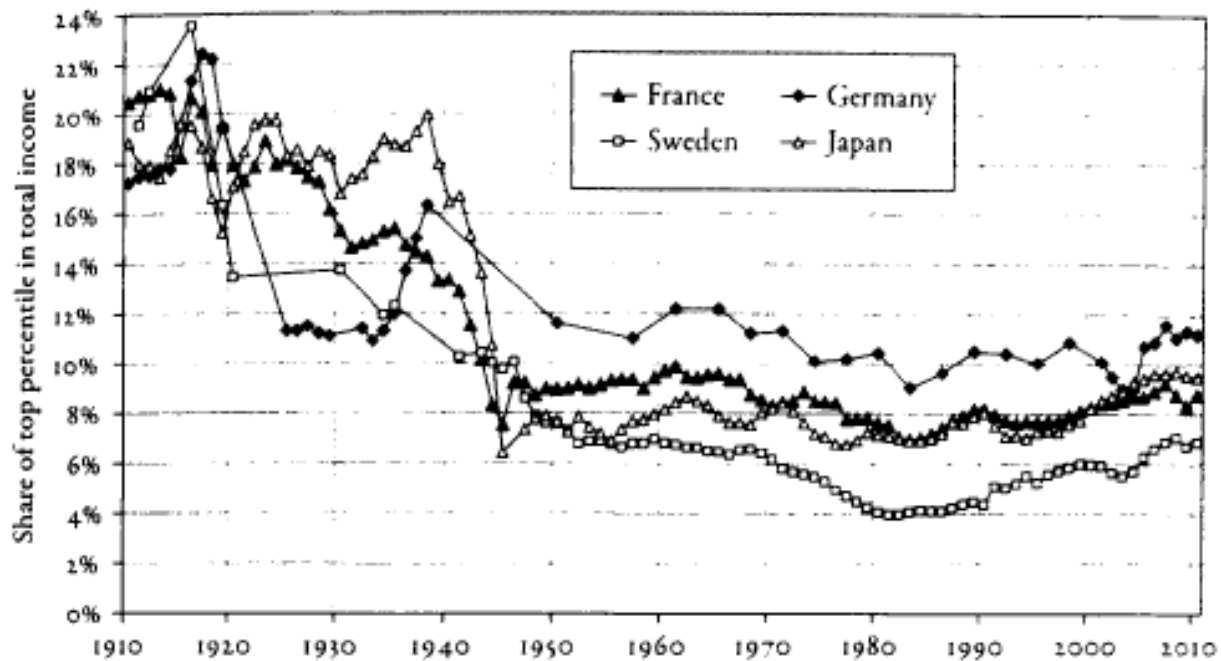


FIGURE 9.3. Income inequality in Continental Europe and Japan, 1910–2010

As compared to Anglo-Saxon countries, the share of top percentile barely increased since the 1970s in Continental Europe and Japan.

Sources and series: see piketty.pse.ens.fr/capital21c.

Merit vs. inheritance

- Capital – from landed to industrial, financial, real estate Vs. earned income
- What is their share in the total volume of wealth? How are they distributed?
- Rate of return on capital $>/<$ growth rate of economy
- Wealth (inequalities) from the past vs. Wealth (inequalities) from work
- Before: very large inequality from inherited wealth
- Today: larger number of less wealthy rentiers

Economic flow of inheritances and gifts

In general, the annual economic flow of inheritances and gifts, expressed as a proportion of national income that we denote b_y , is equal to the product of three forces:

$$b_y = \mu \times m \times \beta,$$

where β is the capital/income ratio (or, more precisely, the ratio of total private wealth, which, unlike public assets, can be passed on by inheritance, to national income), m is the mortality rate, and μ is the ratio of average wealth at time of death to average wealth of living individuals.

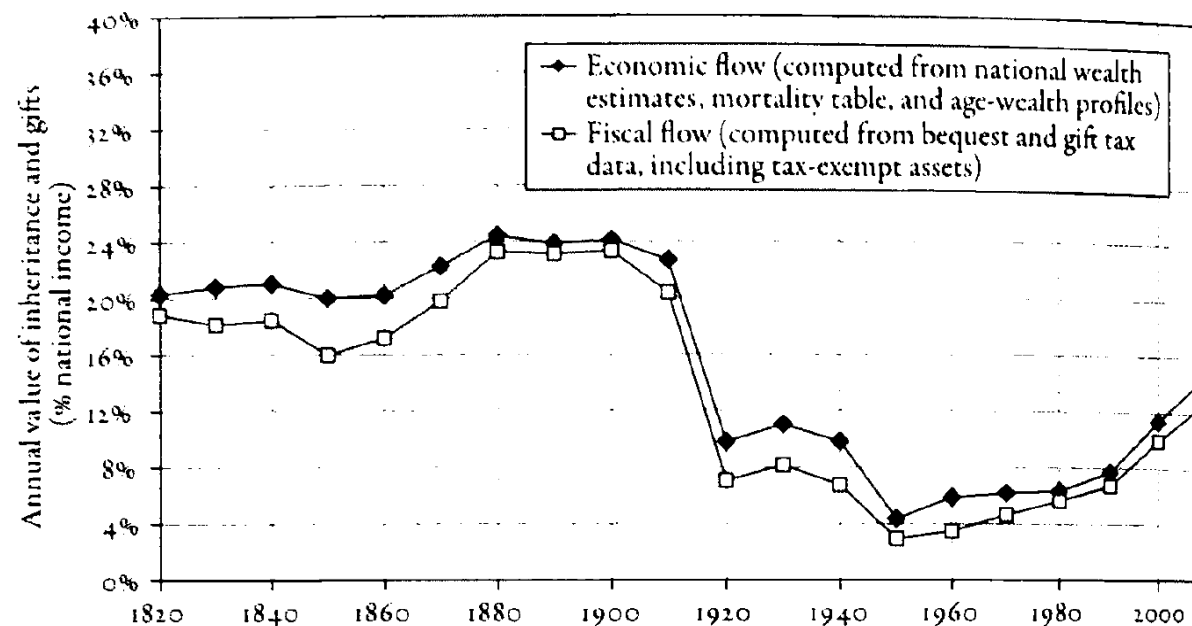
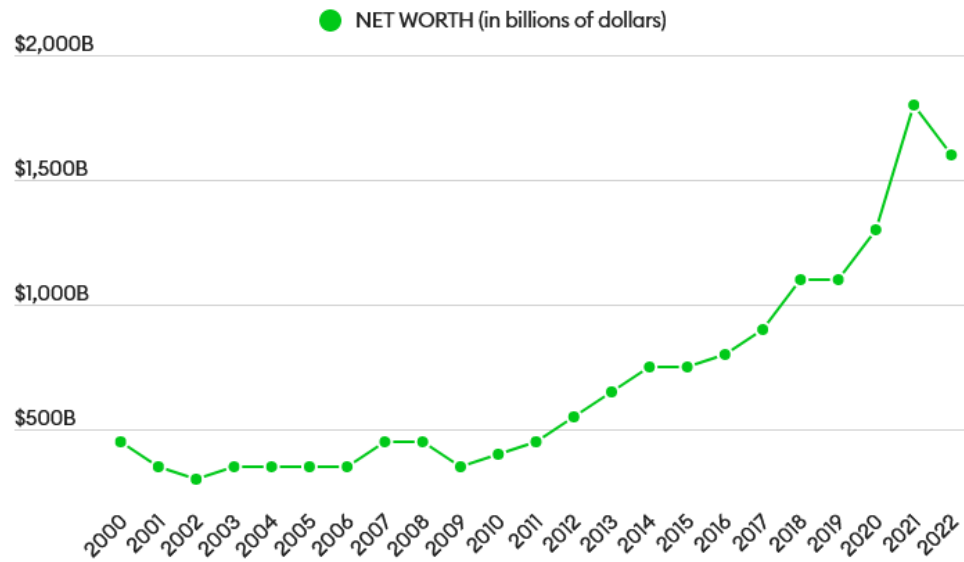


FIGURE 11.1. The annual inheritance flow as a fraction of national income, France, 1820–2010

Wealth concentration

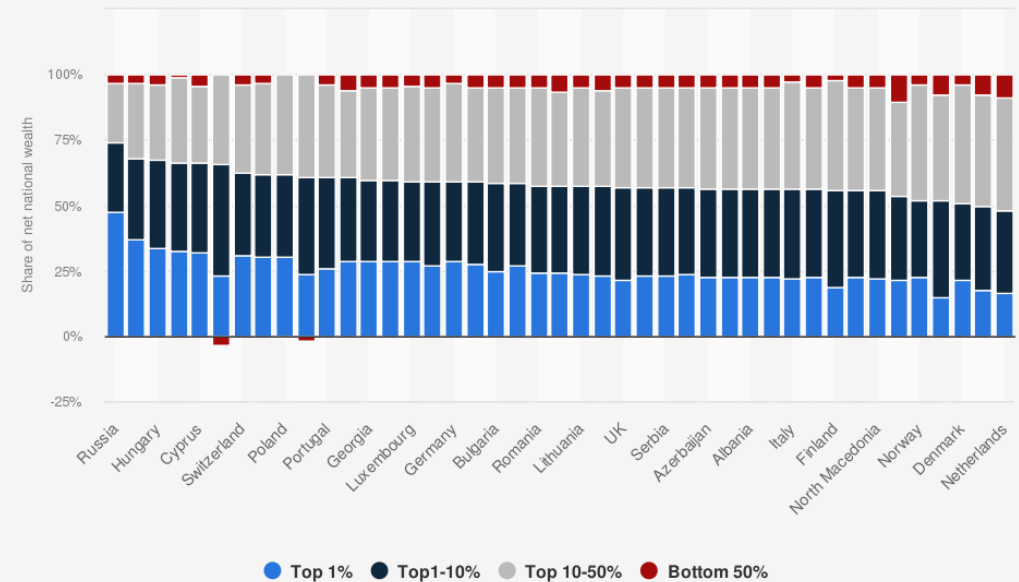
TOTAL NET WORTH OF THE TOP 20 ON THE FORBES 400 OVER THE YEARS



Source: Forbes reporting

Forbes

Distribution of wealth amongst different percentiles in Europe in 2021, by country



Source
World Inequality Lab
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Additional Information:
Europe; World Inequality Lab; 2021

Merit-based billionaires?

Broadly, a score of 1 to 5 means an individual inherited their wealth, while 6 to 10 indicates they built their own company or established their fortune on their own.

A score of 1, for example, means that someone inherited their fortune and hasn't actively worked to increase it. This includes super-rich heirs such as Alice Walton and Lukas Walton, the daughter and a grandson of Walmart founder Sam Walton, respectively. Only 26 people on The Forbes 400 scored a 1 this year, accounting for 6.5% of the list.

Conversely, a score of 10 indicates that someone was born into poverty or the lower middle class, and faced substantial adversity or discrimination. Newcomer Noubar Afeyan, chairman and cofounder of Covid vaccine-maker Moderna, is an example of this. Born in Beirut, Lebanon, to Armenian parents, he and his family fled the Lebanese Civil War in 1975.

This year, only 118 people on The Forbes 400 scored a 1 through 5, which means that 70.5% of the list is self-made. It's a significant shift from 1984, when less than half of the list was self-made. Still, much of the list—160 people—comprises people who scored an 8, indicating they are self-made, but came from a middle-class or upper-middle-class background. In other words, even many of the self-made members of The Forbes 400 grew up with at least some advantages in life. The four richest people in the U.S.—Amazon founder Jeff Bezos, Tesla CEO Elon Musk, Facebook CEO Mark Zuckerberg and Microsoft cofounder Bill Gates—all have 8s.

SELF-MADE SCORES ON THE 2021 FORBES 400

Here is how many members of The Forbes 400 got each self-made score.

SELF-MADE SCORE	NUMBER OF FORBES 400 MEMBERS
1	26
2	21
3	17
4	27
5	27
6	13
7	31
8	160
9	50
10	28

RANK ^	NAME	NET WORTH	AGE	COUNTRY / TERRITORY	SOURCE	INDUSTRY
1.	Elon Musk	\$219 B ▲	50	United States	Tesla, SpaceX	Automotive
2.	Jeff Bezos	\$171 B ▼	58	United States	Amazon	Technology
3.	Bernard Arnault & family	\$158 B ▲	73	France	LVMH	Fashion & Retail
4.	Bill Gates	\$129 B ▲	66	United States	Microsoft	Technology
5.	Warren Buffett	\$118 B ▲	91	United States	Berkshire Hathaway	Finance & Investments
6.	Larry Page	\$111 B ▲	49	United States	Google	Technology
7.	Sergey Brin	\$107 B ▲	48	United States	Google	Technology
8.	Larry Ellison	\$106 B ▲	77	United States	software	Technology
9.	Steve Ballmer	\$91.4 B ▲	66	United States	Microsoft	Technology
10.	Mukesh Ambani	\$90.7 B ▲	64	India	diversified	Diversified
11.	Gautam Adani	\$90 B ▲	59	India	infrastructure, commodities	Diversified
12.	Michael Bloomberg	\$82 B ▲	80	United States	Bloomberg LP	Media & Entertainment
13.	Carlos Slim Helu & family	\$81.2 B ▲	82	Mexico	telecom	Telecom
14.	Francoise Bettencourt Meyers & family	\$74.8 B ▲	68	France	L'Oréal	Fashion & Retail
15.	Mark Zuckerberg	\$67.3 B ▼	37	United States	Facebook	Technology

What is the problem?

- Economic + technological rationality vs. Democratic rationality
- Rent capital – consequence of pure and perfect market for capital
- Unrestricted competition does NOT lead to meritocratic world
- Existing inequality does not have any serious obstacles – towards extreme concentration of wealth?
- Political equality vs. Economic (living conditions) inequality?
- Consequences for democracy?

Inherited wealth

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Your letter, draft amendment, has not and I am commanded by provided the provision to the Crown Private objections which the Crown Estate Cornwall are s pleased to s like the customa in the proceedings the Queen's prerogative disposal of Parliame



Queen's consent
Revealed: Queen lobbied for change in law to hide her private wealth

Elizabeth's private lawyer and personal and Royal Household related to after a law that would have revealed her assets to the public, government remains silent. Composite: Guardian Design Team

Monarch dispatched private solicitor to secure exemption from transparency law by [David Pegg](#) and [Rob Evans](#)

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Le nom de la famille de Spoelberch sort à son tour des "Panama Papers"

Entreprises & Start-up

Belga

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PRINCE CHARLES

Another British Royal Found With Offshore Connections

Prince Charles' private estate held an undisclosed interest in an offshore company that could have benefited from his campaigning for changes to climate change rules.

By Will Fitzgibbon

Image: Dan Marsh via Flickr

November 7, 2017



Prince Charles.

PANAMA PAPERS

Spanish king's aunt admits to owning company named in Panama Papers

Pilar de Borbón denies relation between company's dissolution and monarch's coronation, which both took place within a week



EL PAÍS

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Pilar de Borbón, pictured on the right. J. F. / (EFE)



Château Rothschild (Image: canton of Geneva)



Monday, 19 August 2019 15:52

Edmond de Rothschild Retreats

- ▶ Family Takes Rothschild Private
- ▶ Rothschilds Hash Out Naming Spat
- ▶ Geneva Bank Sells Family Silver



The Rothschild family is quietly taking the Geneva-based wealth manager private – the end of a piece of stock exchange history.

The family behind **Edmond de Rothschild** is delisting the Swiss private bank after clinching nearly 100 percent of its shares and beginning a squeeze-out, it said on Monday. The share will trade on October 22, 2019 for the last time.

The move represents an end to an unlikely listing: at 44,000 Swiss francs (\$45,000) at their peak, Edmond de Rothschild shares were one of Switzerland's priciest. More recently, the stock had traded near 13,000 francs, second in absolute value to chocolate producer Lindt & Spruengli, which costs 80,000 francs.

Investor Perk

The delisting also shuts investors off from an unusual annual perk: a visit to the so-called Château Rothschild, a small castle built in 1858/59 in Pregny-Chambésy outside Geneva, which belongs to the Rothschild family and houses the widow of founder **Edmond de Rothschild**.

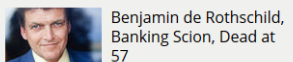
Instead, shareholder meetings will now be a family affair overseen by **Benjamin de Rothschild** – son of Edmond – and his wife and CEO of the wealth manager, **Ariane Rothschild**. The castle will reportedly pass to the canton of Geneva when the 56-year-old Swiss banking scion dies. The surrounding gardens will be open to the public and combined with the adjoining Parc de



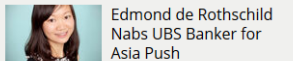
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Thursday, 18 March 2021 10:20

China's A-Shares in the Year of the Ox

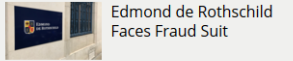
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Edmond de Rothschild Nabs UBS Banker for Asia Push



Edmond de Rothschild Faces Fraud Suit

Inequality and its discontents

- Very high inequality closer to that of labour income inequality
- Too high wealth concentration – revolution
- Depends on the legitimation of the system + repression
- Two ways to unequal society (may coexist): Society of rentiers vs. Society of superheroes
- Globalization cleavage (winners x losers of globalization), Great Recession protests, OWS...

