

4. Results

FEVD results - variation of top wealth shares explained by deep determinants (%)

Horizon (Years)	Top rate inheritance tax	Financial globalisation	Technological change	Labour's bargaining power	Other shocks to top 1% income share	Differential saving rates and top 1% inheritance
UK						
1	11	3	1	5	0	80**
7	6	8	4	5**	3	43**
11	5	7	5	42**	4	37**
USA						
1	0	0	13	2	53**	31**
7	6	1	1	5	49**	24**
11	7	1	20*	10*	41**	20**
France						
1	0	2	0	11	10	76**
7	0	10	0	33**	1	55**
11	0	10	0	32**	2	54**

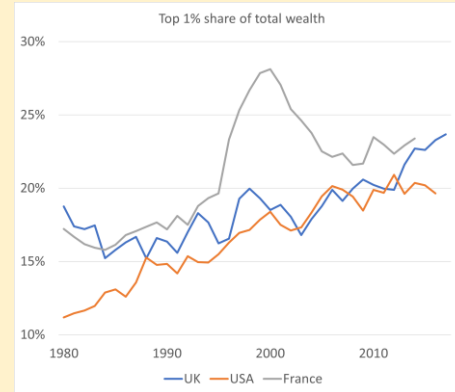
The only robust and significant deep determinant across all three countries is the bargaining power of workers. This explains 42%, 10% and 32% of the variation in wealth inequality in the UK, the USA and France respectively.

3. Methodology

The relative importance of each component and deep determinant of wealth inequality is estimated using data from 1919-2015 and 1970-2015. We estimate the model using a 'structural vector autoregression' (SVAR). What is this?!

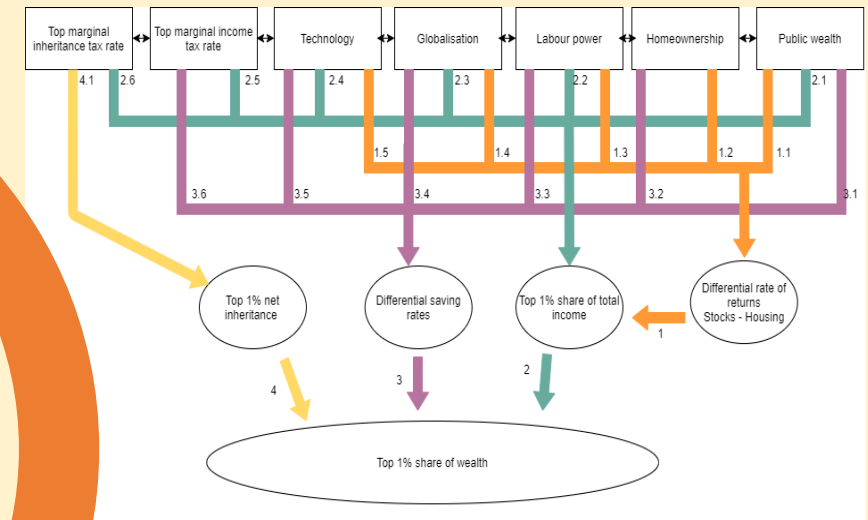
- *structural* - analyse causality
- *vector* - include the interaction effects between the deep determinants and the components
- *Auto-regression* - analyse the impact of these on wealth inequality over time

1. The Problem



Wealth inequality is rising in the UK, the USA and France. The top 1% each year own a greater share of wealth. Why?

2. Theoretical Framework



The potential causes of wealth inequality are broken down into its proximate components and deep determinants:

Components

- Top 1% share of income
- Differential rate of returns
- Differential saving rates
- Top 1% net inheritance flows

Deep Determinants

- Top marginal tax rates (income and inheritance)
- Technology
- Globalisation
- Labour power (union density or collective bargaining coverage)
- Homeownership rate
- Public wealth