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Just how unequal is the United States? [1]

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The US Census has released its update to the figures [3] for inequality in the country. There's the usual sort of reporting about it, including comparisons to inequality [4] in other countries. I've written elsewhere [5] about how this is entirely silly. The US numbers are before taxes and redistribution, everyone else's numbers are after it. Given that redistribution does, umm, change the distribution of income we shouldn't be surprised that the results of the distribution of income are different when measured before and after such redistribution.

But there's one more point that we should consider. Is the US actually more unequal than the European Union? The two economies are about the same size, similar sorts of numbers of people. Yes, 300 million to 500 million, but that's a more sensible comparison than 300 million to the 9 million in Sweden. What I found was that Eurostat itself [6] doesn't, at least as far as I could find, answer the question. What they give is the inequality (or Gini) for each country then just average them. That's not at all the same as the US number, which is inequality among all 300 million of them.

Fortunately, others seem to have done the work. Branco Milanovic for example, who is the World Bank's go to guy on this subject [7]:

> The EU27 has caught up in inequality with the United States because of the enlargement towards the Eastern areas of the continent which have significantly lower mean incomes. Thus, in 2007, after Bulgaria and Romania (and previously eight other post-Communist countries) became members of the European Union, the EU-wide Gini coefficient (across all individuals in the area) reached 41 points which is about the same as the Gini calculated across all individuals in the United States. The difference however is that in the former case, most of inequality is driven by mean income differences between the member-states. If we take EU15 the Gini coefficient is only 33, about the same as the median Gini of the fifteen countries and significantly less than US inequality.

That's not entirely and wholly true I think. The post tax and post benefits Gini for the US is more like 38 than 41. And we are definitely talking about post tax post benefit because for market incomes alone many EU countries are alone, let alone across all of them, more unequal than the US.

But even if we ignore those niggles I think that's an interesting result, don't you? The European Union is around and about as unequal as the United States is. We have vast tax burdens and redistributive programs to reduce inequality, in a way that the US doesn't, yet inequality is about the same across the two near continents.

Yes, I'm entirely aware that this isn't an entirely and completely fair comparison. But I do still think that it's an interesting result.

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