

The Contribution of Capital to US Income Inequality, 1980 – 2016

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Abstract

Income inequality in the United States rose substantially in the three and a half decades following 1980. Most sociological analyses of this phenomenon posit, implicitly or explicitly, that inequality is a function of differences in individuals' labor-market characteristics, such as their level of education or their exposure to occupational closure. If this were true, labor income would be an important statistical contributor to inequality. However, the present paper demonstrates, using rich tax data, that most income inequality is instead driven by capital income, i.e., income received from the ownership of assets. Therefore, the unequal distribution of capital-ownership is instead the core inequality-generating mechanism. This study also provides a theoretical resolution to a puzzle posed by past analyses which stress the role of ownership relations: eschewing the static class maps of those traditions, into which individuals fit poorly, it instead conceptualizes individuals as split into the roles of capital-owner and worker.

By most measures, income inequality in the United States grew quickly in the three and a half decades following 1980, though the extent of the rise is disputed (Piketty, Saez, and Zucman 2018, 2024; Auten and Splinter 2024). There has arisen an impressive, variegated corpus of work that aims to explain this phenomenon. Some proposed causes exist at the conceptual level of a person's "individual attributes" (Wright 2015), such as their degree of education or skill (Hauser and Warren 1997; Goldin and Katz 2007; Autor 2014). Other proposed causes are situated at the level of a person's occupational characteristics, such as that occupation's degree of closure (Weeden 2002; Weeden and Grusky 2012); the susceptibility of an occupation's tasks to automation (Autor and Dorn 2013; Acemoglu and Restrepo 2020); or, the susceptibility of that occupation to offshoring (Krugman and Lawrence 1995; Wood 1998, 2018). Still other research focuses on group-level characteristics of workers, such as the regional exposure of groups of workers to de-industrialization (Moller, Alderson, and Nielsen 2009), financialization (Lin and Tomaskovic-Devey 2013), changes in the real value of the minimum wage (Neckerman and Torche 2007; Lemieux 2008; Autor, Manning, and Smith 2016),

or changes in union density (Kollmeyer 2018; Card, Lemieux, and Riddell 2020).

The hypotheses proposed by this broad swath of literature can be grouped into three claims: that the key inequality-generating mechanisms are 1) the uneven distribution of individual labor-market characteristics, such as skills; or, 2) the uneven distribution of individuals’ occupational characteristics; or, 3) the uneven group-level distribution of exposure to macroeconomic and institutional patterns; or, some combination thereof. No matter the exact proposed cause, most of this literature implicitly limits itself to the investigation of inequality-generating mechanisms *that affect labor market outcomes*. By extension, the prevailing explanations of inequality *operate under the assumption that most inequality is inequality of wage incomes, or income from labor*.¹

This paper tests these two related claims: the empirical claim that most inequality is inequality of labor income and the closely-associated theoretical claim that the most important inequality-generating mechanisms are those that produce wage inequality. Using anonymized tax records from the Internal Revenue Service (Saez and Zucman 2018), this study decomposes yearly person-level income inequality over the period 1980 – 2016 into inequality of labor incomes, inequality of capital incomes, and their association.² It demonstrates that income inequality is driven by inequality of income received from the ownership of assets — capital income — rather than inequality of labor income. Existing empirical analyses in the literature have largely missed this key stylized fact by excluding capital income from their analyses, either by design or by the use of survey data which as a rule imperfectly record information on capital income (and the total incomes of capital income’s primary recipients, the upper stratum of income earners). *This empirical finding is the first central contribution of the paper.*

¹Many studies explicitly limit themselves to the investigation of inequality of wage income (Hauser and Featherman 1977; Goldin and Katz 2007; Hanley 2011; Autor 2014; Cheng 2014; VanHeuvelen 2018; Wilmers and Aeppli 2021). In an important early contribution, Featherman and Hauser (1977: 4) justify their decision to focus on occupations rather than relations of power on the grounds that “more than three-quarters in total income derives from salaries, wages, and self-employment” — a tacit assumption that the most consequential form of inequality is inequality of labor income. The present study suggests otherwise.

²Capital income here is defined as income received from personal, direct ownership of a firm; dividends received from the ownership of stock; interest received from the ownership of bonds; income received from the *sale* of stocks, bonds, or other financial assets (capital gains); income received from rental property; and, income from royalties and trusts. A detailed discussion of the theoretical and practical aspects of measuring capital income is given below.

The second central contribution is to make sense of these results theoretically: if most income inequality is driven by capital income, the receipt of which does not *require* the receiver to participate in the labor market, then a skewed distribution of labor-market characteristics cannot fully explain inequality. Instead, *the finding that capital income is the majority contributor to income inequality compels a renewed theoretical focus on the skewed distribution of ownership of the productive assets of a society.*

The present article does not limit itself to the claim that ownership relations play a central role in generating inequality; instead, it also provides a theoretical reformulation of that claim which avoids the aporias that have troubled past analyses. The claim that ownership relations produce inequality is, of course, not new, even if it is mostly missing from the *explanatory* literature on inequality (Barone, Hertel, and Smallenbroek 2022); its canonical statement in sociology remains that of Marx (Marx 1976, 1978, 1981). However, the traditional Marxian account appears unsatisfactory; it seems to require, or at least posit, that ownership relations generate inequality in a very specific way: society separates into two disjoint and exhaustive classes, capitalists and workers — those with and without ownership rights over firms’ productive assets, respectively.³ Reality seems to be far more complex than this class scheme would allow. Many high-income earners are at least nominally well-paid workers rather than capitalists (Piketty 2014); many workers, in turn, receive at least some capital income via their position in equity and bond markets.⁴ The traditional response to this problem has been to build a more sophisticated typology of classes. The neo-Marxian tradition typically adds the dimensions of skill and authority to the traditional, one-dimensional owner/non-owner class map (Wright 1985; Wodtke 2016), while the (neo-)Weberian and Durkheimian traditions suggest that groupings of occupations should replace classes in Marx’s sense, both terminologically and theoretically (Weeden and Grusky 2012).

³This impression is shared, for example, by a number of prominent, highly-sympathetic critics of Marx (Schumpeter 1942; Dahrendorf 1959; Debord 1994) as well as especially-dogmatic defenders of his work (Loren 1977). Marx’s own view is, typically, much more nuanced; this is discussed further below.

⁴In 2023, 30 percent of families below median income had direct or indirect holdings in the stock market, with that share topping nearly 90 percent for families in the 50th to 90th percentiles (Aladangady et al. 2023).

This study provides a different theoretical path forward, one which is tightly linked to its methodological approach. On this account, *ownership relations play a key role in the generation of inequality without the need for any kind of static class map to exist*, whether one- or many-dimensional. In place of a theory which posits that individuals must be allocated to the class of capitalist or worker, or to a litany of “contradictory class locations” (Wright 2015), the present article holds that *worker* and *owner* are *roles* in the process of production which individuals combine within themselves. These roles are, indeed, mutually-exclusive, polar functions: in the short run, wages and profits come at one another’s expense, and bargaining over the distribution of wages versus profits is a central part of economic conflict.⁵ Many people, however, play both roles at some points, or even at the same time, albeit to varying extents. This article holds that the *uneven* distribution of of these roles — most persons are mostly workers, while some are mostly capitalists — plays a critical part in generating inequality. In short, this article suggests that what Marx wrote of the self-employed artisan is true of most members of capitalist societies: they are “cut up into two persons”: “As owner of the means of production he is capitalist; as labourer he is his own wage-labourer” (Marx 1968). Indeed, it can be argued that this study’s approach is significantly more consonant with Marx’s own methodology and intent (Gunn 1987; Bensaïd 1997). Finally, this theoretical perspective has an elective affinity with the method used in the present article: inequality is decomposed into the *functional* components of total income (capital and labor income), which makes no assumption whatsoever about whether individuals belong to any sort of capitalist or working class.

The third contribution of the article is more narrowly methodological. Much prior sociological research on inequality makes use of survey data, which tend to significantly understate the incomes of top earners; these earners also receive much more capital income, both in absolute terms and relative to their total income, than do other earners. In this respect, tax data are significantly less biased (Yonzan et al. 2022). Sociologists have, unfortunately, been somewhat slow to unfold

⁵As one of the founders of mainstream economics asked rhetorically, “can any point be more clearly established than that profits must fall, with a rise of wages?” (Ricardo 2004).

the full implications of these facts, as trenchantly noted by Hirschman (2021). The present article demonstrates that capital income is the majority contributor to total income inequality *if* IRS data are used but not if a common source of survey data, the Current Population Survey (CPS), is used; thus, important features of inequality are only visible in high-quality administrative data. Finally, the present study explicitly justifies its theoretical definition of “income”, a feature absent in much sociological literature, though increasingly common in economics (Clarke and Kopczuk 2025; Gomez 2025).

CAPITAL AND LABOR AS ECONOMIC FUNCTIONS

Much prior sociological research on inequality focuses on the role of labor-market variables. That is, these studies attempt to account for the share of income dispersion attributable to factors such as (the dispersion of) individuals’ education, skills, or exposure to technical change. They effectively take for granted the empirical hypothesis that inequality is inequality *of* labor incomes.

On the contrary, the theoretical hypothesis that the dispersion of ownership of productive assets or paper claims to them — in a word, capital — plays some role in income inequality is *prima facie* highly plausible.⁶ As demonstrated by a number of authors in both the mainstream economic tradition (Kaldor 1955; Pasinetti 1962) and the heterodox tradition (Darity 1981; Palley 1998; Taylor, Foley, and Rezai 2019), given very minimal assumptions about the structure of a capitalist society, there is a certain unique functional distribution of income — that is, an allocation of national income to wages and profits — that is consistent with macroeconomic stability.⁷ In a statistical-empirical sense, capital income should be expected to play a significant role in income inequality; ownership

⁶This study takes for granted that stocks, bonds, landed property, and investment vehicles holding them (such as trusts) are all ultimately claims over productive resources, albeit in some cases quite indirectly; income from these holdings is grouped under “capital income”. Some justification is given below, but since this position is a mainstream one — all of these are “capital income” in the normal economic sense — a detailed defense is not given. Marx (1981) contains a detailed and satisfactory defense of this claim, *pace* Waitkus, Savage, and Toft (2025).

⁷Societies, of course, often intervene in this functional distribution of income, but there is generally political pressure to reverse these interventions, a consistent trend in developed capitalist countries over the last 40 years (Dardot and Laval 2014; Mirowski 2014).

relations should correspondingly play a significant *causal* role in income inequality.

However, the role of these ownership relations has been inadequately recognized in the existing sociological research literature. Perhaps the most important reason for this gap is the strong association between the hypothesis that ownership relations play a key role in generating inequality and a simple two-class model of capitalist society, split into persons who own productive assets and do not work (capitalists) and those who work and do not own productive assets (workers). This theory is, of course, associated with the more popular works of Engels and Marx (2012), and it is one which appears untenable: most people in the United States earn at least some capital income, and many top earners seem, at first glance, to be workers rather than capitalists.

Most subsequent research in the Marxian tradition has responded by adding additional dimensions of variation to this two-dimensional class map, bringing in variables such as managerial authority or skill, usually on the grounds that these constitute additional forms of exploitation (Wright 1989; Wodtke 2016). Such research then seeks to place individuals in one of many classes defined by positions on these multidimensional class maps. This research stream has tended to converge with the Weberian and Durkheimian traditions, which center the analysis of inequality on occupational closure and authority relations: both rely on the construction of complex typologies of class, ranged over multiple dimensions of workplace inequality, with all individuals fitting in exactly one cell (Hauser and Warren 1997).

This paper, however, takes a different approach in analyzing the role of ownership relations in inequality. It makes no attempt to construct fixed classes of people according to their ownership status, occupation, or position in a managerial hierarchy. Instead, on this study's account, "worker" and "owner" are *roles* in the production process, or economic *functions*; a person can play one and the same role at different times or even at the same time (Gunn 1987). The function of "capitalist" is to own equipment and set another person to work with it; the function of "worker" is to work using the equipment of another; in the short run, the income of one comes at the expense of the other.

For example, a teacher or an auto worker is a worker as regards the school or plant and a capitalist as regards the firms in which his or her pension is invested. The fact that a person plays these roles at different times does not change the fact that they are separate roles with opposed interests.⁸ Of course, those roles are related; access to non-labor sources of income, for example, might allow a person to bid up their wage. However, in most cases, those roles are largely independent, and one role typically dominates the other: the capital income of the overwhelming mass of people is too small to lessen the whip of unemployment’s sting. In short, two claims are simultaneously true: most people are, for all practical purposes, a capitalist or a worker; at the same time, however, most people are, in a technical sense, a mixture of both types, but there is no need to construct a precise taxonomy of those types.

On this account, then, inequality has three distinct sources. The first source encompasses labor market mechanisms: the dispersion of skills, education, occupational closure, the susceptibility of a job to automation, and so on. The second source is the dispersion of the ownership of capital (and institutional factors that determine the relative strength of capital and labor in the distribution of income). The third source is the association between the possession of capital assets and labor assets. In fact, this theoretical approach is essentially a translation of Bienaymé’s identity, which forms the basis of this study’s decompositional method, into social theory; it is logically true that inequality must be decomposable into these sources.⁹ The present study goes further than positing a logical identity, however; it hypothesizes that the role of capital income is the more significant term (which is *not* true by definition) because of the enormous dispersion of capital assets.

It is worth noting, finally, that this despite the association of Marx with the “crude two-class approach”, this study’s approach represents the force of Marx’s hypothesis at its most rigorous. The central generating mechanism of inequality for the mature Marx of *Capital* is the capitalist process

⁸Empirically, this is borne out by the ironic fact that pension funds are not particularly labor-friendly investors and are at some times quite militantly anti-labor (Skerrett 2018; Liu and Goldstein 2021; Phua 2023).

⁹In the statistical counterpart to this social theory, dispersion of capital and labor *income* replaces dispersion of *assets*, and those dispersions are weighted by their share in total income. See below.

of production itself, not classes; classes instead appear as *the result* of the production process: “The capitalist process of production... produces and reproduces the capital-relation itself; on the one hand the capitalist, on the other the wage-labourer” (Marx 1976: 724). In fact, Marx himself famously never gave a definition of those classes in the *demographic* sense, i.e., a guide to work out which person belongs in which class (Marx 1981).¹⁰ Here, this fact is understood as a theoretical decision — the main point of Marx’s analysis is to provide an account of the *process* of capitalist production and the functional roles within the process, rather than to produce a taxonomy of persons. References to the entire class of workers or capitalists in *Capital* are not hypotheses that every element of the population is a member of exactly one subset of the population. Instead, references to classes are about what some large social group *must do* in order for the accumulation process to continue: “the characters who appear on the economic stage are merely personifications of economic categories” (Marx 1976: 179). Nothing, however, precludes many individuals from playing different roles in different aspects of their lives, or even at the same time.

PREVIOUS CONTRIBUTIONS

Neo-Marxian Approaches

Two other major streams of sociological research literature focused on inequality have responded to “the problem of the middle class” (Wright 1989), i.e., that income inequality seems to be a function of *class relations* in some sense, and at the same time, that the vulgar Marxian class schema — with just two classes, capitalist and worker — is obviously too crude.

The first response is the neo-Marxian attempt to incorporate into additional axes of variation beyond ownership into the two-class model to generate theoretical “contradictory class locations” (Wright 2015). The typical additional dimensions of variation in said approach are a worker’s degree of skill (or “skill exploitation”) and her authority relations in the workplace (or “organizational exploitation”)

¹⁰A review of various historiographical interpretations of this omission is given in Bensaïd (1997).

(Wright 1985). In such studies, the analytical strategy is typically to account for the effects of income inequality by regressing some measure of dispersion on these class schemas (Wright and Perrone 1977; Wodtke 2016; Albertini, Ballarino, and De Luca 2020; Fessler and Schürz 2020), though this approach has found limited recent empirical application in the research literature on inequality as (Barone et al. 2022; Waitkus et al. 2025).¹¹

Wodtke (2016), an outstanding recent study along the lines laid out by Wright, provides an exemplar. He generates two schemes for analysis using General Social Survey (GSS) data. The first slots individuals into one of four groups: proprietors (self-employed supervisors), independent producers (self-employed non-supervisors), managers (supervisors employed by others) and workers (non-supervisors employed by others). The second, finer schema splits proprietors and managers into large/small and high-/low-level groups, respectively, according to whether or not those persons' subordinates supervise others. He finds that growth of between-class differences in the coarser scheme explains about $\frac{1}{5}$ of inequality between the 1980s and 2000s, with growth of between-class differences in the more detailed scheme explaining about $\frac{1}{3}$ of inequality.

Three general limitations can be noted here. First, the construction of these class typologies is often somewhat arbitrary. Wright (1985) suggests basing the selection of the additional axes on a very general notion of exploitation¹² following Roemer (1982) — for example, a person's level of skill and organizational position are added to the scheme because they allow that person to exploit others — but later admits that differences in workers' skill hardly amounts to one worker exploiting another

¹¹Other writers have deployed schemas like those found in Wright's work for purposes other than investigating the sources of inequality *per se*. In his last major empirical work on class, Wright (1997) himself largely studied changes in the size of classes, mobility between classes, social ties across classes, and attitudes within classes. Goldstein and Tian (2022) study the decline in petit rentiers in a framework like that of Wright's, while Hansen and Toft (2021) build a class scheme that combines occupational information, share of income derived from capital income, and a measure of cultural capital in order to track changes in the predicted effect of parental class origin on their children's percentile position. Giangregorio (2024) build a scheme with seven categories similar to Wright's but also conduct an analysis much more similar to the present one. Their study is addressed below.

¹²The present study is able to remain independent of any particular theory of exploitation since it does not need to bind together different axes of variation under a common heading. The present author holds that Marx's original conceptualization of exploitation does not contain the logical errors it is often believed to hold (Steedman 1977; Cohen 1980) — but the account given here does not require any particular account of exploitation, whether the Marxian account or the neo-Weberian rent-based alternative (Sørensen 2000; Waitkus et al. 2025). This author's dissertation contains a detailed defense of Marx value-analysis; Moseley (2016) is the most similar published account.

on any account of exploitation (Wright 1989). Of course, such models can be justified empirically rather than theoretically, but the large number of *possible* models and the lack of a clear theoretical warrant means that agreement is unlikely to be found. For example, *prestige* or cultural capital could be considered a form of “exploitation” in the very general sense that Wright adopts, and Hansen and Toft (2021) construct something like such a map. The problem is not that multiple class maps exist, but that the original impetus for the development of such maps — an investigation into the link between ownership relations and inequality — becomes subsumed into the construction of multiple taxonomies capturing many separate forms of social stratification.¹³

The second, related limitation is that these approaches typically identify large-scale ownership of capital with self-employment or even non-participation in the labor-force, generating important and difficult edge cases.¹⁴ Persons who technically supply some nominal amount of labor but receive significant income from capital — especially top executives — are difficult to classify in this approach. Wright’s (1985) scheme, for example, implies that “managers” and “experts” are generically *not* members of the owning class since such persons typically work and do not *necessarily* employ others in a direct sense. Similarly, Wodtke’s study effectively identifies ownership of capital with self-employment; it is unclear, in the GSS data Wodtke uses, how top executives at publicly-traded firms would respond to the GSS question “Are you self-employed?”, but in a legal sense, these persons are not.¹⁵ Among chief executive officers, however, compensation *overwhelmingly* takes the form of stock options or awards, above 80 percent of total compensation in 2022 (Bivens and Kandra 2024) — they are, in a meaningful sense, owners (Wodtke’s “proprietors”), but they appear

¹³At any rate, Halaby and Weakliem (1993) find that the performance of a more parsimonious model, which takes ownership as a continuous parameter (as does this study), is significantly better than the models proposed by Wright. Halaby and Weakliem, however, refer to the size of a firm owned outright by a capitalist; this is a common oversimplification, justified in their case by the availability of data. It omits persons who hold large amounts of stock but are not private owners and managers of firms.

¹⁴Interestingly, Wright (1989) comments briefly on the idea that perhaps the complexity of contemporary social life is better captured by considering that *persons* might, in some sense, be in two classes at once as opposed to a “location” being in two places at once. However, Wright makes this comment in passing and seems not to have pursued this possibility further in published work (Wright 1997, 2015).

¹⁵The full text of the question in the GSS codebook is simply “(Are/Were) you self employed or (do/did) you work for someone else?” (Smith et al. 2019).

as managers.¹⁶ Further, the subsection of the top earners who are truly “idle” — not employed at all — are also difficult to place in Wodtke’s scheme (in Wright’s scheme, they are the *bourgeoisie par excellence*, but identifying them in survey data is no easier).

Finally, it is further worth noting that many such empirical studies assess the role of class relations in inequality by examining the proportion of variance that occurs between classes, at least implicitly (Wright and Perrone 1977; Wodtke 2016; Albertini et al. 2020). However, income inequality *within* such classes, especially owners, can be large precisely because of the large dispersion of assets within the class (as this study shows below). This within-class inequality is thus still an “outcome of” class relations. In that sense, these approaches generally do not provide answers to a question they take seriously: what role do ownership relations play in the generation of inequality?

Weberian and Durkheimian Approaches

The second response to the “crude Marxian dilemma” is the Durkheimian/Weberian reconceptualization of class itself.¹⁷ These accounts retain the very general sense of class found in the Marxian canon, a workplace relation of exclusion; such studies explicitly seek to put “the site of production” front and center (Weeden and Grusky 2005). However, in this stream of research, the actual mechanisms are almost entirely different to those of the Marxian canon: they are held to be occupational closure and managerial authority, and the groups that result from these mechanisms are termed “classes” (Hauser and Featherman 1977; Erikson and Goldthorpe 1992; Weeden 2002; Weeden and Grusky 2007, 2012; Mouw and Kalleberg 2010).

This literature is stimulating and has produced significant insight into the role of occupations in income inequality among workers — e.g., that most income inequality in the several decades since 1970 was within occupations (Weeden and Grusky 2007; VanHeuvelen 2018) and that “big class”

¹⁶Wright (1989: 324-5) notes exactly this problem in an admirable self-critique but does not supply a solution.

¹⁷Of course, these theoretical traditions are distinct in many ways (Weeden 2002; Grusky 2005); however, the present study will often return to them as a single school since their theoretical approaches to inequality, specifically, end up pointing in much the same direction.

inequality has been in steady decline over roughly the same period, where these big classes are categories such as “professional, manager, service worker, craft worker, and laborer” (Weeden and Grusky 2012).

However, several limitations mark this stream of research in analyzing the hypothesis this article tests.¹⁸

First, and most importantly, these studies typically do not consider the questions raised by this article. They generally address only inequality of wage income (Weeden and Grusky 2007, 2012; Mouw and Kalleberg 2010; VanHeuvelen 2018); Kalleberg and Mouw (2018), in an impressive review of the literature, discuss only inequality of wages.¹⁹ These studies correspondingly do not usually consider the role of ownership relations even *demographically*, e.g., by identifying as a class something like “capitalist” or “owner”; for example, the closest such category in Weeden and Grusky (2012) is “self-employed professional” or “self-employed manager”. Thus, the classes that this stream of literature considers are essentially distinctions of persons *within* the labor market; a worker is a person who typically “has” a particular occupation; capitalists, however, typically “have” many.²⁰ This literature then contains an implicit thesis that it is unable to directly test — namely, that most inequality generated through the labor market, sometimes by design and sometimes implicitly.

Second, even taken on its own terms, the occupation-centric approach does not provide a strong case that income inequality can be understood apart from the unequal distribution of ownership. Empirically, it is not clear that between-occupation dispersion is particularly salient. Wage inequality alone shows significant dispersion within occupations; even within/between decompositions which use nearly 400 occupational categories, following Weeden and Grusky (2007), along with standard demographic predictors suggest that a majority of year-wise wage inequality occurred within groups between 1970 and 2011 (VanHeuvelen 2018). Intergenerational occupational mobility has increased

¹⁸Sakamoto and Wang (2020) arrives at many of the same conclusions.

¹⁹Out of 21 reference to “capital” in the article, all but one refer to “human capital” or “social capital.”

²⁰For the reason that most persons have one primary job but a large player on the stock market has no particular occupation.

significantly in recent decades (Jarvis and Song 2017) and worker attachment to jobs declined, consistent with evidence that current occupation is a poor predictor of lifetime earnings (Kim, Tamborini, and Sakamoto 2018).

On a theoretical level, this occupation-centered approach does not provide a compelling alternative to the claim that ownership relations are of great importance in explaining inequality. There is no single, unified mechanism by which occupational groupings produce inequality (Haupt and Ebner 2020). Most theories focus on the role of occupational closure: by restricting the supply of a particular sort of labor, members of an occupational group generate *rent* in the neoclassical sense: a rate of compensation above that occurring in a competitive (Sørensen 2000; Weeden 2002). This interpretation assumes the validity of marginal productivity theory, which is subject to serious logical difficulties (Robinson 1971; Mason 2013; Moseley 2015). This is not merely a theoretical issue; there are major empirical challenges in actually estimating the magnitude of rents, and it is rarely done (Sakamoto and Kim 2014). Research unsurprisingly finds meaningful variation in *how* different occupations contribute to inequality (Hanley 2011; Wilmers and Aeppli 2021); some research even suggests that the apparent occupation-premium is largely a function of skill (Liu and Grusky 2013).

Finally, occupations themselves are a less stable theoretical object than they might appear to be at first glance (Braverman 1974). Occupations are ostensibly easy to classify and subject to minimal survey response bias (Hauser and Warren 1997), but occupation codes are subject to regular and major change, sometimes leading to significant revision of results when occupations are recoded (Kim and Sakamoto 2008; Mouw and Kalleberg 2010). Recent work has highlighted significant heterogeneity within the same Census-coded occupations, which are the basis for most other applied schemas (Martin-Caughey 2021). Mouw and Kalleberg (2010) find that changes in the size of categories such as “managers not elsewhere classified” were major drivers of inequality growth, categories so broad that the theoretical upshot is unclear.

Individual Attributes Approaches

In addition to the two streams of literature discussed above, which attempt to different degrees²¹ to account for the role of ownership, a significant majority of inequality research focuses only on the role of workers' labor-market characteristics. Such research typically begs the question empirically and theoretically: inequality is assumed to be *statistically* inequality of labor income, and the proposed explanations are assumed to be labor-market characteristics. A comprehensive review of these approaches is not possible for reasons of space, but some archetypal examples are discussed.

A major stream of inequality research centers the role of the unequal dispersion of skill and education. That such factors explain the growth of inequality was the consensus opinion among prominent economist polled by the Federal Reserve as early as the 1990s (Autor, Katz, and Krueger 1998). This hypothesis is straightforward and, of course, at odds with that adopted by the present article. On this account, the unequal distribution of individuals' abilities explain observed dispersion in incomes: individuals' incomes are largely a reflection of the marginal product of their labor, and education and skills make them more productive. The theoretical counterpoint is correspondingly simple: on this account, capital income essentially should not exist at all since mere ownership of a title to revenue — as in the case of stocks — contributes nothing to output. Since capital income is of critical importance to top earners (as shown below), an account of income and inequality that sets aside the importance of non-labor income is intrinsically limited.

In this stream of research, unsurprisingly, a purposeful empirical focus on wage inequality alone is typical (Goldin and Katz 2007; Autor 2014). The same is true of the closely-related skill-biased technical change (SBTC) framework (involving many of the same scholars), which holds that inequality is a function of technical changes that reward certain skills and render others obsolete (Goldin and Katz 2008; Autor and Dorn 2013). This focus on wage inequality extends even to critiques of this stream (Mishel and Bivens 2017; Schmitt, Shierholz, and Mishel 2017).

²¹Or at least conflict at the site of production as in the case of the occupational school.

Institutional Approaches

Other theoretical approaches are consonant with the hypothesis investigated here, or at least orthogonal to it. A variety of institutional approaches suggest that inequality results from some kind of macro-level social relation, i.e., a set of relations not limited to those between workers. These approaches share the same basic orientation to this article. However, much such literature has been vitiated to some extent by omitting an important source of income; most of it also does not provide a direct test of the empirical claim that most inequality is inequality of wage-income or the theoretical claim that the pattern of capital ownership is an important causal source of inequality.²²

For example, there exists something approaching a rare consensus that the falling real value of the minimum wage explains a fair amount of the growth of inequality (Neckerman and Torche 2007; Lemieux 2008; Autor et al. 2016; Card, Lee, and Lemieux 2021). In principle, changes in the real value of the minimum wage should likely increase both wage-dispersion *and* the dispersion of capital income, and in principle are entirely consistent with the present article’s hypothesis.²³ However, much of that sub-stream of literature, such as the commanding review of Autor et al. (2016), trains its focus on wage income alone.

A similar situation obtains in the case of research oriented towards the role of unions in inequality. That unions should constrain inequality is a kind of sister hypothesis to the claim that the capital-relation enables inequality. Moller et al. (2009) find support for both the de-unionization hypothesis and the minimum wage hypothesis with respect to wage-inequality, while Card et al. (2020), in an update of the authors’ previous seminal work, find that public sector unions play an important role in constraining wage-inequality, but private sector unions do little to that effect. In both of these cases, however, an empirical focus on wage-income has not settled directly an important question: to what extent is inequality driven by inequality in the distribution of labor-market characteristics

²²An interesting partial exception is Lin and Tomaskovic-Devey (2013), who investigate the impact of financialization on inequality in the sense of Krippner (2005); they explicitly take the labor share of income as one of three measures of inequality.

²³The mechanism for the latter is as follows. A fall in the minimum wage increases profits for (some) owners of capital, but not for members of the population who own no capital; thus, dispersion of capital income also increases.

as opposed to the distribution of capital assets?

Capital-centric Approaches

Finally, there is a growing, if still small, stream of research focused on the role of capital income in inequality. This literature is briefly reviewed separately since it has largely occurred outside of sociology. These studies often limit themselves to documenting this fact statistically; they add a great deal to knowledge of inequality, but relatively few are decompositional in a statistical sense. Many also exclude capital gains, an important topic in this study. These studies, finally, generally not draw out the theoretical consequences of this fact, which might interest sociologists.

A large number of studies document a growing *share* of capital income in the functional distribution of income without actually decomposing inequality *per se* into those sources (Piketty and Saez 2006; Autor, Katz, and Kearney 2008; Kristal 2010, 2013; Alvaredo et al. 2013; Piketty and Zucman 2014; Bengtsson and Waldenström 2018; Atkinson and Lakner 2021). Other studies have focused narrowly on the *association* between capital and labor income in some respect, which this study discusses in a more systematic fashion (Milanovic 2016; Atkinson and Lakner 2021; Ranaldi 2022; Gallusser and Krapf 2022; Iacono and Ranaldi 2023; Petrova and Ranaldi 2024; Berman and Milanovic 2024). Still other studies investigate the association between the capital share of income and an overall measure of inequality at the regional level (Schlenker and Schmid 2015; Erauskin 2020).

A few studies have adopted a similar statistical approach to the present article, decomposing total inequality into capital and labor components (plus their association), albeit with some central differences. Many of these studies are somewhat dated (Lerman and Yitzhaki 1985; Jenkins 1995; Gisbert 2001; Reed and Cancian 2001; Sastre and Trannoy 2002). Other studies focus on different countries or regions: the UK (Brewer and Wren-Lewis 2016), China (Chi 2012; Paul, Chen, and Lu 2017), Latin America generally (Sanfelice, Azevedo, and Inchauste 2013; Amarante 2016; Pandiella and Gabriel 2017) Germany (Schmid and Stein 2013; Grabka 2015), or Romania (Andrei et al. 2017).

Finally, some target only very specific years (García-Peñalosa and Orgiazzi 2013). Heathcote et al. (2023) briefly address the role of non-labor income for the United States. However, despite their use of a panoply of data-sets overall, they use only the Current Popular Survey in analyzing the role of non-labor income — shown below to highly underestimate such income — and do not spell out what they include in “non-labor income”.

Finally, a small number of studies approach this one closely, though with several key differences. Fräßdorf, Grabka, and Schwarze (2011) study Germany, the United States, and the United Kingdom but purposefully omit capital gains income for unconvincing reasons (discussed below); these are, however, an important source of income for top earners. Giangregorio and Villani (2025) focus their attention on constructing a class map in the Wright tradition but do also provide a *functional* decomposition, finding that for roughly the first decade of the 21st century, property income generally had a positive marginal effect on income inequality. Their study differs from the present one in the choice of country and years; the authors also do not draw out the consequences for sociological theory directly.²⁴

Two unfortunately little-discussed direct predecessors are Nau (2013) and Hungerford (2013), the latter of which is an unpublished working paper. Both study the United States and include capital gains in their measure of capital income. Both find that capital income plays a significant role in income inequality over roughly the same period covered as this one, often on the order of 20 percent.

This study advances the analysis in both studies. Nau’s study only includes select years between 1992 and 2010 as the result of using data from the Survey of Consumer Finances²⁵ on the grounds that tax data understate the incomes of top earners, but this is inconsistent with the results of the present study which finds an even more elevated role of capital income in inequality. Hungerford’s

²⁴Their study also uses the Gini coefficient as their measure of inequality and formalizes the contributions of capital and labor income as the elasticity of the Gini coefficient with respect to *growth* of that income type following Lerman and Yitzhaki (1985). This conceptualization addresses a somewhat different question to that posed by this article.

²⁵Nau also uses the Shapley decomposition rather than the coefficient of variation decomposition used in this study. Hungerford uses a decomposable variation of the Gini coefficient. These two strategies are not directly comparable; they simply reflect different conceptualizations of inequality.

study has a similar limitation; his study uses Internal Revenue Service (IRS) Statistics of Income Public Use Files; these are only available for a small number of years (1991 and every fifth year after up to and including 2006). The data used in this study, discussed directly below, are essentially a much-expanded version of Hungerford’s data. By using a full 37 years of data that are even richer and more reliable than those used by Nau and Hungerford, the present paper is able to confirm and indeed strengthen their findings. A final additional contribution of this study is to connect the findings of these papers to contemporary debates in sociology.

DATA AND METHOD

In brief, this study’s empirical approach is to analyze the relative importance of capital income in total income inequality by use of the coefficient of variation decomposition. It takes a “realization” approach to the definition of income, limiting “income” to pre-tax, pre-transfer receipt of cash from market activities. It limits its target population to working-age adults in the United States over the period 1980 – 2016. Two sources of data are used for the sake of cross-validation: tax data from the Internal Revenue Service (IRS) and survey data from the Current Population Survey (CPS). These choices are justified in detail below, beginning with the provenance of the data.

Sources of Data

The analysis was completed twice, once with administrative data which include detailed information on capital income and once with commonly-used survey data which do not.

The survey data are the Current Population Survey’s Annual Social and Economic Supplement (CPS-ASEC; “CPS” onward). The CPS is widely used in social science research, but there are known problems of income under-response with these data specifically and with income survey data generally (Bollinger, Hirsch, and Ziliak 2019; Brady 2019; Auten and Splinter 2024). Survey data tend to understate income in general and capital income in particular; Yonzan et al. (2022)

estimate that “about three-fourths of the tax/survey gap is due to differences in non-labor incomes”. A growing literature suggests that the use of tax data provides more accurate results for myriad reasons, most obviously because the consequences for misreporting income on a tax form are much more significant than the consequences for misstating income to a survey agency (Bollinger et al. 2019; Flores 2021; Haltiwanger, Hyatt, and Spletzer 2023).

The administrative data were produced by Saez and Zucman (2018), who construct a synthetic sample of tax data from the IRS.²⁶ These data are published on the IRS’ Statistics of Income website and are referred to as the “SOI” data in this paper.²⁷

This study limits its focus demographically to working-age persons, limiting the influence of important changes in the age-distribution over the period studied (Auten and Splinter 2024).²⁸ It also focuses on pre-tax/pre-transfer income, which in turn partially controls for (most) changes in state policy over the period in question; see appendix for further discussion.

The period under study is 1980 – 2016. The endpoints of the study were chosen to some extent for practical reasons; these are the years over which reliable data were available for both series. At the same time, these years are also economically salient. From an economic standpoint, the year 1980 is often taken as the start of a global shift in economic policy-making towards a “neoliberal” approach, following the *trentes glorieuses* of social democratic policy, high growth, and low unemployment that characterized the immediate post-World War II era (Gowan 1999; Davis and Kahn 2008).

Finally, some standard data cleaning decisions were made. Persons who earned implausible incomes were dropped; in the CPS, individuals earning less than half the full-time minimum wage (in 2010 dollars) were excluded. In the SOI, this same threshold was applied, and right-trail extreme values flagged by the data producers were dropped as well (when these observations were retained, results

²⁶The data are synthetic in the sense that the individual records are not actual individuals but weighted averages of individuals (taken as part of an effort to preserve privacy). More detail is available in the appendix or the authors’ working paper. This method is common to the dissemination of tax data; see Bryant et al. (2014) and Bryant (2017).

²⁷These data are different from the more widely-used data-set produced as part of Piketty et al. (2018), which has mostly been used for group-level analysis but which includes micro-level data. See the appendix for a full discussion.

²⁸For the CPS, labor-force status was identified directly; for the SOI, observations over age 64 were dropped since detailed labor-force participation information was absent.

from the SOI were even more dominated by the influence of capital income). In the CPS, repeat March supplement respondents were dropped, and only household heads were retained to minimize household-level clustering effects. This was not possible with the SOI since many married persons file income jointly; the authors' weights, however, adjust for the number of persons a tax income represents. After these restrictions, the SOI data generally featured between 10 and 20 thousand records per year, each representing between 15 people and several thousand; the CPS data included between 10 and 40 thousand records, each representing one person.

The Theoretical Definition of Income

Few extant sociological studies of income inequality pay close attention to the theoretical definition of income before it is operationalized. However, the exact definition used can greatly influence the measured level of income inequality: on certain plausible yet unconventional definitions, inequality in the US actually *fell* between the late 1970s and the 2007 business cycle peak (Armour, Burkhauser, and Larrimore 2014; Larrimore et al. 2021).

The present study takes a “realization” approach to yearly income. Income is defined as the flow of cash money actually realized by a particular person in a particular year which can be consumed or saved. This income has two basic components. First is labor income: hourly wages for labor or salaries. Second is capital income: profit income accruing to either a privately-held business or shares in a publicly-traded firm; interest income on debt instruments, typically bonds; net income from rental properties; net income from trusts and royalties; and, realized capital gains, i.e., the difference between the purchase and sale price of a stock. This study generally excludes forms of income that are “business expenses”, i.e., inflows of cash which simply replace outflows that had to be spent in order to make money.

This approach may seem uncontroversial, but it is not. In the first case, and as discussed above, many studies in sociology omit capital income for theoretical or practical reasons. Secondly, many

studies which include some measure of capital income purposefully omit capital gains proper or include it only in some series (Piketty and Saez 2003; Kristal 2010; Fräðdorf et al. 2011; Piketty and Zucman 2014; Flaherty 2015; Milanovic 2016; Hoffmann, Lee, and Lemieux 2020; Soener 2021; Auten and Splinter 2024; Scharrer 2025). The justification for this paper’s approach is discussed below and given fully in the appendix.

Operationalizing Income, Cleaning Data

In the CPS and SOI both, labor income was defined to be from wages and salaries plus self-employment income. Wage and salary income is perhaps the most straightforward category used: it is money received for the performance of work for another. Self-employment income is more complex; it is a tax category more than a proper economic category and includes income from sole proprietorships and partnerships. These latter two are firms with no formal incorporation, typically fairly small businesses (Pope et al. 2023); sole proprietorships have just one owner, and joint partnerships have multiple. A typical such firm might be a coffee shop or a doctor’s office. Thus, self-employment income includes both wage income (if a person, say, owns a coffee shop and also manages it) and capital income (the profits from owning said coffee shop atop the managerial wage the owner pays herself). The assignment of self-employment income to labor was made for the sake of epistemological conservatism; it biases the study against its thesis.

Capital income in the CPS was defined to be net income from rental properties, dividends received from stock, net income from royalties and trusts, and interest from loan holdings; in the SOI, capital income was defined to be the sum of those same sources plus S-corporation net income, and capital gains income. Only S-corporation income and capital gains income are both present in the SOI and absent from the CPS. An S-corporation is a corporation which directly “passes through” income to shareholders (Pope et al. 2023). This income is fairly straightforwardly capital income and included (counterarguments exist; see appendix). The question of whether capital gains should be included

is debated; the appendix includes a robust defense of their inclusion. In short, this study focuses on realized money income, and capital gains are clearly such a form of income.²⁹

Income from rents, dividends, royalties and trusts, and interest are fairly straightforward: these are all forms of income that are, strictly speaking, capital income. They result from the ownership of titles rather than the performance of labor.³⁰ They are capital income in the mainstream sense. They are all also forms of capital income in Marx’s sense, even if only dividend and S-corporation net income are *obviously* capital income in his sense. In fact, much of Marx (1981) is dedicated to showing why, for example, rent and interest income are ultimately just so many forms of surplus-value; the appendix discusses this in more detail. However, since it is uncontroversial to call these all “capital income” in the standard sense, this issue is not pursued further here.

Choice of Measure, Entropy

The coefficient of variation (CV) is the principal measure of inequality used here. The CV of a random variable is simply its standard deviation divided by its mean, that is, $\frac{\sigma}{\mu}$ at the population level, although the actual decomposition uses its square; this second quantity is referred to here as the relvariance (RV) (Kish 1966).

The analysis proceeds by decomposing the RV of total income into a function of the RV for each type of income (capital and labor), their shares of income, and their correlation. This allows for the identification of the contribution of each type of income to total inequality.

First, some justification of the use of the CV as measure is necessary. Fortunately, most commonly-used measures of inequality can be treated as members of the same family of functions on data. Most measures of inequality—the variance, the coefficient of variation, the Theil index, the Atkinson index—are members of the generalized entropy family or proportional to members of that family

²⁹Many economic studies, by contrast, include unobserved forms of income such as the imputed “rent” that a homeowner “receives” from occupying his or her own home; this inclusion is made for for (dubious) technical reasons (Larrimore et al. 2021; Gomez 2025). See appendix.

³⁰Of course, a person can make money from, say, rental holdings by supplying labor. However, this labor is typically recorded as a business expense; net income omits this cost.

(Shorrocks 1982; Cowell 2011). Members of this family have a number of desirable properties. They are scale independent, satisfy the principle of transfers, and are subgroup decomposable. The last two terms merit brief explanation: the “principle of transfers” is the criterion that a measure of inequality decrease if person A transfers income to person B so long as it does not leave A poorer than B is after the transfer. “Subgroup decomposability” requires that if inequality declines (increases) in every disjoint and exhaustive subset of a population, overall inequality should decrease (increase).

The general expression for entropy is given below, where θ is the defining parameter.

$$H_\theta = \frac{1}{\theta(\theta-1)} \left\{ \frac{1}{N} \sum_{k=1}^N \left(\frac{Y_k}{\mu_Y} \right)^\theta - 1 \right\}$$

The relvariance can easily be transformed into a slight modification of this quantity using the König-Huygens identity.

Some commonly-used measures of inequality that are *not* members of the entropy family include simple quantiles (or ratios of quantiles) and the Gini coefficient. These measures are largely set aside here because decomposing their magnitude into various sources is somewhat more complex, and these measures do not satisfy as many desirable properties as members of the entropy family (Cowell 2011); however, they are included in the appendix to fill out the descriptive picture.

Coefficient of Variation Decomposition

The coefficient of variation decomposition exploits the well-known fact that the variance of a composite random variable (one which is the sum of other random variables) is equal to the sums of the unique variances plus twice the sum of all of the unique pairwise covariances. In what follows, the numbers $k = 1, 2, \dots, p$ index some variables $Y_1, Y_2, \dots, Y_p$ such that $Y = \sum_{k=1}^p Y_k$.

$$\begin{aligned}
\sigma_Y^2 &= \mathbb{E}[(Y - \mu_Y)^2] \\
&= \mathbb{E}\left[\left\{\sum_{k=1}^p Y_k - \sum_{k=1}^p \mu_k\right\}^2\right] \\
&= \mathbb{E}\left[\left\{\sum_{k=1}^p (Y_k - \mu_k)\right\}^2\right] \\
&= \sum_{k=1}^p \mathbb{E}[(Y_k - \mu_k)^2] + 2 \sum_{j>k} \mathbb{E}[(Y_k - \mu_k)(Y_j - \mu_j)] && \text{by symmetry of covariances} \\
&= \sum_{k=1}^p \sigma_k^2 + 2 \sum_{j>k} \sigma_{jk}
\end{aligned}$$

The coefficient of variation is simply the standard deviation normed by the expectation, so the same property above, known as the Bienaymé decomposition, holds if the CV is squared.

$$\frac{\sigma_Y^2}{\mu_Y^2} = \frac{1}{\mu_Y^2} \left\{ \sum_{k=1}^p \sigma_k^2 + 2 \sum_{j>k} \sigma_{jk} \right\}$$

The contribution to the total relvariance can be expressed as a function of each variable's *individual* relvariance (i.e., normed by its own mean, not the total mean), its *correlation* with the other variables, and its *share* of total income. The logic is as follows, present but not derived in Cancian and Reed (1999). For simplicity of notation below, *RV* and *CV* refer to the relvariance and coefficient of variation, while *s* is the share of a type of income in total income and ρ is the (Pearson) correlation coefficient.

$$\begin{aligned}
\frac{\sigma_Y^2}{\mu_Y^2} &= \sum_{k=1}^p \frac{\sigma_k^2}{\mu_Y^2} + 2 \sum_{j>k} \frac{\sigma_{jk}}{\mu_Y^2} \\
&= \sum_{k=1}^p \frac{\sigma_k^2}{\mu_k^2} \frac{\mu_k^2}{\mu_Y^2} + 2 \sum_{j>k} \rho_{jk} \frac{\sigma_k}{\mu_k} \frac{\sigma_j}{\mu_j} \frac{\mu_j}{\mu_Y} \frac{\mu_k}{\mu_Y} \\
&= \sum_{k=1}^p RV_k s_k^2 + 2 \sum_{j>k} \rho_{jk} CV_j CV_k s_j s_k
\end{aligned}$$

Assigning one of the identical covariance terms to each of the two variables involved following Shorrocks (1982), the contribution of each factor f to the total relvariance is as follows; dividing each contribution by the total relvariance normalizes their sum to one, producing “percent contribution” interpretations.

$$C_f = RV_f s_f^2 + \sum_{f \neq k} \rho_{fk} CV_f CV_k s_f s_k$$

Finally, the coefficient of variation decomposition may be combined with the standard analysis of variance. In the final step of the analysis below, the coefficient of variation is decomposed into capital and labor contributions between and within the “99 and 1 percent”. First, for a finite population, the law of total variance can be obtained.³¹

³¹Here $\sigma^2 = \frac{1}{N} \sum_{g=1}^G \sum_{k=1}^{N_g} (y_{kg} - \mu_Y)^2$. See Cochran (1977) for a discussion of the use of N vs. $N - 1$ for a finite population.

$$\begin{aligned}
N\sigma^2 &= \sum_{g=1}^G \sum_{k=1}^{N_g} (y_{kg} - \mu_Y)^2 \\
&= \sum_{g=1}^G \sum_{k=1}^{N_g} (y_{kg} - \mu_g + \mu_g - \mu_Y)^2 \\
&= \sum_{g=1}^G \sum_{k=1}^{N_g} (y_{kg} - \mu_g)^2 + \sum_{g=1}^G \sum_{k=1}^{N_g} (\mu_g - \mu_Y)^2 + \underbrace{2 \sum_{g=1}^G \sum_{k=1}^{N_g} (y_{kg} - \mu_g)(\mu_g - \mu_Y)}_{=0 \text{ by deviations about mean property}} \\
\sigma^2 &= \sum_{g=1}^G \sum_{k=1}^{N_g} \frac{N_g}{N} \frac{(y_{kg} - \mu_g)^2}{N_g} + \sum_{g=1}^G \frac{N_g}{N} (\mu_g - \mu_Y)^2 \\
\frac{\sigma^2}{\mu_Y^2} &= \sum_{g=1}^G \sum_{k=1}^{N_g} \frac{N_g}{N} \left(\frac{\mu_g}{\mu_Y} \right)^2 \frac{(y_{kg} - \mu_g)^2}{N_g \mu_g^2} + \sum_{g=1}^G \frac{N_g}{N} \left(\frac{\mu_g}{\mu_Y} \right)^2 \frac{(\mu_g - \mu_Y)^2}{\mu_g^2} \\
RV &= \sum_{g=1}^G w_g r_g^2 RV_g + \sum_{g=1}^G w_g r_g^2 \frac{(\mu_g - \mu_Y)^2}{\mu_g^2}
\end{aligned}$$

...where $RV_g = \sum_{k=1}^{N_g} \frac{(y_{kg} - \mu_g)^2}{N_g \mu_g^2}$ is the within-group relvariance, w_g is a group's population weight and r_g is the ratio of their mean to the overall mean, (note that r_g is *not* the share of total income, only the ratio of means).

Put simply, the total square of the coefficient of variation is the sum of two large components. First is the sum of the *CV* decomposition *within* groups, weighted by *both* the groups' respective shares of the population and the respective ratios of group mean income to total income. Second is the sum of the groups' mean squared deviations from the overall mean, weighted by the same two factors.

All of the major analytical findings shown below include 95 percent confidence intervals obtained using 500 bootstrap replicates for each year (some finer grained analyses are presented without replicates using only sample data).

FINDINGS

The main finding of this paper is straightforward: inequality in the United States in the three decades and half following 1980 was driven by inequality of capital income, while inequality of labor income played a comparatively small role. While capital income forms a small share of total income for most people, its enormous dispersion — far above that of labor income — allows it to play a significant role in overall earnings dispersion. Most persons earn little to no capital income, but it forms nearly 50 percent of the income of the top percentile of income earners in any given year. An important aspect of this paper’s findings is that the overwhelming role of capital income is only visible with high-quality administrative data; all of the findings below present comparable figures for both the Current Population Survey (CPS) and the tax data produced by Saez and Zucman (2018), called the “SOI” data below. A detailed robustness check can be found in the appendix, which demonstrates that these data-sets are otherwise highly similar.

First, a brief descriptive picture of inequality is helpful. As is well-established, inequality of pre-tax total income in the United States increased sharply in the decades between about 1980 and the three or four decades following. However, less recognized is the fact that the magnitude of inequality depends strongly on the provenance of the data: if the coefficient of variation (CV) is used as a general measure of inequality, it increased between 1980 and 2016 by roughly 50 percent if the CPS is used and by 200 percent if the tax data are used.³²

[Figure 1 here]

Next, the empirical hypothesis of the main bulk of inequality literature can be tested: that income inequality is largely inequality of labor incomes. While this hypothesis finds strong support using CPS data, *this hypothesis finds strikingly little support using tax data*. In contrast, the contribution

³²In what follows, it is worth noting that it is the *square* of the CV, the relvariance (RV), which is directly decomposable (for essentially the same reason that the Pythagorean theorem is given in terms of squared sides). Similarly, the spread of income and share of income affect the RV both directly and in square. For the sake of easy interpretation, this section presents descriptive statistics for the CV, share, and dispersion of individual components without squaring them.

of capital income to total income inequality in the tax data is persistently large, essentially always between 60 and 80 percent, in the tax data, while it is persistently low, near 10 percent, in the CPS data.

This finding is of central importance: *capital income plays the central role in income inequality* in the data-set that *prima facie* should be more accurate, i.e., tax data.

[Figure 2 here]

A detailed examination of the contribution of capital income is useful. As discussed above, the contribution of a given form of income to total income inequality is a function of three parameters: its share of total income, its correlations with all other sources, and inequality within that factor. Below, each parameter is investigated for capital income.

First, the share of capital income is generally higher in tax data, which stands to reason: the SOI data include information on an important source of capital income, capital gains, while the CPS does not. Also relevant is the general reason that tax data should be more reliable: there is less scope for social desirability bias in reporting tax information.

[Figure 3 here]

Second, the correlation between capital and labor income is, by contrast, very similar across the two data-sets across years. However, in the case of a composite variable which has just two components (as in the present case), the exact same correlation makes an appearance in both contributions.³³ So, this term is of interest in its own right as an index of what Berman and Milanovic (2024) call “homoploutia”, but it cannot account for a difference in the contributions of capital and labor income.

[Figure 4 here]

Third and finally, examining the dispersion *within* a single type of income, one can observe that the

³³Technically, the term involving the correlation is only *proportional* to the correlation (multiplied by the product of their coefficients of variation and shares) but the distinction here does not matter: the same term appears in the contribution of both capital and labor, so it cannot account for a difference in the size of their contribution.

coefficients of variation of the two types of income are highly dissimilar, both within data-sets and across data-sets. The CV of labor income is larger in the tax data, but the CV for capital income is much larger: by the end of the series, the ratios of dispersion across data-sets for the two types of income are different by about an order of magnitude.

[Figure 5 here]

[Figure 6 here]

In short, then, the elevated role of capital income in total income inequality in the higher-quality tax data is a function of both the elevated share of capital income in the tax data but also a much more elevated dispersion.

It is also interesting to note the sub-types of income responsible for this elevated role of capital income in the tax data; capital income is the sum of many legally- and practically-distinct types of income. A detailed decomposition of the tax data alone reveals that the principal contributors (averaged across years) for the tax data are, in descending order, capital gains income, wage income, S-corporation income, and interest income. The presence of capital gains income is thus an important source of the significantly different findings between the two data-sets; the CPS omits information about this important source of income.

[Figure 7 here]

Lastly, it is interesting to note *why* the tax data generally feature a higher share of capital income in total income and a greater dispersion. This difference is driven by the characteristics of high-income earners in the tax data. In fact, two data-sets display almost identical summary statistics for broad swathes of the population.

[Figure 8 here]

[Figure 9 here]

However, the share of the top one percent of earners in the SOI displays a persistently, significantly higher share; those earners also owe a significantly higher share of their income to capital income, and they take in a commanding majority share of national capital income.³⁴

[Figure 10 here]

[Figure 11 here]

[Figure 12 here]

Indeed, a between/within decomposition shows that the majority of income inequality is *within* the top one percent for these data. A detailed analysis (see Table 1) demonstrates, interestingly, that the within-group component for the one percent is *dominated* by capital income. However, the RV of capital income for the rich is generally (slightly) smaller than the RV for the bottom 99 percent. The solution to this puzzle is simple and instructive: in fact, the *unadjusted* variance of capital income is vastly higher among the rich; the RV is smaller only because mean capital income is much larger among the rich, and this much larger share of capital income for the “one percent” tips the balance in favor of capital income.

[Figure 13 here]

Thus, the following picture emerges from the analysis above. Inequality, conceived of here as the (square of the) coefficient variation, rose substantially in the United States between 1980 and 2016. Capital income is the majority contributor to this form of inequality. Capital income’s contribution, like that of any factor in the coefficient of variation decomposition, depends on its share of income, its own coefficient of variation, and its correlation with other factors (here, just labor income). Capital income forms a fairly small share of income, yet it is marked by an extraordinarily high coefficient of variation, allowing to play a significant role.

³⁴Note that the use of broad “classes” here, in the very informal sense of large groups such as “the one percent and the 99 percent”, is not required at all for the main results — it is simply one possible way of further stratifying the analysis. The empirical approach of this paper does not require finding a “true” underlying class map.

Another notable aspect of these findings is that they hold only if high-quality administrative data are used, such as the tax data presented here. By contrast, in survey data, the contribution of capital income is substantially smaller. The reasons for this are straightforward and interconnected. The tax data, which should be assumed more accurate (in the absence of true population data), suggest much higher income for top earners *even if the largest earners flagged as outliers by the research team are excluded*.³⁵ These observations receive substantially more of national income in the tax data, and they receive the lion’s share of capital income in those data. And, finally, even within that upper echelon of earners, the high variance of capital income — or the combination of a large coefficient of variation and a large share of income — accounts for a significant share of income inequality.

DISCUSSION

This paper tests a prevailing, if implicit, claim in the sociological literature: that income inequality is generated by an underlying inequality of desirable labor market characteristics. Some of those theories suggest that inequality is best understood as a function of occupational segregation; others stress the classical twin factors, individual skills and education; still others stress the susceptibility of jobs to automation or offshoring. What all of these theories share in common is that they put forward reasons that *different persons would earn different labor incomes*. In these theories, there is no necessary reference to another important potential source of inequality: differential ownership of capital. The present study hypothesizes, by contrast, that much income inequality is in fact inequality of capital income, and therefore an important inequality-generating mechanism is inequality of ownership of capital.

This study uses rich tax data, which help overcome the problems of survey bias, to test these com-

³⁵There is no particular reason to assume that such observations are in any way mistakes, short of unlikely data entry errors; no individual has an incentive to falsely claim enormous incomes in private tax statements. However, they are excluded from the above anyways for the sake of caution. The appendix contains the results of the basic decomposition above with these observations restored.

peting hypotheses. It finds strong evidence of the empirical claim that most inequality is inequality *of* capital income and thus evidence that inequality in the ownership of capital is the core inequality-generating mechanism. A crucial role in this process is reserved for capital gains, the change in the price of a stock between its purchase and sale.

This study also avoids a shared set of problems in prior attempts to study the impact of this distinctly capitalist form of income, attempts centered in the neo-Marxian research stream. Said stream of research generally proceeds by building detailed maps of class locations and regressing income onto these categories and various covariates. This approach, though it has produced interesting empirical work, has generally obscured the role of capital income. In that framework, too much focus is laid on placing individual earners into disjoint subsets of the labor-force, even when top executives (who are technically workers or at least managers) are also overwhelmingly compensated in the form of stocks and whose income is thus, to a significant extent, comprised of capital income. This study suggests a theoretical alternative: most individuals play both the role of capitalist and worker, an empirical fact of which Marx was keenly aware. However, individuals mix those roles to very different extents, and this unequal distribution of roles generates inequality. The fact, demonstrated above, that most persons receive very little capital income, while top earners receive nearly half of their income from ownership of assets, is evidence of the salience of this perspective.

This paper does have certain limitations, which provides a fruitful avenue for future research; all of these are discussed at greater length in the appendix.

First, tax data themselves are not free of problems, and this paper cannot hope to resolve all of those here (Auten and Splinter 2024). Tax returns still generally understate income thanks to tax avoidance, especially at the top of the income distribution.³⁶ That said, the findings of the present

³⁶The problem of tax avoidance might be a smaller problem than it appears. Many “tax loopholes” are entirely legal and thus reported to the IRS; the latter estimates that in 2009, for example, several thousand taxpayers earning more than \$200,000 legally claimed zero tax liability (Bryant et al. 2014), so these individuals are not missing from tax data. Actual tax evasion rates in cases where leaked data from offshore accounts can be linked to individual taxpayers’ tax payments suggests strongly that tax evasion is almost entirely a practice of the highest echelon of earners (Alstadsæter, Johannesen, and Zucman 2019). Guyton et al. (2023) suggest, using a variety of methods, that true income is less than 20 percent larger than income reported to the IRS but that this scaling factor climbs to 50

paper suggest that the role of capital income in inequality would only be larger if this avoidance were not present. On a different note, the tax code itself can provide somewhat-perverse incentives for firms and individuals to report certain kinds of income. Capital income is generally taxed at a lower rate, which incentivizes reporting of labor income as capital income where possible; at the same time, as Durand (2017) notes, many top managers are paid well in excess of what could be considered the marginal product of their labor and may be more akin to what Wright (2015) terms “loyalty rents”. Relatedly, self-employment income is challenging to allocate to either capital or labor income: unlike in the case of revenues of formally-incorporated firms, taxpayers do not need to split self-employment income into wages and profits. For the sake of conservatism, this paper allocates all of that income to labor, but other researchers may wish to estimate the magnitude of self-employment income that is “really” labor income.³⁷

In a narrower statistical sense, the use in virtually all publicly-available IRS data of “blurring” methods for privacy reasons likely understates within-stratum variance (Bryant et al. 2014); however, whether this would affect the relative role of capital income is unclear.³⁸ Finally and relatedly, many tax returns are filed jointly; while Saez and Zucman (2018) provide weights which reflect that, this method also tends to underestimate person-level variance by effectively treating members of a joint return as having exactly half the income of the couple (though this may accurately reflect marital pooling of income).

Second, this paper makes a justified decision to include capital gains income in total income and to measure income inequality as the coefficient of variation, but these are not the only possible choices.

If capital gains were excluded, income inequality would be driven by labor income, though with a significant share still due to capital income. In general, sociologists studying inequality have not

percent among the top one percent. Consequently, they suggest that over 80 percent of such income is capital income, a finding that would strengthen the conclusions of this article greatly. The author thanks Jacob Wolbert for calling attention to this fact.

³⁷C.f. Piketty et al. (2018), who use a 70/30 split based on national income.

³⁸Bryant, Rexrode, and Gutierrez (2024) compare the IRS’ own Public Use Files (PUFs), essentially a sporadic version of the data used here, to the underlying restricted-access IRS population of tax returns. They find that simple weighted estimators of means *and* variances are essentially unbiased using PUF data.

paid much attention to the various possible definitions of income, even though a substantial body of economic and legal literature suggests that many different measures make sense in a given context (Clarke and Kopczuk 2025). The same is true of the choice to use an entropy-family measure of inequality (like the CV) as opposed to a measure that makes explicit reference to rank, such as quantile measures and the Gini coefficient. Future research might produce different results with different measures of inequality or definitions of income.

Finally, it should be noted that *yearly* income is only a loose proxy for total lifetime economic welfare (Cheng 2014); lifetime income inequality tends to be somewhat smaller than yearly income inequality (Aaberge and Mogstad 2015). The United States, though marked by a pronounced inequality of income, is also marked by significant income mobility. Auten, Gee, and Turner (2013) suggest that, using data from the first decade of this century, only about $\frac{1}{3}$ of the top one percent of earners in a given year remained in that stratum for the following six years. Given the importance of capital gains income in the present study, which represent a “one-time payout”, an “accrual” approach which counts gains as they are accrued (rather than at the time of realization) might demonstrate different results by reducing variance in capital gains.³⁹ Ultimately, there is no obviously correct approach.⁴⁰ However, researchers should continue to pursue alternatives to the approach taken here to supply a full picture of inequality.

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³⁹The appendix discusses some reasons why the accrual approach itself can be misleading, however.

⁴⁰For example, the finding that the composition of the top one percent tends to change only makes yearly income inequality strongly misleading if yearly entry into this group is strongly unrelated to prior earnings or parents’ earnings; Chetty et al. (2014) suggest that it is not.

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TABLES

Table 1. *Descriptive Statistics and Contributions of Capital and Labor Income To Inequality Within the 99 and 1 percent, and Contributions to Total Inequality Within and Between Quantiles.*

Note: In what follows, the subscripts k and l refer to capital and labor. CV refers to the coefficient of variation; $\hat{\mu}$ to the sample mean, s to the share of total income accruing to a given type of income, and $\hat{\rho}$ to the sample correlation between capital and labor. C_{wk} refers to the within-quantile capital contribution and C_{wl} to the within-quantile labor contribution. C_w and C_b refer to the within/between contributions of a given quantile. The within contributions, C_{wk} and C_{wl} sum to unity for a given quantile (row-wise). The total within contribution C_w and total between contribution C_b sum across quantiles (pairs of rows within a given year) to unity.

		CV_k	CV_l	$\hat{\mu}_k$	$\hat{\mu}_l$	s_k	s_l	$\hat{\rho}$	C_{wk}	C_{wl}	C_w	C_b	n (1000s)
Year	99th percentile												
1980	below	3.78	0.67	3.15	49.14	0.06	0.94	-0.01	0.11	0.89	0.17	0.00	17.54
	above	3.72	0.95	177.95	275.71	0.39	0.61	-0.17	0.91	0.09	0.61	0.22	5.00
1981	below	3.72	0.67	3.26	48.45	0.06	0.94	-0.03	0.11	0.89	0.16	0.00	13.91
	above	3.70	1.08	185.65	255.06	0.42	0.58	-0.24	0.93	0.07	0.63	0.21	4.08
1982	below	3.73	0.68	3.17	48.62	0.06	0.94	-0.04	0.10	0.90	0.11	0.00	7.30
	above	4.15	1.05	207.38	275.74	0.43	0.57	-0.15	0.94	0.06	0.71	0.17	3.42
1983	below	3.98	0.70	3.29	49.60	0.06	0.94	-0.06	0.11	0.89	0.10	0.00	10.11
	above	3.90	1.09	242.22	290.77	0.45	0.55	-0.09	0.92	0.08	0.72	0.17	5.03
1984	below	4.09	0.70	3.15	50.15	0.06	0.94	-0.06	0.10	0.90	0.07	0.00	7.48
	above	4.65	1.15	255.20	304.72	0.46	0.54	-0.10	0.94	0.06	0.79	0.14	4.22
1985	below	4.38	0.72	3.20	51.00	0.06	0.94	-0.09	0.10	0.90	0.07	0.00	9.89
	above	4.23	1.23	292.94	302.83	0.49	0.51	-0.10	0.94	0.06	0.78	0.14	5.89
1986	below	4.31	0.73	3.74	52.49	0.07	0.93	-0.05	0.14	0.86	0.03	0.00	6.65
	above	4.65	1.36	465.92	304.87	0.60	0.40	-0.06	0.97	0.03	0.88	0.09	4.45
1987	below	4.54	0.73	2.91	52.60	0.05	0.95	-0.03	0.10	0.90	0.09	0.00	11.62
	above	4.18	1.33	246.58	410.31	0.38	0.62	-0.09	0.80	0.20	0.71	0.20	4.22
1988	below	4.78	0.75	2.86	53.10	0.05	0.95	-0.02	0.10	0.90	0.05	0.00	8.63

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		CV_k	CV_l	$\hat{\mu}_k$	$\hat{\mu}_l$	s_k	s_l	$\hat{\rho}$	C_{wk}	C_{wl}	C_w	C_b	n (1000s)
Year	99th percentile												
	above	4.56	1.52	328.06	504.09	0.39	0.61	0.06	0.78	0.22	0.79	0.16	5.38
1989	below	4.67	0.76	3.01	52.61	0.05	0.95	-0.03	0.10	0.90	0.06	0.00	9.62
	above	4.24	1.34	302.83	468.89	0.39	0.61	0.04	0.80	0.20	0.76	0.18	4.21
1990	below	4.77	0.76	2.73	52.08	0.05	0.95	-0.00	0.10	0.90	0.07	0.00	9.39
	above	4.14	1.42	265.12	493.88	0.35	0.65	0.06	0.70	0.30	0.73	0.20	4.27
1991	below	4.87	0.76	2.54	51.67	0.05	0.95	-0.01	0.09	0.91	0.09	0.00	10.42
	above	3.99	1.28	227.54	468.25	0.33	0.67	0.06	0.69	0.31	0.68	0.22	5.32
1992	below	5.43	0.77	2.26	52.53	0.04	0.96	0.01	0.09	0.91	0.06	0.00	8.30
	above	4.35	1.70	249.89	541.87	0.32	0.68	0.12	0.57	0.43	0.76	0.18	4.64
1993	below	5.53	0.77	2.21	52.23	0.04	0.96	0.01	0.09	0.91	0.07	0.00	8.52
	above	4.31	1.43	249.02	507.48	0.33	0.67	0.09	0.67	0.33	0.73	0.20	4.58
1994	below	5.71	0.77	2.09	52.43	0.04	0.96	0.02	0.08	0.92	0.07	0.00	8.80
	above	4.30	1.27	271.42	488.39	0.36	0.64	0.08	0.76	0.24	0.73	0.19	4.66
1995	below	5.57	0.80	2.45	52.70	0.04	0.96	0.01	0.10	0.90	0.06	0.00	9.09
	above	4.21	1.35	304.41	520.72	0.37	0.63	0.09	0.75	0.25	0.75	0.19	5.41
1996	below	5.19	0.81	2.65	53.31	0.05	0.95	0.07	0.11	0.89	0.04	0.00	10.01
	above	4.56	1.54	395.04	564.64	0.41	0.59	0.10	0.79	0.21	0.81	0.15	6.08

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		CV_k	CV_l	$\hat{\mu}_k$	$\hat{\mu}_l$	s_k	s_l	$\hat{\rho}$	C_{wk}	C_{wl}	C_w	C_b	n (1000s)
Year	99th percentile												
1997	below	4.78	0.82	3.13	54.07	0.05	0.95	0.10	0.12	0.88	0.03	0.00	9.21
	above	4.69	1.78	484.96	601.25	0.45	0.55	0.09	0.80	0.20	0.84	0.13	6.59
1998	below	5.10	0.84	3.17	55.25	0.05	0.95	0.08	0.13	0.87	0.03	0.00	9.64
	above	4.48	2.04	552.16	651.46	0.46	0.54	0.06	0.76	0.24	0.84	0.13	7.86
1999	below	4.95	0.85	3.59	56.47	0.06	0.94	0.11	0.15	0.85	0.02	0.00	10.22
	above	4.51	2.30	621.98	712.66	0.47	0.53	0.09	0.73	0.27	0.86	0.12	8.95
2000	below	5.01	0.86	3.62	57.02	0.06	0.94	0.10	0.14	0.86	0.02	0.00	10.68
	above	5.13	2.35	679.86	765.62	0.47	0.53	0.07	0.77	0.23	0.88	0.10	10.09
2001	below	6.18	0.85	2.51	57.25	0.04	0.96	0.04	0.10	0.90	0.03	0.00	11.65
	above	4.85	2.06	437.92	703.32	0.38	0.62	0.06	0.67	0.33	0.83	0.14	8.48
2002	below	6.90	0.83	2.04	56.81	0.03	0.97	0.03	0.09	0.91	0.04	0.00	10.58
	above	4.97	1.65	359.18	652.02	0.36	0.64	0.07	0.72	0.28	0.80	0.15	7.21
2003	below	7.07	0.84	2.06	56.69	0.04	0.96	0.04	0.09	0.91	0.04	0.00	10.84
	above	4.84	1.71	396.50	645.39	0.38	0.62	0.06	0.74	0.26	0.81	0.15	7.51
2004	below	6.69	0.85	2.52	57.47	0.04	0.96	0.04	0.12	0.88	0.03	0.00	11.49
	above	4.78	1.96	540.31	694.80	0.44	0.56	0.08	0.76	0.24	0.85	0.13	9.15
2005	below	6.27	0.88	3.18	57.54	0.05	0.95	0.06	0.15	0.85	0.02	0.00	11.68

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		CV_k	CV_l	$\hat{\mu}_k$	$\hat{\mu}_l$	s_k	s_l	$\hat{\rho}$	C_{wk}	C_{wl}	C_w	C_b	n (1000s)
Year	99th percentile												
	above	4.54	2.07	706.79	748.75	0.49	0.51	0.08	0.79	0.21	0.86	0.12	6.45
2006	below	5.82	0.89	3.49	57.74	0.06	0.94	0.08	0.15	0.85	0.02	0.00	13.15
	above	3.93	1.89	738.45	755.33	0.49	0.51	0.06	0.79	0.21	0.82	0.15	6.96
2007	below	5.76	0.90	3.77	57.52	0.06	0.94	0.06	0.16	0.84	0.02	0.00	12.21
	above	4.06	1.97	771.74	791.84	0.49	0.51	0.12	0.78	0.22	0.84	0.14	7.18
2008	below	6.85	0.89	2.50	57.43	0.04	0.96	0.05	0.11	0.89	0.02	0.00	12.06
	above	5.52	2.07	567.11	771.44	0.42	0.58	0.11	0.77	0.23	0.88	0.10	6.37
2009	below	7.54	0.87	1.97	56.49	0.03	0.97	0.02	0.09	0.91	0.05	0.00	14.94
	above	4.28	1.63	353.02	693.67	0.34	0.66	0.08	0.63	0.37	0.76	0.19	5.19
2010	below	7.38	0.90	2.03	56.26	0.03	0.97	0.04	0.09	0.91	0.04	0.00	15.28
	above	4.68	1.69	437.70	734.65	0.37	0.63	0.05	0.72	0.28	0.80	0.16	5.72
2011	below	7.00	0.91	2.19	55.99	0.04	0.96	0.05	0.09	0.91	0.04	0.00	15.62
	above	4.50	1.65	431.51	739.00	0.37	0.63	0.05	0.71	0.29	0.78	0.17	5.91
2012	below	7.58	0.93	2.41	57.32	0.04	0.96	0.03	0.11	0.89	0.02	0.00	15.90
	above	4.55	1.83	642.66	795.00	0.45	0.55	0.12	0.78	0.22	0.84	0.13	6.76
2013	below	6.87	0.90	2.61	56.45	0.04	0.96	0.06	0.12	0.88	0.04	0.00	15.51
	above	4.41	1.83	452.93	735.73	0.38	0.62	0.10	0.67	0.33	0.80	0.16	6.74

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		CV_k	CV_l	$\hat{\mu}_k$	$\hat{\mu}_l$	s_k	s_l	$\hat{\rho}$	C_{wk}	C_{wl}	C_w	C_b	n (1000s)
Year	99th percentile												
2014	below	6.95	0.92	2.84	57.37	0.05	0.95	0.05	0.13	0.87	0.03	0.00	15.54
	above	4.66	1.87	571.74	760.06	0.43	0.57	0.10	0.76	0.24	0.84	0.13	6.82
2015	below	6.91	0.93	2.85	58.90	0.05	0.95	0.06	0.13	0.87	0.03	0.00	15.62
	above	4.56	1.89	579.47	791.80	0.42	0.58	0.09	0.74	0.26	0.83	0.14	6.85
2016	below	7.20	0.92	2.69	59.27	0.04	0.96	0.04	0.12	0.88	0.03	0.00	15.64
	above	4.89	1.78	538.12	770.26	0.41	0.59	0.09	0.77	0.23	0.83	0.13	6.76

FIGURES

In all figures below, bands represent 95 percent confidence intervals from 500 bootstrap replicates for each year.

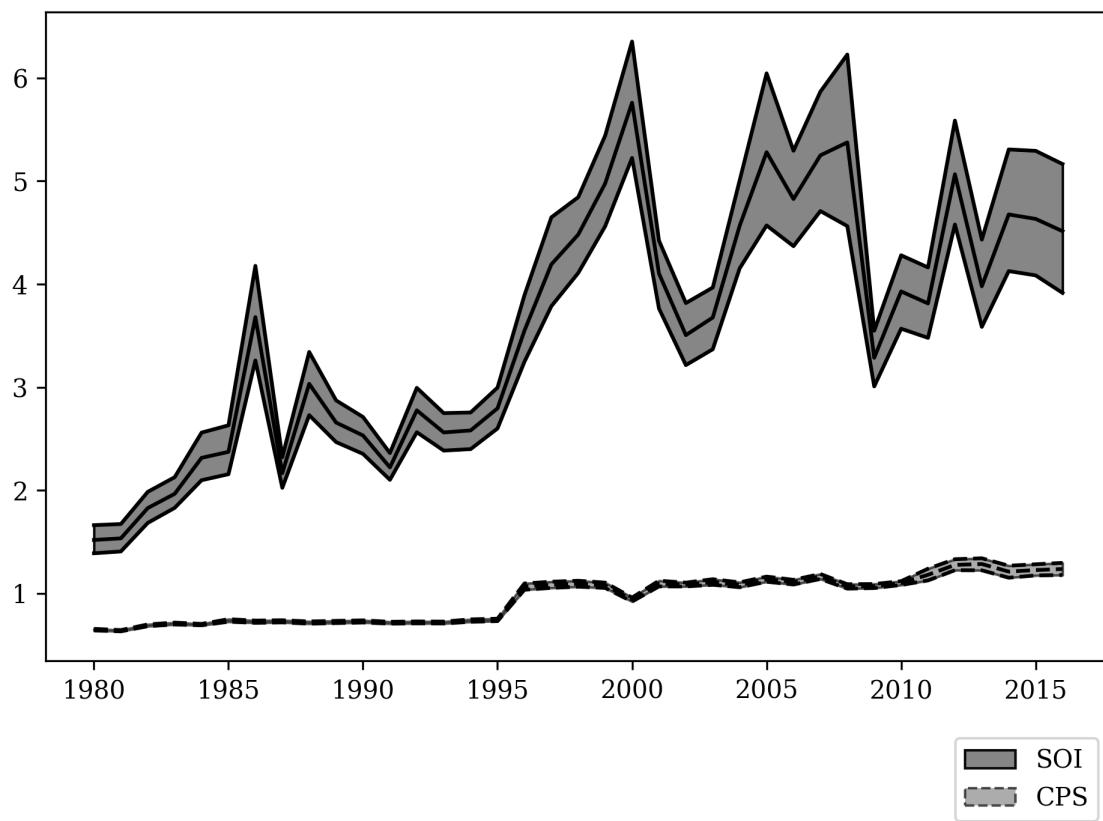


Figure 1: Inequality as measured by coefficient of variation.

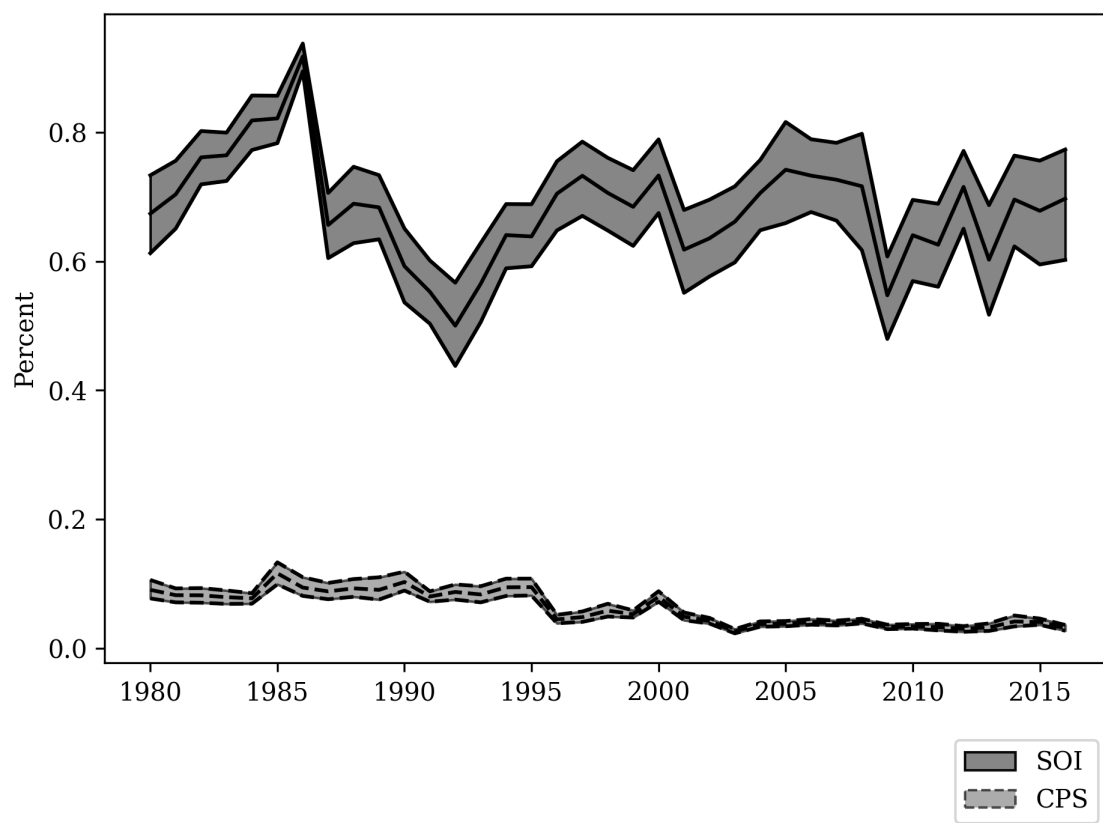


Figure 2: Contribution of capital income to inequality.

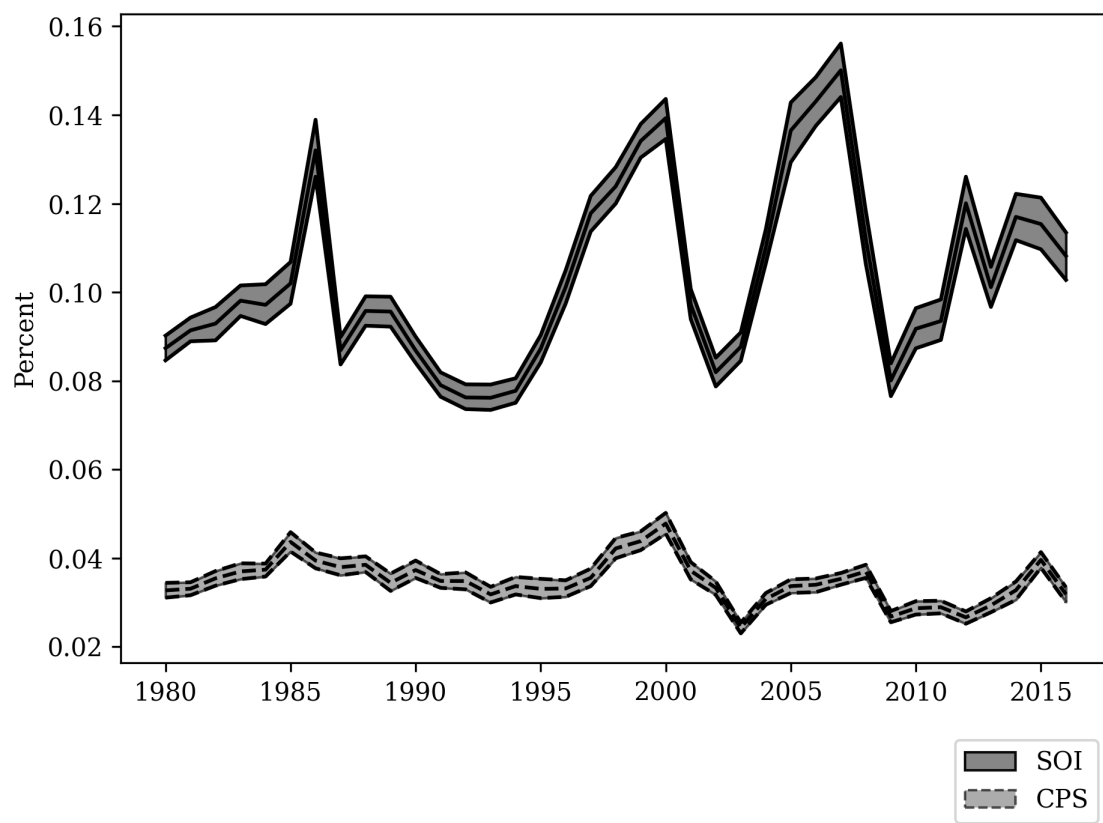


Figure 3: Share of capital income in total income.

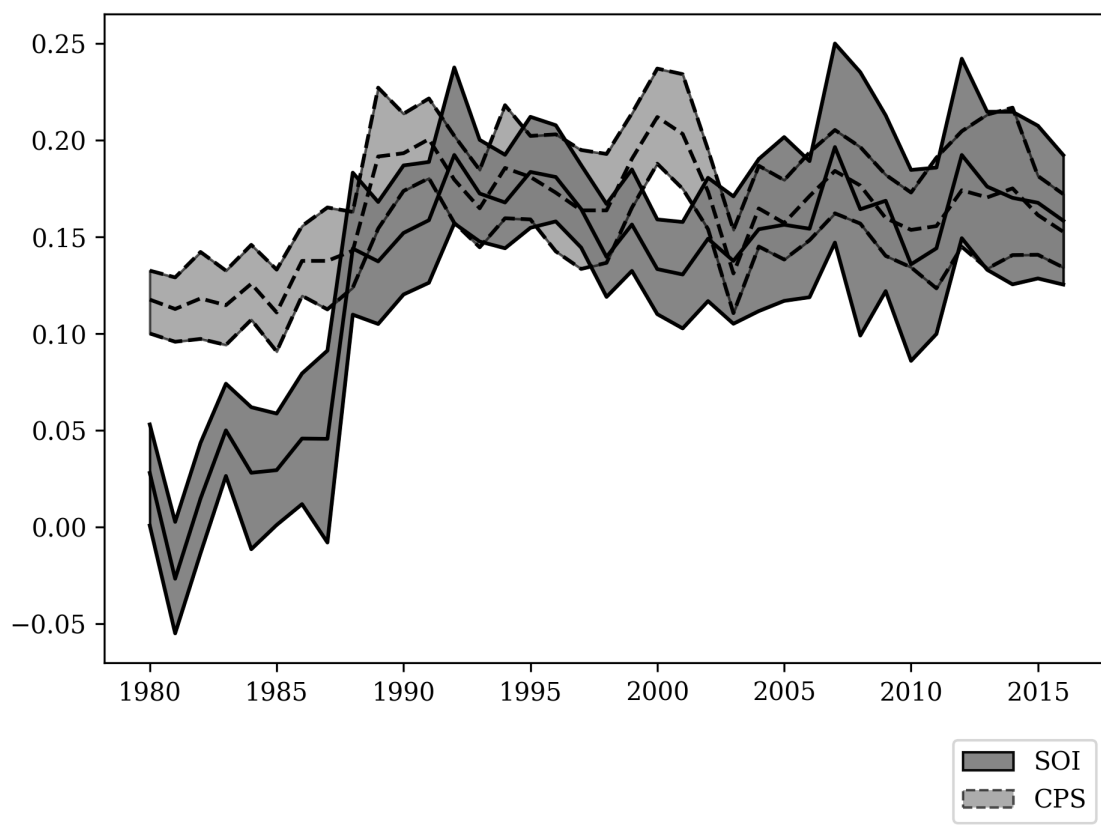


Figure 4: Correlation between capital and labor incomes.

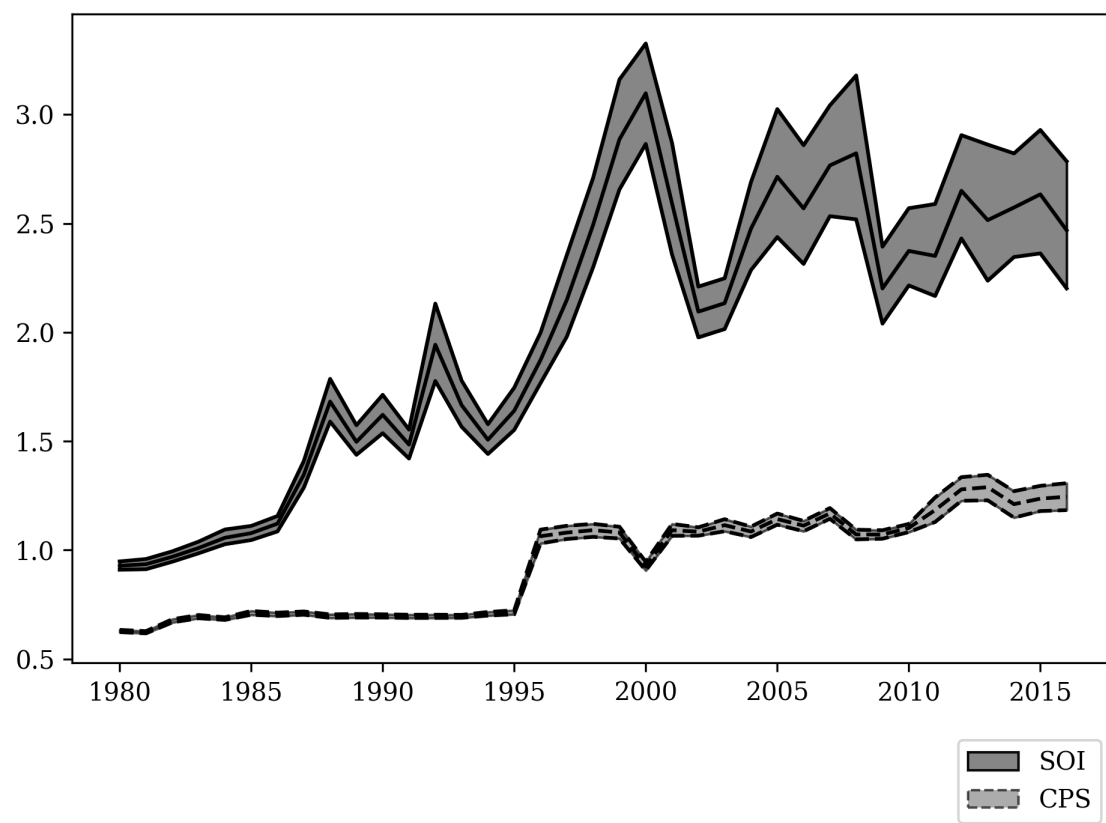


Figure 5: Coefficient of variation, labor income.

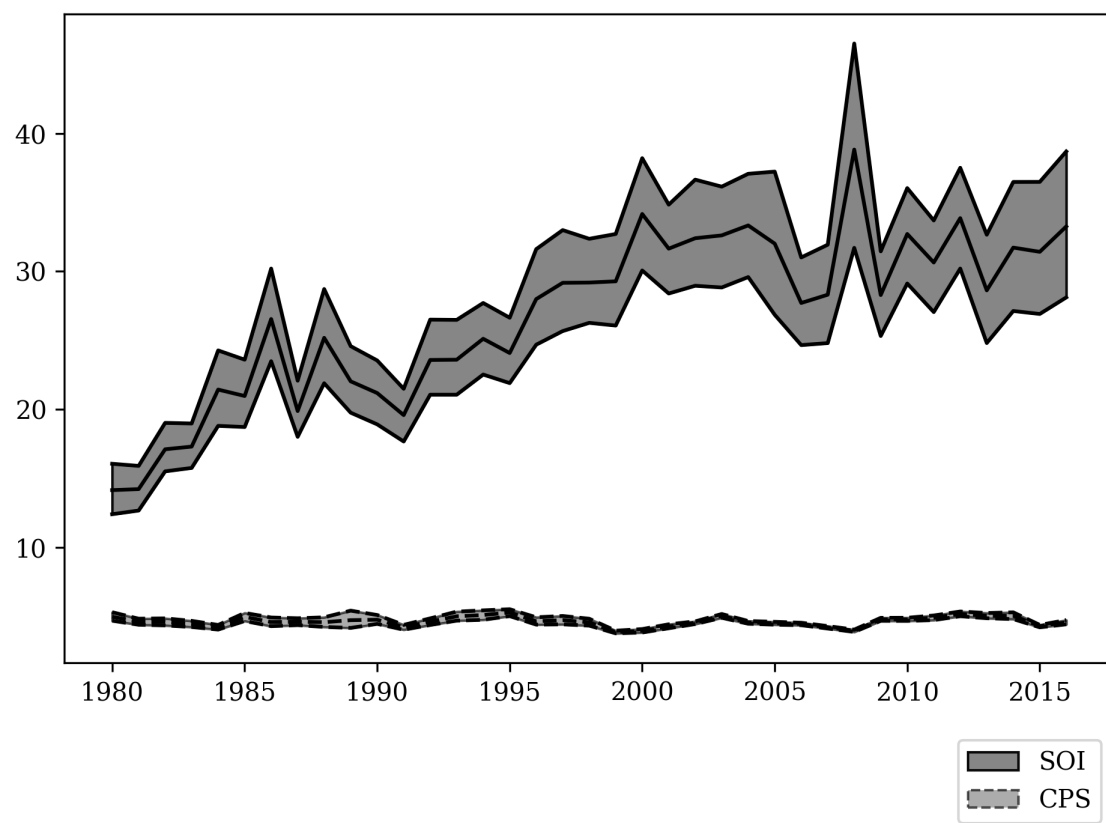


Figure 6: Coefficient of variation, capital income.

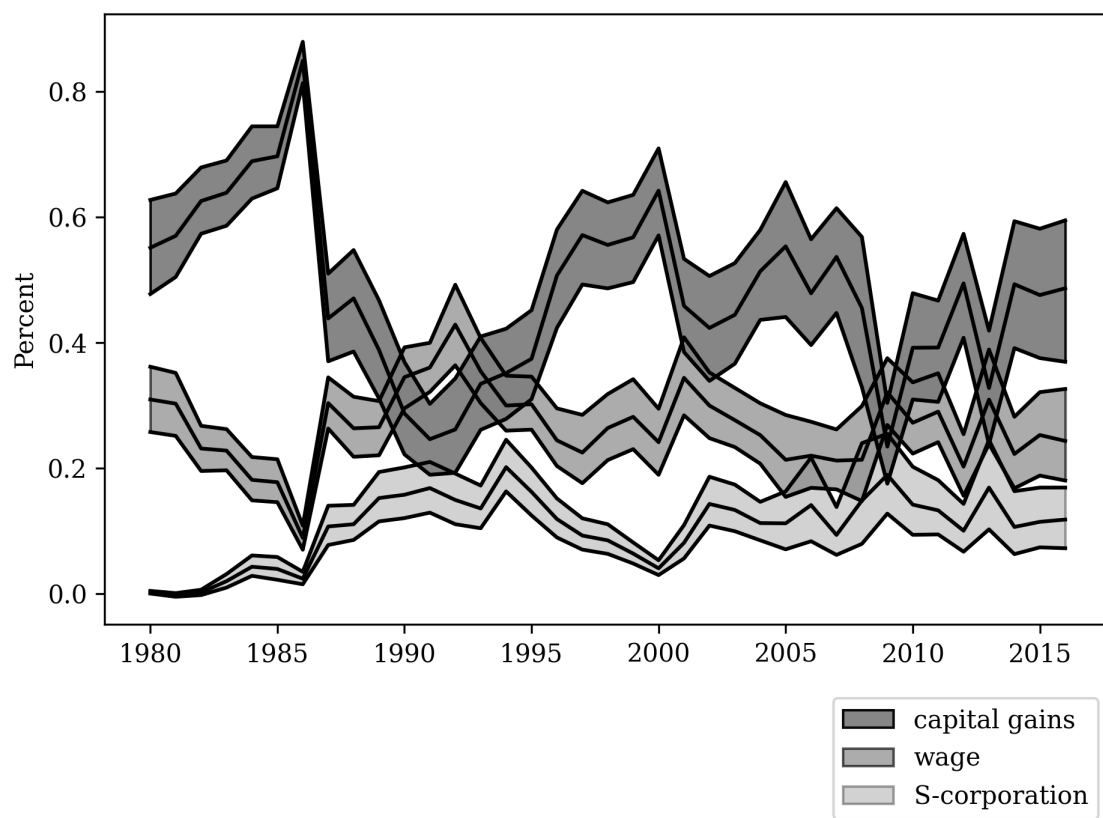


Figure 7: Contributions of various income sources to inequality.

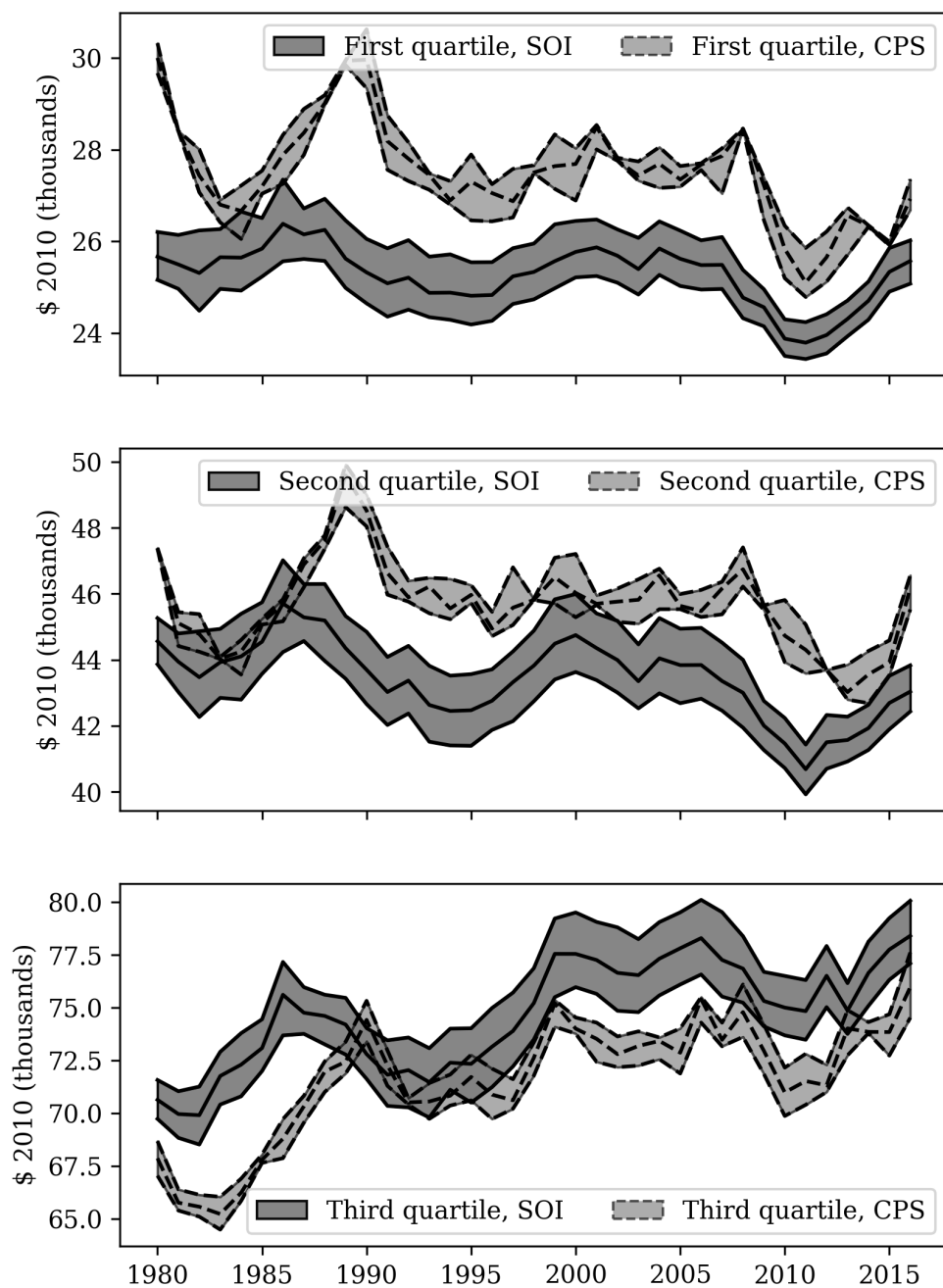


Figure 8: Quartiles of total income.

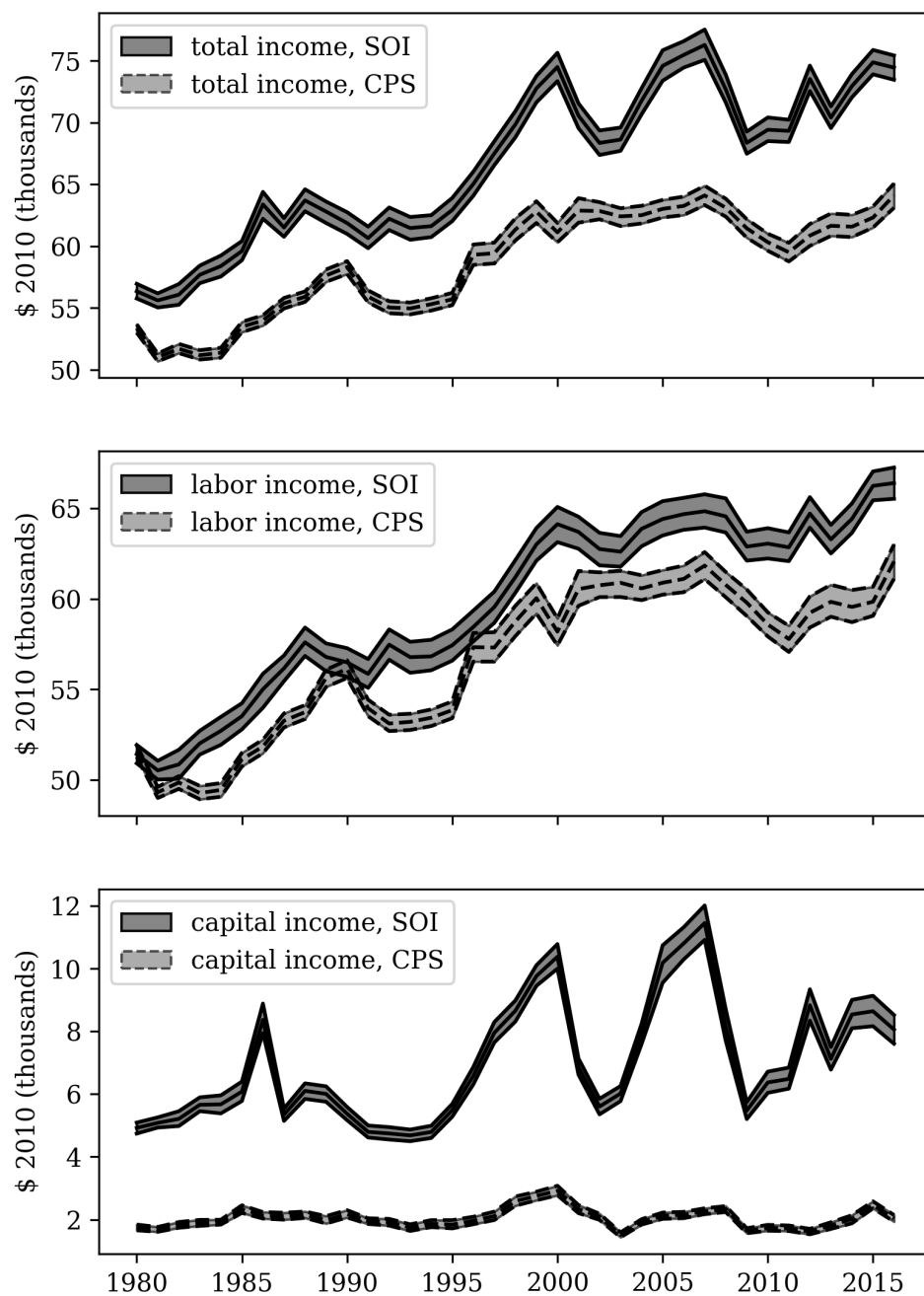


Figure 9: Means of various forms of income.

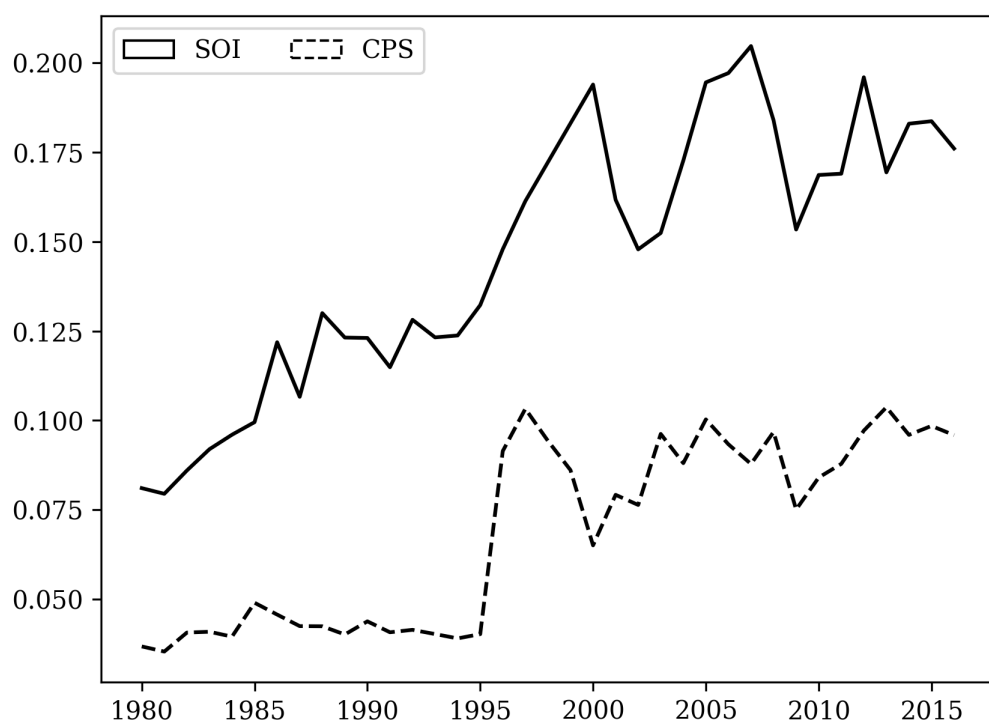


Figure 10: Share of top one percent in total income.

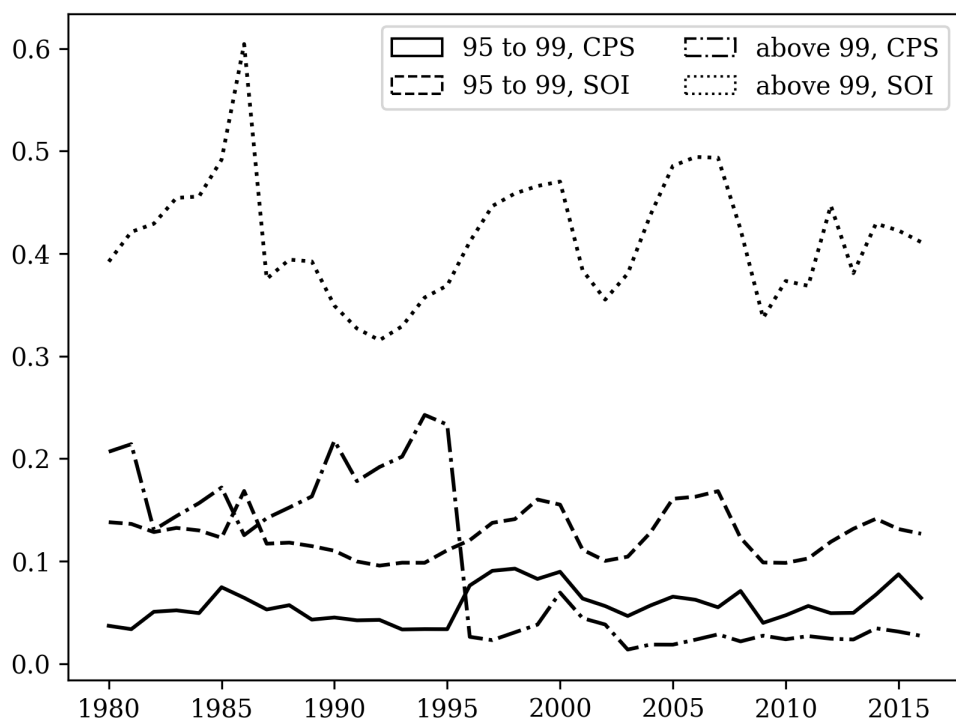


Figure 11: Share of capital income in total personal income for members of top income quantiles.

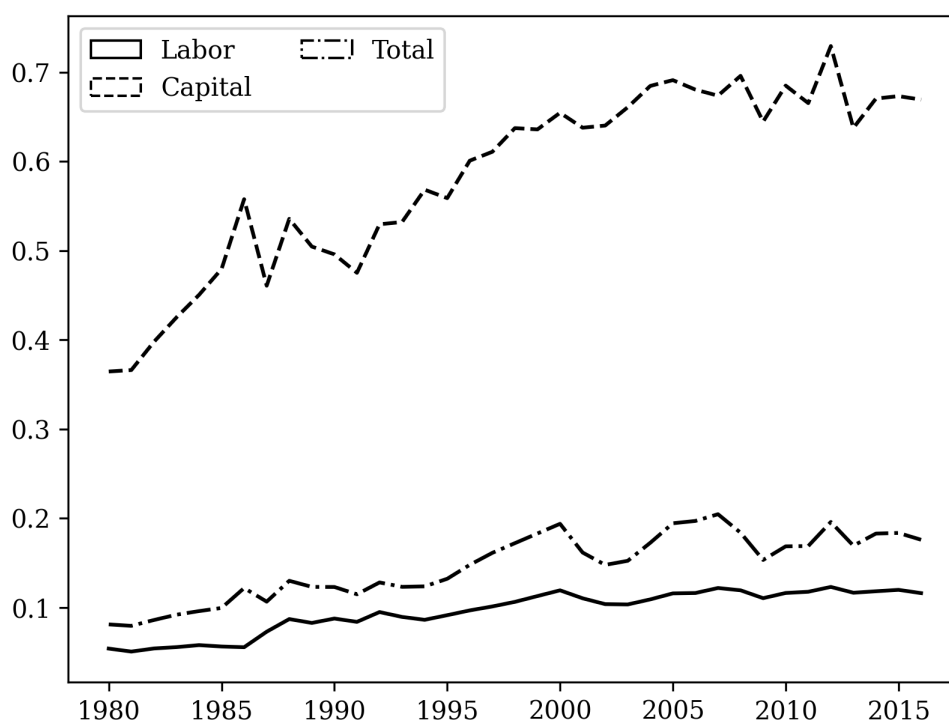


Figure 12: Share of national income received by top one percent, by form of income. Tax data only.

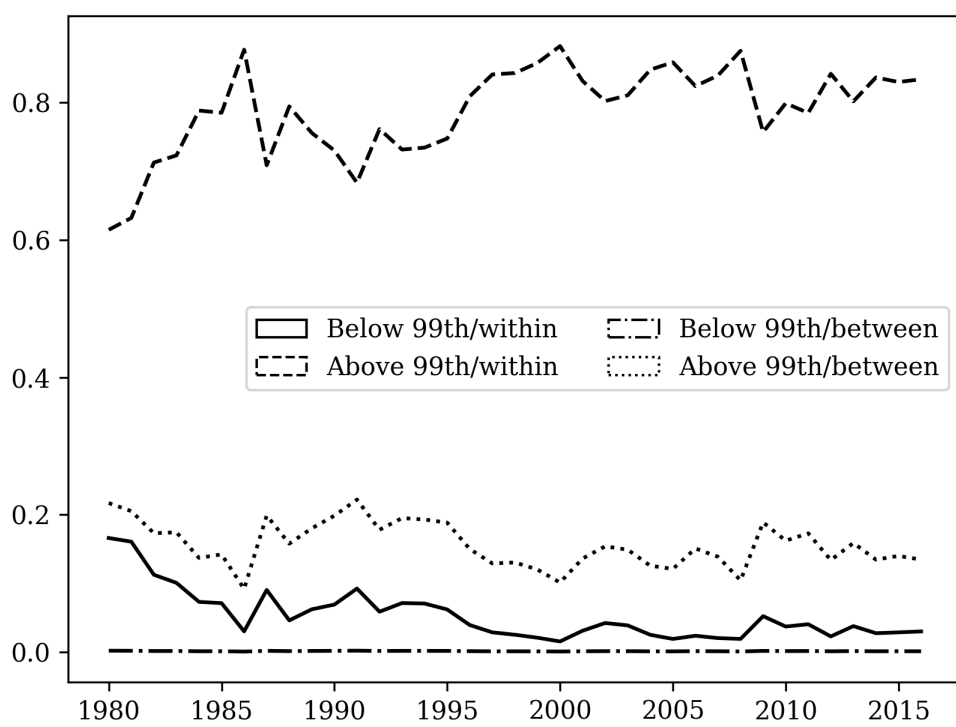


Figure 13: Components of variance contributed within and between quantile groups. Tax data only.