

**Extreme inequality: evidence from Brazil, India,  
the Middle East and South Africa**

Lydia Assouad (Paris School of Economics)  
Lucas Chancel (Paris School of Economics)  
Marc Morgan (Paris School of Economics)

This version: January 10, 2018

**Supplementary Material**

\*This paper has been prepared for presentation at the AEA 2018 meetings (Philadelphia). Assouad: Paris School of Economics, 48 Boulevard Jourdan, 75014 Paris, (e-mail: [lydia.assouad@gmail.com](mailto:lydia.assouad@gmail.com)); Chancel: Paris School of Economics, 48 Boulevard Jourdan, 75014 Paris, (e-mail: [lucas.chancel@psemail.eu](mailto:lucas.chancel@psemail.eu)); Morgan: Paris School of Economics, 48 Boulevard Jourdan, 75014 Paris, (e-mail: [marc.morgan@psemail.eu](mailto:marc.morgan@psemail.eu)).

## 1. Definitions of concepts

The methodology used in these papers follows the Distributional National Accounts Guidelines (Alvaredo et al., 2017) and the income concepts defined in Blanchet, Chancel (2016), that apply to all countries gathered in the World Wealth and Income Database (WID.world).

**National income** is defined, in the national accounts, as the sum of Gross Domestic Product minus Consumption of Fixed Capital, plus Net Foreign Income.

**Fiscal income** is the income assessed by domestic tax authorities that appear on personal income tax declarations. It should be distinguished from “taxable income”, which is the income that is ultimately taxed after legal deductions.

**Non-fiscal income** comprises of all income that is not reported on income tax declarations. This includes public non-fiscal income and private non-fiscal income. Public non-fiscal income is government income from publically owned assets and indirect taxation. Private non-fiscal income is income not reported to tax authorities that appear as household incomes in national accounts, such as undistributed profits, imputed rents, or pension/insurance fund accruals (see the individual country studies for further details).

**Equal-split adults** are the observational units we use for our estimates of inequality. It means we take the total income of individual adults and married couples, where the total income of the latter is equally split between the couple (i.e. divided by two).

## 2. Country-specific notes

### 2.1 Note on Brazilian national accounts

Brazilian national accounts are somewhat exceptional among our emerging regions, as detailed institutional sector accounts consistent with the latest UN SNA framework are available from 2000 onwards.

### 2.2. Note on the estimates for South Africa

For South Africa, we use national accounts and fiscal data (from Atkinson and Alvaredo, 2010) to derive top shares of fiscal income (i.e. income that ought to be declared to the tax authorities), re-scaling the estimated fiscal incomes to national income. We estimate the rest of the distribution using household survey income shares from the *Income and Expenditure Survey* (IES) for the bottom 50% and middle 40%, assuming that they represent the same share of the bottom 90% in the national income distribution as in the survey distribution, for the same income concept and unit of observation.

The IES shares are obtained from UNU-WIDER, ‘World Income Inequality Database (WIID3.4)’. They correspond to gross market income, which includes employee income, income from self-employment, property income, and income from private

pensions (public pensions are means-tested in South Africa and are thus classified as a social assistance grant for individuals with insufficient income). The observational unit is household per capita. This means total household income is divided equally between all household members (adults, children and other resident relatives). In order to re-adjust the estimates so that they are in terms of equal-split adults, we add the percentage point difference between survey shares of household per capita income and shares of equal-split adult income as observed using Brazilian survey data for the bottom 50% and middle 40%. When we get access to the raw South African survey data we will modify these calculations in the merging of survey and fiscal data for equal-split adult income.