

Human Capital and Income Inequality: Some Facts and Some Puzzles^{†*}

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Abstract

Using an updated data set on human capital inequality for 146 countries from 1950 to 2010, this paper documents several facts regarding the evolution of income and human capital inequality. The main findings reveal that, in spite of a large reduction in human capital inequality around the world, the inequality in the distribution of income has hardly changed. In many regions, the income Gini coefficient in 1960 was very similar to that in 2005. Therefore, improvements in education are not a sufficient condition to reduce income inequality, even though they significantly improve life standards of people at the bottom of the income distribution. We do find evidence that increasing returns to education and exogenous forces such as skill-biased technological progress or globalization have offset the effects of the fall in education inequality, therefore explaining the low correlation between the changes in income and education inequality.

Keywords: education inequality, attainment levels, income distribution, panel data.

JEL Classification: I24, O11, O15, O5.

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