

Jorge Friedman (Universidad de Santiago, Chile), "Entrepreneur income and the surge in inequality in Chile"

Abstract

Chilean income distribution deteriorated sharply in the mid-seventies. Between July 1974 and June 1976 the Gini increased from .49 to 0.55. The deterioration was sudden, strong and permanent. This paper shows that a large fraction of the increase in inequality can be attributed to an increase both in the share of income held by entrepreneur families and to the concentration of income within this segment. The share held of income by entrepreneur families increased by 25% after 1976. Measures of income concentration within this segment show a similar rise. The effect of these changes over inequality is particularly strong because these families earn considerably more than the mean income, so small permanent increases in their share implied significant increases in the Gini thereafter.