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Decomposition of Income Inequality in France: The role of Inflation, Income Growth, and the Monetary Policy Rate

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Understanding within and between group inequality is fundamental in understanding the evolution of income inequality in any country. Using a century of data for France, and the Theil measure of income inequality, which is decomposable, we show that income inequality within the bottom 90% accounts for over sixty percent of overall income inequality today. These findings indicate that income within the middle class has gotten substantially more unequal in France. We also document that inflation contributes to lower within-and-between group's income inequalities.