

Inequality in Japanese Economy during the Lost Decades*

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Abstract

In this paper, we explore changes in income, consumption, and asset inequality over time and over life-cycle in Japan. Based on data from the *Family Income and Expenditure Survey* and the *National Survey of Family Income and Expenditure*, we find that earnings, income and consumption inequality increases for the 1981-2008 period. During the 1980s, the increase in earnings inequality is driven by the growth in the top-tail of the earnings distribution, while the increase from the late 1990s is mainly caused by a relative deterioration of earnings in the bottom-tail of the distribution. Government policy plays a crucial role in reducing the inequality of labor earnings, moderating the increasing inequality of disposable income. We also document that income and consumption inequality increase with age.

Keywords: Distribution of income, Consumption and asset, Lost Decades, Bubble Burst, Aging of society

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