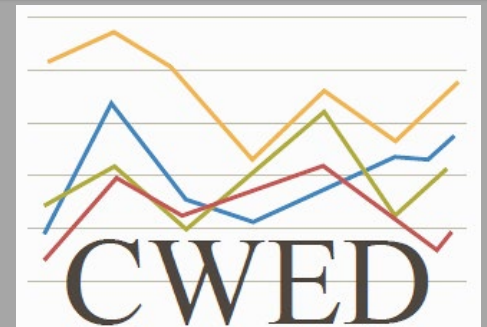


The American Dream Inequality: The Fraying of the Folklore?

Institute for Research on Labor & Employment
Center on Wage & Employment Dynamics

August 22, 2018
University of California, Berkeley

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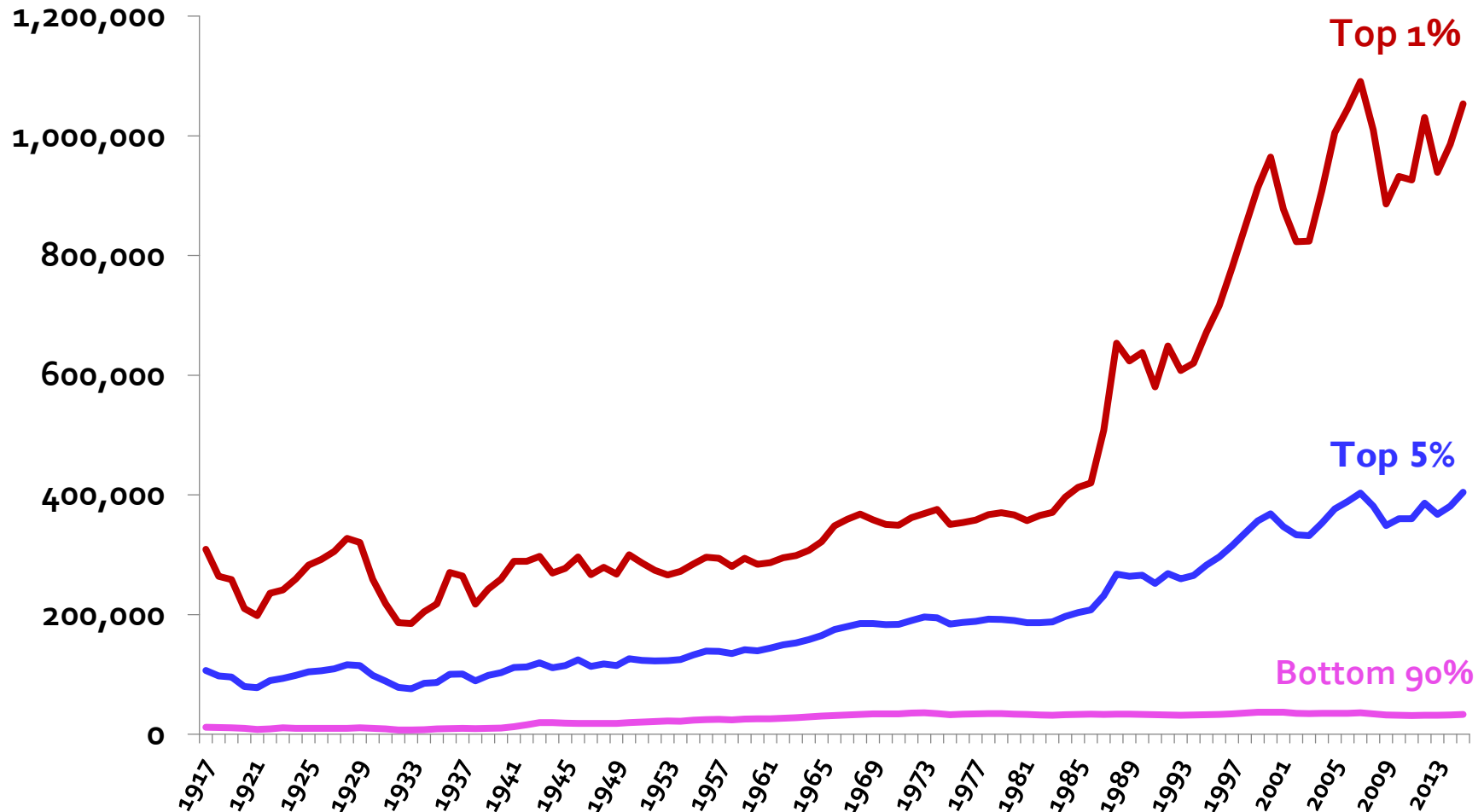






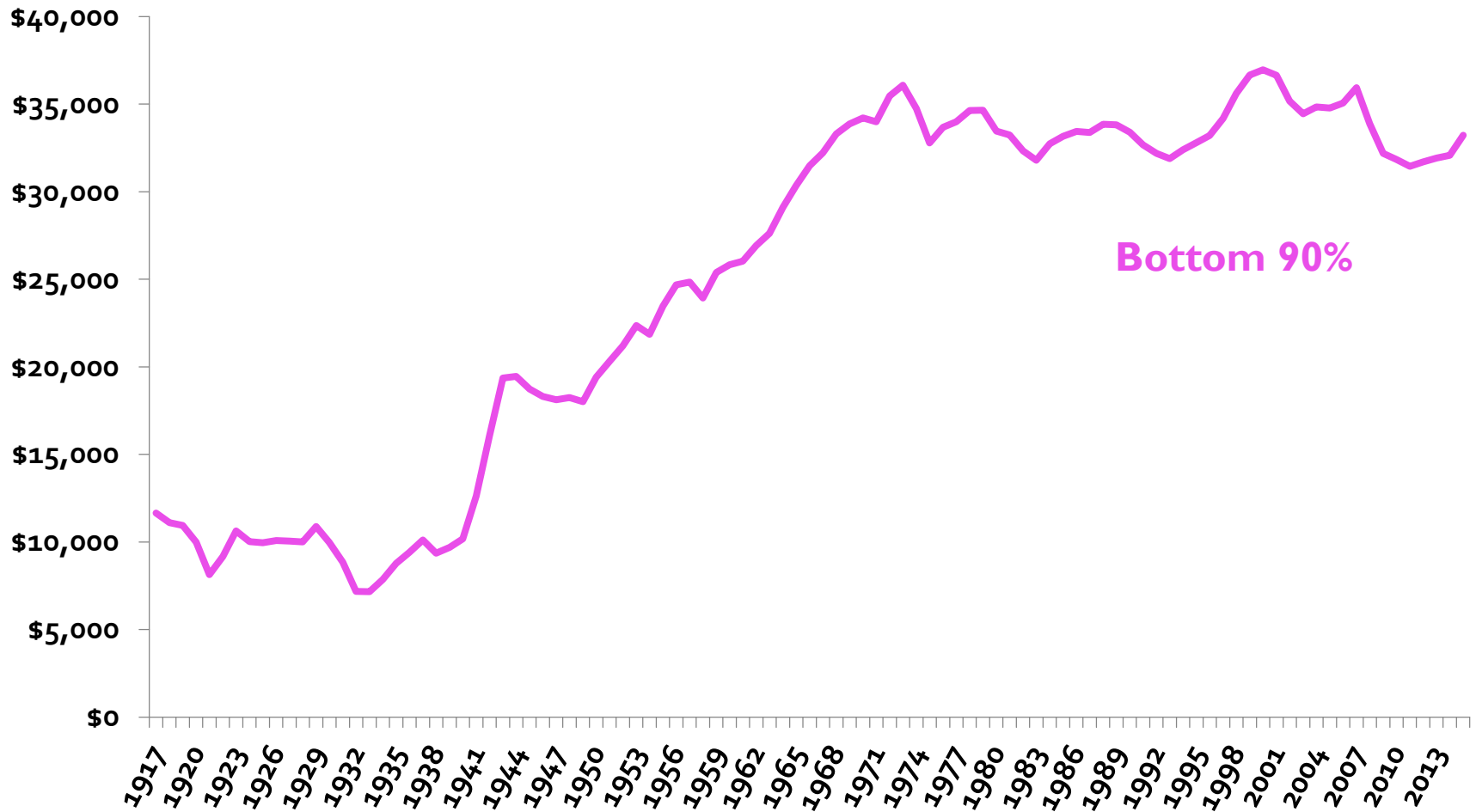
Income

A stark visual of growing inequality



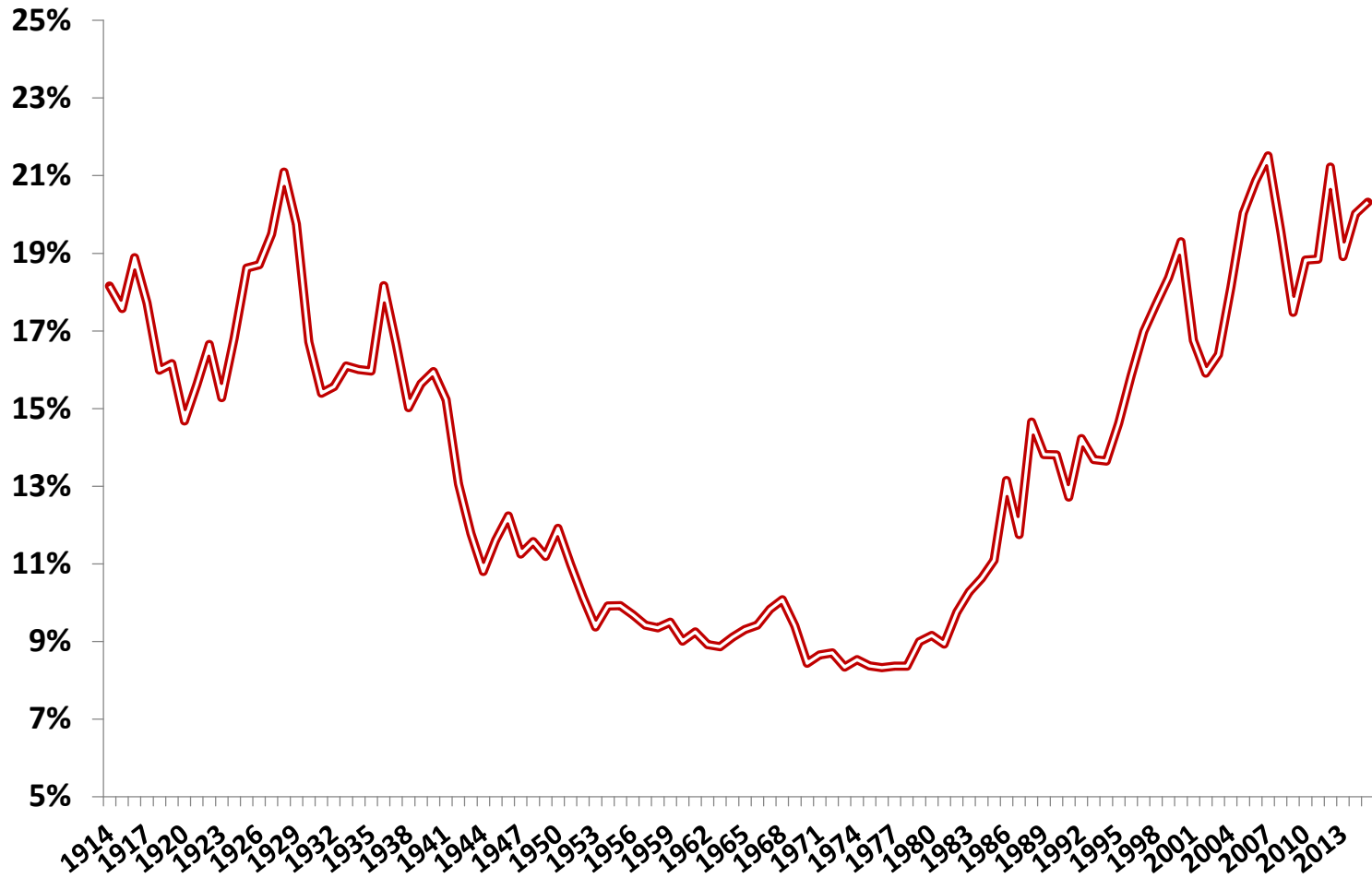
Source: Piketty, T. and Saez, E., The World Top Incomes Database. U.S. before-tax income, excluding K-gains.

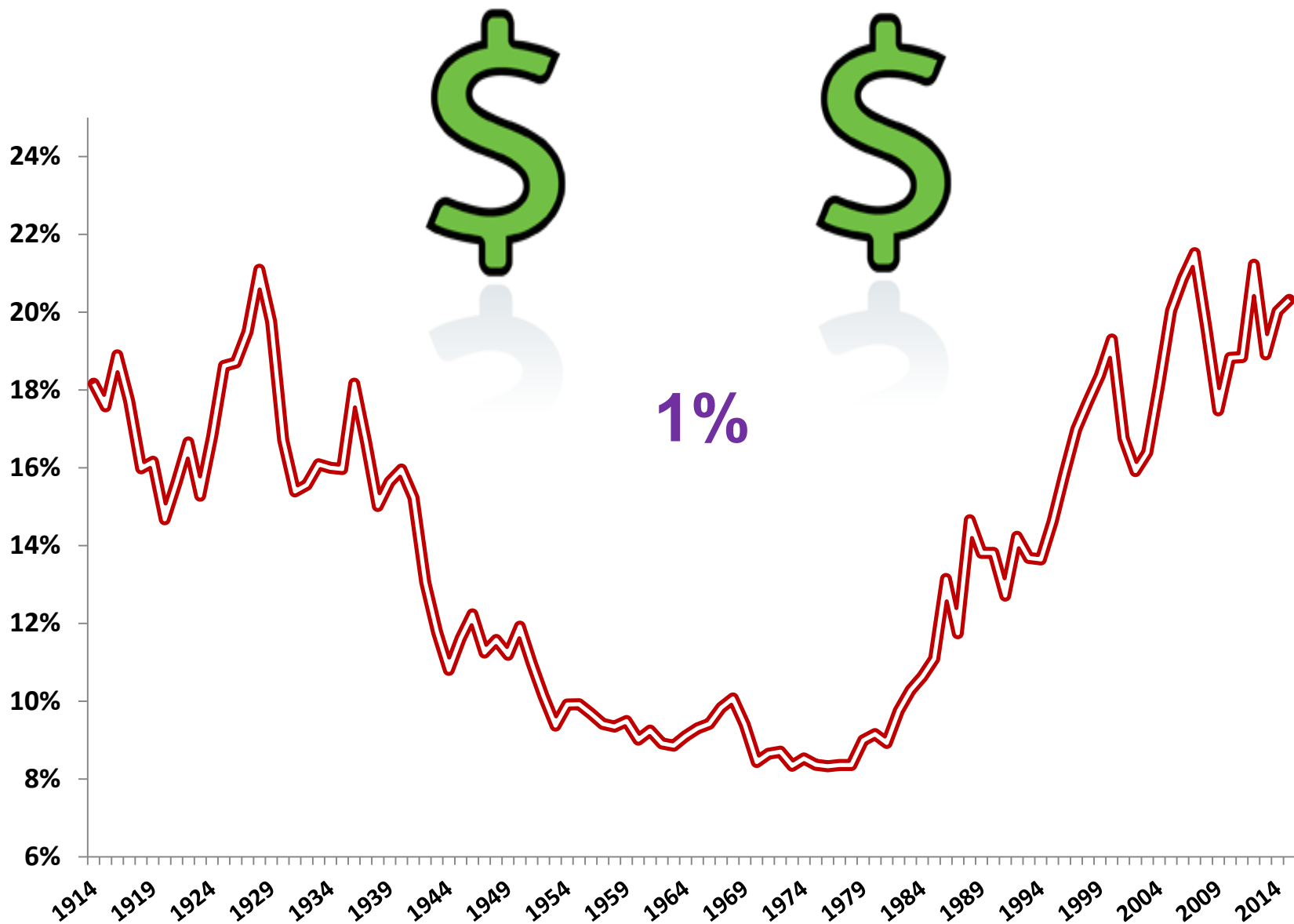
A rising tide...



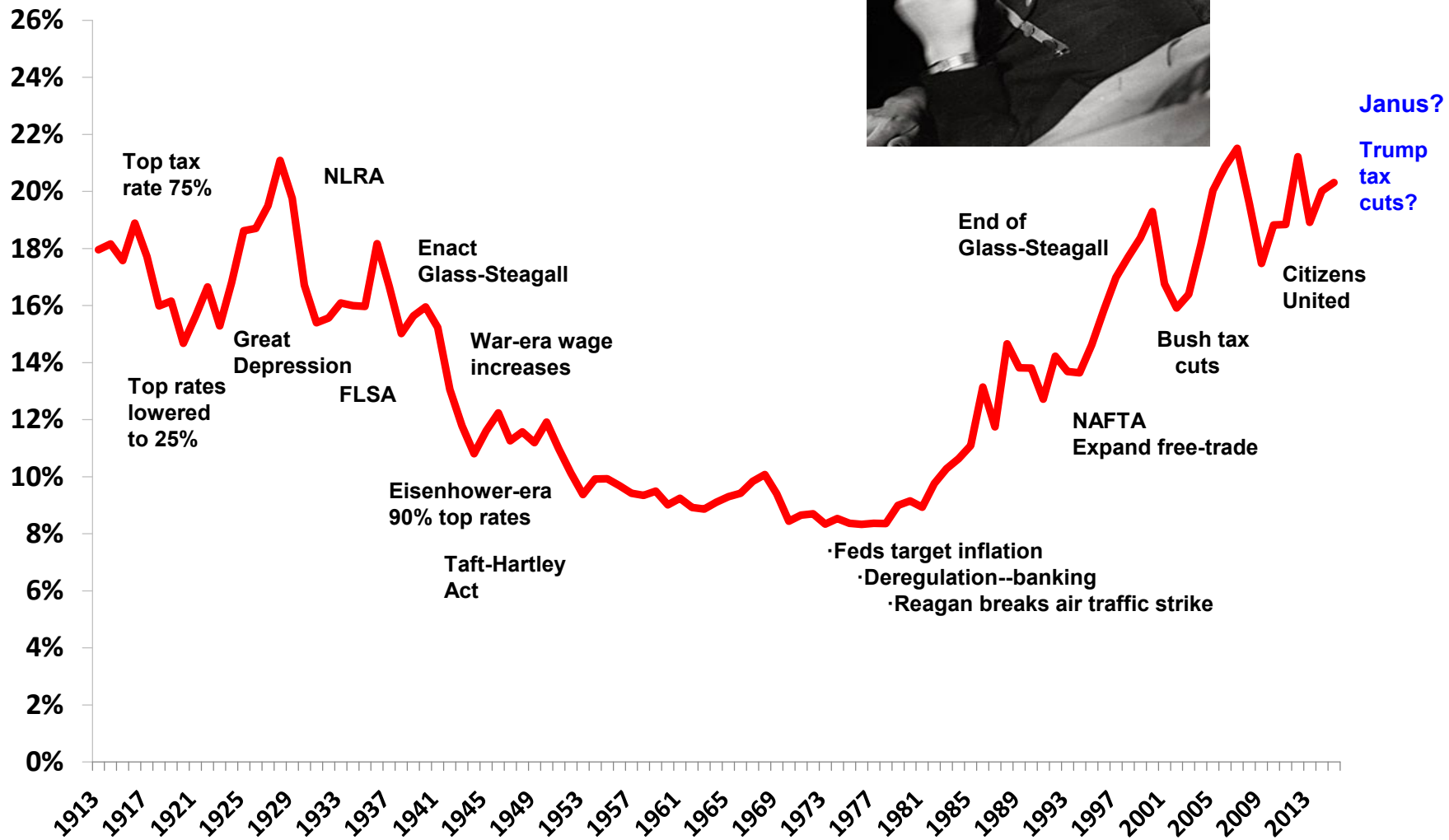
Source: Piketty, T. and Saez, E., The World Top Incomes Database. U.S. before-tax income excluding K-gains 2015\$.

Top 1% share of all income





The 'free market' fallacy (Top 1% of income shares)

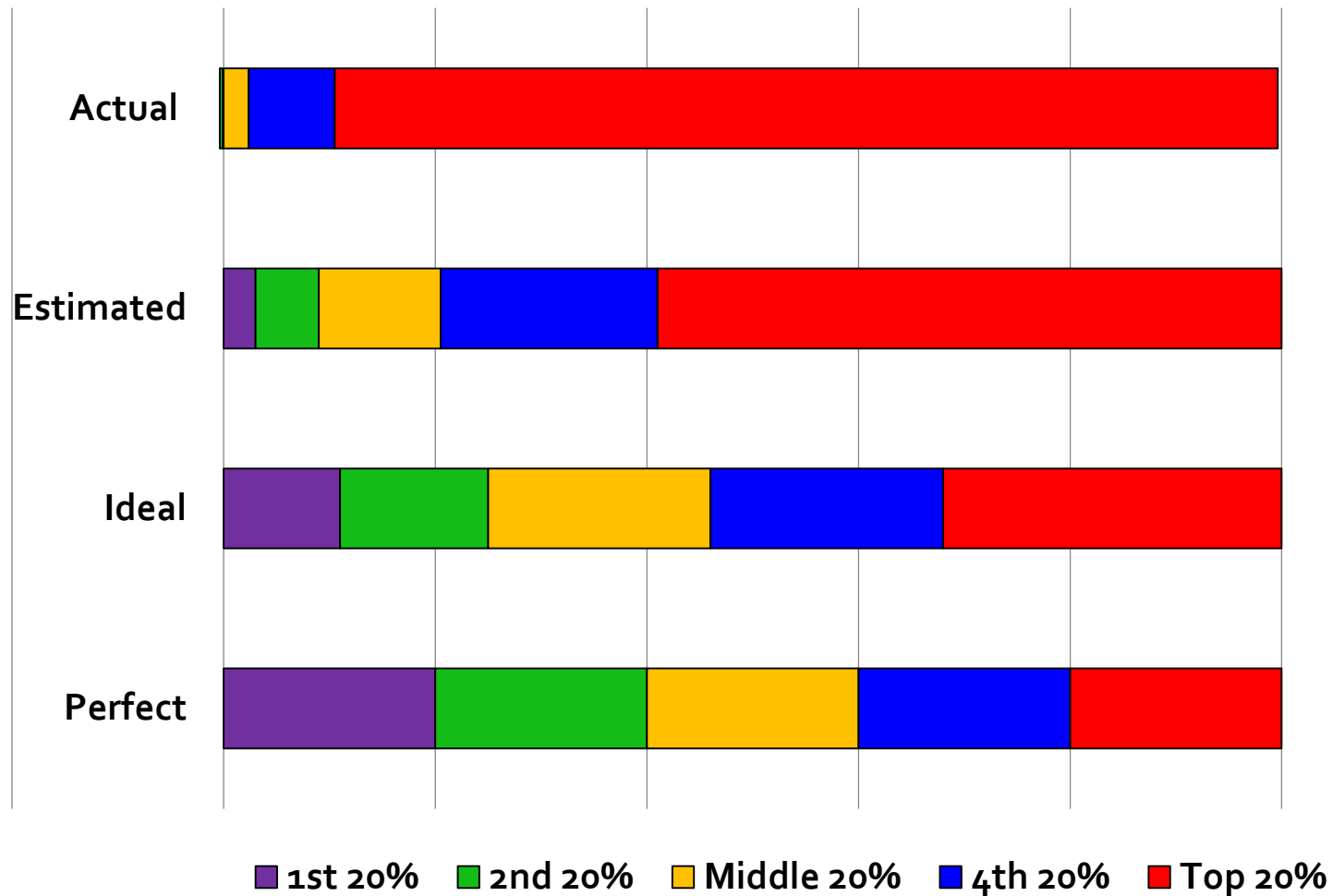


Source: Saez & Piketty. Top 1% income shares in the United States. Center for Economic & Policy Research.



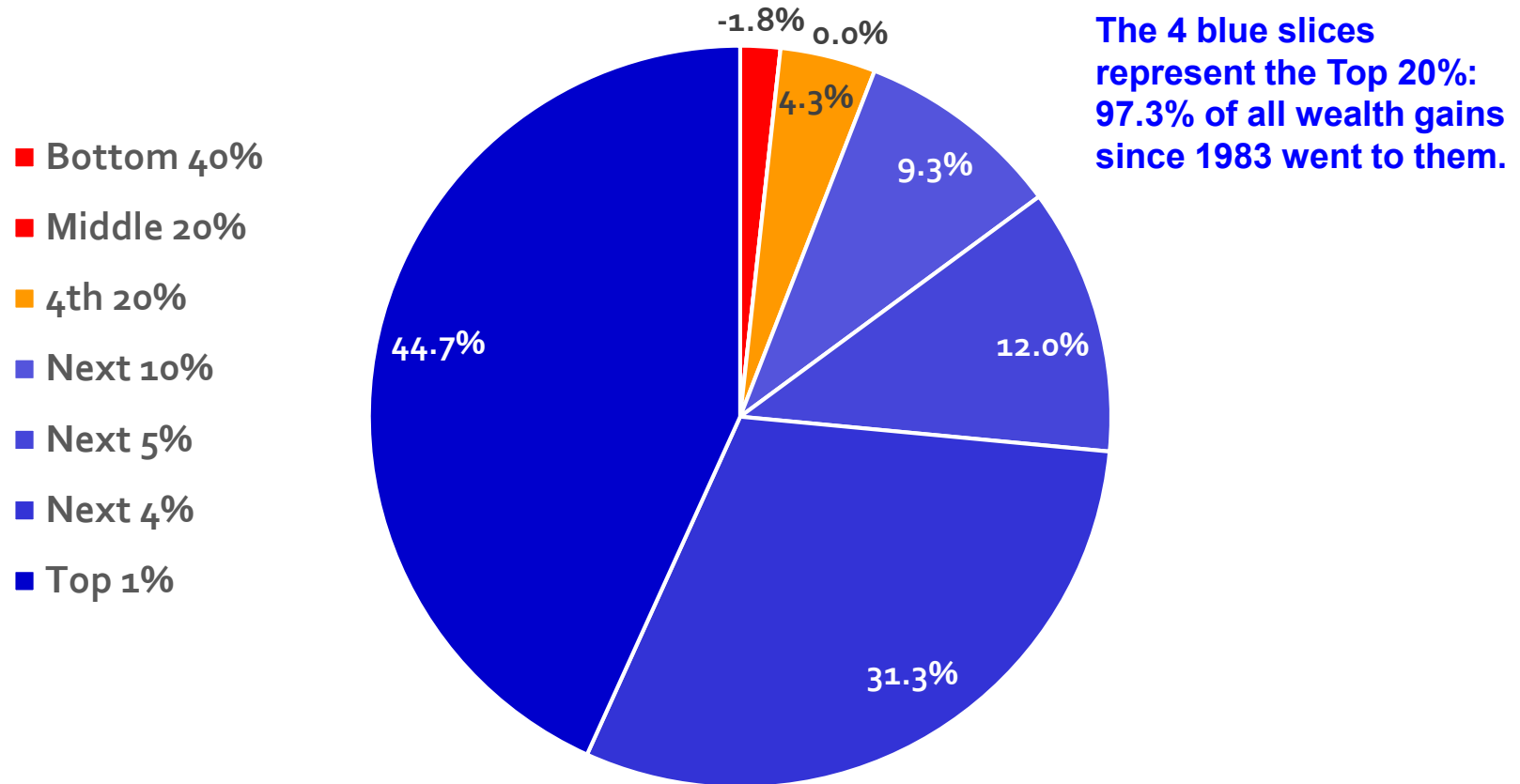
Wealth

The Wealth of a Nation



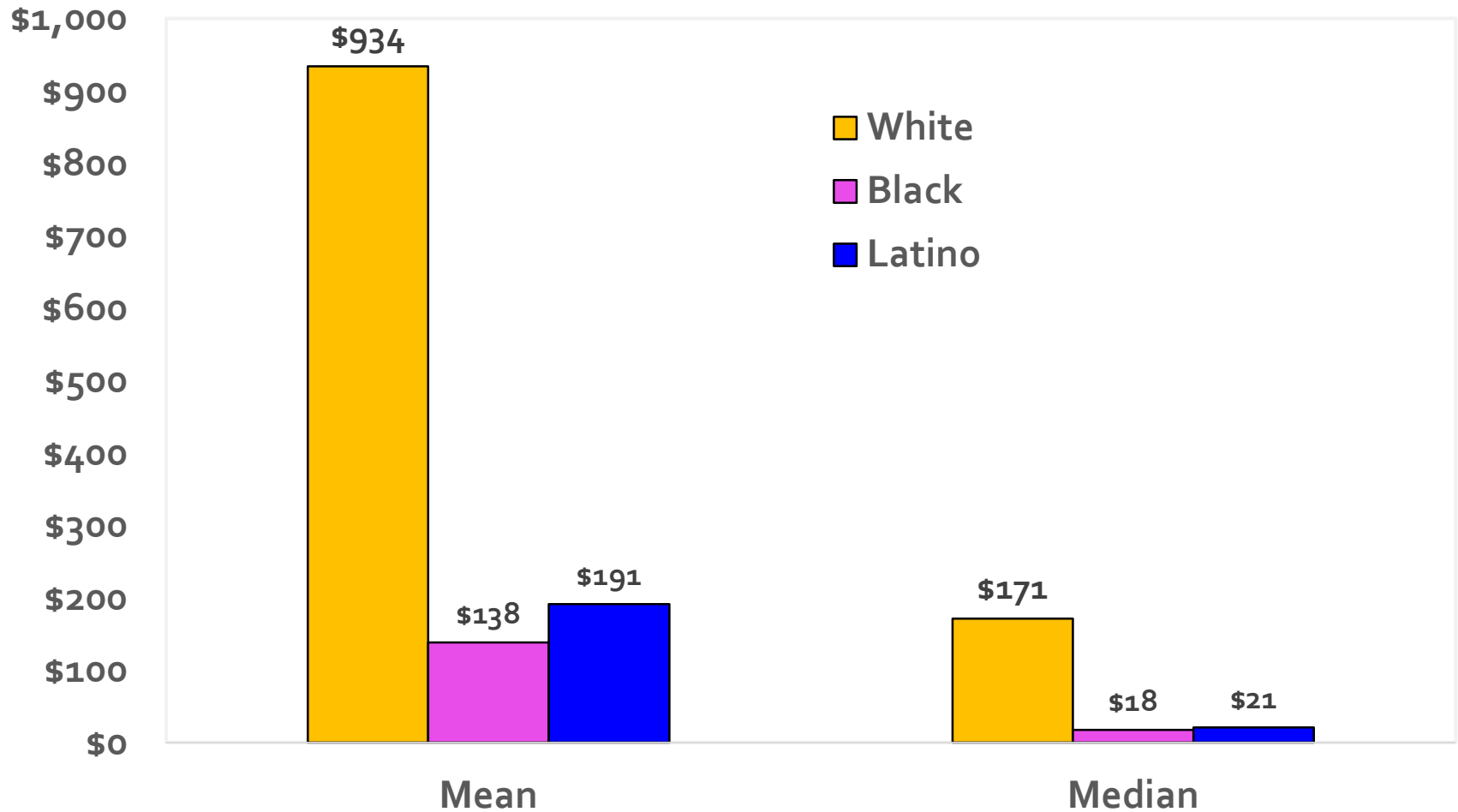
The rich are getting (hella) richer!

(How gains in U.S. wealth were distributed, 1983-2016)



Family average & median wealth

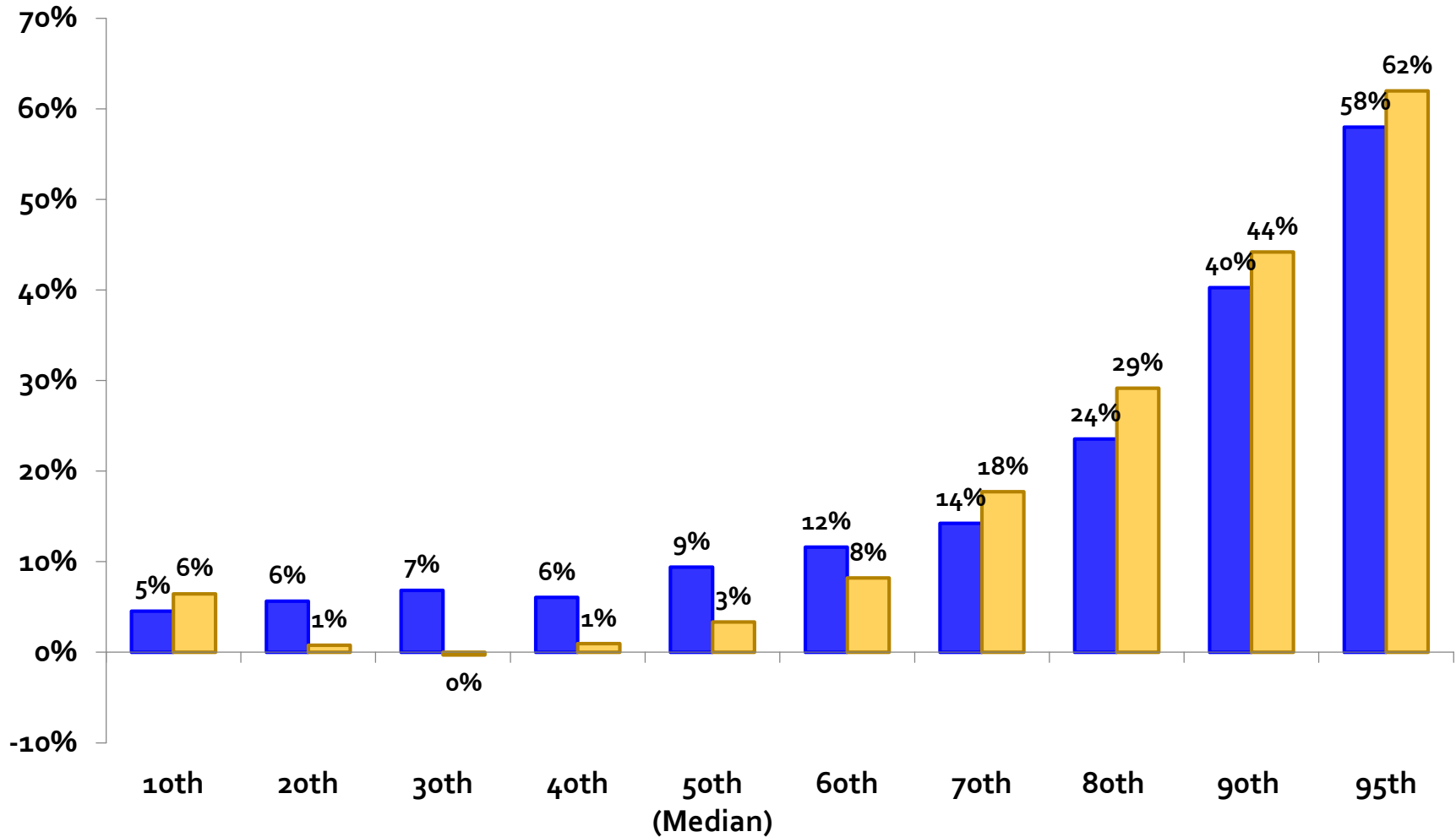
(thousands of 2016 dollars)



Source: Allegretto's depiction of Survey of Consumer Finances 2016 data. Table 2.

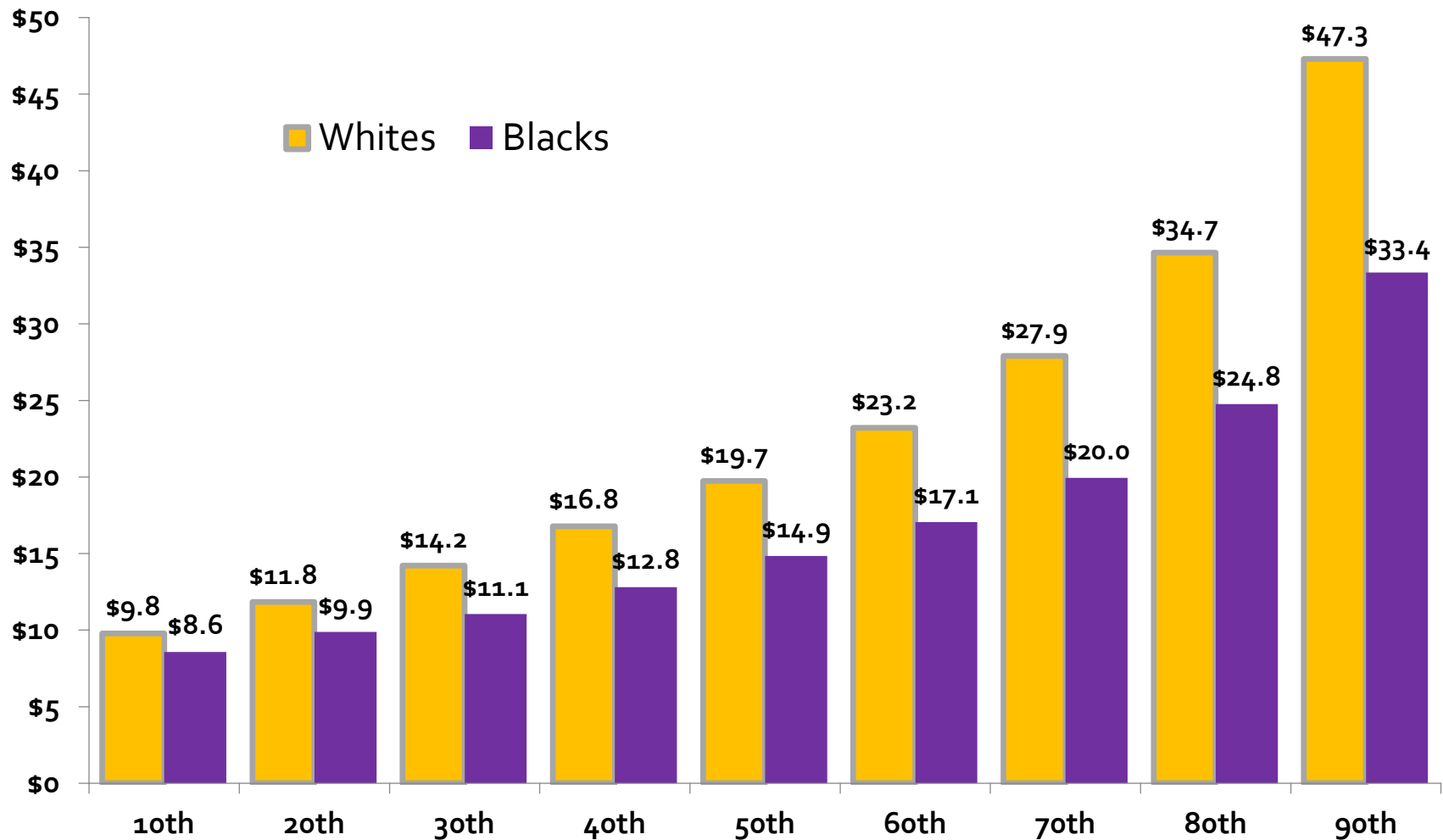
Wages

Nearly 4 decades of wage growth in the USA



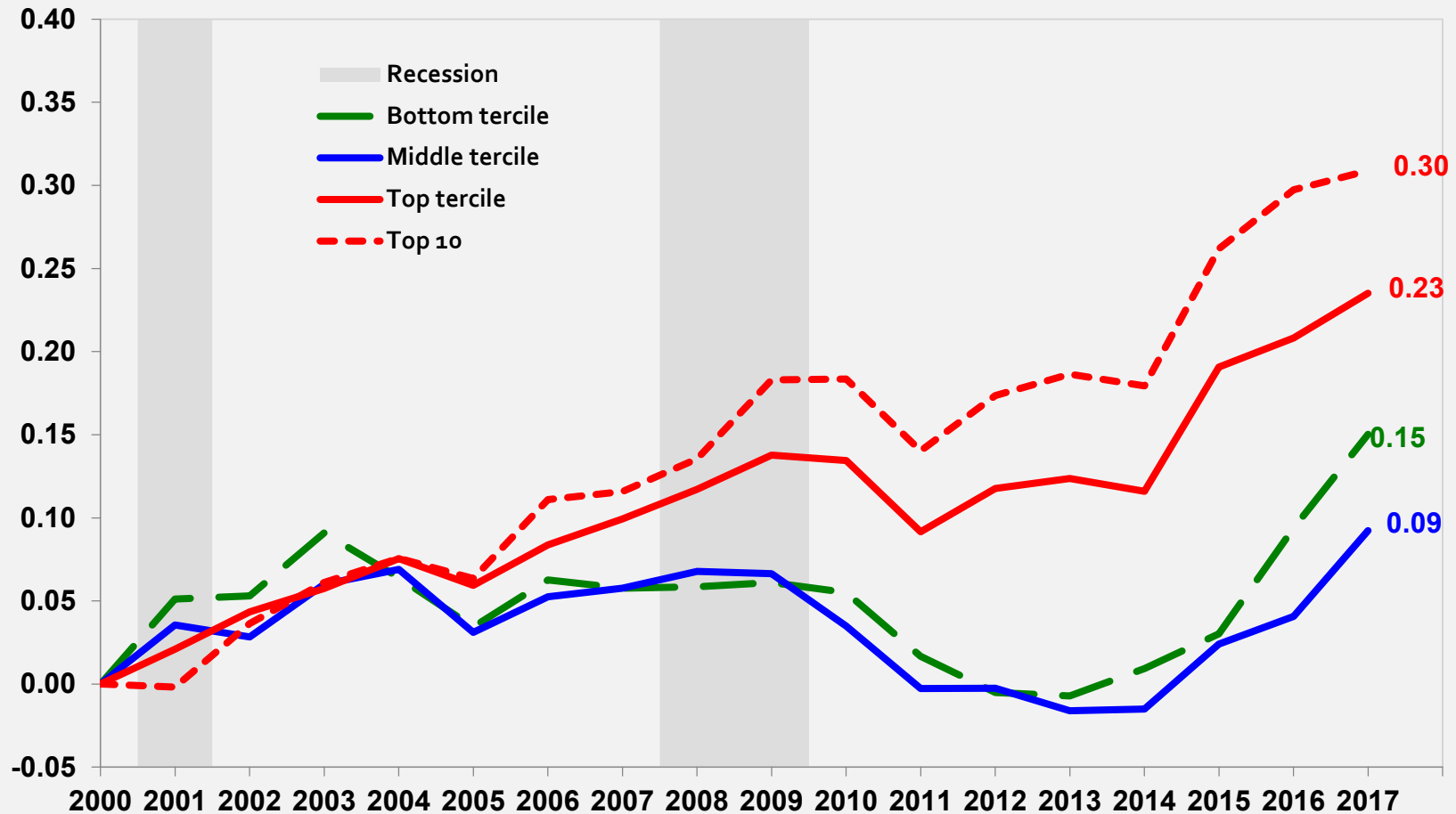
Source: BLS Current Population Survey. 1979-2017. CPI-RS inflation adjusted 2016\$.

As does the racial pay gap



Source: Allegretto's depiction of the Economic Policy Institutes analysis of BLS Current Population Survey 2016 data.

Wedge of wage inequality



Note: Each series represents annual average real wage growth (adjusted using the CPI-W) 2000 to 2017.

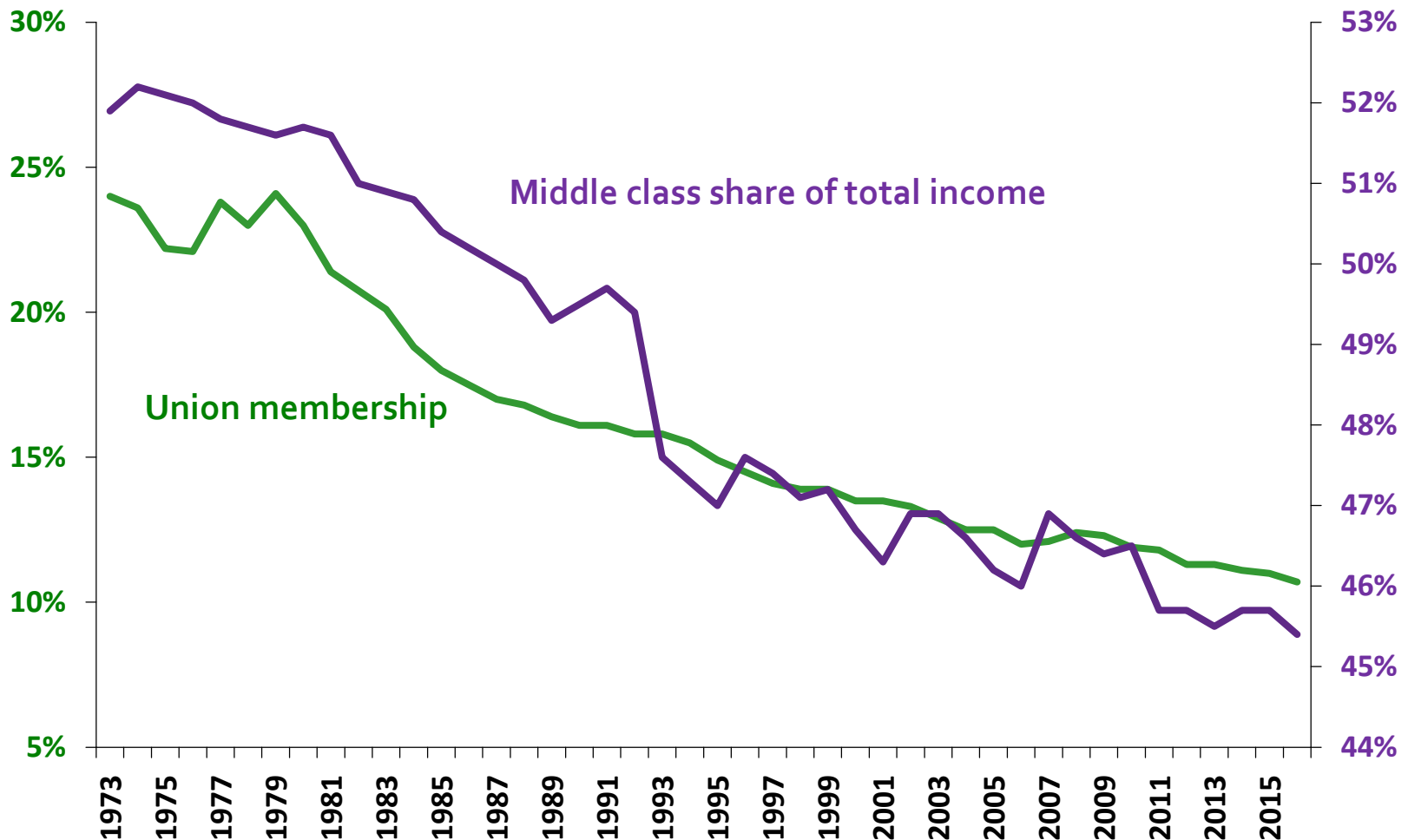
Source: Author's analysis of Current Population Survey data. Includes wage and salary workers ages 18 to 64.



Unions

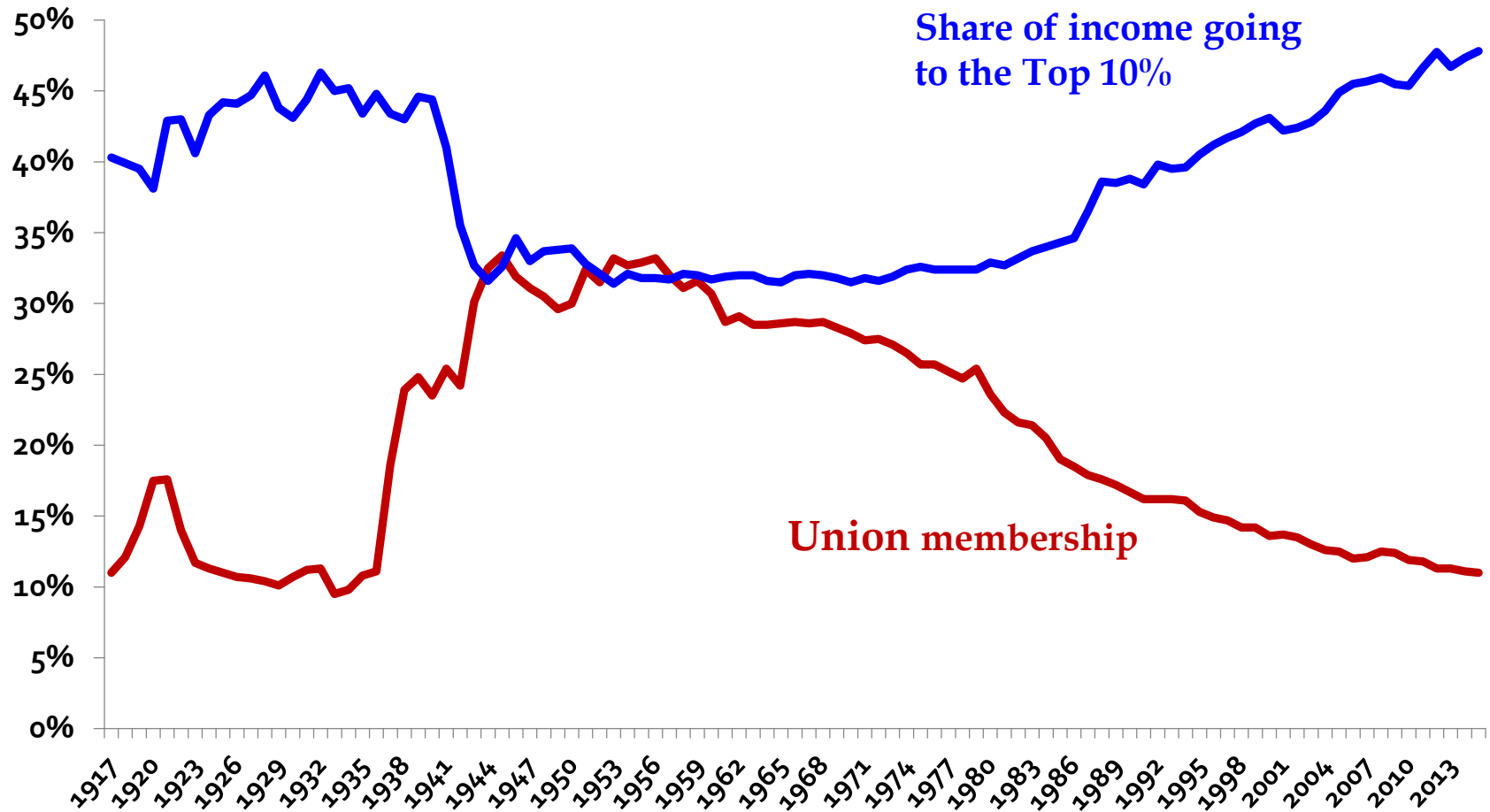
Unions & the middle class

1973-2016



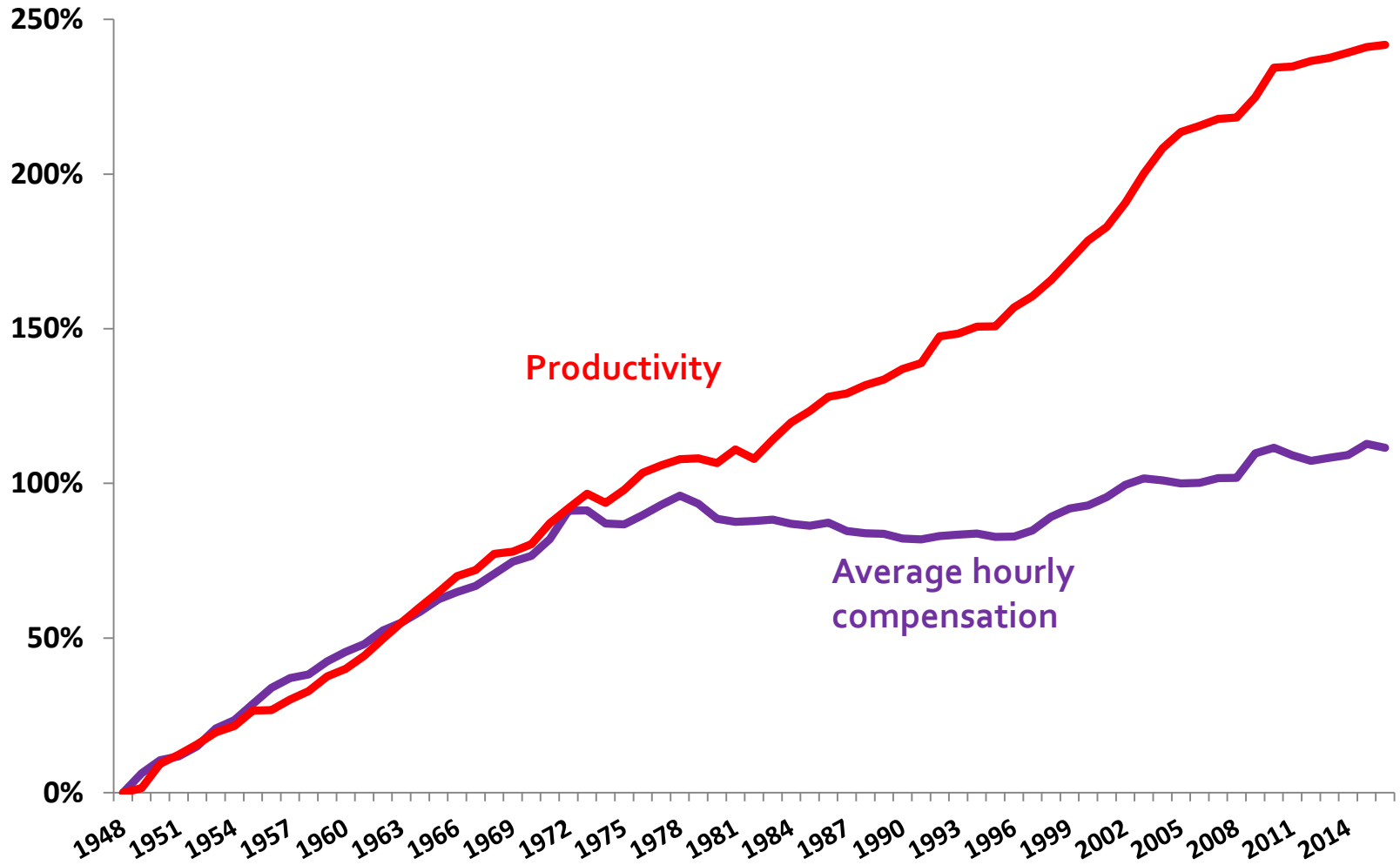
Source: Madland & Bunker CAP. Hirsch and Macpherson, unionstats.com; U.S. Census, Current Population Reports.

Inequality & unions



Source: EPI: Piketty and Saez (2016) and U.S. Census Bureau.

Growing together, growing apart

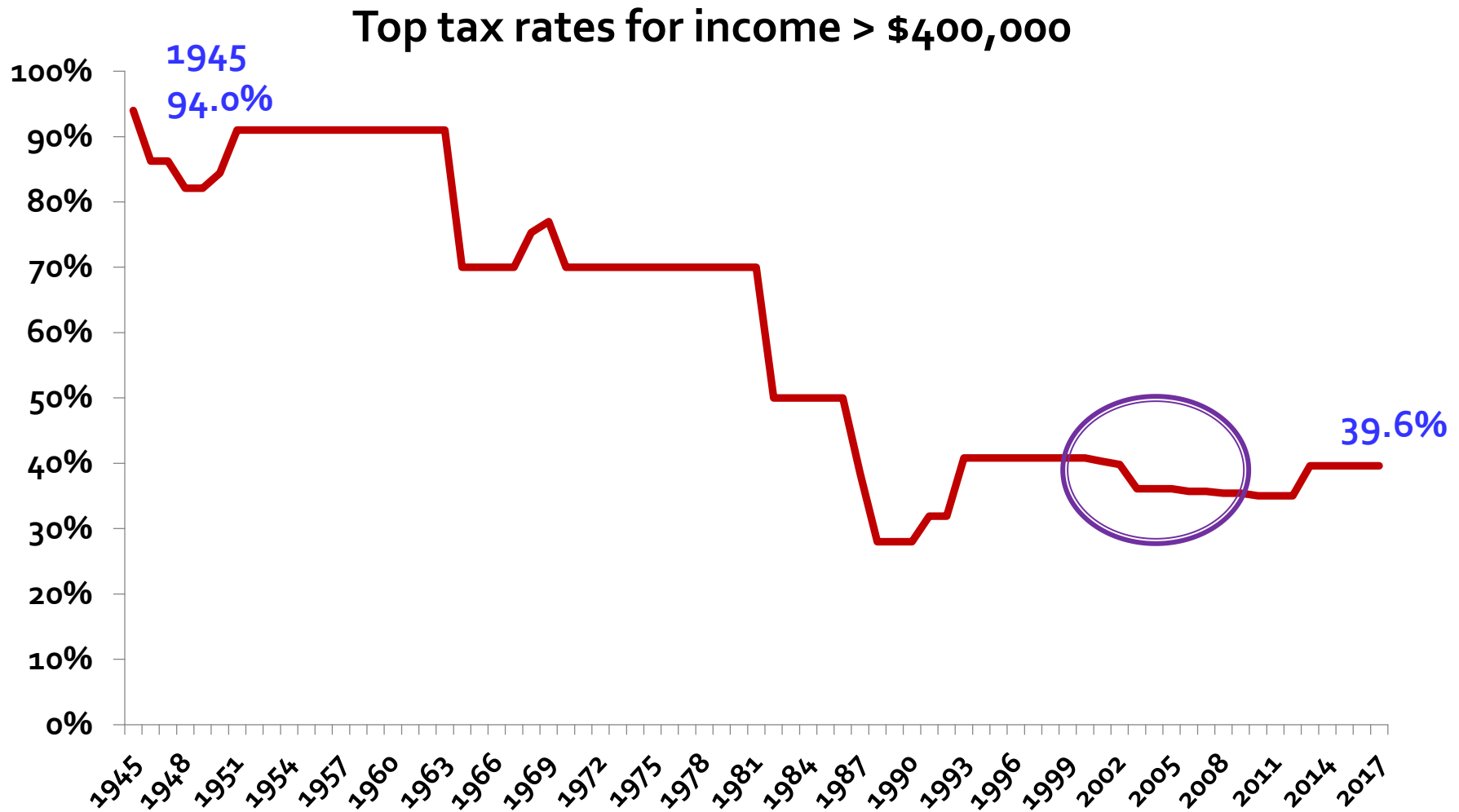


Source: Economic Policy Institute State of Working America Data Library.



Purposeful Policy

An example of purposeful policy



Source: Allegretto's analysis of U.S. Internal Revenue Service data.

Who benefits from tax cuts?

Income range	2018	2027
Less than \$10k	\$10	\$0
\$10k-\$20k	\$50	-\$30
\$20-\$30	\$180	-\$40
\$30k-\$40k	\$360	-\$50
\$40k-\$50k	\$570	-\$40
\$50k-\$75k	\$870	-\$30
\$75k-\$100k	\$1,310	\$10
\$100k-\$200k	\$2,260	\$50
\$200k-\$500k	\$6,560	\$340
\$500k-\$1m	\$21,240	\$1,490
More than \$1m	\$69,660	\$23,190

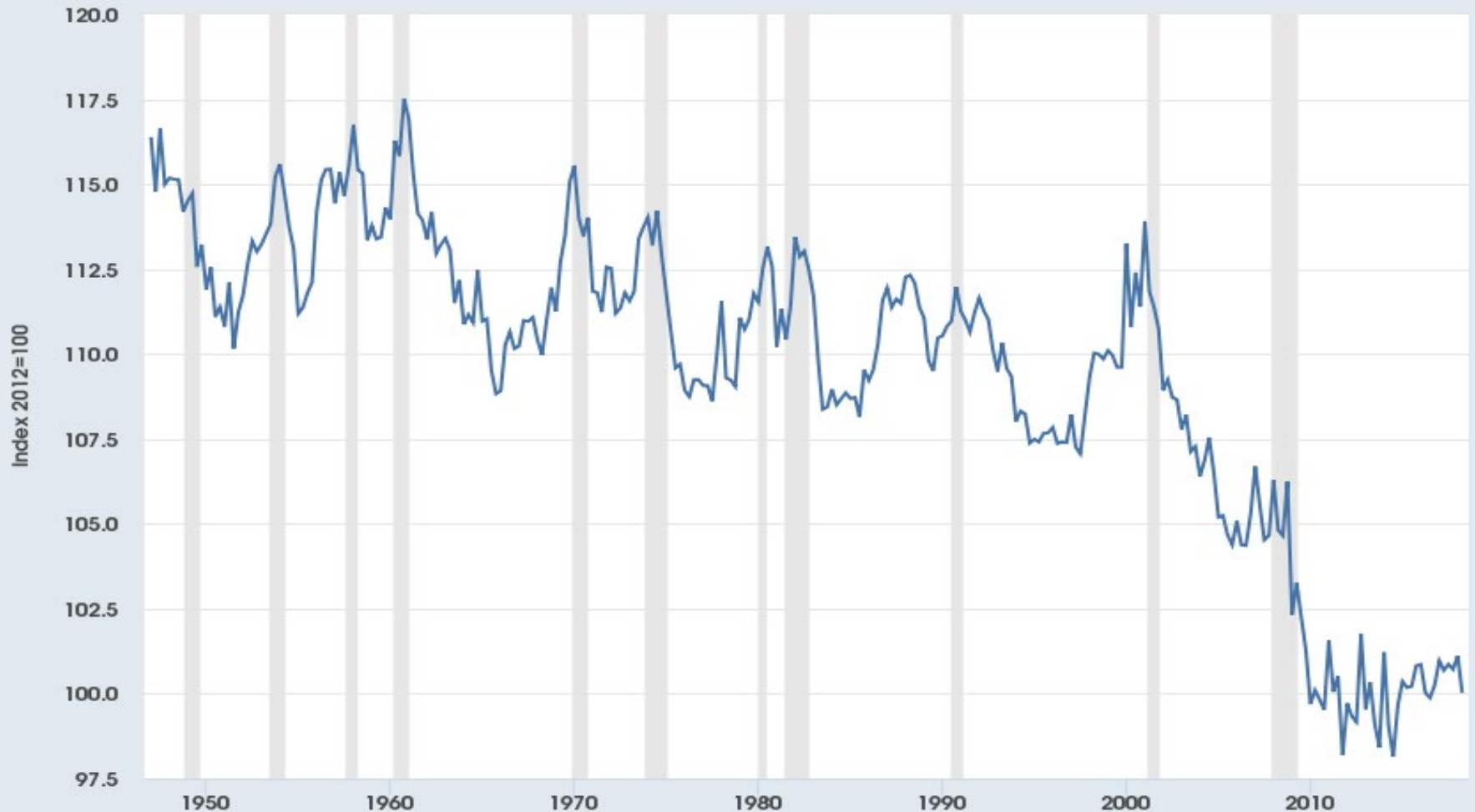
Corporate taxes too high?



Source: Adapted from Josh Bivens and Hunter Blair, 'Competitive' Distractions: Cutting Corporate Tax Rates Will Not Create Jobs or Boost Incomes for the Vast Majority of American Families, Economic Policy Institute, May 9, 2017.

Labor's share of national income

FRED — Nonfarm Business Sector: Labor Share



Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Labor Statistics

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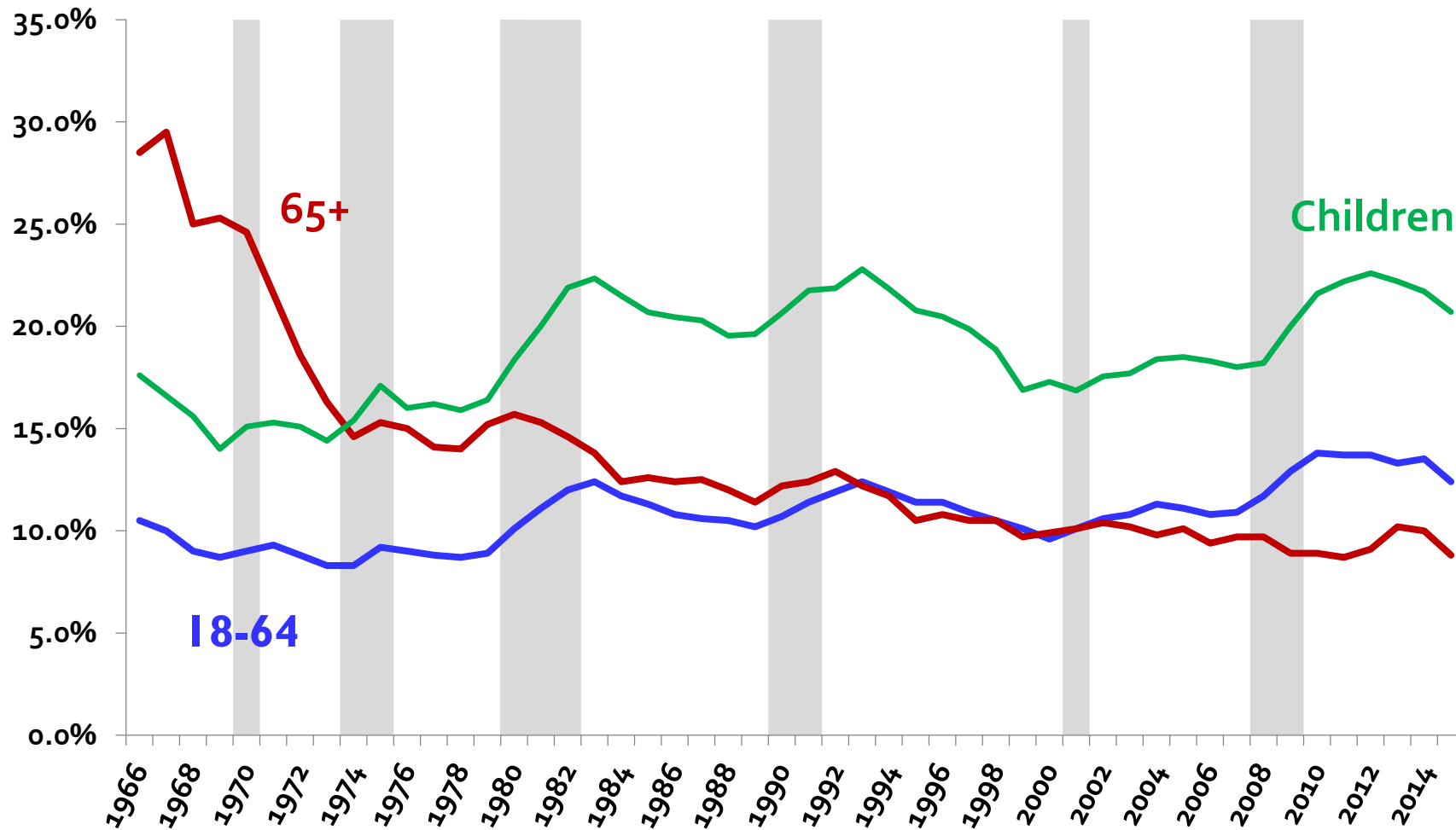
DANGER



www.etsy.com

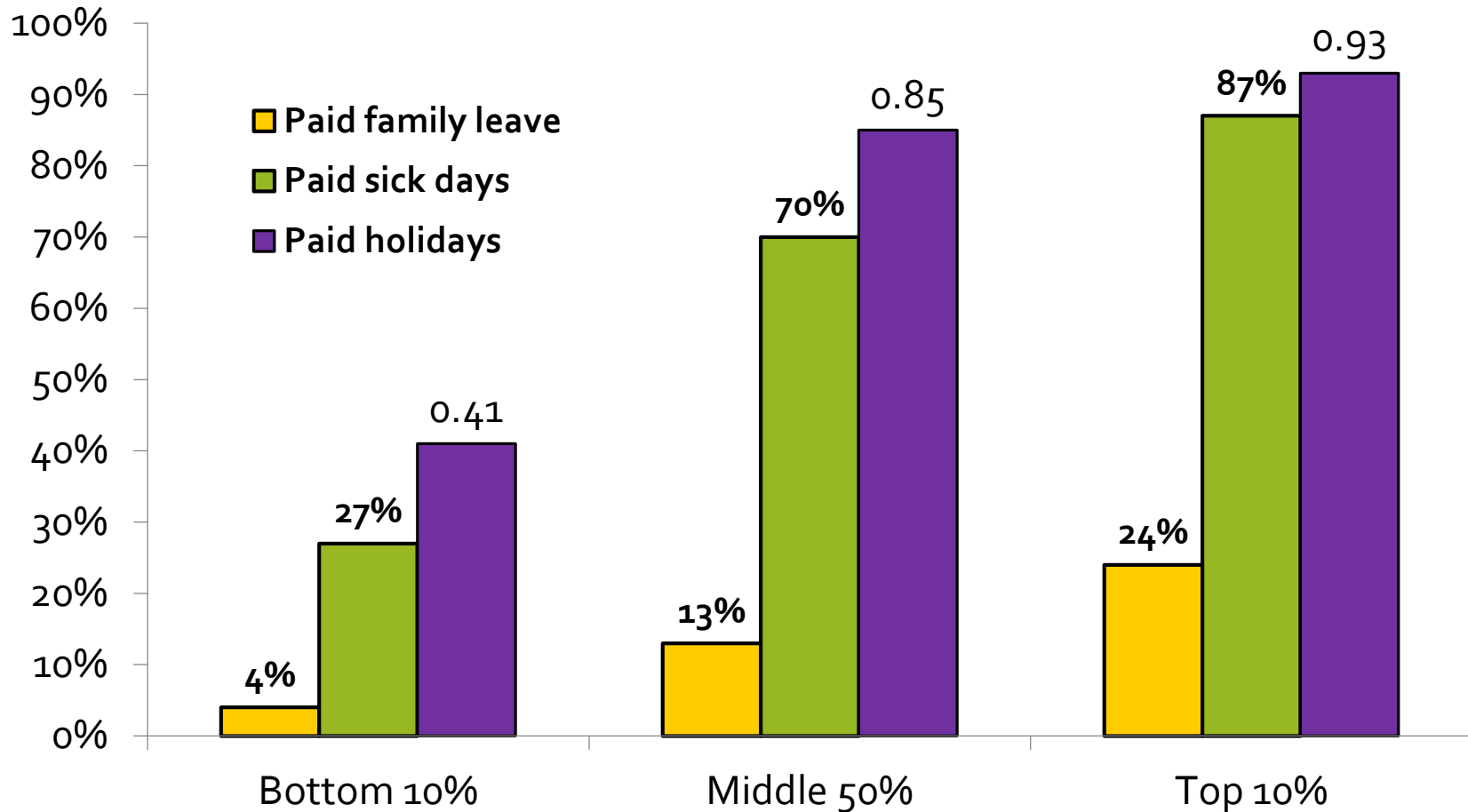
Poverty amongst vast wealth

[Social Security: a policy that works!]



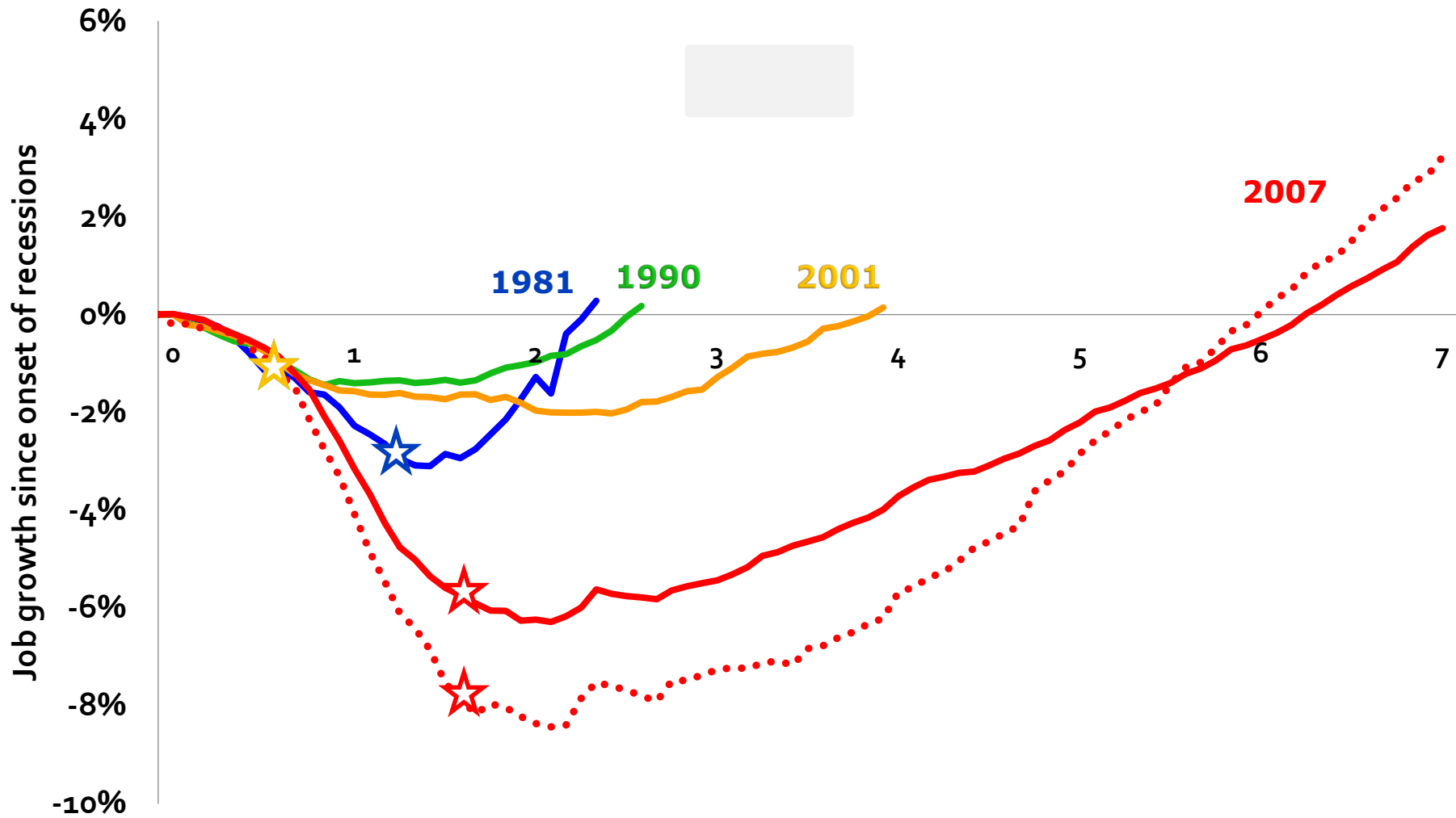
Source: U.S. Census Bureau and ACS poverty rates.

The YoYo U.S. Model



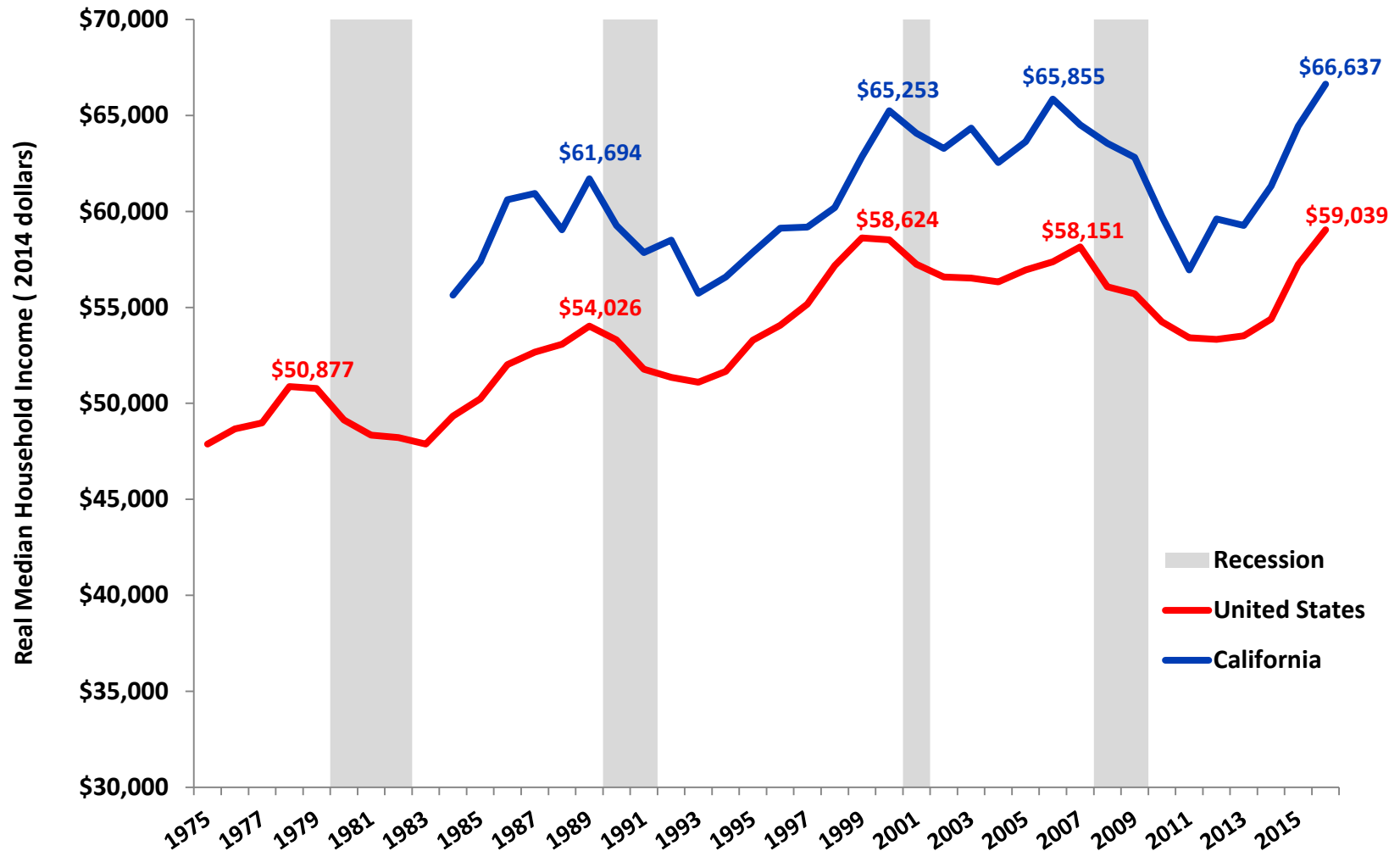
Source: Allegretto's analysis of BLS 2017 Table 4.12 from Employee Benefits Survey. Access to benefit for private industry workers.

Why the 'Great Recession'?



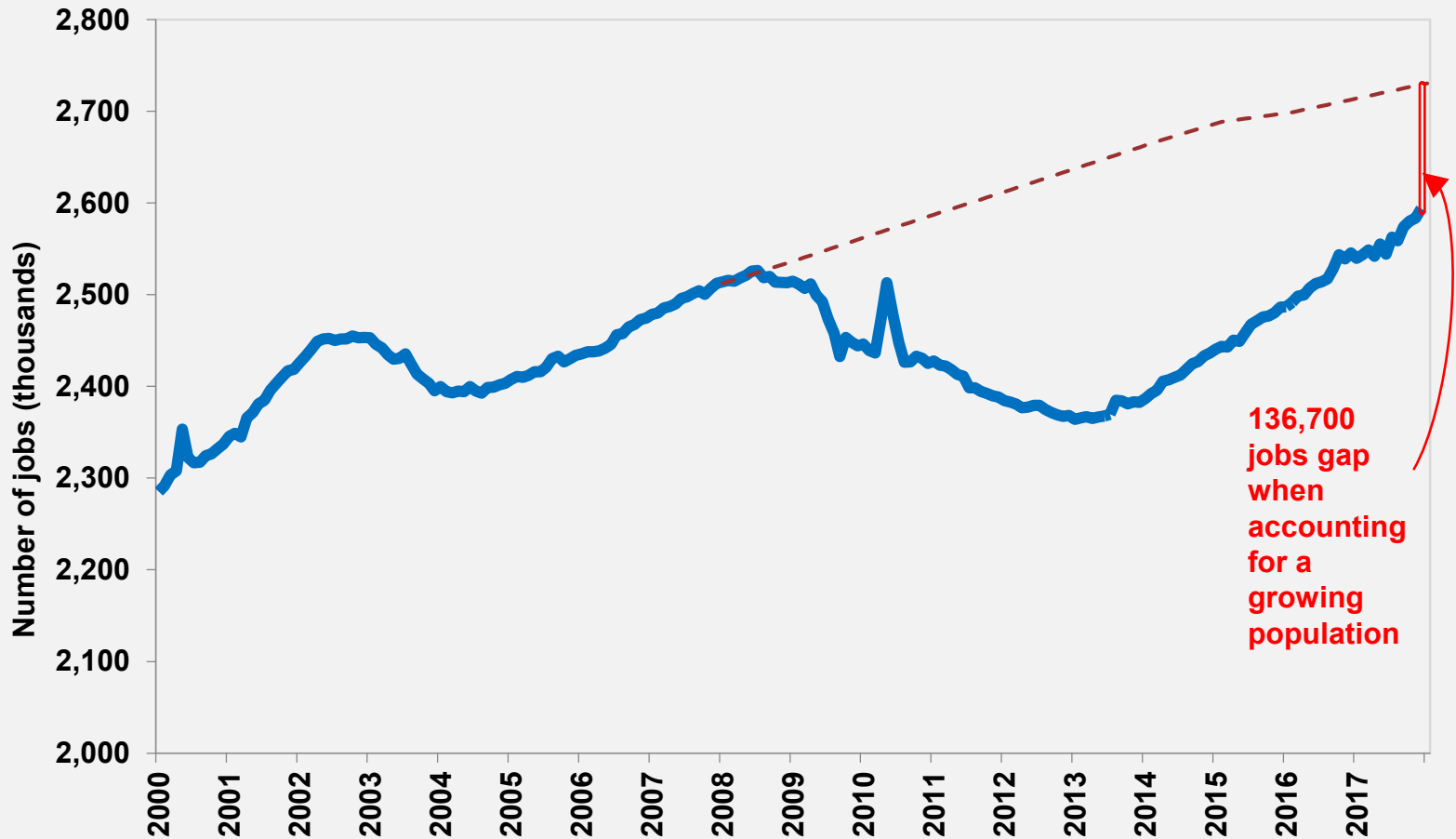
Source: Allegretto's analysis of Current Employment Statistics data. Data as of Feb 2016.

Long trends broken



Source: Allegretto's analysis of U.S. Census data annual median household income in 2016\$.

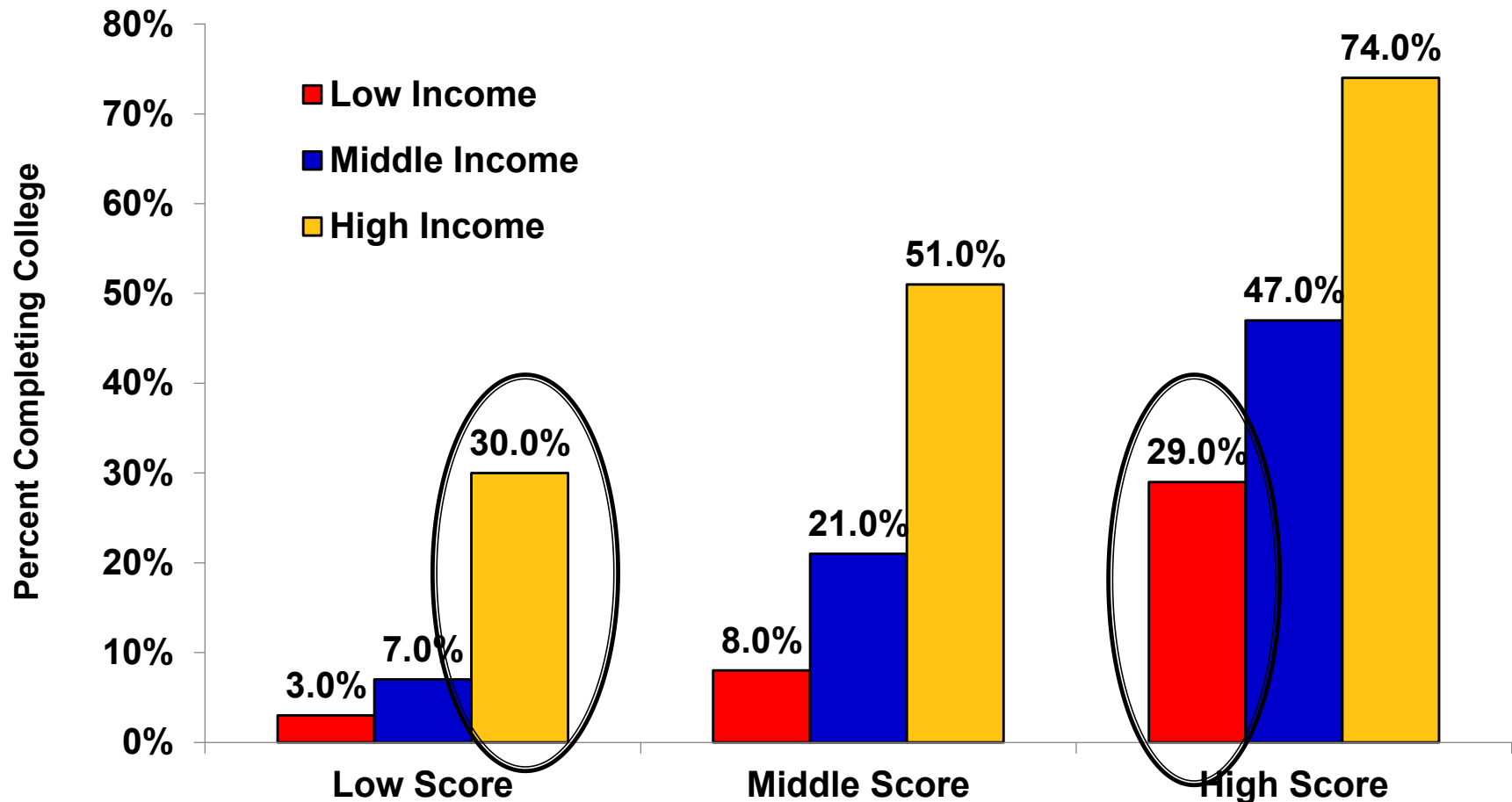
CA public sector has yet to recovery



Source: Public sector jobs from the Current Employment Statistics, seasonally adjusted. California population data are from the

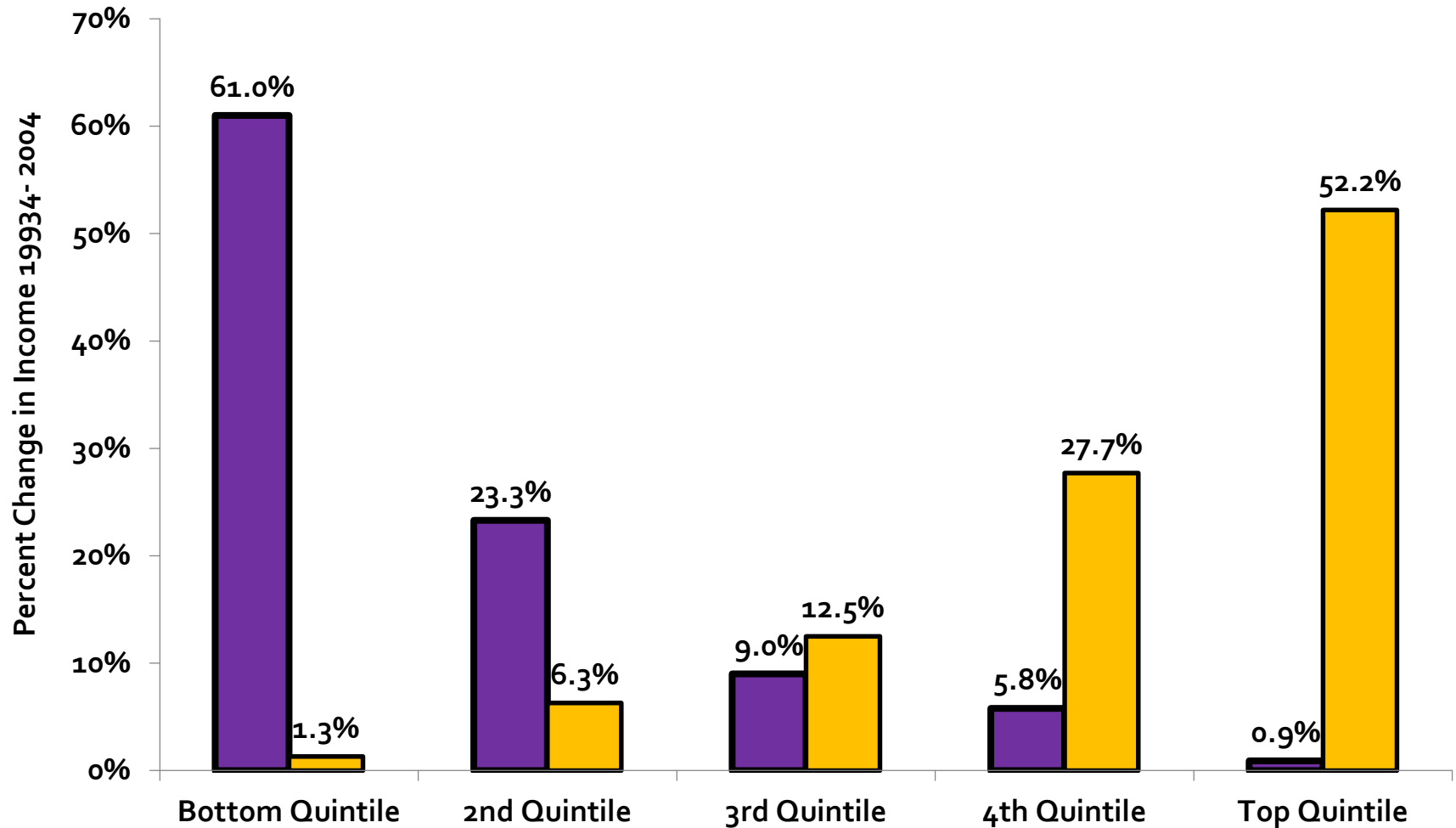
Meritocracy?

Wasted talent



Source: Allegretto's analysis of Fox, M.A., B.A. Connolly, and T.D. Snyder. 2005.

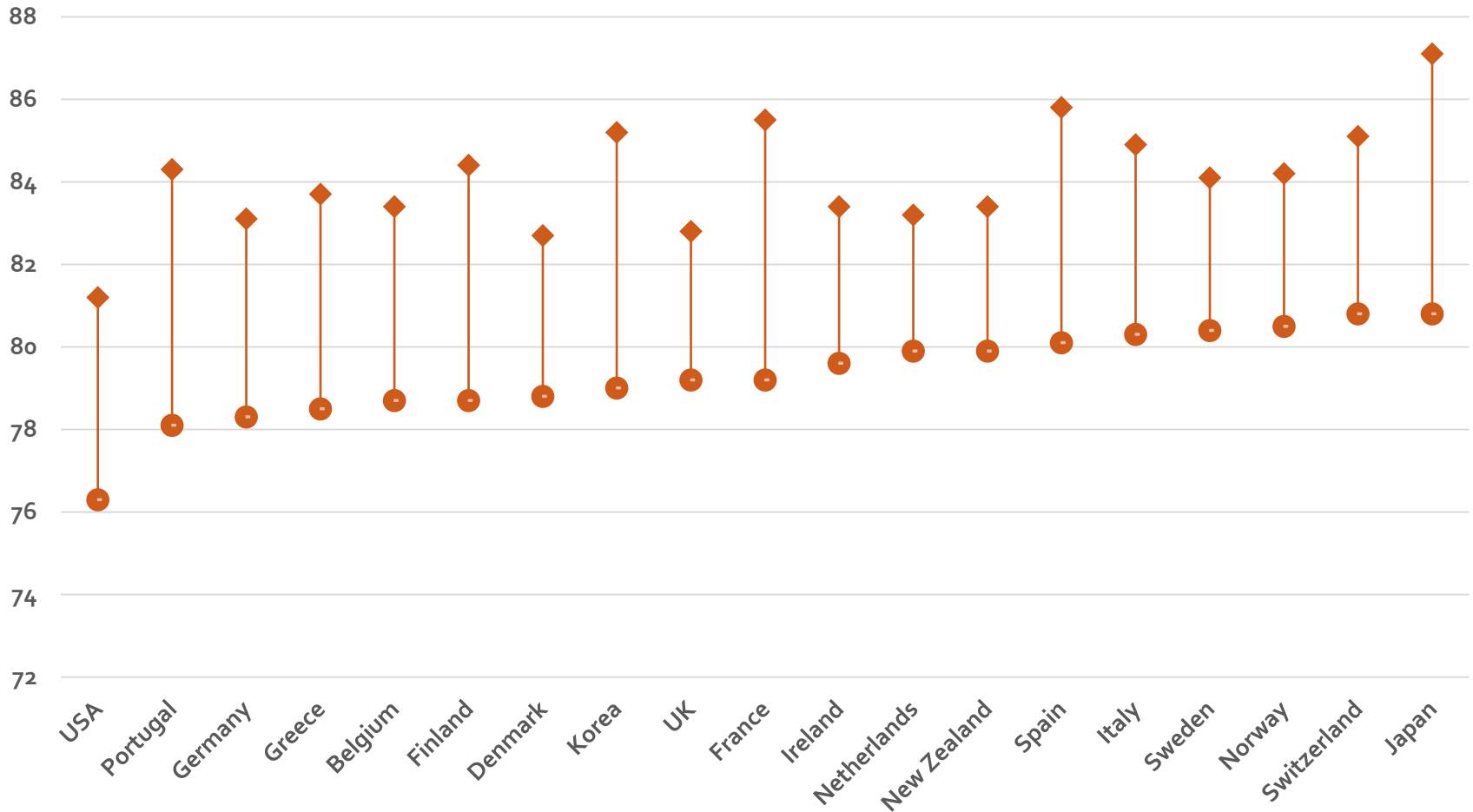
Where you start really matters in the U.S.



Source: Authors' analysis of Acs & Zimmerman (2008, Table 2)

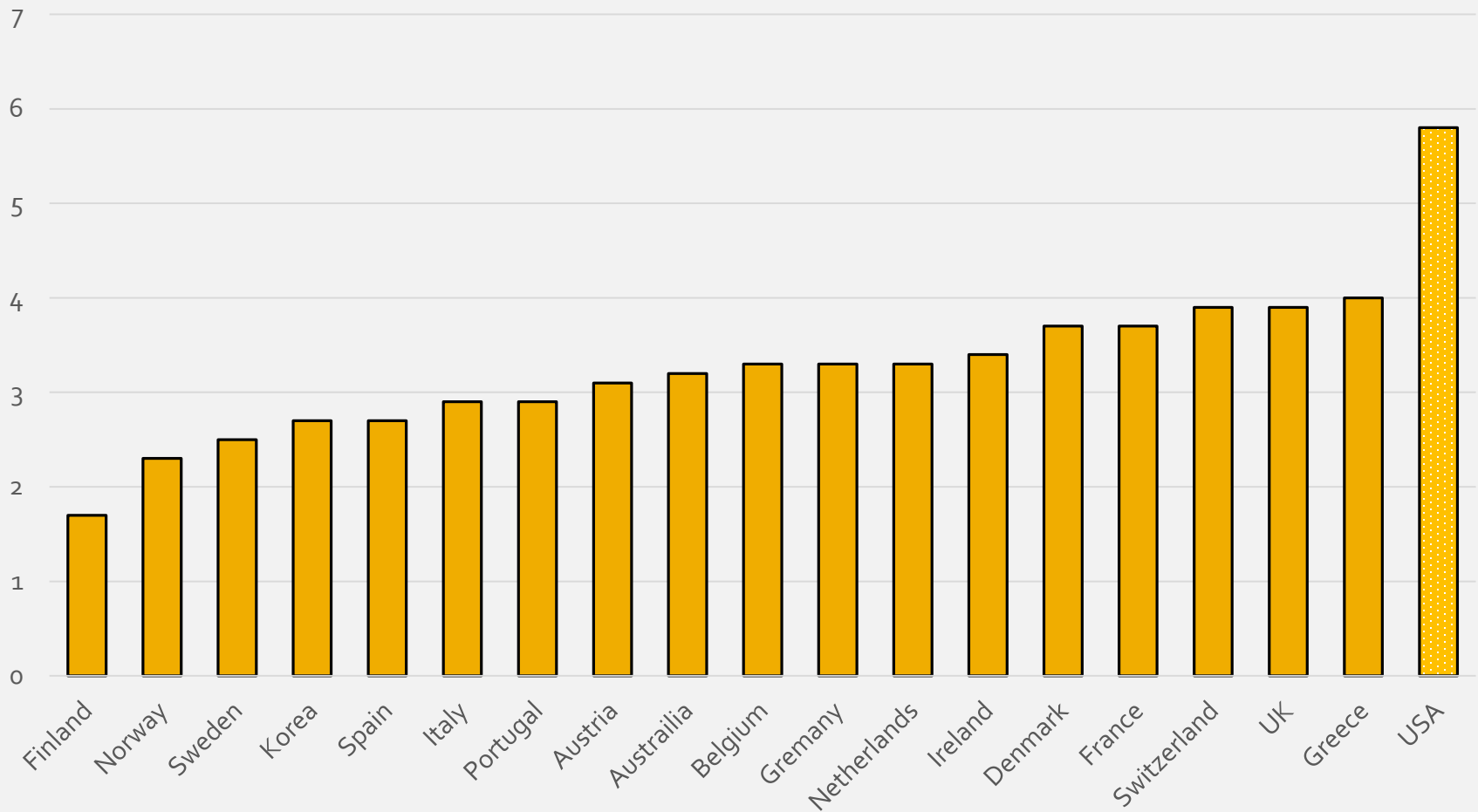
International comparisons

Life expectancy



Source: Allegretto's analysis of OECD data, 2015.

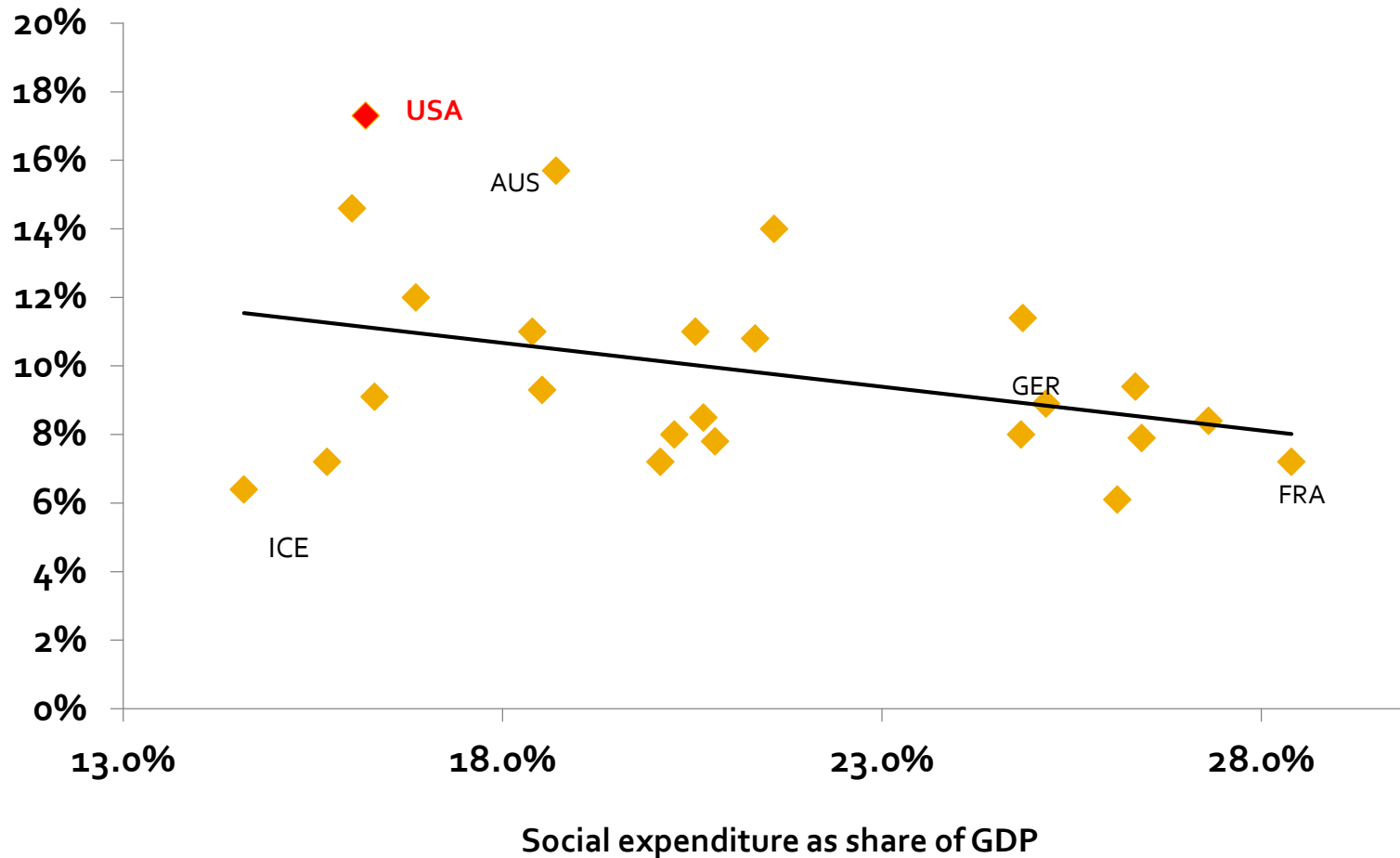
Infant mortality



Source: Allegretto's analysis of OECD data, 2015. Per 1,000 live births.

Mitigating the struggle

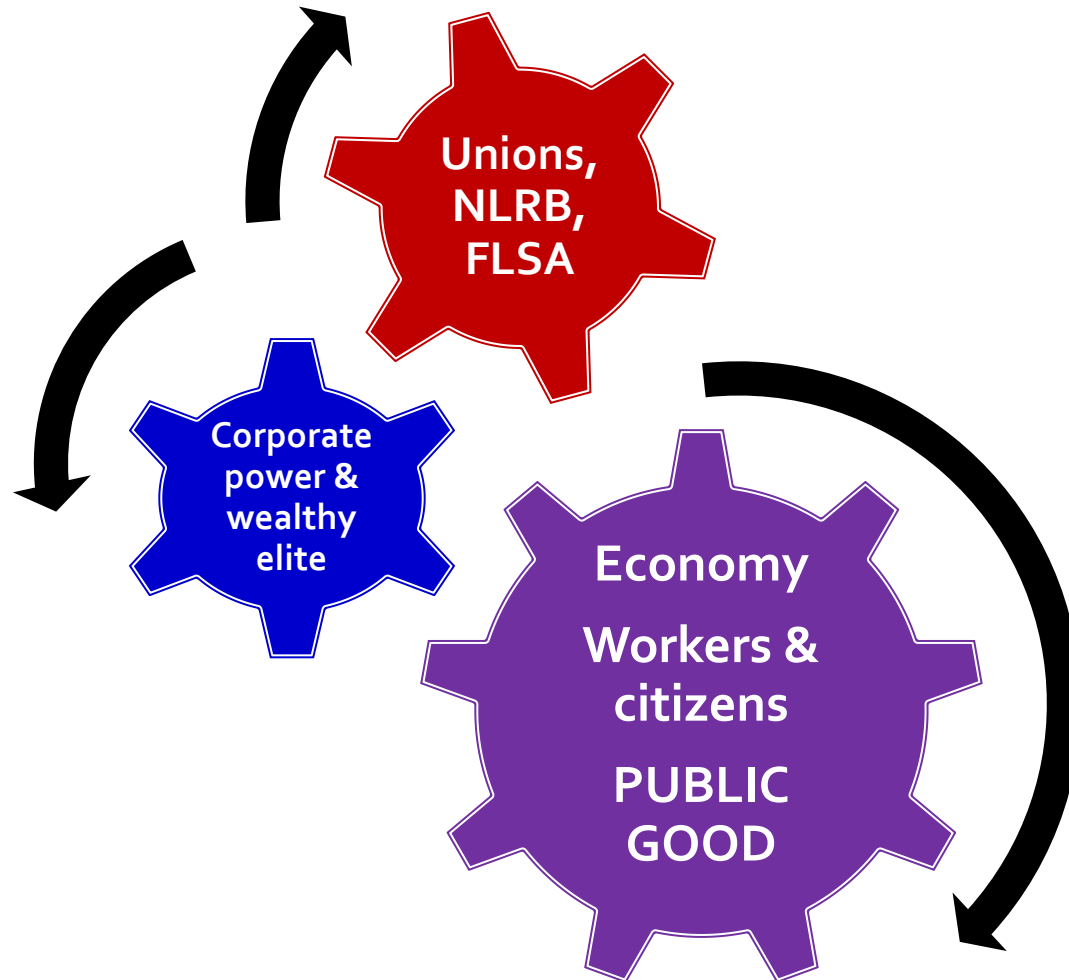
(poverty rates after gov't transfers)



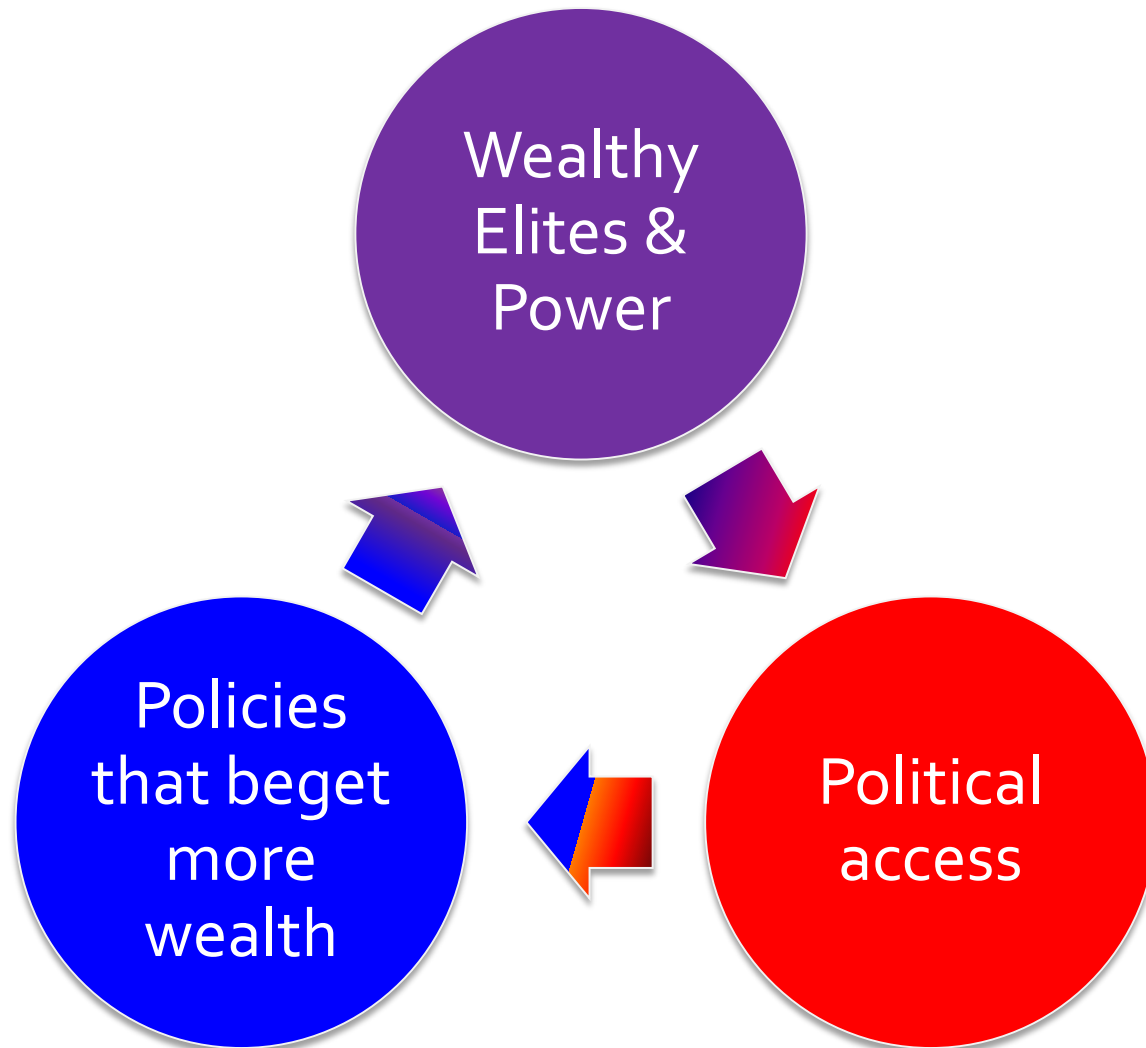
Source: OECD data on post-transfer poverty rates, 2014. Adjusted for family size.

Fairness & dignity

Shared sacrifice & shared prosperity



Inequality is a function of *Purposeful Policy*



Out of whack



Is inequality a problem?

Yes, given the degree of inequality in the U.S.

- The wealthy are not taking the rest of us with them—vast riches for a few are at the expense of the many
- Long run economic growth is stunted as a rising tide that lifts all boats keeps rising
- Everyone—even the wealthy—would be better off with a smaller slice of a growing economic pie
- The tax system allows well off & corporations to avoid paying
- Dismantling of public services: especially education
- Workers can't get by as wages stagnate & the burden of taxes, health care & retirement is shifted to them
- Adversely affects our democracy



What could be done?

- Raise the minimum wage—FMW \$7.25 TW \$2.13
- Make it easy for workers to collectively bargain
- Full-employment policies and focus on job growth
- Expand Social Security and safety nets
- Invest in education and infrastructure
- Restructure corporate taxes
- Restrict money in elections
- Universal health care



“The reason they call it the American Dream is because you have to be asleep to believe it.”

~ George Carlin

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