

Inequality: trends, causes and consequences

Special Topics in Public Policy

February 7, 2019

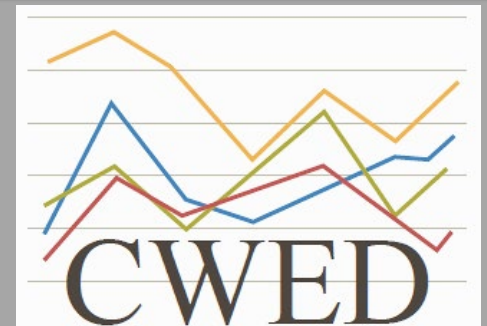
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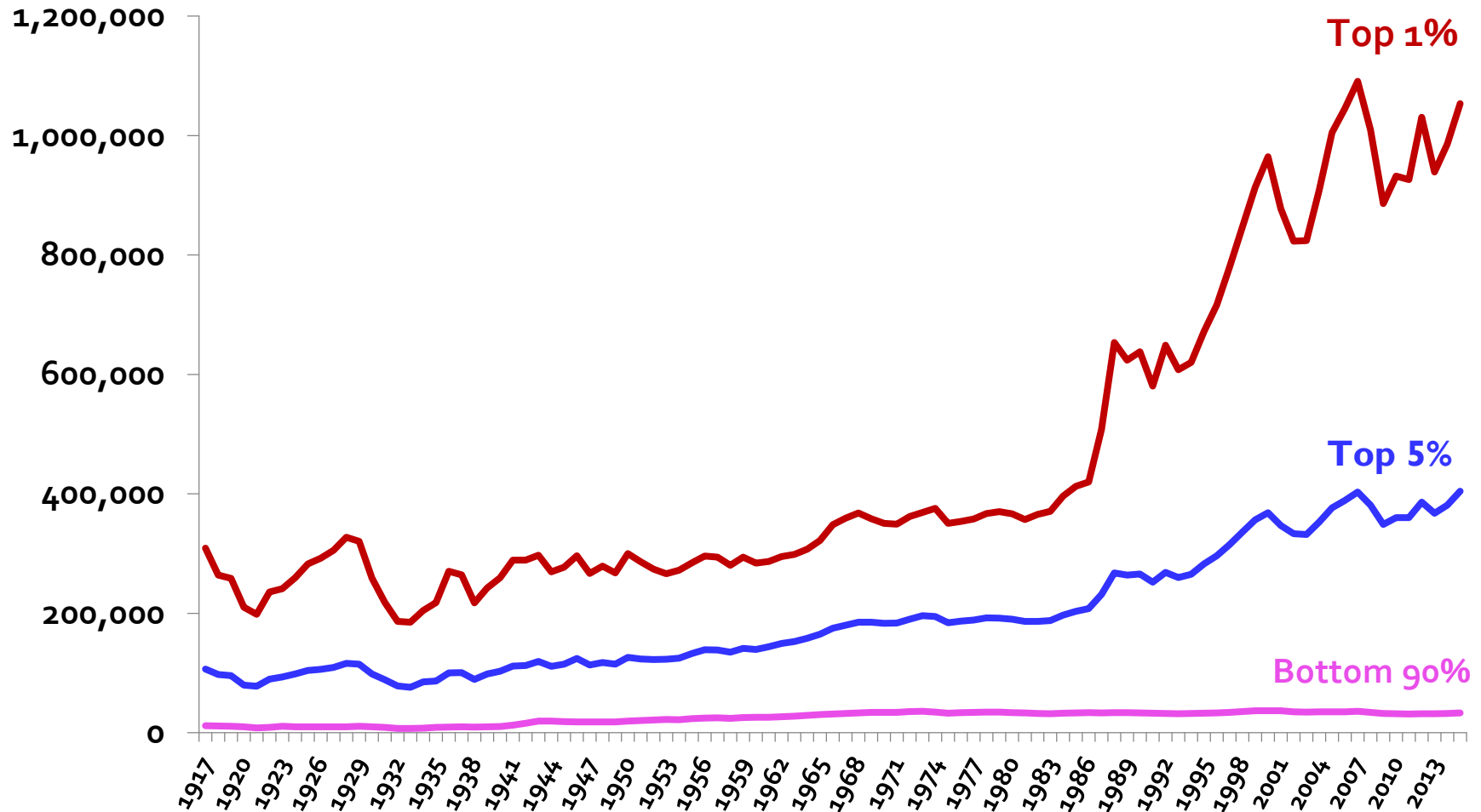






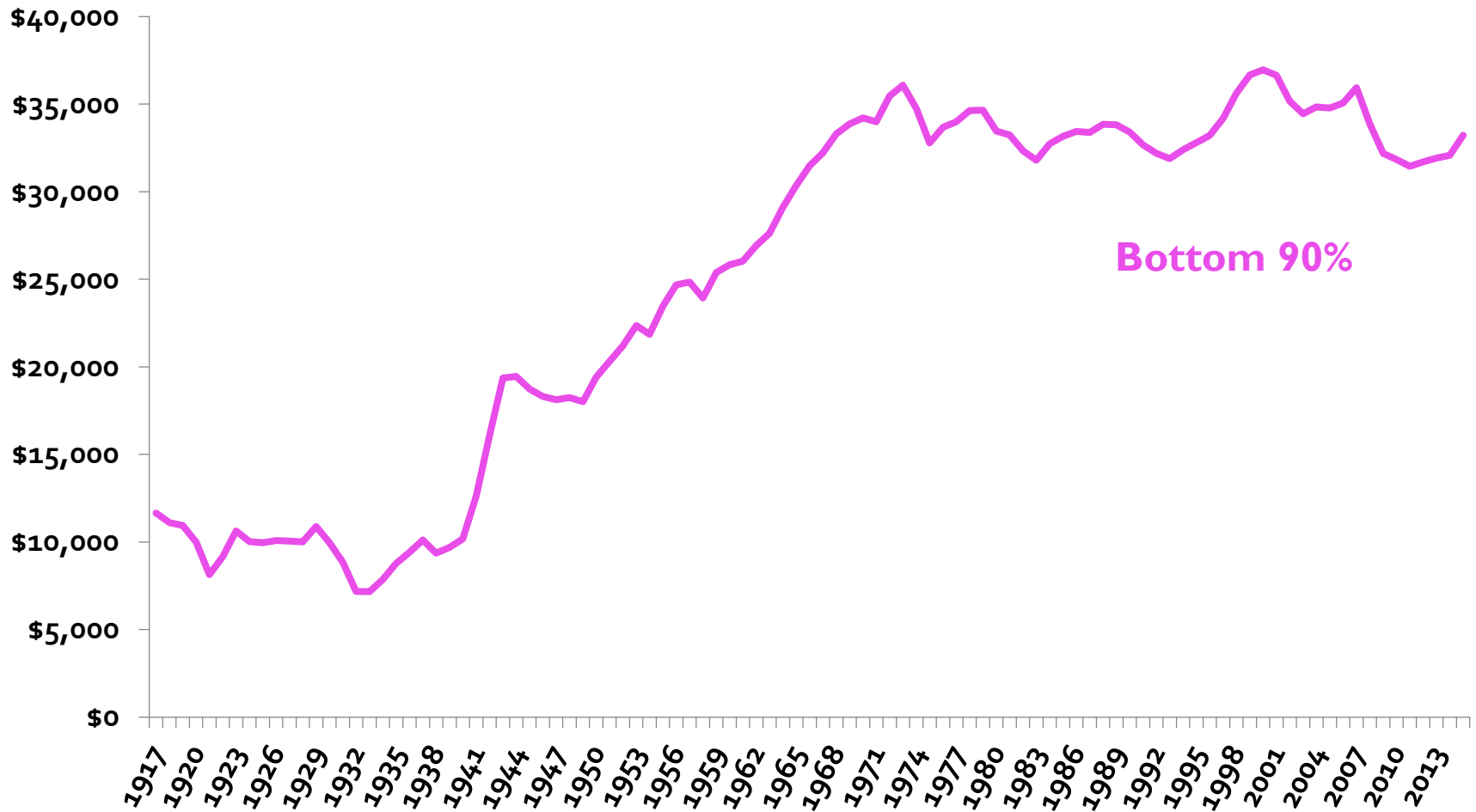
Income

A stark visual of growing inequality



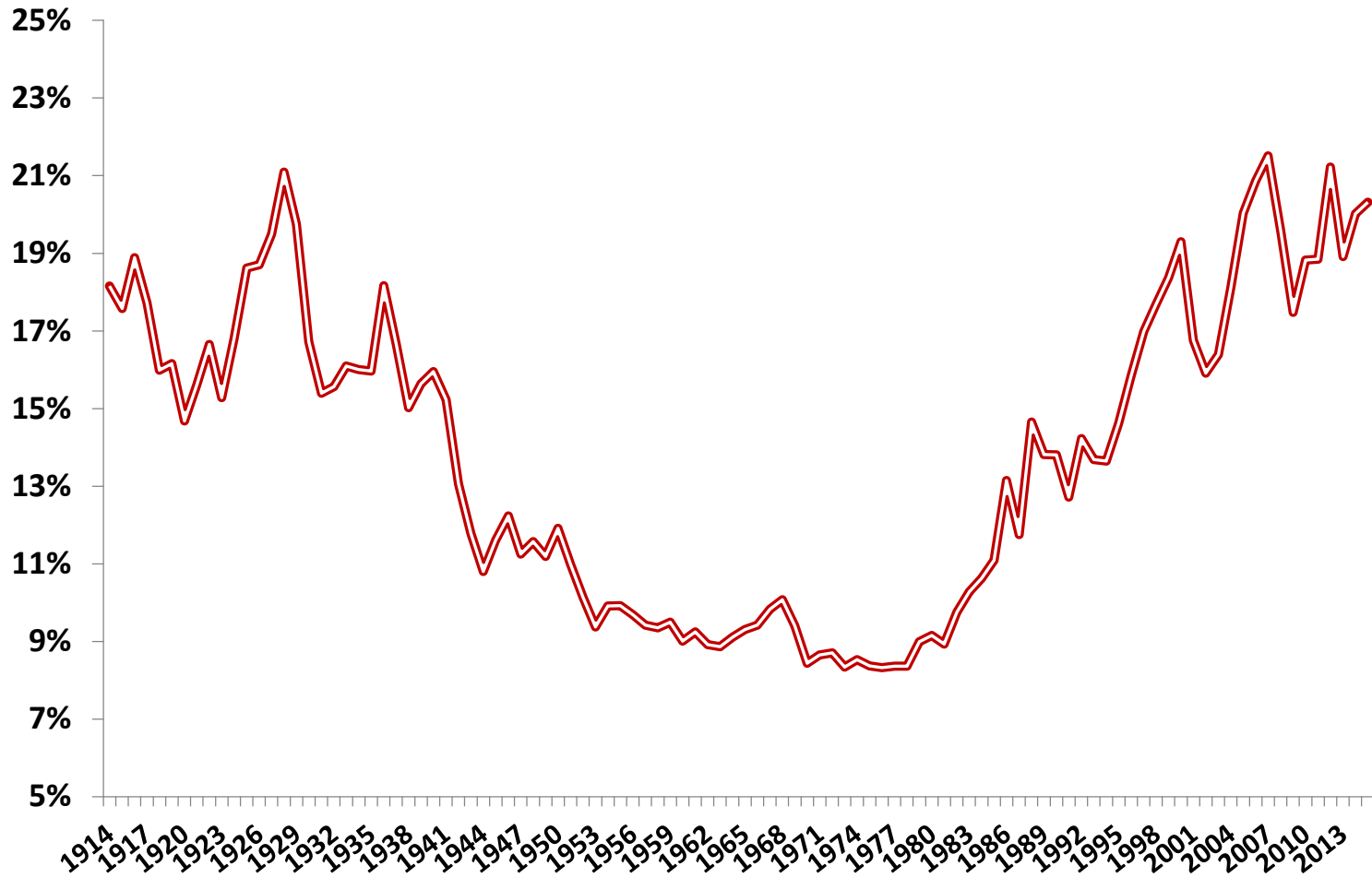
Source: Piketty, T. and Saez, E., The World Top Incomes Database. U.S. before-tax income, excluding K-gains.

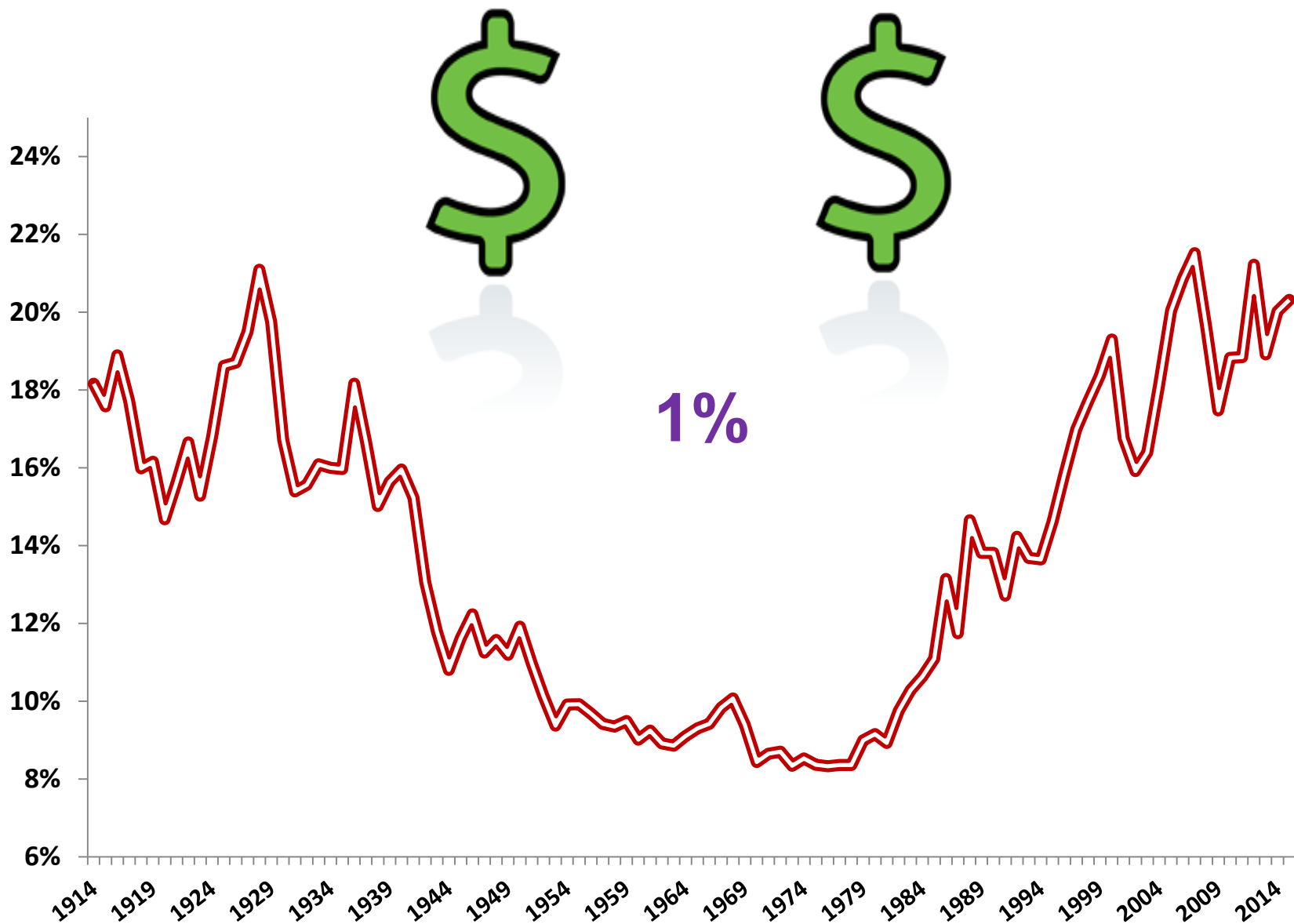
A rising tide...



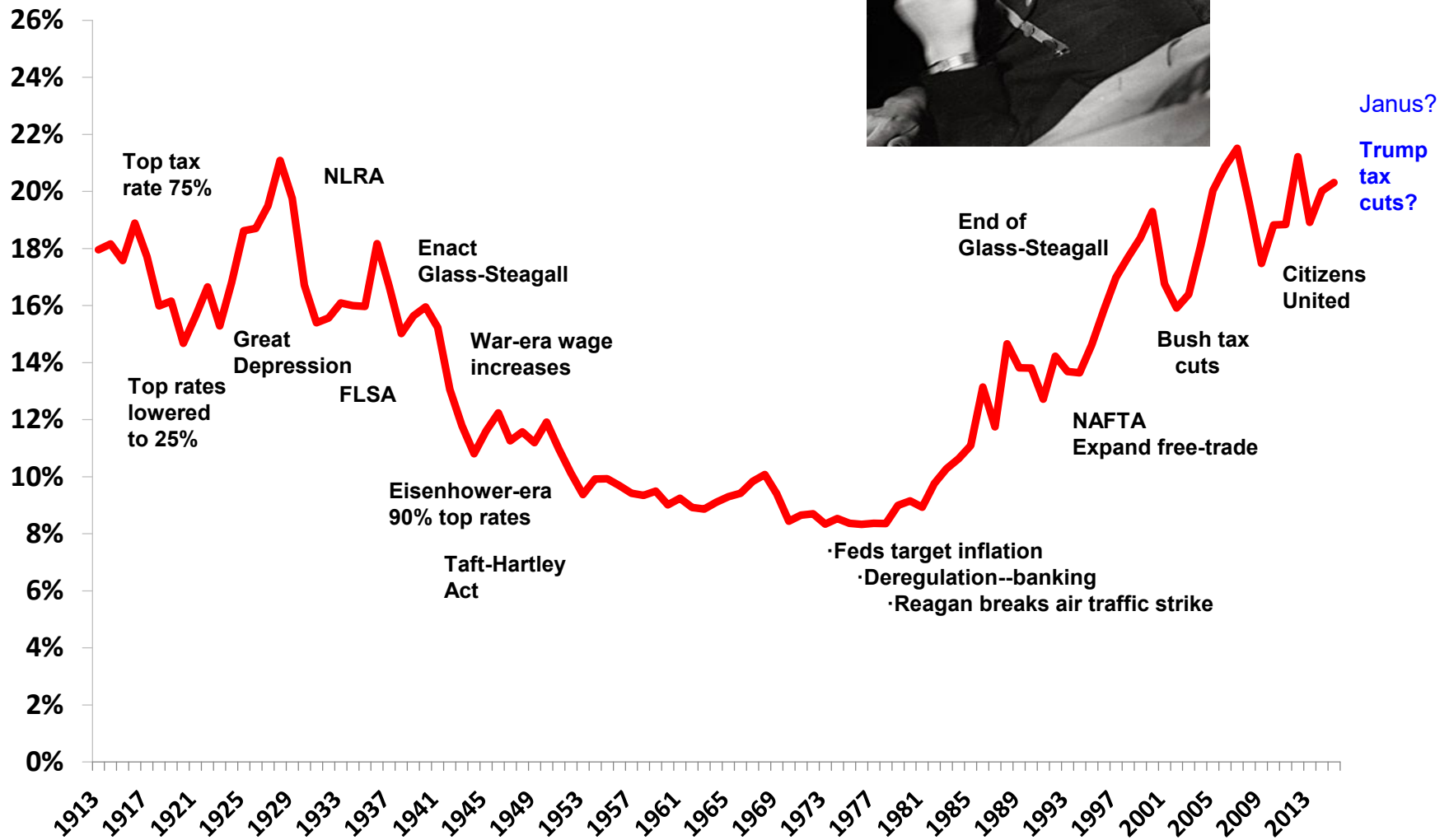
Source: Piketty, T. and Saez, E., The World Top Incomes Database. U.S. before-tax income excluding K-gains 2015\$.

Top 1% share of all income



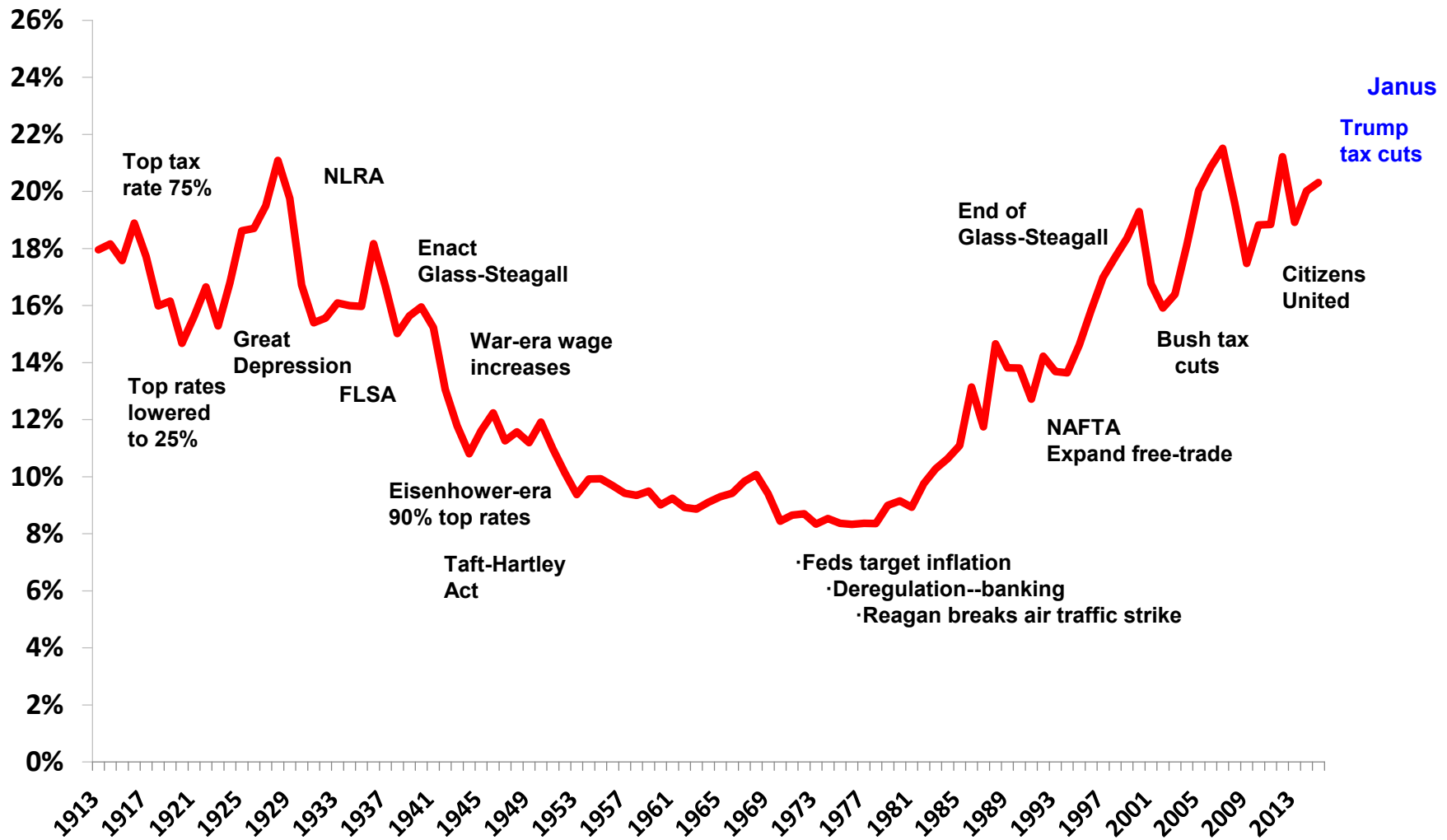


The 'free market' fallacy (Top 1% of income shares)



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

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

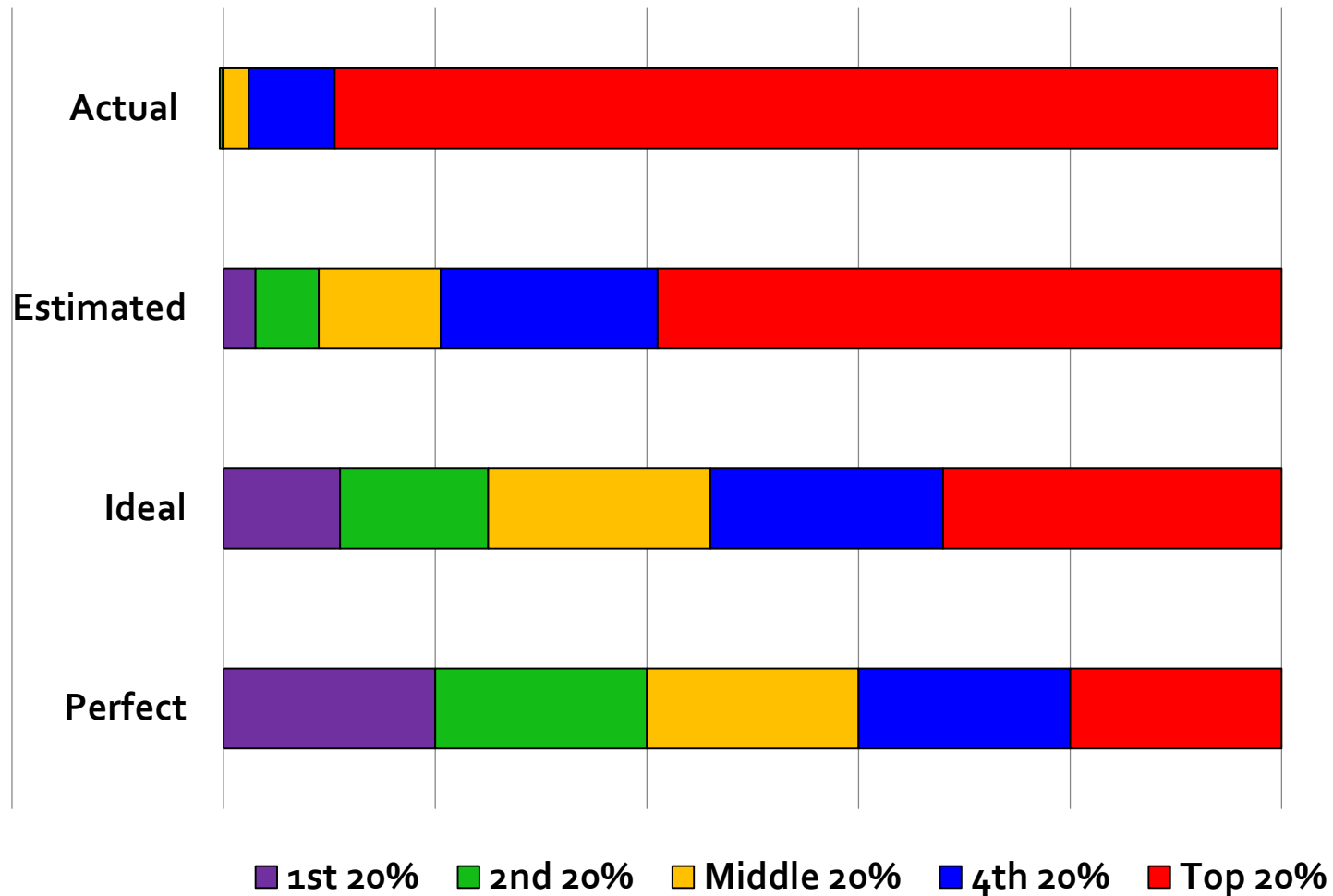


Source: Saez & Piketty. Top 1% income shares in the United States. Center for Economic & Policy Research.



Wealth

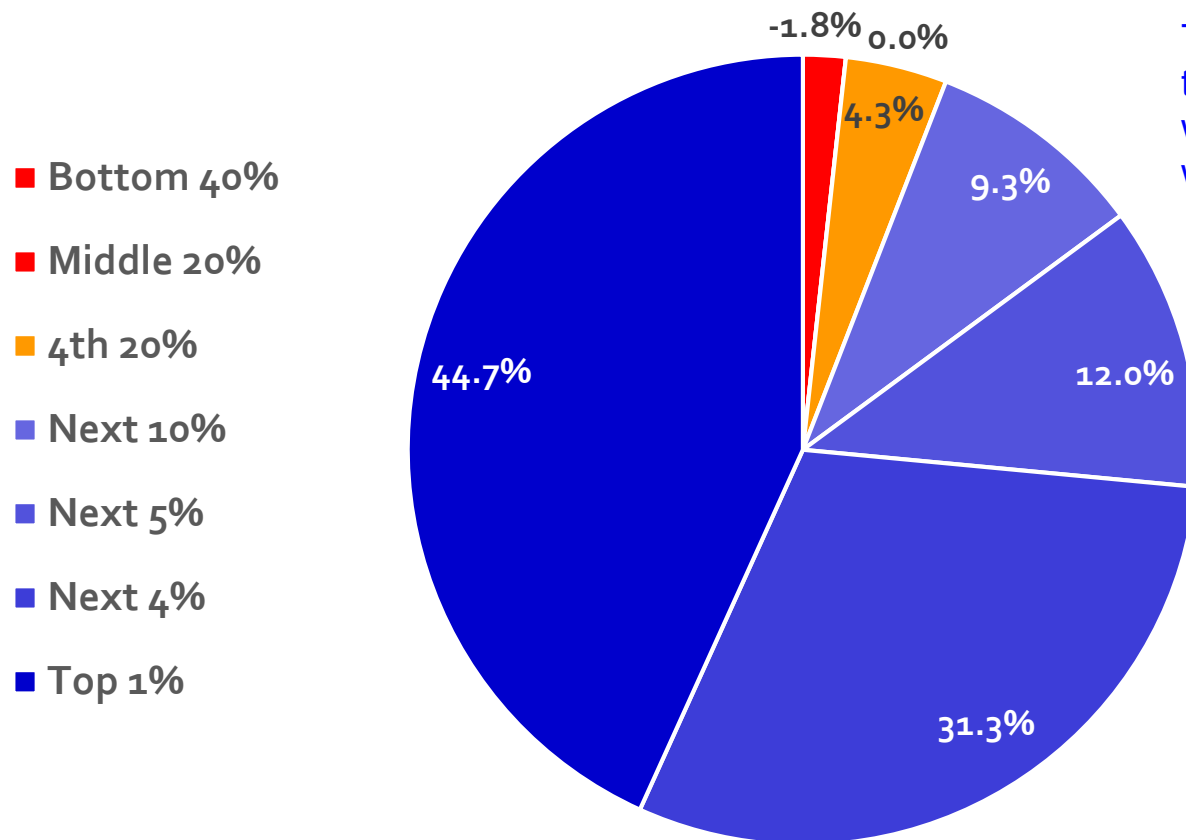
The Wealth of a Nation



Source: Norton and Ariely, "Building a Better America". Based on 5000 responses. Actual data from the Survey of Consumer Finances, 2016.

The rich are getting (hella) richer!

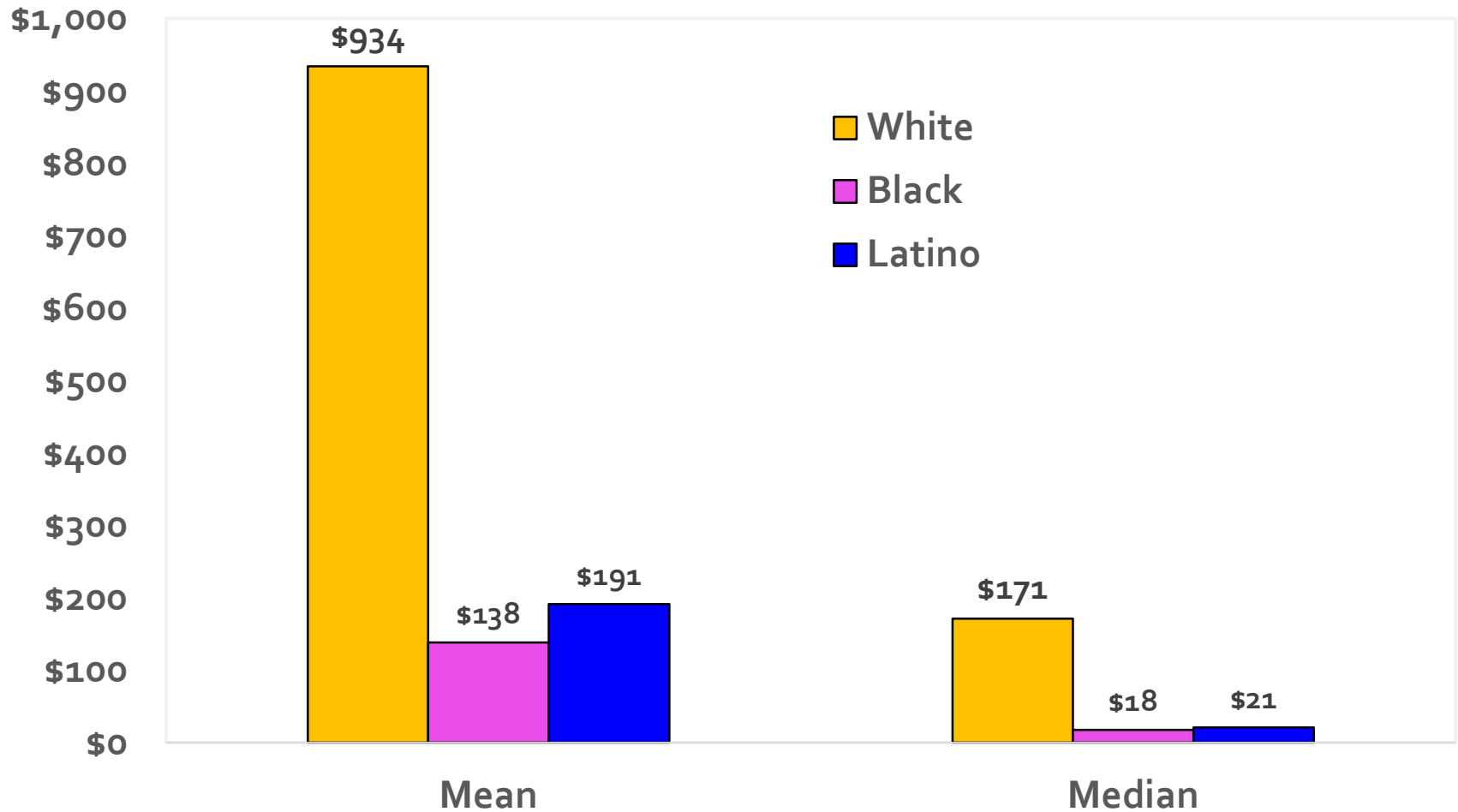
(How gains in U.S. wealth were distributed, 1983-2016)



The 4 blue slices represent the Top 20%: 97.3% of all wealth gains since 1983 went to them.

Family average & median wealth

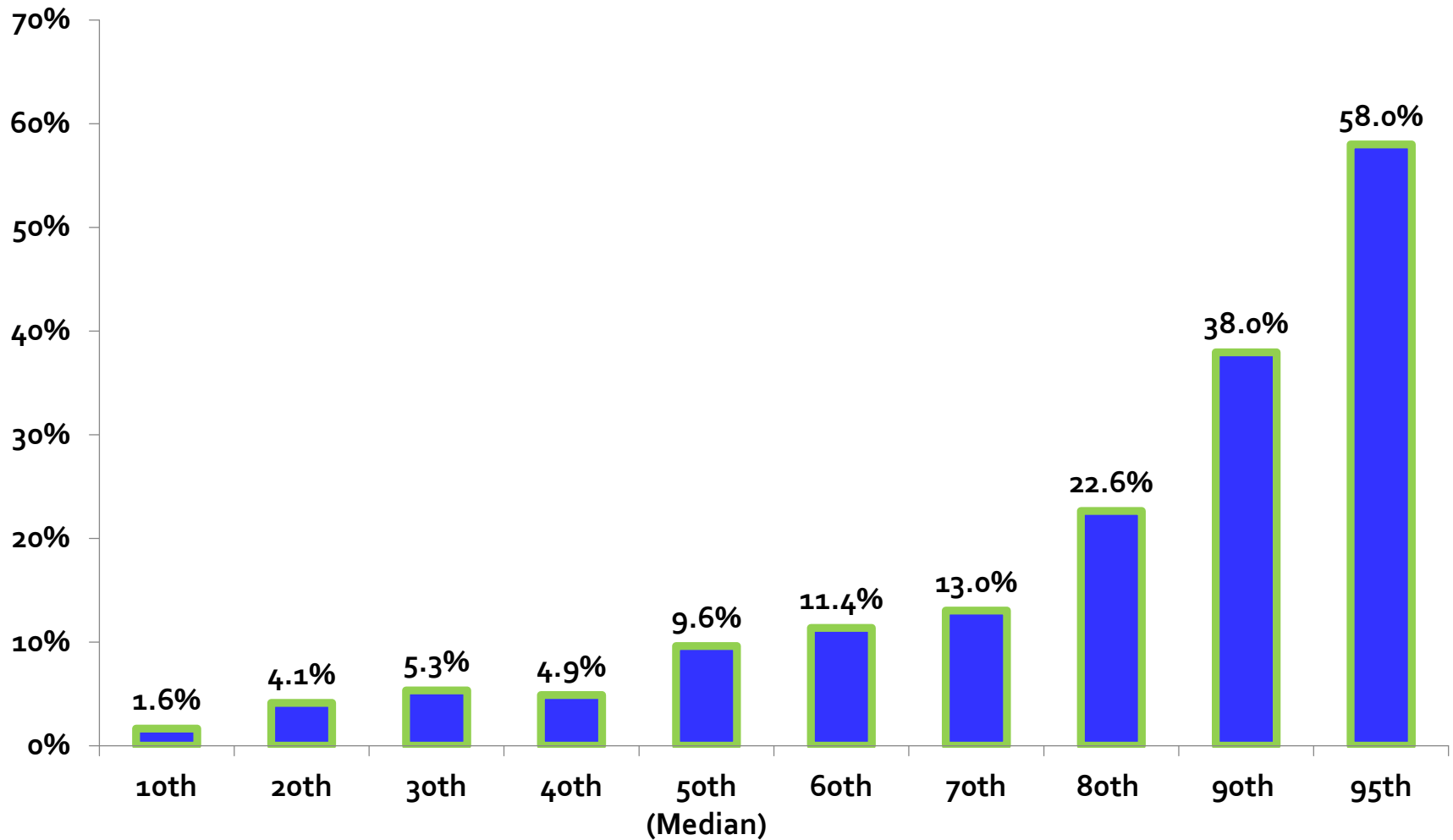
(thousands of 2016 dollars)



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

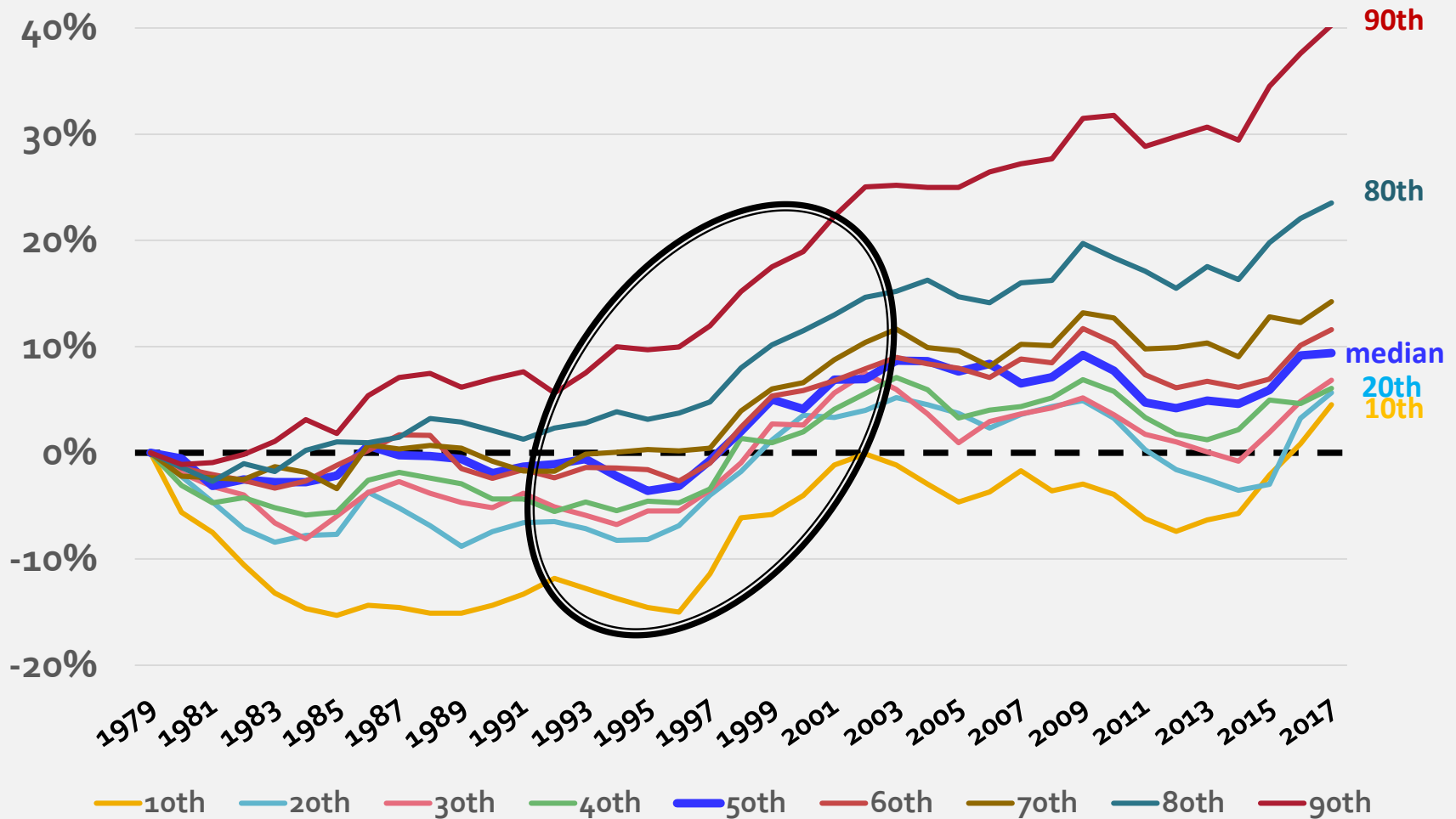
Wages

Nearly 4 decades of wage growth in the USA

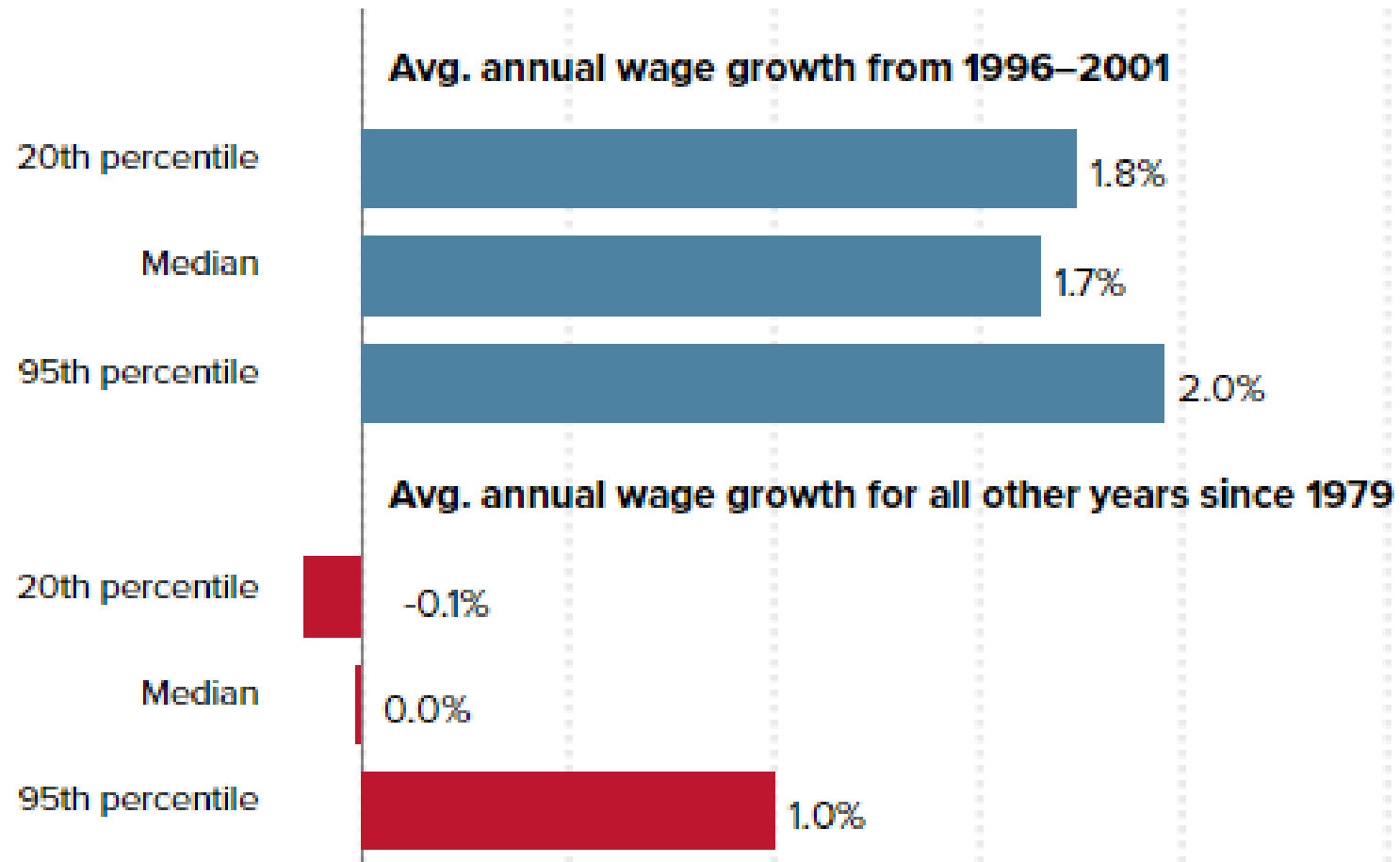


Source: BLS Current Population Survey. 1979-2016. CPI-RS inflation adjusted 2016\$.

Nearly 4 decades of U.S. wage growth

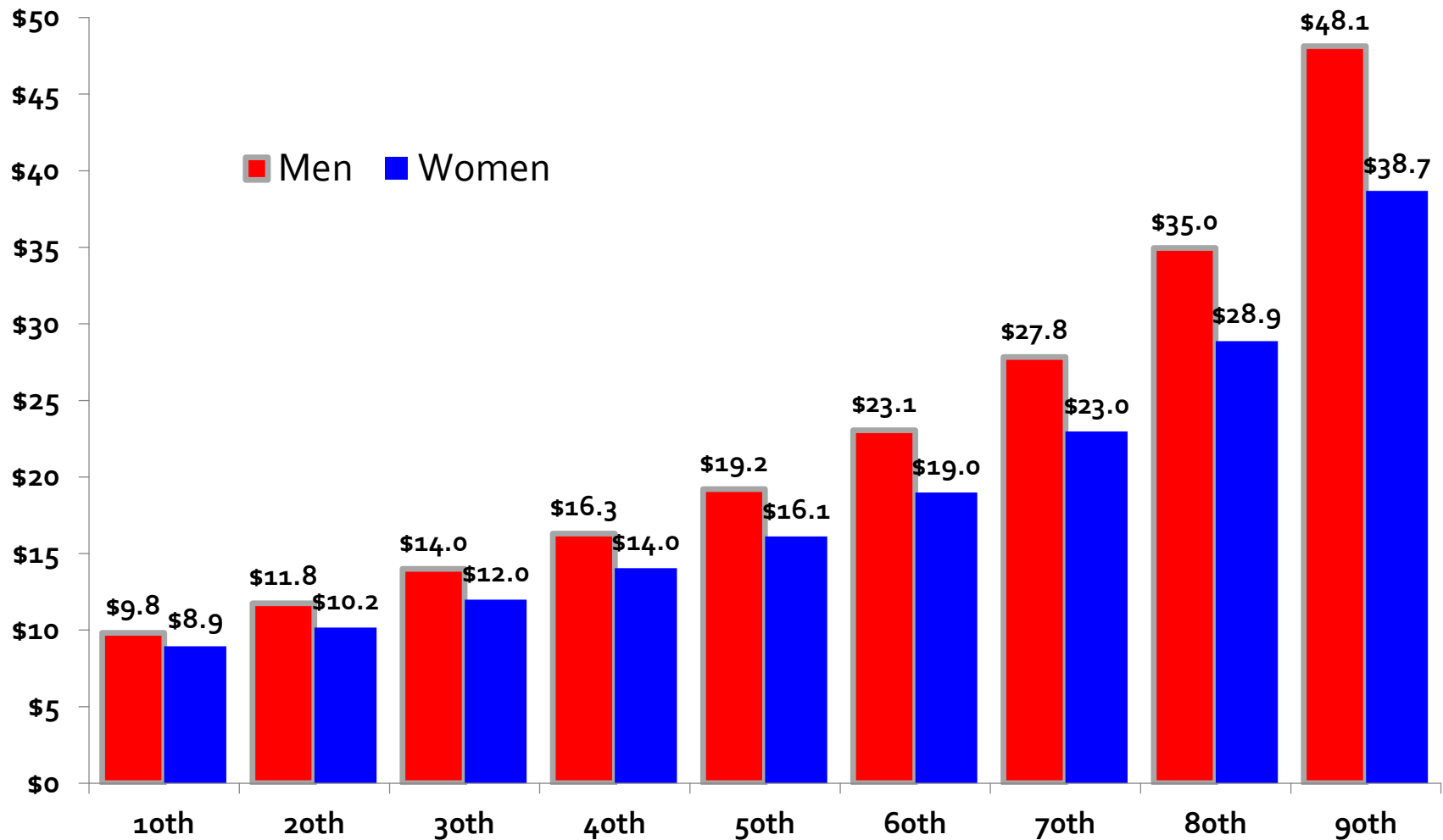


The Fed can look at the late 1990s on how to raise wages



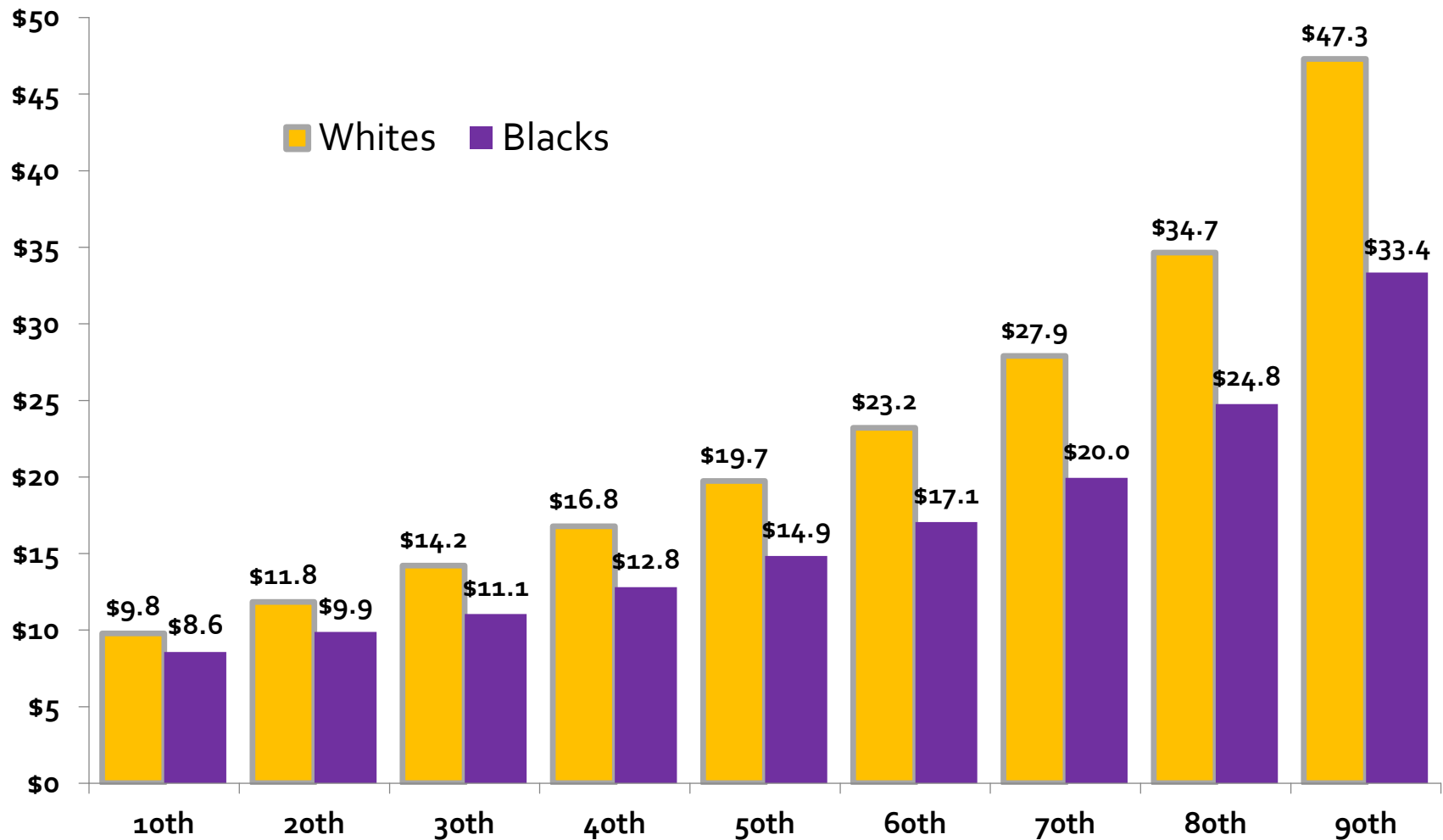
Source: The Importance of Locking in Full Employment for the Long Haul. Economic Policy Institute.

Gender pay gap grows with higher pay



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

As does the racial pay gap...more so



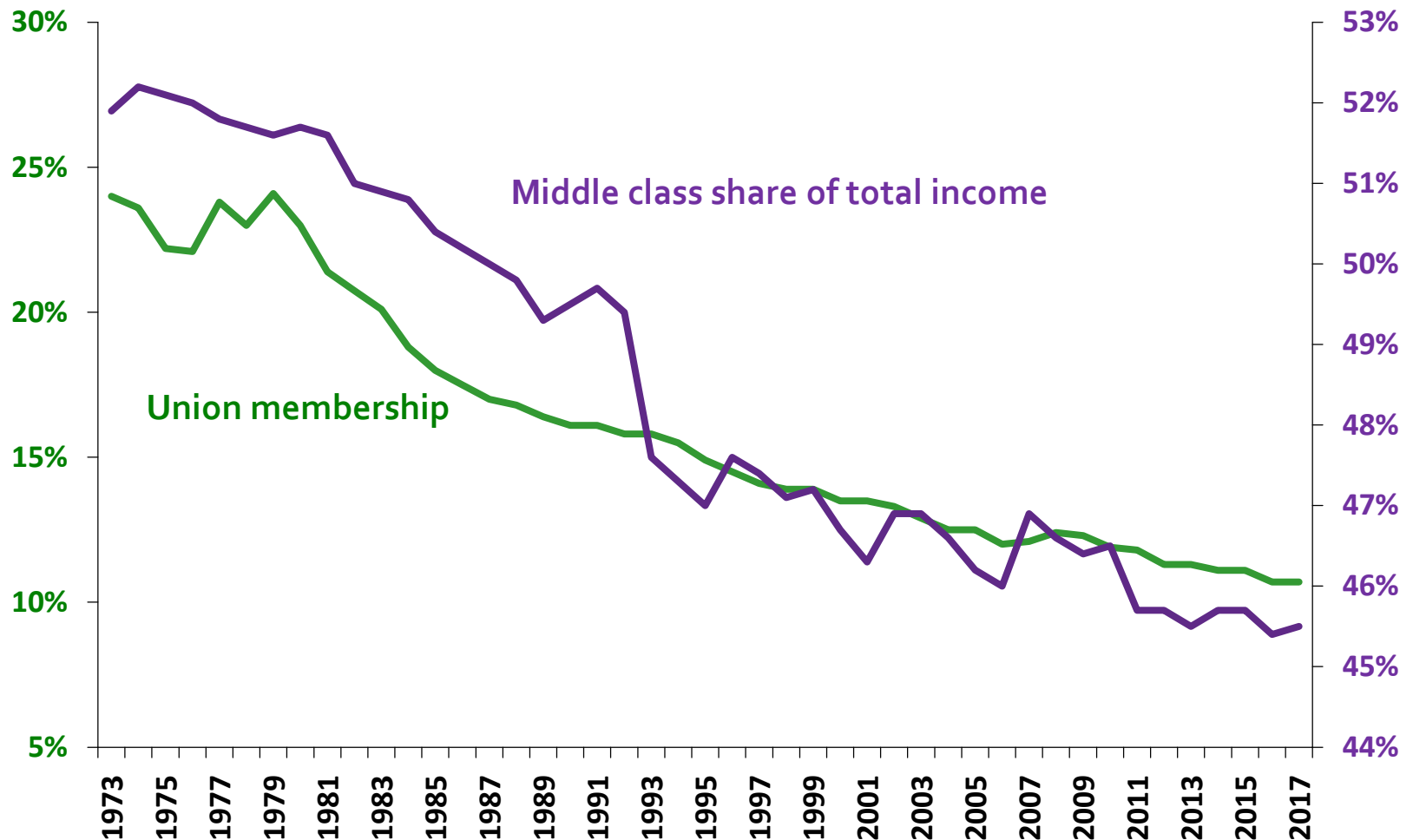
Source: Allegretto's depiction of the Economic Policy Institutes analysis of BLS Current Population Survey 2016 data.



Unions

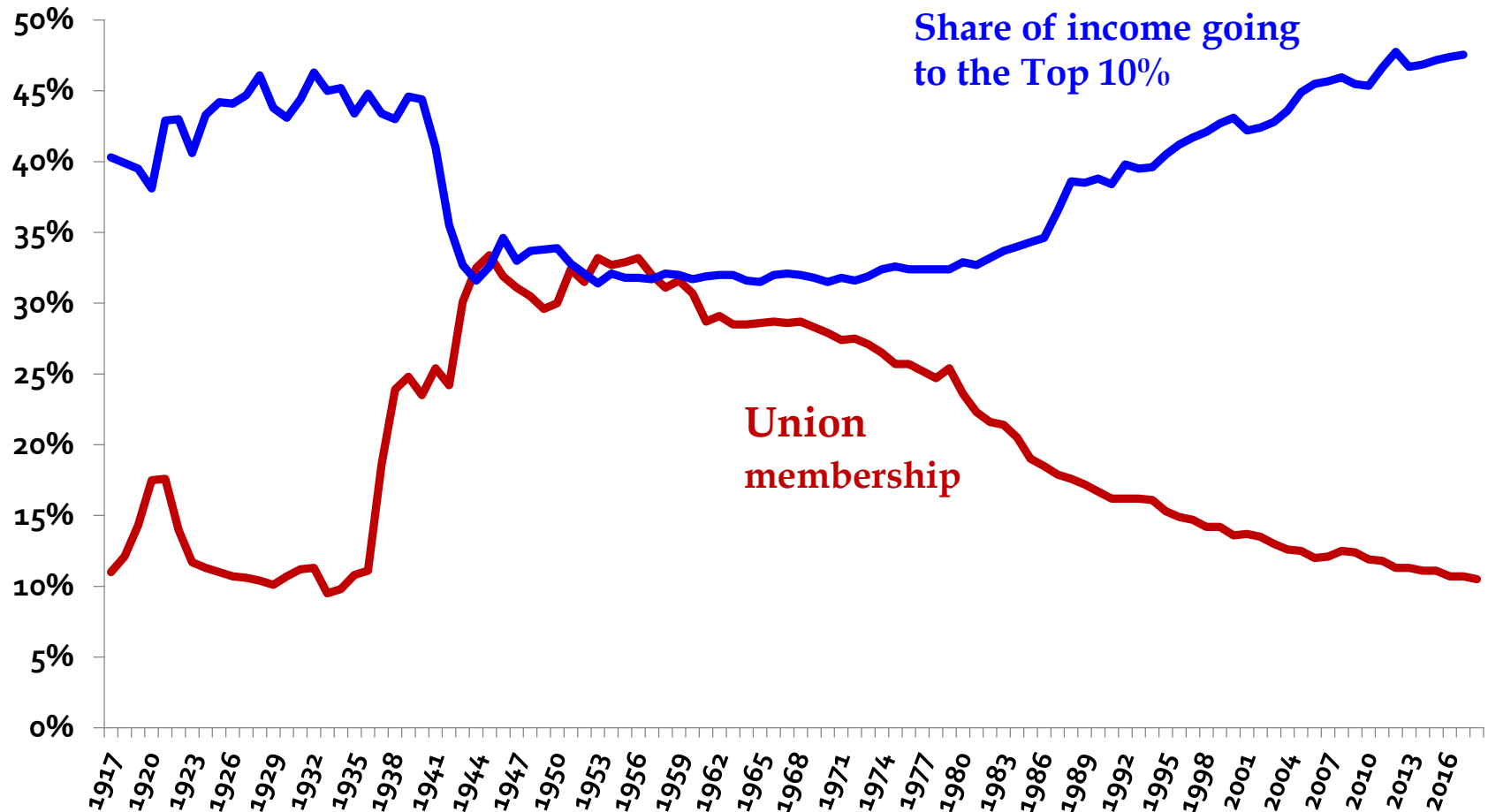
Unions & the middle class

1973-2017



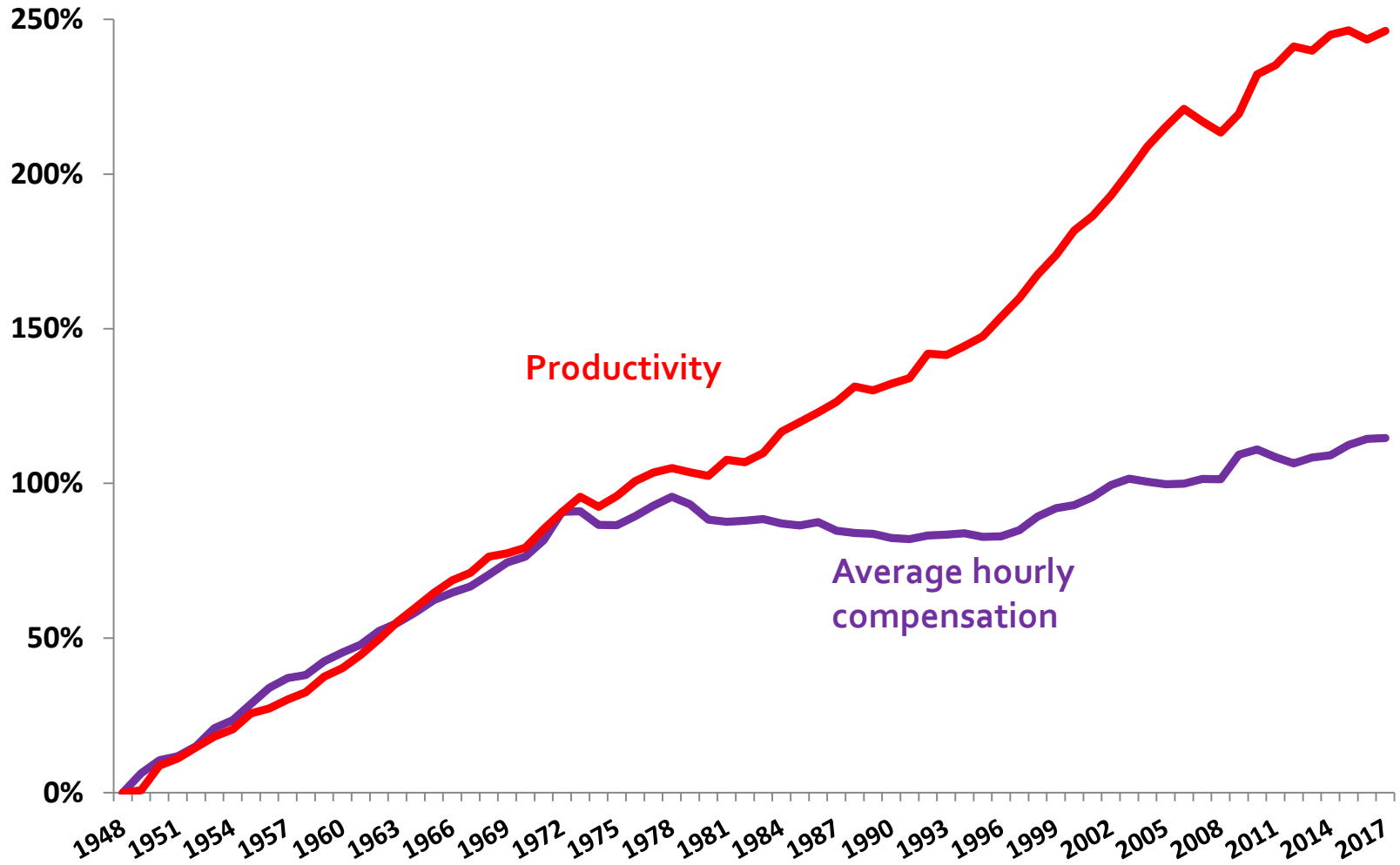
Source: Madland & Bunker CAP. Hirsch and Macpherson, unionstats.com; U.S. Census and BLS.

Inequality of power



Source: EPI: Piketty and Saez (2016) and U.S. Census Bureau. Top 10% share of income excludes K-Gains.

Growing together, growing apart

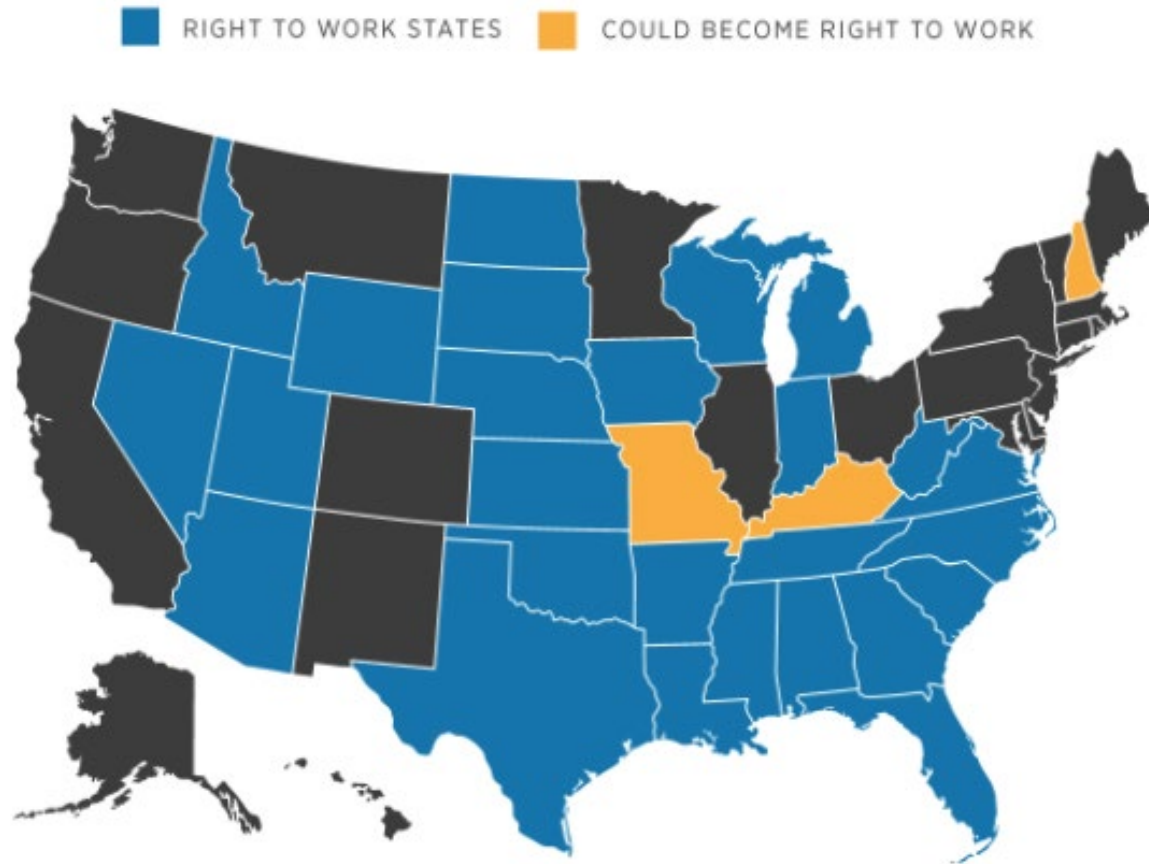


Source: Economic Policy Institute State of Working America Data Library.

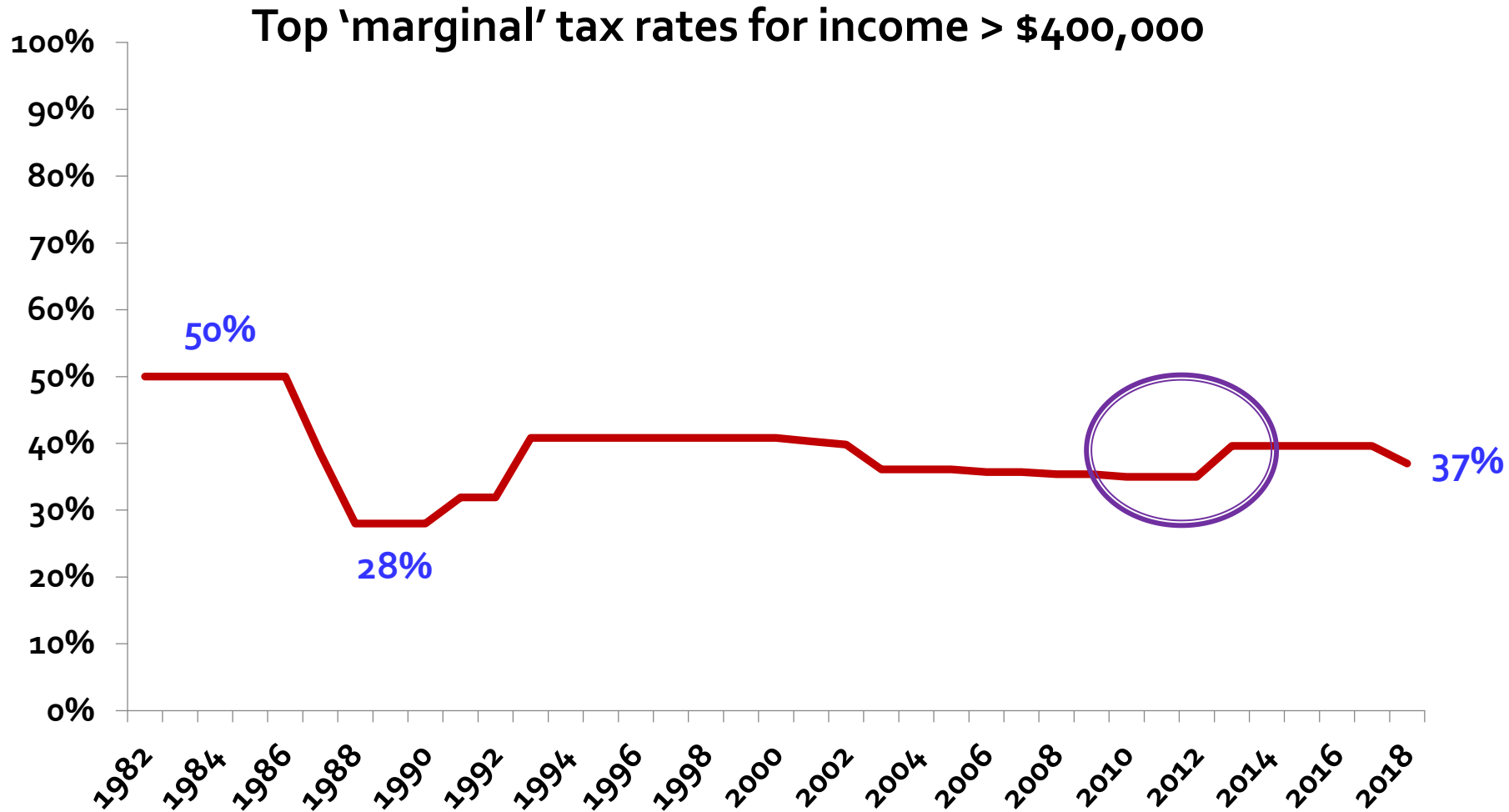


Purposeful Policy

Right-to-work...

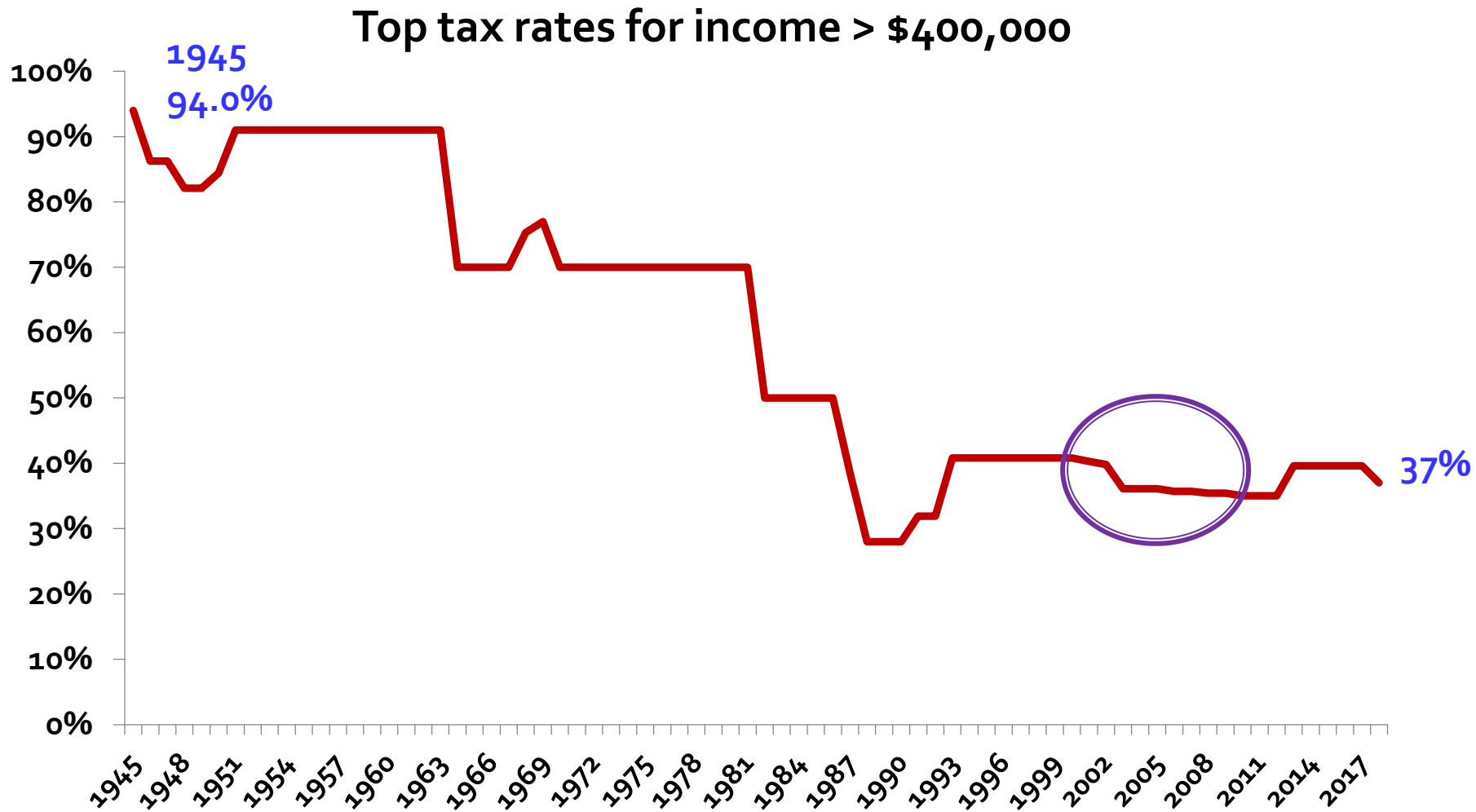


An example of purposeful policy



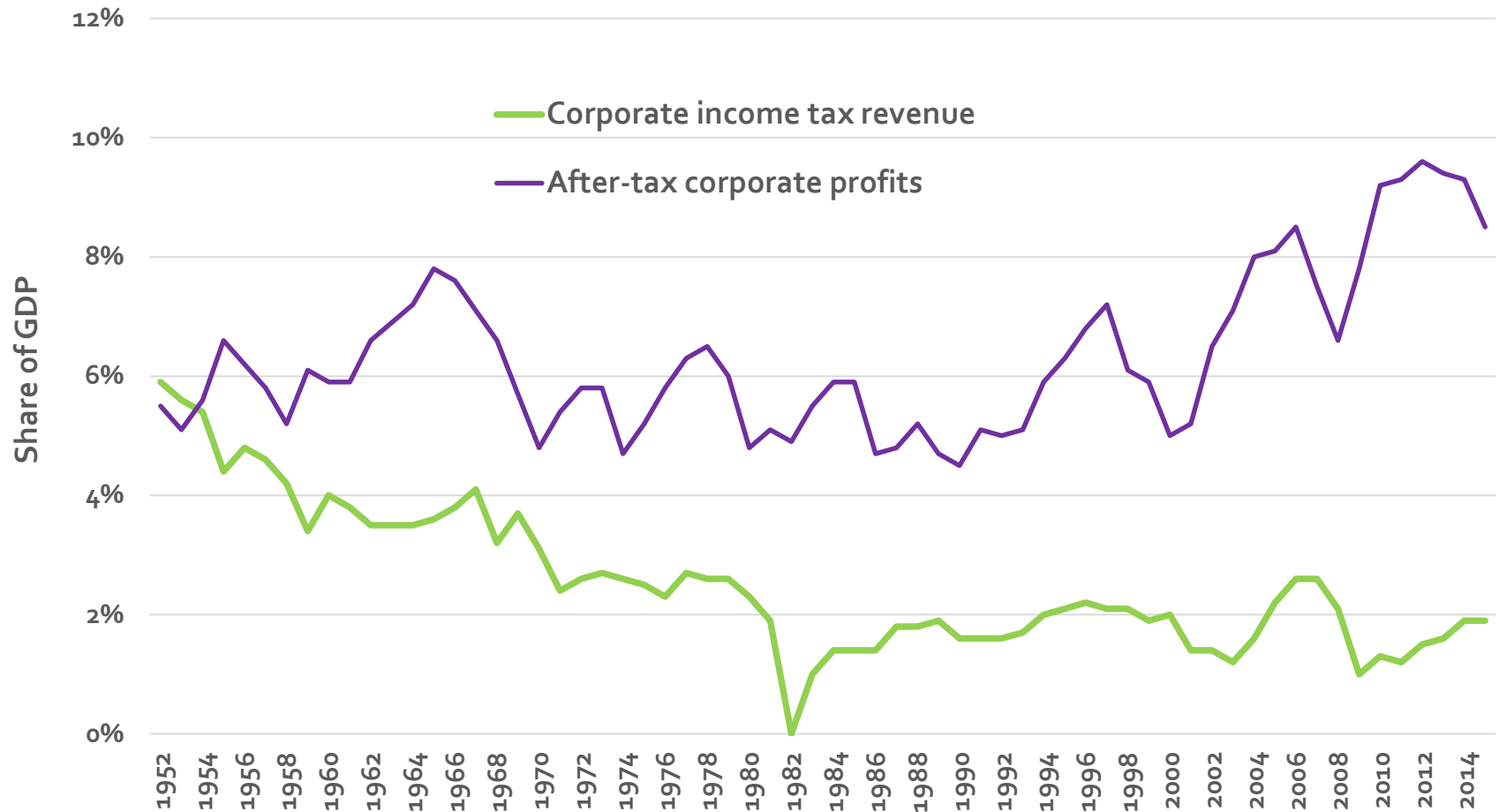
Source: Allegretto's analysis of U.S. Internal Revenue Service data.

An example of purposeful policy



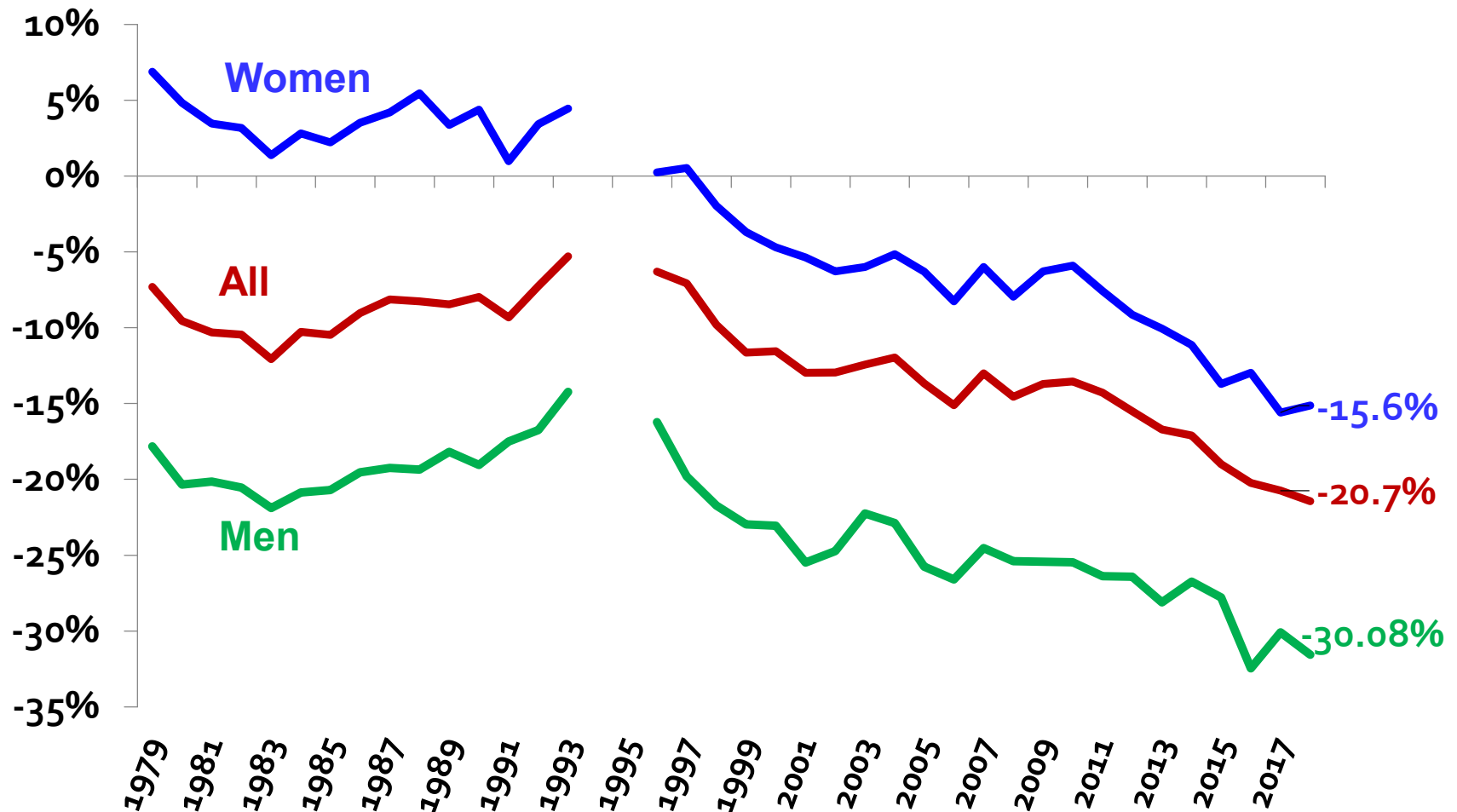
Source: Allegretto's analysis of U.S. Internal Revenue Service data.

Corporate taxes too high?



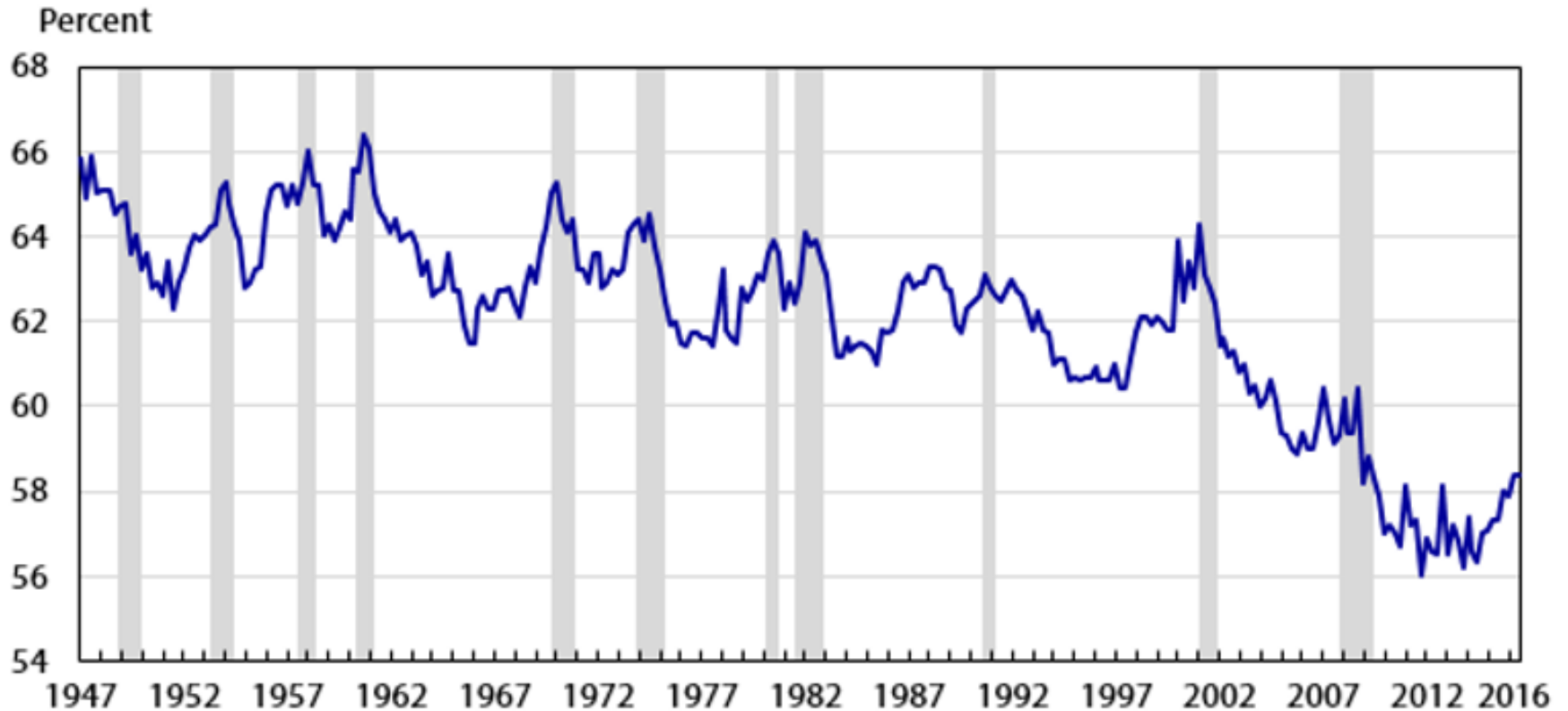
Source: Adapted from Josh Bivens and Hunter Blair, 'Competitive' Distractions: Cutting Corporate Tax Rates Will Not Create Jobs or Boost Incomes for the Vast Majority of American Families, Economic Policy Institute, May 9, 2017.

Teacher pay gaps



Source: Allegretto & Mishel 2019 (<https://www.epi.org/files/pdf/165729.pdf>). Regression adjusted annual gaps.

Labor's share of national income

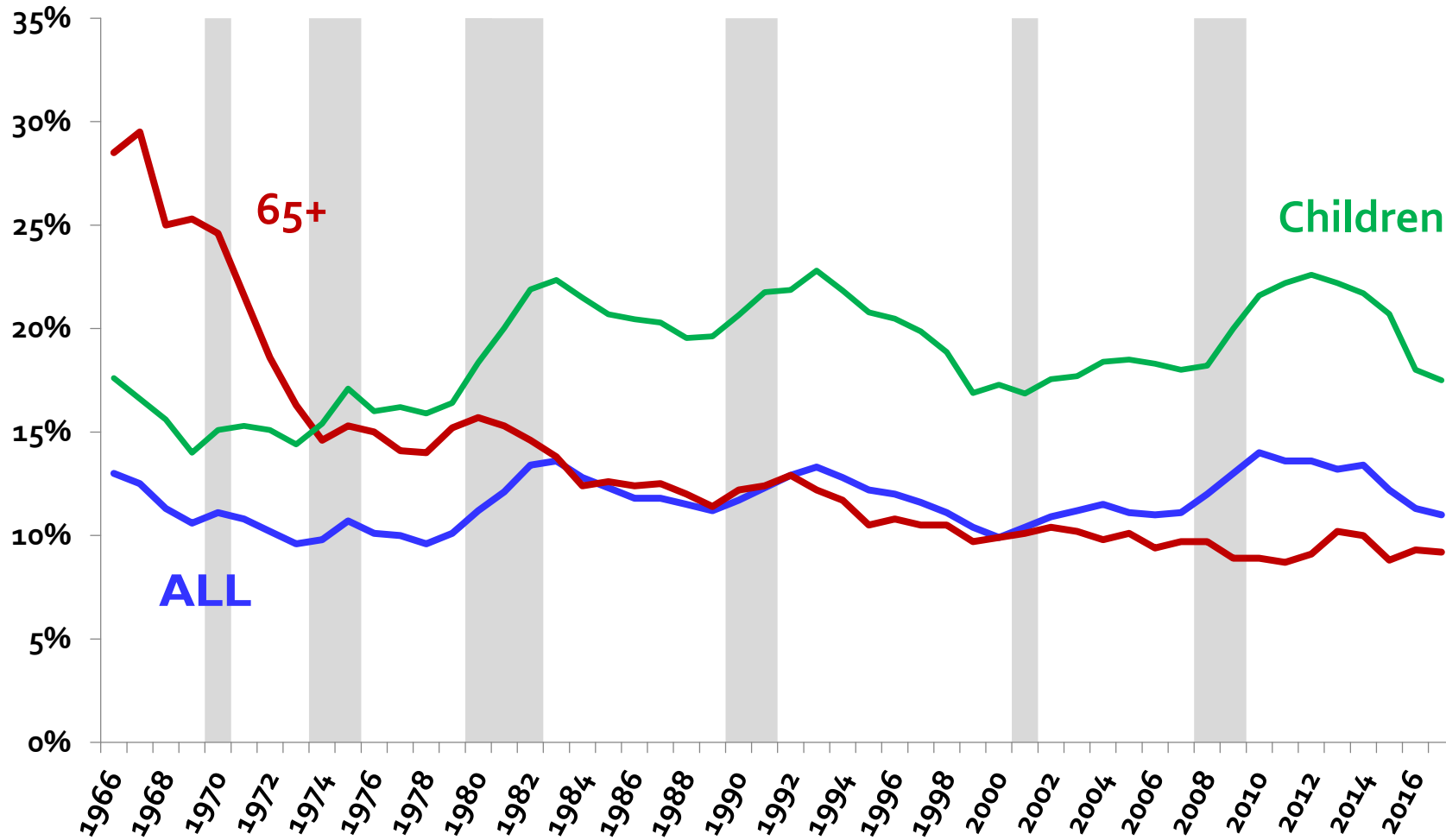


Note: Shaded areas indicate recessions, as determined by the National Bureau of Economic Research.

Source: U.S. Bureau of Labor Statistics.

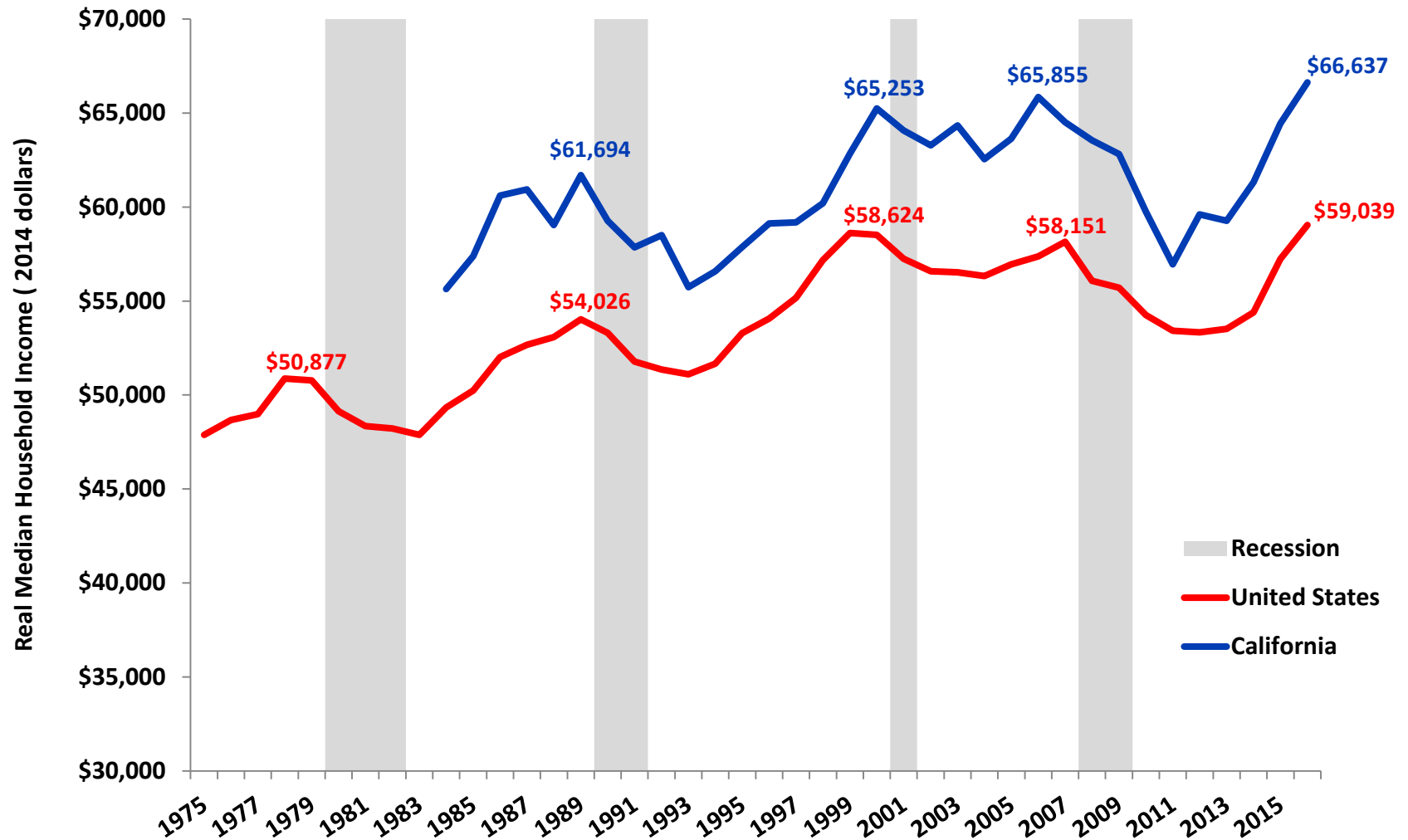
Poverty amongst vast wealth

[Social Security: a policy that works!]



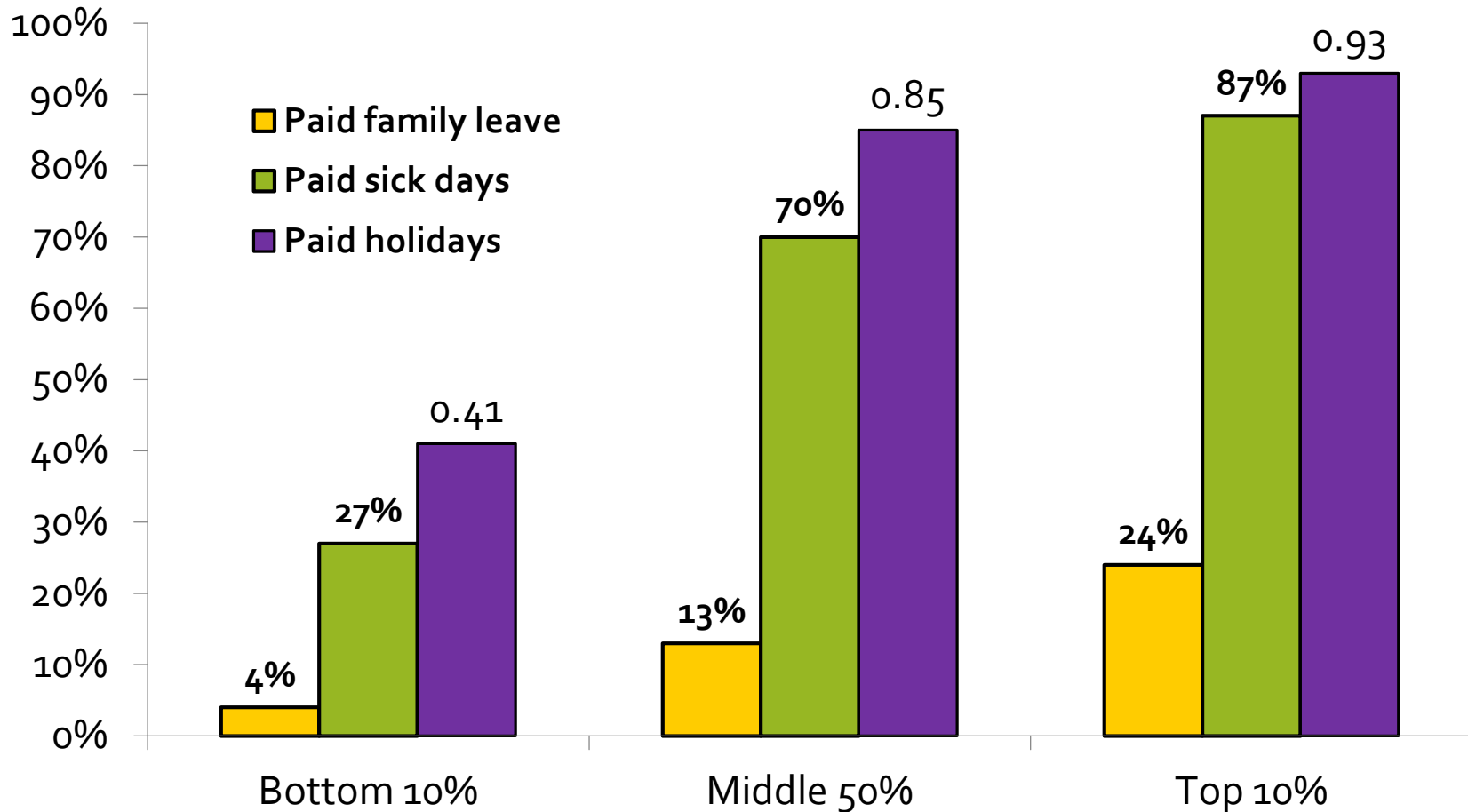
Source: U.S. Census Bureau and ACS poverty rates.

Long trends broken



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

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.

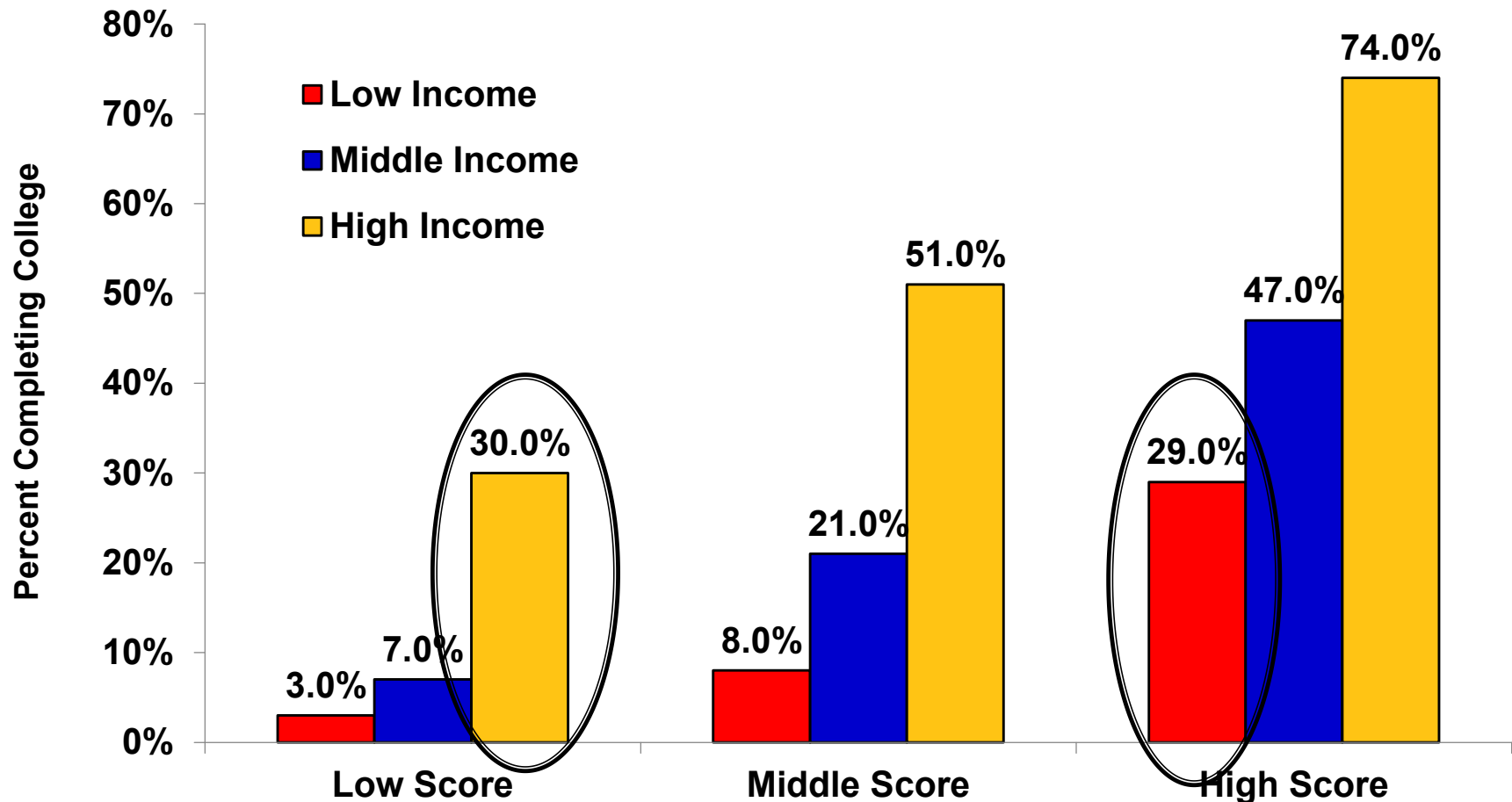
DANGER



www.etsy.com

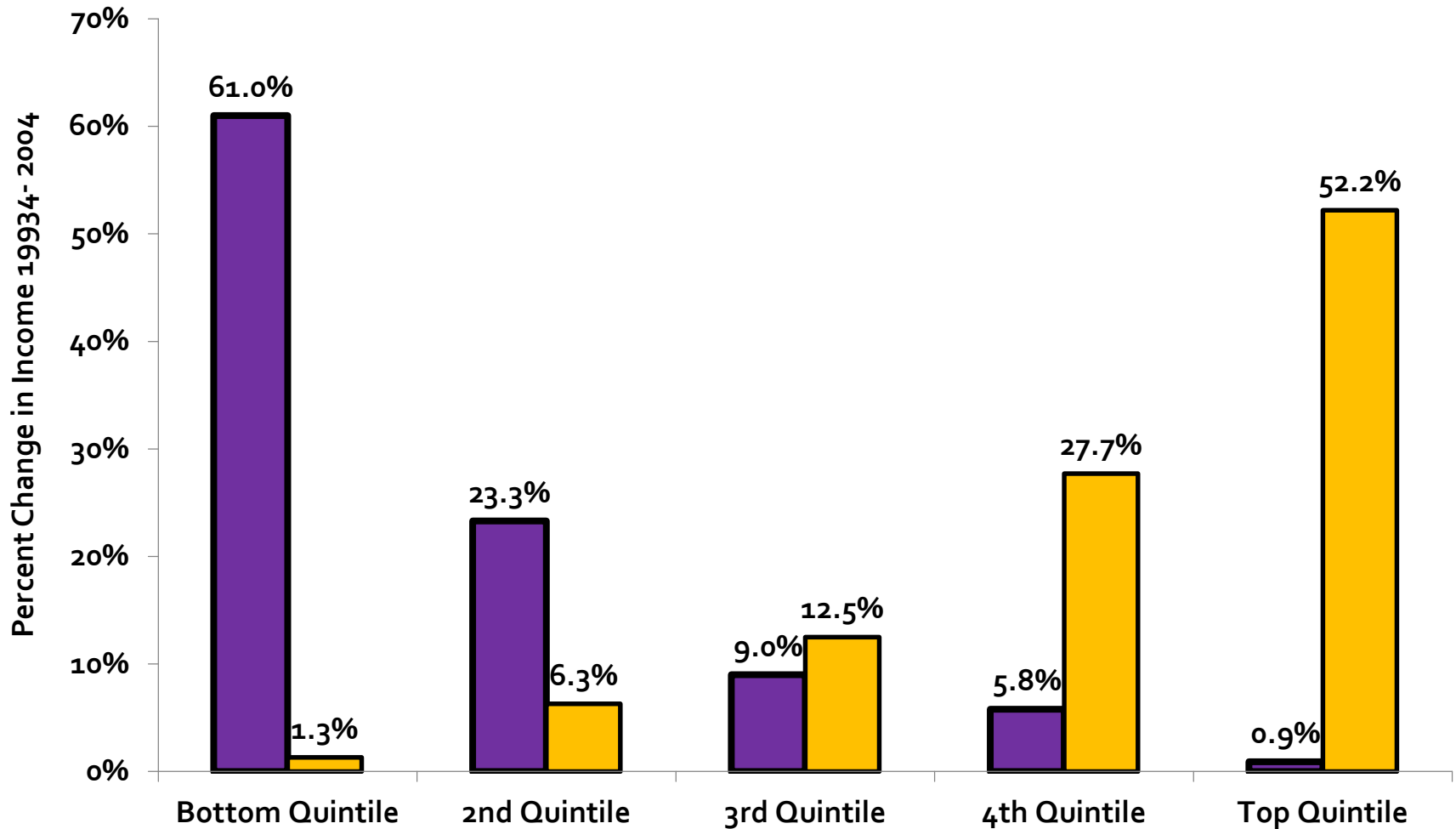
Meritocracy?

Wasted talent



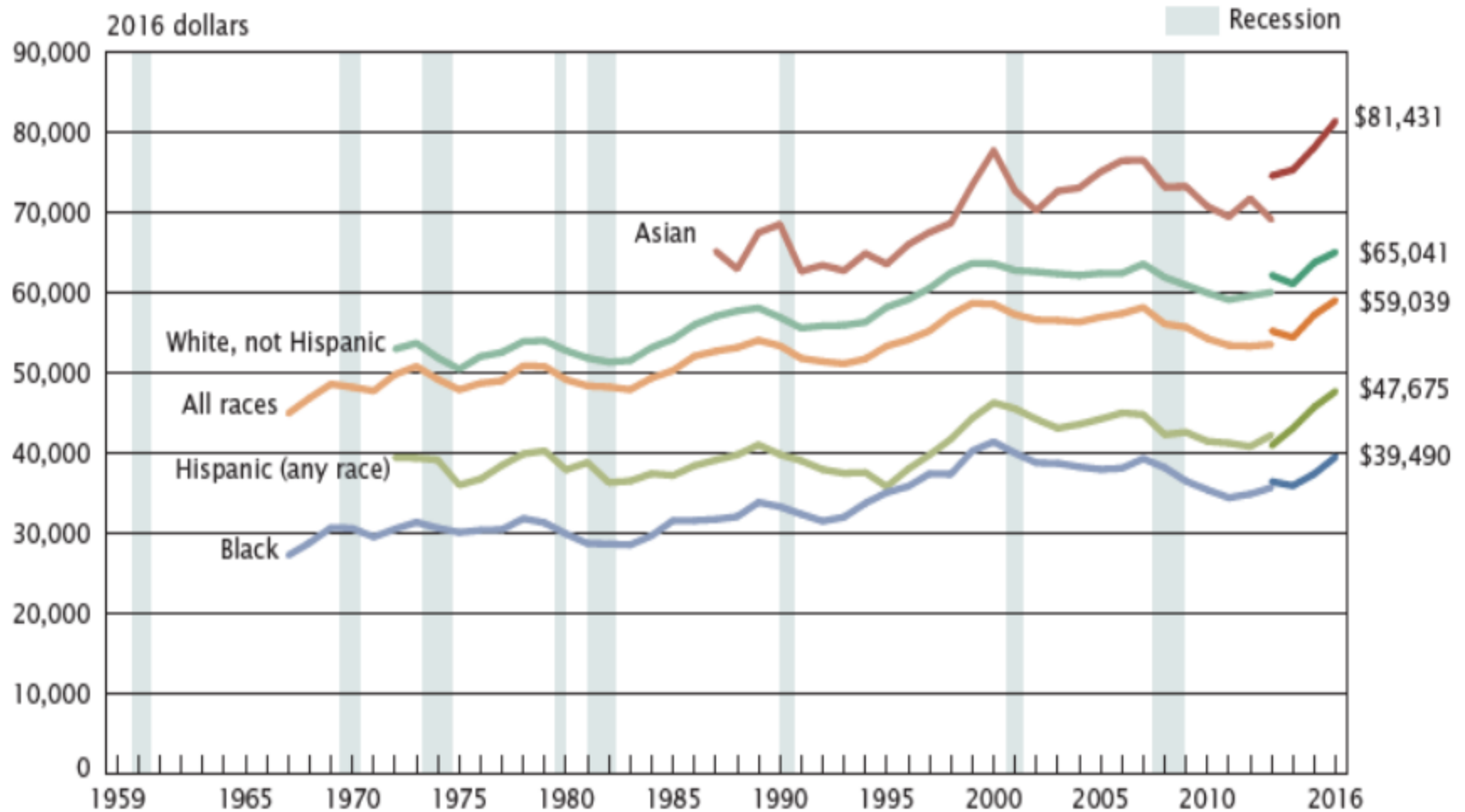
Source: Allegretto's analysis of Fox, M.A., B.A. Connolly, and T.D. Snyder. 2005.

Where you start really matters in the U.S.

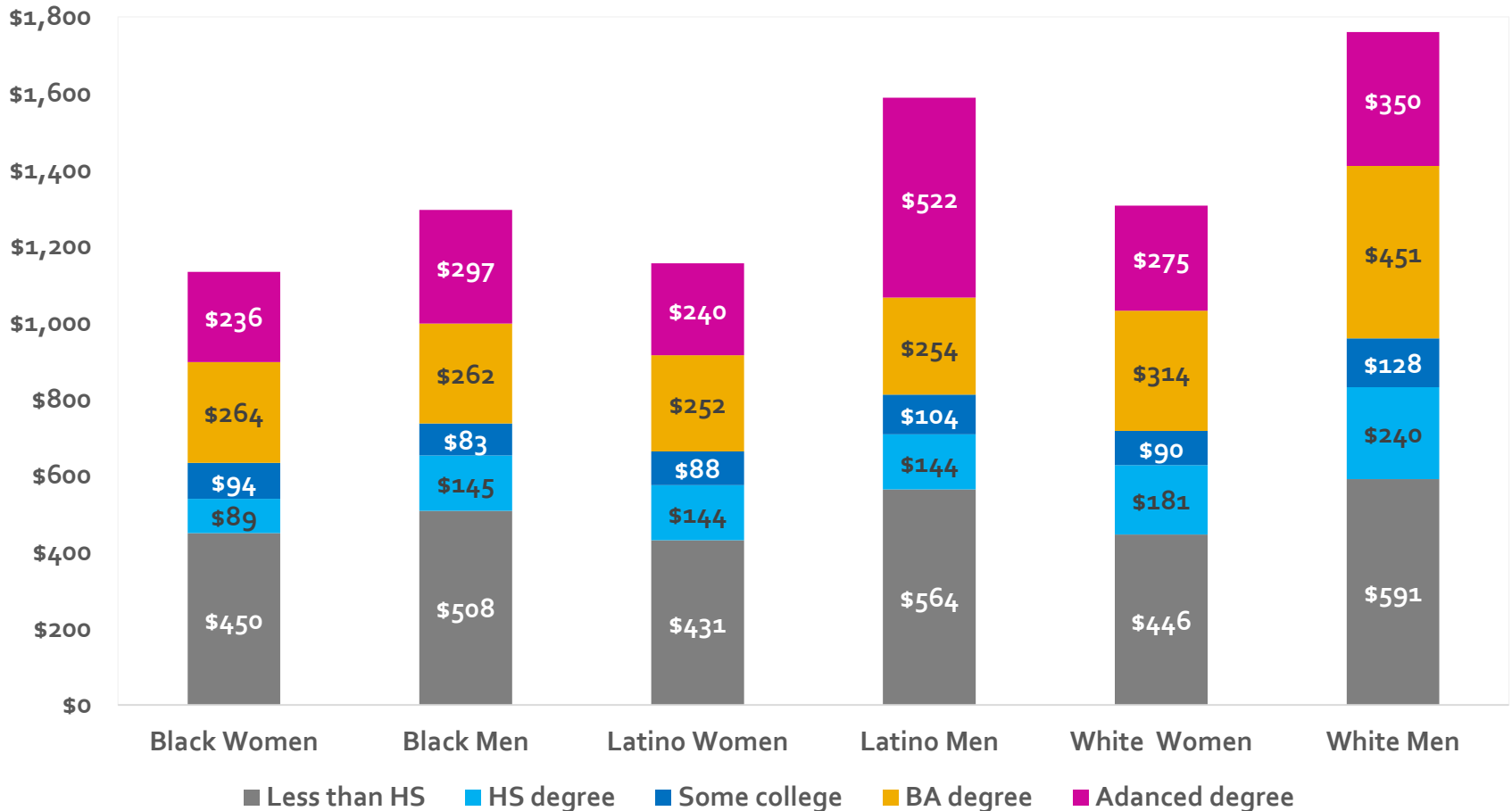


Source: Authors' analysis of Acs & Zimmerman (2008, Table 2)

Trends in median HH Income



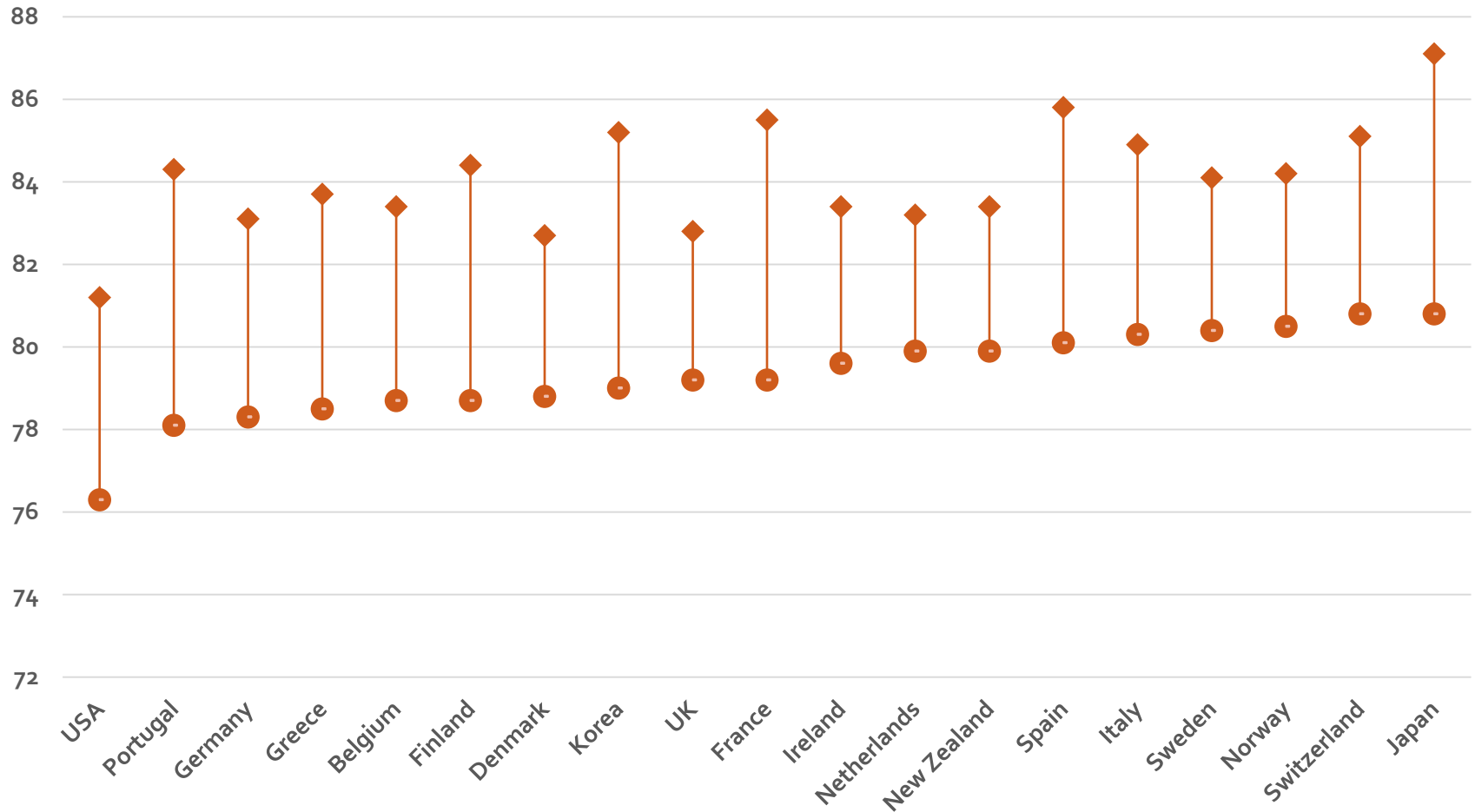
Weekly earnings full-time workers



Source: Allegretto's analysis of 2017 BLS Usually weekly earnings of full-time wage & salary workers: Table 9.

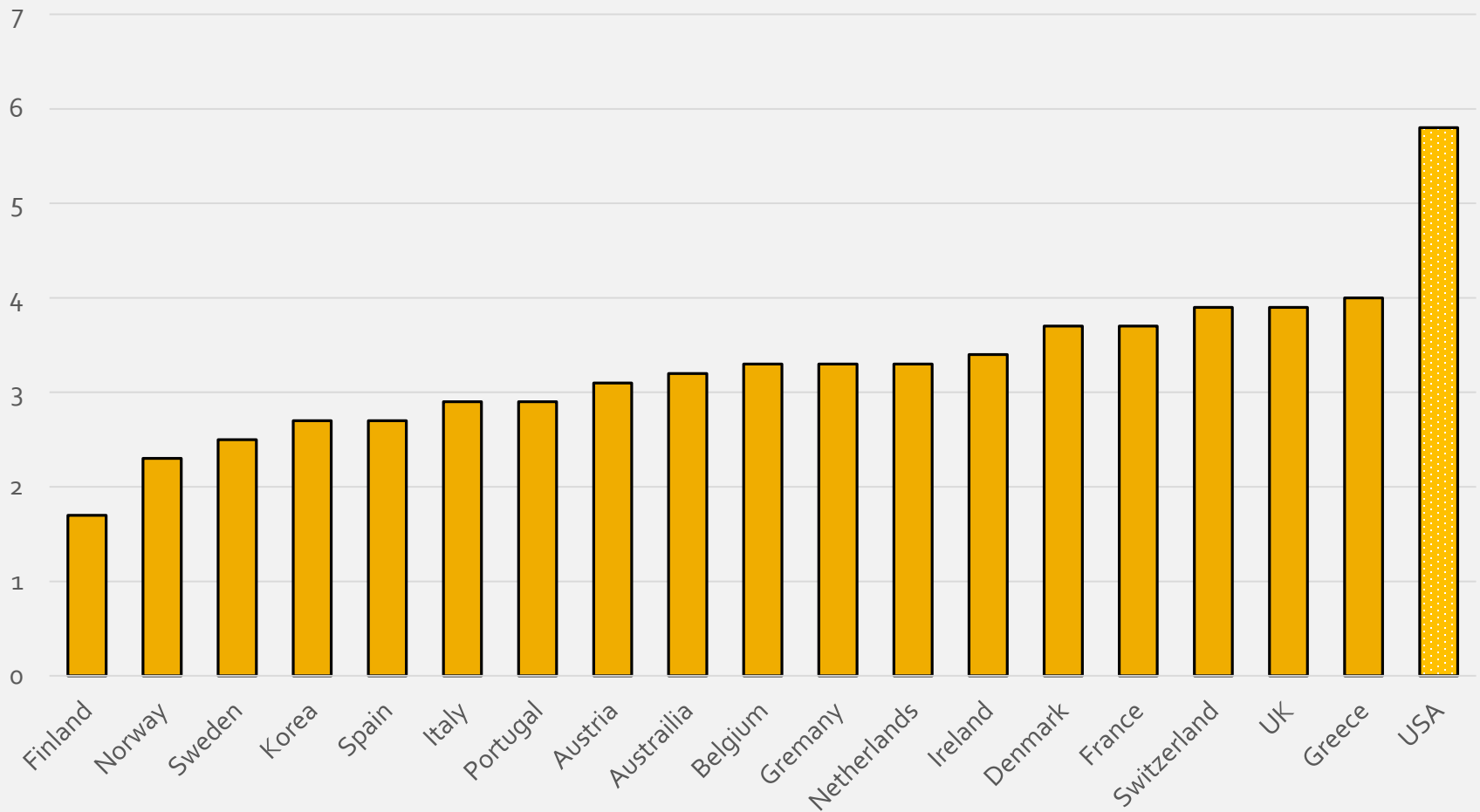
International comparisons

Life expectancy



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

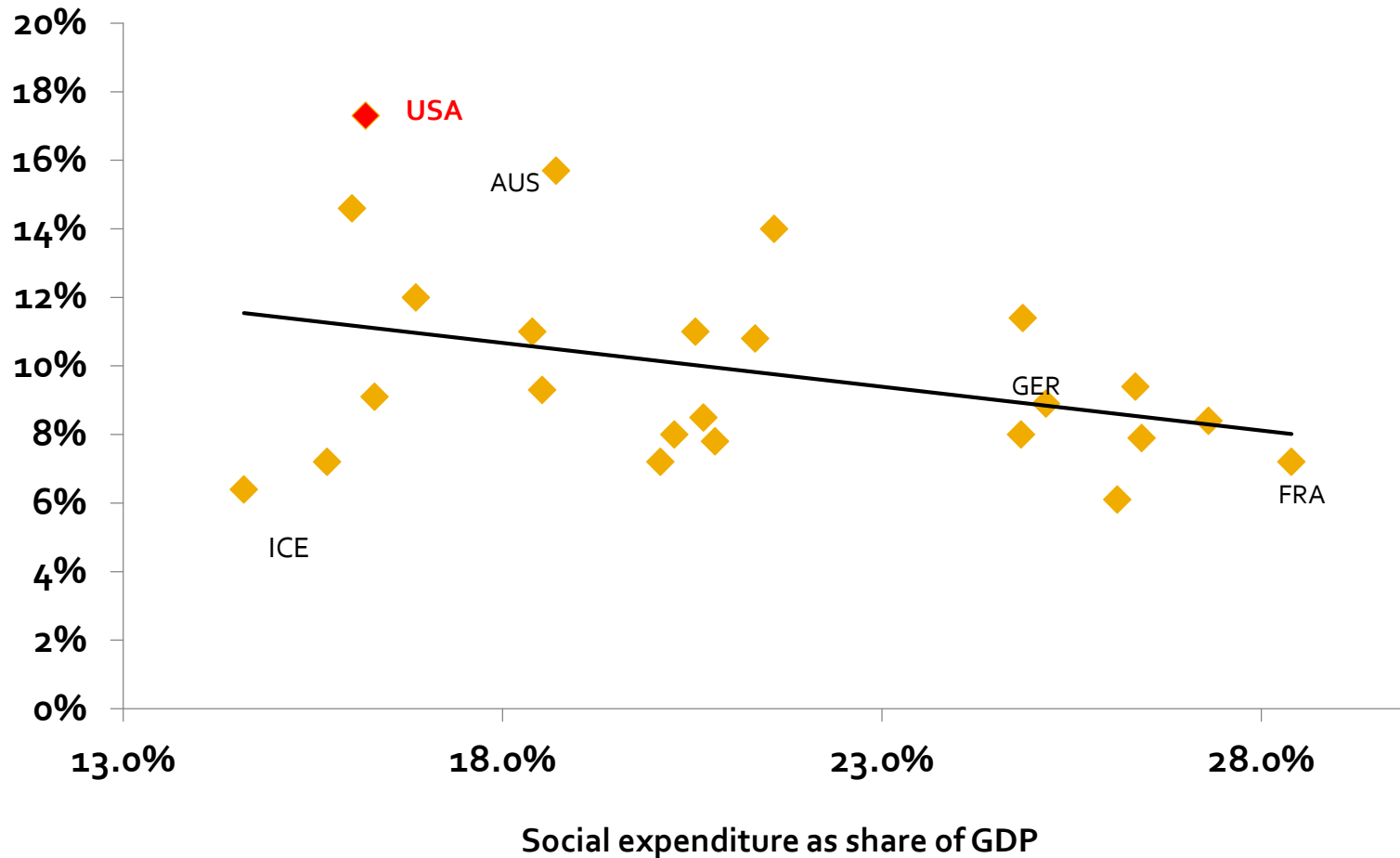
Infant mortality



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

Mitigating the struggle

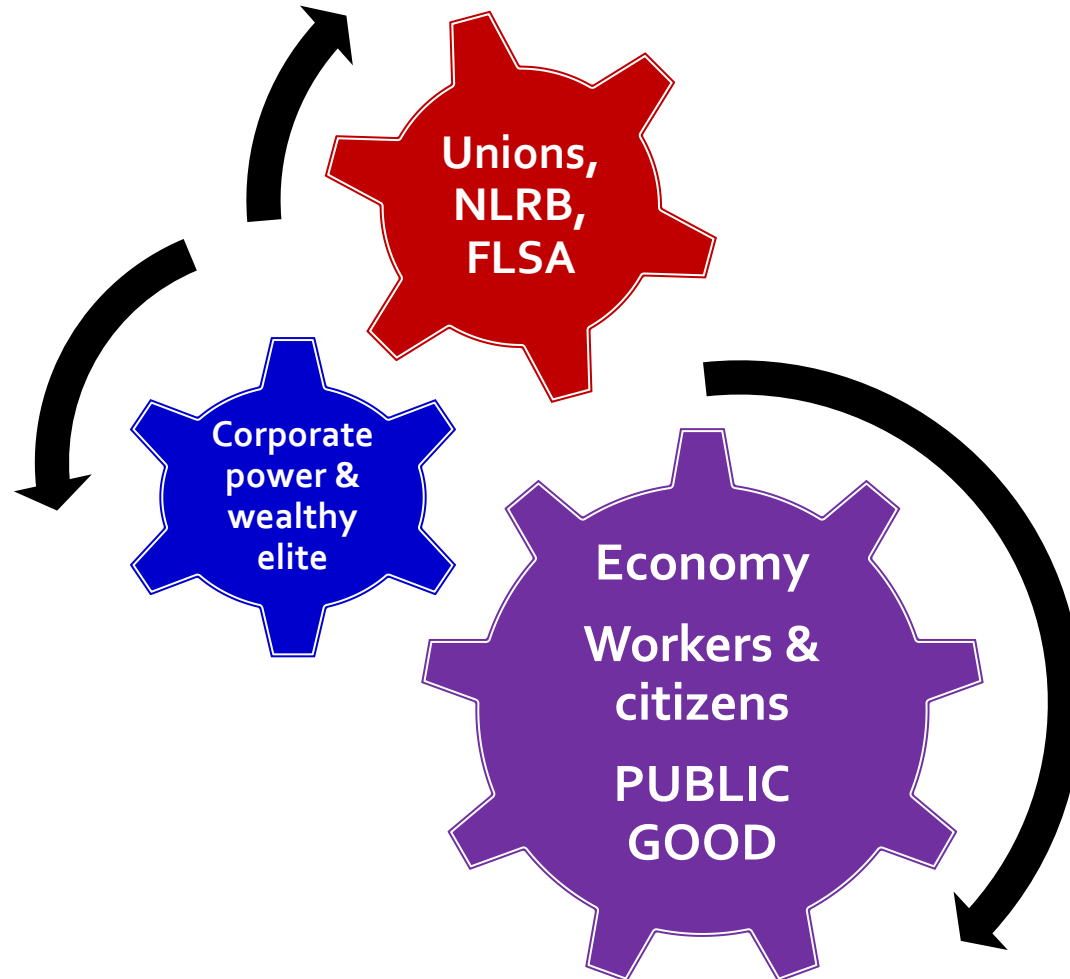
(poverty rates after gov't transfers)



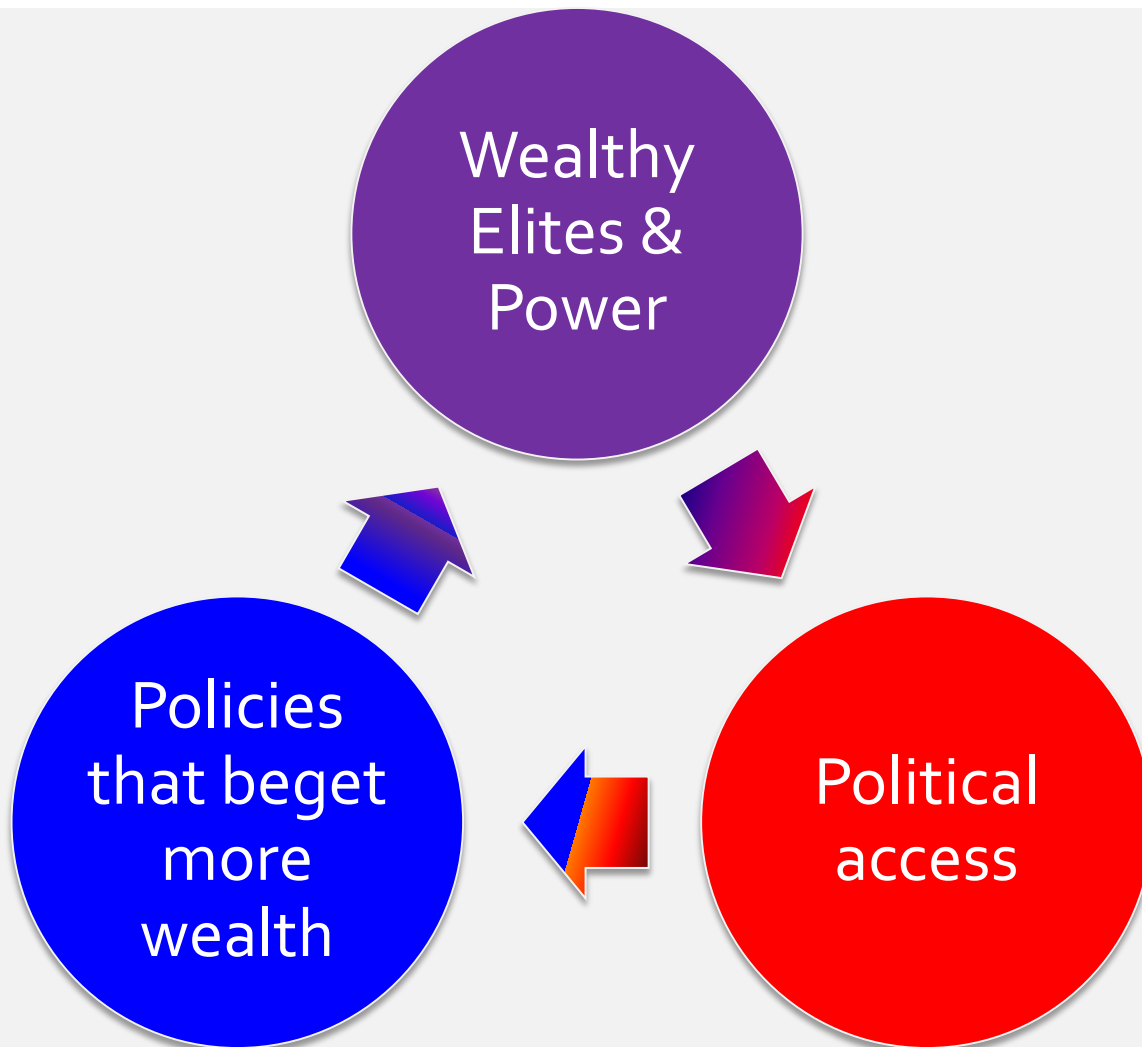
Source: OECD data on post-transfer poverty rates, 2014. Adjusted for family size.

Fairness & dignity

Shared sacrifice & shared prosperity



Inequality is a function of *Purposeful Policy*



Out of whack





Is inequality a problem?

Yes, given vast & growing 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
- The tax system allows well off & corporations to avoid paying
- Dismantling of public goods: 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?

The deep & growing divide is institutional & baked into our political system. Thus, solutions on many fronts & a long term focus can only start to rebalance outcomes predicated on this severely unbalanced & unfair system.

- Make it easy for workers to collectively bargain
- Full-employment policies and focus on quality job growth
- Expand Social Security and safety nets
- Restrict money in elections
- Raise the minimum wage!
- Invest in education and infrastructure
- Restructure taxes for corporations & the wealthy
- 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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