

The American Dream: Inequality: The Fraying of the Folklore?

CP 113A - Economic analysis for planners

October 19, 2016

University of California, Berkeley

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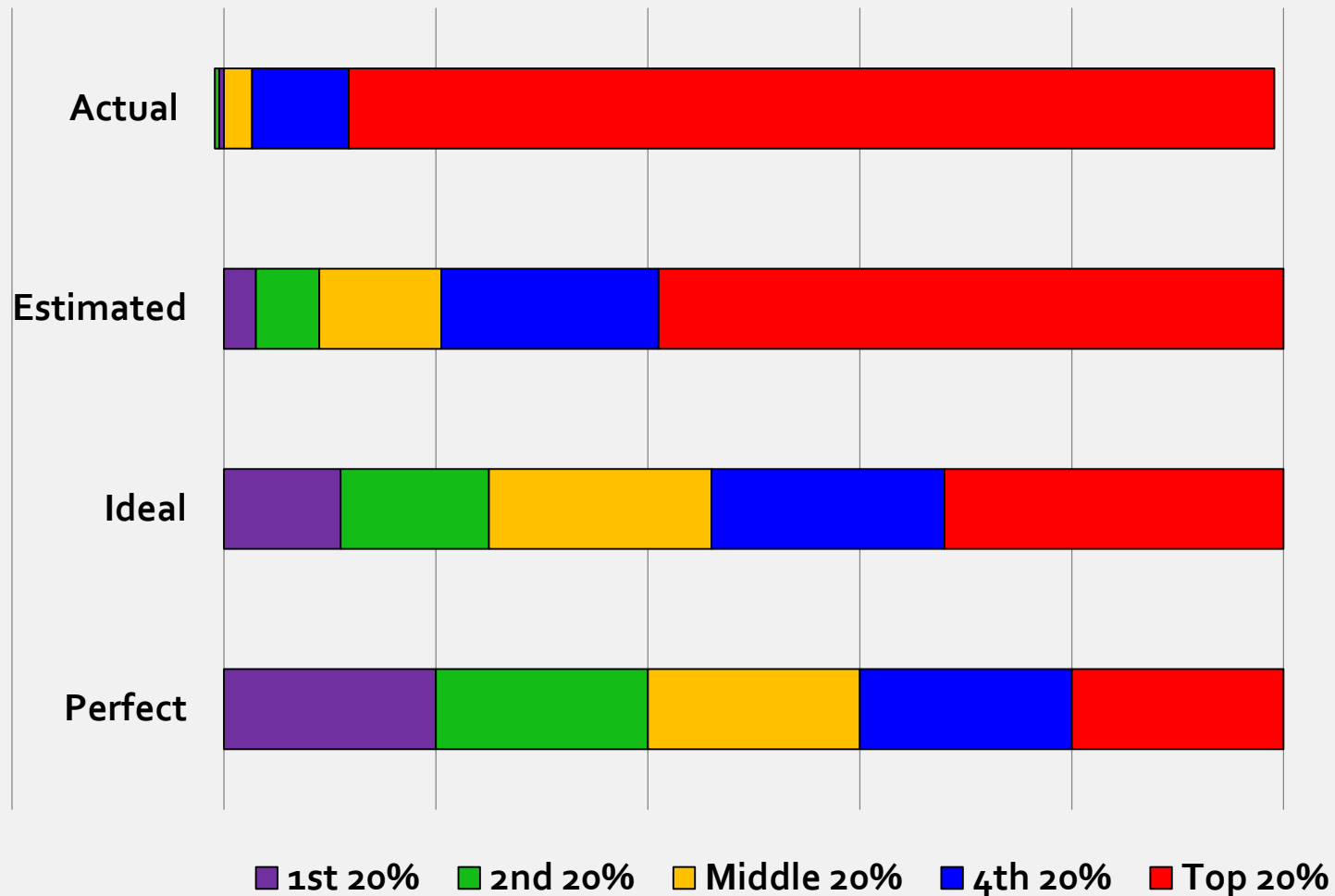
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Institute for Research on Labor & Employment

University of California, Berkeley



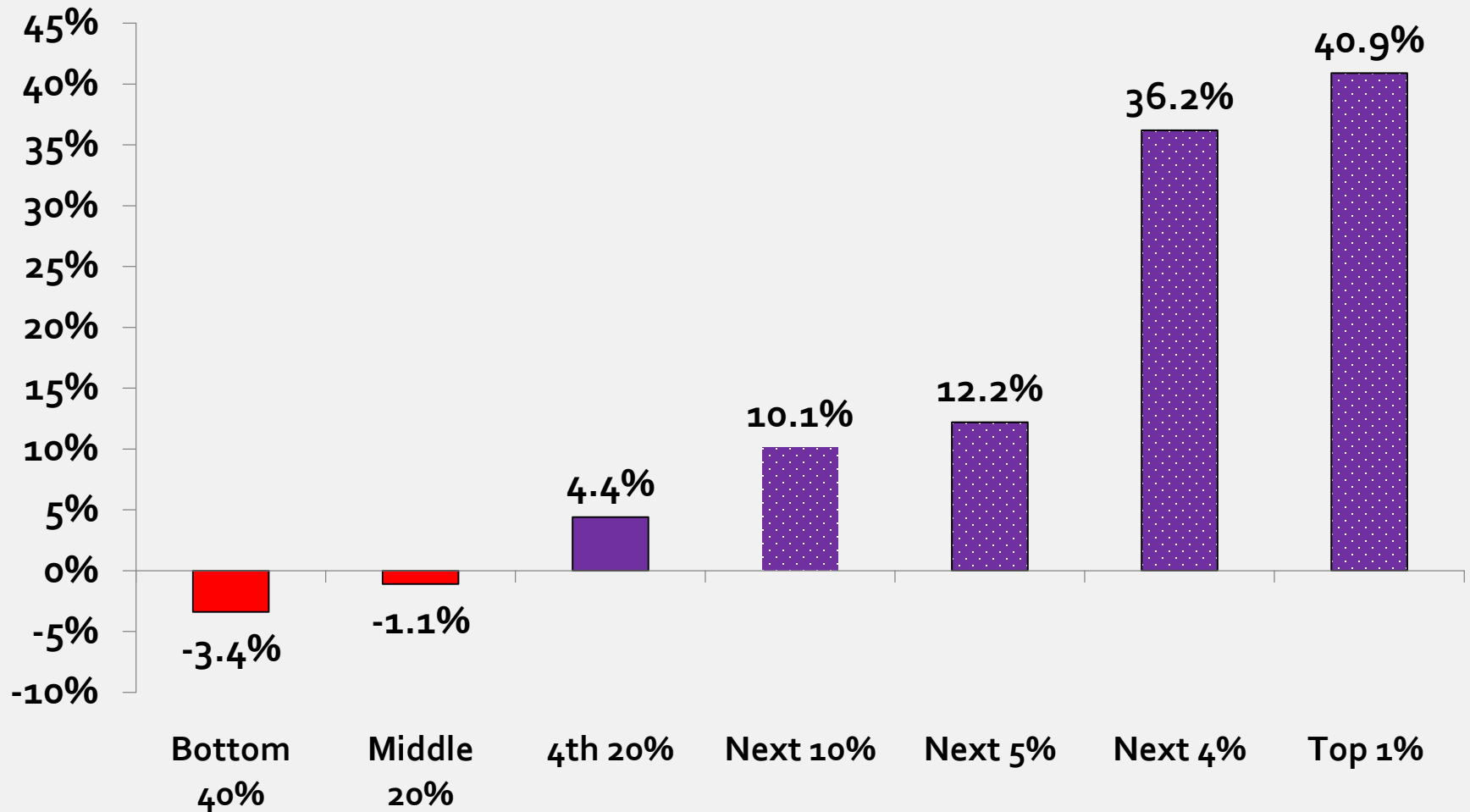
The Wealth of a Nation



Source: Norton and Ariely, "Building a Better America". Based on 5000 responses. Actual data from the Survey of Consumer Finances, 2013.

The rich are getting (much) richer!

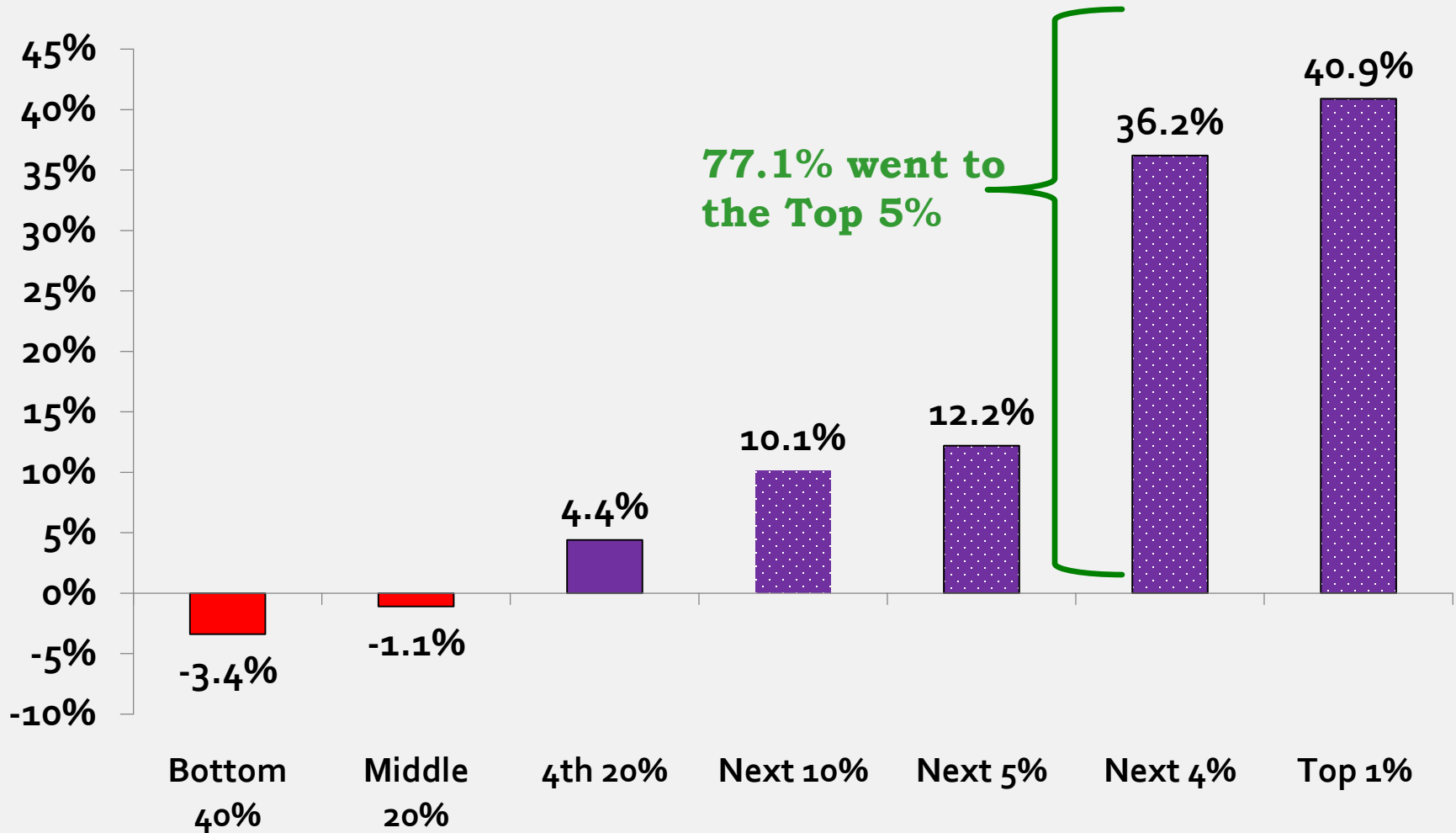
(How gains in U.S. wealth were distributed, 1983-2013)



Source: Ed Wolff, Survey of Consumer Finances, 2013.

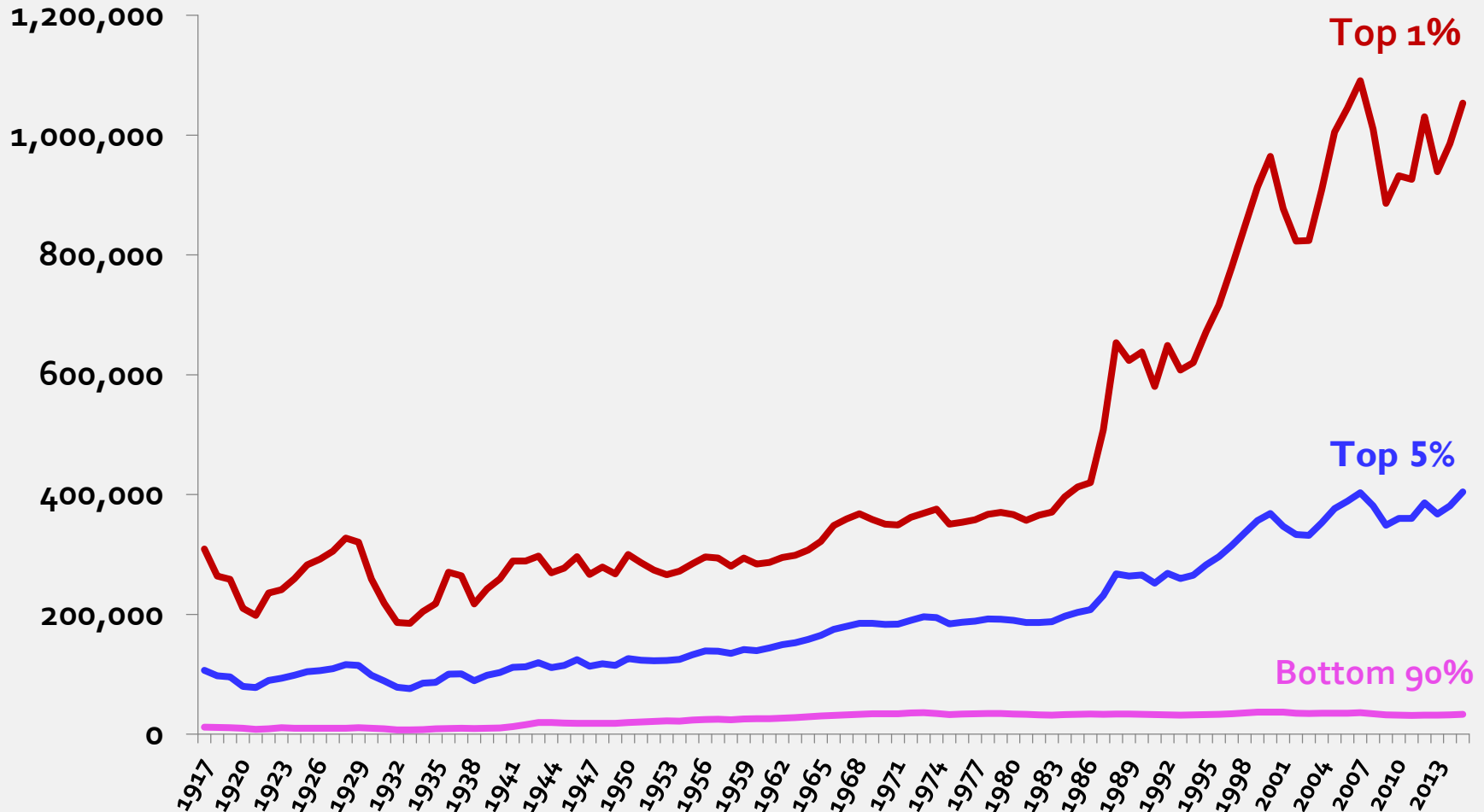
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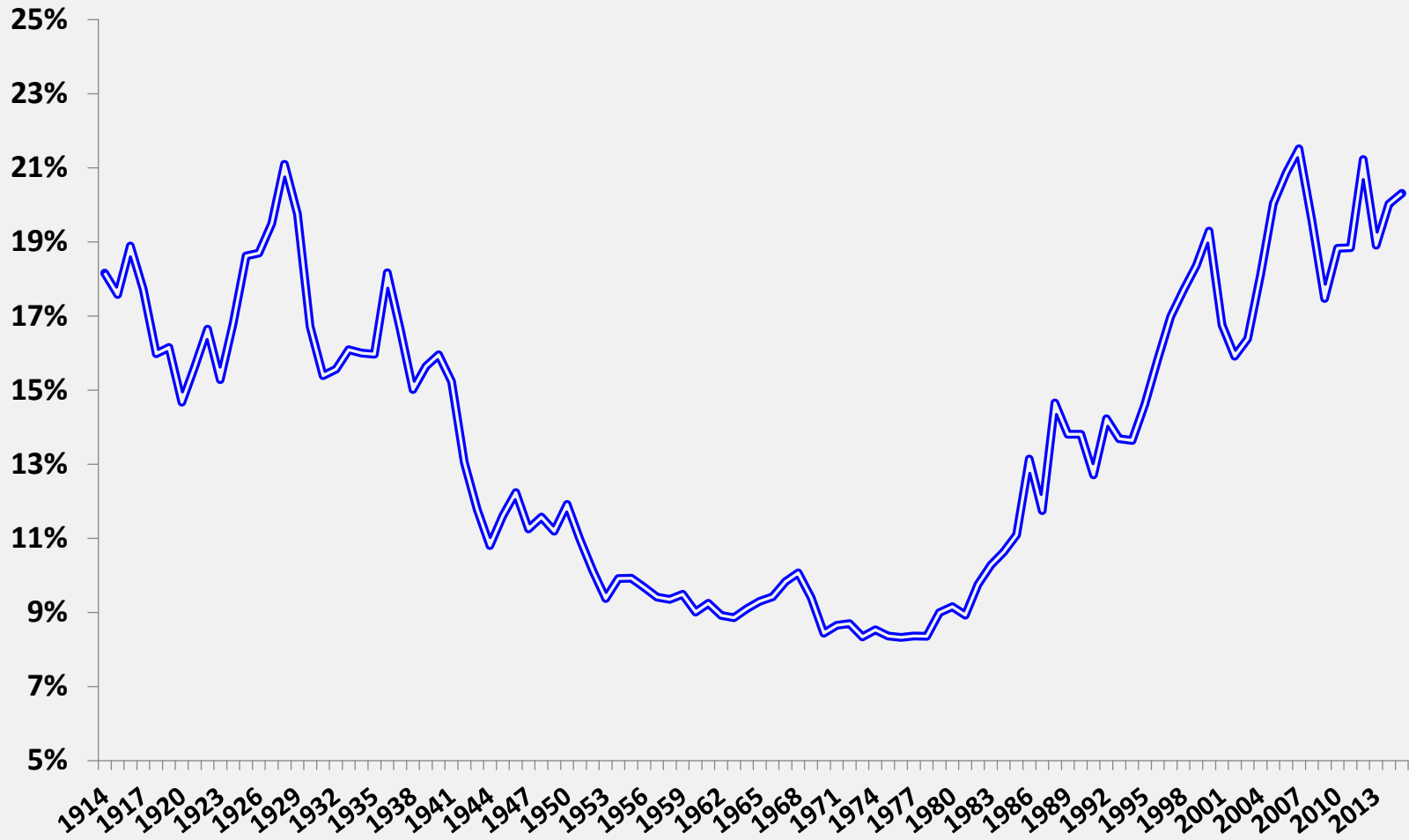
Source: Ed Wolff, Survey of Consumer Finances.

A stark visual of income growth



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

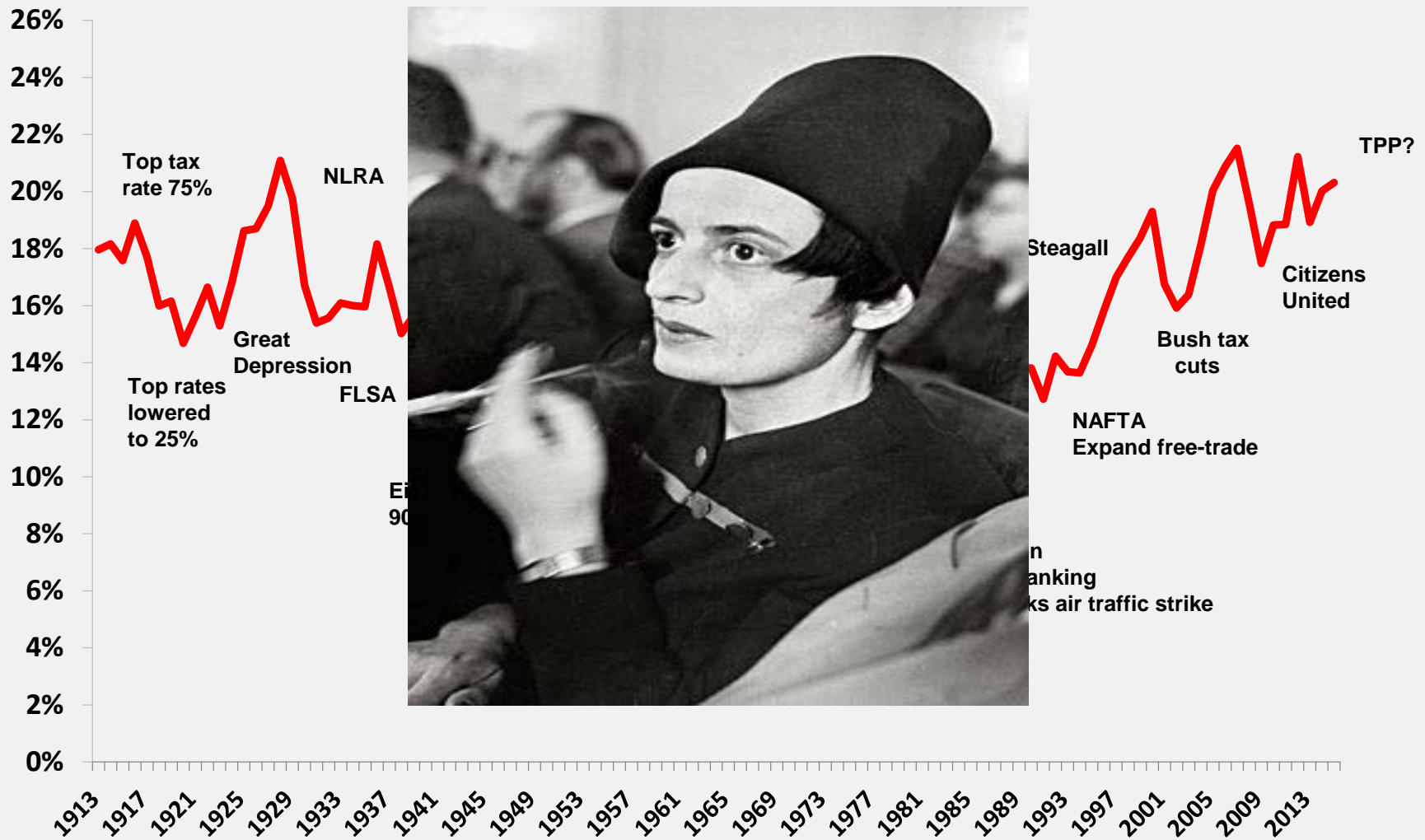
Top 1% share of all income





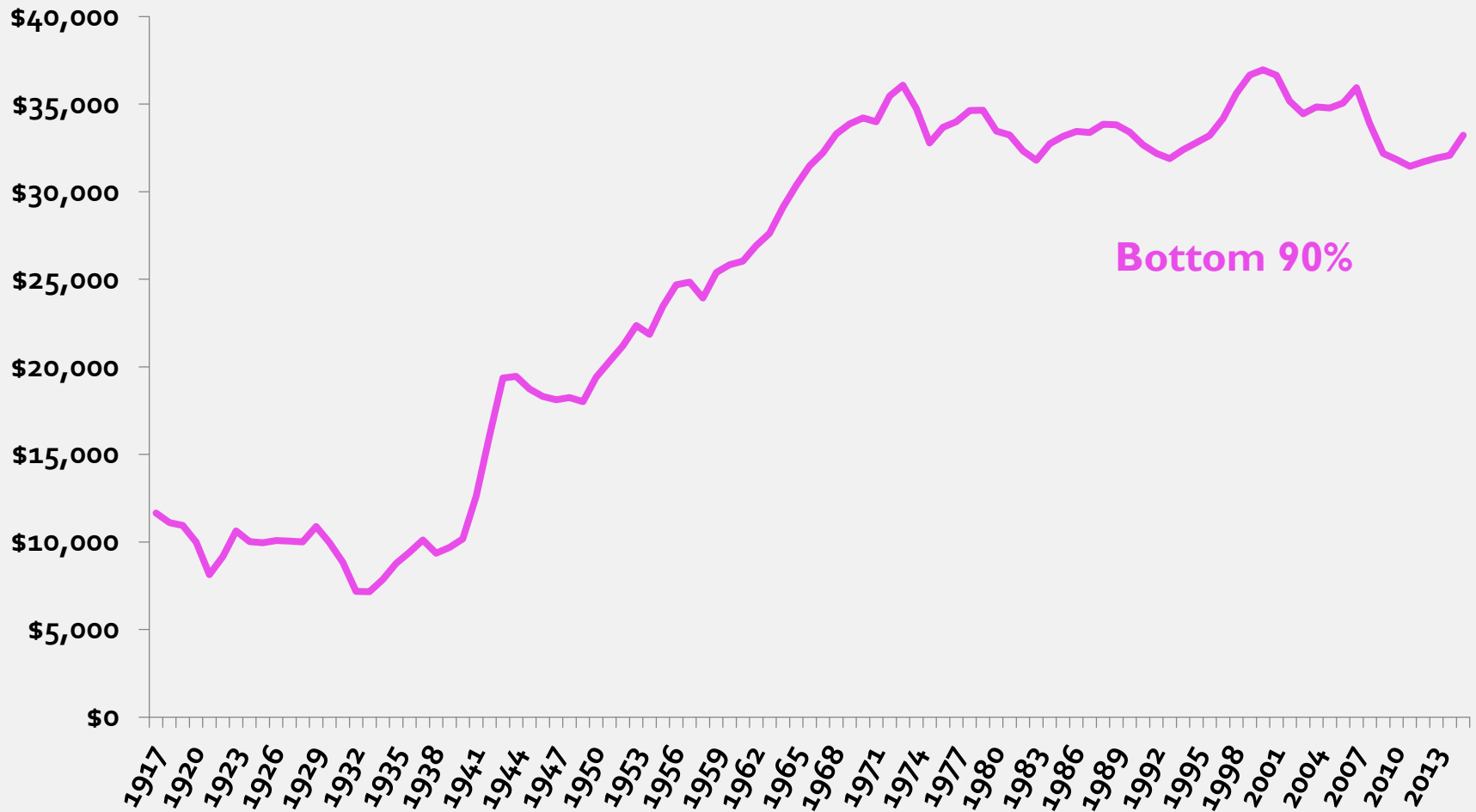
The 'free market' fallacy

(Top 1% of income shares)



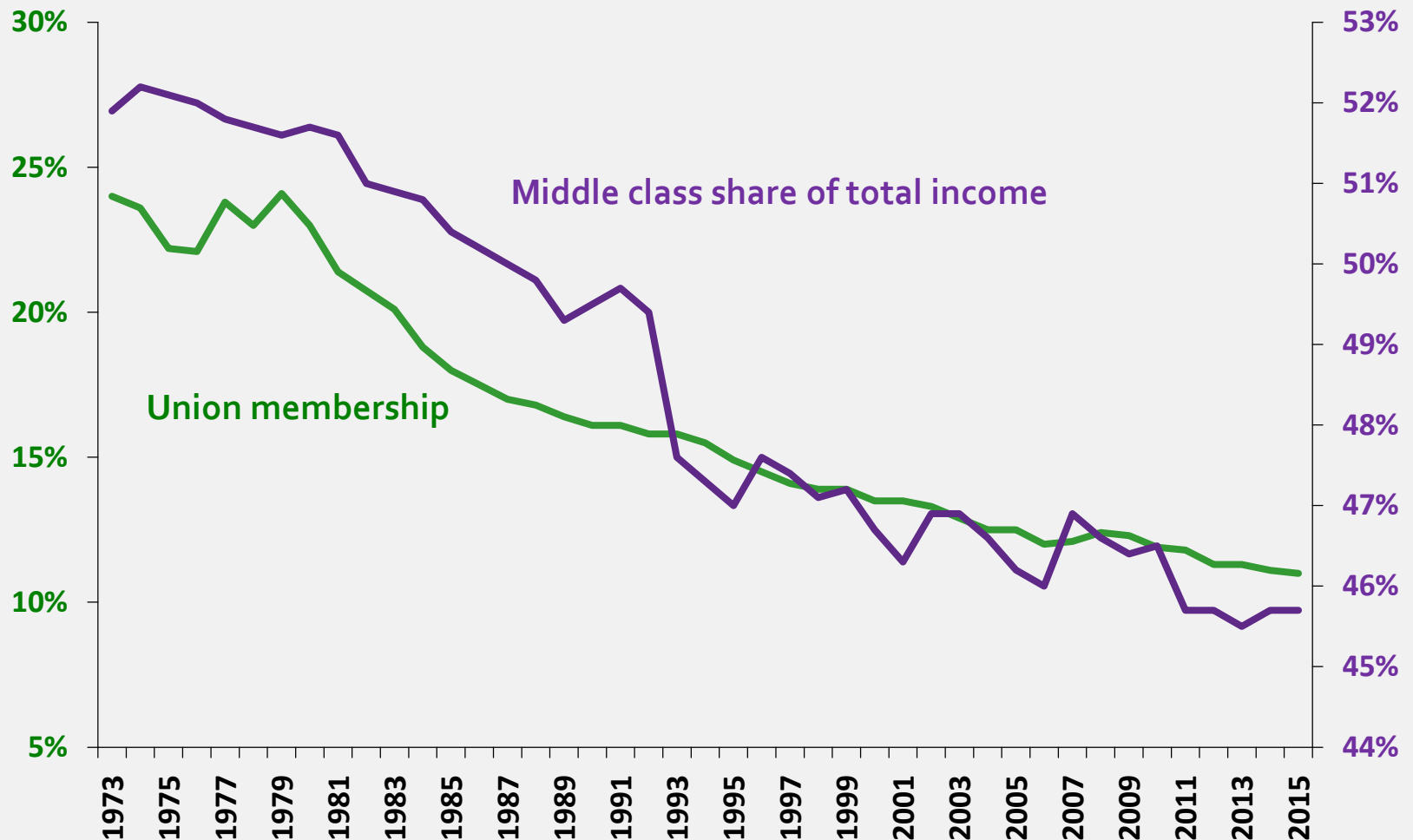
Source: Saez & Piketty. Top 1% income shares in the United States. Center for Economic & Policy Research.

A rising tide...



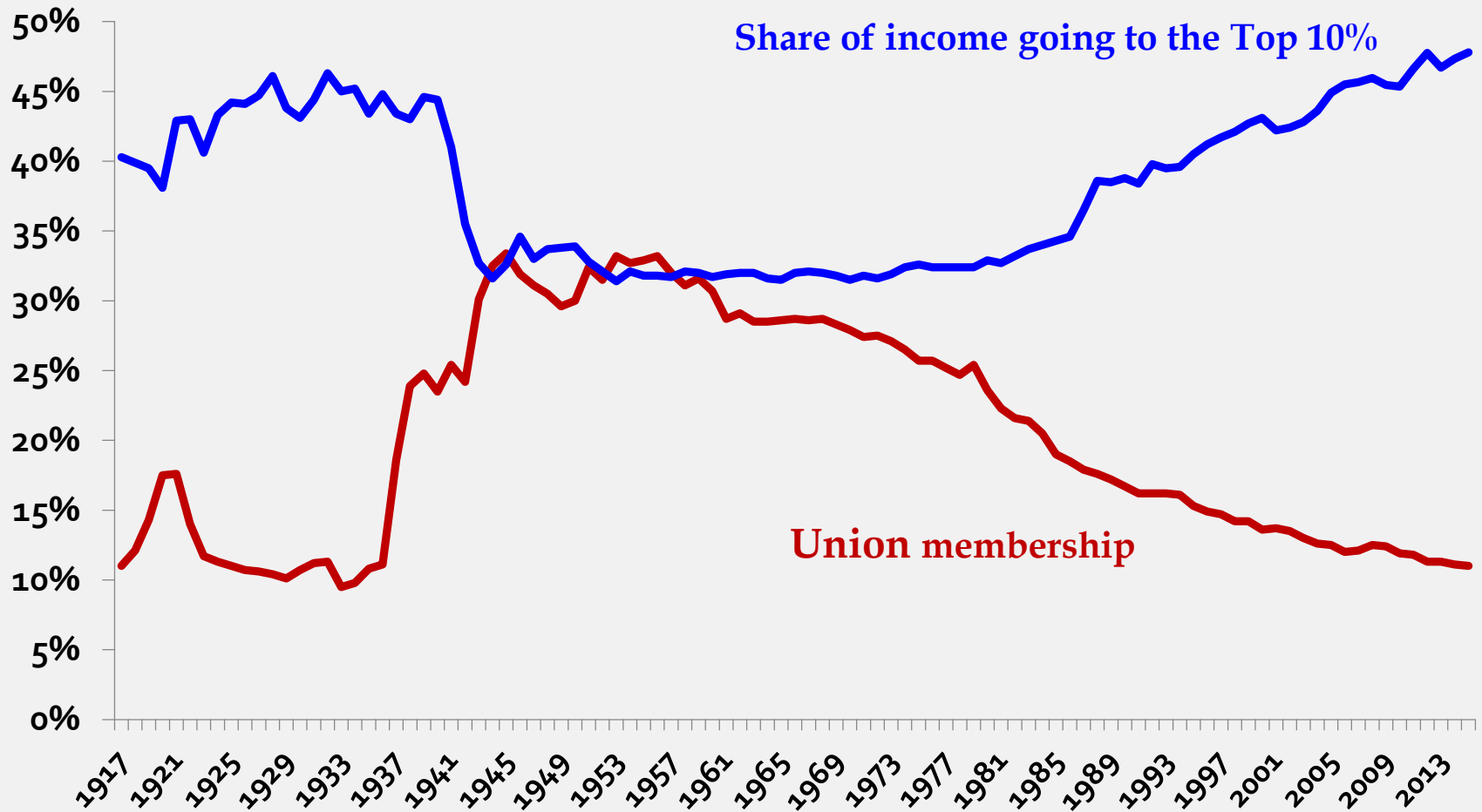
Source: Piketty, T. and Saez, E., The World Top Incomes Database. U.S. before-tax income excluding K-gains 2015\$.

Unions & inequality



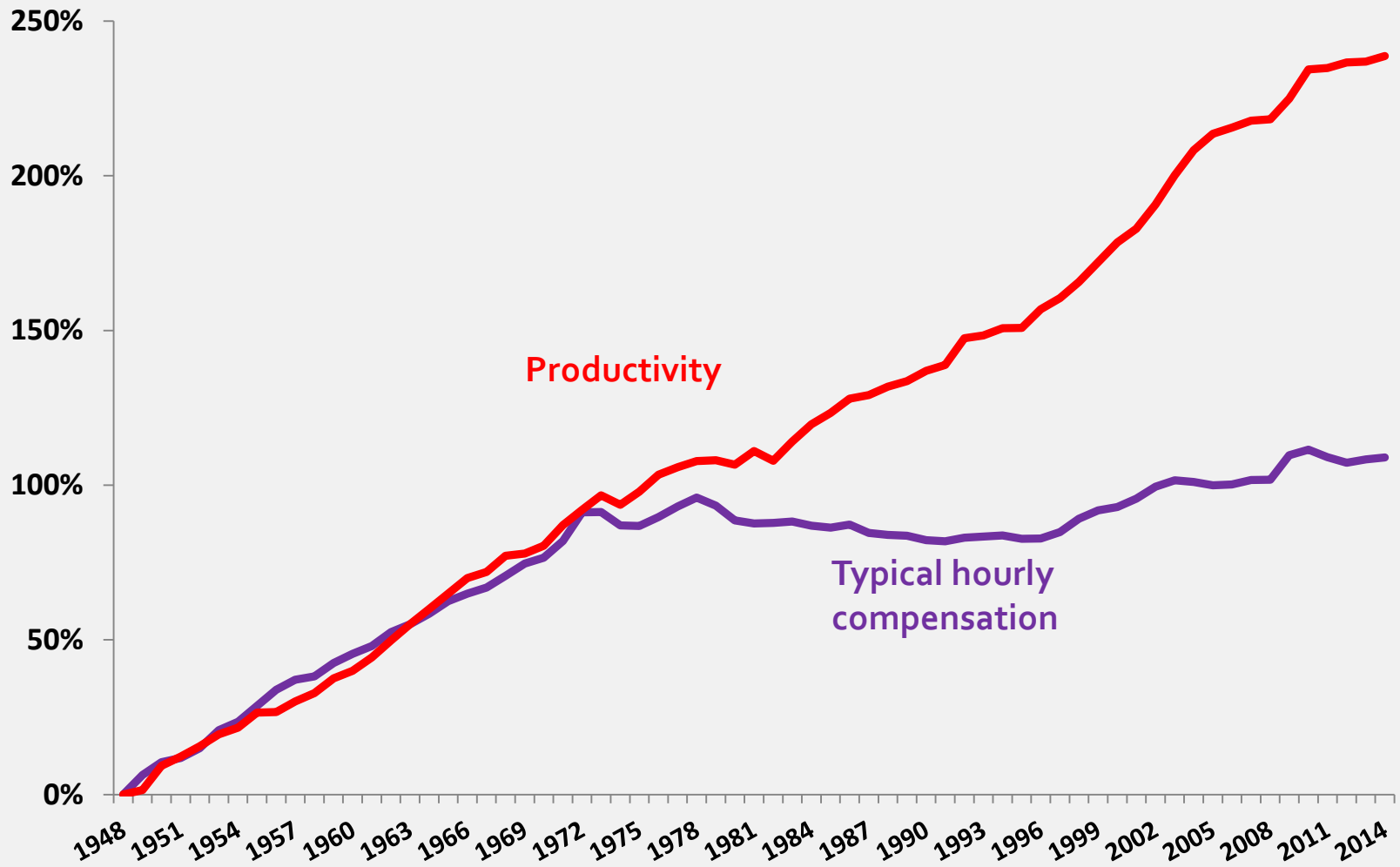
Source: Madland & Bunker CAP. Hirsch and Macpherson, unionstats.com; U.S. Census, Current Population Reports.

Inequality & unions



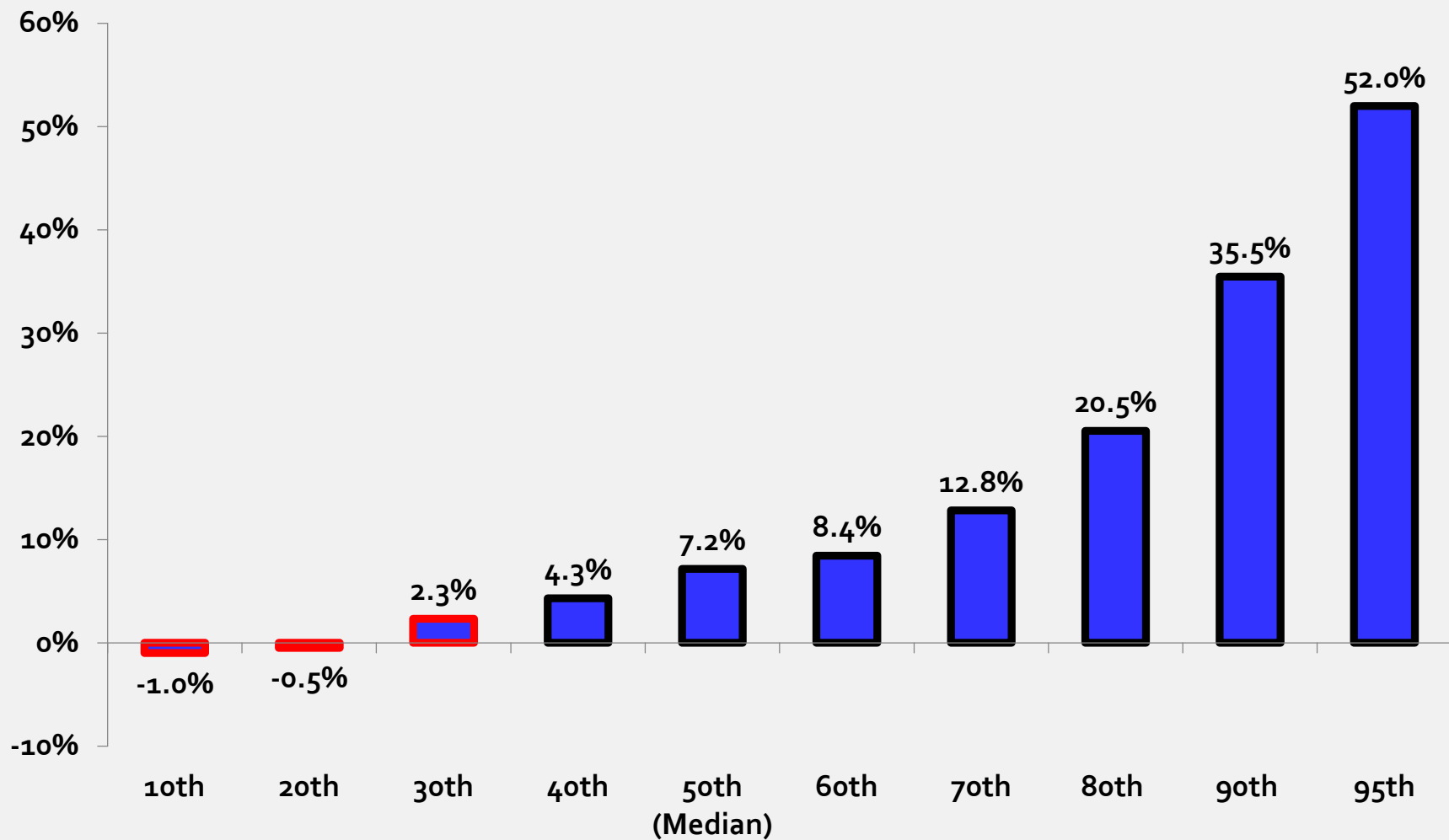
Source: EPI: Piketty and Saez (2016) and U.S. Census Bureau.

Growing together, growing apart



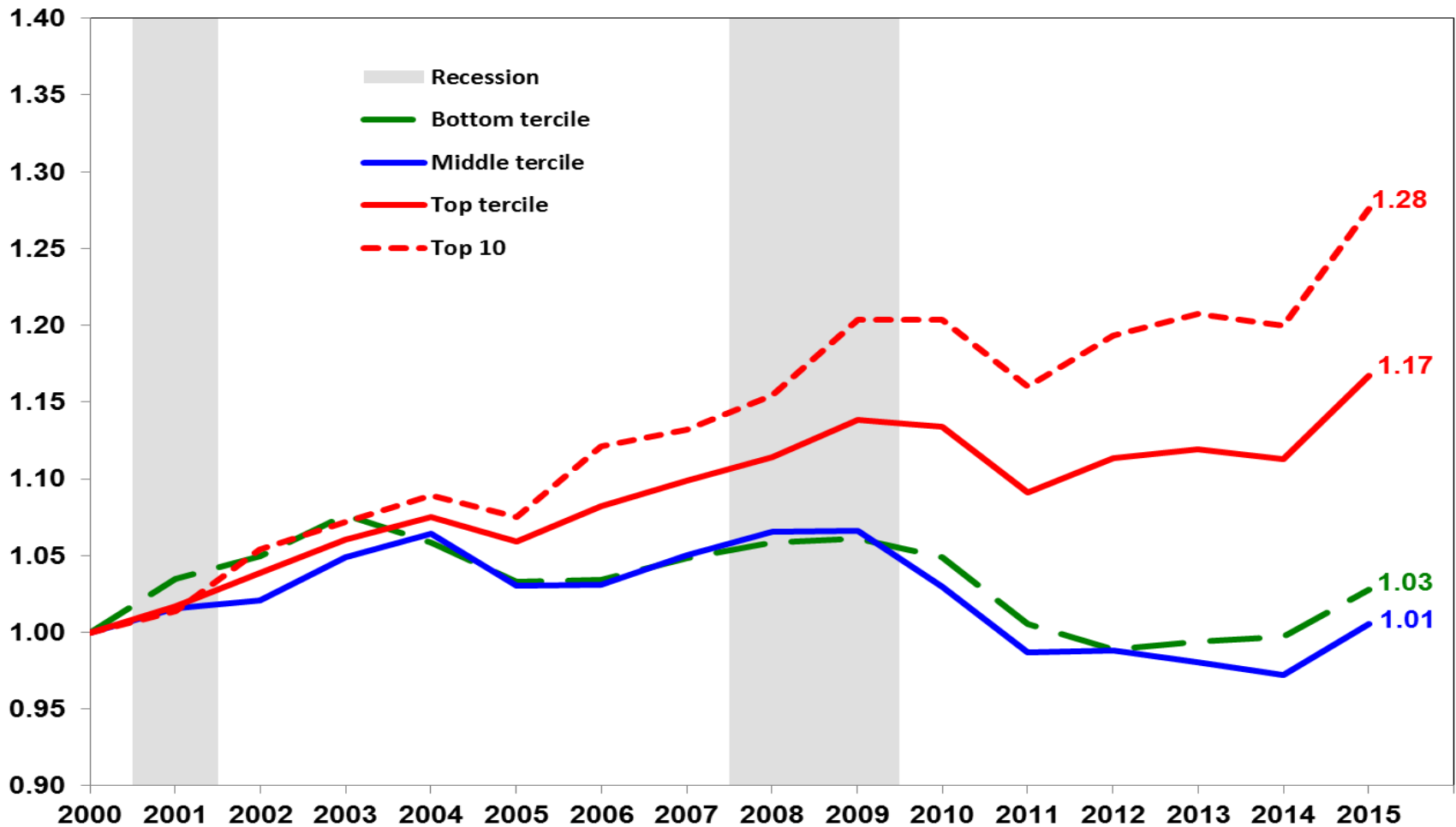
Source: Economic Policy Institute. Analysis of BLS data.

35 years of wage growth in the USA



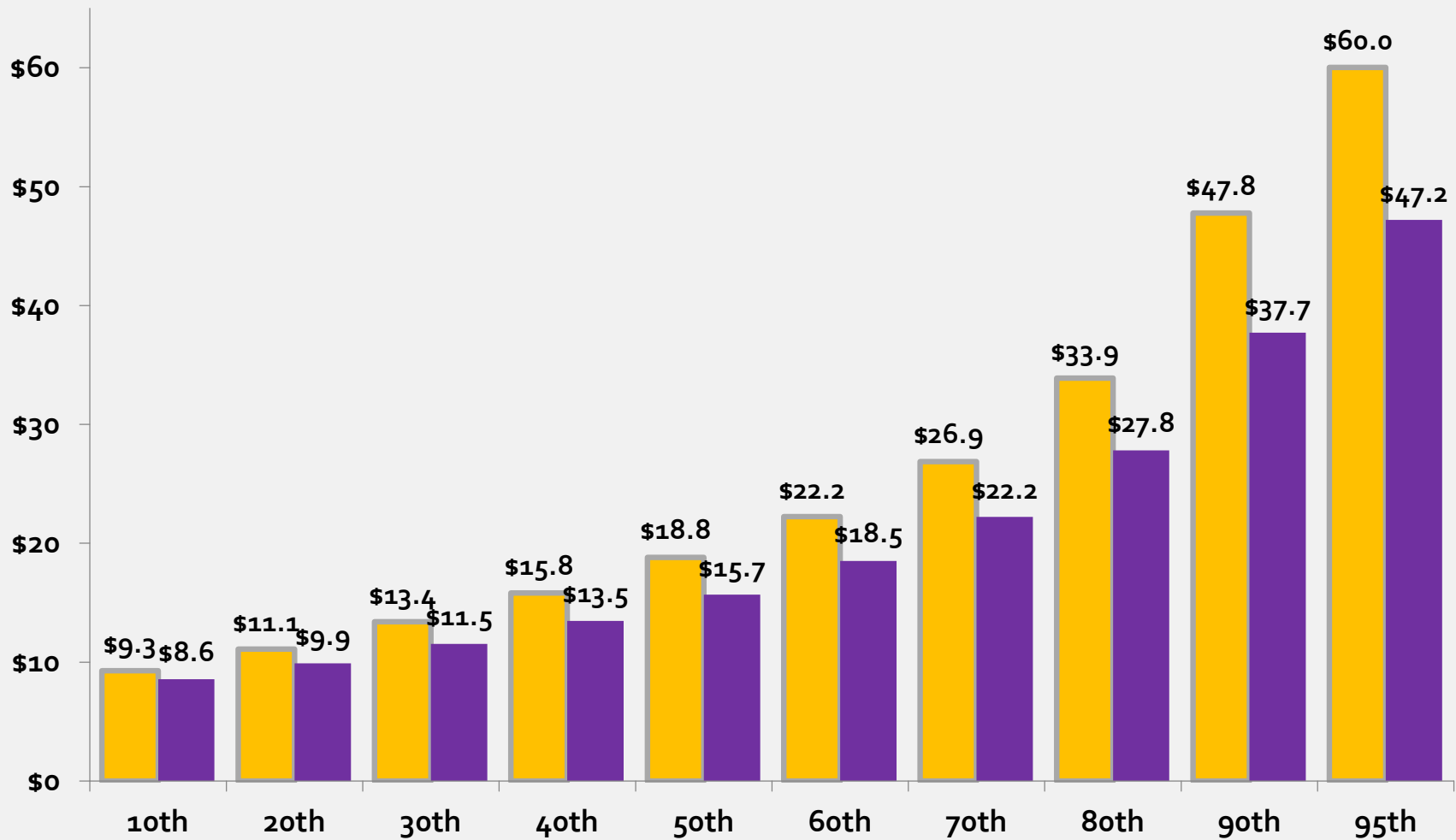
Source: BLS Current Population Survey. 1979-2014.

CA wage growth



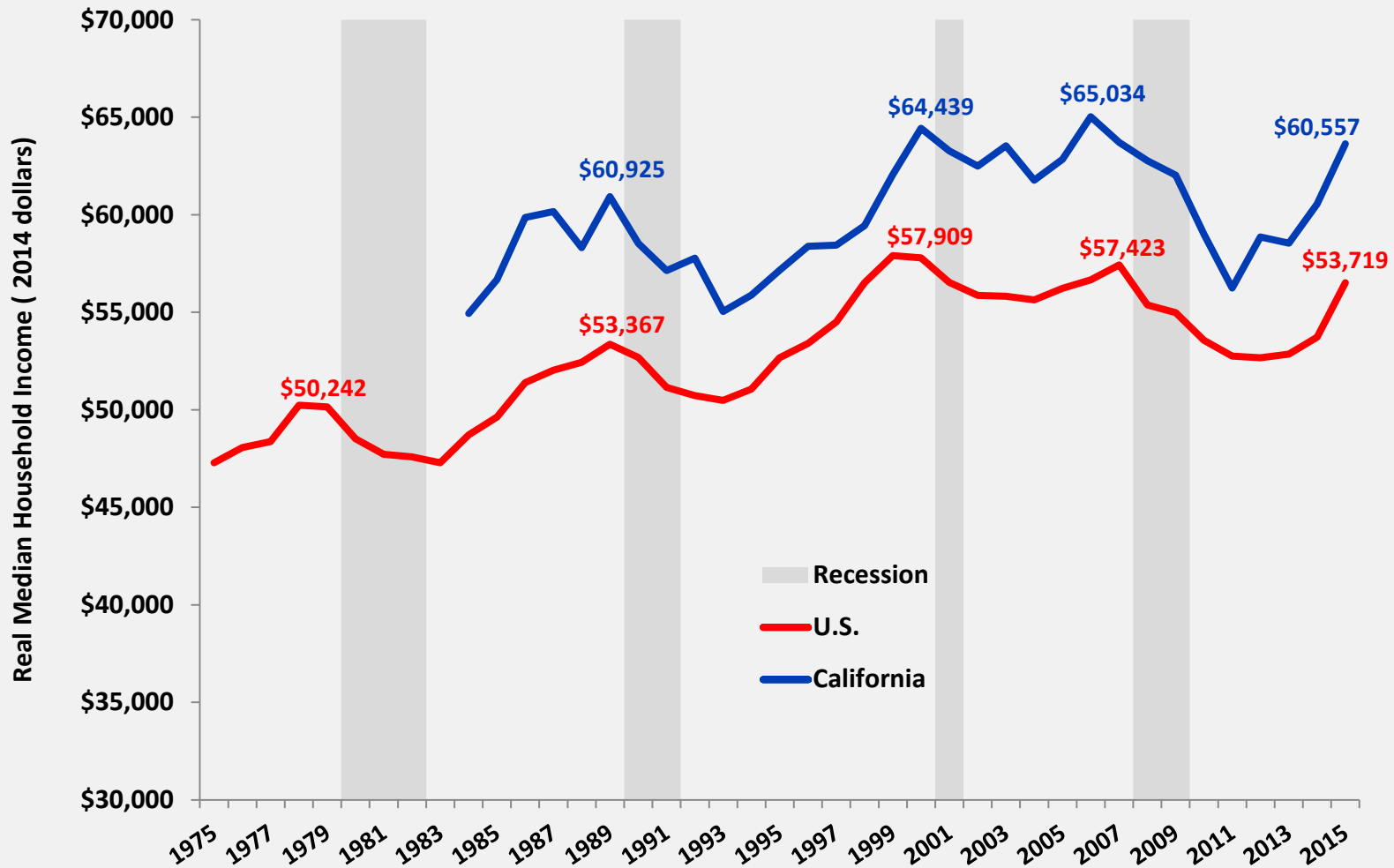
Note: Each series represents annual average real wage growth (adjusted using the CPI-W) per income group from 2000 to 2015.
Source: Author's analysis of Current Population Survey data. Includes wage and salary workers ages 18 to 64.

Gender pay gap grows with higher pay



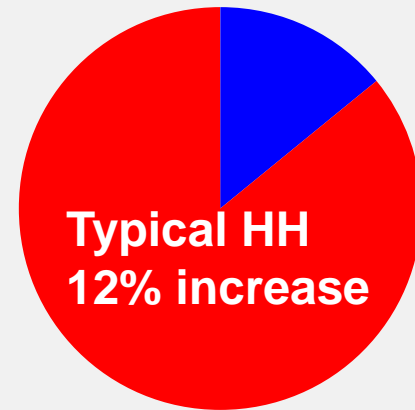
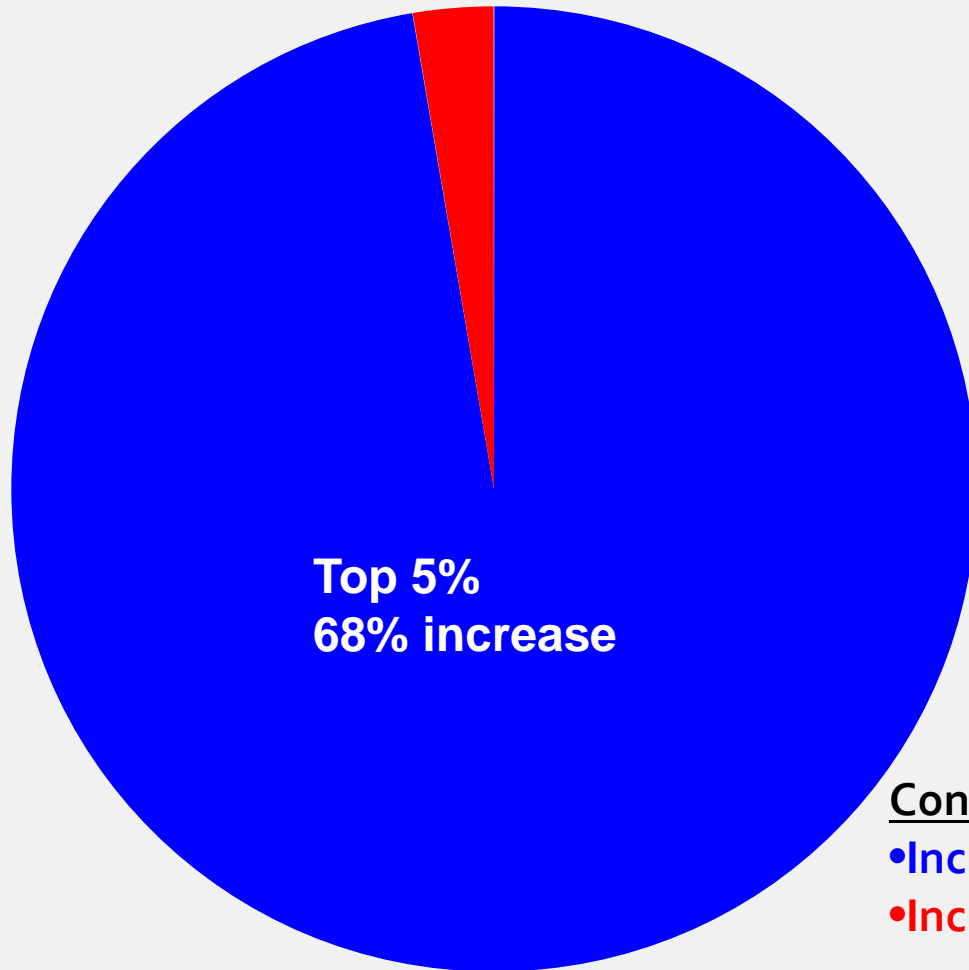
Source: Economic Policy Institutes analysis of BLS Current Population Survey 2015 data.

Long trends broken



Source: Analysis of U.S. Census data in 2015\$ Annual median household income.

Growth in family incomes...



Contributions to increase in annual wages

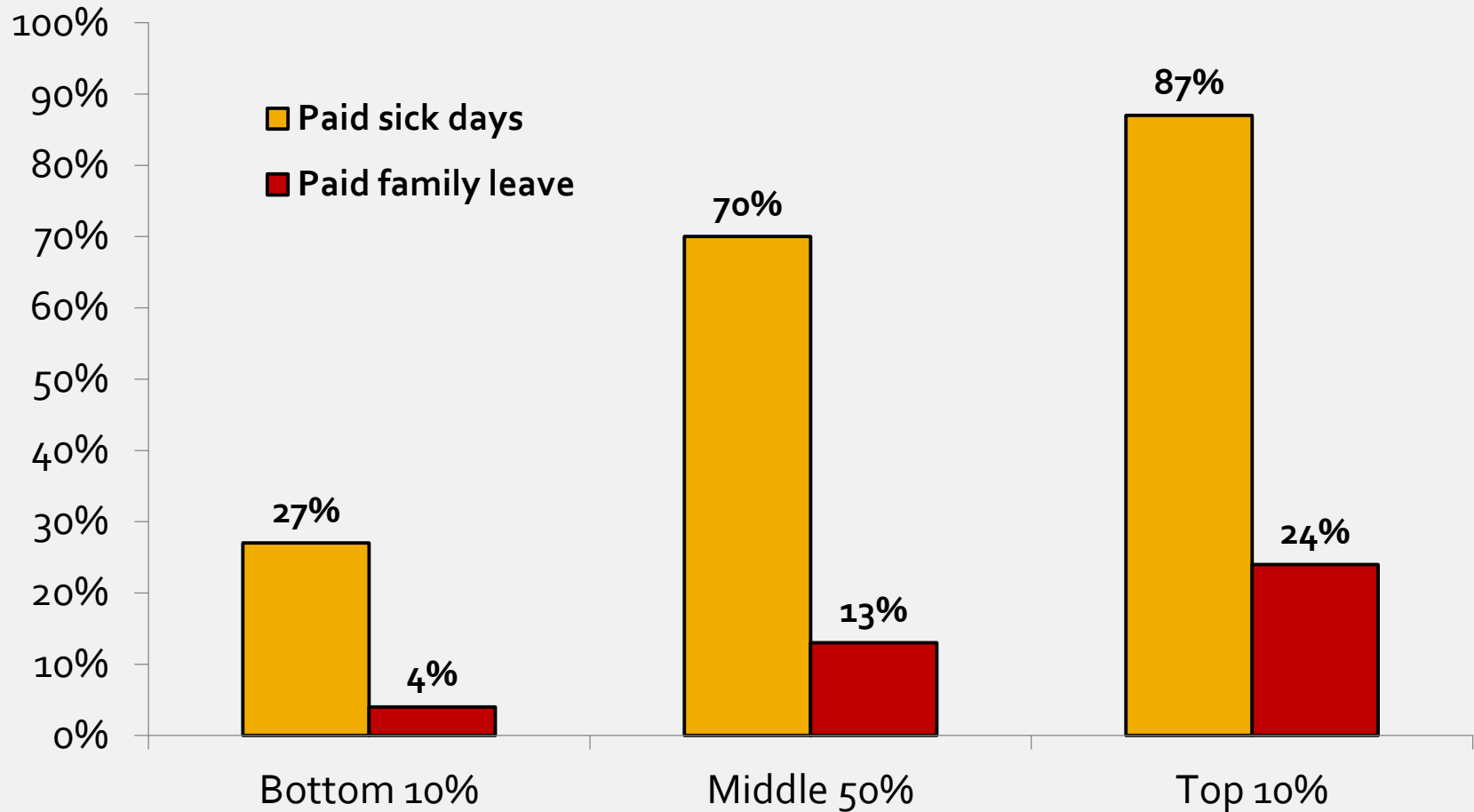
- Increase in hourly wages
- Increase in hours of work

DANGER



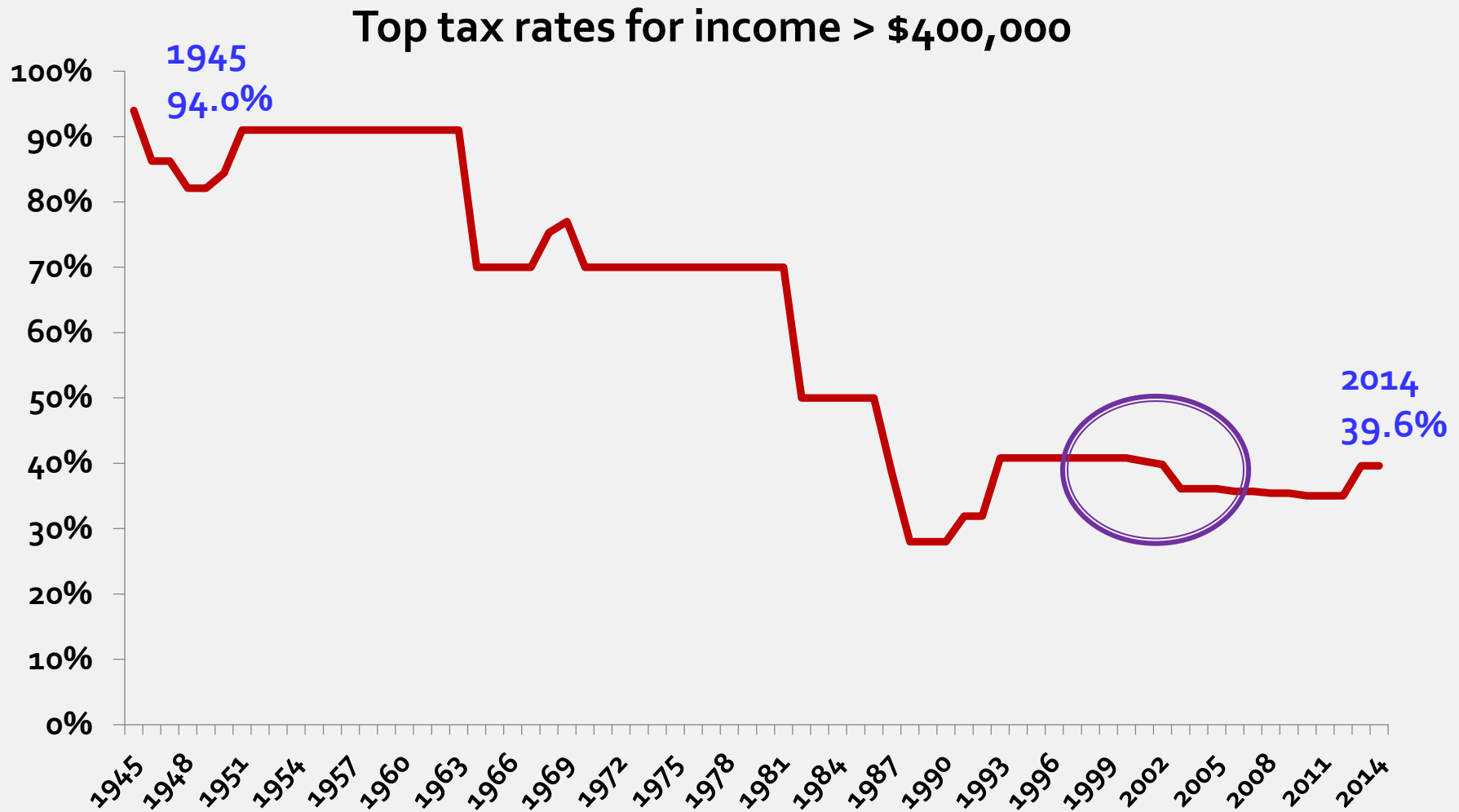
momgrah.etsy.com

The YoYo U.S. Model



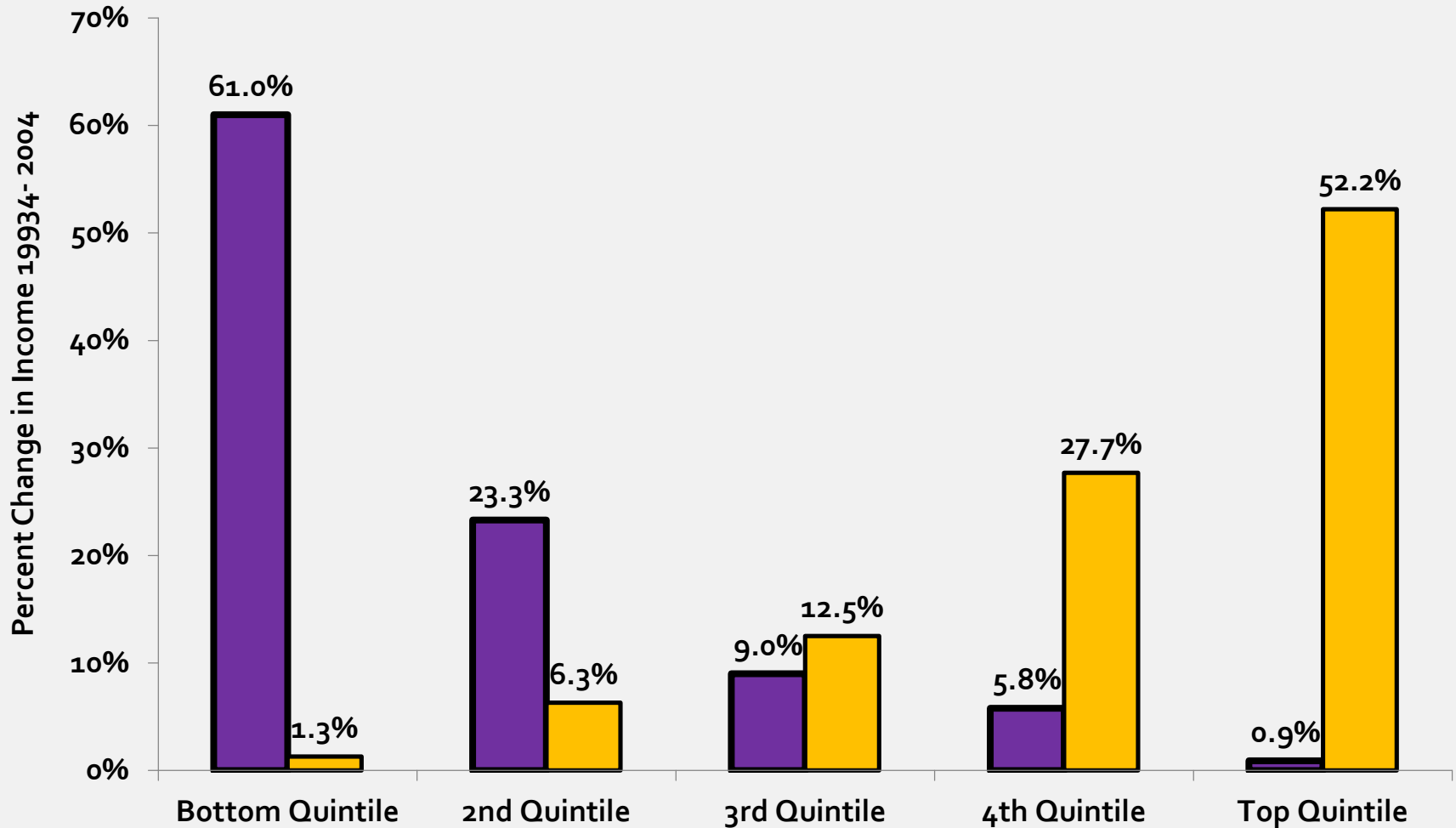
Source: BLS 2015 Table 4.12 from Employee Benefits Survey

An example of purposeful policy



Source: U.S. Internal Revenue Service.

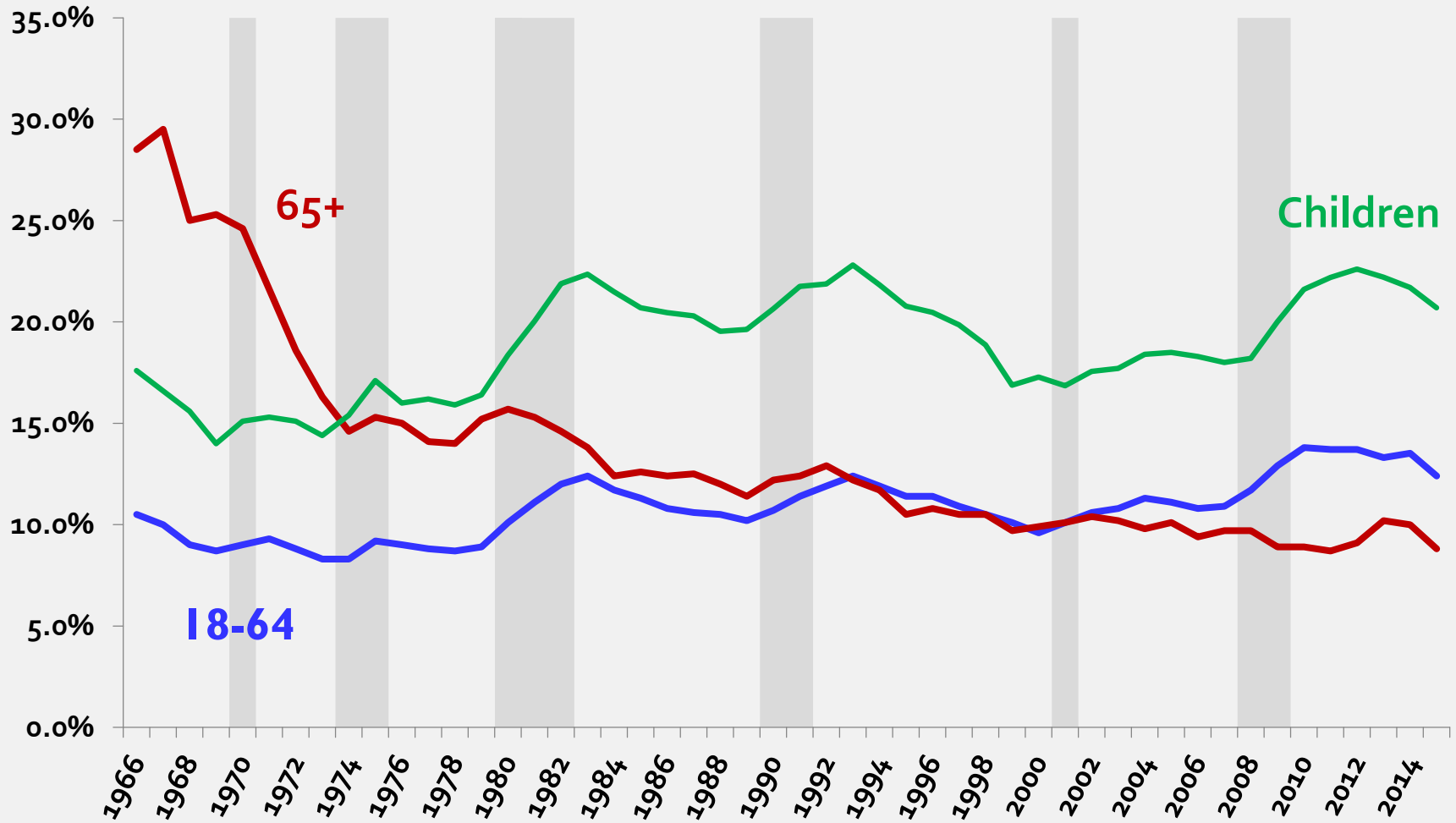
Where you start really matters in the U.S.



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

Poverty amongst vast wealth

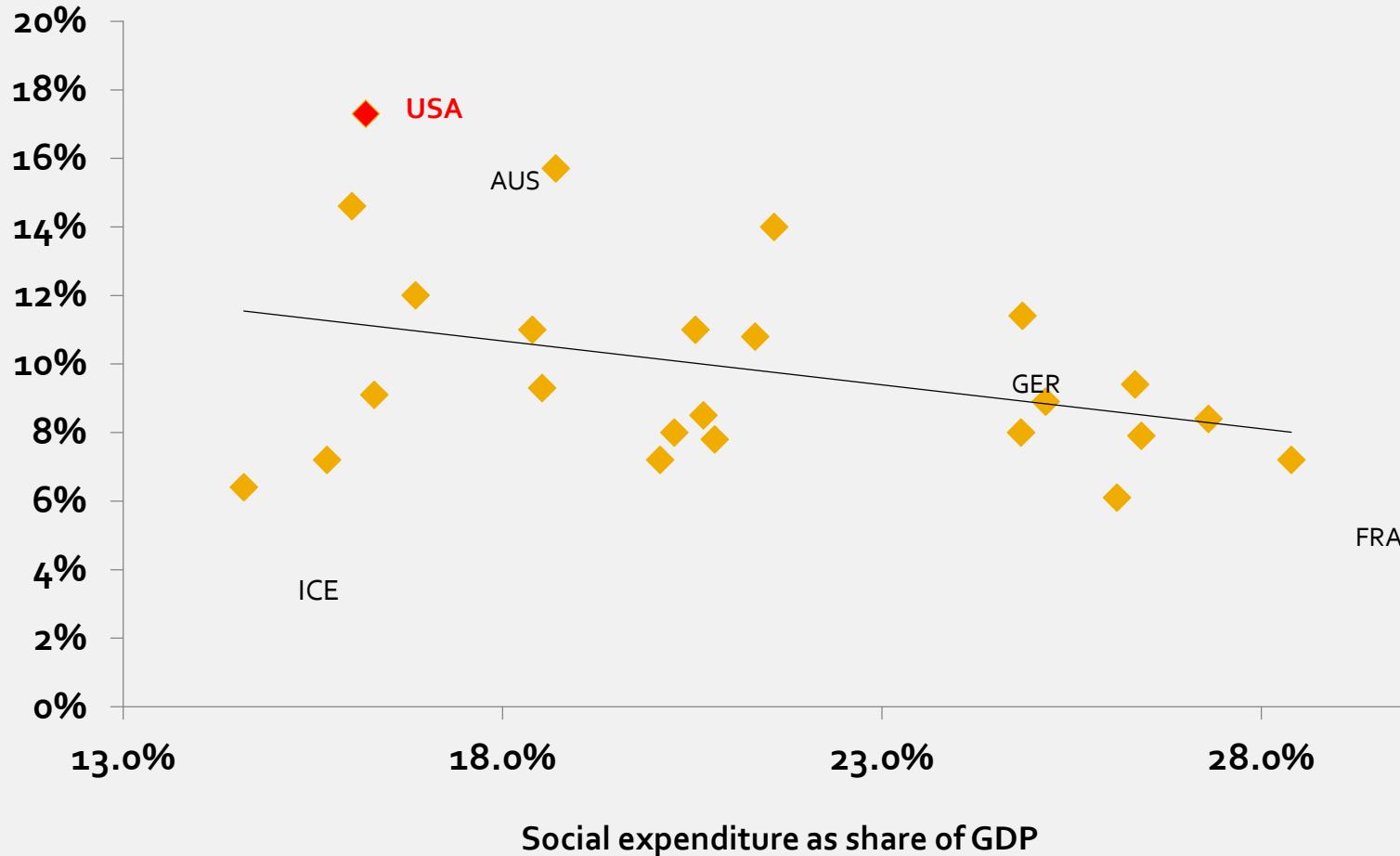
[Social Security: a policy that works!]



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

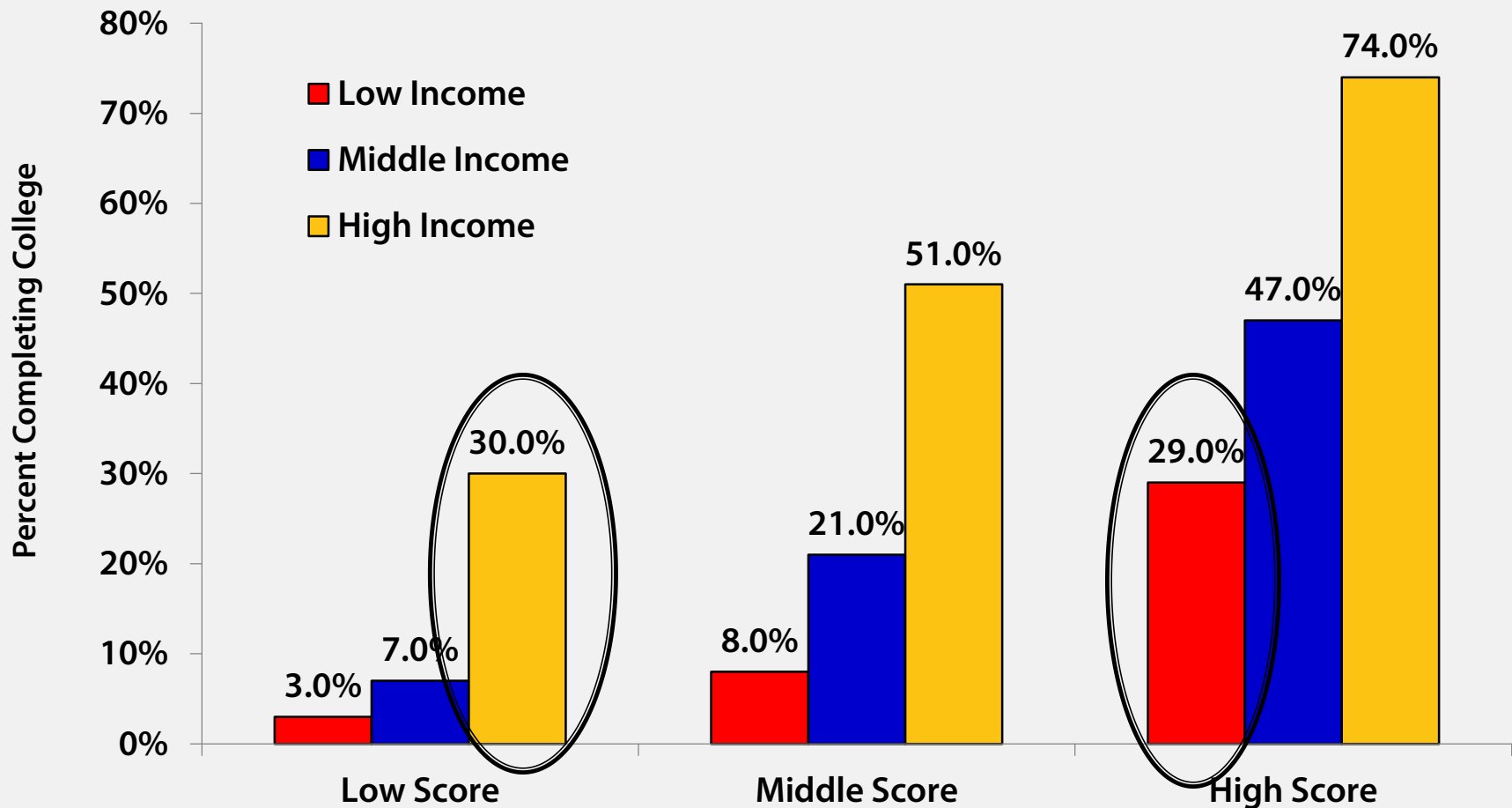
Mitigating the struggle

(poverty rates after gov't transfers)



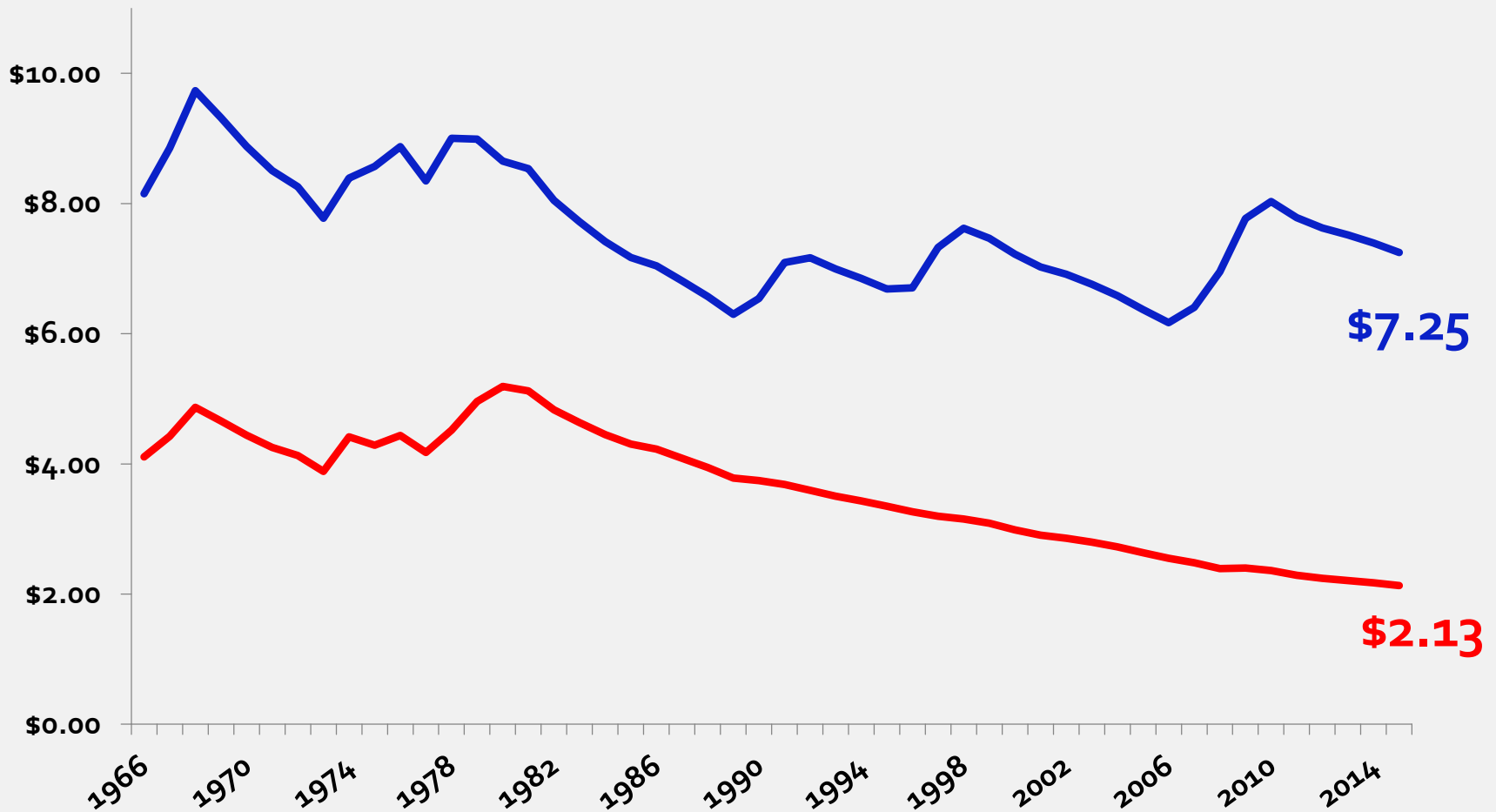
Source: OECD data on post-transfer poverty rates, 2014.

Wasted talent

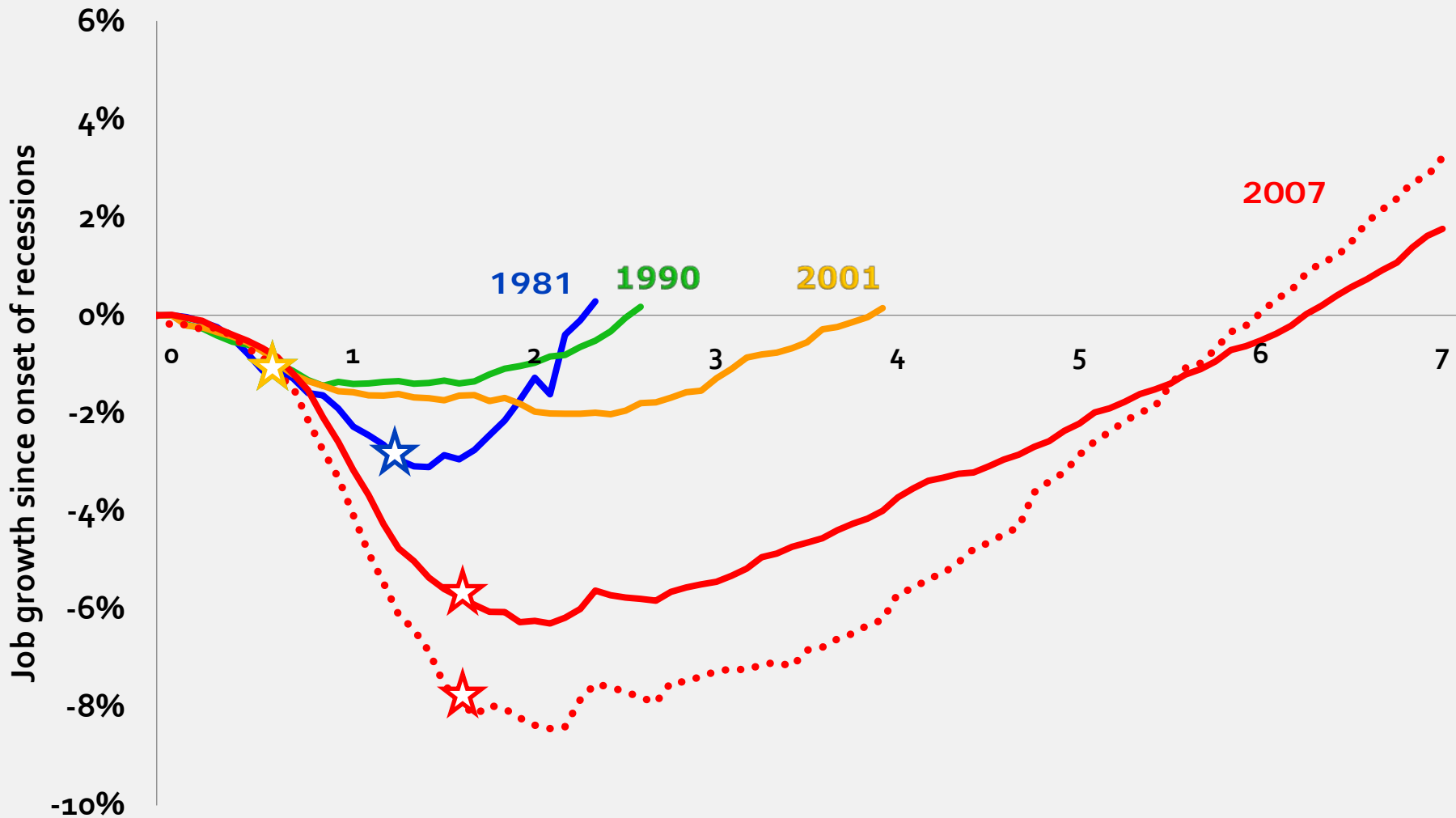


Source: Allegretto's analysis of Fox, M.A., B.A. Connolly, and T.D. Snyder. 2005.

Slip sliding away



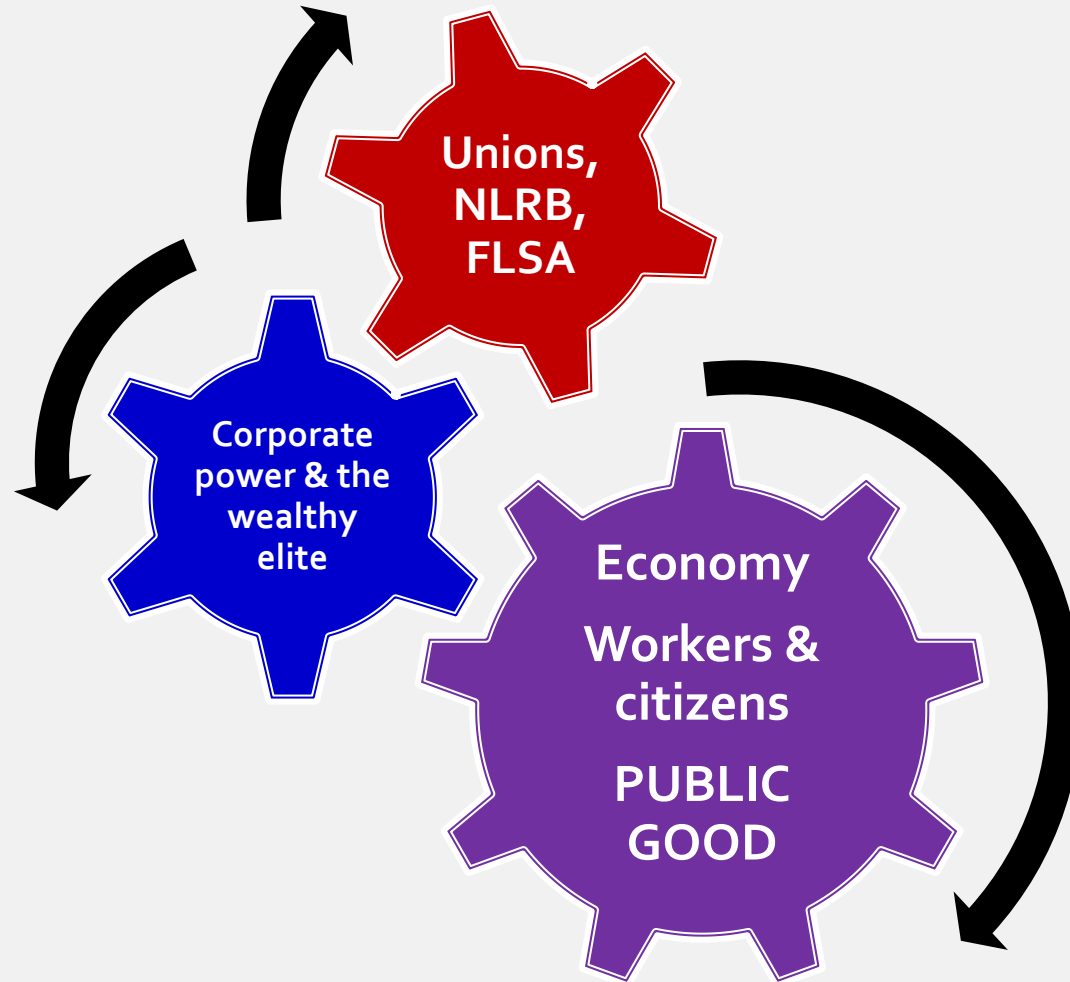
Why the 'Great Recession'?



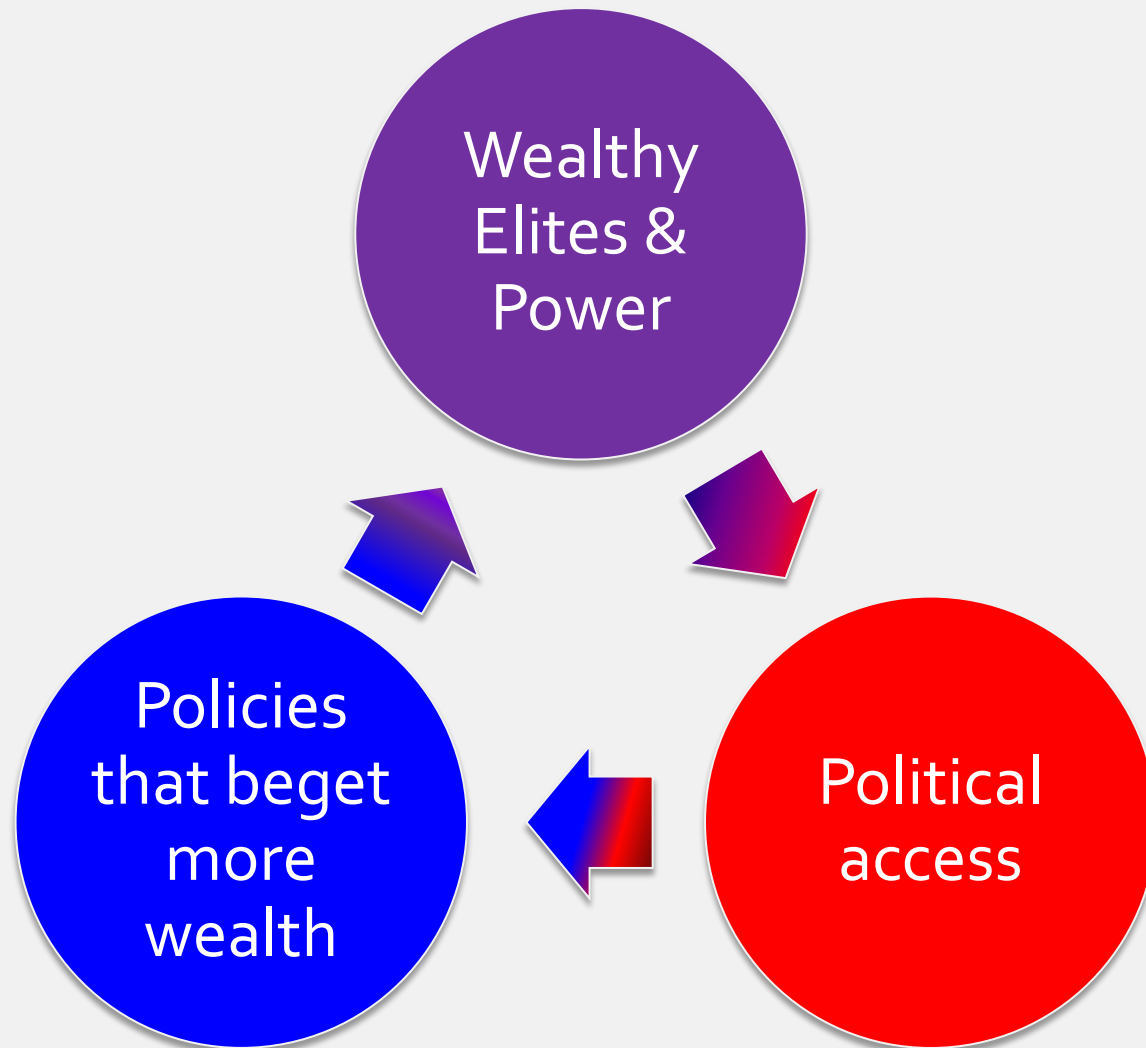
Source: Allegretto's analysis of Current Employment Statistics data. Data as of Feb 2016.

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 should be done?

- Raise the minimum wage!
- 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, single payer 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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