


1

## National Economic Education Delegation

- **Vision**
  - One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.
- **Mission**
  - NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.
- **NEED Presentations**
  - Are **nonpartisan** and intended to reflect the consensus of the economics profession.

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2

2

## Who Are We?

- **Honorary Board: 48 members**

- 2 Fed Chairs: Janet Yellen, Ben Bernanke
- 6 Chairs Council of Economic Advisers
  - o Furman (D), Rosen (R), Bernanke (R), Yellen (D), Tyson (D), Goolsbee (D)
- 3 Nobel Prize Winners
  - o Akerlof, Smith, Maskin

- **Delegates: 500+ members**

- At all levels of academia and some in government service
- All have a Ph.D. in economics
- Crowdsource slide decks
- Give presentations

- **Global Partners: 45 Ph.D. Economists**

- Aid in slide deck development

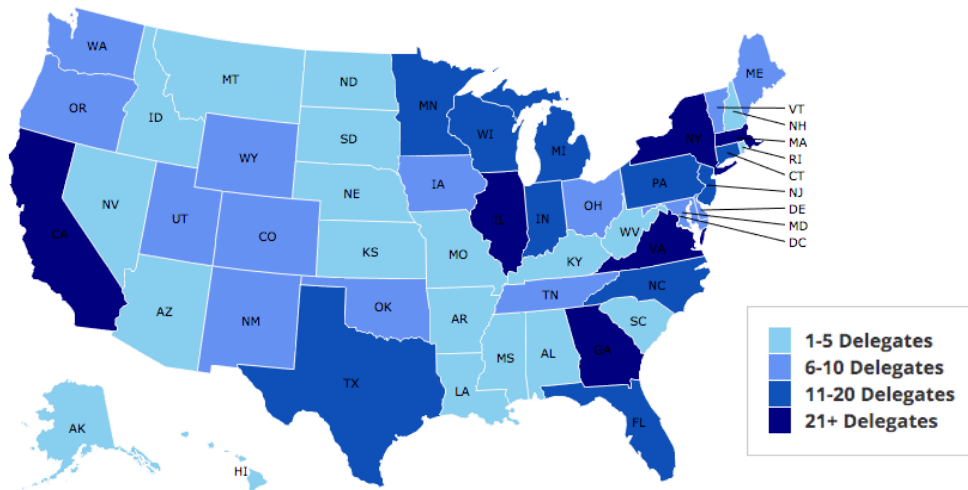


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3

3

## Where Are We?



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4

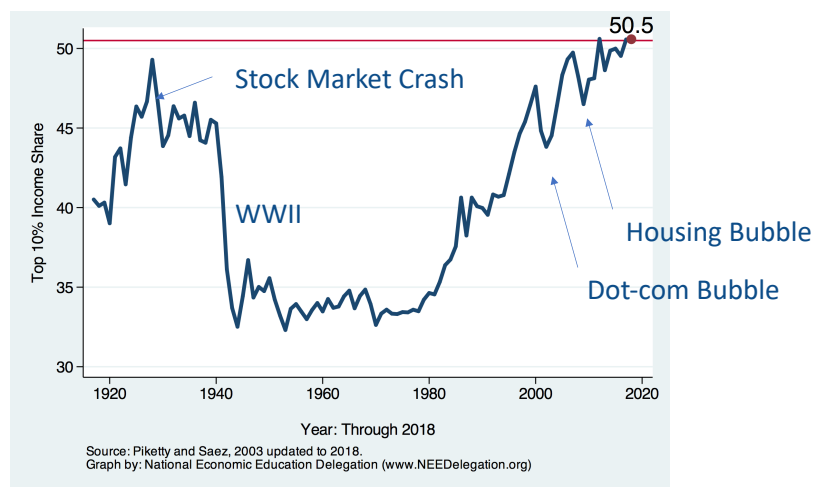
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## Credits and Disclaimer

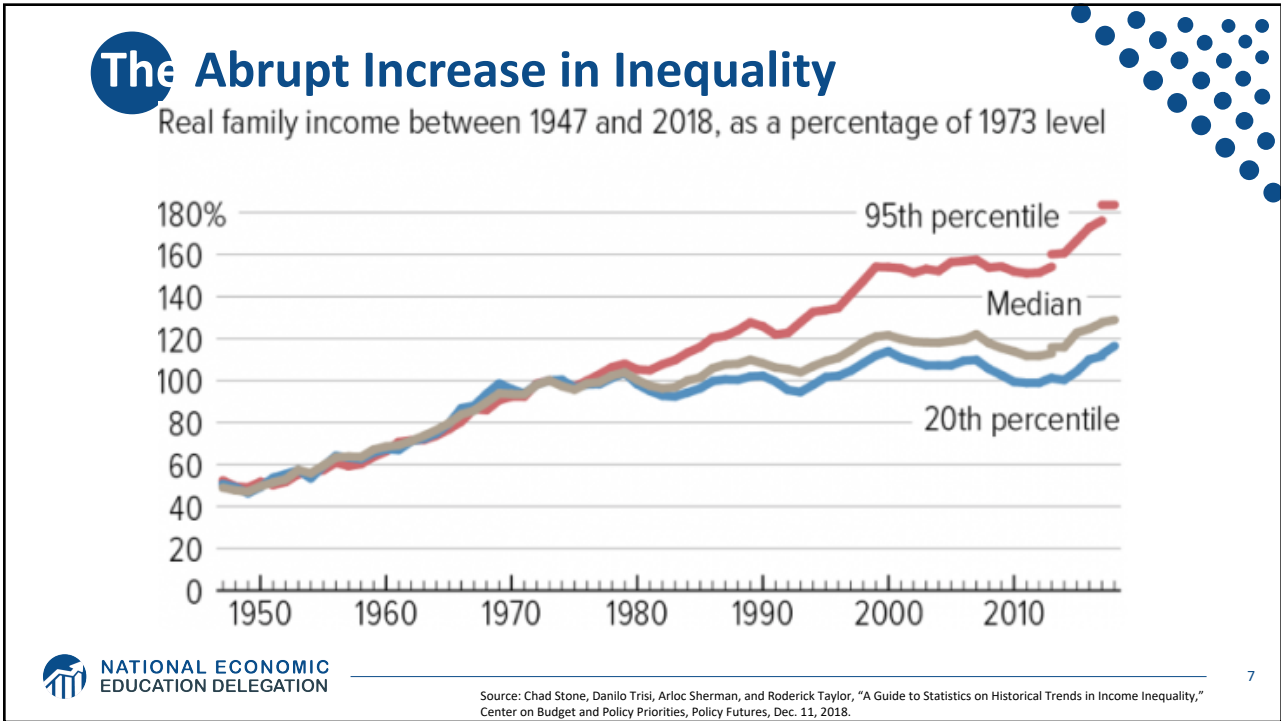
- **This slide deck was authored by:**
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  - Timothy Smeeding, University of Wisconsin
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- **Disclaimer**
  - NEED presentations are designed to be nonpartisan
  - It is, however, inevitable that the presenter will be asked for and will provide their own views
  - Such views are those of the presenter and not necessarily those of the National Economic Education Delegation (NEED)

5

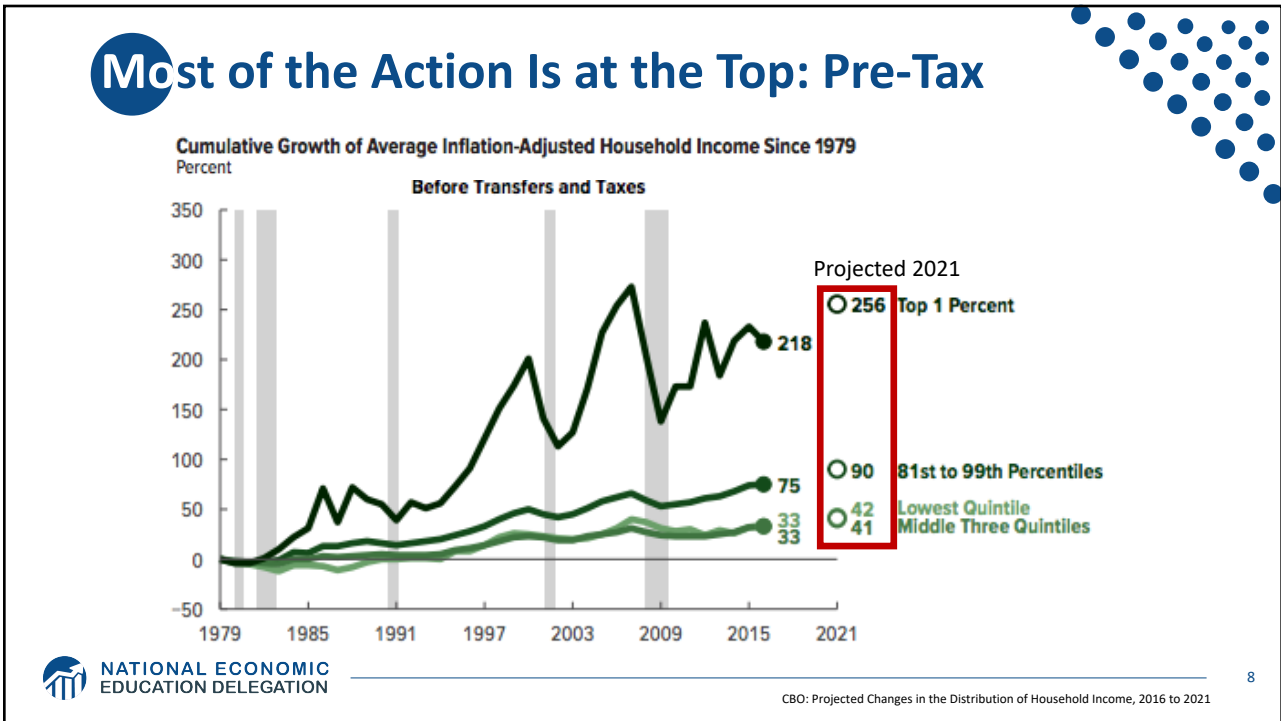
## National Income Inequality: Share of Top 10%



6



7



8

## Where Does Inequality Come From?

- **Labor Characteristics**

- Demographics
  - o Age distribution
- Personal Choices
  - o Educational attainment
  - o Effort
  - o Priorities
  - o Household composition
- Immigration

- **Market Forces**

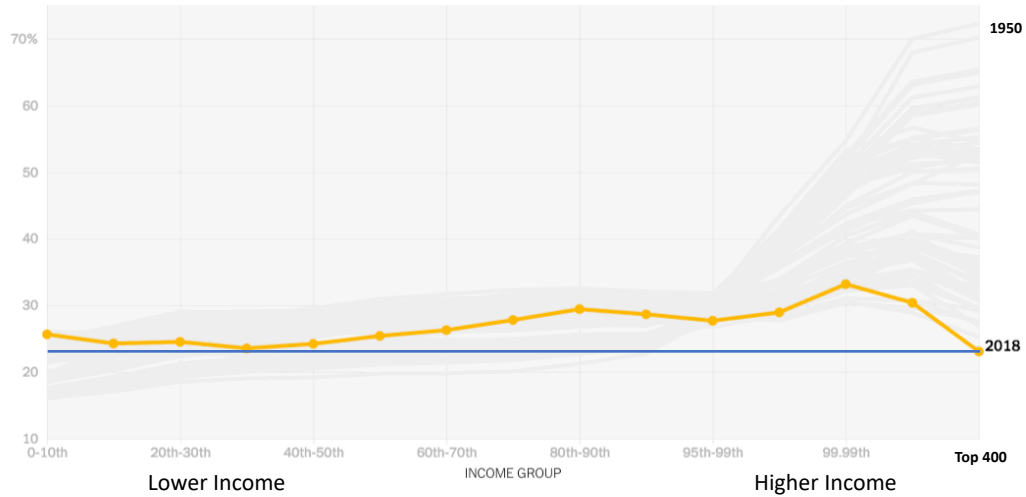
- Technology
- Changing demand patterns
- Competition for labor

- **Government Policy**

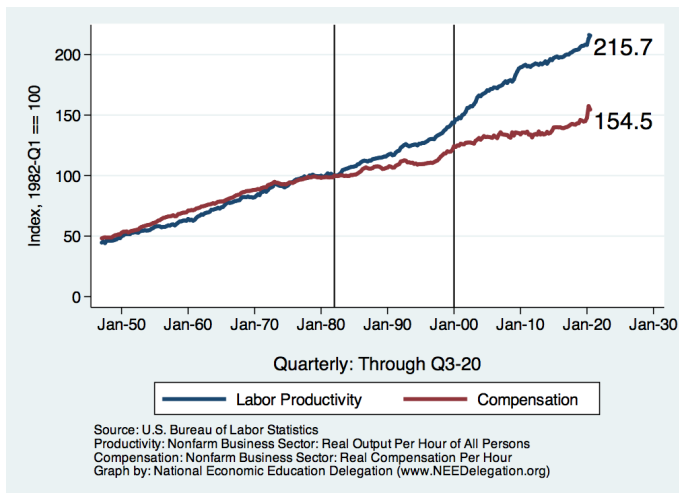
- Market influence
- Redistribution

## The Rich Really do Pay Lower Taxes

TOTAL TAX RATE (FEDERAL, STATE AND LOCAL)



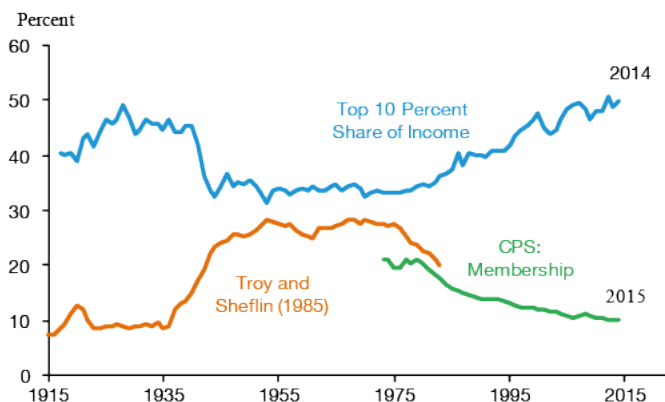
## Labor Income is Unhinged from Productivity



### Why?

- Declining unionization
- Globalization
- Immigration
- Competition policy
- Cheap technology

## Declining Unionization

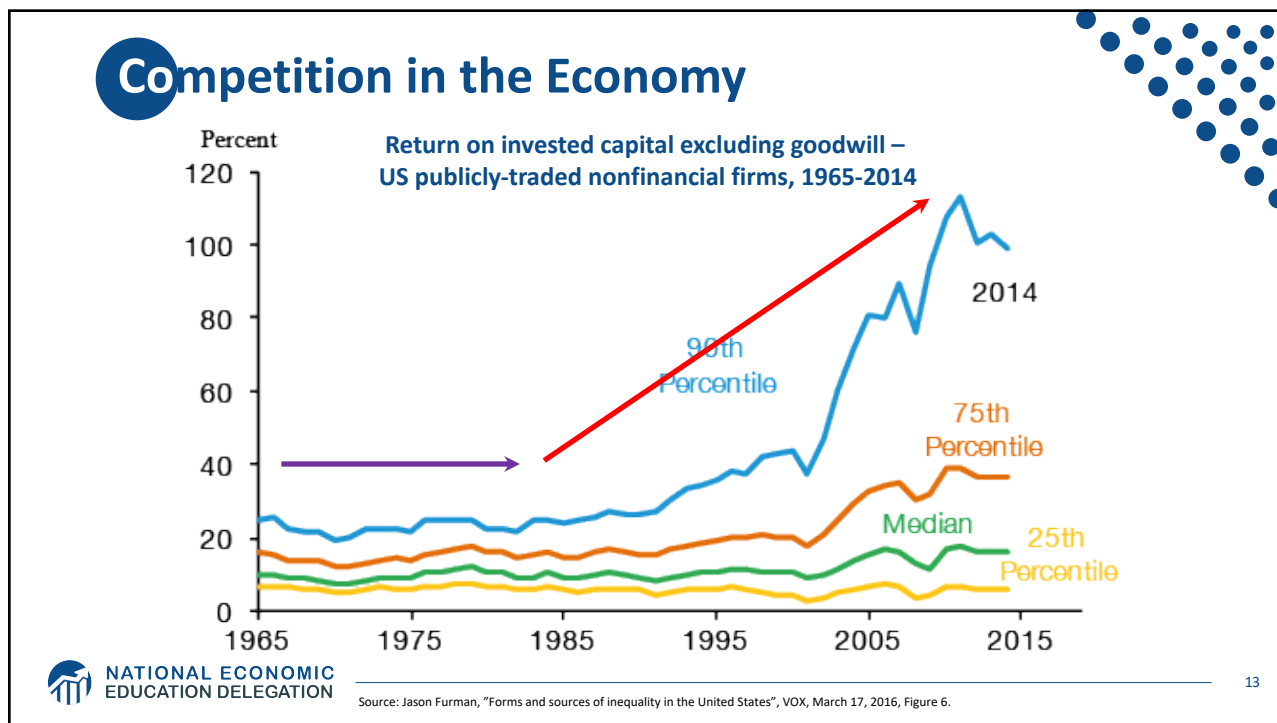


### Unionization Rates

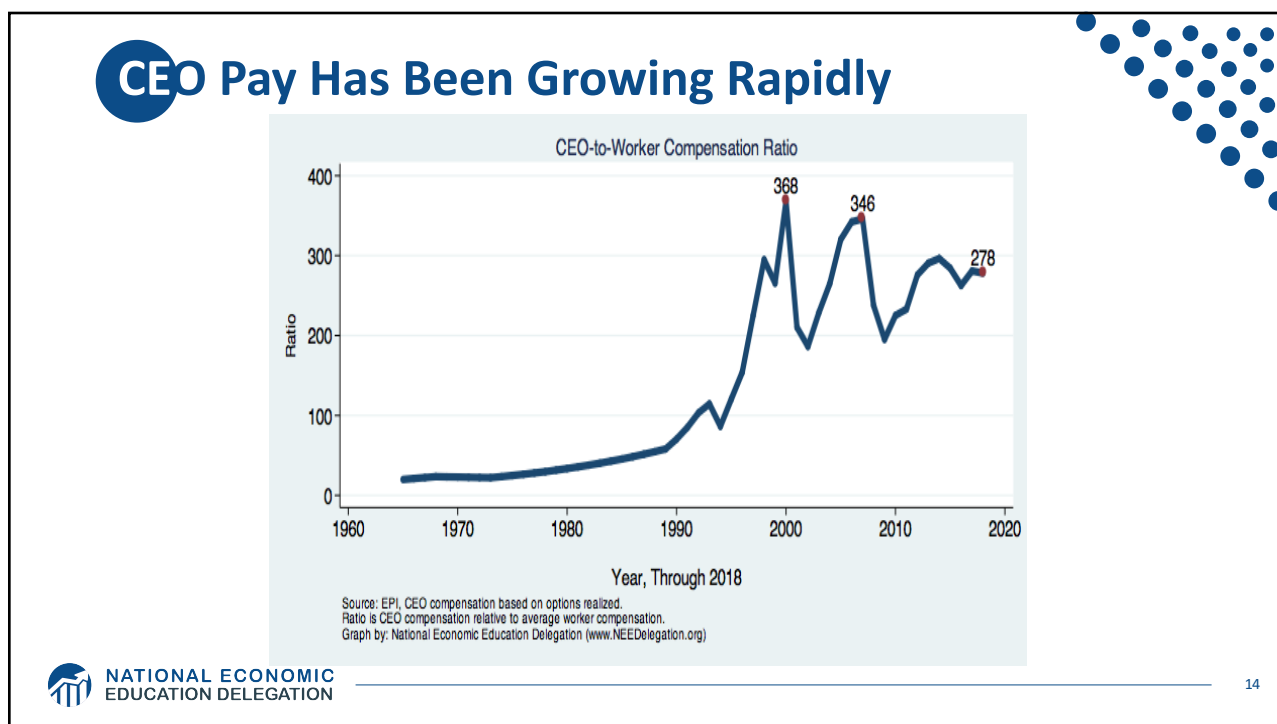
- **1983:** 20.1%
- **2019:** 10.3%

### Unionization Rates

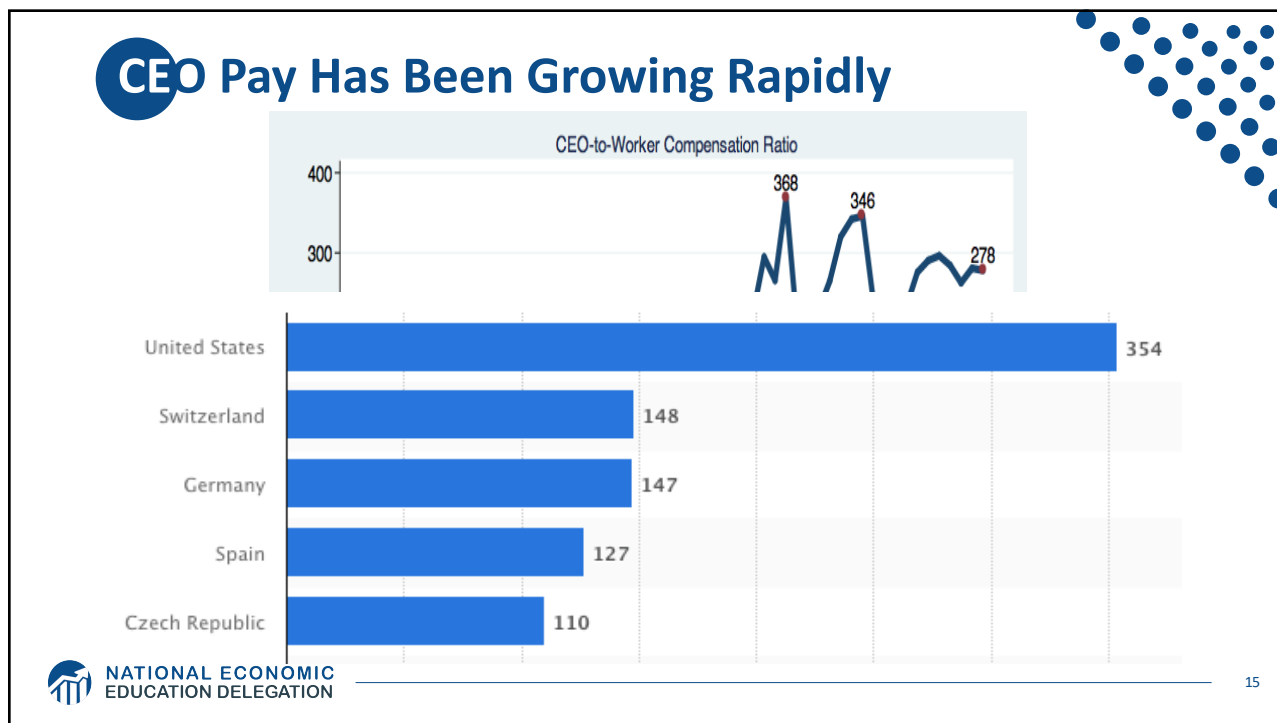
- **Public:** 33.6%
- **Private:** 6.2%



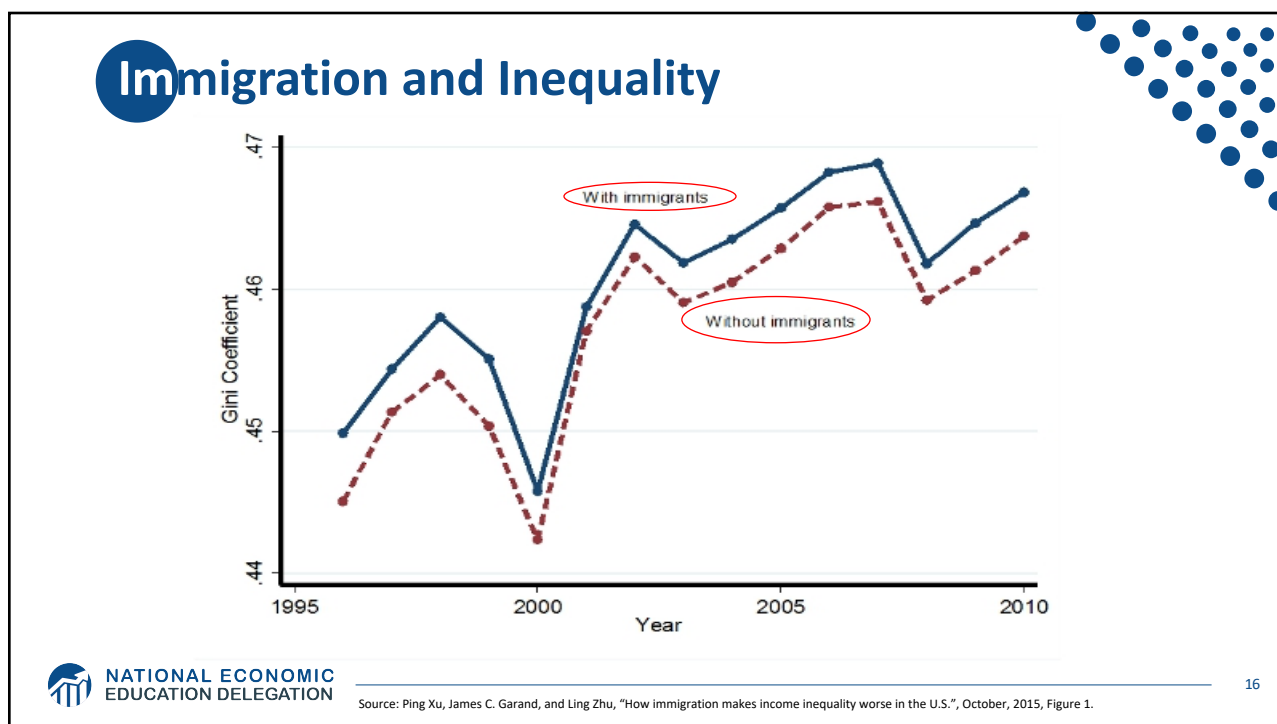
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14



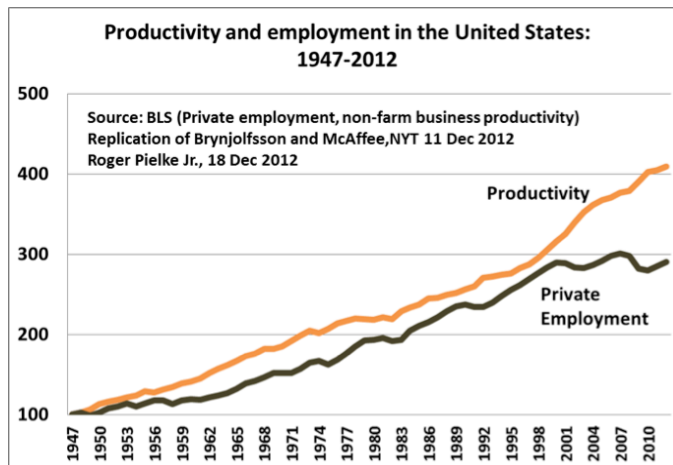
15



16



## Technology Benefits Ownership over Labor



17

## Technology can Hurt Low Income Workers



Early on, technology was good to low income workers



Until it was bad for them....

18

## A Modern Example: Uber & Lyft

- **Technology:**

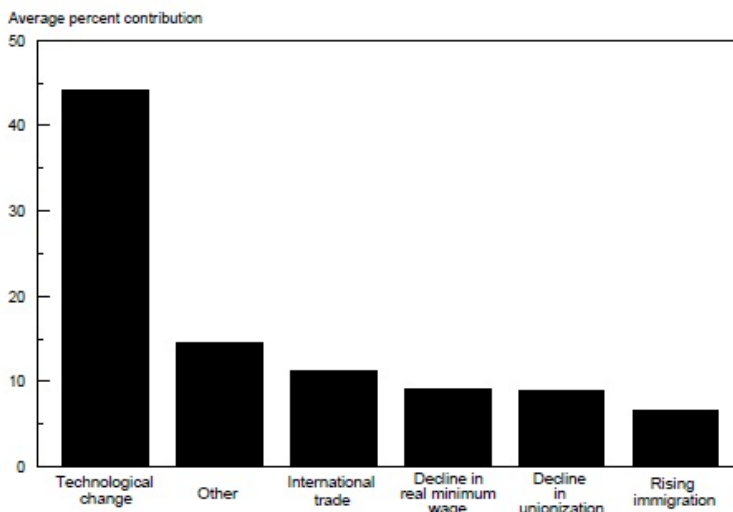
- Facilitates market power for owners.
- Reduces bargaining power for labor.
- Shifts costs of doing business onto labor.

- **Modern day Robber Barons?**

- Ruthlessly absorbing as much income as they can.
- Lack of regard for labor.



## Sources of Inequality Through Late 1990s



Source: Federal Reserve Bank of New York.



# Why Does Inequality Matter?

- **Too little inequality can:**

- Reduce individual motivation
- Slow economic growth

- **Too much inequality can:**

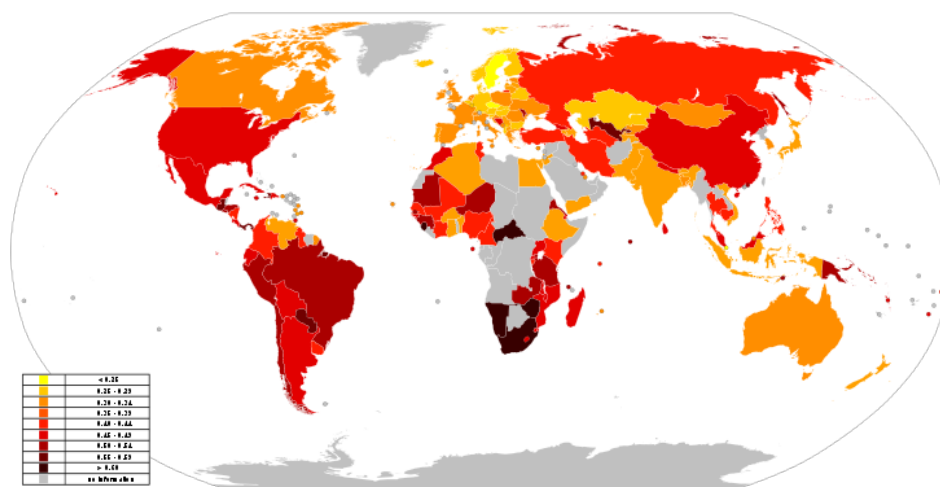
- Reduce individual motivation
- Slow economic growth

- **Too much inequality may also:**

- Divide society
- Distort political environment
- Reduce political participation
- Reduce investments in public goods
  - o Education
  - o Environmental protections



# An International Perspective





## Addressing Inequality: Long Term

- **It's all about access to resources:**

- Education, in particular
  - Improve public education
  - Reduce disparities in quality of public education
  - Improve counseling in low-income schools
    - With respect to college – paths to success and funding
- Investments are needed in early education, not later
  - Universal pre-K
  - Upgrade quality of elementary schools in low-income areas



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25

## Tension in Policy Solutions

- **Is it possible to increase growth at the same time that you reduce income inequality?**

- Common refrain among some that government intervention in the economy is always and everywhere bad for growth.

- **Possibly: expanding equality of access promotes the full utilization of resources.**

- Expanding equality of access requires resources likely from the well-to-do.



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26

26