


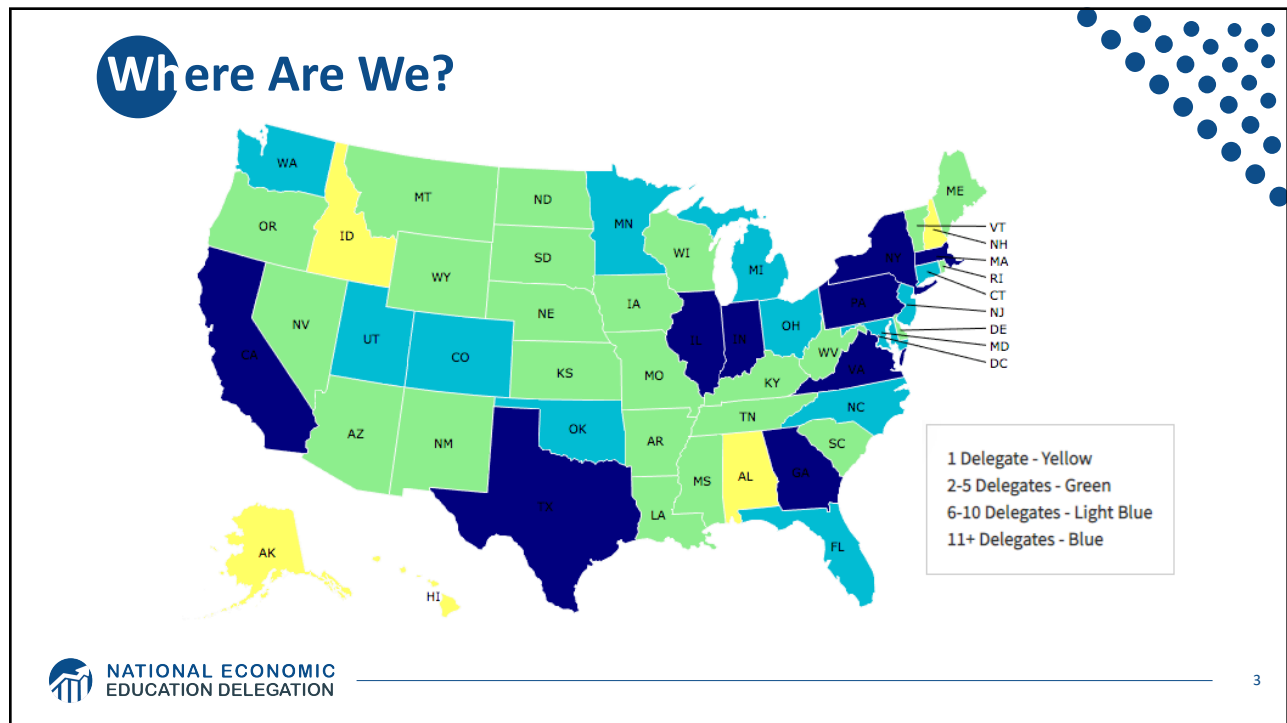
## National Economic Education Delegation

- **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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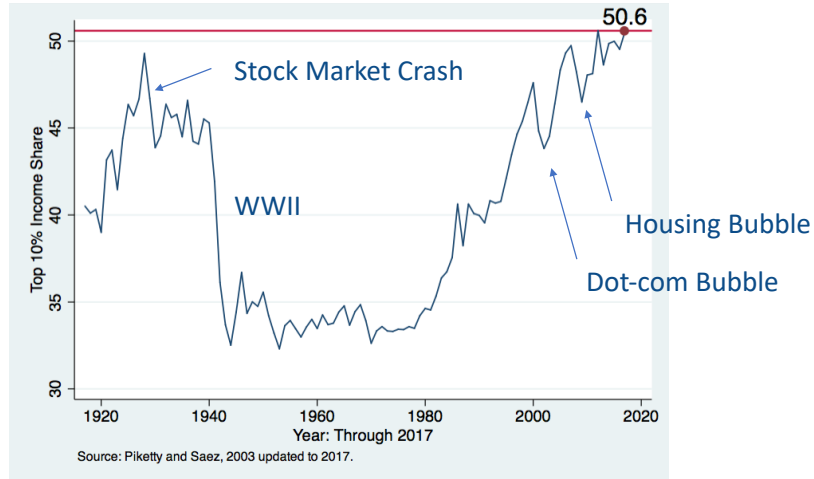
## Credits and Disclaimer

- **This slide deck was authored by:**
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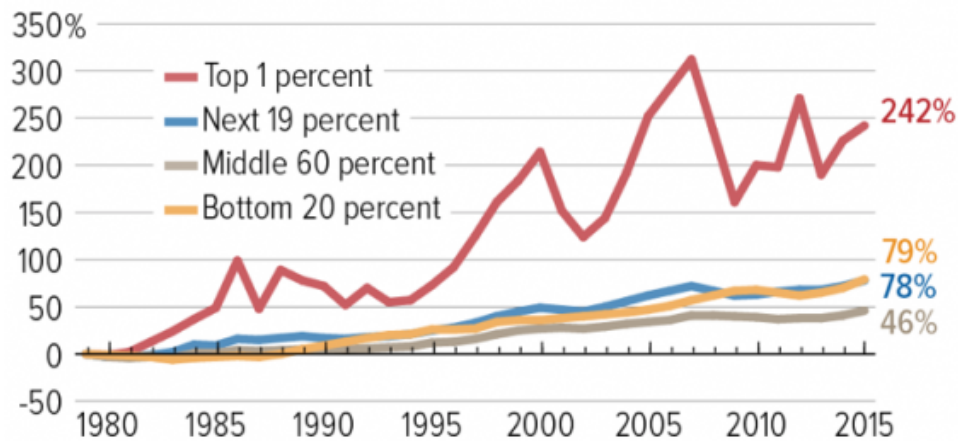
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## National Income Inequality: Share of Top 10%

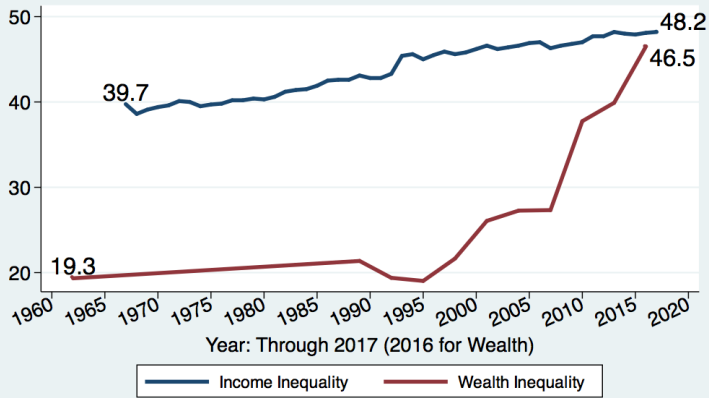


## Most of the Action Is at the Very Top

Percent change in income after transfers and taxes since 1979



## Income and Wealth Inequality



### Income Inequality (Gini)

- US: 48.2
- CA: 48.7
- Alameda: 45.7
- Berkeley: 53.2

Source: U.S. Census Bureau and Board of Governors  
 INCOME INEQUALITY is measured by the Gini coefficient.  
 WEALTH INEQUALITY is the ratio of the mean wealth of the top decile to median overall wealth.  
 Wealth data are only available for 1962, and at three year intervals beginning in 1969.



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## 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

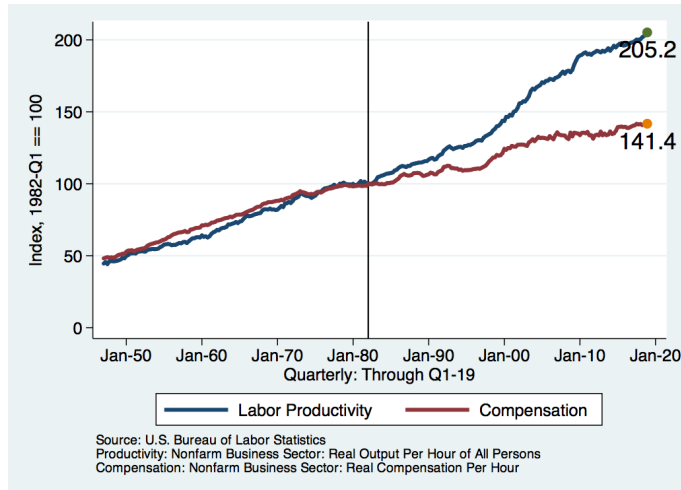
### • Government Policy

- Market influence
- Redistribution



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## Labor Income is Unhinged from Productivity



### Why?

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

## 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



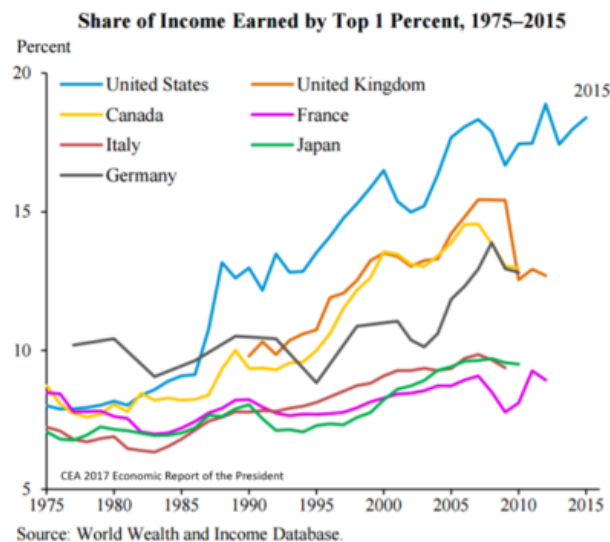
## Addressing Inequality: Is It A Problem?

- **Why it might be a problem.**

- Economic issues (*Efficiency*)
  - There is evidence that at some level, increased inequality slows economic growth.
  - Or, inequality concentrates resources among investors.
- Noneconomic issues (*Equity*)
  - Values, ethics and morals will drive individual evaluations of the level of inequality.
    - E.g., inequality is primarily a function of market outcomes, so should be left alone.
    - Or, a solid middle class is important for maintaining a civil society, which runs contrary to a high degree of inequality.

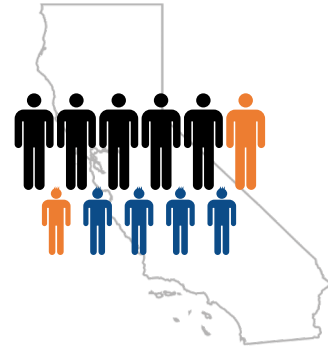
- **Suppose you think it's a problem. How might it be addressed?**

## An International Perspective: Comparables



## Summary

- **Income inequality is clearly increasing.**
  - The economy is clearly favoring owners of productive resources over labor.
- **The causes appear to be largely driven by:**
  - The market – technology, competition, and trade
  - Changing institutions.
- **Open questions are:**
  - To act or not to act?
  - If so, how?
- **The level of inequality is a policy choice.**



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## Thank you!

# Any Questions?

[www.NEEDelegation.org](http://www.NEEDelegation.org)

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