

The Rise and Consequences of Inequality

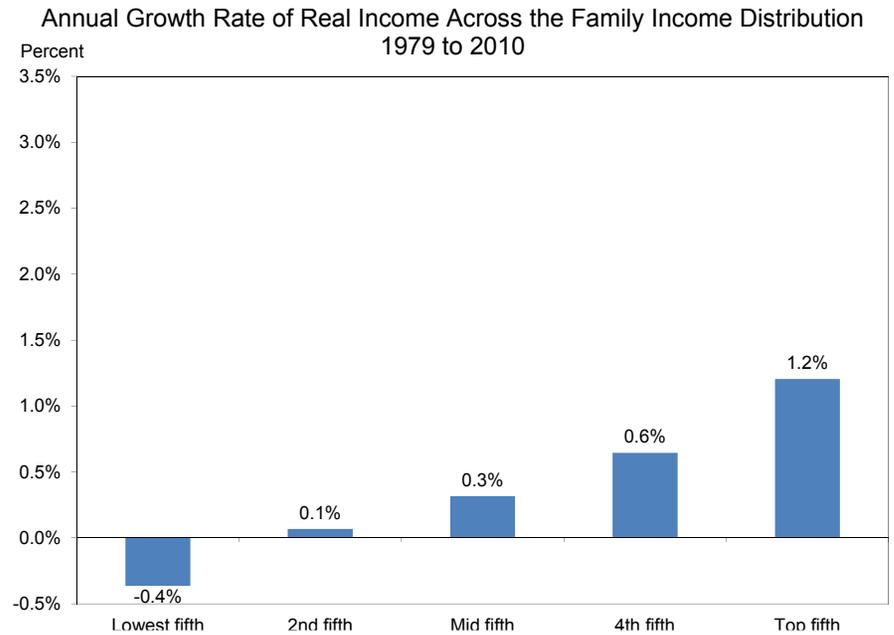
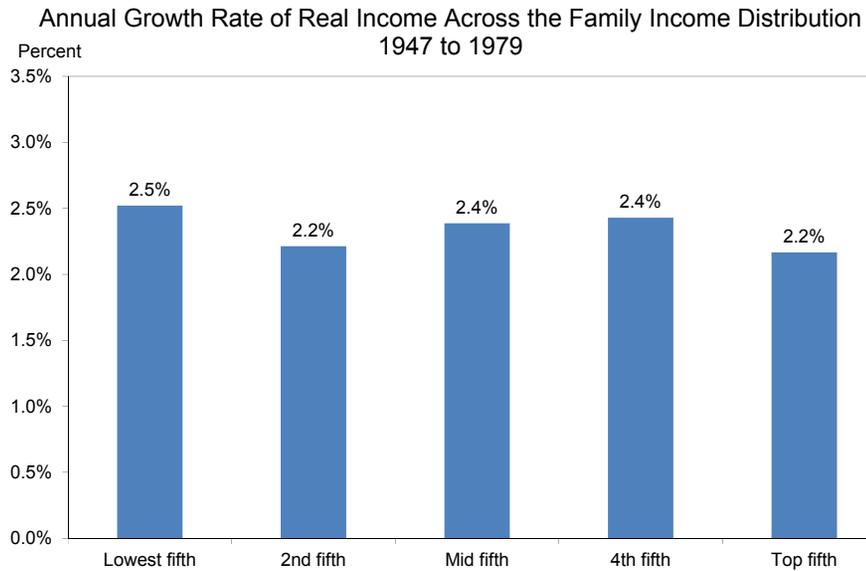
**Alan B. Krueger
Chairman
Council of Economic Advisers**



January 12, 2012

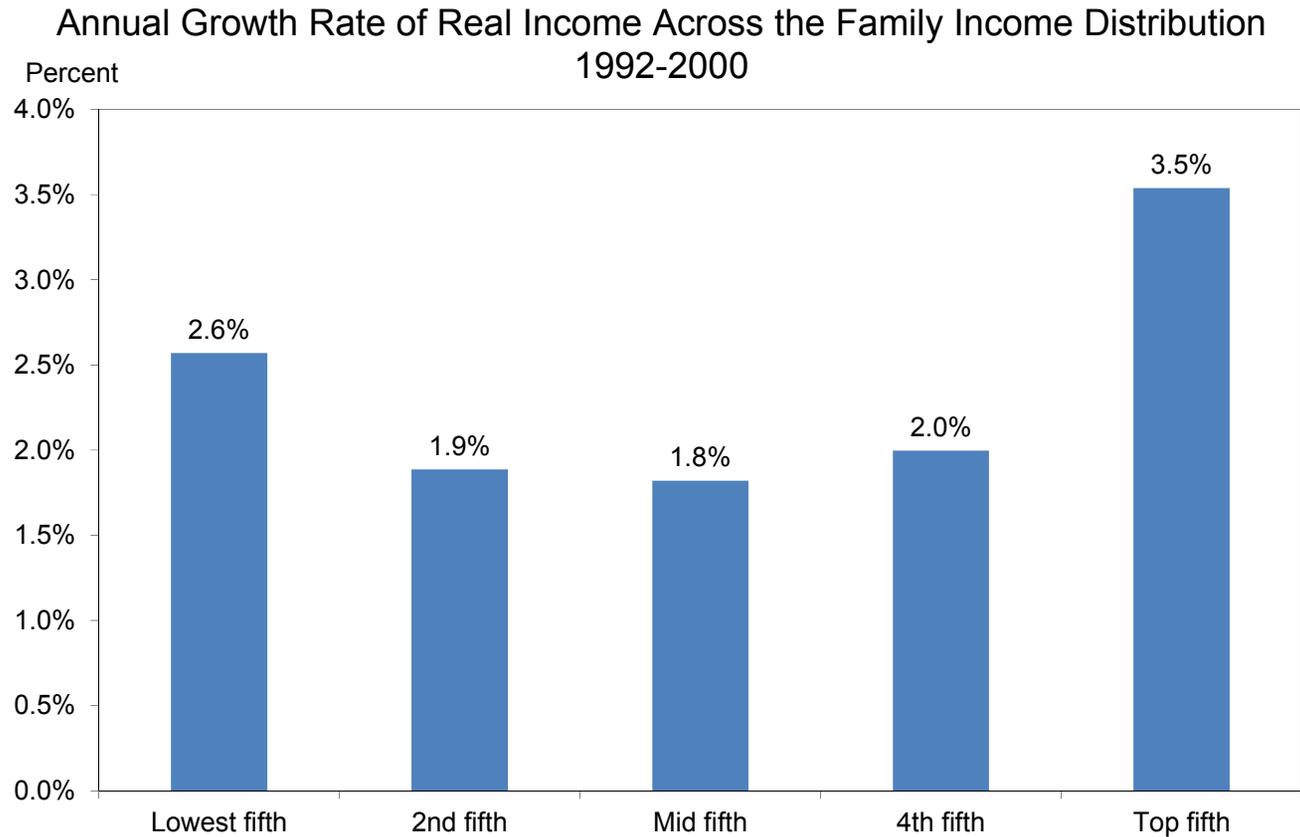
Figure 1: Growing Together, Growing Apart

Income Growth by Quintile, Various Periods



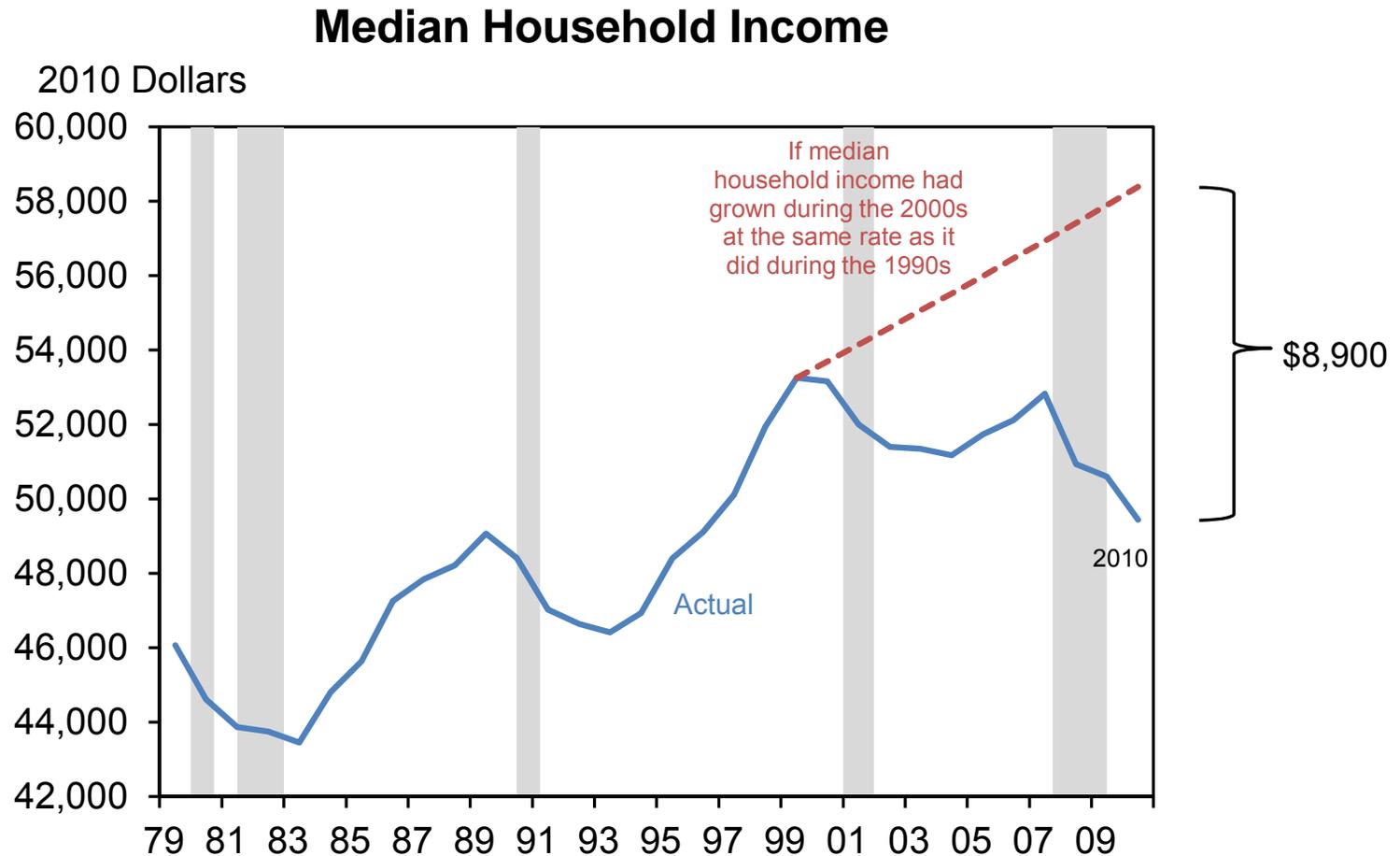
Source: Census Bureau

Figure 2: Growing Together Again 1992-2000



Source: Census Bureau

Figure 3: If Real Incomes Had Grown During the 2000s as They Did During the 1990s, the Median Household Would Have an Extra \$8,900 in Annual Income in 2010

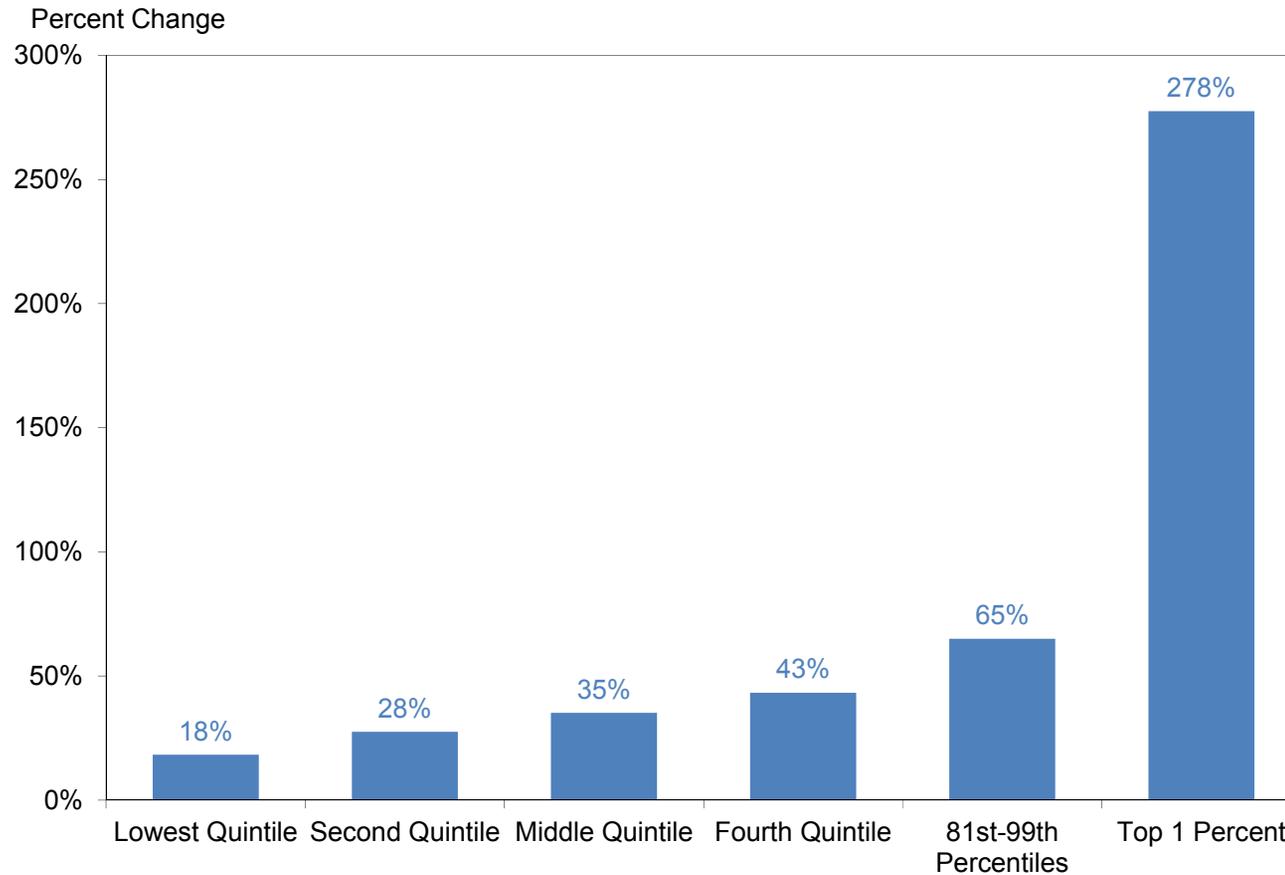


Note: Shading denotes recession.

Source: Census Bureau; CEA calculations

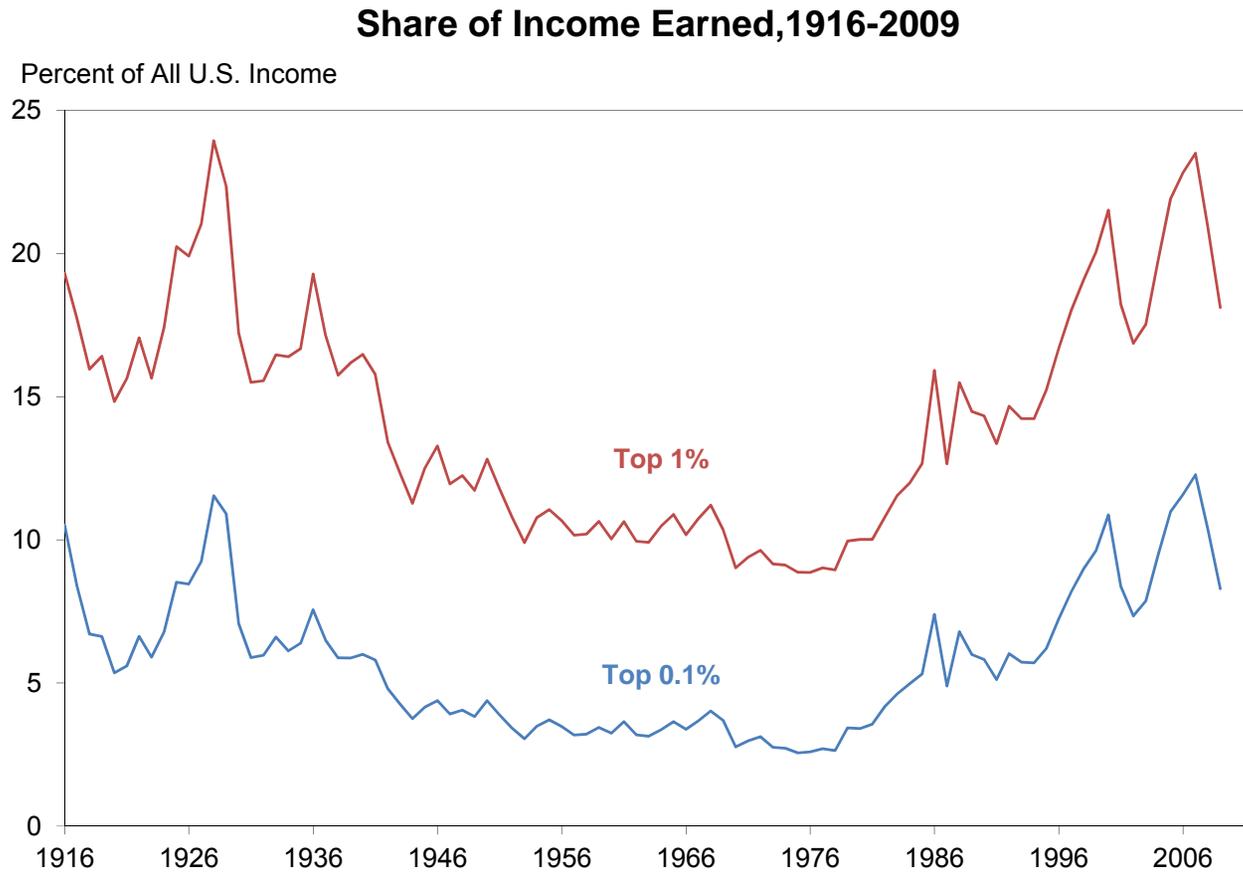
Figure 4: CBO Estimates Show Much Faster Income Growth for the Top 1%

Growth in Real After-Tax Income, 1979-2007



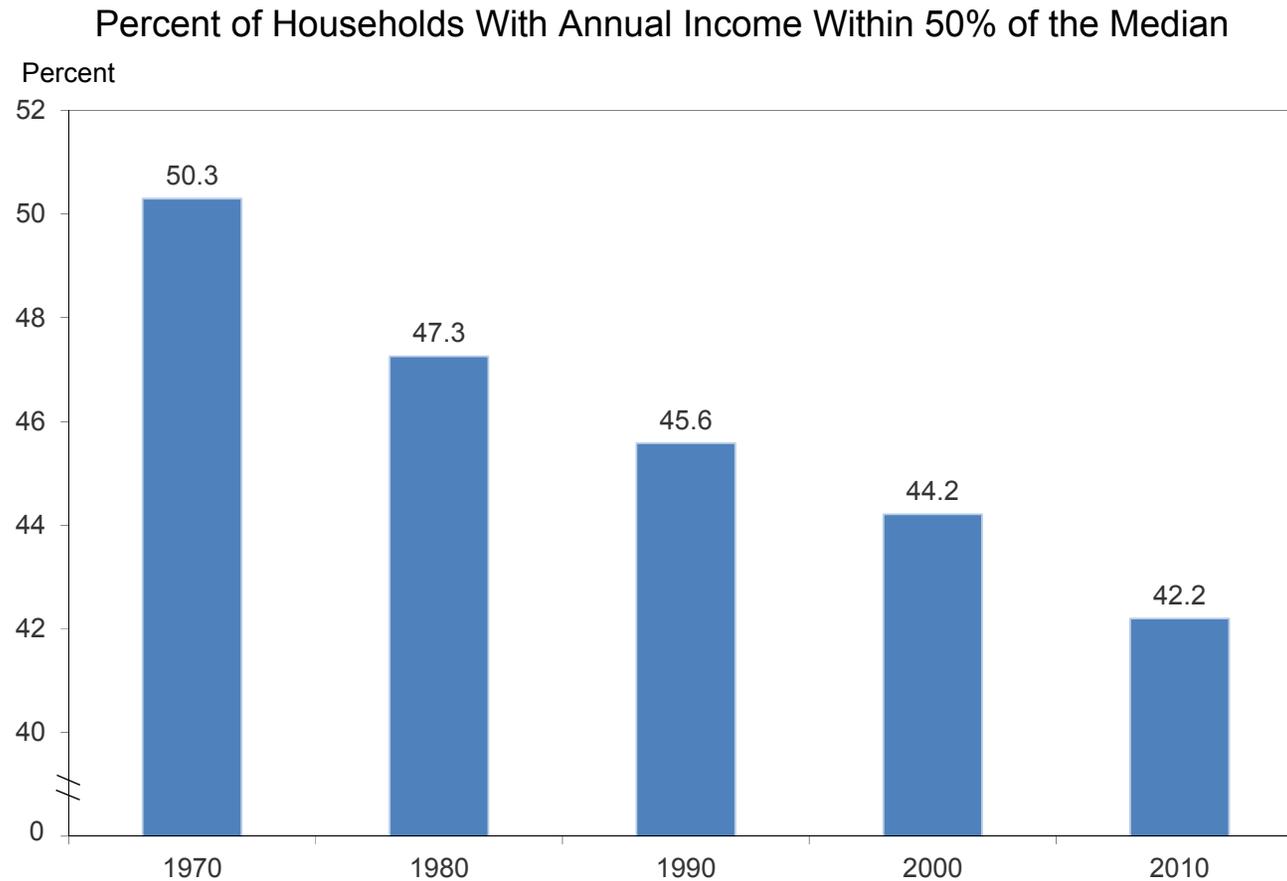
Source: CBO

Figure 5: Income Inequality Near Record High



Source: 2010 update to Piketty and Saez (2006)

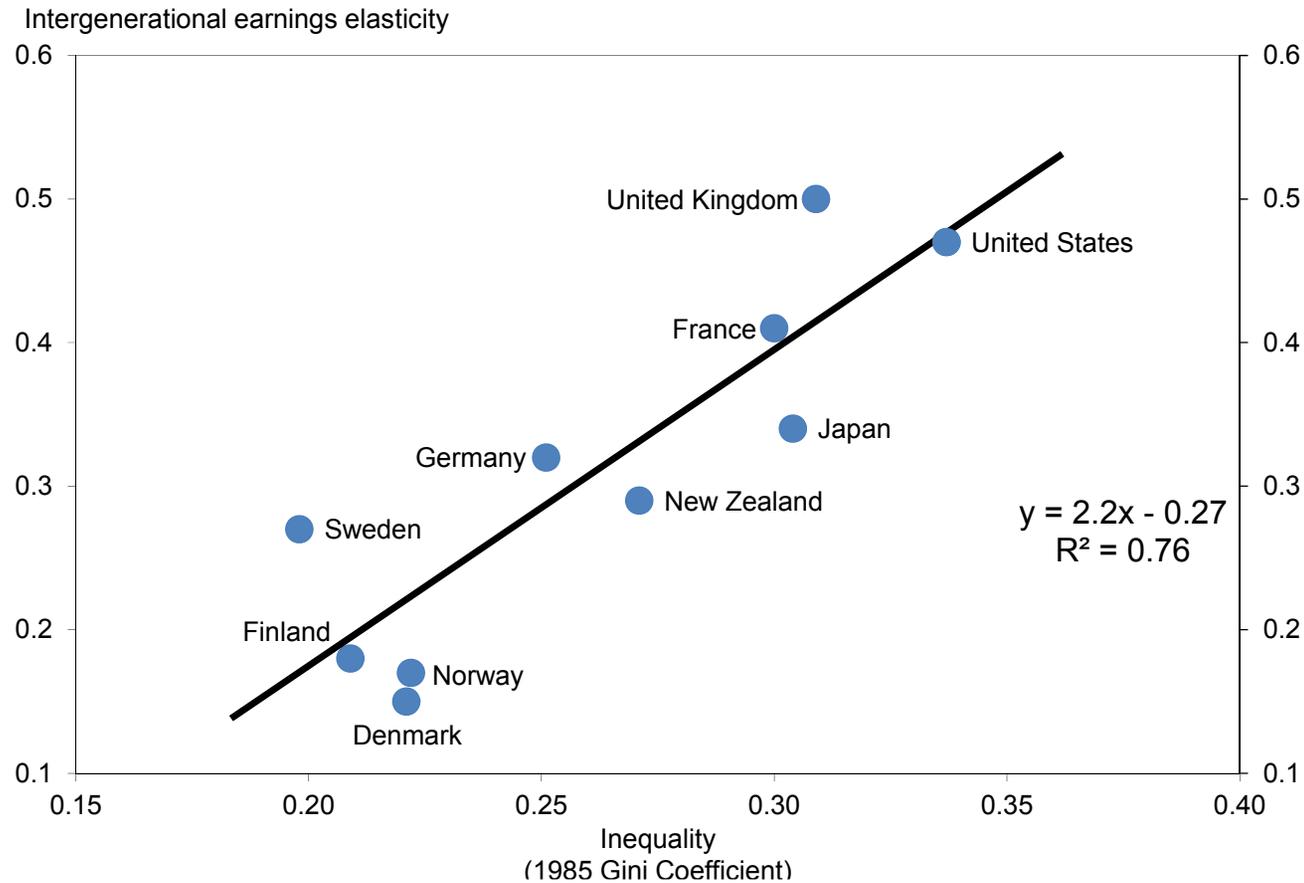
Figure 6: The Size of the Middle-Class has Fallen



Source: CEA Calculations from Current Population Survey

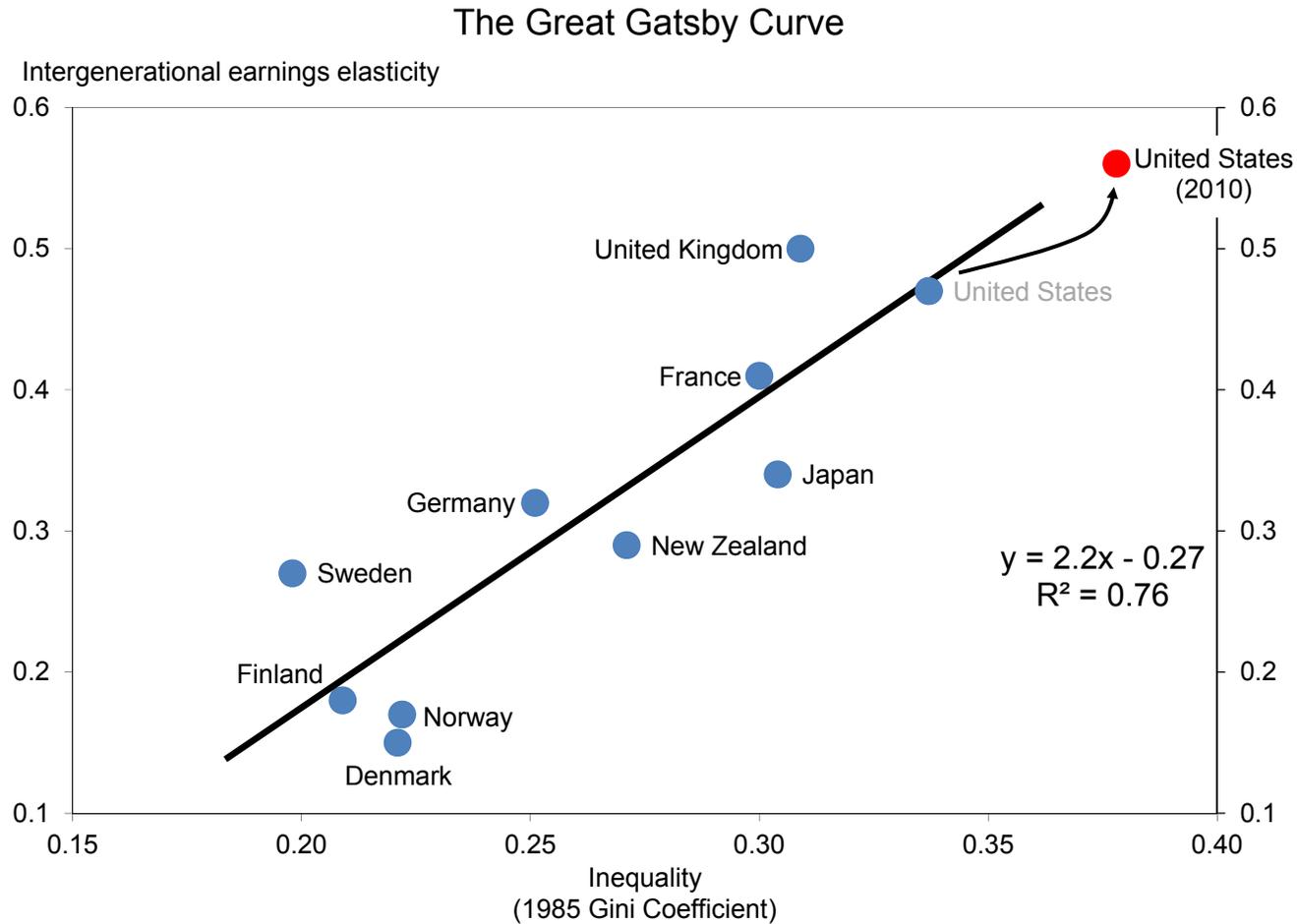
Figure 7: “The Great Gatsby Curve”

Higher income inequality associated with lower intergenerational mobility



Source: Corak (2011), OECD, CEA estimates

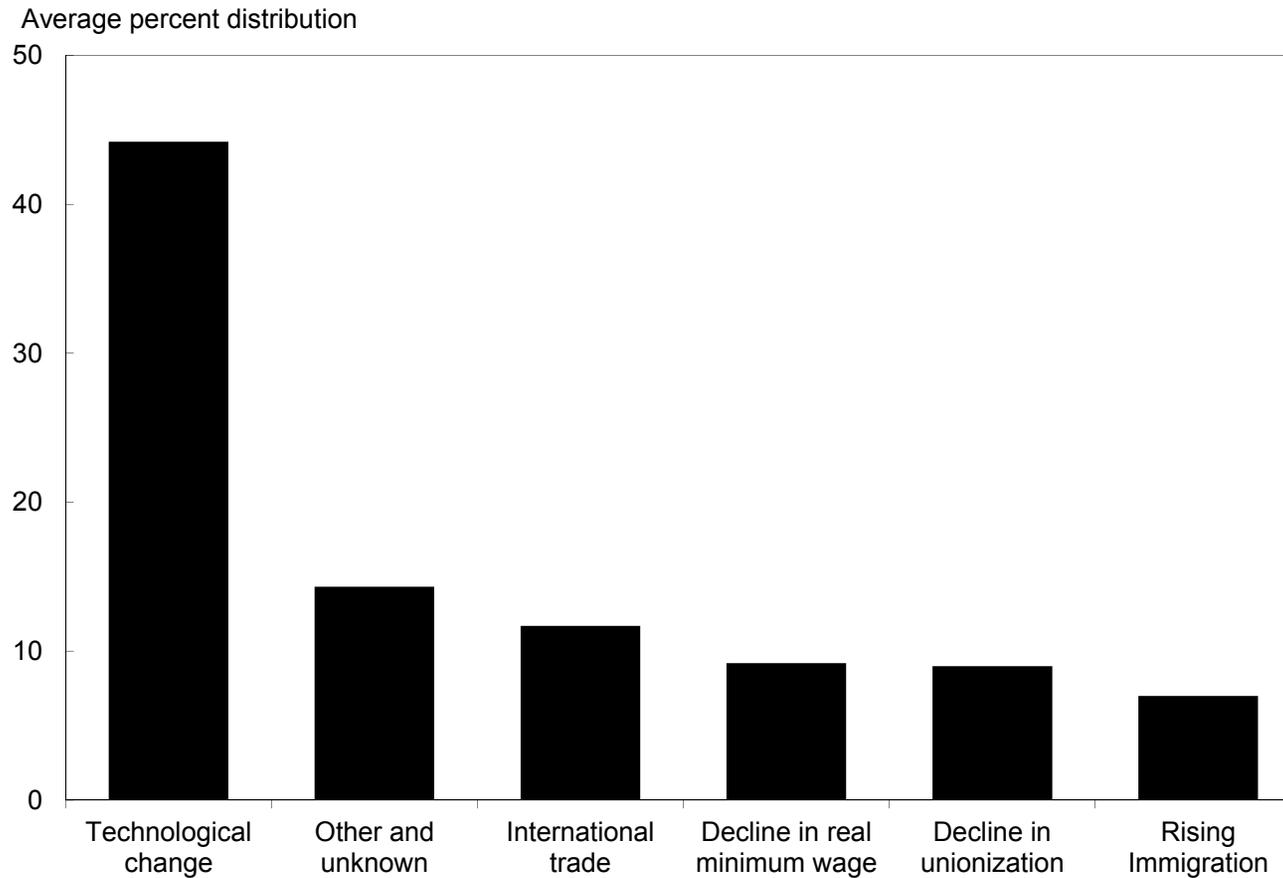
Figure 8: “The Great Gatsby Curve”: Projection



Source: Corak (2011), OECD, CEA estimates

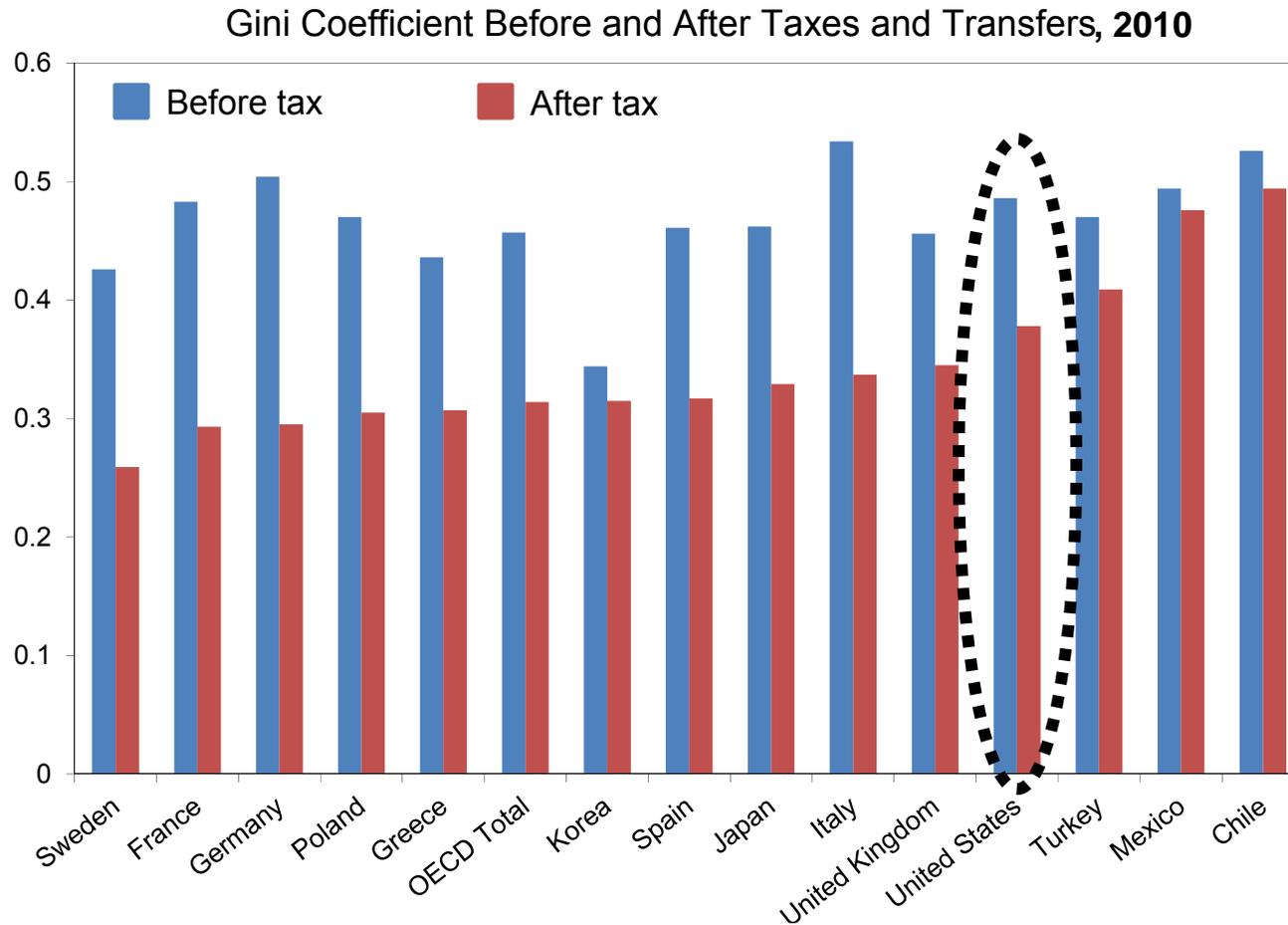
Figure 9: Causes of Higher Inequality

Box-5-3.—The Expert's Consensus on Earnings Inequality



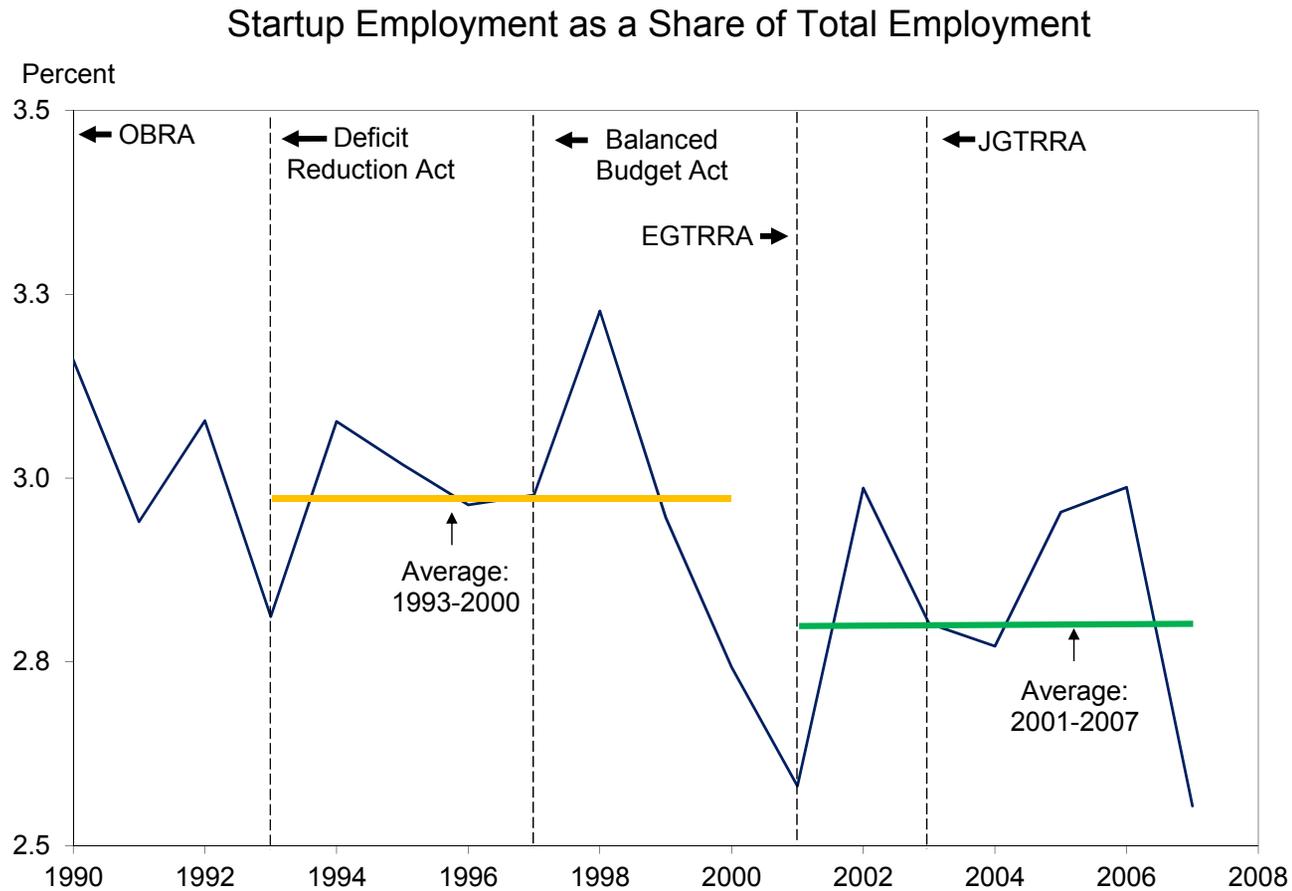
Source: Economic Report of the President, 1997

Figure 10: U.S. Tax Code is Less Progressive than Most Other OECD Countries



Source: OECD

Figure 11: Despite large tax cuts, less dynamism



Source: Business Dynamics Statistics

Consequences

- Intergenerational Mobility
- Consumption
 - Aggregate demand and excess leverage.
- Economic Growth
- Morale and Productivity

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